Barratt Developments PLC

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Annual Report and Accounts 2009

Contents

Front cover
Main Image: David Wilson Homes development at Colsterworth, Lincolnshire. **Top left:** West 1, Edinburgh. **Top middle:** Street scene and view from Brooke Park, Okehampton. **Top right:** Five bedroom town house in The Crescent at Meadowbrook, Four Marks, Hampshire.

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Under the Companies Act 2006, a safe harbour limits the liability of Directors in respect of statements in and omissions from the Report of the Directors contained on pages 2 to 53. 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 2 to 53 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 future by or on behalf of the Group, may contain forward-looking statements. Although the Group believes that its expectations are based on reasonable assumptions, any statements about future outlook may be influenced by factors that could cause actual outcomes and results to be materially different.

Welcome to Barratt Developments PLC

Barratt Developments PLC is one of the nation's largest housebuilders with over 4,000 direct employees and 25 divisions throughout Britain. In the 2009 financial year the Barratt group of companies (the 'Group') sold over 13,200 homes and 590,000 square feet of commercial property. The Group operates across all sectors of the market: from apartments to family homes and urban regeneration schemes.

The Group's aim

The Group's aim is to maximise value for shareholders by creating outstanding places to live and work that serve the long-term needs of our customers and their communities.

The Group's brands

The Group's housebuilding business trades under the Barratt Homes, David Wilson Homes and Ward Homes brands. Barratt Homes is the best known housebuilding brand in Britain focusing on traditional housing, apartments and urban regeneration. David Wilson Homes has a reputation for producing larger family homes. The Group also has a strong regional brand, Ward Homes, operating in Kent and the South East. Commercial and mixed-use developments are mainly delivered by Wilson Bowden Developments.

The Group's awards

During the year, the Group won a series of national awards for design, service and the quality of its operations. The Group is the only volume housebuilder to be credited as Four Star in the Home Builders Federation customer satisfaction survey. In terms of construction excellence, the Group's construction teams won 76 National House-Building Council 'Pride in the Job' quality awards.

Summary of Group performance

"This has been an intensely difficult year for the Group following the sharp decline in the UK housing market. In the first half, as prices fell, we drove sales and reduced stock and debt levels. In the second half we have been able to maintain price levels and increase our reservation rates, with these encouraging trends continuing through the summer into the autumn.

The Board has therefore decided it is now an appropriate time to substantially strengthen the Company's balance sheet and reduce its debt levels via a Placing and a Rights Issue. This will also enable the Group to develop a number of its existing sites and to take advantage of land purchasing opportunities as they arise."

Mark Clare, Group Chief Executive
23 September 2009

Performance highlights

- Net private reservations per site per week were up 10.5% compared with the 2008 financial year, 6.0% down for the first half and 28.6% up in the second half.
- Completions for the full year were 13,202 (2008: 18,588), a decrease of 29.0%, at an average selling price of £157,200 (2008: £183,100). Group revenue decreased by 35.7% to £2,285.2m (2008: £3,554.7m).
- Operating profit before exceptional items was £34.2m (2008: £550.2m) at a margin of 1.5% (2008: 15.5%).
- Operating exceptional items totalled £519.5m (2008: £255.0m) including £499.5m (2008: £208.4m) impairment of inventories of which £494.9m (2008: £nil) was recognised at the half year. Exceptional items charged after operating profit totalled £15.3m (2008: £nil).
- The Group made a loss before tax and exceptional items of £144.1m (2008: £392.3m profit) and a loss before tax of £678.9m (2008: £137.3m profit).
- Adjusted basic loss per share before exceptional items was 23.8 pence (2008: 79.6 pence earnings). Basic loss per share was 135.8 pence (2008: 25.0 pence earnings).
- Net debt has reduced by £373.7m since 30 June 2008 (£145.9m since 31 December 2008) to £1,276.9m (2008: £1,650.6m).
- The Group continues to comply with the financial covenants in its existing financing arrangements.
- As previously announced no dividend will be payable for the year ended 30 June 2009 (2008: 12.23 pence per share).
- At 30 June 2009 net asset value per share was 672 pence (2008: 827 pence) and net tangible asset value per share was 415 pence (2008: 570 pence).
- Forward sales at 30 June 2009 were £464.3m (2008: £697.6m) representing 3,328 plots (2008: 4,586 plots). At 13 September 2009 forward sales had increased to £733.4m.
- Over the eleven weeks since the financial year end the Group has delivered 2,152 net private reservations (2008: 1,857). This represents an average of 0.46 net private reservations per site per week, up 53.3% on the equivalent period in the last financial year.
- The Board has today announced a fully underwritten Placing and Rights Issue to raise gross proceeds of approximately £720m, together with amended financing arrangements which will come into effect upon successful completion of the Placing and the Rights Issue.

[1] Loss from operations was £485.3m (2008: £295.2m profit).

Chairman's statement

This has been an immensely difficult year for the housebuilding sector with the industry experiencing a material and sudden fall off in customer demand driven by a structural change in the availability and terms of mortgage finance, decline in house prices and a loss of consumer confidence in light of the prevailing economic uncertainty. As a result, the Group, along with other housebuilders, experienced a significant fall in both the volume and value of the homes that it sold.

Against this backdrop, the Group has continued to focus on the clear set of priorities already established of driving sales, reducing costs and generating cash with the objective of reducing debt. The Group has made good progress in all these areas.

At the same time, the Group has sought to ensure that it has the capability to respond to any recovery in the market. The initial signs of stabilisation seen at the start of 2009 have continued, underpinned by a greater degree of price stabilisation and improved customer sentiment. The Group has seen higher sales rates, fewer cancellations and levelling of prices. The Group does not, however, expect to see a sustained improvement in trading conditions until the availability of mortgage finance improves further.

The housing market

During the financial year the magnitude of the economic downturn became apparent. What started as a sharp contraction in the availability of financial credit quickly became a full scale international recession.

The housing market in Britain was particularly hard hit during the first half of the Group's financial year as deteriorating economic conditions were coupled with rapidly declining customer confidence and severe constraints on the availability of mortgage finance. In particular, the withdrawal by lenders of many higher loan to value mortgages has significantly affected the first time buyer market.

House prices across Britain, including for the new build sector, fell sharply. For the Group, this was most acutely felt towards the end of the 2008 calendar year as it sought to reduce stock levels in a difficult market.

During the second half of the financial year, sales prices began to show some signs of stabilisation reflecting historically low interest rates and a more limited supply of housing in both the second hand and new build market. The position, however, remains fragile with limited visibility; a sustained recovery of volumes and prices will depend on the improved availability of mortgage finance.

The Group's response

Responding to the dramatic decline of the market has been an immense challenge for the Group. In July and August 2008, the Group arranged a refinancing and amended its financial covenants. Sharp reductions in selling prices in the autumn led to an impairment of £499.5m against the value of land and work in progress during the year, of which £494.9m was recognised at the half year.

With prices reset across the business in January 2009, the Group has been able to improve sales rates to reduce stock levels further, enabling it to manage its working capital more efficiently.

The combination of this tight control of work in progress and sales generation has contributed to the reduction in the Group's net debt by £373.7m over the course of the financial year to £1,276.9m at 30 June 2009.

Cost reduction has also continued to be a priority. Whilst many of the savings the Group has generated have come through reductions in supplier and employee costs, structural changes in the Group's cost base have also been achieved through actions such as the closure of operating divisions. The Group is now a more efficient organisation, positioning it better to respond when customer demand increases.

I recognise that many of the decisions that the Group has made in the year have adversely affected its employees; whilst that is something I very much regret it was necessary to ensure that the Group protected its core business during the downturn.

I remain immensely impressed by the Group's people who are dedicated to achieving excellence in the housebuilding industry. Their determination during these exceptionally difficult economic circumstances is a great credit to them. The Board is hugely appreciative that the Group's employees have worked so hard to meet the demands placed upon them in these challenging times.

Corporate responsibility

The Board remains committed to the principles of corporate responsibility and despite the downturn in the market, it remains convinced that responsible business practices are fundamental to the future success of the Group. The Group is pleased that it has been able to progress its corporate responsibility strategies in the key areas of health and safety, the environment, customer care, employees and the communities where it works as part of the normal day-to-day business operations of the Group, and expects that this will position the Group better to respond to any recovery in the market.

Board

It was with regret that, in January this year, the Group announced that Mark Pain, the Group Finance Director, had decided to step down from the Board. Mark served the Company with distinction and the Board wish him well with his future career.

His successor, David Thomas, who joined the Group in July 2009 from his combined role as Deputy Chief Executive and Finance Director at The GAME Group plc, is an extremely able replacement and I am delighted that the Company has been able to attract a Group Finance Director of his calibre.

After seven years on the Board, Michael Pescod stepped down in December 2008 and the Board is particularly grateful for his wise counsel during his tenure, latterly as the Senior Independent Director. This role has been assumed by Bob Davies who originally joined the Board in May 2004. The Company is also pleased to welcome to the Board Tessa Bamford whose appointment as a Non-Executive Director was announced on 30 June 2009. The Board expects her experience in finance and business development to be a great asset to the Group.

Dividend

The Board suspended dividend payments in June 2008 as part of its cash conservation policy. The Board remains focused on strengthening the balance sheet and conserving cash. The existing terms of the Group's committed bank facilities and private placement notes impose certain restrictions on the payment of dividends. In light of these restrictions no final dividend will be paid in respect of the financial year ended 30 June 2009.

The Board is committed to reinstating the payment of dividends and will do so when it becomes appropriate and permissible to do so.

Priorities

Barratt Developments PLC aspires to be the leading housebuilder in Britain with a focus on efficient production, sales and marketing, land and planning, becoming the partner of choice and the quality of its people.

Despite the difficult economic backdrop the Group is continuing to invest in these key areas. There are tangible results being achieved most notably that the Group is the only national volume housebuilder to be credited as Four Star in the Home Builders Federation 4th annual customer satisfaction survey. In terms of construction excellence, the Group had another year of outstanding achievement in the National House-Building Council 'Pride In The Job' quality awards.

Whilst the timing and extent of any market recovery remain uncertain, these strengths and the reduced cost base now in place will enhance the Group's ability to take advantage of any such recovery.

Proposed Placing and Rights Issue

The Board is today announcing a fully underwritten Placing and Rights Issue to raise gross proceeds of approximately £720m, together with amended financing arrangements which will come into effect upon successful completion of the Placing and Rights Issue. The Directors expect the Placing and Rights Issue will substantially strengthen the Group's balance sheet and reduce financial indebtedness. The proceeds raised will enable the Group to develop its existing sites and better position it to take advantage of appropriate land purchasing opportunities. The amended financing arrangements are expected to allow the Group to take advantage of opportunities that may arise in a recovering market, as well as to provide an appropriate alternative framework, should a further downturn arise.

Bob Lawson

Bob Lawson, Chairman
23 September 2009

"In addition... the Group is continuing to focus on the action needed to drive the longer-term performance of the business which will enable it to recover more quickly from the downturn when the market begins to improve – land and planning; sales and marketing; people and efficient production."

Group Chief Executive's statement

Overall performance of the business during the financial year was dominated by the significant decline in customer demand for new housing. In response, the Group reduced the scale of its business, cut costs, sold at acceptable rates and reduced debt.

The first half of the year was particularly challenging for the Group. Conditions became immensely difficult as a result of the deteriorating economic outlook and the resulting contraction in the availability of mortgage finance, and decline in customer confidence levels. Sales were only achievable at substantially reduced prices. In the second half of the year, the Group started to achieve some pricing stability, albeit at reduced levels. This combined with acceptable sales rates at planned selling prices allowed the Group to achieve its cash targets.

Declining volumes and prices have had a significant impact on the profitability of the Group. Group profit from operations before exceptional items fell from £550.2m to £34.2m. Operating margins before exceptional items were 1.5% (2008: 15.5%). As a result of inventory write-downs and other operating exceptional items of £519.5m (2008: £255.0m), the Group's loss from operations was £485.3m (2008: £295.2m profit).

Tight control of land spend and work in progress and disposal of commercial development assets helped to reduce net debt to £1,276.9m at 30 June 2009 (2008: £1,650.6m).

Total completions for the year decreased to 13,202 (2008: 18,588). The overall mix of completions also changed. The proportion of social housing fell to 15.7% (2008: 20.4%) as the Group reduced the number of new sites. During the year houses represented 50.5% (2008: 54.9%) of the Group's completions, excluding central London, and the Group expects site replans to increase the proportion of houses available on its sites in future. Properties sold to investors rose to 20.9% of total completions compared with 14.1% in 2008.

Net private reservations per site per week were up 10.5% compared with the 2008 financial year, 6.0% down for the first half and 28.6% up in the second half. A return to more normal seasonal selling patterns emerged, with second half net private reservations 15.4% above the first half levels on a per site per week basis.

A lack of customer confidence, in particular the perception of falling house prices, led to a sharp decline in sales. This contributed to a lower forward order book of £464.3m (2008: £697.6m) at the year end, of which £286.4m (2008: £538.7m) was contracted.

The average selling price measured over all completions reduced by 14.1% to £157,200 (2008: £183,100). The underlying reduction, excluding the impact of mix changes, was approximately 22%. During the second half of the year, the Group experienced improved price stabilisation across the housebuilding business. Prices are now approximately 27% lower than at their peak in the summer of 2007. Following the resetting of prices from January 2009 and as a result of increased visitor numbers in the second half and reduced stock levels, the Group was able to reduce the level of sales incentives being offered.

Driving business performance

During the year the Group has focused on improving its operating efficiency. It has continued to prioritise driving sales, reducing costs and generating cash to reduce debt. These objectives were pursued whilst seeking to preserve the capability of the organisation to respond to any market recovery.

Maximising sales

The effectiveness of the Group's sales channels has continued to improve. The Group has moved increasingly towards online and new technology to support sales.

A range of products has been used effectively to address different market sectors and the barriers to house purchasers in the current market. Shared equity has been important in addressing the first time buyer market where the lack of higher loan to value mortgage finance has become a particularly difficult issue. 11.4% of the Group's completions during the year depended on shared equity. HomeBuy Direct, the Government scheme, is now in operation and the Group reserved around 24 homes per week during the fourth quarter of the financial year using this scheme.

Part-exchange has been used to address the customer sector that has had difficulty finding purchasers for its existing homes. During the year 11.8% of completions (2008: 12.3%) were supported by part-exchange incentives. The Group's ability to sell second hand properties, and thus manage its working capital, has enabled it to continue to use this mechanism as an effective sales support tool throughout the year.

Part-exchange stock levels have also continued to fall. At 30 June 2009, we had 150 unreserved part-exchange units, down 78% over the last twelve months (2008: 677).

Stock of completed units continues to reduce. We had 822 unreserved stock units at 30 June 2009, 3.9 weeks' supply at current sales rates, down 55% from the holding of 1,821 units at 30 June 2008.

Cost reductions

Cost reduction programmes are well established and embedded in the Group's operations. During the year the number of divisional offices was reduced from 32 to 25, whilst seeking to ensure that the core infrastructure of the Group and its brands have been preserved.

The programme to reduce supply and build costs has continued to deliver substantial benefits for the Group. For example, since June 2007, the Group has reduced the basic housebuild costs of a standard house type by approximately 15%. Material prices and subcontractor rates have been reduced significantly to reflect the current conditions in the market. Whilst it is unlikely that these reductions will be permanent, other cost reduction programmes including technical design changes and replans from apartments to houses are expected to yield longer-term efficiency improvements.

Strategic drivers

> Sales maximisation

A range of products has been used effectively to address different market sectors and the barriers to house purchasers in the current market.

> Cost reductions

Savings have been generated through supplier and employee cost reduction and structural changes in the costs base such as divisional closures, specification and design changes.

"For example, since June 2007, the Group has reduced the basic housebuild costs of a standard house type by approximately 15%."

Mark Clare
Group Chief Executive

Administrative expenses before exceptional items[1]

2009	£95.2 million
2008	£132.0 million
Reduction	£36.8 million

[1] Administrative expenses £115.2m (2008: £178.6m)

> Managing cash

The Group has continued to focus on generating cash. Having reduced excess stock in the first half, it carefully controlled work in progress, closely matching build rates to sales rates.

"Tight control of land spend and work in progress...helped to reduce net debt to £1,276.9m at 30 June 2009."

Mark Clare
Group Chief Executive

> Driving up quality

The Group's high quality homes have been recognised independently by the recent achievement of Four Star builder status in the Home Builders Federation 4th annual customer satisfaction survey.

Managing cash

During the year the Group has continued to focus on generating cash. Having reduced excess stock in the first half, it carefully controlled work in progress, closely matching new build starts to sales. Site openings have been tightly managed, in particular by deferring investment on sites with significant upfront infrastructure requirements. The average number of sites during the 2009 financial year was 503 (2008: 594). In addition, the progress made in disposing of certain commercial development assets from the Wilson Bowden Developments portfolio generated cash for the Group.

Land spend during the year was largely restricted to fulfilment of pre-existing contractual commitments which could not be cancelled or deferred, although there was limited expenditure where the Group could source attractively priced opportunities on deferred terms. Land spend totalled £263.7m, a significant reduction on the spend of approximately £1.0 billion in 2008.

Although the Group's net debt has been reduced significantly during the year, future cash flows remain vulnerable given continued market uncertainty. Nevertheless, the Group has operated within its financial covenants throughout the last twelve months and, as explained in the basis of preparation on page 58, expects to continue to do so in the absence of a further downturn.

Driving up quality

The Group has continued to focus on the quality of the products it builds and on customer support during and after the sales process. The Group recently became, for the first time in its history, a Four Star builder in the Home Builders Federation 4th annual customer satisfaction survey. In addition, the Group has achieved 76 (2008: 73) National House-Building Council 'Pride in the Job' quality awards.

The Group continues to make progress to improve the design of its products, internally, externally and for the development as a whole. The Group has been awarded its first ever Building for Life award for the development at City Point in Brighton and Building for Life standard for the development at Tachbrook Triangle in Pimlico, London, by The Commission for Architecture and the Built Environment ('CABE'). The Building for Life awards are the National Standard for well-designed homes and neighbourhoods. The Group is continuing to improve the quality of design in its developments and has produced new internal design guidelines which seek to promote examples of good practice across the business.

Product innovation

Customer demand, economics and regulation continue to influence the nature of the Group's products. Houses made up 50.5% of Group completions, excluding central London (2008: 54.9%). As the Group replans sites, this proportion will rise further as apartments are replaced by new house types.

Design innovation will be particularly important in meeting environmental challenges of the future at the most economical cost. The Group's zero carbon house at the Building Research Establishment ('BRE') continues to be tested and management are pleased with its performance to date. Planning permission has been granted for the flagship zero carbon development at Hanham Hall and it is expected that work will start on site later this year.

Building on experience, the Group is currently developing a range of houses designed to meet the requirements of various aspects of the Code for Sustainable Homes. The Group believes that this work will provide both cost and reputational advantages for its products.

Commercial developments

Good progress has been made in the disposal of commercial developments assets from the Wilson Bowden Developments portfolio, with total cash proceeds of £181.1m received in the financial year ended 30 June 2009. Investments and development opportunities, with a net asset value of £55.9m as at 30 June 2009, have been retained and are being managed by a dedicated team with a view to realising value when the market improves. This team will also seek opportunities to create value from the wider Group portfolio including where there are mixed-use sites.

Government initiatives

The Government has put in place a number of measures during the year to support the housebuilding industry. On the demand side, HomeBuy Direct, after a slow start, is now making a significant difference to the Group's sales of shared equity products. Whilst Government support to the banking sector has been welcome, the Group has yet to see a material improvement in the availability of mortgage finance, in particular for the higher loan to value sector. Addressing this issue remains a priority to drive recovery.

On the supply side, the Government's commitment of £400m of funding, announced in the 2009 Budget, and the additional resources that have since been made available to the Kickstart programme were a welcome development for the industry and the Group. Final funding for the Group under the scheme will be determined later in the year.

Health and Safety

The Group considers health and safety to be of paramount importance. A Health and Safety Committee, including members of the Board, has been formed in order to provide further focus to the Group's strategy for improvement and to review overall Group performance. During the financial year the Group's commitment to health and safety resulted in an improvement to its reportable Injury Incidence Rate to 522 per 100,000 persons employed, a 20.4% decrease on the prior financial year. The Group is pleased to have achieved its objective to reduce the Injury Incidence Rate below 560 per 100,000 by 2010 one year ahead of target.

Planning for recovery

In addition to the measures to improve the short-term performance of the organisation, the Group is continuing to focus on the action needed to drive the longer-term performance of the business which will enable it to recover more quickly from the downturn when the market begins to improve – land and planning; sales and marketing; people; and efficient production.

Land and planning
If build activity scales back up in order to satisfy increased demand, it will be necessary to identify and secure investment opportunities in the land market, including strategic land, on appropriate terms to replenish the land bank to meet more normalised build levels. The Group intends to exploit fully its planning capabilities in order to extract maximum value from both existing and newly acquired sites.

Sales and marketing
The sales function is expected to benefit in an improving market from the efficiencies achieved during the downturn. A combination of a step up in training support and deployment of new technology on site will enable the Group to improve conversion rates. In addition, a shift in marketing focus away from deal-led advertising should support an improvement in sales performance.

People
The Group has continued to develop and invest in its people and their expertise, despite the downturn, in order to ensure appropriate and adequate resources are available to meet future demand. Increased professional and skilled resources, including in areas such as land buying, will be required and the Group's successful graduate and apprenticeship programmes will need to be relaunched.

Efficient production
The competition for suppliers and contractors is expected to intensify when activity levels increase and shortages of labour, appropriate skills and materials, as well as cost pressures, may result. Whilst the Group's strong procurement function and existing national procurement agreements with major suppliers will provide a firm base, it is committed to strengthening these relationships to ensure the support it needs as the market recovers.

Current outlook
The second half of the 2009 financial year has seen a degree of stability return to the UK housing market. The Company was able to maintain price levels after significant falls in the first half year, whilst achieving improved reservation rates per outlet.

This trend has continued since the start of the new financial year with reservation rates in the first eleven weeks both above budget and those in the same period of the previous year. Overall reservation prices are running ahead of internal expectations.

Forward sales at 30 June 2009 were £464.3m (2008: £697.6m) representing 3,328 plots (2008: 4,586 plots). As at 13 September 2009 forward sales had increased to £733.4m.

Total completions for the 2010 financial year are currently expected to be approximately 12,000, with a similar mix between social and private completions, but consistent with the replanning and build programme undertaken since the second half of the 2009 financial year, a shift in product mix towards a higher proportion of houses. The Group anticipates this shift will slightly improve average selling prices for the period.

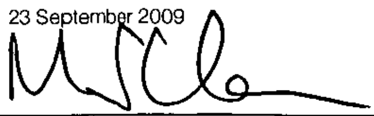
Nevertheless, the encouraging signs being experienced are subject to continued uncertainty in the wider economic climate. There is unlikely to be a sustained recovery in the UK housing market until mortgage finance is more readily available particularly in the higher loan to value segment and consumer confidence is more fully restored.

Proposed Placing and Rights Issue
The Board is today announcing a fully underwritten Placing and Rights Issue to raise gross proceeds of approximately £720m, together with amended financing arrangements which will come into effect upon successful completion of the Placing and Rights Issue.

The Firm Placing and Rights Issue will:
- substantially strengthen the Group's balance sheet and reduce its financial indebtedness;
- allow the Group to develop its existing sites; and
- improve the Group's competitive positioning and enable it to take advantage of land purchasing opportunities as and when they arise in a period of market recovery.

The amended financing arrangements will enable the Group to take advantage of opportunities that may arise in a recovering market, as well as to provide an appropriate alternative framework, should a further downturn arise.

Mark Clare, Group Chief Executive
23 September 2009



Business review

The Group has been operating in an extremely difficult market throughout the year. The deteriorating economic outlook and customer confidence coupled with constrained mortgage availability led to acceleration in the fall of house prices during the first half of the year. Whilst overall house prices remained relatively stable in the second half, mortgage finance remained difficult to obtain for many customers.

The Group delivered a profit from operations before exceptional items of £34.2m (2008: £550.2m). After inventory impairments of £499.5m (2008: £208.4m) and other net operating exceptional items of £20.0m (2008: £46.6m), the Group's loss from operations was £485.3m (2008: £295.2m profit).

The key performance indicators of the business are outlined in the table on the next page.

Housebuilding

The immensely difficult market in which the housebuilding business was operating significantly affected the results for the year. Market conditions meant that fewer new sites were opened and accordingly the average number of sites from which the Group was operating fell by 15.3% to 503 (2008: 594). Across housebuilding sites visitor numbers per site per week were down 4.0% from the prior year at 1.69 (2008: 1.76). Against the backdrop of decreasing site and visitor numbers, the private reservation rate per site per week increased by 10.5% from 0.38 to 0.42.

Total housebuilding completions were 13,202 homes, a decrease of 29.0% on the prior year (2008: 18,588), and housebuilding revenue was £2,095.8m (2008: £3,414.2m). Of the total completions, private completions were 11,133, 24.8% lower than the prior year (2008: 14,803), and social completions were 2,069, 45.3% lower than the prior year (2008: 3,785). Social housing completions represented 15.7% of completions in the year, versus 20.4% in the prior year, predominantly due to the decline in the number of new sites being opened.

Over the year, total average selling price decreased by 14.1% to £157,200 (2008: £183,100). Private average selling prices decreased by 18.9% to £166,500 (2008: £205,400). The decrease in private average selling prices reflects the significant fall in realisable sales values in the first half partially offset by a change in site and product mix. Social average selling prices increased, as a result of mix changes, by 11.7% to £107,100 (2008: £95,900).

Housebuilding profit from operations before exceptional items was £38.8m (2008: £530.0m), giving an operating margin before exceptional items of 1.9% (2008: 15.5%). After inventory impairments of £431.5m (2008: £157.2m) and other operating exceptional items of £14.9m (2008: £15.9m), housebuilding loss from operations was £407.6m (2008: £356.9m profit).

The decrease in operating margin before exceptional items can be explained by a number of factors. First, underlying average selling prices, which exclude the impact of mix changes, have decreased by around 22%, which has also reduced margins by approximately 22%, reflecting the significant fall in sales prices, particularly during the second quarter. In addition, selling costs reduced margin by around 0.6%. Cost reduction programmes, the reversal of land impairments, mix changes, land sales and other income benefited margins by approximately 9.0%.

Throughout the year there has been a focus on build costs. The housebuilding business has continued to reduce build costs through changing specifications, improving build and technical processes, renegotiating subcontractor rates and reducing the cost of materials.

In addition to reductions in construction costs, there has been focus upon reducing the number of stock units held by the business and tight control of work in progress. Unreserved roof to complete units reduced by 61.1% to 2,008 (2008: 5,157) and unreserved completed properties reduced by 54.9% to 822 (2008: 1,821).

The option of part-exchange remains an effective selling tool, with 11.8% (2008: 12.3%) of the Group's completions in the year supported by the use of part-exchange incentives, but the housebuilding business continues to manage carefully its commitment to part-exchange properties. The number of unreserved part-exchange properties fell from 677 at 30 June 2008 to 150 on 30 June 2009, a reduction of 77.8%.

Key performance indicator	KPI	Description	2009	Movement	In this report
Operational	Residential completion numbers	Number of residential units legally completed	**13,202** (2008: 18,588)	(29.0%)	Discussed in the section entitled 'Housebuilding'
	Average selling price	Revenue generated from the sale of homes divided by the number of completions	**£157,200** (2008: £183,100)	(14.1%)	Discussed in the section entitled 'Housebuilding'
	Land bank plots	Number of residential plots owned and controlled	**68,000** (2008: 78,700)	(13.6%)	Discussed in the section entitled 'Land'
	Customer satisfaction levels	The percentage of customers who would 'recommend us to a friend'	**96%** (2008: 88%)	9.1%	Discussed in the section entitled 'Quality and service'
Financial	Revenue		**£2,285.2m** (2008: £3,554.7m)	(35.7%)	Discussed in the *Group Finance* Director's review
	(Loss)/profit from operations		**(£485.3m)** (2008: £295.2m)	(264.4%)	Discussed in the Group Finance Director's review
	(Loss)/profit before tax		**(£678.9m)** (2008: £137.3m)	(594.5%)	Discussed in the Group Finance Director's review
	(Loss)/earnings per share	(Loss)/profit after tax divided by the weighted average number of ordinary shares in issue	**(135.8p)** (2008: 25.0p)	(643.2%)	Discussed in the Group Finance Director's review
	Net debt		**£1,276.9m** (2008: £1,650.6m)	(22.6%)	Discussed in the Group Finance Director's review
Corporate responsibility	Injury Incidence Rate ('IIR') reportable under The Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 1995 ('RIDDOR')	The number of accidents reportable under RIDDOR regulations per 100,000 persons employed	**522** (2008: 656)	(20.4%)	Discussed in the section entitled 'Health and Safety'
	Construction Skills Certification Scheme ('CSCS') carded workforce	Percentage of the workforce that is fully CSCS carded and qualified	**95.4%** (2008: 90%)	6.0%	Discussed in the section entitled 'People and expertise'
	Carbon Dioxide Emission – Construction Process	Average kilogramme carbon dioxide emitted per unit legally completed	**1,782 kgCO_2/Unit** (2008: 1,792 kgCO_2/Unit)	(0.6%)	Discussed in the section entitled 'Environment and supply chain'
	Brownfield development	Percentage of completions on brownfield land	**70%** (2008: 68%)	2.9%	Discussed in the section entitled 'Environment and supply chain'

Image left: Horizons, Allerton Bywater street scene.
Image right: The Magnolia, a five bedroom detached executive home at Clayton Mills in Hassocks, West Sussex.

The housebuilding business has continued to reduce its overhead cost base throughout the year. Central functions and certain operating divisions have been re-organised, and seven operating divisions have either been closed or merged. During the year, restructuring costs of £22.0m have been incurred (2008: £15.9m).

Commercial developments

Conditions in the commercial property market continue to be extremely challenging, with pressure on rental incomes and, in turn, yields. Revenue from the commercial property business in the year totalled £189.4m (2008: £140.5m) and loss from operations before exceptional items was £4.6m (2008: £20.2m profit). Exceptional items were £73.1m (2008: £81.9m), consisting of £68.0m (2008: £51.2m) impairment of inventories and restructuring costs of £5.1m (2008: £nil) and impairment of goodwill and intangible assets of £nil (2008: £30.7m).

During the year ended 30 June 2009, the commercial developments business completed and sold the Eagles Meadow shopping centre in Wrexham, comprising 392,600 square feet of prime retail space, having secured lettings or offers for 90% of the scheme.

On industrial sites, the commercial developments business completed the sale of a portfolio of land and commercial property on nine sites in central England and the sales of 73,300 square feet to Terex Pegson and 19,400 square feet to Volvo at the Interlink development in Leicestershire.

With regard to the office portfolio, in February the commercial developments business completed construction of a forward-sold 102,700 square feet development in the heart of Manchester.

Following the sales made during the year, the commercial developments business, which includes Wilson Bowden Developments as well as a number of commercial properties in Scotland, retains investment and development opportunities, including certain town centre retail schemes and certain city centre office opportunities, with a net asset value of £55.9m with a view to realising value when the market improves.

Land

The Group land bank consists of both owned and controlled plots. At 30 June 2009, the Group had 68,000 (2008: 78,700) owned and controlled plots.

Land additions during the year were £219m (2008: £922m). At financial year 2009 completion rates, the Group's owned and controlled land bank is sufficient for 5.2 years (2008: 6.0 years). The Group has continued to invest in new land where contractually committed to do so or, more recently, where it has been able to secure attractively priced opportunities on deferred terms.

The average cost per plot in the Group's land bank was £44,000 at 30 June 2009 (2008: £44,400).

At 30 June 2009, detailed planning consents were in place on over 96.0% of land required to meet forecast activity for the next year (2008: 97.2%). In addition, the Group has 10,400 acres of strategic land (2008: 10,900 acres) which, until the necessary planning consents are obtained, is carried at current use value minimising the Group's exposure to risk from its strategic land holdings.

During the year, the Group has impaired its inventories by £499.5m (2008: £208.4m), of which £494.9m arose in the first half, further details of which are provided in the Group Finance Director's review on pages 20 and 21.

Core strength

Geographic and product diversity

"The Group's housebuilding business operates throughout Britain, trading nationally under the Barratt Homes and David Wilson Homes brands."

The Group serves all sectors of the market, creating homes for sale and shared ownership.

The Mews at Chestnut Grange, a retirement development of one and two bedroom apartments and two bedroom cottages in Wokingham (below left).

First Time Buyer Sally Taylor, took advantage of the HomeBuy Direct scheme to buy a two bedroom apartment at Barratt Bristol's Equinox development in Cheltenham (below right).

Net of impairment, the Group's land bank has a carrying-value of £2,453.2m (2008: £3,117.5m).

Core strengths

The Group's core strengths of geographic and product diversity, quality and service and people and expertise remain robust, despite the more challenging operating environment.

Geographic and product diversity

The Group's housebuilding business operates throughout Britain, trading nationally under the Barratt Homes and David Wilson Homes brands and in the South East under the local Ward Homes brand. At 30 June 2009, the Group was selling from 434 sites (2008: 585 sites). Following divisional closures and mergers during the year, the Group now operates from 25 divisions. The Group, despite the cost reduction programme, has been careful to maintain both its product range and geographical reach throughout the year in order to spread its risks.

Each division has a dedicated land buying team with local knowledge and experience. These teams identify land suitable for development and secure planning permission to enable new homes to be built. This capability, combined with the Group's strategic land portfolio, is designed to ensure that the Group has sufficient land to meet customer demand now and in the future as and when the market improves.

The Group serves all sectors of the market, creating homes for sale and shared ownership and works with Government agencies, housing associations, and other agencies on a broad range of urban regeneration schemes. The Group's wide product range varies from homes for first time buyers, large family homes and high rise apartments to social housing and commercial development. Private selling prices during the 2009 financial year ranged from £47,500 to £2.3m, with an average selling price for the year of £166,500.

Throughout the year, there was a reduction in the demand for apartments, particularly in areas outside of London and the South East. The Group is currently replanning a number of sites replacing apartments with houses, which require less initial capital investment, to cater for this change. During the year, houses represented 50.5% (2008: 54.9%) of the Group's completions, excluding central London, although the Group expects site replans to increase the proportion of houses available on its sites in future.

The provision of social housing remains a key component of the Group's activities with 2,069 homes (2008: 3,785 homes) completed during the financial year ended 30 June 2009 at an average selling price of £107,100 (2008: £95,900). In December 2008, the Group was allocated approximately 3,000 units under the HomeBuy Direct scheme with an anticipated sales value of approximately £500m. As at 30 June 2009, 138 units had been legally completed, a further 172 had been reserved and there were 118 pending reservation. The Group is also pursuing other Government initiatives such as the Kickstart Housing Delivery programme announced in the 2009 Budget.

Quality and service

The Group is committed to offering the highest standards of quality and customer service. The Group seeks to develop its quality and service standards by listening to its customers, monitoring its performance and adopting best practice throughout the organisation. The Group continues to make progress in improving customer service and during the year, 96% of customers independently surveyed said they would recommend the Group to a friend, a satisfactory achievement against a backdrop of considerable change in the business and the market.

The Group's high quality homes have been recognised independently by the recent achievement of Four Star builder status in the Home Builders Federation 4th annual customer satisfaction survey and 76 'Pride in the Job' quality awards from the National House-Building Council.

The Directors believe that it is important to build high quality products which meet the needs of the Group's customers in order to make it a housebuilder of choice. The Group's sales and marketing teams continue to promote the Barratt Homes and David Wilson Homes brand names as brands which customers will associate with homes that they would want to live in, through the use of a variety of media channels.

The sales and marketing team have increased their efforts to promote the Group's brands in response to the economic downturn. More focused marketing campaigns have been introduced through various media channels (internet, radio and direct mail), targeted incentives and discounts have been offered to customers and tools such as shared equity products, part-exchange and other innovative offers have been utilised to support sales.

The Group also introduced new sales technology, I-Sales, in 90 of its sales centres across Britain during the 2009 financial year. I-Sales combines website capability with the Group's computerised customer database to allow sales staff to communicate with customers directly via e-mail. I-Sales is expected to be extended to all sales outlets during the current financial year.

The Group continues to use part-exchange as a selling tool for those customers who are finding it difficult to find a purchaser for their existing home. The Group's ability to sell part-exchange units is demonstrated by the reduction in the number of unreserved part-exchange properties from 677 as at 30 June 2008 to 150 as at 30 June 2009.

The Group also recognises the importance of assisting customers to find suitable financial assistance to purchase their new homes. The Group's Lender Relations Manager works closely with mortgage lenders in order to assure them that the homes built by the Group are of a high quality which they can

Core strength

Quality and service

"The Group is committed to offering the highest standards of quality and customer service."

The Group continues to make progress in improving customer service and during the year, 96% of customers independently surveyed said they would recommend the Group to a friend, a satisfactory achievement against a backdrop of considerable change in the business and the market.

The Group continues to make progress to improve the design of its products, internally, externally and for the development as a whole. The Group has been awarded its first ever Building for Life award for the development at City Point in Brighton (below left).

Vince Cripps at his Barratt home at NU@D2 in Upton, Northampton, a development of 164 homes that features a range of green technologies (below right).

confidently lend on and to gain their support for affordable housing schemes such as the HomeBuy Direct scheme. The Group has also introduced a transparency policy which requires all sales staff to determine the 'true' identity of potential customers and to identify the true net price of properties sold to mitigate its and the mortgage lenders' risk of inadvertently becoming involved in mortgage fraud.

The Group's procurement team negotiates national procurement agreements with all major suppliers and, as a result, it made further progress with its cost reduction programmes during the 2009 financial year, with improved efficiency and reductions in build costs, particularly in terms of technical specification. The Group has also made progress by renegotiating terms and pricing with its subcontractors at a local level.

People and expertise

The Group recognises that one of its key strengths is its people and that despite the current economic environment it is important to continue to develop and invest in its people and their expertise. The Group has a Personal Development Review process, which involves one-to-one formal reviews every six months with regular informal review meetings taking place in between. These meetings are used to deal with any issues that individuals may have as well as identifying any training and development requirements and setting individual achievement targets for the year ahead.

The Group runs a Graduate Recruitment and Development Programme consisting of a two year multi-disciplinary programme of both on-job and off-job modules. Thirty graduates have recently completed the first two year programme and have all secured full-time roles within the business. Five graduates are currently entering their second year programme. On account of the downturn in the sector, the Group decided not to increase the number of graduates in the programme in the 2009 financial year but aims to recruit further graduates under the programme as and when the sector recovers.

Succession planning is in place across the Group and there are currently four leadership development programmes in place to assist with the development of individuals as part of the succession plan.

The Group conducts an engagement survey on an annual basis in order to gauge staff perception of working for the Group. The survey, consisting of a number of questions on a variety of work-related topics (such as work-life balance, support from line managers and communication), is circulated to all members of staff who complete the survey anonymously. The Group's HR team prepare an engagement index based on the percentage of questions achieving the highest score. For the year ended 30 June 2009 the engagement index increased by 59% compared to the previous year.

'Get Recognised', the Group's motivational recognition programme, was developed and launched across the Group in late September 2008. The scheme retains the best aspects of previous awards schemes whilst adding new elements such as instant and peer group recognition. Instant recognition enables peers as well as managers to nominate a colleague or team member who has performed above and beyond expectations, and successful nominations result in individuals winning experiences up to £1,000 in value.

The Group has also set key performance indicators to measure the efficiency and effectiveness of the Group's people strategies and enable it to take appropriate action on staff turnover, retention, sickness, absence and capability.

The Group continues to make progress towards its target of a fully carded CSCS (Construction Skills Certification Scheme) workforce, including its subcontractors, by 2010. At present, 95.4% (2008: 90%) of the Group's workforce, including subcontractors, has achieved this target.

Corporate Responsibility

The Group is committed to the principles of Corporate Responsibility ('CR') and has publicly stated this commitment in its CR policy which is available on the Group's website, www.barrattdevelopments.co.uk.

The Group has established a CR steering group to oversee the development and implementation of CR objectives and targets. The steering group has identified and assessed the key CR risks facing the business, which include Environmental, Social and Governance ('ESG') risks facing the business and has developed six charters that will be used to manage these risks and deliver the Group's strategic CR objectives. The six charters are based around Environment, Health and Safety, Customers and People, Supply Chain and Communities. Operational functions within the business are responsible for each charter and integrate the Group's CR strategy into normal business operations. This process ensures that adequate information in relation to ESG matters is available to the Board. Significant ESG risks that could impact on the future of the business are included in the Principal risks and uncertainties section on pages 18 and 19.

The Group publishes a CR report each year that explains its approach to CR and its management of CR governance and risk, and reports on the actions taken by the Group during the year to improve CR performance. CR disclosures in the Annual Report and Accounts and CR report, including disclosures on ESG matters, are based on information collected annually from the business and from regular management information. This information is independently reviewed internally and sample information is checked through the internal audit process.

The Group's CR reports are available on its website, www.barrattdevelopments.co.uk.

Environment and supply chain

The Group operates in a regulatory environment which is continuously changing, especially in respect of building regulations, planning requirements and environmental and sustainability requirements. The Government recently set a target for housebuilders to build all new homes with zero carbon emissions by 2016. In response to this the Group has established and follows a strong environmental agenda which emphasises the provision of low cost solutions to meet increasing environmental standards.

The Group has also been selected as the preferred developer of the Carbon Challenge Development at Hanham Hall near Bristol. This development, which is expected to be completed in 2013, will become one of the first large scale zero carbon communities in Britain and is being built in partnership with the Homes and Communities Agency. Each of the 195 units will also meet Level Six of the Government's Code for Sustainable Homes.

The Group is committed to undertaking research and development that will enable it to respond to the increasingly stringent design criteria for modern housing. In 2008,

Core strength

People and expertise

"The Group recognises that one of its key strengths is its people and that despite the current economic environment it is important to continue to develop and invest in its people and their expertise."

The Group's construction teams won 76 'Pride in the Job' quality awards from the NHBC. Graham Watson and Jane Grendall NHBC quality award winners and Colin Smethurst Construction Director, David Wilson South West (top right).

James Cleary, apprentice of the year for 2008/09, Barratt Southampton, with Mark Clare and Bob Lawson (bottom right).

Ceri Rayson, 2009 Barratt Exeter sales negotiator of the quarter from Stockmoor Parade, Somerset (main image).

the Group was the first major housebuilder to build a home at the Building Research Establishment in Watford, the Green House, to Level Six, the highest level attainable, of the UK Government's Code for Sustainable Homes. The Green House is currently being scientifically tested in order to provide valuable information as to how the Group can design and construct zero carbon homes successfully and cost effectively.

The Group has an environmental charter in place which is reviewed and updated on an annual basis. The charter sets targets for the Group to manage its own environmental impacts, including energy and waste reduction, help its customers to improve the environment and improve the environmental standards of the homes that it builds.

The Group continues to build the majority of its developments on brownfield sites, with 70% (2008: 68%) of its completions in the year being built on brownfield land, which significantly exceeds the Government's target of 60%.

The Group assesses its performance against its environmental objectives by monitoring several performance indicators. The key performance indicator that the Group has chosen to monitor environmental performance is the average amount of carbon dioxide the Group emits during the construction process per unit completed. This metric increased from 1,429 $kgCO_2$/unit in 2007 to 1,792 $kgCO_2$/unit in 2008 as data collection methods were refined and has now reduced to 1,782 $kgCO_2$/unit which provides a stable baseline from which to set targets for reduction. The Group also monitors the proportion of construction waste segregated for recycling on site, which this year improved to 73% (2008: 58%). In addition, the Group continually seeks to monitor the numbers of environmental complaints logged through its environmental management system and the number of developments with biodiversity action plans and flood risk assessments.

Health and Safety

The Group considers health and safety to be of paramount importance for its employees, customers and the public and has implemented a comprehensive Safety, Health and Environmental Management System across its business.

The Group has strategies and programmes, not only to raise awareness, but also to ensure that it is applying effective systems to reduce injury and ill health across the business. A Health and Safety Committee, including members of the Board, has been formed in order to provide further focus to the improvement strategy and to review overall Group performance. During the financial year ended 30 June 2009, the Group's commitment to health and safety reduced its reportable Injury Incidence Rate ('IIR') to 522 per 100,000 persons employed which is a 20.4% decrease on the rate of 656 per 100,000 reported last year. The IIR is a key performance indicator which the business uses to measure health and safety performance on a monthly and annual basis. The Group is pleased to have achieved a long-term objective to reduce the IIR below 560 per 100,000 by 2010, one year ahead of target, and remains committed to reducing the IIR year on year.

All divisions within the Group are certified to the health and safety standard OHSAS 18001 which is verified by a programme of internal and external auditing. This demonstrates the commitment to have consistent and appropriate standards in place and is complemented by the Group's own Safety, Health and Environmental Management System which has been fully reviewed during the year. The Group's in-house team of advisers has carried out over 4,000 monitoring visits to its developments and this has contributed to a significant increase in standards and the awareness of the Group's site teams. In the year ended 30 June 2009, divisions achieved an average of 96% compliance with the Safety, Health and Environmental Management System. In addition, a majority of the Group's Safety, Health and Environment managers are now certified to the Institute of Environmental Management and Assessment standard and are able to undertake regular environmental audits on the Group's sites.

During the financial year ended 30 June 2009, the Group continued to review and update management systems to mitigate certain key risks previously identified, being fire in high rise buildings, the integrity of reinforced concrete structures and the operation of tower cranes.

The investigation by the police and the Health and Safety Executive into the incident at Bedfont in February 2008, where carbon monoxide poisoning from a gas heating installation caused the death of one person and left another seriously ill, continues. The Group is working closely with the authorities during the investigation and awaits the outcome.

Communities

The Group aims to ensure that the developments it builds have a positive social and environmental impact on the people that live in and around them, and has committed through the Community Charter to improve its relationship with local people affected by new developments through consultation and engagement, tackling the issues around housing affordability and aims to ensure that standards of design are as high as possible.

The Group serves all sectors of the market, creating homes for sale and shared ownership and works with Government agencies, housing associations and other agencies on a broad range of urban regeneration schemes and completed 2,069 social homes during the year. In addition, in December 2008, the Group was allocated approximately 3,000 units under the HomeBuy Direct scheme, where the purchaser pays 70% or more of the value of the home and the Government and the Group pay the balance. During the year the Group has also provided its own shared equity products, which include Dreamstart and Headstart, for 1,369 homes.

Customers and people

The Group's progress on customer and people related corporate responsibility areas has been covered in the relevant sections earlier in this review on pages 12 to 14.

Principal risks and uncertainties

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 identified in the table below. 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. Principal risks of the Group include, but are not limited to:

Risk	Mitigation
Market	
Response to changes in the macroeconomic environment including unemployment, buyer confidence, availability of mortgage finance for purchasers, interest rates and the impact of competitor pricing.	A weekly review is undertaken of key trading indicators, including reservations, sales rates, visitor levels, levels of incentives, competitor activity and cash flow projections. The Group seeks to provide mortgage providers with complete transparency regarding house purchase prices alongside any discounts or other incentives in order that they have appropriate information upon which to base their lending decision. The Group works with key mortgage lenders to ensure that products are appropriate wherever possible for its customers.
Design and construction defects may lead to cost overruns including remedial costs, and may reduce selling prices and adversely impact the Group's reputation.	The Group has a comprehensive approach to quality, service and customer care encapsulated in the 'Forward through Quality' initiative and customer care code of practice.
Liquidity	
Availability of sufficient borrowing facilities to enable the servicing of liabilities as they fall due.	The Group actively maintains a mixture of long-term and medium-term committed facilities that are designed to ensure that it has sufficient available funds for operations. The Group's borrowings are typically cyclical throughout the financial year and peak in April and May and October and November of each year, as these are the points in the year when the Group has the highest working capital requirements. Accordingly, the Group maintains sufficient headroom to cover these requirements. On a normal operating basis the Group has a policy of maintaining headroom of £250m of available committed facilities. The Group has in place a comprehensive detailed regular forecasting process encompassing profitability, working capital and cash flow that is fully embedded in the business. These forecasts are further stress tested at a Group level on a regular basis to ensure that adequate headroom within facilities and banking covenants is maintained.
Inability to obtain surety bonds.	The Group actively maintains the number of surety facilities that are designed to ensure that it has sufficient bonds available. The Group has a comprehensive detailed regular forecasting process for surety bond requirements.
Inability of the Group to refinance its facilities as they fall due.	The Group has a policy that the maturity of its committed facilities and private placement notes in aggregate is at least two years on average with a target of three years.
Inability of the Group to comply with its borrowing covenants.	The Group is in compliance with its borrowing covenants and at the date of approval of the financial statements the Group's internal forecasts indicate that it will remain in compliance with these covenants for the foreseeable future being at least twelve months from the date of signing the financial statements. The Board is today announcing a fully underwritten Placing and Rights Issue to raise gross proceeds of approximately £720m, together with amended financing arrangements which will come into effect upon successful completion of the Placing and Rights Issue. The amended financing arrangements will enable the Group to take advantage of opportunities that may arise in a recovering market, as well as to provide an appropriate alternative framework, should a further downturn arise. As explained on page 58, while the existing financing arrangements apply, if conditions in the wider UK economy, as they relate to the housebuilding sector, were to decline below that which has been assumed in the Group's forecasts during the current financial year (and notwithstanding further management actions to both conserve and generate cash, including, if necessary, by making land sales) then there is a risk that the Group might generate lower than anticipated revenues, or cash, or require further write-downs in the value of the Group's assets. This risk may result in the Group being unable to comply with its existing covenant package during the current financial year. If the amended financing arrangements do not come into effect, the Group will need to renegotiate the terms of its existing financing arrangements during the current financial year in order to secure revolving credit facilities of an appropriate duration so as to give the Directors increased confidence that they will be able to prepare the accounts in respect of such a period on a going concern basis and also to secure a covenant package across all its financing arrangements that provides greater flexibility.
People	
Ability of the Group to attract, retain and develop a sufficiently skilled and experienced workforce.	The Group has a comprehensive Human Resources policy in place which includes apprentice schemes, a Graduate Recruitment Programme, succession planning and training schemes tailored to each discipline. The Group has set itself the target of having a fully CSCS carded and qualified workforce by 2010.
Underfunding of the Group's obligations in respect of the defined benefit pension scheme.	An actuarial valuation is conducted every three years. The Group reviews this and considers what additional contributions are necessary to make good this shortfall. To limit the risk further, with effect from 30 June 2009, the scheme ceased to offer future accrual of defined benefit pensions for current employees and the link between accrued benefits and future salary increases was removed.

Risk	Mitigation
Subcontractors and suppliers	
Shortages or increased costs of materials and skilled labour could increase costs and delay construction.	The Group adopts a professional approach to site management and seeks to partner with its supply chain.
Failure of a key supplier or inability to secure supplies upon appropriate credit terms.	The Group has a policy of having multiple suppliers for both labour contracts and material supplies and contingency plans should key suppliers fail.
Land	
Securing sufficient land of appropriate size and quality to provide profitable growth subject to the available borrowing facilities.	Each division produces a detailed site-by-site monthly analysis of the amount of land currently owned, committed and identified. These are consolidated 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 Group defined hurdle rate of return.
The timing of conditional land purchase contracts becoming unconditional is uncertain. Unexpected changes in contract status may result in additional cash outflow for the Group.	Each division has a site-by-site detailed short-term and medium-term forecasting process including sensitivity scenarios.
Falls in house prices or land values or a failure of the housing market to recover could lead to further impairments of the Group's inventories, goodwill and intangible assets.	The Group's internal systems clearly identify the impact of sales price changes on the margin achievable. Biannual asset impairment reviews are performed.
The market for land can be illiquid and therefore it may be difficult to sell or trade land if required. Where land is sold, there is a risk that the proceeds may not be received from the counterparty.	The Group's internal forecasting process is able to identify the impact of these sensitivities explicitly.
Government regulation	
Changes in Government policy towards the housebuilding industry.	The Group consults with the UK Government both directly and through industry bodies to highlight potential issues.
The housebuilding industry is subject to extensive and complex regulations and an increasingly stringent regulatory environment including planning and technical requirements.	The Group has considerable in-house technical and planning expertise devoted to complying with regulations and achieving implementable planning consents.
Consequence of changes in tax legislation.	The Group has adopted a low risk strategy to tax planning and potential and actual changes in tax legislation are monitored by both industry experienced in-house finance teams and external tax advisers.
Construction	
Failure to identify and achieve key construction milestones, including the impact of adverse weather conditions, could delay construction or increase costs.	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.
Large development projects, including commercial developments, are complex and capital intensive and changes may negatively impact upon cash flows or returns.	Development projects, including returns and cash flows, are monitored regularly by divisional management teams.
Failure to promptly identify cost overruns.	The total costs on every site in progress are evaluated at least quarterly and reviewed by the divisional management teams.
Cost reduction measures may adversely affect the Group's business or its ability to respond to future improvements in market conditions.	In parallel to reducing costs during the downturn a Main Board level committee has developed a 'Planning for Recovery' programme.
Exposure to environmental liabilities and consideration of the impact of construction schemes upon the environment and social surroundings.	The Group regularly monitors a number of environmental impact indicators. The results of this will appear in the Group's Corporate Social Responsibility Report.
Litigation and uninsured losses.	The Group has an in-house legal department and consults with external lawyers as appropriate. The Group maintains insurance cover for all main risks of the Group.
Health and safety	
Health and safety.	The Group has a dedicated health and safety audit department which is independent of the management of the operating divisions.
IT	
Failure of the Group's IT systems, in particular those relating to surveying and valuation, could adversely impact the performance of the Group.	The Group has a fully tested disaster recovery programme in place.

Details of the Group's management of liquidity risk, market risk, credit risk and capital risk in relation to financial instruments is provided in note 26 on pages 89 to 94.

Group Finance Director's review

It has been a very challenging year for the Group. During the first half, conditions became immensely difficult as a result of the deteriorating economic outlook and the resulting contraction in the availability of mortgage finance and decline in customer confidence levels. Sales were only achievable at substantially reduced prices. In the second half, the Group started to experience some pricing stability, albeit at reduced levels, and more acceptable sales rates allowing the Group to achieve its cash targets. Against this backdrop, the Group has had to balance the priorities of delivering sales, reducing costs and generating cash. Overall, the Group made a pre-tax loss for the year after exceptional items of £678.9m (2008: £137.3m profit).

Performance metrics are as follows:

- Revenue decreased by 35.7% to £2,285.2m (2008: £3,554.7m).
- Total completions decreased by 29.0% to 13,202 (2008: 18,588).
- Profit from operations before operating exceptional items[1] decreased by 93.8% to £34.2m (2008: £550.2m).
- Operating exceptional items[1] comprised an impairment of inventories of £499.5m (2008: £208.4m), a pension curtailment gain of £7.1m (2008: £nil), and reorganisation costs of £27.1m (2008: £15.9m plus impairments of goodwill and intangibles of £30.7m).
- Loss from operations was £485.3m (2008: £295.2m profit).
- Operating margin before operating exceptional items[1] was 1.5% (2008: 15.5%).
- Adjusted loss per share before exceptional items[2] was 23.8p (2008: 79.6p earnings).
- Basic loss per share was 135.8p (2008: 25.0p earnings).

Segmental analysis

The Group's operations comprise two segments, housebuilding and commercial developments. These segments reflect the different product offerings and market risks facing the business.

The table on page 21 shows the respective contributions for these segments to the Group. An analysis of the operational performance of these segments is provided within the Business review on pages 9 and 11.

Exceptional items

Operating exceptional items

i) Impairment of land and work in progress

The Group recognised a total impairment of land and work in progress of £499.5m (2008: £208.4m) during the year. This impairment comprised £431.5m (2008: £157.2m) related to the housebuilding business and £68.0m (2008: £51.2m) related to the commercial developments business.

The Group completed site-by-site impairment reviews using valuations incorporating forecast sales rates and average selling prices that reflected both current and anticipated trading conditions during both the first and second half. At 31 December, the impairment

Segmental analysis

	Housebuilding £m	Commercial developments £m	Total £m
Revenue	2,095.8	189.4	2,285.2
Profit/(loss) from operations before operating exceptional items[1]	38.8	(4.6)	34.2
Loss from operations	(407.6)	(77.7)	(485.3)

of £494.9m reflected difficult trading conditions that the Group experienced during the second quarter. During the second half, average selling prices across the Group's developments were in line with those incorporated into the impairment review at 31 December and therefore overall no further impairment was required in the housebuilding business, although there were gross impairment reversals and charges of £120.9m due to performance variations across housebuilding sites. An additional impairment of £4.6m was made against an office development within the commercial developments business.

ii) Restructuring costs
During the year, the Group closed seven trading divisions, restructured Wilson Bowden Developments and continued to adjust the size of its operations in light of the difficult trading conditions resulting in £27.1m (2008: £15.9m plus impairments of goodwill and intangibles of £30.7m) of restructuring costs predominantly related to redundancies and office closures.

iii) Pension curtailment
The Group has recognised a curtailment gain in the income statement of £7.1m (2008: £nil) related to the defined benefit pension scheme. This arose due to the cessation of future accrual of defined benefit pensions for current employees and the associated removal of the link between accrued benefits and future salary increases and redundancies made during the year.

Financing exceptional item
During the year the Group incurred charges of £13.3m in respect of the make-whole fee which was triggered on the repayment of £36.7m of private placement notes.

Impairment of inventories relating to joint venture investments
At 30 June 2009, the Group conducted an impairment review of its share of the inventories included within its investments accounted for using the equity method. This resulted in an impairment charge for the year of £2.8m with a related deferred tax credit of £0.8m.

Tax impact of exceptional items
The tax impact of the operating and financing exceptional items is £148.3m (2008: £66.8m).

Tax

The Group's tax credit for the year was £210.3m (2008: £50.9m charge), an effective rate of 31.0% (2008: 37.1%). This is higher than the standard rate of 28% mainly due to adjustments in respect of previous years, which include a review of the Group's historical contaminated land relief claims.

During the year, the Group received tax refunds totalling £51.3m mainly related to tax overpaid for 2008 due to the inventory impairments required at 30 June 2008. Since the year end, the Group has received repayments of over £40m of corporation tax related to the carry back of losses from the current year.

[1] Operating exceptional items, comprising impairment of inventories, pension curtailment gain and restructuring costs were £519.5m (2008: £255.0m including £30.7m impairment of goodwill and intangible assets) of which £446.4m (2008: £173.1m) related to the housebuilding business and £73.1m (2008: £81.9m) related to the commercial developments business.

[2] Exceptional items comprise operating exceptional items of £519.5m (2008: £255.0m), make-whole fees on redemption of private placement notes of £13.3m (2008: £nil) and impairment of inventories relating to investments accounted for using the equity method of £2.0m (2008: £nil).

Dividend

The Board suspended dividend payments in June 2008 as part of its cash conservation policy. The Board remains focused on strengthening the balance sheet and conserving cash. The existing terms of the Group's committed bank facilities and private placement notes also impose certain restrictions on the payment of dividends. In light of these restrictions, no final dividend will be paid in respect of the financial year ended 30 June 2009.

The Board is committed to reinstating the payment of dividends and will do so when it becomes appropriate and permissible to do so.

Losses recognised in equity

During the year £70.4m of losses have been recognised in equity (2008: £4.0m) predominantly relating to losses on interest rate swaps.

Balance sheet

The net assets of the Group decreased by £536.2m to £2,331.6m reflecting the loss after tax for the year of £468.6m.

Significant movements in the balance sheet include:

- The Group's book value of land was £2,453.2m (2008: £3,117.5m), a decrease of £664.3m. This decrease includes land additions of £219m offset by land usage and the impairment of land explained above. During the current year, the Group reduced its actual expenditure on land following the deterioration in the market to £263.7m from the expenditure of approximately £1.0 billion in the prior year.
- Work in progress of the Group at 30 June 2009 was £1,044.2m (2008: £1,569.3m). The fall of £525.1m reflects the Group's strategy of decreasing stock holdings and generating cash to reduce debt. At 30 June 2009, unreserved completed units were down 54.9% from 1,821 units in the prior year to 822 units.
- Part-exchange properties and other inventories were £43.4m (2008: £143.2m) with the decrease reflecting the increased focus upon managing the working capital impact of this highly effective sales tool. At 30 June 2009, owned unreserved units had fallen to 150 units from 677 in the prior year.
- Group net debt decreased by £373.7m to £1,276.9m over the full year. Due to the renewal of the Group's borrowing facilities during the year only £8.5m (2008: £653.7m) is classified as a current liability at 30 June 2009.
- Goodwill and intangible assets remained at £892.2m as the annual impairment review of the entire housebuilding business indicated that no impairment was required.
- The pension fund deficit on the Barratt Developments defined benefit pension scheme reduced by £5.7m in the year to £31.5m after adjusting for the impact of the Group's change of accounting policy to recognise immediately actuarial gains and losses following the curtailment of the scheme. The closure of the scheme with effect from 30 June 2009 with the resulting cessation of future accrual of defined benefit pensions for current employees and the associated removal of the link between accrued benefits and future salary increases contributed £7.1m to this reduction.
- The Group has recognised a corporation tax asset of £50.6m and a deferred tax asset of £127.3m. The Group's deferred tax asset has increased by £159.4m in the year including £130.1m due to trading losses that will be carried forward to offset the tax liabilities arising from future trading profits.
- Trade and other payables decreased by £298.1m to £1,107.8m reflecting the decreased activity of the Group.

Cash flow

Group net debt at the year end was £1,276.9m (2008: £1,650.6m). The decrease in net debt is explained by the tables on page 23.

The decrease in net debt of £373.7m during the year is made up of inflows of £227.8m in the first half and £145.9m in the second half. The inflows reflect the disposal of assets from the Wilson Bowden Developments portfolio, tax refunds and reduced expenditure on land and work in progress which offset declining revenues.

The Group continues to be committed to reducing net debt over the short-term and has focused the business upon maximising cash generation whilst ensuring that it maintains an appropriate balance between volume and margin.

Treasury

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 operates a centralised treasury function which operates within guidelines established by the Board and the Treasury Operating Committee.

The Group has a conservative treasury risk management strategy which includes a target that 60-80% of the Group's median gross borrowings calculated on the latest three-year plan should be at fixed rates of interest. At 30 June 2009, 68.4% of the Group borrowings were fixed (2008: 61.6%). Group interest rates are fixed using both swaps and fixed rate debt instruments.

Borrowing facilities

In July 2008, the Group entered into a new £400m three-year committed revolving credit facility agreement. Around the same time, the Group also agreed an amendment to the Group's existing £400m committed revolving credit facility agreement which extended the maturity date of £350m of the total commitments under that facility to 8 July 2011 to correspond to the expiry date of the new facilities (with £50m of commitments still scheduled to expire in February 2010). The Group redeemed £600m of its existing term loan facilities during the first half of which £200m was ahead of schedule due to the Group's strong cash generation. The Group also repaid £36.7m of private placement notes on 12 January 2009. At this time, £13.3m of additional private placement notes were issued due to the make-whole requirements that apply under the private placement agreements.

In August 2008, the Group agreed to amend the financial covenants that apply under all of the Group's committed bank facilities and private placement notes. The amendments suspended the application of the interest cover test and introduced a cash flow cover test that would apply in its place. Amendments were also made to the tangible net worth and gearing covenants.

Cash flow

Group net debt at the year end was £1,276.9m (2008: £1,650.6m).

	Year ended 30 June 2009 £m	Half year ended 31 December 2008 £m	Half year ended 30 June 2009 £m	Year ended 30 June 2008 £m	Half year ended 31 December 2007 £m	Half year ended 30 June 2008 £m
Net debt at start of period	(1,650.6)	(1,650.6)	(1,422.8)	(1,301.2)	(1,301.2)	(1,738.5)
Operating cash flow	511.8	307.8	204.0	86.7	(248.2)	334.9
Tax and net interest paid	(100.3)	(53.0)	(47.3)	(245.4)	(102.0)	(143.4)
Free cash flow	411.5	254.8	156.7	(158.7)	(350.2)	191.5
Acquisitions	(4.0)	(3.9)	(0.1)	(31.0)	1.1	(32.1)
Investments in joint ventures	(20.7)	(24.5)	3.8	(47.2)	(6.9)	(40.3)
Net fixed asset proceeds/ (purchases)	0.2	1.4	(1.2)	16.9	2.0	14.9
Make-whole fee on redemption of private placement notes	(13.3)	–	(13.3)	–	–	–
Dividends	–	–	–	(126.0)	(83.8)	(42.2)
Share issue and disposals	–	–	–	0.5	0.5	–
Cancelled swaps	–	–	–	(3.6)	–	(3.6)
Purchase of shares for LTPP awards	–	–	–	(0.3)	–	(0.3)
Net debt at end of period	(1,276.9)	(1,422.8)	(1,276.9)	(1,650.6)	(1,738.5)	(1,650.6)

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

	Year ended 30 June 2009 £m	Half year ended 31 December 2008 £m	Half year ended 30 June 2009 £m	Year ended 30 June 2008 £m	Half year ended 31 December 2007 £m	Half year ended 30 June 2008 £m
Operating profit before exceptional items[1]	34.2	16.6	17.6	550.2	274.9	275.3
Operating exceptional items[1]	(519.5)	(512.4)	(7.1)	(255.0)	(7.2)	(247.8)
Total non-cash items	503.0	512.4	(9.4)	225.8	(10.8)	236.6
Land, work in progress and other inventories	795.5	516.3	279.2	(230.5)	(432.0)	201.5
Other working capital	(301.4)	(225.1)	(76.3)	(203.8)	(73.1)	(130.7)
Operating cash flow	511.8	307.8	204.0	86.7	(248.2)	334.9
Net interest paid	(151.6)	(84.3)	(67.3)	(130.6)	(46.6)	(84.0)
Taxation	51.3	31.3	20.0	(114.8)	(55.4)	(59.4)
Free cash flow	411.5	254.8	156.7	(158.7)	(350.2)	191.5

[1] Operating exceptional items, comprising impairment of inventories, pension curtailment gain and restructuring costs were £519.5m (2008: £255.0m including £30.7m impairment of goodwill and intangible assets) of which £446.4m (2008: £173.1m) related to the housebuilding business and £73.1m (2008: £81.9m) related to the commercial developments business.

The average net debt during the year to 30 June 2009 was approximately £1.8 billion, with net finance costs of 9.4%. Net finance costs following the amended financing arrangements coming into effect are currently expected to be around 8% of average net debt for the 2010 financial year.

Capital requirements

The financial performance of the Group is dependent upon the wider economic environment in which the Group operates in particular changes in the macroeconomic climate including buyer confidence, availability of mortgage finance for our purchasers, interest rates and the impact of competitor pricing. At 30 June 2009, the net debt position of the Group was £1,276.9m with headroom of £800.0m under the Group's committed facilities. The Group is in compliance with its loan covenants and at the date of approval of the financial statements the Group's internal forecasts indicate that it will remain in compliance with these covenants for the foreseeable future being at least twelve months from the date of signing the financial statements.

The Board is today announcing a fully underwritten Placing and Rights Issue to raise gross proceeds of approximately £720m, together with amended financing arrangements which will come into effect upon successful completion of the Placing and Rights Issue. The amended financing arrangements will enable the Group to take advantage of opportunities that may arise in a recovering market, as well as to provide an appropriate alternative framework, should a further downturn arise.

However, as explained on page 58, while the existing financing arrangements apply, if conditions in the wider UK economy, as they relate to the housebuilding sector, were to decline below that which has been assumed in the Group's forecasts during the current financial year (and notwithstanding further management actions both to conserve and generate cash, including, if necessary, by making land sales) then there is a risk that the Group might generate lower than anticipated revenues, or cash, or require further write-downs in the value of the Group's assets. This risk may result in the Group being unable to comply with its existing covenant package during the current financial year. If the amended financing arrangements do not come into effect, the Group will need to renegotiate the terms of its existing financing arrangements during the current financial year in order to secure revolving credit facilities of an appropriate duration so as to give the Directors increased confidence that they will be able to prepare the accounts in respect of such a period on a going concern basis and also to secure a covenant package across all its financing arrangements that provides greater flexibility.

In conclusion

During the year, the Group has had to balance its priorities of maximising sales, reducing costs and managing cash to reduce debt. These were achieved despite the difficult conditions in the wider UK economy and net debt was decreased by £373.7m. The Group is committed to reducing net debt further and remains focused on maximising cash generation whilst ensuring that it maintains an appropriate balance between volume and margin.

David Thomas, Group Finance Director
23 September 2009

Board of Directors

01 Mr R A Lawson
Chairman

Mr R A Lawson was appointed a Non-Executive Director on 1 June 2008 and Chairman on 1 July 2008. He is a member of the Remuneration and Nominations Committees. Mr R A Lawson is also the Chairman of Hays Plc and a Director of The Federation of Groundwork Trusts. He was formerly the Managing Director of the Vitec Group for three years and Chief Executive of Electrocomponents plc for ten years.

02 Mr M S Clare
Group Chief Executive

Mr M S Clare was appointed Group Chief Executive on 2 October 2006 and is a member of the Nominations Committee. He was appointed as a Director of the BRE Trust in August 2009. 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.

03 Mr M A Pain
Group Finance Director to 21 July 2009

Mr M A 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 Group Finance Director of Abbey National plc, Group Sales Retail Director and Chief Executive of Abbey National Treasury Services. Mr M A Pain is currently a Non-Executive Director of Punch Taverns plc, Johnston Press PLC and LSL Property Services PLC. Mr M A Pain stepped down from the Board and as Group Finance Director on 21 July 2009.

04 Mr D F Thomas
Group Finance Director from 21 July 2009

Mr D F Thomas was appointed an Executive Director and Group Finance Director on 21 July 2009. He was formerly the Group Finance Director and the Deputy Chief Executive of The GAME Group plc. Before that he was the Group Finance Director at Millennium and Copthorne Hotels plc and held senior financial roles with House of Fraser plc and Forte plc.

05 Mr S J Boyes
Group Board Executive Director

Mr S J 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 the Group Board Executive Director responsible for the Barratt North Region.

06 Mr C Fenton
Group Board Executive Director

Mr C Fenton 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 the Group Board Executive Director responsible for the Barratt South Region.

07 Mr R J Davies
Senior Independent Director

Mr R J Davies was appointed a Non-Executive Director in May 2004 and is the Chairman of the Remuneration Committee and a member of the Audit and Nominations Committees. He is also a Non-Executive Director of Northern Rock plc. He was previously Chairman of Biffa Plc, a Non-Executive Director of British Energy Group

Plc, the Chief Executive of Arriva plc and the chair of the Board of Governors of Sunderland University. He was also the Chairman of the CBI Regional Council in the North East and a Non-Executive Director of Sunderland ARC urban regeneration company.

08 Miss T E Bamford

Non-Executive Director from 1 July 2009

Miss T E Bamford was appointed a Non-Executive Director on 1 July 2009 and is a member of the Remuneration and Nominations Committees. Miss T E Bamford is a Director of Cantos Communications Limited, the online communications service provider, where she leads the corporate client relationships and a Governor of the British Institute of Florence. She was formerly a Director of J Henry Schroder & Co with whom her career spanned over 12 years in various roles.

09 Mr R MacEachrane

Non-Executive Director

Mr R MacEachrane was appointed a Non-Executive Director on 1 May 2006 and is a member of the Audit, Remuneration and Nominations Committees. He was formerly the 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.

10 Mr M E Rolfe

Non-Executive Director

Mr M E Rolfe was appointed a Non-Executive Director on 1 May 2008. He is the Chairman of the Audit Committee and is a member of the Nominations Committee. Mr M E Rolfe is also a Non-Executive Director of The Sage Group plc and Hornby Plc and Chairman of Lane Clark & Peacock LLP. He was formerly the Finance Director of Gallaher Group Plc for seven years until April 2007 when it was acquired by Japan Tobacco Inc. His career with Gallaher spanned 20 years during which time he served in various finance and executive roles.

11 Mr W Shannon

Non-Executive Director

Mr W Shannon was appointed a Non-Executive Director on 1 September 2005 and is a member of the Audit, Remuneration and Nominations Committees. He is currently Non-Executive Chairman of Aegon UK PLC, a Non-Executive Director of Rank PLC and of Johnson Service Group plc and a partner with Tri-Artisan Partners Europe LLP. He was previously an Executive Director of Whitbread PLC.

12 Mr L Dent

Group General Counsel and Company Secretary

Mr L Dent was appointed Group General Counsel and Company Secretary 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.

Statutory Information

Activities of the Group

Barratt Developments PLC (the 'Company') is the holding company of the Barratt Group of companies (the 'Group'). The Group's principal activities comprise acquiring and developing land, planning, designing and constructing residential property developments and selling the homes it builds. These core activities are supported by the Group's commercial development, urban regeneration, procurement, design and strategic land capabilities.

Results and dividends

The loss from continuing activities for the year ended 30 June 2009 was £468.6m (2008: £86.4m profit).

No interim dividend was paid during the financial year (2008: 12.23p). No final dividend will be paid for the year ended 30 June 2009 (2008: nil).

Enhanced Business Review

The Chairman's statement, Group Chief Executive's statement, Business review and Group Finance Director's review on pages 2 to 23 comprise the Group's Enhanced Business Review.

Annual General Meeting

The Annual General Meeting (the 'AGM') will be held at the Barber-Surgeons' Hall, Monkwell Square, Wood Street, London EC2Y 5BL on 17 November 2009 at 2.30pm. The notice convening the AGM will be set out in a separate letter to shareholders.

Directors and their shareholdings

Each of the Directors listed on pages 24 and 25 held office as at 30 June 2009, with the exception of Mr D F Thomas who joined the Group Board as Group Finance Director on 21 July 2009 replacing Mr M A Pain and Miss T E Bamford who joined the Group as a Non-Executive Director on 1 July 2009. Mr C G Toner retired from the Board and as Chairman of the Company on 30 June 2008 and Mr M Pescod resigned from the Board on 31 December 2008.

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 2009 Fully paid**	**30 June 2009 Number of share options**	30 June 2008 Fully paid	30 June 2008 Number of share options
Mr M S Clare	**529,869**	**1,060,769**	172,726	–
Mr S J Boyes	**161,962**	**695,019**	97,086	100,917
Mr C Fenton	**101,273**	**594,102**	34,461	–
Mr M A Pain	**100,000**	**10,769**	40,000	–
Mr R A Lawson	**213,149**	**–**	–	–
Mr R J Davies	**10,000**	**–**	10,000	–
Mr R MacEachrane	**12,000**	**–**	2,000	–
Mr M Pescod*	**10,000**	**–**	10,000	–
Mr M E Rolfe	**30,000**	**–**	–	–
Mr W Shannon	**5,034**	**–**	5,034	–

* Shareholding as at date of resignation.

No notification has been received of any change in the above interests during the period 30 June 2009 to 22 September 2009 inclusive. Details of movements in the Directors' interests in executive share options are shown in the Remuneration report on page 51.

Under the provisions of the Company's Articles of Association, Mr M S Clare and Mr S J Boyes will retire in consequence of the period since their last re-election at the AGM to be held on 17 November 2009 and being eligible will offer themselves for re-election at that meeting. In addition, Mr D F Thomas and Miss T E Bamford will also retire at the AGM and offer themselves for election having been appointed by the Board since the last AGM.

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.

In recognition of his loss of benefit under his previous employer's long-term incentive and share option plans it was agreed with Mr D F Thomas that he would be granted an one-off award that seeks to target benefits equivalent to the options granted under the Barratt Developments 2008 Executive Share Option Scheme ('ESOS') in 2008. In order to satisfy this obligation, Mr D F Thomas will be granted an option by the trustees of the Employee

Benefit Trust which, if and when exercised, will be satisfied from ordinary shares acquired in the market. The option will be over 666,666 ordinary shares at an exercise price per share of 55 pence. The option will be subject to the same performance targets as the options granted under the ESOS in 2008 and will be on substantially the same terms and conditions as those options.

Property, plant and equipment

The Directors are of the opinion that the value of land and buildings included within the Group's property, plant and equipment is in excess of book value but that the difference is not material in relation to the affairs 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 has taken all the relevant steps that they ought to have taken in accordance with their duty as a Director to make themselves aware of any relevant audit information and to 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 section 418(2) of the Companies Act 2006 (the 'Act').

Charitable and political contributions

During the year the Group made charitable donations of £28,300 (2008: £53,300). Of the donations in the current year £5,800 was to LandAid and the remainder was to local and good causes. No political contributions were made during the year (2008: £nil).

Offices

The Group had 25 offices (excluding those offices undertaking an administrative function only) located throughout Britain at the end of the financial year, following the closure of three offices and the merging of eight offices into four during the financial year. A full list of the Group's offices and their locations can be obtained from the Group General Counsel and Company Secretary at the registered office of the Company or from the Company's website www.barrattdevelopments.co.uk.

Capital structure

Details on the structure of the Company's capital including rights and obligations attaching to shares, voting, and transfer of shares are shown on pages 40 and 41. Details of the authorised and issued share capital, together with details of the movements in the Company's issued share capital during the year are shown in note 28 to the financial statements.

Details of employee share schemes are set out in note 29 to the financial statements. Details of the rights attaching to shares held by the Barratt Developments Employee Benefit Trust are shown on page 42.

Details of the appointment, replacement and powers of Directors, and details of certain amendments to be proposed to the Articles of Association at the AGM are shown on pages 41 and 42.

Details of significant agreements containing provisions entitling counterparties to exercise termination or other rights in the event of a change of control of the Company are shown on page 42.

Details of persons with a significant direct or indirect holding of shares in the Company are shown in the section on major shareholders on page 31.

Risk management objectives

The Group's financial assets, financial liabilities and derivative financial instruments are detailed in notes 23, 24 and 25 to the financial statements.

The Group's operations and financing arrangements expose it to a variety of financial risks that include the effects of changes in debt market prices, credit risks, liquidity risks and interest rates. The most significant of these to the Group is liquidity risk and, accordingly, there is a regular, detailed system for the reporting and forecasting of cash flows from the operations to Group management with the goal of ensuring that risks are promptly identified and appropriate mitigating actions taken by the central treasury department. These forecasts are further stress tested at a Group level on a regular basis to ensure that adequate headroom within facilities and banking covenants is maintained. In addition, the Group has in place a risk management programme that seeks to limit the adverse effects of the other risks on its financial performance, in particular by using financial instruments, including debt and derivatives, to hedge interest rates and currency rates. The Group does not use derivative financial instruments for speculative purposes.

The Board approves treasury policies and certain day-to-day treasury activities have been delegated to a centralised Treasury Operating Committee, which in turn regularly reports to the Board. The treasury department implements guidelines that are established by the Board and the Treasury Operating Committee.

a) Liquidity risk
Liquidity risk is the risk that the Group will be unable to meet its liabilities as they fall due. The Group actively maintains a mixture of long-term and medium-term committed facilities that are designed to ensure that the Group has sufficient available funds for operations. The Group's borrowings are typically cyclical throughout the financial year and peak in April and May, and October and November, of each year, due to seasonal trends in income. Accordingly the Group maintains sufficient headroom under its revolving credit facilities to cover these requirements. On a normal operating basis the Group has a policy of maintaining headroom of £250.0m of available committed bank facilities and identifies and takes appropriate actions based upon its regular, detailed system for the reporting and forecasting of cash flows from its operations. At 30 June 2009, the Group had committed bank facilities of £2,284.4m (2008: £2,555.4m) and total facilities of £2,360.6m (2008: £2,651.6m). At 30 June 2009, the Group's drawn debt was £1,484.1m (2008: £1,685.2m). This represented 65.0% of available committed facilities at 30 June 2009 (2008: 65.9%).

The Group was in compliance with its financial covenants at 30 June 2009. At the date of approval of the financial statements the Group's internal forecasts indicate that it will remain in compliance with these covenants for the foreseeable future being at least twelve months from the date of signing the financial statements. Compliance with covenants is also considered on pages 58 and 59.

The Group's objective is to minimise refinancing risk. The Group therefore has a policy that the maturity of its committed facilities and private placement notes is at least two years on average with a target of three years. At 30 June 2009, the average maturity of the Group's committed bank facilities was 3.1 years (2008: 3.3 years).

b) Market risk (price risk)
i) UK housing market risk
This section specifically discusses UK housing market risk in the context of the financial instruments in the Group balance sheet.

The Group is subject to the prevailing conditions of the UK economy and the Group's earnings are dependent upon the level of UK house prices. UK house prices are determined by the UK economy and economic conditions including employment levels, interest rates, consumer confidence, mortgage availability and competitor pricing. However, the Group does seek to maintain an appropriate geographic spread of operating divisions and an appropriate product mix to mitigate any risks caused by local economic conditions. The Group has detailed procedures to manage significant operational risks including:
- A weekly review is undertaken of key trading indicators, including reservations, sales rates, visitor levels, levels of incentives, competitor activity and cash flow projections.
- The Group seeks to provide mortgage providers with complete transparency regarding house purchase prices alongside any discounts or other incentives in order that they have appropriate information upon which to base their lending decision.
- The Group works with key mortgage lenders to ensure that products are appropriate wherever possible for its customers.

The UK housing market affects the valuation of the Group's non-financial assets and liabilities the critical judgements applied by management in these financial statements, including the valuation of land and work in progress, goodwill and brands. The value of the Group's available for sale financial assets is directly linked to the UK housing market. At 30 June 2009, these were carried at a fair value of £86.5m (2008: £66.9m).

Sensitivity analysis At 30 June 2009, if UK house prices had been 5% lower and all other variables were held constant, the Group's house price linked financial assets and liabilities, which are solely available for sale financial assets, would decrease in value, excluding the effects of tax, by £6.2m (2008: £14.9m) with a corresponding reduction in both net profit and equity.

ii) Interest rate risk
The Group has both interest bearing assets and interest bearing liabilities. Floating rate borrowings expose the Group to cash flow interest rate risk and fixed rate borrowings expose the Group to fair value interest rate risk.

The Group has a policy of maintaining both long-term fixed rate funding and medium-term floating rate funding so as to ensure that there is appropriate flexibility for the Group's operational requirements. The Group has entered into swap arrangements to hedge cash flow risks relating to interest rate movements on a proportion of its debt and has entered into fixed rate debt in the form of Sterling and US Dollar denominated private placements.

The Group has a policy that 60–80% of the Group's median gross borrowings calculated on the latest three-year plan (taking into account hedging) is at a fixed rate, with an average minimum duration of five years and an average maximum duration of fifteen years. At 30 June 2009, 68.4% of the Group's borrowings was at a fixed rate (2008: 61.6%).

The exposure of the Group's and Company's financial liabilities to interest rate risk is detailed in note 26 to the financial statements.

Floating interest rates on Sterling borrowings are linked to UK bank rate, LIBOR and money market rates. The floating rates are fixed in advance for periods generally ranging from one to six months. Short-term flexibility is achieved through the use of overdraft, committed and uncommitted bank facilities. The weighted average interest rate for floating rate borrowings in 2009 was 6.6% (2008: 6.6%).

Sterling private placement notes of £114.2m (2008: £125.5m) were arranged at fixed interest rates and exposed the Group to fair value interest rate risk. The weighted average interest rate for fixed rate Sterling private placement notes for 2009 was 11.5% (2008: 7.8%) with, at 30 June 2009, a weighted average period of 8.5 years (2008: 9.5 years) for which the rate is fixed.

US Dollar denominated private placement notes of £164.9m (2008: £150.5m) were arranged at fixed interest rates and exposed the Group to fair value interest rate risk. The weighted average interest rate for fixed rate US Dollar denominated private placement notes, after the effect of foreign exchange rate swaps, for 2009 was 11.0% (2008: 6.9%) with, at 30 June 2009, a weighted average period of 7.8 years (2008: 8.8 years) for which the rate is fixed.

Sensitivity analysis In the year ended 30 June 2009, if UK interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's pre-tax (loss)/profit would increase/decrease by £3.9m (2008: £4.8m), the Group's post-tax (loss)/profit would increase/decrease by £2.8m (2008: £3.4m) and the Group's equity would decrease/increase by £2.8m (2008: £3.4m).

iii) Foreign exchange rate risk

As at 30 June 2009, the Group has fixed rate US Dollar denominated private placement notes of $271.6m (2008: $300.0m). In order to mitigate risks associated with the movement in the foreign exchange rate, the Group has a policy of fully hedging the principal of its US Dollar denominated debt and a significant proportion of the interest payments. The Group therefore entered into foreign exchange swap arrangements on the issue of its US Dollar denominated debt, all of which are designated as cash flow hedges. Accordingly the Group has no net exposure to foreign currency risk on the principal of its US Dollar denominated debt. As a result of the revised financing arrangements implemented in July and August 2008, the foreign exchange swaps match 73% of the interest payments and therefore the Group is subject to foreign exchange rate risk upon the remaining 27%.

Details of the Group's foreign exchange swaps are provided in note 25 to the financial statements.

Sensitivity analysis In the year ended 30 June 2009, if the US Dollar per Pound Sterling exchange rate had been $0.20 higher/lower and all other variables were held constant, the Group's pre-tax (loss)/profit would increase/decrease by £0.7m (2008: £nil), the Group's post-tax (loss)/profit would increase/decrease by £0.5m (2008: £nil) and the Group's equity would decrease/increase by £0.5m (2008: £nil).

c) Credit risk

In the majority of cases, the Group receives cash upon legal completion for private sales and receives advance stage payments from Registered Social Landlords for Social Housing. The Group has £86.5m (2008: £66.9m) of available for sale financial assets which expose it to credit risk, although this asset is spread over a large number of properties. As such, the Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

The Group manages credit risk in the following ways:

- The Group has a credit policy that is limited to financial institutions with high credit ratings as set by international credit rating agencies and has a policy determining the maximum permissible exposure to any single counterparty.
- The Group only contracts derivative financial instruments with counterparties with which the Group has an International Swaps and Derivatives Association Master Agreement in place. These agreements permit net settlement, thereby reducing the Group's credit exposure to individual counterparties.

The maximum exposure to any counterparty at 30 June 2009 was £31.0m (2008: £8.6m). The carrying amount of financial assets recorded in the financial statements, net of any allowance for losses, represents the Group's maximum exposure to credit risk.

As at 30 June 2009, the Company was exposed to £1,511.1m (2008: £2,230.1m) of credit risk in relation to inter-company loans, financial guarantees, performance bonds and the bank borrowings of subsidiary undertakings. Further details are provided in notes 34 and 35 to the financial statements.

d) Capital risk management (cash flow risk)
The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and meet its liabilities as they fall due whilst maintaining an appropriate capital structure.

The Group manages as capital its equity, as set out in note 30, and its bank borrowings (being overdrafts, loan notes and bank loans), as set out in note 24. The Group's risk management objectives are included on pages 18 and 19.

The Group ensures that there are appropriate controls over the purchase of land and levels of work in progress in the business in order to appropriately manage its capital (these controls are discussed above). In addition, the other methods by which the Group can manage its short-term and long-term capital structure include adjusting the level of ordinary dividends paid to shareholders, (assuming the Company is paying a dividend), issuing new share capital, arranging debt to meet liability payments and selling assets to reduce debt.

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 9 to 19.

Creditor payments

The Group is responsible for agreeing the detail of terms and conditions relating to transactions with its suppliers. It is Group policy to ensure that suppliers are made aware of the terms of payment and 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 42 days (2008: 26 days) for its trade creditors at 30 June 2009.

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 and the Company Secretary of the Company, Directors and former Directors 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.

Following winning the 'IR Magazine' award for most progress in investor relations by a non-FTSE 100 company, in June 2008, the Company continued to develop its investor communication programme in conjunction with its financial public relations ('PR') advisers, Maitland, who took over from Weber Shandwick Square Mile in June 2008, and the Group's joint brokers, Credit Suisse Securities (Europe) Limited and UBS Investment Bank. The Company's website (www.barrattdevelopments.co.uk) provides a full Company profile, regular corporate news updates, access to the Company's share price, regulatory announcements and investor relations information. 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.

The Group's annual and interim reports, together with interim management statements and half yearly trading updates, 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 the Company's website www.barrattdevelopments.co.uk. The AGM is used to enable all shareholders to discuss the Group's operations and progress directly with the Board. The Directors are available to answer shareholder questions, informally, before and after the AGM. The Chairman also invites questions from shareholders during the AGM. Information of a price sensitive nature is communicated as required by the Group General Counsel and 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 Group's operations, the market and its management objectives, and in the year under review in excess of 100 such meetings were held. The aim is to meet with major institutional shareholders at least once a year. Press releases on the Group's activities are made to journalists and the media through the Group Press Office and its external PR advisers. The Group's joint brokers, Credit Suisse Securities (Europe) Limited and UBS Investment Bank, also work actively on behalf of the Company 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 it has a clear understanding of the views of major shareholders.

Major shareholders

All notifications received by the Company in accordance with the Financial Services Authority's (the 'FSA') Disclosure Rules and Transparency Rules (the 'DTR') are published on the Company's website www.barrattdevelopments.co.uk and on a Regulatory Information Service.

As at 22 September 2009, the Company had been notified, in accordance with DTR 5, of the following notifiable interests:

Date of Notification	Name of Shareholder	Number of Voting Rights	Total % of issued share capital
14/08/2009	Phoenix Asset Management Partners Limited	27,480,624	7.93
01/06/2009	Polaris Capital Management LLC	20,030,569	5.78
11/02/2009	Legal & General Group Plc	13,835,996	3.99
02/05/2007	FMR Corp	26,116,198	7.53
01/05/2007	Mr D Wilson	19,431,213	5.61
07/02/2007	J P Morgan Chase & Co.	18,784,735	7.71

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 AGM held on 18 November 2008, 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 41. 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 AGM to be held on 17 November 2009.

Shareholder arrangements to waive dividends

The Trustees of the Barratt Developments Employee Benefit Trust (the '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 28 to the financial statements.

Post-balance sheet event

Changes to the Board

Mr D F Thomas joined the Board as an Executive Director and Group Finance Director on 21 July 2009 replacing Mr M A Pain, who stepped down on the same date. Miss T E Bamford joined the Board as a Non-Executive Director on 1 July 2009.

In recognition of his loss of benefit under his previous employer's long-term incentive and share option plans it was agreed with Mr D F Thomas that he would be granted an one-off award that seeks to target benefits equivalent to the options granted under the ESOS in 2008. In order to satisfy this obligation, Mr D F Thomas will be granted an option by the trustees of the Employee Benefit Trust which, if and when exercised, will be satisfied from ordinary shares acquired in the market. The option will be over 666,666 ordinary shares at an exercise price per share of 55 pence. The option will be subject to the same performance targets as the options granted under the ESOS in 2008 and will be on substantially the same terms and conditions as those options.

Proposed Placing and Rights Issue

On 23 September 2009, the Company entered into an agreement with UBS Limited, Credit Suisse Securities (Europe) Limited, HSBC Bank plc, Barclays Bank plc, Lloyds TSB Bank plc and RBS Hoare Govett Limited to fully underwrite a £720.5m equity issue, to be structured as a Placing and a Rights Issue. The Group has also entered into amended financing arrangements which will come into effect upon successful completion of the Placing and Rights Issue. Completion of the Placing and Rights Issue is conditional amongst other things upon shareholder approval at a General Meeting expected to be held on 19 October 2009.

On behalf of the Board Laurence Dent

L Dent, Group General Counsel and Company Secretary
23 September 2009

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 the Group's internal standards and it therefore seeks to comply with established best practice in all areas of corporate governance.

Statement of compliance with Code provisions

The Company recognises the importance of maintaining the highest standards of corporate governance in all areas of its business. Throughout the year ended 30 June 2009 the Company complied with the provisions of Section 1 of the Combined Code on Corporate Governance issued by the Financial Reporting Council in June 2008 (the 'Code') as detailed below. A copy of the Code is publically available from the Financial Reporting Council website (www.frc.org.uk).

The Board

Composition

The Company is led and controlled by the Group Board. The names, responsibilities and other details of the Group Board Directors are set out on pages 24 and 25 of this report.

Mr R A Lawson was appointed Chairman of the Company with effect from 1 July 2008. He is also currently the Chairman of Hays Plc, the specialist recruitment company and a Director of The Federation of Groundwork Trusts. Mr C G Toner retired as Chairman and from the Group Board on 30 June 2008 and Mr M Pescod resigned from the Board on 31 December 2008.

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 complied during the relevant period with the principles of the Code in relation to the balance of Executive and Non-Executive Directors. The number and calibre of Non-Executive Directors on the Board, together with their diverse backgrounds and experience, also ensures that this principle is met. On 1 July 2009, the number of Non-Executive Directors (not including the Chairman) increased to five when Miss T E Bamford joined the Board. Miss T E Bamford is also currently a Director of Cantos Communications Limited and has a broad finance and business development background which is expected to prove a great asset to the Company.

On 21 July 2009, Mr M A Pain stepped down as an Executive Director and as Group Finance Director and was replaced by Mr D F Thomas. Mr D F Thomas has a strong track record as a Finance Director having held this position at The GAME Group plc and at Millennium and Copthorne Hotels plc. This financial background combined with his wider operational experience is expected to prove to be extremely useful to the development of the Group's business.

Board responsibilities

The Board has overall authority for the conduct of the business of the Group. There are a number of matters that have been specifically reserved for the Board, these include:

- determination and approval of matters relating to the strategy and management of the Group, including approval of long-term objectives and commercial strategy, extension of the Group's activities into new businesses/geographic areas;
- determination of the structure and capital of the Company such as changes to the Group's management and control structure, share issues or buy back of shares;
- approval of financial reporting and controls such as interim and annual results announcements, the Group Annual Report and Accounts, dividend payments, accounting and treasury polices;
- 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; and
- authorisation of conflicts of interest following recommendations from the Audit Committee.

Retirement and re-election of Directors

In accordance with best corporate governance practice, the Company's Articles of Association require Directors to retire at intervals of no more than three years at the Annual General Meeting ('AGM'). Accordingly, Mr M S Clare and Mr S J Boyes will retire in consequence of the period since their last re-election and, being eligible, each will offer himself for re-election at this year's AGM. In addition, Mr D F Thomas and Miss T E Bamford, having been appointed by the Board since the last AGM, will retire at this year's AGM and offer themselves for election.

Information and professional development
On joining the Company, each new Director participates in an induction process which includes a meeting with all of the current Directors, provision of an induction pack, site visits and meetings with senior and operational management teams.

The Directors update their skills, knowledge and familiarity with the Company by attending appropriate external seminars and training courses, meeting with senior management and visiting regional and divisional operating offices.

In January 2009, the Board met for a full day to review and develop the overall business strategy of the Group which included presentations from senior management within the Group as well as external professionals.

Each Director is issued with an agenda, briefing papers and comprehensive operating and financial management reports for the period under review at least a week before any Board Meeting. The Group General Counsel and Company Secretary attends all Board and Committee Meetings and all Directors have access to his advice and, if necessary, to independent professional advice at the Company's expense to assist with the discharge of their responsibilities as Directors.

Any Director who is unable to attend a meeting presents his apologies and is invited to provide his views to the Chairman ahead of the meeting having reviewed the agenda, briefing papers and management information. The Group General Counsel and Company Secretary will meet with the absent Director after the meeting to go through any action points which are of relevance to that Director.

Formal minutes of each Board meeting are prepared, circulated and submitted for approval at the next meeting.

Independence and effectiveness
The Board believes that the Chairman and all Non-Executive Directors are 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 and the Group Chief Executive 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 the 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 is Mr R J Davies.

In accordance with the Code, the Chairman and the Non-Executive Directors met on two occasions during the year independently of the Executive Directors. The Senior Independent Director met once during the course of the year with the Non-Executive Directors independently of the Chairman, to assess the performance of the Chairman.

Directors' conflicts of interest
On 1 October 2008, the Companies Act 2006 codified the duty to avoid conflicts of interests, by which Directors have a duty to avoid a situation in which they have, or may have, a direct or indirect conflict of interest or possible conflict of interest with the Company. This duty applies to the exploitation of any property, information or opportunity regardless of whether the Company could have taken advantage of it. The Company's Articles of Association were amended at the AGM held on 18 November 2008 to include a general power for the Board to authorise such conflicts.

The Board has, in accordance with its Articles of Association and best practice guidance, authorised the Audit and Nominations Committees to oversee the process for reviewing and making recommendations to the Board concerning any actual and/or potential conflicts of interest which arise or may arise in relation to each member of the Board and this process was carried out satisfactorily during the year.

The Group General Counsel and Company Secretary maintains a Register of Directors' conflicts of interests which is reviewed every six months by the Audit Committee who then make recommendations to the Board in respect of any changes to the authorisations that may be required. Each Director is responsible, and is aware of his responsibility, to notify the Audit Committee and/or the Board of any new conflicts or possible conflicts and of any change in circumstances relating to authorisations already given. The Board, when authorising any conflict or possible conflict of interest, does not count in the quorum the Director whose conflict or possible conflict is being discussed and reserves the right to exclude a Director from a meeting whilst a conflict or possible conflict is being considered.

Board Committees

The Board has established three standing Committees: the Audit Committee, the Remuneration Committee and the Nominations Committee. It also has an Executive Committee which is responsible for the day-to-day management of the business. Terms of Reference for the Audit, Remuneration and Nominations Committees are available on the Company's website www.barrattdevelopments.co.uk. Membership and attendance of each Committee is shown in the table on page 36.

The Audit Committee

All members of the Audit Committee, as identified in the table on page 36, are independent Non-Executive Directors in accordance with Code provision C.3.1. The Board is satisfied that Mr M E Rolfe, who is a member of the Institute of Chartered Accountants in England and Wales and was formerly the Finance Director of Gallaher Group Plc, has recent and relevant financial experience.

The Audit Committee met on five occasions during the financial year. The attendance at each of these meetings is set out in the table on page 36 of this report.

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

Principal responsibilities

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;
- reviewing and challenging where necessary the consistency of, and changes to, its accounting policies;
- monitoring the effectiveness, independence and objectivity of the external auditors and the effectiveness of the external audit process and making recommendations to the Board in relation to the appointment, re-appointment and remuneration of the external auditors;
- monitoring the Group's financial management and reporting systems and 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; and
- reviewing and making recommendations to the Board on the authorisation of Directors' conflicts of interest.

The Terms of Reference for the Audit Committee are available from the Company's website www.barrattdevelopments.co.uk.

As well as carrying out the work associated with the annual financial reporting cycle, the Audit Committee discharged a number of principal responsibilities during the year including, *inter alia*, the review of: the effectiveness of internal control systems; the Audit Committee's Terms of Reference; auditor independence and non-audit fees policy; the whistleblowing policy; the internal audit plan; key accounting policies; judgements and issues; the external audit plan and associated reports and re-appointment of the external auditors.

Re-appointment of Auditors

The Audit Committee considered the re-appointment of Deloitte LLP ('Deloitte') as the Auditors to the Company in September 2009. On the basis that Deloitte had been appointed as the Company's auditors, replacing PricewaterhouseCoopers LLP, following a competitive tender in 2007 the Audit Committee made a recommendation to the Board to propose a resolution re-appointing Deloitte as the Auditors to the Company at the AGM to be held on 17 November 2009.

Auditor objectivity and independence

Deloitte did provide non-audit related services during the year primarily relating to corporate finance services, financial modelling and advice on accounting and internal control matters.

The Company has also developed and implemented a policy on Auditor Independence and Non-Audit Fees (the 'Policy'). The Policy sets out the duties of the Audit Committee relating to the maintenance of audit independence and non-audit fees and the services which the Auditors can and cannot provide to the Group.

Under the Policy the following services should not be provided by the Auditors:

- bookkeeping or other services related to the accounting records or financial statements;
- financial information systems design and implementation relating to the financial statements or accounting records;
- appraisal or valuation services, fairness opinions;
- actuarial services;
- internal audit outsourcing services; and
- management functions, legal services or Executive recruiting.

The Company is also required, under the Policy, to obtain written confirmation from the Auditors that they remain independent on an annual basis. The Audit Committee is therefore satisfied that there are no independence issues in respect of the Auditors.

Remuneration Committee

All members of the Remuneration Committee, as set out in the table on page 36, are considered by the Company to be independent in accordance with Code provision B.2.1.

Miss T E Bamford joined the Remuneration Committee on 1 July 2009 and is considered to be independent by the Company.

The Remuneration Committee met on three occasions during the financial year. Attendance at each of these meetings is set out in the table on page 36 of this report.

Principal responsibilities

The Remuneration Committee's principal responsibilities include:

- determining and reviewing the overall remuneration policy of the Company with regard to attracting, retaining and motivating directors and senior managers of the experience and calibre required;
- determining and reviewing executive remuneration policy, including the terms and conditions of employment for Executive Directors and their individual remuneration packages;
- making recommendations to the Board in relation to the remuneration of the Chairman;
- agreeing targets and benefits in respect of performance related pay schemes for all employees;
- 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 the policy for and scope of pension arrangements for Executive Directors and senior management;
- agreeing severance arrangements or other compensation for loss of office or early retirement for all employees;
- the evaluation of Executive Director performance with regard to the award of share incentives, annual bonus and other performance based remuneration; and
- obtaining independent professional advice in relation to Executive Director remuneration.

The Terms of Reference for the Remuneration Committee are available from the Company's website www.barrattdevelopments.co.uk.

Nominations Committee

The members of the Nominations Committee, the number of meetings held and the attendance at each of these meetings are shown in the table on page 36.

Miss T E Bamford joined the Nominations Committee on 1 July 2009.

The Nominations 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 leadership needs of the Group to ensure continued ability of the Group to compete effectively in the market;
- annually reviewing the time required from Non-Executive Directors to fulfil their duties;
- obtaining details of and reviewing any interests of candidates which conflict or may conflict with the interests of the Company and recommending to the Board the terms and conditions on which such conflicts should be authorised; and
- annually reviewing the performance of the Board.

The Terms of Reference for the Nominations Committee are available from the Company's website www.barrattdevelopments.co.uk.

During the year the Nominations Committee undertook a recruitment selection process involving external consultants, JCA Group Limited, which resulted in the appointment of a new Group Finance Director, Mr D F Thomas and The Zygos Partnership, which resulted in the appointment of an additional Non-Executive Director, Miss T E Bamford.

The service contracts of the Executive Directors and 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 AGM for 15 minutes prior to and throughout the meeting.

Executive Committee

The Board delegates the day-to-day management of the business to an Executive Committee, which is led by the Group Chief Executive. The members of the Executive Committee are currently the Group Chief Executive, Mr M S Clare, the Group Finance Director, Mr D F Thomas, Executive Directors Mr S J Boyes and Mr C Fenton, the Group General Counsel and Company Secretary, Mr L Dent, the Managing Director of Wilson Bowden Developments Limited, Mr N Richardson, Group Director of Corporate Affairs, Mr P Law and Group Human Resources Director, Mrs J Mee.

Membership and attendance at Board and Committee Meetings

Name	Group Board**	Audit Committee	Remuneration Committee	Nominations Committee*
Mr M S Clare	10/10	–	–	3/3
Mr S J Boyes	10/10	–	–	–
Mr C Fenton	10/10	–	–	–
Mr M A Pain	10/10	–	–	–
Mr R A Lawson[1]	Chairman 10/10	–	3/3	Chairman 3/3
Mr R J Davies	10/10	5/5	Chairman 3/3	2/3***
Mr R MacEachrane	9/10	5/5	2/3	2/3
Mr M Pescod[2]	5/5	3/3	–	–
Mr M E Rolfe[3]	9/10	Chairman 5/5	–	3/3
Mr W Shannon	10/10	5/5	3/3	3/3

[1] Mr R A Lawson was appointed Chairman of the Board and the Nominations Committee and joined the Remuneration Committee on 1 July 2008.

[2] Mr M Pescod resigned from the Board on 31 December 2008 and as Chairman of the Audit Committee on 1 August 2008.

[3] Mr M E Rolfe joined the Audit and Nominations Committees on 1 July 2008. Mr M E Rolfe took over as Chairman of the Audit Committee on 1 August 2008.

* Includes one special meeting in relation to the appointment of a new Group Finance Director.

** The Board also held four special meetings by conference call to approve trading updates and financial statements. Mr S J Boyes, Mr W Shannon and Mr R J Davies were unable to attend one of these conference calls but all presented their comments to the Chairman prior to the meeting.

*** Mr R J Davies did not attend one Nominations Committee meeting dealing with his appointment as Senior Independent Director.

/10 Indicates number of meetings held whilst a member.

10/ Indicates number of meetings attended whilst a member.

Board achievement, performance evaluation and training

The Nominations Committee oversees the procedure for appointment of new Directors to the Board. All Directors joining the Board submit themselves for election at the AGM following their appointment and once every three years thereafter. The names of the Directors subject to re-election at this year's AGM 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, the Board undertook a formal and structured process of evaluation of the performance of the Board, its Committees and individual Directors. Last year the performance evaluation was carried out using independent external consultants, Independent Audit Limited. This year the Board decided that it would be appropriate to carry out the performance evaluation internally using a questionnaire completed by all Board members and the Group General Counsel and Company Secretary.

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 and 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 results of the evaluation were presented to the Board in July 2009, and it was agreed that the Chairman would conduct one-to-one discussions with each Board Member in respect of the evaluation results. Following on from these meetings the Chairman, together with the Group General Counsel and Company Secretary, will develop and submit an action plan to the Board to implement the recommendations arising from the evaluation and the one-to-one discussions.

Employment policy and involvement

The Group is committed to developing the talents of its employees so that they can maximise their career potential and to providing rewarding careers in an atmosphere that ensures equal opportunities for all. Selection for employment and promotion is based on the objective assessment of ability and experience, giving full and fair consideration to all applications (including individuals with disabilities) for employment, and the Group is committed to ensuring that its workplaces are free from unlawful discrimination of any sort. The Company strives to ensure that its policies and practices provide equal opportunities in respect of issues such as training, career development and promotion for all existing or potential staff irrespective of gender, race, ethnic origin, colour, religion, physical disability, marital status, sexual orientation or age. Every effort is made to retain and support employees who become disabled whilst working within the Group.

The Board recognises that employee engagement is a key factor in the long-term success of the Company and has implemented a comprehensive employee engagement programme with the aim of creating a strong, shared culture. All employees are invited to take part in an engagement survey each January and the results of this survey are fed back to each operating division who use the results to formulate a plan for improving engagement during the year ahead.

A key part of effective employee engagement is communication. The Company ensures that all significant events, economic factors and financial updates and the impact of these on the performance of the Company are communicated to employees through email alerts and regular newsletters. The Executive Committee regularly brief senior management via telephone conference calls which allow them to ask questions and enter into discussion. The Board and the Executive Committee also visit operating divisions and working sites in order to talk to employees face to face and get first hand experience of employees' aspirations and concerns.

The Group runs a Graduate Recruitment and Development Programme consisting of a two year multi-disciplinary programme of both on-job and off-job modules. Thirty graduates have recently completed the first two year programme and have all secured full-time roles with the business and five graduates are currently entering their second year of the programme.

Succession planning is in place across the Group and there are currently four leadership development programmes in place to assist with the development of individuals as part of the succession plan.

The Group is committed to employee training and development at all levels of the organisation and has introduced a suite of leadership and management development programmes aimed at all levels within the organisation from graduates and middle management to senior management. The programme is designed and delivered internally and is tailored to the needs of the business.

Following shareholder approval at the 2008 AGM, the Company launched, in February 2009, a savings related share option scheme to encourage employee involvement in the Company's performance. 39% of eligible employees currently participate.

Investor relations

Details of the Group's management of investor relations are provided on pages 30 and 31.

Going concern

In determining the appropriate basis of preparation of the financial statements, the Directors are required to consider whether the Group can continue in operational existence for the foreseeable future.

The Group's business activities, together with factors which the Directors consider are likely to affect its future development, financial performance and financial position are set out in the Group Chief Executive's statement on pages 4 to 8 and the Business review on pages 9 and 11. The material financial and operational risks and uncertainties that may impact the Group's performance and their mitigation are outlined on pages 18 and 19 and financial risks including liquidity risk, market risk, credit risk and capital risk are outlined in note 26 to the financial statements.

The financial performance of the Group is dependent upon the wider economic environment in which the Group operates. As explained in the Principal risks on pages 18 and 19 factors that particularly impact upon the performance of the Group include changes in the macroeconomic environment including buyer confidence, availability of mortgage finance for our purchasers, and interest rates. At 30 June 2009, the net debt position of the Group (as shown in note 24 to the financial statements) was £1,276.9m, with loans and borrowings of £1,484.1m with headroom of £800.0m to the Group's committed facilities. The Group is currently in compliance with its financial covenants and at the date of approval of the financial statements the Group's internal forecasts indicate that it will remain in compliance with these covenants for the foreseeable future being at least twelve months from the date of signing the financial statements.

As noted in note 36, on 23 September 2009, the Company entered into an agreement with UBS Limited, Credit Suisse Securities (Europe) Limited, HSBC Bank plc, Barclays Bank plc, Lloyds TSB Bank plc and RBS Hoare Govett Limited to fully underwrite a £720.5m equity issue, to be structured as a Placing and a Rights Issue, to strengthen the Group's balance sheet and reduce its financial indebtedness. In conjunction with the Placing and Rights Issue, the Company has negotiated certain amendments to the terms of the Group's existing financing arrangements. The amended financing arrangements will only come into effect if a minimum of £450m total gross proceeds are raised pursuant to the Placing and Rights Issue and, before 31 December 2009, the Company reduces its borrowings under the Wilson Bowden acquisition facilities and the Group's private placement notes by 40% such that the total amount of indebtedness thereunder does not exceed £900m (excluding any indebtedness under make-whole notes that are issued as a consequence of the prepayment). The Company has put in place arrangements to effect such prepayments following it becoming entitled to the net proceeds of the Placing and Rights Issue. Upon such prepayments being made, £50m of undrawn commitments under each of its Revolving Credit Facilities will automatically be cancelled so that they do not exceed £700m. The Directors expect the amended financing arrangements will enable the Group to take advantage of opportunities that may arise in a recovering market, as well as to provide an appropriate alternative framework, should a further downturn arise.

Completion of the Placing and Rights Issue is conditional upon shareholder approval at the General Meeting expected to be held on 19 October 2009, listing of the shares to be issued pursuant to the Placing and Rights Issue and upon the underwriting agreement not being terminated in accordance with its terms prior to the General Meeting. If the Placing and Rights Issue do not proceed the amended financing arrangements will not come into effect. Until such time as any subsequent renegotiation is concluded, the existing financing arrangements will continue to apply. While the existing financing arrangements apply, if conditions in the wider UK economy, as they relate to the housebuilding sector, were to decline below that which has been assumed in the Group's forecasts during the current financial year (and notwithstanding further management actions to both conserve and generate cash, including, if necessary, by making land sales) then there is a risk that the Group might generate lower than anticipated revenues, or cash, or require further write-downs in the value of the Group's assets. This risk may result in the Group being unable to comply with its existing covenant package during the current financial year. If the amended financing arrangements do not come into effect, the Group will need to renegotiate the terms of its existing financing arrangements during the current financial year in order to secure the revolving credit facilities of an appropriate duration so as to give the Directors increased confidence that they will be able to prepare the accounts in respect of such a period on a going concern basis and also to secure a covenant package across all its financing arrangements that provides greater flexibility.

The above risks, that the amended financing arrangements do not become effective because the conditions to the Placing and Rights Issue are not satisfied, and that whilst the existing financial covenants remain in place the impact of a decline in the housebuilding sector may result in the Group not being able to comply with such covenants, represent a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern such that the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

Nevertheless, based upon the Group's expectation that conditions to the Placing and the Rights Issue will be satisfied, in addition to the Group's current trading, forecasts, and further management actions which could be taken whilst the existing financial covenants remain in place referred to above, the Directors believe that the Group will continue to comply with its financial covenants and accordingly have formed a judgement that it is appropriate to prepare the financial statements upon a going concern basis. Therefore, these financial statements do not include any adjustments that would result if the going concern basis of preparation is inappropriate.

Internal control and risk management

The Board confirms in accordance with Principle C.2 of the Code that it has maintained a sound system of internal control, to safeguard shareholders investment and the Company's assets. There is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group that has been in place throughout the year ended 30 June 2009 and up to 23 September 2009, which is regularly reviewed by the Board and accords with the Turnbull guidance.

The Group's system of internal control 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 problems can be identified promptly and appropriate remedial action taken.

The Group operates internal controls to ensure that the Group's financial statements are reconciled to the underlying financial ledgers. A review of the consolidation and financial statements is completed by management to ensure that the financial position and results of the Group are appropriately reflected.

The Board is responsible for the Group's system of internal control and for reviewing its effectiveness. 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 system of internal control and risk management framework are as follows:

i) a clear organisational structure with defined levels of authority and responsibility for each operating division;
ii) 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;
iii) principal risk areas 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. These risks include:
   - the market, including changes in the macroeconomic environment, sales and quality of product;
   - liquidity, including the availability of sufficient borrowing facilities;
   - people, including the development of a skilled and experienced workforce;
   - subcontractors and suppliers;
   - securing sufficient land;
   - Government regulation, including obtaining planning permission;
   - construction, including achieving key milestones and the impact on the environment and social surroundings;
   - health and safety; and
   - failure of the Group's IT systems; and
iv) 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 the land viability process, land acquisition control and monitoring, work in progress and subcontractor payment controls. Where the internal audit team does not have the expertise or resources required to conduct complex audits they use external expertise. For example, during the year ended 30 June 2009, PricewaterhouseCoopers LLP assisted with the internal audit of the Group treasury function.

In accordance with Principle C2.1 of the Code the Board regularly reviews the effectiveness of the Group's system of internal controls, covering all material controls including financial, operational and compliance controls and risk management systems. A risk framework has been developed for all business processes by the Internal Audit function and approved by the Audit Committee. This framework forms the basis of the internal control audit plan for the year ahead, which tests if controls are being applied effectively in each operating division. Material issues identified during internal audits and follow-up action plans are reviewed by the Executive Directors and by the Board on a quarterly basis, and necessary actions are immediately taken to remedy any failings in the internal control system.

During the course of its review of systems of internal control, the Board has not identified nor been advised of any failings or weaknesses which it has determined to be significant. Therefore, a confirmation of necessary actions has not been considered appropriate.

In addition, the management teams of all operating divisions identify key risks in their monthly management reports to the Executive Committee and complete a control self assessment twice a year in which they confirm that they have applied appropriate levels of control. The Audit Committee, as a standing agenda item every six months, reviews the risk framework to determine if the system of internal control remains effective and report on their findings to the Board. During the year under review, the Executive Committee prioritised the risk framework by identifying the risks considered most significant to the Group. For each of the risks identified, an assessment has been made of the probability and potential impact on the business and these risks are reported on internally and reviewed during internal audits and control self assessments.

On behalf of the Board

L Dent, Group General Counsel and Company Secretary
23 September 2009

Additional Information for Shareholders

The following description summarises certain provisions of the current Articles of Association (as adopted by special resolution on 18 November 2008 (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 to the Articles will be proposed at the Annual General Meeting (the 'AGM') on 17 November 2009, primarily to deal with the implementation of the Shareholder Rights Directive in the United Kingdom on 3 August 2009 via The Companies (Shareholders' Rights) Regulations 2009 and the implementation of the remaining provisions of the Companies Act 2006 on 1 October 2009. Details of these proposed changes will be set out in the notice of the AGM and copies of the Company's current Articles, together with copies marked up to show the proposed amendments, will be available for inspection at the Company's registered office from the date of despatch.

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 AGM the Company normally 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 or by proxy at a general meeting or class meeting has, upon a show of hands, one vote or upon a poll, one vote for every share of which they are a holder. In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of votes of the other joint holders and seniority shall be determined by the order in which the names stand in the register in respect of the joint holding. 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. 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.

Restrictions on voting

No member shall be entitled to vote at any general meeting or class meeting in respect of any shares held by them if any call or other sum then payable by them in respect of that share remains unpaid. Currently all issued shares are fully paid. In addition, no member shall be entitled to vote if they have been served with a restriction notice (as defined in the Articles) after failure to provide the Company with information concerning interests in those shares required to be provided under the 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 their payment. If the Board acts in good faith, it is not liable to holders of shares with preferred or *pari passu* rights for losses arising from the payment of interim or fixed dividends on other shares.

The Board may withhold payment of all or any part of any dividends or other monies payable in respect of the Company's shares from a person with a 0.25% interest (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.

Variation of rights

Subject to the Companies Acts, the Articles specify that rights attached to any existing class of shares may be varied either with the written consent of the holders of not less than three-fourths in nominal value of the issued shares of that class (calculated excluding any shares held as treasury shares), or with the sanction of a 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 entitled to vote and 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), but so that at any adjourned meeting one holder entitled to vote and present in person or by proxy (whatever the number of shares held by him) shall be a quorum. 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.

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 their 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 an aggregate of 34,671,802 ordinary shares during the period up to the next AGM. 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 business days immediately preceding the day on which that ordinary share is contracted to be purchased; and (ii) the higher of the price of the last independent trade and the highest current independent bid on the London Stock Exchange 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.

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 AGM and is then eligible for election by the shareholders but is not taken into account in determining the Directors who are to retire at that meeting dependent on length of their service and the period since their last re-election. 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. Directors are no longer subject to a maximum age limit.

At every AGM of the Company, any Directors who held office at the time of the two preceding AGMs and did not retire at either of them, shall retire in consequence of the period since their last re-election. 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.

Conflicts of interest requiring Board authorisation

The Board may authorise any matter which would otherwise involve a Director breaching his duty to avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or may possibly conflict, with the Company's interests. The Director to whom the conflict of interest relates, and any other Director with a similar interest, shall not count towards the quorum nor vote on any resolution giving the authority. Should the other members of the Board decide, the relevant Director or any other Director with a similar interest, may be excluded from any Board meeting while the conflict is under consideration. The Board may impose terms and conditions on the authorisation as it deems necessary to deal with the conflict and it may revoke or vary any authorisation at any time. The Board intends to report annually on the Company's procedures for ensuring that its powers of authorisation of conflicts are operated effectively and that the procedures have been followed.

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 undertakings, property, assets and uncalled capital and to issue debentures and other securities and to give security for any debt, liability or obligation of the Company to any third party.

Indemnity of Directors

To the extent permitted by the Companies Acts, the Company may indemnify any Director of the Company or of any associated company against any liability and may purchase and maintain for any Director of the Company or of any associated company insurance against any liability. No Director of the Company or of any associated company shall be accountable to the Company or the members for any benefit provided pursuant to the Articles of the Company and receipt of any such benefit shall not disqualify any person from being or becoming a Director of the Company.

Shares held in the Employee Benefit Trust

The Barratt Developments Employee Benefit Trust ('EBT') holds ordinary shares in the Company. The shares are held in the EBT for the purpose of satisfying options and awards that have been granted under the various employee share schemes operated by the Company. The EBT has agreed to waive all or any future right to dividend payments on shares held within the EBT and these shares do not count in the calculation of the weighted average number of shares used to calculate earnings per share until such time as they are vested to the relevant employee.

The Trustees of the EBT may vote or abstain from voting on shares held in the EBT in any way they think fit and in doing so may take into account both financial and non-financial interests of the beneficiaries of the EBT or their dependants.

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 £2,150.0m credit facilities agreement dated 5 February 2007 (as amended), the £400.0m revolving credit facility agreement dated 9 July 2008 (as amended) and the £400.0m revolving credit facility agreement dated 2 February 2005 (as amended) in each case 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 originally amounting in aggregate to £20.0m (the '£20m Notes') issued pursuant to a note purchase agreement dated 29 August 2007 to various institutions within a single corporate group, the holders of the £20m Notes have an option to require the Company to repay the entire unpaid principal amount of the £20m 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; and
- under the privately-placed notes originally amounting in aggregate to £105.0m and $300.0m (the 'Remaining Notes') issued pursuant to note purchase agreements dated 23 August 2007 and 23 April 2008 by the Company to various institutions, the holders of the Remaining Notes have an option to require the Company to repay the entire unpaid principal amount of the Remaining Notes held by each holder (at par), together with interest accrued thereon but without any '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 £20m Notes and the Remaining 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 note purchase agreements also impose upon the holders customary restrictions on resale or transfer of the notes other than in compliance with applicable securities laws.

On behalf of the Board

L Dent, Group General Counsel and Company Secretary
23 September 2009

Remuneration report

Introduction

This year's Remuneration report is prepared in accordance with schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (S.I. 2008/410) (the 'Regulations') and will be subject to an advisory vote at the Annual General Meeting (the 'AGM') to be held on 17 November 2009.

The key issues to be aware of this year are:

1. Executive Directors did not receive a salary increase in 2008 and will not be receiving one in 2009.
2. The Company's final salary pension scheme was closed with effect from 30 June 2009.
3. No annual bonuses have been paid despite the achievement of cash management targets.
4. Annual bonus potential has been reduced for the financial year ending 30 June 2010 compared to the financial year ended 30 June 2009.
5. A bonus clawback provision has been introduced to any annual bonuses paid and to any options granted under the Executive Share Option Scheme ('ESOS') in respect of the current and future years, subject in the case of HMRC approved options, to the approval of HMRC.
6. As performance targets have not been met, the Long-Term Performance Plan ('LTPP') award granted in 2006 did not vest.
7. At the 2008 AGM, shareholders approved the ESOS and Executive Directors were granted share options under this new ESOS. These had a lower expected value than the previous LTPP awards.
8. In 2009, the Remuneration Committee (the 'Committee') will again grant share options rather than LTPP awards, which will have Total Shareholder Return ('TSR') and Earnings Per Share ('EPS') performance conditions.

Remuneration Committee

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

- determining and reviewing the overall remuneration policy of the Company with regard to attracting, retaining and motivating Directors and senior managers of the experience and calibre required;
- determining and reviewing executive remuneration policy, including the terms and conditions of employment for Executive Directors and their individual remuneration packages;
- making recommendations to the Board in relation to the remuneration of the Chairman;
- agreeing targets and benefits in respect of performance related pay schemes for all employees;
- 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 the policy for and scope of pension arrangements for Executive Directors and senior management;
- agreeing severance arrangements or other compensation for loss of office or early retirement for all employees;
- the evaluation of Executive Director performance with regard to the award of share incentives, annual bonus and other performance-based remuneration; and
- obtaining independent professional advice in relation to senior executive remuneration.

The Terms of Reference for the Committee are available from the Company's website at www.barrattdevelopments.co.uk.

Membership and proceedings of the Remuneration Committee

The members of the Committee during the financial year were Mr R J Davies (Chairman), Mr R A Lawson, Mr W Shannon and Mr R MacEachrane. Mr R A Lawson joined the Committee on 1 July 2008 and Miss T E Bamford joined the Committee on 1 July 2009. The Committee met on three occasions during the financial year and attendance at each of these meetings is described on page 36 of the Report of the Directors. All Committee members are considered to be 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 Committee has complied with the Combined Code on Corporate Governance and 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

The Committee received input into their decision making from Mr M S Clare, the Group Chief Executive, Mrs J Mee, the Group Human Resources Director, and Mr L Dent, Group General Counsel and Company Secretary. Mr L Dent also acts as secretary to the Committee. In addition, independent advisers, Hewitt New Bridge Street, advised the Committee in relation to changes to the Company's remuneration policy and on the design, establishment and operation of remuneration arrangements. Hewitt New Bridge Street did not provide any additional services to the Company.

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

Remuneration policy

Each year the Committee reviews the policy on executive remuneration in the context of the business environment, best practice and market trends for the current and subsequent financial years. The underlying principles remain the same, namely, the Committee believes that executive remuneration should:

- be fully aligned with the performance of the Company and the returns received by shareholders;
- reward the sustained growth and profitability of the business; and
- conform with market-leading best practice.

The Committee has the discretion to consider corporate performance on environmental, social and governance issues when setting the remuneration of the Executive Directors. In addition, the Committee does take into account environmental, social and governance risks when setting any incentive structures for senior management in order to mitigate the possibility of the incentive structures motivating irresponsible behaviour. The Committee also considers the level of pay throughout the Group when setting Executive Directors' remuneration.

Central to the Group remuneration policy is recognition that the sustained growth and profitability of the 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 a high 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. With the exception of the share options granted in 2008, which were based on a return on capital employed performance metric, the Committee's policy is to use a combination of TSR and EPS performance conditions; and
- 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; and
- pension and other 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 for similar positions in large national housebuilding companies and also for companies comprising the FTSE 250. In light of the prevailing market conditions there are no current plans to increase salaries for any employees across the business, including Executive Directors, for the financial year ending 30 June 2010. Therefore salaries with effect from 1 July 2009 remain as follows:

	1 July 2009 £ per annum	1 July 2008 £ per annum
Mr M S Clare	**630,000**	630,000
Mr M A Pain*	**350,000**	350,000
Mr D F Thomas**	**400,000**	–
Mr S J Boyes	**350,000**	350,000
Mr C Fenton	**350,000**	350,000

* Mr M A Pain stepped down from the Board on 21 July 2009.

** Mr D F Thomas joined the Board on 21 July 2009.

Annual 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, including cash generation, operating profit, health and safety, customer service, employee engagement and personal targets. For the financial year ending 30 June 2010 the Executive Directors' maximum bonus has been reduced to 100% of salary (180% of salary in previous years) and the target bonus has been lowered from 130% to 75% of basic salary.

The Committee has retained a general discretion in the making of bonus payments, and will consider, among other factors, the underlying financial performance of the business relative to the sector.

The Committee has decided that for any bonuses paid in respect of the financial year ending 30 June 2010 and later years it will retain a power of clawback. This can be invoked if:

(a) it is necessary to restate the Company's accounts used to calculate a participant's bonus, in circumstances where the original over-statement has led to a bonus being paid which would not otherwise have been paid; or
(b) the participant is found guilty of any criminal activity in connection with his employment and this related to an act which led to a bonus being paid to him or her.

In such circumstances, the Committee may determine that bonuses will be retrospectively recalculated and, if bonus monies have been paid, the participant will be required to reimburse the Company for an amount up to the total amount of the net bonus paid less any bonus that the Committee determines would have been paid regardless of the event in question.

No part of the annual bonus is pensionable.

For the financial year ended 30 June 2009, despite the achievement of the cash management and other non-profit targets, the Committee accepted the management's proposal that no annual bonus should be paid.

In January 2009, it was announced that Mr M A Pain would be stepping down as Executive and Group Finance Director. On 21 July 2009, Mr D F Thomas took over as Group Finance Director and, in order to ensure an orderly handover of responsibilities, Mr M A Pain agreed to continue his employment with the Group until 31 October 2009. In consideration of the extension to his remaining in employment beyond his required notice period, the Company agreed to make a one-off payment of £100,000 to Mr M A Pain on 31 October 2009, subject to his employment remaining valid until that date. Mr M A Pain's salary and benefits will continue as normal up until 31 October 2009.

Co-Investment Plan

The Co-Investment Plan (the 'Plan') was approved by shareholders at the AGM held in November 2005 and any annual bonus earned above target will normally be compulsorily deferred into shares held under this Plan. The Executive Directors also have the opportunity to voluntarily defer additional amounts of annual bonus up to a maximum of 25% of basic salary into the Plan.

Matching awards will then be made by the Company, at the rate of one for one for compulsory deferral and at a maximum of four for one for voluntary deferral; matching awards will be subject to performance conditions measured over a period of three years. The relevant performance conditions are the same as those used for the LTPP, as detailed below.

Because the maximum annual bonus for the year ending 30 June 2010 has been reduced to 100% of salary there will be no compulsory deferral of annual bonus into the Plan for this year.

As no bonus is payable for the financial year ended 30 June 2009, no awards will be granted this year under the Plan.

Long-Term Performance Plan

The LTPP was approved by shareholders at the AGM held in November 2003. No LTPP awards were granted in the financial year ended 30 June 2009 and the Committee is not proposing to grant any LTPP awards for the financial year ending 30 June 2010. Instead the Committee has used and will use the ESOS as described on page 46.

Awards under the LTPP are at the discretion of the Committee, taking into account individual performance and the overall performance of the Group. An employee is not eligible to receive options under the ESOS and awards under the LTPP in the same financial year.

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. There is no re-testing of performance conditions. 50% of the award will vest on attainment of a performance target based on TSR and 50% based on EPS growth.

The Committee considers these targets to be the most appropriate measure of financial performance for a housebuilder at the time of the awards, as they are fundamental measures of the Group's underlying performance and are directly linked to the generation of returns to shareholders.

The TSR portion of the awards made in 2006 uses a comparator group comprising listed housebuilders as follows: Berkeley Group, Bellway, Bovis Homes Group, Redrow, Persimmon and Taylor Wimpey. For awards made in 2007, the comparator group for the TSR portion of the award comprises those companies, excluding investment trusts, ranked 51-100 in the FTSE Index. For the TSR element of the award, 50% of the total award will vest if the Company's TSR measured over a three-year period ranks at the upper quartile or above against the TSR of the comparator group. 10% of the total award will vest if the TSR ranks at the median and no part of the award will vest if the TSR ranks below the median. The award will vest on a straight-line basis between the upper and lower targets.

For awards made in 2006 and 2007, 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 awards will vest on a straight-line basis. The EPS for the Company is calculated by dividing the profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year, excluding those held by the Employee Benefit Trust.

The qualifying period for the award granted in 2006 ended on 30 June 2009. Performance of this award against the constituent TSR and EPS targets was tested after the year end and neither of the targets had been achieved. Accordingly no part of the 2006 awards will vest.

Executive Share Option Scheme

The ESOS was approved by shareholders at the AGM held in November 2008. It was the view of the Committee that the focus on share price growth arising from the use of market value options combined with this performance condition would ensure strong alignment with shareholders. Options were granted in December 2008 following this approval and it is intended to grant further options under the ESOS during the financial year ending 30 June 2010.

An employee is not eligible to receive options under the ESOS and awards under the LTPP in the same financial year.

Options must normally be held for a minimum of three years from the date of grant before they can be exercised and lapse if not exercised within ten years of grant. The maximum number of shares over which an employee may be granted options in any financial year under the ESOS will be limited so that the aggregate cost of exercise does not exceed 200% of his annual salary.

The exercise of options granted under the ESOS is subject to the achievement of an objective performance condition set by the Committee. For options granted in 2008, 100% of the option will vest if the Return On Capital Employed ('ROCE') for the financial year ending 30 June 2011 reaches 14.5%, 25% of the award will vest if the ROCE reaches 10.5% and no part of the award will vest if the ROCE is below 10.5%. The award will vest on a straight-line basis between the upper and lower targets. There will be no opportunity to retest any performance criteria. ROCE will be calculated as operating profit (measured across the whole year to 30 June 2011) divided by shareholder funds plus net debt less any intangible assets (being the average of the 12 month end figures during the same year). The Committee considered that ROCE was the most rounded measure of financial performance for a housebuilder at the time of this award and was satisfied that the ROCE target range represented a stretching target considering the outlook for the housebuilding market.

For options to be granted in the financial year ending 30 June 2010, 50% of the award will vest on attainment of a performance target based on relative TSR, and 50% on attainment of a target to be based on EPS growth.

For the TSR element of the award, 50% of the total award will vest if the Company's TSR measured over a three-year period ranks at the upper quartile or above against the TSR of a comparator group comprising the FTSE 250 (excluding investment trusts), 12.5% of the total award will vest if the TSR ranks at the median and no part of the award will vest if the TSR ranks below the median. The award will vest on a straight-line basis between the upper and lower targets. TSR will be calculated as the percentage change in share price plus dividends over a performance period, with the opening share price averaged across the dealing days in the three-month period ending immediately before the start of the performance period and the closing share price averaged over the dealing days in the last three months of the performance period.

The EPS element of the award will be divided into three one-year targets with the Committee setting targets annually for the forthcoming year in each year. Performance against the EPS target for each year will be tested at the end of each year and the award will vest at the end of the three-year performance period in proportion to the level of achievement in each year against the relevant target. The EPS for the Company will be calculated by dividing the profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year, excluding those held by the Employee Benefit Trust. It should be noted that three one-year targets are only being used because of the current uncertain economic conditions and it is hoped that for future awards there will be greater economic certainty and that the Committee will return to the principle of using a three-year target.

Both performance conditions, once set, will be subject to an overriding Committee discretion to take into account, among other factors, performance relative to the sector and the underlying financial performance of the business including free cash flow.

The Committee chose these targets as the most appropriate measure of financial performance for a housebuilder at the current time, as they are a fundamental measure of the Group's underlying performance and are directly linked to the generation of returns to shareholders.

In recognition of his loss of benefit under his previous employer's long-term incentive and share option plans, it was agreed with Mr D F Thomas that he would be granted an one-off award that seeks to target benefits equivalent to the options granted under the ESOS in 2008. In order to satisfy this obligation, Mr D F Thomas will be granted an option by the trustees of the Employee Benefit Trust and, if and when exercised, will be satisfied from ordinary shares acquired in the market. The option will be over 666,666 ordinary shares at an exercise price per share of 55 pence. The option will be subject to the same performance targets as the options granted under the ESOS in 2008 and will be on substantially the same terms and conditions as those options.

The Committee has decided to retain a power of clawback on any ESOS options granted during the financial year ending 30 June 2010 and later years on a similar basis to that described on page 45 relating to the payment of annual bonuses, subject in the case of HMRC approved options, to the approval of HMRC.

Share Option Plan

In November 1997, the Company adopted an Executive Share Option Plan (the 'ESOP'). Options must be held for a minimum of three years from the date of grant before they can be exercised and lapse if not exercised within ten years. The exercise of options granted under the ESOP is subject to the achievement of an objective performance condition set by the Remuneration Committee.

No further options can be granted under the ESOP. Options which have been granted in previous years remain unchanged and are set out on page 51. The award granted to Mr S J Boyes in 2003 vested in 2006 but has not been exercised.

Savings Related Share Option Scheme

The Savings Related Share Option Scheme (the 'SRSOS') was approved by shareholders at the AGM held in November 2008.

The SRSOS was implemented in order to promote share ownership amongst all employees of the Company, linking employee benefit to the performance of the Company, and to aid retention of staff.

All employees and Executive Directors who work more than 25 hours per week and who have five or more years of continuous service, ending on the date of grant, or such shorter period as the Board may decide, with the Company, or any subsidiary in the Group nominated to join in the SRSOS, are eligible to participate in the scheme. The Board has discretion to reduce the period of qualifying service and to invite other employees of the Group to participate. Under the SRSOS, employees can save up to £250 per month for three or five years and receive options to purchase the Company's shares at a discount of up to 20% on the market value. During 2009, 1,792 employees (39% of those eligible) applied to participate in the SRSOS.

Senior Management Share Option Plan 2009/2010

The Senior Management Share Option Plan 2009/2010 (the '2009/2010 Plan') has been established by the Board to enable options to be granted to senior management (other than those who participate in the ESOS or LTPP) to assist with their retention. No Executive Directors are eligible to participate in the 2009/2010 Plan. Options under the 2009/2010 Plan will entitle the holder to acquire existing ordinary shares in the Company that will be purchased in the market for this purpose. Options may not be satisfied either by the issue of new ordinary shares or by the use of ordinary shares held in treasury.

Because the explicit focus of the 2009/2010 Plan is staff retention, there will be no performance conditions imposed. Awards will be targeted on an individual basis reflecting personal performance and assessment of potential under the Barratt performance management system and will vest after three years subject to continued employment with the Company.

Pension benefits

The Company's pension policy for Executive Directors is that they can choose to participate in the Company's money purchase pension plan or receive a cash supplement that does not count for incentive purposes. The Company's defined benefit pension plan was closed to new entrants in 2001.

Mr M S Clare is and Mr M A Pain was paid a cash supplement equal to 30% and 25%, respectively, of basic salary per annum. It has been agreed that Mr D F Thomas will similarly receive a cash supplement of 25% of salary.

The most recent full actuarial valuation of the Scheme as at 30 November 2007 showed a deficit of £87.4m calculated on the basis of the Barratt Group Pension and Life Assurance Scheme's (the 'Scheme') technical provisions. This was updated to 30 June 2009 by a qualified independent actuary and a deficit of £31.5m is included in the Group balance sheet as shown in note 27 to the financial statements. The Company and the Trustees of the Scheme have agreed that, with effect from 1 December 2008, the Company will pay, in addition to the joint contribution rate, £13.3m per annum for seven years to address the deficit.

On 14 April 2009, the Trustees agreed with the Company to terminate defined benefit accrual under the Scheme with effect from 30 June 2009, subject to certain conditions, and on 30 June 2009, the Company resolved to exercise its consent under the rules of the Scheme to agree to the closure of the defined benefit section of the Scheme. The conditions include obligations on the Company to continue paying deficit reduction contributions at a level not lower than the £13.3m agreed in December 2008 and to consult with the Trustees with regard to the funding requirements of the Scheme before the occurrence of any event materially affecting (whether positively or negatively) the ability of the employers to fund the Scheme which is within the control of the Company.

Members of the Scheme became eligible to join the defined contribution money purchase section of the Scheme with effect from 1 July 2009.

During the financial year ended 30 June 2009, Mr S J Boyes and Mr C Fenton were members of the Company's defined benefit section of the Scheme. This entitlement was based on a 1/60-accrual rate and a normal retirement age of 65. The entitlement of Mr C Fenton was restricted by the earnings cap imposed under the Finance Act 1989, for service up to 5 April 2006 and thereafter was calculated by reference to his basic salary. In lieu of the continued accrual of benefits under the Scheme, Mr S J Boyes and Mr C Fenton are entitled to receive cash supplements equal to 30% of their basic salary per annum.

Only the basic salary element of a Director's remuneration is pensionable.

Members of the Scheme are also eligible for dependents' pension and an insured lump sum of four times pensionable salary on death in service.

Service contracts

All Executive Directors, with the exception of Mr M A Pain, are engaged 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. Mr M A Pain, who stepped down from the Board on 21 July 2009, could, and did, terminate his contract by giving six months' notice. There are no specific provisions for compensation on early termination or loss of office due to a takeover bid. The contracts entitle Executive Directors to the provision of a company car and membership of a private healthcare scheme.

Individual Executive Directors' service contracts:

Executive Director	Service contract date	Effective date	Notice period
Mr M S Clare	27 June 2006	2 October 2006	12 months
Mr M A Pain	23 January 2006	1 March 2006	6 months
Mr D F Thomas	5 May 2009	21 July 2009	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

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 having regard to the time commitment and responsibilities associated with the role. The remuneration of the Chairman is set by the Board on the recommendation of the Committee again having regard to the time commitment and responsibilities of the role.

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) without compensation for loss of office and by giving the appropriate length of notice as prescribed in their respective letters of appointment. The notice periods applicable to each of the Non-Executive Directors are, Mr R A Lawson, three months' notice, Miss T E Bamford and Mr M E Rolfe, one month's notice and for Mr R J Davies, Mr R MacEachrane and Mr W Shannon no notice is required. 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.

Individual Non-Executive Directors' Letters of Appointment:

Non-Executive Director	Date of last re-election at AGM	Date of appointment
Mr R A Lawson	18 November 2008	1 June 2008
Mr R J Davies	27 November 2007	5 May 2004
Miss T E Bamford	–	1 July 2009
Mr R MacEachrane	18 November 2008	1 May 2006
Mr M E Rolfe	18 November 2008	1 May 2008
Mr W Shannon	27 November 2007	1 September 2005

Total Shareholder Return performance graph

The following graph prepared in accordance with the Regulations shows the TSR performance over the last five years against the FTSE 250 (excluding investment trusts) and against an index of listed housebuilders. The Board has chosen these comparator indices as the Group and its major competitors are constituents of one or both of these indices. The TSR has been calculated using a fair method in accordance with the Companies Act 2006.

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 remaining period of office ordinary shares in the Company equivalent to 100% of their basic annual salary;
- for the purposes of determining the requisite level of each Executive Director's shareholding relative to basic salary, the share price will be that prevailing on 30 June in each year; and
- provided Executive Directors hold the appropriate level of shares they are at liberty to sell shares so as to realise their LTPP awards or upon the exercise of share options subject to the normal Listing Rules and Disclosure Rules and Transparency Rules requirements for Director shareholdings.

Both Mr S J Boyes and Mr C Fenton met the shareholding guidelines until the recent economic downturn which resulted in an unprecedented reduction in the share price in early 2008. The Committee is not currently expecting Mr S J Boyes and Mr C Fenton to purchase additional shares to respond to this temporary position on the basis that no annual bonus has been paid and the 2006 LTPP awards did not vest, and will review the position on or after 30 June 2010.

The following tables and accompanying notes constitute the auditable part of the Remuneration report as defined in the Regulations.

Directors' emoluments

	Salary/fee £000	Pension allowance £000	Performance related £000	Benefits in kind £000	**2009 Total £000**	2008 Total £000	**2009 Gain on exercise of share options £000**	2008 Gain on exercise of share options £000
Mr M S Clare	630	189	–	28	**847**	852	**–**	–
Mr M A Pain	350	88	–	24	**462**	467	**–**	–
Mr S J Boyes	350	–	–	20	**370**	374	**–**	–
Mr C Fenton	350	–	–	29	**379**	378	**–**	–
Mr R A Lawson	270	–	–	–	**270**	23	**–**	–
Mr R J Davies	53	–	–	–	**53**	48	**–**	–
Mr R MacEachrane	40	–	–	–	**40**	39	**–**	–
Mr M E Rolfe	49	–	–	–	**49**	7	**–**	–
Mr M Pescod*	23	–	–	–	**23**	52	**–**	–
Mr W Shannon	40	–	–	–	**40**	39	**–**	–
Mr C G Toner**	–	–	–	–	**–**	170	**–**	–
Total	2,155	277	–	101	**2,533**	2,449	**–**	–

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

** Mr C G Toner retired as a Director on 30 June 2008.

The Executive Directors receive taxable benefits in kind covering the provision of a motor vehicle, private medical insurance, some telephone costs and payment towards the cost of obtaining independent tax advice.

There was no compensation for loss of office or any taxable expenses paid to the Directors during this financial year.

During the financial year Mr M A Pain received a fee totalling £42,000 in respect of his Non-Executive Directorship with Punch Taverns plc. Mr M A Pain is entitled to and will retain these fees.

Long-Term Incentive Schemes

	Name of award	Date of award	At 30/06/08 No.	During the year Awarded No.	Vested No.	Lapsed No.	At 30/06/09 No.	Date from which exercisable*	Market price on award pence	Market price at vesting pence	Gain receivable £
Mr M S Clare	LTPP	16.11.2006	111,861	–	–	–	**111,861**	16.11.2009	1,095.0	–	–
	LTPP	21.12.2007	212,770	–	–	–	**212,770**	21.12.2010	431.0	–	–
	Co-Investment Plan	18.10.2007	8,500	–	–	–	**8,500**	18.10.2010	659.0	–	–
Mr M A Pain	LTPP	18.11.2005	80,000	–	–	(80,000)	**–**	18.11.2008	851.0	–	–
	LTPP	16.11.2006	59,595	–	–	–	**59,595**	16.11.2009	1,095.0	–	–
	LTPP	21.12.2007	118,206	–	–	–	**118,206**	21.12.2010	431.0	–	–
	Co-Investment Plan	03.12.2006	314	–	–	–	**314**	03.12.2009	1,152.0	–	–
	Co-Investment Plan	18.10.2007	6,038	–	–	–	**6,038**	18.10.2010	659.0	–	–
Mr S J Boyes	LTPP	18.11.2005	77,493	–	–	(77,493)	**–**	18.11.2008	851.0	–	–
	LTPP	16.11.2006	59,595	–	–	–	**59,595**	16.11.2009	1,095.0	–	–
	LTPP	21.12.2007	118,206	–	–	–	**118,206**	21.12.2010	431.0	–	–
	Co-Investment Plan	03.12.2006	930	–	–	–	**930**	03.12.2009	1,152.0	–	–
	Co-Investment Plan	18.10.2007	6,038	–	–	–	**6,038**	18.10.2010	659.0	–	–
Mr C Fenton	LTPP	18.11.2005	77,493	–	–	(77,493)	**–**	18.11.2008	851.0	–	–
	LTPP	16.11.2006	59,595	–	–	–	**59,595**	16.11.2009	1,095.0	–	–
	LTPP	21.12.2007	118,206	–	–	–	**118,206**	21.12.2010	431.0	–	–
	Co-Investment Plan	03.12.2006	930	–	–	–	**930**	03.12.2009	1,152.0	–	–
	Co-Investment Plan	18.10.2007	6,038	–	–	–	**6,038**	18.10.2010	659.0	–	–

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

The performance period for the TSR and EPS elements of the LTPP and Co-Investment Plan award granted in 2006 ended on 30 June 2009. Performance of this award against the constituent TSR and EPS targets was tested after the year end and neither of the targets had been achieved. Accordingly no part of these awards will vest.

The performance conditions for the LTPP and Co-Investment Plan awards are described on pages 45 and 46.

Directors' share options

	Name of grant	Date of grant	At 30/06/08 No.	During the year Granted No.	Exercised No.	Lapsed No.	At 30/06/09 No.	Exercise price pence	Market price on exercise pence	Date from which exercisable	Latest expiry
Mr M S Clare	ESOS	18.12.2008	–	49,180	–	–	**49,180**	61.00	–	18.12.2011	17.12.2018
	ESOS	18.12.2008	–	1,000,820	–	–	**1,000,820**	55.51	–	18.12.2011	17.12.2018
	SRSOS	03.02.2009	–	10,769	–	–	**10,769**	87.05	–	01.04.2012	30.09.2012
Mr S J Boyes	ESOS	18.12.2008	–	49,180	–	–	**49,180**	61.00	–	18.12.2011	17.12.2018
	ESOS	18.12.2008	–	534,153	–	–	**534,153**	55.51	–	18.12.2011	17.12.2018
	ESOP	10.10.2003	100,917	–	–	–	**100,917**	545.00	–	10.10.2006	09.10.2013
	SRSOS	03.02.2009	–	10,769	–	–	**10,769**	87.05	–	01.04.2012	30.09.2012
Mr C Fenton	ESOS	18.12.2008	–	49,180	–	–	**49,180**	61.00	–	18.12.2011	17.12.2018
	ESOS	18.12.2008	–	534,153	–	–	**534,153**	55.51	–	18.12.2011	17.12.2018
	SRSOS	03.02.2009	–	10,769	–	–	**10,769**	87.05	–	01.04.2012	30.09.2012

The ESOS is divided into two sub-schemes, one of which is approved under the Income Tax (Earnings and Pensions) Act 2003 and the other which is not. The exercise price is calculated differently for each sub-scheme in accordance with the rules of the ESOS.

The performance condition set by the Committee for the ESOP award granted in 2003, that the growth in EPS of the Company over a period of three consecutive financial years should exceed the growth in the RPI by at least 9%, was met in 2006, but the option has not yet been exercised. The performance conditions for the ESOS grants are described on pages 46 and 47.

The mid-market share price of the Company on 30 June 2009 was 147.5 pence. The mid-market high and low share prices of the Company during the year were 180.3 pence and 39 pence respectively.

Directors' pension benefits

	(Decrease)/increase in accrued pension over the year to 30 June 2009 (net of inflation) £	Total pension accrued at the end of the year £	Transfer value of the (decrease)/increase in accrued pension over the year to 30 June 2009 (net of inflation) less Directors' contributions £	Increase in accrued pension over the year to 30 June 2009 £	Transfer value of accrued pension at 30 June 2009 £	Transfer value of accrued pension at 30 June 2008 £	Change in transfer value over the year less Directors' contributions £
Mr S J Boyes	(6,617)	271,331	(142,342)	6,618	3,678,847	3,147,712	503,135
Mr C Fenton	5,511	41,446	29,732	7,222	513,376	384,802	100,574

Notes

With effect from 30 June 2009, the Barratt Group Pension & Life Assurance Scheme (the 'Scheme') ceased to offer future accrual of defined benefit pensions for current employees and the link between accrued benefits and future salary increases was removed.

The total pension accrued is the amount that the Director would have accrued if he had left the Scheme at the end of the year, when the Scheme closed.

The increase in the pension 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 the Occupational Pension Schemes (Transfer Value) (Amendment) Regulations 2008. The transfer values of the accrued pension 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.

The inflation figure used of 5% is based on the change in RPI from September 2007 to September 2008, as in previous years.

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

None of the Directors have any rights under the Company's money purchase pension scheme.

There were no changes in the interests of the Directors shown above between 30 June 2009 and 22 September 2009.

The Remuneration report was approved by the Board on 23 September 2009 and signed on its behalf by:

R J Davies, Non-Executive Director
23 September 2009

Statement of Directors' responsibilities

Financial statements and accounting records

The Directors are responsible for preparing the Annual Report and Accounts including the Directors' Remuneration report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. The Directors are required by the International Accounting Standards Regulation (the 'IAS Regulation') to prepare the Group financial statements under International Financial Reporting Standards as adopted by the European Union ('IFRS') and have also elected to prepare the Parent Company financial statements in accordance with IFRS. The financial statements are also required by law to be properly prepared in accordance with the Companies Act 2006 and Article 4 of the IAS Regulation. Under the Disclosure and Transparency Rules, the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRS. Directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' responsibility statement

The Directors confirm that, to the best of each person's knowledge:

a) the Group and Parent Company financial statements in this report, which have been prepared in accordance with IFRS as adopted by the EU, International Financial Reporting Interpretations Committee interpretation and those parts of the Companies Act 2006 applicable to companies reporting under IFRS, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and of the Group taken as a whole; and

b) the management report contained in this report includes a fair review of the development and performance of the business and the position of the Company and the Group taken as a whole, together with a description of the principal risks and uncertainties they face.

The Directors of the Company and their functions are listed on pages 24 and 25.

By order of the Board

M S Clare	**D F Thomas**
Group Chief Executive	Group Finance Director
23 September 2009	23 September 2009

The Report of the Directors from pages 2 to 53 inclusive was approved by the Board on 23 September 2009 and is signed on its behalf by:

L Dent
Group General Counsel and Company Secretary
23 September 2009

Independent auditors' report to the members of Barratt Developments PLC

We have audited the financial statements of Barratt Developments PLC for the year ended 30 June 2009 which comprise the Consolidated income statement, the Group and Parent Company balance sheets, the Group and Parent Company cash flow statements, the Group and Parent Company statements of recognised income and expense, the Accounting policies and the related notes 1 to 36. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union ('IFRS').

This report is made solely to the Company's members, as a body, in accordance with sections 495, 496 and 497 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

As explained more fully in the Statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's ('APB's') Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 June 2009 and of the Group's loss for the year then ended;
- the financial statements have been properly prepared in accordance with IFRS; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Emphasis of matter – going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in the accounting policies note concerning the Group's ability to continue as a going concern. The accounting policies note indicates the risk of the amended financing arrangements not becoming effective because the conditions to the Placing and Rights Issue are not satisfied, and that whilst the existing financing arrangements remain in place the impact of a decline in the housebuilding sector beyond that assumed in the Group's forecasts may result in the Group not being able to comply with its existing covenant package during the current financial year, notwithstanding further management actions. These conditions indicate, along with other matters as set forth in the accounting policies note, the existence of a material uncertainty which may cast significant doubt upon the Group's ability to continue as a going concern. The consolidated financial statements do not include any adjustments that would result if the Group were unable to continue as a going concern, which would include additional write-downs of the carrying value of assets, including land and work in progress, and providing for any further liabilities that might arise.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' Remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' statement contained within the Report of the Directors in relation to going concern; and
- the part of the Corporate Governance statement relating to the Parent Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

G. Richardson

Graham Richardson
Senior Statutory Auditor for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom
23 September 2009

Consolidated income statement

for the year ended 30 June 2009

	Note	2009 Before exceptional items £m	2009 Exceptional items (note 3) £m	2009 £m	2008 Before exceptional items £m	2008 Exceptional items (note 3) £m	2008 £m
Continuing operations							
Revenue	1,2	2,285.2	–	2,285.2	3,554.7	–	3,554.7
Cost of sales		(2,155.8)	(499.5)	(2,655.3)	(2,872.5)	(208.4)	(3,080.9)
Gross profit/(loss)		129.4	(499.5)	(370.1)	682.2	(208.4)	473.8
Administrative expenses		(95.2)	(20.0)	(115.2)	(132.0)	(46.6)	(178.6)
Profit/(loss) from operations	4	34.2	(519.5)	(485.3)	550.2	(255.0)	295.2
Finance income	5	18.0	–	18.0	12.8	–	12.8
Finance costs	5	(195.3)	(13.3)	(208.6)	(168.1)	–	(168.1)
Net finance costs	5	(177.3)	(13.3)	(190.6)	(155.3)	–	(155.3)
Share of post-tax loss from joint ventures	14	(1.0)	(2.0)	(3.0)	(2.6)	–	(2.6)
(Loss)/profit before tax		(144.1)	(534.8)	(678.9)	392.3	(255.0)	137.3
Tax	7	62.0	148.3	210.3	(117.7)	66.8	(50.9)
(Loss)/profit for the year from continuing operations		(82.1)	(386.5)	(468.6)	274.6	(188.2)	86.4
(Loss)/profit for the year attributable to equity shareholders		(82.1)	(386.5)	(468.6)	274.6	(188.2)	86.4
(Loss)/earnings per share from continuing operations							
Basic	10			(135.8)p			25.0p
Diluted	10			(135.8)p			24.9p

Statements of recognised income and expense

for the year ended 30 June 2009

	Note	Group 2009 £m	Group 2008 (restated*) £m	Company 2009 £m	Company 2008 (restated*) £m
(Loss)/profit for the year		(468.6)	86.4	(20.2)	978.4
Losses on revaluation of available for sale financial assets	16, 30	–	(4.6)	–	–
Losses on cash flow hedges	30	(62.8)	(11.7)	(62.8)	(11.7)
Actuarial (losses)/gains on defined benefit pension schemes[1]	27, 30	(14.1)	20.1	(14.1)	20.1
Losses on cancelled interest rate swaps deferred in equity	25, 30	–	(3.6)	–	(3.6)
Tax credit/(charge) on items taken directly to equity[1]	7, 30	21.8	(3.0)	21.6	(1.4)
Net (loss)/profit recognised directly in equity		(55.1)	(2.8)	(55.3)	3.4
Amortisation of losses on cancelled interest rate swaps deferred in equity	25, 30	0.4	0.1	0.4	0.1
Transfer to income statement on cash flow hedges	30	(21.7)	(1.8)	(21.7)	(1.8)
Tax credit on items taken directly to equity	7, 30	6.0	0.5	6.0	0.5
Net loss transferred		(15.3)	(1.2)	(15.3)	(1.2)
Total (expense)/income recognised for the year attributable to equity shareholders		(539.0)	82.4	(90.8)	980.6
Effects of changes in accounting policy attributable to equity shareholders		(10.1)	14.5	(10.1)	14.5

[1] Due to a change in accounting policy, actuarial gains related to the defined benefit plan were recognised directly in retained earnings with prior periods adjusted as indicated in the Accounting policies note. Included in tax on items taken directly to equity are a deferred tax charge of £5.6m and credit of £4.0m for the years ended 2008 and 2009 respectively.

* The results for the year ended 30 June 2008 have been restated as explained in the Accounting policies note.

The notes on pages 58 to 111 form an integral part of these financial statements.

Balance sheets

at 30 June 2009

	Note	Group 2009 £m	Group 2008 (restated*) £m	Company 2009 £m	Company 2008 (restated*) £m
Assets					
Non-current assets					
Other intangible assets	12	**100.0**	100.0	–	–
Goodwill	11	**792.2**	792.2	–	–
Property, plant and equipment	13	**9.9**	15.9	**2.8**	2.0
Investments	15	–	–	**2,416.0**	2,063.4
Investments accounted for using the equity method	14	**83.2**	65.5	–	–
Available for sale financial assets	16	**86.5**	66.9	–	–
Trade and other receivables	19	**1.5**	2.8	–	–
Deferred tax assets	17	**127.3**	–	**34.6**	12.5
Derivative financial instruments – swaps	25	**31.9**	10.1	**31.9**	10.1
		1,232.5	1,053.4	**2,485.3**	2,088.0
Current assets					
Inventories	18	**3,540.8**	4,830.0	–	–
Trade and other receivables	19	**41.5**	100.9	**1,512.7**	2,232.3
Cash and cash equivalents	22	**178.8**	32.8	**163.0**	–
Current tax assets		**50.6**	20.6	–	2.5
		3,811.7	4,984.3	**1,675.7**	2,234.8
Total assets		**5,044.2**	6,037.7	**4,161.0**	4,322.8
Liabilities					
Non-current liabilities					
Loans and borrowings	24	**(1,475.6)**	(1,031.5)	**(1,475.6)**	(1,031.5)
Trade and other payables	20	**(245.4)**	(242.1)	–	–
Retirement benefit obligations	27	**(31.5)**	(37.2)	**(31.5)**	(37.2)
Deferred tax liabilities	17	–	(32.1)	–	–
Derivative financial instruments – swaps	25	**(89.2)**	(9.5)	**(89.2)**	(9.5)
		(1,841.7)	(1,352.4)	**(1,596.3)**	(1,078.2)
Current liabilities					
Loans and borrowings	24	**(8.5)**	(653.7)	**(111.8)**	(704.8)
Trade and other payables	20	**(862.4)**	(1,163.8)	**(34.4)**	(33.3)
		(870.9)	(1,817.5)	**(146.2)**	(738.1)
Total liabilities		**(2,712.6)**	(3,169.9)	**(1,742.5)**	(1,816.3)
Net assets		**2,331.6**	2,867.8	**2,418.5**	2,506.5
Equity					
Share capital	28	**34.7**	34.7	**34.7**	34.7
Share premium	30	**206.6**	206.6	**206.6**	206.6
Merger reserve	30	**1,109.0**	1,109.0	**1,109.0**	1,109.0
Hedging reserve	30	**(63.9)**	(3.4)	**(63.9)**	(3.4)
Retained earnings	30	**1,045.2**	1,520.9	**1,132.1**	1,159.6
Total equity		**2,331.6**	2,867.8	**2,418.5**	2,506.5

* The results for the year ended 30 June 2008 have been restated as explained in the Accounting policies note.

The pages from 55 to 111 were approved by the Board on 23 September 2009.

M S Clare
Group Chief Executive

D F Thomas
Group Finance Director

The notes on pages 58 to 111 form an integral part of these financial statements.

Cash flow statements

for the year ended 30 June 2009

	Note	Group 2009 £m	Group 2008 (restated*) £m	Company 2009 £m	Company 2008 (restated*) £m
Net cash inflow/(outflow) from operating activities	31	**407.8**	(168.6)	**181.2**	(313.6)
Cash flows from investing activities					
Purchase of property, plant and equipment	13	**(2.1)**	(5.4)	**(2.0)**	(3.0)
Proceeds from sale of property, plant and equipment		**2.3**	22.3	**–**	–
Acquisition of subsidiaries net of cash acquired	33	**(4.0)**	(31.0)	**–**	1.3
Investments accounted for using the equity method	14	**(20.7)**	(47.2)	**–**	–
Make-whole fee on redemption of private placement notes	5	**(13.3)**	–	**(13.3)**	–
Interest received		**3.7**	9.9	**172.6**	106.4
Net cash (outflow)/inflow from investing activities		**(34.1)**	(51.4)	**157.3**	104.7
Cash flows from financing activities					
Proceeds from issue of share capital	30	**–**	0.5	**–**	0.5
Dividends paid	8	**–**	(126.0)	**–**	(126.0)
Cancelled swaps	25, 30	**–**	(3.6)	**–**	(3.6)
Purchase of shares for LTPP awards	30	**–**	(0.3)	**–**	(0.3)
Loan (repayments)/drawdowns		**(227.7)**	200.1	**(175.5)**	277.9
Net cash (outflow)/inflow from financing activities		**(227.7)**	70.7	**(175.5)**	148.5
Net increase/(decrease) in cash and cash equivalents		**146.0**	(149.3)	**163.0**	(60.4)
Cash and cash equivalents at the beginning of year		**32.8**	182.1	**–**	60.4
Cash and cash equivalents at the end of year	22	**178.8**	32.8	**163.0**	–

* The categorisation of various items within the cash flow statements for the year ended 30 June 2008 have been reclassified for consistency of presentation with the year ended 30 June 2009 as described in note 31.

The notes on pages 58 to 111 form an integral part of these financial statements.

Accounting policies

for the year ended 30 June 2009

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB'), International Financial Reporting Interpretations Committee ('IFRIC') interpretations and Standing Interpretations Committee ('SIC') interpretations as adopted and endorsed by the European Union ('EU') and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS and therefore the Group financial statements comply with Article 4 of the EU International Accounting Standards Regulation. The financial statements have been prepared under the historical cost convention as modified by the revaluation of available for sale financial assets, derivative financial instruments and share-based payments. A summary of the more significant Group accounting policies is set out below.

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

Going concern

In determining the appropriate basis of preparation of the financial statements, the Directors are required to consider whether the Group can continue in operational existence for the foreseeable future.

The Group's business activities, together with factors which the Directors consider are likely to affect its future development, financial performance and financial position are set out in the Group Chief Executive's statement on pages 4 to 8 and the Business review on pages 9 and 11. The material financial and operational risks and uncertainties that may impact the Group's performance and their mitigation are outlined on pages 18 and 19 and financial risks including liquidity risk, market risk, credit risk and capital risk are outlined in note 26 to the financial statements.

The financial performance of the Group is dependent upon the wider economic environment in which the Group operates. As explained in the Principal risks on pages 18 and 19, factors that particularly impact upon the performance of the Group include changes in the macroeconomic environment including buyer confidence, availability of mortgage finance for our purchasers, and interest rates. At 30 June 2009, the net debt position of the Group (as shown in note 24 to the financial statements) was £1,276.9m, with loans and borrowings of £1,484.1m with headroom of £800.0m to the Group's committed facilities. The Group remains in compliance with its financial covenants and at the date of approval of the financial statements the Group's internal forecasts indicate that it will remain in compliance with these covenants for the foreseeable future being at least twelve months from the date of signing the financial statements.

As noted in note 36, on 23 September 2009, the Company entered into an agreement with UBS Limited, Credit Suisse Securities (Europe) Limited, HSBC Bank plc, Barclays Bank plc, Lloyds TSB Bank plc and RBS Hoare Govett Limited to fully underwrite a £720.5m equity issue, to be structured as a Placing and a Rights Issue, to strengthen the Group's balance sheet and reduce its financial indebtedness. In conjunction with the Placing and Rights Issue, the Company has negotiated certain amendments to the terms of the Group's existing financing arrangements. The amended financing arrangements will only come into effect if a minimum of £450m total gross proceeds are raised pursuant to the Placing and Rights Issue and, before 31 December 2009, the Company reduces its borrowings under the Wilson Bowden acquisition facilities and the Group's private placement notes by 40% such that the total amount of indebtedness thereunder does not exceed £900m (excluding any indebtedness under make-whole notes that are issued as a consequence of the prepayment). The Company has put in place arrangements to effect such prepayments following it becoming entitled to the net proceeds of the Placing and Rights Issue. Upon such prepayments being made, £50m of undrawn commitments under both of its Revolving Credit Facilities will automatically be cancelled so that they do not exceed £700m. The Directors expect the amended financing arrangements will enable the Group to take advantage of opportunities that may arise in a recovering market, as well as to provide an appropriate alternative framework, should a further downturn arise.

Completion of the Placing and Rights Issue is conditional upon shareholder approval at the General Meeting scheduled to be held on 19 October 2009, listing of the shares to be issued pursuant to the Placing and Rights Issue and upon the underwriting agreement not being terminated in accordance with its terms prior to the General Meeting. If the Placing and Rights Issue do not proceed the amended financing arrangements will not come into effect. Until such time as any subsequent renegotiation is concluded, the existing financing arrangements will continue to apply. While the existing financing arrangements apply, if conditions in the wider UK economy, as they relate to the housebuilding sector, were to decline below that which has been assumed in the Group's forecasts during the current financial year (and notwithstanding further management actions to both conserve and generate cash, including, if necessary, by making land sales) then there is a risk that the Group might generate lower than anticipated revenues, or cash, or require further write-downs in the value of the Group's assets. This risk may result in the Group being unable to comply with its existing covenant package during the current financial year. If the amended financing arrangements do not come into effect, the Group will need to renegotiate the terms of its existing financing arrangements during the current financial year in order to secure the revolving credit facilities of an appropriate duration so as to give the Directors increased confidence that they will be able to prepare the accounts in respect of such a period on a going concern basis and also to secure a covenant package across all its financing arrangements that provides greater flexibility.

The above risks, that the amended financing arrangements do not become effective because the conditions to the Placing and Rights Issue are not satisfied, and that whilst the existing financial covenants remain in place the impact of a decline in the housebuilding sector may result in the Group not being able to comply with such covenants, represent a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern such that the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

Nevertheless, based upon the Group's expectation that the conditions to the Placing and the Rights Issue will be satisfied, in addition to the Group's current trading, forecasts, and the further management actions which could be taken whilst the existing financial covenants remain in place referred to above, the Directors believe that the Group will continue to comply with its financial covenants and accordingly have formed a judgement that it is appropriate to prepare the financial statements upon a going concern basis. Therefore, these financial statements do not include any adjustments that would result if the going concern basis of preparation is inappropriate.

Adoption of new and revised standards

In the year ended 30 June 2009, the Group has adopted:

- Amendment to IAS39 and IFRS7 'Reclassification of Financial Instruments';
- IFRIC12 'Service Concession Agreements'; and
- IFRIC13 'Customer Loyalty Programmes'.

The adoption of these interpretations and amendments to standards has not had any impact upon the profit or net assets of the Group in either the current or comparative year and has not required any additional disclosures.

Changes in accounting policies – defined benefit pension scheme

During the fourth quarter, as a consequence of the Group curtailing its defined benefit pension scheme during the year ended 30 June 2009, the Group changed its accounting policy for the recognition of actuarial gains and losses related to post-employment benefits for defined benefit pension schemes. The Group elected to voluntarily change its accounting policy from the corridor approach (under which actuarial gains and losses greater than 10% of the future obligation were recognised in the income statement over the average remaining working lives of the employees) to immediate recognition of actuarial gains and losses in shareholders' equity in the period in which they arise. This change in policy was also considered appropriate with consideration to the expectation that the corridor method will be phased out by IFRS by 2013 and to bring the Group in line with prevailing practice in the UK.

The change in accounting policy has been recognised retrospectively and the 2008 comparatives have been adjusted. The retrospective adjustments had an impact on the Group balance sheet and the Group statement of recognised income and expense but not on the consolidated income statement or Group cash flow statement as follows:

Group balance sheet	Year ended 30 June 2008 £m	At 1 July 2007 £m
Retirement benefit obligations	33.5	13.4
Deferred tax liabilities	(9.4)	(3.8)
Non-current liabilities	24.1	9.6
Equity		
Retained profits at the start of the year	9.6	9.6
Increase in retained earnings	14.5	–
Equity	24.1	9.6

Group statement of recognised income and expense	£m
Cumulative actuarial gains on defined benefit pension schemes	20.1
Tax on items taken directly to equity	(5.6)
Net gain recognised directly in equity	14.5

As a result, the Group's retirement benefit obligation decreased by £33.5m from £70.7m to £37.2m at 30 June 2008 and its deferred tax liability increased by £9.4m from £22.7m to £32.1m.

Basis of consolidation

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

Jointly controlled entities

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

Jointly controlled operations

The Group enters into jointly controlled operations as part of its housebuilding and property development activities. The Group's share of profits and losses from its investments in such jointly controlled operations 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 are accounted for on a directly proportional basis in the Group 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. Revenue is measured at the fair value of consideration received or receivable and represents the amounts receivable for the property, net of discounts and VAT. The sale proceeds of part-exchange properties are not included in revenue.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Construction contracts

Revenue is only recognised on a construction contract where the outcome can be estimated reliably. Variations to, and claims arising in respect of, construction contracts, are included in revenue to the extent that they have been agreed with the customer. Revenue and costs are recognised by reference to the stage of completion of contract activity at the balance sheet date. This is normally measured by surveys of work performed to date. Contracts are only treated as construction contracts when they have been specifically negotiated for the construction of a development or property. When it is probable that the total costs on a construction contract will exceed total contract revenue, the expected loss is recognised as an expense in the income statement immediately.

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

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

Exceptional items

Items that are material in size or unusual or infrequent in nature are presented as exceptional items in the income statement. The Directors are of the opinion that the separate presentation of exceptional items provides helpful information about the Group's underlying business performance. Examples of events that, *inter alia*, may give rise to the classification of items as exceptional are the restructuring of existing and newly-acquired businesses, gains or losses on the disposal of businesses or individual assets, pension scheme curtailments and asset impairments, including land, work in progress, goodwill and investments.

Restructuring costs

Restructuring costs are recognised in the income statement when the Group has a detailed plan that has been communicated to the affected parties. A liability is accrued for unpaid restructuring costs.

Profit/(loss) from operations

Profit/(loss) from operations includes all of the revenue and costs derived from the Group's operating businesses. Profit/(loss) from operations excludes finance costs, finance income, the Group's share of profits or losses from joint ventures and tax.

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.

The Company recognises dividends from subsidiaries at the time that they are received.

Segmental reporting

The Group consists of two separate segments for management reporting and control purposes, being housebuilding and commercial developments. 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 Group's cash-generating units expected to benefit from the synergies of the combination 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 loss is recognised immediately in the income statement and is not subsequently reversed.

Intangible assets

Brands

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

The Group carries out an annual impairment review of indefinite life brands 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 and accumulated impairment losses. Depreciation is provided to write off the cost of the assets on a straight-line basis to their residual value over their estimated useful lives. Residual values and asset lives are reviewed annually.

Freehold properties are depreciated on a straight-line basis over 25 years. Freehold land is not depreciated. Plant is depreciated on a straight-line basis over its expected useful life, which ranges from one to seven years.

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost comprises direct materials, direct labour costs and those overheads 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 discounted cost. 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 as lessee

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

Leases as lessor

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

Share-based payments

The Group issues both equity-settled and cash-settled share-based payments to certain employees. In accordance with the transitional provisions, IFRS2 'Share-based Payments' has been applied to all grants of equity instruments after 7 November 2002 that had not vested at 1 January 2005.

Equity-settled share-based payments are measured at fair value at the date of grant. Fair value is measured either using Black-Scholes, Present-Economic Value models or Monte Carlo models dependent upon the characteristics of the scheme. The fair value is expensed in the income statement on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest where non-market vesting conditions apply.

Cash-settled share-based payments are measured at fair value at the date of grant and are re-measured both at the end of each reporting period and at the date of settlement with any changes in fair value being recognised in the income statement for the period. Fair value is measured initially and at the end of each reporting period using a Black-Scholes model and at the date of settlement as cash paid.

Tax

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

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is recognised in respect of all temporary differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Deferred tax is calculated at the rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when they relate to taxes levied by the same tax authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Pensions

Defined contribution

The Group operates defined contribution pension schemes for certain employees. The Group's contributions to the schemes are charged in the income statement in the year in which the contributions fall due.

Defined benefit

For defined benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised in full in the period in which they occur. They are recognised outside profit or loss and presented in the statement of recognised income and expense.

Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and as reduced by the fair value of the scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the scheme.

Borrowing costs

The Group does not capitalise borrowing costs and expenses them in the period to which they relate through the income statement.

Financial instruments

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

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

The Group derecognises a financial liability only when the Group's obligations are discharged, cancelled or they expire.

Financial assets

Non-derivative financial assets are classified as either 'available for sale financial assets' or 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Available for sale financial assets

Zero coupon loans granted as part of sales transactions that are secured by way of a second legal charge on the respective property are classified as being available for sale and are stated at fair value. Fair value is determined in the manner described in note 16.

Revenue from transactions involving available for sale financial assets is recognised at the fair value of consideration receivable.

Gains and losses arising from changes in fair value are recognised directly in equity in retained earnings, other changes including impairment losses, changes in future cash flows and interest calculated using the 'effective interest rate' method, are recognised directly in the income statement. Where the investment is disposed of, or is determined to be impaired, the cumulative gain or loss previously recognised in equity is included in the income statement for the period.

Trade and other receivables
Trade and other receivables are financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than twelve months after the balance sheet date, which are classified as non-current assets and are measured at amortised cost less an allowance for any uncollectable amounts. The net of these balances are classified as 'trade and other receivables' in the balance sheet.

Trade and other receivables are classified as 'loans and receivables'.

Impairment of financial assets
Trade and other receivables are assessed for indicators of impairment at each balance sheet date and are impaired where there is objective evidence that the recovery of the receivable is in doubt.

Objective evidence of impairment could include significant financial difficulty of the customer, default on payment terms or the customer going into liquidation.

The carrying amount of trade and other receivables is reduced through the use of an allowance account. When a trade or other receivable is considered uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the income statement.

For financial assets classified as available for sale, a significant or prolonged decline in the value of the property underpinning the value of the loan or increased risk of default are considered to be objective evidence of impairment.

In respect of debt instruments classified as available for sale financial assets, increases in the fair value of assets previously subject to impairment, which can be objectively related to an event occurring after recognition of the impairment loss are recognised in the income statement to the extent that they reverse the impairment loss.

Cash and cash equivalents
Cash and cash equivalents include cash and balances in bank accounts with no notice or less than three months notice from inception and are subject to an insignificant risk of changes in value.

Cash and cash equivalents are classified as 'loans and receivables'.

Financial liabilities and equity
Financial liabilities and equity are classified according to the substance of the contractual arrangements entered into.

Equity instruments
Equity instruments consist of the Company's ordinary share capital and are recorded at the proceeds received, net of direct issue costs.

Financial liabilities
All non-derivative financial liabilities are classified as 'other financial liabilities' and are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the 'effective interest rate' method.

Other financial liabilities consist of bank borrowings and trade and other payables.

Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

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

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

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

Where bank agreements include a legal right of offset for in hand and overdraft balances, and the Group intends to settle net 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.

Finance costs are recognised as an expense in the income statement in the period to which they relate.

Derivative financial instruments
The Group has entered into derivative financial instruments in the form of interest rate swaps, basis rate swaps and cross currency swaps to manage the interest rate and foreign exchange rate risk arising from the Group's operations and sources of finance. The use of financial derivatives is governed by the Group's policies approved by the Board of Directors as detailed in notes 25 and 26 to the financial statements.

The interest rate and cross currency swap arrangements are designated as hedging instruments, being either hedges of a change in future cash flows as a result of interest rate movements, or hedges of a change in future cash flows as a result of foreign currency exchange rate movements.

The fair value of hedging derivatives is classified as a non-current asset or a non-current liability if the remaining maturity of the hedging relationship is more than twelve months and as a current asset or a current liability if the remaining maturity of the hedge relationship is less than twelve months.

Hedge accounting
All of the Group's interest rate and cross currency swaps are designated as cash flow hedges. At the inception of the hedge relationship the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedged transactions. In addition, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting the changes in cash flows of the hedged items.

Details of the fair values of the interest rate and cross currency swaps are provided in notes 23, 24 and 25 to the financial statements. Movements on the hedging reserve in equity are detailed in note 30.

Cash flow hedge
To the extent that the Group's cash flow hedges are effective, gains and losses on the fair value of the interest rate and cross currency swap arrangements are deferred in equity in the hedging reserve until realised. On realisation, such gains and losses are recognised within finance charges in the income statement. To the extent that any hedge is ineffective, gains and losses on the fair value of these swap arrangements are recognised immediately in finance charges in the income statement.

Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss.

Hedge accounting is discontinued when the hedging instrument expires or is terminated or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss deferred in equity remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss.

Government grants
Government grants are recognised in the income statement so as to match with the 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 approval of these financial statements there were a number of standards, amendments and interpretations that have been published and are therefore mandatory for the Group's accounting periods beginning on or after 1 July 2009 and later periods. All of these have been endorsed by the EU with the exception of the revisions or amendments to IAS39, IFRS1, IFRS7, IFRIC9/IAS39, IFRS1/IAS27, IFRIC17 and IFRIC18 and the Improvements to IFRSs. 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:

- 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 subject to an exemption for inventories manufactured in large numbers on a repetitive basis. This amendment will apply to the Group from the accounting period commencing 1 July 2009. Adoption of the amendment is expected to result in a reduced interest charge in the income statement and a consequential reduction in gross margin from 1 July 2009. The Group is currently assessing the impact of this amendment on the Group's results and financial position, although it may be significant and will require the Group to change its accounting policy.
- IFRS8 'Operating Segments'. IFRS8 amends the current segmental reporting requirements of IAS14 and requires a reporting 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 accounting period commencing 1 July 2009. It is expected to lead to additional disclosures being provided in the Group's financial statements. The Group does not expect to allocate its goodwill to alternative cash-generating units and therefore based upon the 30 June 2009 calculations no impairment of goodwill is expected upon adoption of this standard. If the Group was required to alter its cash-generating units, IAS 36 'Impairment of Assets' limits the size of a cash-generating unit to an entity's segments, which could in certain circumstances lead to an impairment of goodwill.
- IFRS2 'Share-based Payments (amendment)'. Non-vesting conditions are to be taken into account in the estimate of the fair value of the equity instruments; vesting conditions that are not market conditions are not taken into account. This amendment will apply to the Group from 1 July 2009. Adoption of the amendment may impact the accounting for the Group's Savings-Related Share Option Scheme in the income statement and equity from 1 July 2009.
- Revision of IAS1 'Presentation of Financial Statements'. This revision to IAS1 is applicable from 1 July 2009, and is expected to affect the presentation and classification of certain items within the Group's financial statements.
- Revision of IFRS3 'Business Combinations'. Following this revision, transaction costs must be expensed, rather than included as costs of acquisition, and contingent consideration will be required to be fair valued. In addition, there will be a choice of two goodwill measurement methods where less than 100% of the entity is acquired. This revision will apply to the Group from 1 July 2009, and although it will have no impact on implementation, it will have a significant impact on any future acquisitions.
- Amendment to IFRS7 'Improving Disclosures about Financial Instruments' and IFRIC9/IAS39 'Embedded Derivatives' expands the disclosures required in respect of fair value measurements recognised in the statement of financial position. The amendments apply from 1 July 2009 and are expected to impact upon the Group by requiring additional disclosures in the annual financial statements.
- Amendments to IFRS1 and IAS27 'Cost of an Investment in a Subsidiary, Jointly-Controlled Entity or Associate' is primarily applicable only to first time adopters of IFRS. IAS27 has also been amended to deal with circumstances where a parent reorganises the structure of its group by establishing a new entity as its parent. The amendments will apply to the Group from 1 July 2009, and although they will have no impact on implementation, they could impact the accounting for future reorganisations.
- Improvements to IFRSs, issued in April 2009 is the current tranche of the Improvements to IFRS project and includes a number of minor amendments to existing IAS and IFRS, which require implementation from 1 July 2009. The impact of these amendments is currently being assessed by the Group.

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

- An amendment to IAS39 'Eligible hedged items'. The amendment makes two significant changes. It prohibits designating inflation as a hedgeable component of a fixed rate debt and prohibits including time value in the one-sided hedged risk when designating options as hedges. The amendment will apply to the Group from 1 July 2009.
- Part 1 of the Improvements to IFRS project and 'Improvements to IFRSs' has a number of smaller amendments to existing IAS and IFRS, which have implementation dates at various points during 2009 and 2010 that apply to the Group from 1 July 2009.

Impact of standards and interpretations in issue but not yet effective (continued)

- IFRIC15 'Agreements for the construction of real estate'. IFRIC15 provides guidance on whether the construction of real estate should be accounted for under IAS11 or IAS18. The Group already accounts for the construction of real estate in accordance with IFRIC15, and accordingly this interpretation, which is effective from 1 January 2009, will have no impact upon the Group.
- IFRIC16 'Hedges of a net investment in a foreign operation'. IFRIC16 guides an investing company on the designation of, and accounting for, hedges in foreign operations. This interpretation will apply to the Group from 1 July 2009 and has no material impact as there are no foreign operations.
- Amendments to IAS 32 'Financial Instruments: Presentation' and IAS1 'Presentation of financial statements for certain puttable financial instruments and obligations arising on liquidation' require some financial instruments that meet the definition of a financial liability to be classified as equity, where certain strict criteria are met. These amendments will apply to the Group from 1 July 2009 and have no impact as the Group holds no such financial instruments.
- IAS27 (Revised) 'Consolidated and separate financial statements'. The amendments relate, primarily, to accounting for non-controlling interests and the loss of control of a subsidiary, and will apply to the Group from 1 July 2009.
- Revision to IFRS1 'First Time Adoption of IFRS', effective 1 July 2009 relates solely to first time adopters of IFRS.
- IFRIC17 'Distributions of Non-Cash Assets to Owners' provides guidance on the appropriate accounting treatment when an entity distributes assets other than cash as dividends to its shareholders. This interpretation will apply to the Group from 1 July 2009.
- IFRIC18 'Transfers of Assets from Customers' provides guidance to address divergent practice in the accounting by recipients for transfers of property, plant and equipment from 'customers'. This interpretation will apply to the Group from 1 July 2009.
- Amendments to IFRIC9 and IAS39 'Embedded Derivatives' clarify that on reclassification of a financial asset out of the 'fair value through profit or loss' category, all embedded derivatives have to be assessed and, if necessary, separately accounted for in the financial statements. The amendments will apply to the Group from 1 July 2009.

Critical accounting judgements and key sources of estimation uncertainty

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

Critical accounting judgements

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

Key sources of estimation uncertainty

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

Carrying-value of land and work in progress

The Group's principal activity is housebuilding and commercial development. 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 2009 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 more than the lower of cost or net realisable value.

In respect of the half years ended 31 December 2008 and 30 June 2009, the Group conducted reviews of the net realisable value of its land and work in progress carrying-values of its sites in the light of the deterioration in the UK housing market. Where the estimated net realisable value of the site was less than its current carrying-value within the balance sheet, the Group impaired the land and work in progress value. This resulted in an exceptional impairment of £499.5m being £494.9m at 31 December 2008 and a net impairment of £4.6m at 30 June 2009 as shown in note 18. These reviews were conducted on a site-by-site basis using valuations incorporating forecast sales rates, average selling prices and estimated costs to complete that reflected both current and anticipated trading conditions. These are key judgements in the impairment calculation. Should there be further significant movements in UK house prices then further impairments/reversals of previous gross impairments of land and work in progress may be necessary.

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 site. 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 of the housebuilding business requires an estimation of the value-in-use of the housebuilding cash-generating unit as defined in note 11. The value-in-use calculation requires an estimate of the future cash flows expected from the housebuilding business, including the anticipated growth rate of revenue and costs, and requires the determination of a suitable discount rate to calculate the present value of the cash flows. The discount rate used is one applicable to the existing capital structure of the Group at the balance sheet date, as explained in note 36 there is a proposed change to the Group's capital structure which may impact on the Group's discount rate in future periods. The carrying amount of goodwill at 30 June 2009 was £792.2m with no impairment recognised during the year ended 30 June 2009.

Impairment of brands

The determination of the impairment calculation for the Group's indefinite life brand, David Wilson Homes, requires an estimation of the value-in-use of the brand as defined in note 12. The value-in-use calculation requires an estimate of the future cash flows expected from this brand, including the anticipated growth rate of revenue and costs, and requires the determination of a suitable discount rate to calculate the present value of the cash flows. The discount rate used is one applicable to the existing capital structure which may impact on the Group's discount rate in future periods. The carrying amount of indefinite life brands at 30 June 2009 was £100.0m with no impairment recognised during the year ended 30 June 2009.

Deferred tax assets

At 30 June 2009 the Group recognised a net deferred tax asset of £127.3m, of which £130.1m related to trading losses that arose during the year that are to be carried forward and relieved against profits arising in future periods. The judgement to recognise the deferred tax asset is dependent upon the Group's expectations regarding future profitability based upon site revenue and cost forecasts for future years which contain a degree of inherent uncertainty.

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 majority of the Group's facilities are floating rate, which exposes the Group to increased interest rate risk. The Group has therefore taken out £765.0m (note 25) of floating-to-fixed interest rate swaps. The Group has adopted hedge accounting for these swaps on the basis that it is highly probable that there is sufficient forecast debt to match with the period of swaps. If the highly probable criterion was not met in future then any changes in fair value of the swaps would be recognised in the income statement, rather than in equity. During the year ended 30 June 2009, there was a loss of £81.0m (2008: £19.1m) included in equity related to these swaps.

In addition, the Group has entered into $271.6m of cross currency swaps to manage the cash flow risks related to foreign exchange, arising from the Group's sources of US Dollar denominated finance. These swaps are designated as a cash flow hedge against future foreign exchange rate movements. If the hedges ceased to be highly effective then any changes in fair value of the swaps would be recognised in the income statement, rather than equity. During the year ended 30 June 2009, there was a gain of £30.3m (2008: £7.4m) included in equity related to these swaps. £7.2m (2008: £nil) of this gain was realised upon cancellation of $40.5m of foreign exchange swaps following repayment of $40.5m US Dollar private placement notes on 12 January 2009.

Available for sale financial assets

The Group holds available for sale financial assets principally comprising interest free loans granted as part of sales transactions that are secured by way of a second legal charge on the respective property. The 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. At 30 June 2009 the asset recognised on the balance sheet was £86.5m (2008: £66.9m).

Notes to the financial statements

1. Revenue

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

	Note	2009 £m	2008 £m
Sale of goods		**2,092.8**	3,300.5
Contract accounting revenue		**192.4**	254.2
Revenue as stated in the income statement		**2,285.2**	3,554.7
Lease income	32	**3.4**	1.4
Finance income	5	**18.0**	12.8
Forfeit deposits		**7.0**	2.1
Other income		**12.9**	14.2
Total revenue		**2,326.5**	3,585.2

Sale of goods includes £339.4m (2008: £559.7m) of revenue generated where the sale has been achieved using part-exchange incentives. Proceeds received on the disposal of part-exchange incentives, which are not included in revenue, were £288.0m (2008: £293.9m).

2. Segmental analysis

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

	2009			2008		
	Housebuilding Units	**Commercial developments Units**	**Total Units**	Housebuilding Units	Commercial developments Units	Total Units
Residential completions	**13,202**	**–**	**13,202**	18,588	–	18,588

	£m	£m	£m	£m	£m	£m
Revenue	**2,095.8**	**189.4**	**2,285.2**	3,414.2	140.5	3,554.7
Result						
Profit/(loss) from operations before restructuring costs and pension curtailment and impairment of goodwill, intangible assets and inventories	**38.8**	**(4.6)**	**34.2**	530.0	20.2	550.2
Impairment of goodwill and intangible assets	**–**	**–**	**–**	–	(30.7)	(30.7)
Impairment of inventories	**(431.5)**	**(68.0)**	**(499.5)**	(157.2)	(51.2)	(208.4)
Restructuring costs and pension curtailment	**(14.9)**	**(5.1)**	**(20.0)**	(15.9)	–	(15.9)
(Loss)/profit from operations	**(407.6)**	**(77.7)**	**(485.3)**	356.9	(61.7)	295.2
Share of post-tax loss from joint ventures	**(3.0)**	**–**	**(3.0)**	(2.2)	(0.4)	(2.6)
(Loss)/profit from operations including post-tax loss from joint ventures	**(410.6)**	**(77.7)**	**(488.3)**	354.7	(62.1)	292.6
Finance income			**18.0**			12.8
Finance costs			**(208.6)**			(168.1)
(Loss)/profit before tax			**(678.9)**			137.3
Tax			**210.3**			(50.9)
(Loss)/profit for the year from continuing operations			**(468.6)**			86.4

Other information	**£m**	**£m**	**£m**	£m	£m	£m
Capital additions	**2.1**	**–**	**2.1**	5.0	0.4	5.4
Amortisation of intangible assets	**–**	**–**	**–**	–	0.8	0.8
Impairment of goodwill	**–**	**–**	**–**	–	24.5	24.5
Impairment of intangible assets	**–**	**–**	**–**	–	6.2	6.2
Depreciation	**5.0**	**0.1**	**5.1**	6.4	0.3	6.7

2. Segmental analysis (continued)

Balance sheet	Housebuilding £m	Commercial developments £m	2009 Total £m	Housebuilding (restated*) £m	Commercial developments £m	2008 Total (restated*) £m
Segment assets	**4,625.3**	**173.9**	**4,799.2**	5,787.5	329.1	6,116.6
Elimination of inter-company balances			**(111.7)**			(132.3)
			4,687.5			5,984.3
Deferred tax assets			**127.3**			–
Current tax assets			**50.6**			20.6
Cash and cash equivalents			**178.8**			32.8
Consolidated total assets			**5,044.2**			6,037.7
Segment liabilities	**(1,272.9)**	**(67.3)**	**(1,340.2)**	(1,496.2)	(88.7)	(1,584.9)
Elimination of inter-company balances			**111.7**			132.3
			(1,228.5)			(1,452.6)
Deferred tax liabilities			**–**			(32.1)
Loans and borrowings			**(1,484.1)**			(1,685.2)
Consolidated total liabilities			**(2,712.6)**			(3,169.9)

* The results for the year ended 30 June 2008 have been restated as explained in the Accounting policies note.

3. Exceptional items

Impairment of inventories

During the half year ended 31 December 2008, in light of deteriorations in market conditions upon certain commercial and housebuilding sites that the Group had specifically targeted for sale and realised in the period, a net realisable value write-down of £62.6m was recognised against the land and work in progress value. In addition, the Group also conducted a review of the net realisable value of its land and work in progress carrying-values of its sites during the period in light of the continued deterioration in the UK housing market. Where the estimated net realisable value of the site was less than its carrying-value within the balance sheet, the Group impaired the land and work in progress value. This resulted in an impairment of £432.3m. The total impairment of inventories recognised as an exceptional cost during the half year ended 31 December 2008 was £494.9m.

During the half year ended 30 June 2009, the Group conducted a further review of the net realisable value of its land and work in progress carrying-values of its sites. Where the estimated net realisable value of the site was less than its carrying-value within the balance sheet, the Group impaired the land and work in progress value. This resulted in a further impairment of inventories for the year which was recognised as an exceptional cost of £nil for the housebuilding business although there were gross impairment reversals and charges of £120.9m due to performance variations upon housebuilding sites and £4.6m for the commercial developments business.

The total impairment of inventories recognised as an exceptional cost during the year ended 30 June 2009 was £499.5m (2008: £208.4m). Further details on this impairment are given in note 18.

Impairment of goodwill

At 30 June 2009, the Group conducted an impairment review of its goodwill as explained in note 11. This resulted in no impairment charge for the year (2008: £24.5m).

Impairment of intangible assets

At 30 June 2009, the Group conducted an impairment review of its brands as explained in note 12. This resulted in no impairment charge for the year (2008: £6.2m).

Restructuring costs

During the year ended 30 June 2009, the Group incurred £27.1m (2008: £15.9m) of costs in relation to reorganising and restructuring the business, including redundancy costs of £17.6m (2008: £3.7m).

3. Exceptional items (continued)

Pension curtailment gain

During the year ended 30 June 2009, the Group recognised curtailment gains of £7.1m (2008: £nil) in respect of the cessation of future accrual of defined benefit pensions for current employees and the associated removal of the link between accrued benefits and future salary increases and redundancies made during the year. Further details are given in note 27.

Make-whole fee on redemption of private placement notes

During the year ended 30 June 2009, the Group incurred charges of £13.3m (2008: £nil) in respect of the make-whole fee which was triggered on the redemption of £36.7m of private placement notes. Further details are given in note 24.

Impairment of inventories relating to investments accounted for using the equity method

At 30 June 2009, the Group conducted an impairment review of its share of the inventories included within its investments accounted for using the equity method. This resulted in an impairment charge for the year of £2.8m with a related deferred tax credit of £0.8m. Further details are given in note 14.

4. (Loss)/profit from operations before exceptional items

(Loss)/profit from operations before exceptional items is stated after charging/(crediting):

	Note	2009 £m	2008 £m
Staff costs	9	**209.6**	289.8
Government grants		**(1.6)**	(21.8)
Depreciation of property, plant and equipment	13	**5.1**	6.7
Amortisation of intangible fixed assets included within administrative expenses	12	**–**	0.8
Profit on disposal of property, plant and equipment		**(0.4)**	(2.1)
Lease income	32	**(3.4)**	(1.4)
Operating lease charges – hire of plant, machinery and vehicles		**9.2**	12.7
– other		**4.4**	6.1

Government grants of £3.1m (2008: £36.4m) were received in the year relating to the Government's first time buyer initiative. Grant income of £1.6m (2008: £21.8m) was recognised in the income statement in relation to house sales completed under this initiative.

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

Auditors' remuneration	2009 £'000	2008 £'000
Audit fees		
Fees payable to the Company's auditors for the audit of the Parent Company and consolidated financial statements	**70**	70
Other audit fees		
The audit of the Company's subsidiaries pursuant to legislation	**256**	520
The audit of the Company's joint ventures pursuant to legislation	**24**	19
Total fees for audit of the Company, its subsidiaries and joint ventures	**350**	609
Non-audit fees		
Other services pursuant to legislation	**115**	50
Internal audit services	**–**	78
Corporate finance services	**69**	1,410
Other services	**89**	55
Total Non-audit fees	**273**	1,593
Total fees	**623**	2,202

In the year ended 30 June 2009, corporate finance services were incurred in relation to certain projects. Other services included financial modelling and general accounting advice. In the year ended 30 June 2008, corporate finance services were incurred in relation to the reorganisation of and sale of assets from the Wilson Bowden Developments businesses.

(Loss)/profit before tax is stated after charging the Directors' emoluments disclosed in the Remuneration report on page 50 and in note 9.

5. Net finance costs

Recognised in the income statement	Note	2009 £m	2008 £m
Finance income on short-term bank deposits		**(0.9)**	(2.3)
Imputed interest on available for sale financial assets	16	**(11.2)**	(2.9)
Interest receivable on swaps		**-**	(3.3)
Other interest		**(5.9)**	(4.3)
Finance income		**(18.0)**	(12.8)
Interest on bank overdrafts and loans		**141.8**	135.8
Amortisation of losses on cancelled interest rate swaps	25	**0.4**	0.1
Imputed interest on deferred term land payables		**19.8**	20.7
Finance costs related to employee benefits	27	**0.3**	1.7
Transfer from equity on cash flow hedges	30	**(21.7)**	(1.8)
Foreign exchange loss on US Dollar debt	30	**33.8**	1.8
Amortisation of facility fees		**17.4**	6.5
Other interest payable		**3.5**	3.3
Finance costs before exceptional items		**195.3**	168.1
Make-whole fee on redemption of private placement notes	24	**13.3**	-
Total finance costs		**208.6**	168.1
Net finance costs		**190.6**	155.3

Recognised in equity	Note	2009 £m	2008 £m
Losses on cash flow hedges	30	**62.8**	11.7
Losses on cancelled interest rate swaps deferred in equity	25, 30	**-**	3.6
Total fair value losses on cash flow swaps included in equity		**62.8**	15.3
Amortisation of losses on cancelled interest rate swaps	25, 30	**(0.4)**	(0.1)
Transfer to income statement on cash flow hedges	30	**21.7**	1.8
Total fair value losses on cash flow swaps transferred from equity		**21.3**	1.7

6. Financial instruments gains and losses

The net (gains) and losses recorded in the consolidated income statement, in respect of financial instruments (excluding interest shown in note 5) were as follows:

	Note	2009 £m	2008 £m
Loans and receivables			
Impairment of trade receivables	19	**3.3**	0.7
Available for sale financial assets			
Net loss/(gain) transferred on sale		**0.1**	(0.2)
Impairment of available for sale financial assets	16	**23.7**	9.5
Other financial liabilities			
Foreign exchange losses on US Dollar debt		**33.8**	1.8
Transfers from hedged items			
Transfer from equity on currency cash flow hedges		**(33.8)**	(1.8)

7. Tax

Analysis of the tax (credit)/charge for the year	Note	2009 £m	2008 £m
Current tax			
UK corporation tax on (losses)/profits for the year		(43.6)	56.6
Adjustment in respect of previous years		(37.7)	(20.6)
		(81.3)	36.0
Deferred tax			
Origination and reversal of temporary differences		(148.0)	(2.9)
Adjustment in respect of previous years		19.0	17.8
	17	(129.0)	14.9
Tax (credit)/charge for the year		(210.3)	50.9

In addition to the amount credited to the income statement, deferred tax of £27.8m (2008: £2.5m charged) was credited directly to equity (note 17).

Factors affecting the tax (credit)/charge for the year

The tax rate assessed for the year is higher (2008: higher) than the standard rate of corporation tax in the UK for the period of 28.0% (2008: 29.5%). The differences are explained below:

	2009 £m	2008 £m
(Loss)/profit before tax	(678.9)	137.3
(Loss)/profit before tax multiplied by the standard rate of corporation tax of 28.0% (2008: 29.5%)	(190.1)	40.5
Effects of:		
Goodwill impairment not deductible for tax purposes	-	7.2
Other expenses not deductible for tax purposes	2.1	7.1
Additional tax relief for land remediation costs	(2.7)	(1.9)
Adjustment in respect of previous years	(18.7)	(2.8)
Tax in respect of joint ventures	0.8	0.8
Tax rate difference on losses carried back	(2.2)	-
Tax on share-based payments	0.5	-
Tax (credit)/charge for the year	(210.3)	50.9

Legislation on the taxation of foreign profits received Royal Assent on 21 July 2009. These rules include provisions to restrict interest deduction on intra-group loans, which will apply to accounting periods starting on or after 1 January 2010. Where interest deductions are restricted under these new rules in one Group company, the legislation includes the scope to claim an adjustment in the corresponding company and the flexibility to allocate the interest deductions across the Group in order to prevent losses becoming trapped. As a result it is not envisaged that these rules will impact on the Group's future tax charge.

8. Dividends

	2009 £m	2008 £m
Prior year final dividend of nil per share (2007: 24.30p)	-	83.8
Interim dividend of nil per share (2008: 12.23p)	-	42.2
	-	126.0
Proposed final dividend for the year ended 30 June 2009 of nil (2008: nil) per share	-	-

9. 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 50 to 52 which form part of these financial statements. A summary of key management remuneration is as follows:

	2009 £m	2008 £m
Salaries and fees (including pension compensation)	2.4	2.3
Performance bonus	-	-
Benefits	0.1	0.1
Pension costs	-	-
Share-based payments	0.3	0.8
	2.8	3.2

	Group 2009 Number	Group 2008 Number	Company 2009 Number	Company 2008 Number
Average staff numbers (excluding subcontractors)	4,561	6,407	217	230

Staff costs, including Directors, comprise:

	Note	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Wages and salaries including bonuses		162.8	245.3	11.5	13.9
Redundancy costs	3	17.6	3.7	-	0.3
Social security costs		18.2	28.5	1.5	1.8
Other pension costs	27	6.7	10.0	1.3	3.8
Share-based payments	29	4.3	2.3	0.4	0.7
Total staff costs	4	209.6	289.8	14.7	20.5

10. (Loss)/earnings per share

Basic earnings per share is calculated by dividing the loss for the year attributable to ordinary shareholders of £468.6m (2008: £86.4m profit) 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 345.0m (2008: 345.0m).

Diluted earnings per share is calculated by dividing the loss for the year attributable to ordinary shareholders of £468.6m (2008: £86.4m profit) 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 345.0m (2008: 346.7m).

The (loss)/earnings per share from continuing operations were as follows:

	2009 pence	2008 pence
Basic (loss)/earnings per share	(135.8)	25.0
Adjusted basic (loss)/earnings per share	(23.8)	79.6
Diluted (loss)/earnings per share	(135.8)	24.9
Adjusted diluted (loss)/earnings per share	(23.8)	79.2

10. (Loss)/earnings per share (continued)

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

	2009 £m	2009 pence	2008 £m	2008 pence
(Loss)/earnings for basic and diluted earnings per share	**(468.6)**	**(135.8)**	86.4	25.0
Add: restructuring costs and pension curtailment gain	**20.0**	**5.8**	15.9	4.6
Add: impairment of goodwill and intangible assets	**-**	**-**	30.7	8.9
Add: impairment of inventories	**499.5**	**144.8**	208.4	60.4
Add: make-whole fee on redemption of private placement notes	**13.3**	**3.8**	–	–
Less: tax effect of above items	**(148.3)**	**(43.0)**	(66.8)	(19.3)
Add: post-tax impairment of inventories relating to investments accounted for using the equity method	**2.0**	**0.6**	–	–
(Loss)/earnings for adjusted basic and adjusted diluted (loss)/earnings per share	**(82.1)**	**(23.8)**	274.6	79.6

Earnings are adjusted, removing restructuring costs, pension curtailment, impairments of goodwill, intangible assets, inventories and investments, make-whole fees and the related tax, to reflect the Group's underlying profits.

11. Goodwill

	Group 2009 £m	Group 2008 £m
Cost		
At 30 June and 1 July	**816.7**	816.7
Accumulated impairment losses		
At 1 July	**24.5**	-
Impairment losses for the year	**-**	24.5
At 30 June	**24.5**	24.5
Carrying amount		
At 1 July	792.2	816.7
At 30 June	**792.2**	792.2

Goodwill cost of £816.7m consists of £792.2m relating to the housebuilding segment and £24.5m relating to the commercial developments segment. The goodwill of the commercial developments business was fully impaired in the year ended 30 June 2008.

The Group conducts its annual impairment review of goodwill and intangibles together for both the housebuilding and commercial developments segments. The impairment review was performed at 30 June 2009 and compared the value-in-use of the housebuilding segment with the carrying-value of its tangible and intangible assets and allocated goodwill. The Group allocates any identified impairment first to goodwill and then to assets on a pro-rata basis, which in the case of the Group is its intangible assets and property, plant and equipment.

The value-in-use was determined by discounting the expected future cash flows of the housebuilding segment. The first three years of cash flows were determined using the Group's approved detailed site-by-site business plan. The cash flows for the fourth and fifth years were determined using Group level internal forecasted cash flows based upon expected volumes, selling prices and margins, considering available land purchases and work in progress levels. The cash flows for year six onwards were extrapolated in perpetuity using an estimated growth rate of 2.5%, which was based upon the expected long-term growth rate of the UK economy.

The key assumptions for the value-in-use calculations were:

- Discount rate: this is a pre-tax rate reflecting current market assessments of the time value of money and risks appropriate to the Group's housebuilding business. Accordingly the rate of 8.9% is considered by the Directors to be the appropriate pre-tax risk adjusted discount rate being the Group's estimated long-term pre-tax weighted average cost of capital. This rate is calculated using the current capital structure of the Group at the balance sheet date.

11. Goodwill (continued)

- Expected changes in selling prices for completed houses and the related impact upon operating margin: these are determined on a site-by-site basis for the first three years dependent upon local market conditions and product type. For years four and five these have been estimated at a Group level based upon past experience and expectations of future changes in the market taking into account external market forecasts.
- Sales volumes: these are determined on a site-by-site basis for the first three years dependent upon local market conditions, land availability and planning permissions. For years four and five these have been estimated at a Group level based upon past experience and expectations of future changes in the market taking into account external market forecasts.
- Expected changes in site costs to complete: these are determined on a site-by-site basis for the first three years dependent upon the expected costs of completing all aspects of each individual development including any additional costs that are expected to occur due to the business being on an individual development site for longer due to current market conditions. For years four and five these have been estimated at a Group level based upon past experience and expectations of future changes in the market taking into account external market forecasts.

The conclusion of this impairment review was that the Group's goodwill was not impaired.

The impairment review of goodwill and intangible assets at 30 June 2009 was based upon current expectations regarding sales volumes, expected changes in selling prices and site costs to complete in the difficult conditions within the UK housing market and used a discount rate appropriate to the position and risks of the Group. The result of the impairment review, which was based upon the capital structure of the Group at the balance sheet date, was that the recoverable value of goodwill and intangible assets exceeded its carrying-value by £2,932.7m. As explained in note 36 there is a proposed change to the Group's capital structure which may impact the Group's discount rates for future periods. If the UK housing market and expectations regarding its future were to deteriorate further reducing operating margins by 7.8% per annum or the appropriate discount rate were to increase by 4.7% and all other variables were held constant then the recoverable value of goodwill and intangible assets would equal its carrying-value.

12. Intangible assets

	Brands £m
Cost	
At 1 July 2007	107.0
At 30 June 2008	107.0
At 30 June 2009	**107.0**
Amortisation	
At 1 July 2007	–
Charge for the year	0.8
Impairment	6.2
At 30 June 2008	7.0
Charge for the year	**–**
Impairment	**–**
At 30 June 2009	**7.0**
Carrying amount	
At 30 June 2008	100.0
At 30 June 2009	**100.0**

Brands

The Group does not amortise the housebuilding brand acquired with Wilson Bowden, being David Wilson Homes, valued at £100.0m, as the Directors consider that this brand has an indefinite useful economic life due to the fact that the Group intends to hold and support the brand for an indefinite period and there are no factors that would prevent it from doing so.

The Group tests indefinite life brands annually for impairment, or more frequently if there are indications that they might be impaired. At 30 June 2009 an impairment review was conducted using the calculations and assumptions as explained in note 11. The conclusion of this impairment review was that the Group's David Wilson Homes brand was not impaired.

The brand of Wilson Bowden Developments (valued at £7.0m prior to amortisation) was being amortised over ten years as it is a business-to-business brand operating in niche markets. Following an impairment review at 30 June 2008, the Wilson Bowden Developments brand was fully impaired.

13. Property, plant and equipment

	Group Property £m	Group Plant and equipment £m	Group Total £m	Company Property £m	Company Plant and equipment £m	Company Total £m
Cost						
At 1 July 2007	25.4	23.6	49.0	–	0.8	0.8
Additions	1.8	3.6	5.4	1.1	1.9	3.0
Reclassification	0.9	(0.9)	–	–	–	–
Disposals	(16.7)	(13.5)	(30.2)	(0.3)	(0.2)	(0.5)
At 30 June 2008	11.4	12.8	24.2	0.8	2.5	3.3
Additions	**–**	**2.1**	**2.1**	**–**	**2.0**	**2.0**
Transfers to inventories	**(1.1)**	**–**	**(1.1)**	**–**	**–**	**–**
Disposals	**(0.3)**	**(4.6)**	**(4.9)**	**–**	**–**	**–**
At 30 June 2009	**10.0**	**10.3**	**20.3**	**0.8**	**4.5**	**5.3**
Depreciation						
At 1 July 2007	0.8	10.8	11.6	–	0.5	0.5
Charge for the year	2.4	4.3	6.7	0.3	0.7	1.0
Reclassification	0.4	(0.4)	–	–	–	–
Disposals	(1.9)	(8.1)	(10.0)	(0.1)	(0.1)	(0.2)
At 30 June 2008	1.7	6.6	8.3	0.2	1.1	1.3
Charge for the year	**1.7**	**3.4**	**5.1**	**0.3**	**0.9**	**1.2**
Disposals	–	**(3.0)**	**(3.0)**	**–**	**–**	**–**
At 30 June 2009	**3.4**	**7.0**	**10.4**	**0.5**	**2.0**	**2.5**
Net book value						
At 30 June 2008	9.7	6.2	15.9	0.6	1.4	2.0
At 30 June 2009	**6.6**	**3.3**	**9.9**	**0.3**	**2.5**	**2.8**

Authorised future capital expenditure that was contracted but not provided for in these financial statements amounted to £nil (2008: £nil).

14. Investments accounted for using the equity method

The Group equity accounts for jointly controlled entities.

The Group has interests in the following jointly controlled entities:

Joint venture	Percentage owned	Country of registration	Principal activity
Base Regeneration LLP	50.0%	England and Wales	Housebuilding
Base East Central Rochdale LLP	50.0%	England and Wales	Housebuilding
Base Hattersley LLP	50.0%	England and Wales	Housebuilding
Base Werneth Oldham LLP	50.0%	England and Wales	Housebuilding
Barratt Wates (Horley) Limited*	78.5%	England and Wales	Housebuilding
Wandsworth Parkside LLP	50.0%	England and Wales	Housebuilding
Ravenscraig Limited**	33.3%	Scotland	Commercial development

* Barratt Wates (Horley) Limited is classified as a joint venture as the Group has equal control with one other joint venture partner.

** Ravenscraig Limited is classified as a joint venture as the Group has equal control and ownership percentages with two joint venture partners.

	Group 2009 £m	Group 2008 £m
At 1 July	**65.5**	20.9
Increase in investments in joint ventures	**20.7**	47.2
Share of post-tax loss for the year before exceptional items	**(1.0)**	(2.6)
Exceptional item: post-tax impairment charge	**(2.0)**	–
At 30 June	**83.2**	65.5

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

The share of loss for the year includes an impairment of £2.8m (2008: £nil) following a fall in the net realisable value of the land and work in progress within a joint venture. The exceptional item disclosed in the consolidated income statement includes a deferred tax credit of £0.8m in respect of the impairment.

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:

	2009 £m	Group 2008 £m
Current assets	**81.4**	84.8
Current liabilities	**(26.0)**	(18.7)
Non-current liabilities	**(62.0)**	(69.7)
Net liabilities of joint ventures	**(6.6)**	(3.6)

The Group has made loans of £89.8m (2008: £69.1m) to its joint ventures which are included within Group investments. Included within the Group's share of net liabilities from joint ventures is a proportion of loans to the joint ventures calculated using the Group's ownership share of £81.5m (2008: £56.2m).

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

	2009 Before exceptional items £m	2009 Exceptional items £m	2009 £m	2008 Before exceptional items £m	2008 Exceptional items £m	Group 2008 £m
Income	**22.3**	**–**	**22.3**	6.0	–	6.0
Expenses	**(23.9)**	**(2.8)**	**(26.7)**	(9.7)	–	(9.7)
	(1.6)	**(2.8)**	**(4.4)**	(3.7)	–	(3.7)
Tax	**0.6**	**0.8**	**1.4**	1.1	–	1.1
Share of post-tax loss from joint ventures	**(1.0)**	**(2.0)**	**(3.0)**	(2.6)	–	(2.6)

During the year the Group entered into a number of transactions with its joint ventures in respect of funding, development management services (with charges made based on the utilisation of these services), purchases of land and work in progress and reimbursement of group and consortium tax relief. Further details on these transactions are provided in note 35. The Group has a number of contingent liabilities relating to its joint ventures. Further details on these are provided in note 34.

15. Investments

	2009 £m	Company 2008 £m
Cost		
At 1 July	**2,121.0**	2,119.7
Investment in subsidiary	**350.0**	–
Increase in investment in subsidiaries related to share-based payments	**2.6**	1.3
At 30 June	**2,473.6**	2,121.0
Impairment		
At 1 July	**57.6**	22.0
Impairment of investments	**–**	35.6
At 30 June	**57.6**	57.6
Net book value		
At 1 July	2,063.4	2,097.7
At 30 June	**2,416.0**	2,063.4

On 17 June 2009 in order to strengthen the balance sheet of the Company's principal trading subsidiary BDW Trading Limited following the deterioration of the UK housing market, the Company capitalised a loan of £350.0m in return for 350 £1 ordinary shares at a premium of £999,999 each.

15. Investments (continued)

During the year ended 30 June 2008, 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 was based on the fair value of the net assets of the subsidiary.

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

Company	Percentage owned	Country of registration	Principal activity
BDW Trading Limited (formerly Barratt Homes Limited)	100%	England and Wales	Housebuilding and development
BDW East Scotland Limited (formerly Barratt North Scotland Limited)	100%	Scotland	Housebuilding and development
KingsOak Homes Limited	100%	England and Wales	Housebuilding and development
David Wilson Homes Limited	100%*	England and Wales	Housebuilding and development
Wilson Bowden Developments Limited	100%*	England and Wales	Commercial development

* Owned through another Group company.

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

16. Available for sale financial assets

	Note	Group 2009 £m	Group 2008 £m
At 1 July		**66.9**	37.3
Additions		**33.8**	44.4
Disposals		**(1.7)**	(3.6)
Imputed interest	5	**11.2**	2.9
Revaluation taken through equity	30	**–**	(4.6)
Impairment taken through income statement	6	**(23.7)**	(9.5)
At 30 June		**86.5**	66.9

Available for sale financial assets principally comprise interest free loans granted as part of sales transactions that are secured by way of a second legal charge on 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 income statement includes an impairment of £23.7m (2008: £9.5m) in cost of sales.

The impairment of available for sale financial assets arises due to the impact on the fair value of these assets of the decline in UK house prices.

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

17. Deferred tax

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

Group	Note	Accelerated capital allowances £m	Temporary differences (restated*) £m	Tax losses £m	Total (restated*) £m
At 1 July 2007 as previously reported		1.2	1.3	–	2.5
Prior year adjustment		–	(3.8)	–	(3.8)
At 1 July 2007 as restated		1.2	(2.5)	–	(1.3)
Arising on acquisition of subsidiaries		–	(13.4)	–	(13.4)
Charged to income statement	7	(0.1)	(14.8)	–	(14.9)
Amounts taken directly to equity	7	–	(2.5)	–	(2.5)
At 30 June 2008		1.1	(33.2)	–	(32.1)
Credited/(charged) to income statement	7	**0.2**	**(1.3)**	**130.1**	**129.0**
Arising on acquisition of subsidiaries	33	**–**	**2.6**	**–**	**2.6**
Amounts taken directly to equity	7	**–**	**27.8**	**–**	**27.8**
At 30 June 2009		**1.3**	**(4.1)**	**130.1**	**127.3**

* The results for the year ended 30 June 2008 have been restated as explained in the Accounting policies note.

17. Deferred tax (continued)

The Company recognised a deferred tax asset comprising:

	Note	Accelerated capital allowances £m	Temporary differences (restated*) £m	Company Total (restated*) £m
At 1 July 2007 as previously reported		–	21.5	21.5
Prior year adjustment		–	(3.8)	(3.8)
At 1 July 2007 as restated		–	17.7	17.7
Credited/(charged) to income statement		0.3	(4.6)	(4.3)
Amounts taken directly to equity	30	–	(0.9)	(0.9)
At 30 June 2008		0.3	12.2	12.5
Charged to income statement		**(0.1)**	**(5.4)**	**(5.5)**
Amounts taken directly to equity	30	**–**	**27.6**	**27.6**
At 30 June 2009		**0.2**	**34.4**	**34.6**

* The results for the year ended 30 June 2008 have been restated as explained in the Accounting policies note.

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:

	Note	Group 2009 £m	Group 2008 (restated*) £m	Company 2009 £m	Company 2008 (restated*) £m
Pension scheme	27	**8.8**	10.4	**8.8**	10.4
Hedging		**24.9**	1.3	**24.9**	1.3
Losses		**130.1**	–	**–**	–
Share options		**0.9**	–	**0.1**	–
Other items, including capital allowances		**3.8**	2.7	**0.8**	0.8
Deferred tax assets		**168.5**	14.4	**34.6**	12.5
Brands		**(28.0)**	(28.0)	**–**	–
Other items, including capital allowances		**(13.2)**	(18.5)	**–**	–
Deferred tax liabilities		**(41.2)**	(46.5)	**–**	–
Net deferred tax asset/(liability)		**127.3**	(32.1)	**34.6**	12.5

* The results for the year ended 30 June 2008 have been restated as explained in the Accounting policies note.

The movements in each type of temporary difference for the Group are as follows:

Group	Pension scheme (restated*) £m	Share options £m	Tax losses £m	Hedging £m	Brands £m	Other £m	Total (restated*) £m
At 1 July 2007 as previously reported	21.9	6.1	–	(3.0)	(30.0)	7.5	2.5
Prior year adjustment	(3.8)	–	–	–	–	–	(3.8)
At 1 July 2007 as restated	18.1	6.1	–	(3.0)	(30.0)	7.5	(1.3)
Income statement	(2.1)	(3.6)	–	–	2.0	(11.2)	(14.9)
Arising on acquisition	–	–	–	–	–	(13.4)	(13.4)
Amounts taken directly to equity	(5.6)	(2.5)	–	4.3	–	1.3	(2.5)
At 30 June 2008	10.4	–	–	1.3	(28.0)	(15.8)	(32.1)
Income statement	**(5.6)**	**0.7**	**130.1**	**–**	**–**	**3.8**	**129.0**
Arising on acquisition of subsidiaries	**–**	**–**	**–**	**–**	**–**	**2.6**	**2.6**
Amounts taken directly to equity	**4.0**	**0.2**	**–**	**23.6**	**–**	**–**	**27.8**
At 30 June 2009	**8.8**	**0.9**	**130.1**	**24.9**	**(28.0)**	**(9.4)**	**127.3**

* The results for the year ended 30 June 2008 have been restated as explained in the Accounting policies note.

17. Deferred tax (continued)

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

In addition to the above, the Group has not recorded a deferred tax asset of £2.9m (2008: £1.8m) in respect of capital and other losses that are not considered recoverable in the foreseeable future.

The movements in each type of temporary difference for the Company are as follows:

Company	Pension scheme (restated*) £m	Share options £m	Hedging £m	Other £m	Total (restated*) £m
At 1 July 2007 as previously reported	21.9	–	(3.0)	2.6	21.5
Prior year adjustment	(3.8)	–	–	–	(3.8)
At 1 July 2007 as restated	18.1	–	(3.0)	2.6	17.7
Income statement	(2.1)	–	–	(2.2)	(4.3)
Amounts taken directly to equity	(5.6)	–	4.3	0.4	(0.9)
At 30 June 2008	10.4	–	1.3	0.8	12.5
Income statement	**(5.6)**	**0.1**	**–**	**–**	**(5.5)**
Amounts taken directly to equity	**4.0**	**–**	**23.6**	**–**	**27.6**
At 30 June 2009	**8.8**	**0.1**	**24.9**	**0.8**	**34.6**

* The results for the year ended 30 June 2008 have been restated as explained in the Accounting policies note.

18. Inventories

	Group 2009 £m	2008 £m
Land held for development	**2,453.2**	3,117.5
Construction work in progress	**1,044.2**	1,569.3
Part-exchange properties	**36.7**	137.9
Other inventories	**6.7**	5.3
	3,540.8	4,830.0

a) Nature of inventories

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

b) Impairment of inventories

At 30 June 2008, the Group conducted a net realisable value review of its land and work in progress which resulted in an impairment of £208.4m.

During the half year ended 31 December 2008, the Group provided £62.6m for a reduction in net realisable value upon certain commercial and housebuilding sites that it had specifically targeted for sale and realised.

The Group also conducted a further review of the net realisable value of its land and work in progress portfolio during the period. This review compared the estimated net realisable value of each of the Group's development sites with its balance sheet carrying-value and where the estimated net realisable value of an individual site was less than its carrying-value within the balance sheet, the Group impaired the land and work in progress value of the site. The result of this further site-by-site net realisable value review was an exceptional impairment of £432.3m.

18. Inventories (continued)

b) Impairment of inventories (continued)

The total impairment of land and work in progress recognised during the half year ended 31 December 2008 was £494.9m.

A further impairment review was conducted during the half year ended 30 June 2009. This also compared the estimated net realisable value of each of the Group's development sites with its balance sheet carrying-value and where the estimated net realisable value of an individual site was less than its carrying-value within the balance sheet, the Group impaired the land and work in progress value of the site. The result of this further site-by-site net realisable value review was a net exceptional impairment of £nil for the housebuilding business, although there were gross impairment reversals and charges of £120.9m due to performance variations upon housebuilding sites, and £4.6m for the commercial developments business.

The total impairment of land and work in progress recognised during the year ended 30 June 2009 was £499.5m included in exceptional items (note 3).

The key judgement in estimating the net realisable value of a site was the estimation of likely sales prices and estimated costs to complete. Sales prices were estimated on a site-by-site basis based upon local market conditions and considered the current prices being achieved upon each site for each product type.

Although the impairment of land and work in progress was based upon the current prices being achieved by the Group in the difficult conditions within the UK housing market, if the UK housing market were to deteriorate or improve beyond management expectations in the future then further adjustments to the carrying-value of land and work in progress may be required.

Following these impairments £1,460.5m (2008: £557.0m) of inventories are valued at fair value less costs to sell rather than at historical cost.

c) Expensed inventories

The value of inventories expensed in 2009 and included in cost of sales was £2,009.8m (2008: £2,714.2m) including £0.1m (2008: £10.4m) of inventory write-downs incurred in the course of normal trading and a reversal of £nil (2008: £5.4m) on inventories that were written down in a previous accounting period, but excluding the £499.5m (2008: £208.4m) exceptional impairment. The reversal of £5.4m in the prior year arose mainly due to obtaining planning approval on strategic land and other interests that had previously been written down to net realisable value.

During the second half, average selling prices across the Group's developments were in line with those incorporated into the impairment review at 31 December 2008 and therefore overall no further impairment was required in the housebuilding business, although there were gross impairment reversals and charges of £120.9m due to performance variations upon housebuilding sites.

The value of inventories written down and recognised as an expense in 2009 totalled £499.6m (2008: £218.8m), being the £499.5m (2008: £208.4m) classified as an exceptional cost and the remaining £0.1m (2008: £10.4m) incurred in the normal course of trading.

d) Company

The Company has no inventories.

19. Trade and other receivables

	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Non-current assets				
Other receivables	**1.5**	2.8	**–**	–
	1.5	2.8	**–**	–
Current assets				
Trade receivables	**30.1**	62.6	**–**	–
Amounts due from subsidiary undertakings	**–**	–	**1,511.1**	2,229.3
Other receivables	**6.4**	31.3	**0.4**	0.2
Prepayments and accrued income	**5.0**	7.0	**1.2**	2.8
	41.5	100.9	**1,512.7**	2,232.3

Trade and other receivables are non-interest bearing, and the Group has no concentration of credit risk, with exposure spread over a large number of customers. Of the year end trade receivables the following were overdue but not impaired:

Ageing of overdue but not impaired receivables	Group 2009 £m	Group 2008 £m
Less than three months	**3.1**	14.7
Greater than three months	**4.4**	5.7

Overdue receivables less than three months at 30 June 2008 included £8.6m relating to monies due on the sale of land, which was received in July 2008.

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

	Note	Group 2009 £m	Group 2008 £m
At 1 July		**3.1**	3.7
Charge for the year	6	**3.3**	0.7
Uncollectible amounts written off, net of recoveries		**(1.8)**	(1.3)
At 30 June		**4.6**	3.1

The allowance for doubtful receivables consists of individually impaired trade receivables which are in default. The impairment recognised in cost of sales represents the difference between the carrying amount of these trade receivables and the present value of any expected recoveries. The Group does not hold any collateral over these balances.

The Directors consider that the carrying amount of trade receivables approximates to their fair value.

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

20. Trade and other payables

	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Non-current liabilities				
Land payables	**245.2**	240.9	**–**	–
Other payables	**0.2**	1.2	**–**	–
	245.4	242.1	**–**	–
Current liabilities				
Trade payables	**318.2**	467.0	**5.4**	3.0
Land payables	**225.4**	311.4	**–**	–
Accruals and deferred income	**260.9**	278.8	**28.3**	28.6
Other tax and social security	**5.8**	13.0	**0.7**	0.3
Other payables	**52.1**	93.6	**–**	1.4
	862.4	1,163.8	**34.4**	33.3

Accruals and deferred income includes a £1.9m (2008: £1.0m) social security accrual relating to share-based payments (note 29).

Total payables include £105.8m (2008: £277.4m) secured by legal charges on certain assets.

Other non-current liabilities are unsecured and non-interest bearing.

Further disclosures relating to financial liabilities are set out in note 24.

21. Contract accounting

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

	Group 2009 £m	Group 2008 £m
Amounts due from contract customers included in trade and other receivables	**17.0**	22.2
Amounts due to contract customers included in trade and other payables	**(22.6)**	(17.7)
	(5.6)	4.5
Contract costs incurred plus recognised profits less recognised losses to date	**381.4**	329.5
Less progress billings	**(387.0)**	(325.0)
	(5.6)	4.5

At 30 June 2009, retentions held by customers for contract work amounted to £6.9m (2008: £4.0m) of which £1.5m (2008: £0.6m) are due for settlement after twelve months. Advances received from customers for contract work amounted to £64.3m (2008: £14.0m) of which £6.7m (2008: £0.3m) relates to work which is not expected to be performed in the next twelve months.

22. Cash and cash equivalents

	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Cash and cash equivalents	**178.8**	32.8	**163.0**	–

Cash and cash equivalents are held at floating interest rates linked to the UK bank rate, LIBOR and money market rates as applicable. Cash and cash equivalents comprises cash held by the Group and short-term bank deposits with an original maturity of three months or less.

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

23. Financial assets

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

	Note	2009 Fair value £m	2009 Carrying-value £m	Group 2008 Fair value £m	Group 2008 Carrying-value £m
Designated as cash flow hedges					
Derivative financial instruments	25	31.9	31.9	10.1	10.1
Loans and receivables					
Cash and cash equivalents	22	178.8	178.8	32.8	32.8
Trade and other receivables		16.5	16.5	51.8	51.8
Available for sale					
Available for sale financial assets	16	86.5	86.5	66.9	66.9
Total financial assets		313.7	313.7	161.6	161.6

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

	Note	2009 Fair value £m	2009 Carrying-value £m	Company 2008 Fair value £m	Company 2008 Carrying-value £m
Designated as cash flow hedges					
Derivative financial instruments	25	31.9	31.9	10.1	10.1
Loans and receivables					
Cash and cash equivalents	22	163.0	163.0	–	–
Trade and other receivables	19	0.4	0.4	0.2	0.2
Inter-company loans	19	1,511.1	1,511.1	2,229.3	2,229.3
Total financial assets		1,706.4	1,706.4	2,239.6	2,239.6

Trade and other receivables excludes accrued income, amounts recoverable on contracts, prepayments and tax and social security.

The fair values of financial assets and liabilities are determined as indicated in note 24a.

24. Financial liabilities

a) Fair value and carrying-value

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

	Note	2009 Fair value £m	2009 Carrying-value £m	Group 2008 Fair value £m	Group 2008 Carrying-value £m
Designated as cash flow hedges					
Derivative financial instruments	25	89.2	89.2	9.5	9.5
Other financial liabilities					
Bank overdrafts		7.4	7.4	7.5	7.5
Trade and other payables		866.4	885.7	1,127.4	1,155.9
Loans and borrowings	24b	1,478.1	1,476.7	1,660.3	1,677.7
Total financial liabilities		2,441.1	2,459.0	2,804.7	2,850.6

24. Financial liabilities (continued)

a) Fair value and carrying-value (continued)

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

	Note	2009 Fair value £m	2009 Carrying-value £m	Company 2008 Fair value £m	Company 2008 Carrying-value £m
Designated as cash flow hedges					
Derivative financial instruments	25	**89.2**	**89.2**	9.5	9.5
Other financial liabilities					
Bank overdrafts		**110.7**	**110.7**	58.6	58.6
Trade and other payables		**33.2**	**33.2**	32.0	32.0
Loans and borrowings	24b	**1,478.1**	**1,476.7**	1,660.3	1,677.7
Total financial liabilities		**1,711.2**	**1,709.8**	1,760.4	1,777.8

Trade and other payables excludes deferred income, payments received in excess of amounts recoverable on contracts, tax and social security and other non-financial liabilities.

The fair values of financial assets and liabilities are determined as follows:

- The fair values of available for sale financial assets represent the value of their discounted cash flows, which have been calculated using market assumptions of the likely period to redemption and movements in UK house prices.
- Derivative financial instruments are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.
- The fair values of other non-derivative financial assets and liabilities are determined based on discounted cash flow analysis using current market rates for similar instruments.

Trade and other payables include land payables, which may bear interest on a contract specific basis. Trade and other payables includes items secured by legal charge on certain assets as disclosed in note 20.

b) Drawn debt facilities

The drawn debt at 30 June comprises:

	2009 £m	Group 2008 £m	2009 £m	Company 2008 £m
Non-current				
Bank loans	**1,200.9**	755.5	**1,200.9**	755.5
Private placement notes	**274.7**	276.0	**274.7**	276.0
Total non-current	**1,475.6**	1,031.5	**1,475.6**	1,031.5
Current				
Bank overdrafts	**7.4**	7.5	**110.7**	58.6
Loan notes	**1.1**	46.4	**1.1**	46.4
Bank loans	**–**	599.8	**–**	599.8
Total current	**8.5**	653.7	**111.8**	704.8
Total borrowings	**1,484.1**	1,685.2	**1,587.4**	1,736.3

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

	2009 %	Group 2008 %	2009 %	Company 2008 %
Bank loans net of swap interest	**8.9**	7.0	**8.9**	7.0
Loan notes	**7.8**	6.1	**7.8**	6.1
Private placement notes	**11.7**	6.7	**11.7**	6.7

24. Financial liabilities (continued)

b) Drawn debt facilities (continued)

The principal features of the Group's drawn debt facilities at 30 June 2009 were as follows:

i) Committed facilities

- A committed £484.1m five-year term facility, of which £483.0m was drawn at 30 June 2009 and £1.1m was utilised by way of a bank guarantee to support the loan notes, made available under a credit agreement dated 5 February 2007 (as amended from time to time and most recently with effect from 6 August 2008). At 30 June 2008, the facility was £529.4m but during the year £45.3m of the loan notes were repaid and the relevant proportion of the facility cancelled.
- A committed £750.0m five-year revolving credit facility of which £750.0m was drawn at 30 June 2009, also available under a credit agreement dated 5 February 2007 (as amended from time to time and most recently with effect from 6 August 2008). As part of the August 2008 amendments, the revolving credit facility was fully drawn and now operates as a term facility.
- A committed £400.0m revolving credit facility of which £nil was drawn at 30 June 2009, made available under a facility agreement dated 2 February 2005 (as amended from time to time and most recently with effect from 6 August 2008). In August 2008 the maturity date for £350.0m of commitments available under this facility was extended to 8 July 2011. The remaining £50.0m of commitments under this facility expires on 1 February 2010.
- A committed £400.0m three-year revolving credit facility of which £nil was drawn at 30 June 2009, made available under a facility agreement dated 9 July 2008.

The Group suspended dividend payments in June 2008 as part of its cash conservation policy. The Board remains focused on strengthening the balance sheet and conserving cash. In addition, the Group's existing financing arrangements also impose certain restrictions on the payment of dividends. The Board is committed to reinstating the payment of dividends and will do so when it becomes appropriate and permissible to do so.

ii) Fixed rate Sterling private placement notes

The Group has £114.2m of Sterling fixed rate private placement notes. £18.2m of these are carried at their fair value (fair value uplift £0.3m (2008: £0.5m)) as at the date of acquisition of Wilson Bowden and expire on 15 October 2010. The remaining £96.0m of fixed rate Sterling private placement notes expire between 23 April 2018 and 23 April 2020. At 30 June 2008, there were £125.5m of Sterling fixed rate private placement notes but on 12 January 2009, the Company repaid £16.6m of Sterling fixed rate private placement notes and issued £5.5m of Sterling fixed rate private placement notes due to the make-whole clause within each of these agreements which was triggered on repayment.

iii) Fixed rate US Dollar private placement notes

- US Dollar ten-year private placement notes of $59.8m effective from 23 April 2008 and as amended on 6 August 2008. At 30 June 2008, there were $65.0m of US Dollar ten-year private placement notes but on 12 January 2009, the Company repaid $8.8m of US Dollar ten-year private placement notes and issued $3.6m of US Dollar ten-year private placement notes due to the make-whole clause within these agreements which was triggered on repayment.
- US Dollar five-year private placement notes of $31.3m effective from 23 April 2008 and as amended on 6 August 2008. At 30 June 2008, there were $35.0m of US Dollar five-year private placement notes but on 12 January 2009, the Company repaid $4.7m of US Dollar five-year private placement notes and issued $1.0m of US Dollar five-year private placement notes due to the make-whole clause within these agreements which was triggered on repayment.
- A US Dollar ten-year private placement note of $180.5m effective from 23 August 2007 and as amended on 6 August 2008. At 30 June 2008, there were $200.0m of US Dollar ten-year private placement notes but on 12 January 2009, the Company repaid $27.0m of US Dollar ten-year private placement notes and issued $7.5m of US Dollar ten-year private placement notes due to the make-whole clause within these agreements which was triggered on repayment.

iv) Floating rate Sterling loan notes

The Group had £1.1m (2008: £46.4m) Sterling loan notes at 30 June 2009 having repaid £0.3m on that date and £45.0m previously. These loan notes are repayable at 30 June or 31 December each year at the option of the note holder or are due in December 2012, and are subject to floating rates of interest linked to LIBOR.

v) Bank overdrafts and uncommitted money market facilities

The Group also uses various bank overdrafts and uncommitted borrowing facilities that are subject to floating interest rates linked to UK bank rate, LIBOR and money market rates as applicable.

All debt is unsecured.

24. Financial liabilities (continued)

c) Net debt

Net debt at the year end is shown below:

	Group 2009 £m	Group 2008 (restated*) £m	Company 2009 £m	Company 2008 (restated*) £m
Cash and cash equivalents	**178.8**	32.8	**163.0**	–
Non-current borrowings				
Bank loans	**(1,200.9)**	(755.5)	**(1,200.9)**	(755.5)
Private placement notes	**(274.7)**	(276.0)	**(274.7)**	(276.0)
Total non-current borrowings	**(1,475.6)**	(1,031.5)	**(1,475.6)**	(1,031.5)
Current borrowings				
Bank overdrafts	**(7.4)**	(7.5)	**(110.7)**	(58.6)
Loan notes	**(1.1)**	(46.4)	**(1.1)**	(46.4)
Bank loans	**–**	(599.8)	**–**	(599.8)
Total current borrowings	**(8.5)**	(653.7)	**(111.8)**	(704.8)
Total borrowings	**(1,484.1)**	(1,685.2)	**(1,587.4)**	(1,736.3)
Derivative financial instruments				
Foreign exchange swaps	**28.4**	1.8	**28.4**	1.8
Net debt	**(1,276.9)**	(1,650.6)	**(1,396.0)**	(1,734.5)

* Net debt has been restated in the year ended 30 June 2008 to include a net presentation of foreign exchange swaps for consistency of presentation with the year ended 30 June 2009.

Cash and cash equivalents comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less.

Net debt is defined as cash and cash equivalents, bank overdrafts, interest bearing borrowings and foreign exchange swaps. The Group includes foreign exchange swaps within net debt as these swaps were entered into to hedge the foreign exchange exposure upon the Group's US Dollar denominated private placement notes. The Group's foreign exchange swaps have both an interest rate and an exchange rate element and only the exchange rate element on the notional amount of the swap is included within the net debt note above. The Group's derivative financial instruments at the year end are shown below:

	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Foreign exchange swap – exchange rate element	**28.4**	1.8	**28.4**	1.8
Foreign exchange swap – interest rate element	**2.1**	5.6	**2.1**	5.6
	30.5	7.4	**30.5**	7.4
Interest rate swaps	**(87.8)**	(6.8)	**(87.8)**	(6.8)
Net derivative financial instruments	**(57.3)**	0.6	**(57.3)**	0.6

25. Derivative financial instruments – swaps

The Group and Company have entered into derivative financial instruments to manage interest rate and foreign exchange risks as explained in note 26. Neither the Group nor the Company enter into any derivatives for speculative purposes.

	Group and Company 2009 Asset £m	Group and Company 2009 Liability £m	Group and Company 2008 Asset £m	Group and Company 2008 Liability £m
Designated as cash flow hedges				
Non-current				
Interest rate swaps	**–**	**(87.8)**	2.4	(9.2)
Foreign exchange swaps	**31.9**	**(1.4)**	7.7	(0.3)
Total derivative financial instruments	**31.9**	**(89.2)**	10.1	(9.5)

25. Derivative financial instruments – swaps (continued)

a) Interest rate swaps

The Group and Company enter into derivative transactions in the form of swap arrangements to manage the cash flow risks, related to interest rates, arising from the Group's and Company's sources of finance. All of the Group's and Company's interest rate swap arrangements contain a clause that allows the Group/Company or the issuer to cancel the swap in May 2012 at fair value.

As at 30 June 2009 the Group and Company had outstanding floating rate Sterling debt and overdrafts of £1,209.4m (2008: £1,409.2m). In obtaining this funding the Group and Company 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 and Company have entered into swap arrangements to swap £765.0m (2008: £765.0m) of this debt into fixed rate Sterling debt in accordance with the Group and Company treasury policy outlined in note 26. After taking into account swap arrangements the fixed interest rates applicable to the debt were as follows:

	Amount £m	Fixed rate payable %	Maturity
	142.5	5.79	2012
	50.0	5.80	2012
	60.0	5.94	2017
	60.0	5.99	2017
	40.0	5.93	2017
	40.0	5.96	2017
	32.5	5.64	2017
	120.0	5.75	2022
	75.0	5.44	2022
	65.0	5.43	2022
	40.0	5.72	2022
	40.0	5.76	2022
	765.0		

The swap arrangements are designated as a cash flow hedge against future interest rate movements. The fair value of the swap arrangements as at 30 June 2009, which is based on third party valuations, was a liability of £87.8m (2008: £6.8m) with a loss of £81.0m (2008: £19.1m) charged directly to equity in the year. There was no ineffectiveness to be taken through the income statement during the year or the prior year.

Swaps with a notional amount of £95.0m were cancelled during the prior year on the refinancing of part of the Group's and Company's Sterling borrowings. Cumulative losses on these swaps of £3.6m were deferred in equity in the prior year as the forecast transaction specified in the hedge relationship is still expected to occur. These losses will be recognised in the income statement over the period the forecast transaction occurs; £0.4m (2008: £0.1m) of the loss was recognised in the income statement in the year, and a balance of £3.1m (2008: £3.5m) remains deferred in equity.

Further disclosures relating to financial instruments are set out in note 26.

b) Basis rate swaps

During the year, the Group entered into £400.0m of six-month basis rate swaps to swap the interest payable upon some of the Group's borrowings from six-month LIBOR to one-month LIBOR plus a premium. These swaps reduced the cash interest payable by the Group by £1.4m over the six-month life. There were no basis rate swaps outstanding as at 30 June 2009.

c) Foreign exchange swaps

The Group and Company enter into derivative transactions in the form of swap arrangements to manage the cash flow risks related to foreign exchange arising from the Group's sources of finance denominated in US Dollars.

As at 30 June 2009 the Group and Company had outstanding fixed rate US Dollar loan notes of $271.6m (2008: $300.0m). On 12 January 2009, as part of the US Dollar private placement notes repayment and issue of notes due to the make-whole agreement, the Company cancelled $40.5m of the foreign exchange swaps and entered into $12.1m of US Dollar denominated foreign exchange swaps.

25. Derivative financial instruments – swaps (continued)

c) Foreign exchange swaps (continued)

The Group and Company have entered into swap arrangements to swap all of this debt into fixed rate Sterling debt in accordance with the Group treasury policy outlined in note 26. After taking into account swap arrangements the fixed interest rates applicable to the debt were as follows:

Amount $m	Fixed rate payable %	Maturity
1.0	10.95	2013
30.3	8.98	2013
7.5	10.55	2017
173.0	6.61	2017
3.6	12.23	2018
56.2	9.24	2018
271.6		

The swap arrangements are designated as cash flow hedges against future foreign exchange rate movements. The hedges match the contractual initial receipt, the final settlement, and as a result of refinancing on 9 July 2008 match 73% of the interest payments. The fair value of the swap arrangements as at 30 June 2009, which is based on third party valuations, was an asset of £30.5m (2008: £7.4m) with a gain of £30.3m (2008: £7.4m) credited directly to equity in the year. £7.2m (2008: £nil) of this gain was realised upon cancellation of $40.5m of foreign exchange swaps following repayment of $40.5m US Dollar private placement notes on 12 January 2009. There was no ineffectiveness to be taken through the income statement during the year or the prior year.

Further disclosures relating to financial instruments are set out in note 26.

26. Financial risk management

The Group's financial assets, financial liabilities and derivative financial instruments are detailed in notes 23, 24 and 25.

The Group's operations and financing arrangements expose it to a variety of financial risks that include the effects of changes in debt market prices, credit risks, liquidity risks and interest rates. The most significant of these to the Group is liquidity risk and, accordingly, there is a regular, detailed system for the reporting and forecasting of cash flows from the operations to Group management with the goal of ensuring that risks are promptly identified and appropriate mitigating actions taken by the central treasury department. These forecasts are further stress tested at a Group level on a regular basis to ensure that adequate headroom within facilities and banking covenants is maintained. In addition, the Group has in place a risk management programme that seeks to limit the adverse effects of the other risks on its financial performance, in particular by using financial instruments, including debt and derivatives, to hedge interest rates and currency rates. The Group does not use derivative financial instruments for speculative purposes.

The Board approves treasury policies and certain day-to-day treasury activities have been delegated to a centralised Treasury Operating Committee, which in turn regularly reports to the Board. The treasury department implements guidelines that are established by the Board and the Treasury Operating Committee.

a) Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its liabilities as they fall due. The Group actively maintains a mixture of long-term and medium-term committed facilities that are designed to ensure that the Group has sufficient available funds for operations. The Group's borrowings are typically cyclical throughout the financial year and peak in April and May, and October and November, of each year, due to seasonal trends in income. Accordingly the Group maintains sufficient headroom under its revolving credit facilities to cover these requirements. On a normal operating basis the Group has a policy of maintaining headroom of £250.0m of available committed bank facilities and identifies and takes appropriate actions based upon its regular, detailed system for the reporting and forecasting of cash flows from its operations. At 30 June 2009, the Group had committed bank facilities of £2,284.4m (2008: £2,555.4m) and total facilities of £2,360.6m (2008: £2,651.6m). At 30 June 2009, the Group's drawn debt was £1,484.1m (2008: £1,685.2m). This represented 65.0% of available committed facilities at 30 June 2009 (2008: 65.9%).

The Group was in compliance with its financial covenants at 30 June 2009. At the date of approval of the financial statements the Group's internal forecasts indicate that it will remain in compliance with these covenants for the foreseeable future being at least twelve months from the date of signing the financial statements. Compliance with covenants is also considered on pages 58 and 59.

26. Financial risk management (continued)

a) Liquidity risk (continued)

The Group's objective is to minimise refinancing risk. The Group therefore has a policy that the average maturity of its committed bank facilities and private placement notes is at least two years on average with a target of three years. At 30 June 2009, the average maturity of the Group's committed bank facilities was 3.1 years (2008: 3.3 years).

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

	Group		Company	
Expiry date	**2009 £m**	2008 £m	**2009 £m**	2008 £m
In less than one year	**50.0**	–	**50.0**	–
In more than one year but not more than two years	**–**	190.0	**–**	190.0
In more than two years but not more than five years	**750.0**	680.0	**750.0**	680.0
	800.0	870.0	**800.0**	870.0

In addition, the Group had £68.8m of undrawn uncommitted facilities available at 30 June 2009 (2008: £88.7m).

The expected undiscounted cash flows of the Group's financial liabilities, excluding derivative financial liabilities, by remaining contractual maturity at the balance sheet date were as follows:

Group	Note	Carrying amount £m	Contractual cash flows £m	Less than 1 year £m	1-2 years £m	2-5 years £m	Over 5 years £m
30 June 2009							
Loans and borrowings (including bank overdrafts)	24	**1,484.1**	**1,864.6**	**83.8**	**93.3**	**1,370.0**	**317.5**
Trade and other payables	24	**885.7**	**936.0**	**650.3**	**157.5**	**115.9**	**12.3**
		2,369.8	**2,800.6**	**734.1**	**250.8**	**1,485.9**	**329.8**
30 June 2008							
Loans and borrowings (including bank overdrafts)	24	1,685.2	2,099.3	758.9	280.8	725.3	334.3
Trade and other payables	24	1,155.9	1,204.6	922.2	144.3	119.6	18.5
		2,841.1	3,303.9	1,681.1	425.1	844.9	352.8

The expected undiscounted cash flows of the Company's financial liabilities, excluding derivative financial liabilities, by remaining contractual maturity at the balance sheet date were as follows:

Company	Note	Carrying amount £m	Contractual cash flows £m	Less than 1 year £m	1-2 years £m	2-5 years £m	Over 5 years £m
30 June 2009							
Loans and borrowings (including bank overdrafts)	24	**1,587.4**	**1,967.9**	**187.1**	**93.3**	**1,370.0**	**317.5**
Trade and other payables	24	**33.2**	**33.2**	**33.2**	**–**	**–**	**–**
		1,620.6	**2,001.1**	**220.3**	**93.3**	**1,370.0**	**317.5**
30 June 2008							
Loans and borrowings (including bank overdrafts)	24	1,736.3	2,150.4	810.0	280.8	725.3	334.3
Trade and other payables	24	32.0	32.0	32.0	–	–	–
		1,768.3	2,182.4	842.0	280.8	725.3	334.3

Trade and other payables excludes deferred income, payments received in excess of amounts recoverable on contracts, tax and social security and other non-financial liabilities.

26. Financial risk management (continued)

a) Liquidity risk (continued)

The expected undiscounted cash flows of the Group's and the Company's derivative financial instruments, by remaining contractual maturity, at the balance sheet date were as follows:

Group and Company	Note	Carrying amount £m	Contractual cash flows £m	Less than 1 year £m	1-2 years £m	2-5 years £m	Over 5 years £m
30 June 2009							
Financial assets							
Gross settled derivatives							
Receive leg	23	31.9	245.9	10.7	10.8	49.8	174.6
Pay leg		–	(205.4)	(9.6)	(9.6)	(42.6)	(143.6)
Financial liabilities							
Gross settled derivatives							
Receive leg	24	(1.4)	13.3	0.7	0.7	2.7	9.2
Pay leg		–	(15.2)	(0.9)	(0.9)	(3.2)	(10.2)
Net settled derivatives	24	(87.8)	(109.7)	(31.4)	(24.0)	(25.0)	(29.3)
		(57.3)	**(71.1)**	**(30.5)**	**(23.0)**	**(18.3)**	**0.7**
30 June 2008 (restated*)							
Financial assets							
Gross settled derivatives							
Receive leg	23	7.7	172.8	6.6	6.7	20.5	139.0
Pay leg		–	(160.5)	(6.5)	(6.5)	(19.6)	(127.9)
Net settled derivatives	23	2.4	1.7	1.2	1.4	2.6	(3.5)
Financial liabilities							
Gross settled derivatives							
Receive leg	24	(0.3)	87.6	4.0	4.0	31.4	48.2
Pay leg		–	(88.0)	(4.6)	(4.6)	(31.3)	(47.5)
Net settled derivatives	24	(9.2)	(17.9)	1.5	1.9	2.4	(23.7)
		0.6	(4.3)	2.2	2.9	6.0	(15.4)

* The categorisation of various items in the year ended 30 June 2008 has been revised for consistency of presentation with the year ended 30 June 2009.

Under the Group's ISDA agreements the interest rate swaps are settled on a net basis.

b) Market risk (price risk)

i) UK housing market risk

This section specifically discusses UK housing market risk in the context of the financial instruments in the Group balance sheet.

The Group is subject to the prevailing conditions of the UK economy and the Group's earnings are dependent upon the level of UK house prices. UK house prices are determined by the UK economy and economic conditions including employment levels, interest rates, consumer confidence, mortgage availability and competitor pricing. However, the Group does seek to maintain an appropriate geographic spread of operating divisions and an appropriate product mix to mitigate any risks caused by local economic conditions. The Group has detailed procedures to manage its market related operational risks which include:

- A weekly review is undertaken of key trading indicators, including reservations, sales rates, visitor levels, levels of incentives, competitor activity and cash flow projections.
- The Group seeks to provide mortgage providers with complete transparency regarding house purchase prices alongside any discounts or other incentives in order that they have appropriate information upon which to base their lending decision.
- The Group works with key mortgage lenders to ensure that products are appropriate wherever possible for its customers.

The UK housing market affects the valuation of the Group's non-financial assets and liabilities the critical judgements applied by management in these financial statements, including the valuation of land and work in progress, goodwill and brands.

26. Financial risk management (continued)

b) Market risk (price risk) (continued)

i) UK housing market risk (continued)

The Group's financial assets and liabilities that are directly linked to the UK housing market are as follows:

Group	Linked to UK housing market £m	Not linked to UK housing market £m	Total £m
30 June 2009			
Non-derivative financial assets	86.5	195.3	281.8
Non-derivative financial liabilities	–	(2,369.8)	(2,369.8)
Derivatives	–	(57.3)	(57.3)
	86.5	**(2,231.8)**	**(2,145.3)**
30 June 2008			
Non-derivative financial assets	66.9	84.6	151.5
Non-derivative financial liabilities	–	(2,841.1)	(2,841.1)
Derivatives	–	0.6	0.6
	66.9	(2,755.9)	(2,689.0)

The value of the Group's available for sale financial assets is directly linked to the UK housing market. At 30 June 2009 these were carried at a fair value of £86.5m (2008: £66.9m).

The Company has no financial assets and liabilities that are directly linked to the UK housing market.

Sensitivity analysis

At 30 June 2009, if UK house prices had been 5% lower and all other variables were held constant, the Group's house price linked financial assets and liabilities, which are solely available for sale financial assets, would decrease in value, excluding the effects of tax, by £6.2m (2008: £14.9m) with a corresponding reduction in both net profit and equity.

ii) Interest rate risk

The Group has both interest bearing assets and interest bearing liabilities. Floating rate borrowings expose the Group to cash flow interest rate risk and fixed rate borrowings expose the Group to fair value interest rate risk.

The Group has a policy of maintaining both long-term fixed rate funding and medium-term floating rate funding so as to ensure that there is appropriate flexibility for the Group's operational requirements. The Group has entered into swap arrangements to hedge cash flow risks relating to interest rate movements on a proportion of its debt and has entered into fixed rate debt in the form of Sterling and US Dollar denominated private placements.

The Group has a policy that 60%–80% of the Group's median gross borrowings calculated on the latest three-year plan (taking into account hedging) is at a fixed rate, with an average minimum duration of five years and an average maximum duration of fifteen years. At 30 June 2009, 68.4% of the Group's borrowings was at a fixed rate (2008: 61.6%).

The exposure of the Group's financial liabilities to interest rate risk is as follows:

Group	Floating rate financial liabilities £m	Fixed rate financial liabilities £m	Non-interest bearing financial liabilities £m	Total £m
30 June 2009				
Financial liabilities (excluding derivatives)	1,209.4	274.7	885.7	2,369.8
Impact of interest rate swaps	(765.0)	765.0	–	–
Financial liability exposure to interest rate risk	**444.4**	**1,039.7**	**885.7**	**2,369.8**
30 June 2008				
Financial liabilities (excluding derivatives)	1,409.2	276.0	1,155.9	2,841.1
Impact of interest rate swaps	(765.0)	765.0	–	–
Financial liability exposure to interest rate risk	644.2	1,041.0	1,155.9	2,841.1

26. Financial risk management (continued)

b) Market risk (price risk) (continued)

ii) Interest rate risk (continued)

The exposure of the Company's financial liabilities to interest rate risk is as follows:

Company	Floating rate financial liabilities £m	Fixed rate financial liabilities £m	Non-interest bearing financial liabilities £m	Total £m
30 June 2009				
Financial liabilities (excluding derivatives)	1,312.7	274.7	33.2	1,620.6
Impact of interest rate swaps	(765.0)	765.0	–	–
Financial liability exposure to interest rate risk	**547.7**	**1,039.7**	**33.2**	**1,620.6**
30 June 2008				
Financial liabilities (excluding derivatives)	1,460.3	276.0	32.0	1,768.3
Impact of interest rate swaps	(765.0)	765.0	–	–
Financial liability exposure to interest rate risk	695.3	1,041.0	32.0	1,768.3

Floating interest rates on Sterling borrowings are linked to UK bank rate, LIBOR and money market rates. The floating rates are fixed in advance for periods generally ranging from one to six months. Short-term flexibility is achieved through the use of overdraft, committed and uncommitted bank facilities. The weighted average interest rate for floating rate borrowings in 2009 was 6.6% (2008: 6.6%).

Sterling private placement notes of £114.2m (2008: £125.5m) were arranged at fixed interest rates and exposed the Group to fair value interest rate risk. The weighted average interest rate for fixed rate Sterling private placement notes for 2009 was 11.5% (2008: 7.8%) with, at 30 June 2009, a weighted average period of 8.5 years (2008: 9.5 years) for which the rate is fixed.

US Dollar denominated private placement notes of £164.9m (2008: £150.5m) were arranged at fixed interest rates and exposed the Group to fair value interest rate risk. The weighted average interest rate for fixed rate US Dollar denominated private placement notes, after the effect of foreign exchange rate swaps, for 2009 was 11.0% (2008: 6.9%) with, at 30 June 2009, a weighted average period of 7.8 years (2008: 8.8 years) for which the rate is fixed.

Sensitivity analysis

In the year ended 30 June 2009, if UK interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's pre-tax (loss)/profit would increase/decrease by £3.9m (2008: £4.8m), the Group's post-tax (loss)/profit would increase/decrease by £2.8m (2008: £3.4m) and the Group's equity would decrease/increase by £2.8m (2008: £3.4m).

iii) Foreign exchange rate risk

As at 30 June 2009, the Group has fixed rate US Dollar denominated private placement notes of $271.6m (2008: $300.0m). In order to mitigate risks associated with the movement in the foreign exchange rate, the Group has a policy of fully hedging the principal of its US Dollar denominated debt and a significant proportion of the interest payments. The Group therefore entered into foreign exchange swap arrangements on the issue of its US Dollar denominated debt, all of which are designated as cash flow hedges. Accordingly the Group has no net exposure to foreign currency risk on the principal of its US Dollar debt. As a result of the revised financing arrangements implemented in July and August 2008, the foreign exchange swaps match 73% of the interest payments and therefore the Group is subject to foreign exchange rate risk upon the remaining 27%.

Details of the Group's foreign exchange swaps are provided in note 25.

Sensitivity analysis

In the year ended 30 June 2009, if the US Dollar per Pound Sterling exchange rate had been $0.20 higher/lower and all other variables were held constant, the Group's pre-tax (loss)/profit would increase/decrease by £0.7m (2008: £nil), the Group's post-tax (loss)/profit would increase/decrease by £0.5m (2008: £nil) and the Group's equity would decrease/increase by £0.5m (2008: £nil).

26. Financial risk management (continued)

c) Credit risk

In the majority of cases, the Group receives cash upon legal completion for private sales and receives advance stage payments from Registered Social Landlords for social housing. The Group has £86.5m (2008: £66.9m) of available for sale financial assets which expose it to credit risk, although this asset is spread over a large number of properties. As such, the Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

The Group manages credit risk in the following ways:

- The Group has a credit policy that is limited to financial institutions with high credit ratings as set by international credit rating agencies and has a policy determining the maximum permissible exposure to any single counterparty.
- The Group only contracts derivative financial instruments with counterparties with which the Group has an International Swaps and Derivatives Association Master Agreement in place. These agreements permit net settlement, thereby reducing the Group's credit exposure to individual counterparties.

The maximum exposure to any counterparty at 30 June 2009 was £31.0m (2008: £8.6m). The carrying amount of financial assets recorded in the financial statements, net of any allowance for losses, represents the Group's maximum exposure to credit risk.

As at 30 June 2009, the Company was exposed to £1,511.1m (2008: £2,230.1m) of credit risk in relation to inter-company loans, financial guarantees, performance bonds and the bank borrowings of subsidiary undertakings. Further details are provided in notes 34 and 35.

d) Capital risk management (cash flow risk)

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and meet its liabilities as they fall due whilst maintaining an appropriate capital structure.

The Group manages as capital its equity, as set out in note 30, and its bank borrowings (being overdrafts, loan notes and bank loans), as set out in note 24.

The Group is subject to the prevailing conditions of the UK economy and the Group's earnings are dependent upon the level of UK house prices. UK house prices are determined by the UK economy and economic conditions including employment levels, interest rates, consumer confidence, mortgage availability and competitor pricing. The management of these operational risks is set out in note 26b. In addition, the Group is subject to further land and construction cash flow risks, which the Group has established appropriate controls over in order to appropriately manage its capital, including:

Risk	Mitigation
The timing of conditional land purchase contracts becoming unconditional is uncertain. Unexpected changes in contract status may result in additional cash outflow for the Group.	Each division has a site-by-site detailed short-term and medium-term forecasting process including sensitivity scenarios.
The market for land can be illiquid and therefore it may be difficult to sell or trade land if required. Where land is sold, there is a risk that the proceeds may not be received from the counterparty.	The Group's internal forecasting process is able to identify the impact of these sensitivities explicitly.
Inability to obtain surety bonds.	The Group actively maintains the number of surety facilities that are designed to ensure that it has sufficient bonds available. The Group has a comprehensive detailed regular forecasting process for surety bond requirements.
Failure to identify and achieve key construction milestones, including the impact of adverse weather conditions, could delay construction or increase costs.	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.
Large development projects including commercial developments are complex and capital intensive and changes may negatively impact upon cash flows or returns.	Development projects, including returns and cash flows, are monitored regularly by divisional management teams.
Failure to promptly identify cost overruns.	The total costs on every site in progress are evaluated at least quarterly and reviewed by the divisional management teams.

In addition, the other methods by which the Group can manage its short-term and long-term capital structure include adjusting the level of ordinary dividends paid to shareholders, (assuming the Company is paying a dividend), issuing new share capital, arranging debt to meet liability payments, and selling assets to reduce debt.

27. Retirement benefit obligations

The Group operates defined contribution and defined benefit pension schemes.

Defined contribution schemes	2009 £m	2008 £m
Contributions during the year		
Group defined contribution schemes consolidated income statement charge	3.9	4.9

At the balance sheet date there were outstanding contributions of £0.2m (2008: £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, the Barratt Group Pension & Life Assurance Scheme (the 'Scheme') which is closed to new entrants. With effect from 30 June 2009, the Scheme ceased to offer future accrual of defined benefit pensions for current employees and the link between accrued benefits and future salary increases was removed. This decision was taken following a detailed consultation process with the Trustees and employee members of the Scheme. Alternative defined contribution pension arrangements are in place for current employees.

A full actuarial valuation was carried out at 30 November 2007 and updated to 30 June 2009 by a qualified independent actuary. The projected unit method has been used to calculate the current service cost. Due to the Scheme ceasing to offer future accrual of defined benefit pensions to employees from 30 June 2009, there will be no current service cost in future years. Following the completion of the Scheme triennial actuarial valuation for funding purposes, the Group has agreed to make future contributions to the Scheme, in addition to the normal contribution payment, of £13.3m per annum until 30 November 2015 to address the Scheme's deficit and the Group will also meet the Scheme's administration expenses, death in service premiums and Pension Protection Fund levy. At the balance sheet date there were outstanding contributions of £0.4m (2008: £0.4m).

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

Principal actuarial assumptions	2009	2008
Weighted average assumptions to determine benefit obligations		
Discount rate	6.30%	6.30%
Rate of compensation increase	4.40%	4.70%
Rate of price inflation	3.40%	3.70%
Weighted average assumptions to determine net cost		
Discount rate	6.30%	5.80%
Expected long-term rate of return on plan assets	6.82%	6.70%
Rate of compensation increase	4.70%	5.30%
Rate of price inflation	3.70%	3.30%

Members are assumed to exchange 10% of their pension for cash on retirement. The assumptions have been chosen by the Group following advice from Mercer Limited, the Group's actuarial advisers.

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

	Male	Female
Retired member born in 1935 (life expectancy at age 65)	21.3	24.4
Non-retired member born in 1965 (life expectancy at age 65)	23.1	25.9

The base mortality assumptions are based upon the PA92 mortality tables. The Group has carried out a mortality investigation of the Scheme's membership to ensure that this is an appropriate assumption. Allowance for future increases in life expectancy is made in line with the medium cohort projection.

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Assumption	Change in assumption	Increase in scheme liabilities
Discount rate	Decrease by 0.1%	£4.0m (2.0%)
Rate of inflation	Increase by 0.1%	£2.2m (1.1%)
Life expectancy	Increase by 1 year	£5.3m (2.6%)

27. Retirement benefit obligations (continued)

The amounts recognised in the consolidated income statement were as follows:

	2009 £m	2008 £m
Current service cost	2.8	5.1
Exceptional curtailment gain	(7.1)	–
Total pension (gain)/cost recognised in operating expenses in the consolidated income statement	(4.3)	5.1
Interest cost	12.9	13.4
Expected return on scheme assets	(12.6)	(11.7)
Total pension cost recognised in finance costs in the consolidated income statement	0.3	1.7
Total pension (gain)/cost recognised in the consolidated income statement	(4.0)	6.8

The amounts recognised in the Group statement of recognised income and expense were as follows:

	2009 £m	2008 (restated*) £m
Expected return less actual return on pension scheme assets	20.5	17.3
Gain arising from changes in the assumptions underlying the present value of benefit obligations	(6.4)	(37.4)
Total pension cost/(gain) recognised in the Group statement of recognised income and expense	14.1	(20.1)

* The results for the year ended 30 June 2008 have been restated as explained in the Accounting policies note.

The exceptional curtailment gain of £7.1m arose in respect of the cessation of future accrual of defined benefit pensions for current employees and the associated removal of the link between accrued benefits and future salary increases and redundancies made during the year.

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

	2009 £m	2008 (restated*) £m
Present value of funded obligations	201.9	208.8
Fair value of scheme assets	(170.4)	(171.6)
Deficit for funded scheme/net liability recognised in the Group balance sheet at 30 June	31.5	37.2

* The results for the year ended 30 June 2008 have been restated as explained in the Accounting policies note.

	2009 £m	2008 (restated*) £m
Net liability for defined benefit obligations at 1 July	37.2	64.9
Contributions received	(15.8)	(14.4)
(Gain)/expense recognised in the consolidated income statement	(4.0)	6.8
Amounts recognised in the Group statement of recognised income and expense	14.1	(20.1)
Net liability for defined benefit obligations at 30 June	31.5	37.2

* The results for the year ended 30 June 2008 have been restated as explained in the Accounting policies note.

A deferred tax asset of £8.8m (2008: £10.4m) has been recognised in the Group balance sheet in relation to the pension liability (note 17).

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

	2009 £m	2008 £m
Present value of benefit obligations at 1 July	208.8	232.8
Current service cost	2.8	5.1
Exceptional curtailment gain	(7.1)	–
Interest cost	12.9	13.4
Scheme participants' contributions	1.6	1.8
Actuarial gain	(6.4)	(37.4)
Benefits paid from scheme	(10.5)	(6.7)
Premiums paid	(0.2)	(0.2)
Present value of benefit obligations at 30 June	201.9	208.8

27. Retirement benefit obligations (continued)

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

	2009 £m	2008 £m
Fair value of scheme assets at 1 July	**171.6**	167.9
Expected return on scheme assets	**12.6**	11.7
Actuarial loss on scheme assets	**(20.5)**	(17.3)
Employer contributions	**15.8**	14.4
Scheme participants' contributions	**1.6**	1.8
Benefits paid from scheme	**(10.5)**	(6.7)
Premiums paid	**(0.2)**	(0.2)
Fair value of scheme assets at 30 June	**170.4**	171.6

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

	Percentage of scheme assets	2009 Expected return on scheme assets	Percentage of scheme assets	2008 Expected return on scheme assets
Equity securities	**50.3%**	**7.31%**	50.7%	7.70%
Debt securities	**49.4%**	**5.32%**	47.3%	5.94%
Other	**0.3%**	**0.50%**	2.0%	5.20%
Total	**100.0%**	**6.31%**	100.0%	6.82%

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 actual asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio.

The actual return on scheme assets was as follows:

	2009 £m	2008 £m
Actual return on assets		
Actual return on scheme assets	**(7.8)**	(5.6)

The five-year history of experience adjustments arising on scheme (liabilities)/assets was as follows:

	2009	2008 (restated*)	2007 (restated*)	2006	2005
Present value of defined benefit obligations (£m)	**(201.9)**	(208.8)	(232.8)	(231.8)	(223.9)
Fair value of scheme assets (£m)	**170.4**	171.6	167.9	141.1	115.5
Deficit in the scheme (£m)	**(31.5)**	(37.2)	(64.9)	(90.7)	(108.4)
Experience adjustment in scheme liabilities (£m)	**–**	11.4	(13.2)	–	–
Percentage of scheme liabilities	**–**	5.5%	(5.7)%	–	–
Experience adjustment in scheme assets (£m)	**(20.5)**	(17.3)	7.6	8.0	–
Percentage of scheme assets	**(12.0)%**	(10.1)%	4.5%	5.7%	–
Amount recognised in the Group statement of recognised income and expense (£m)	**14.1**	(20.1)	(13.4)	–	–
Percentage of scheme assets	**8.3%**	(11.7)%	(8.0)%	–	–

* The results for the year ended 30 June 2008 have been restated as explained in the Accounting policies note. The 2007 disclosure for the amount recognised in the Group statement of recognised income and expense is the cumulative amount to 30 June 2007.

The cumulative amount of actuarial gains and losses since 30 June 2004 recognised in the Group statement of recognised income and expense is £19.4m.

The expected employer contribution to the defined benefit pension scheme in the year ending 30 June 2010 is £13.3m.

28. Share capital

	2009 £m	2008 £m
Authorised: 439,460,000 (2008: 439,460,000) ordinary shares of 10p each	43.9	43.9
Allotted and issued ordinary shares of 10p each fully paid: 346,718,019 ordinary shares (2008: 346,718,019)	34.7	34.7

The issued share capital of the Company did not increase during the year. During the prior year the issued share capital of the Company was increased by the issue of:

- 85,630 ordinary shares of 10p each for a cash consideration of £479,107 in satisfaction of options duly exercised in accordance with the rules of the share option plans.
- 120,512 ordinary shares as £1,313,581 in exchange for transfer of Wilson Bowden Limited shares arising on exercise of options under legacy Wilson Bowden Limited share option schemes following the acquisition of Wilson Bowden Limited.

The Barratt Developments PLC Employee Benefit Trust (the 'EBT') holds 1,711,046 (2008: 1,711,046) ordinary shares in the Company. The cost of the shares, at an average of 165.9 pence per share (2008: 165.9 pence per share), was £2,838,386 (2008: £2,838,386). The market value of the shares held by the EBT at 30 June 2009, at 147.5 pence per share (2008: 58.0 pence per share), was £2,523,793 (2008: £992,407). 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.

29. Share-based payments

a) Details of the share-based payment schemes

i) Executive Share Option Plan

In November 1997, the Company adopted the Executive Share Option Plan (the 'ESOP'). The grant of share options under the ESOP 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 ESOP 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. No options may be granted under the ESOP after 18 December 2007.

ii) Employee Share Option Plan

In November 1999, the Company adopted an Employee Share Option Plan (the 'Employee Plan'). The Board approves the grant of share options to employees under this Employee Plan which are normally exercisable between three and ten years from the date of grant. The exercise of the options granted under the Employee Plan is 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%. No options may be granted under the Employee Plan after 10 April 2010.

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

iii) 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.

The LTPP was approved by shareholders at the AGM held in November 2003. No LTPP awards were granted in the financial year ended 30 June 2009 and the Committee is not proposing to grant any LTPP awards for the financial year ending 30 June 2010. Instead the Committee has used and will use the ESOS as described on page 46.

Awards under the LTPP are at the discretion of the Committee, taking into account individual performance and the overall performance of the Group. An employee is not eligible to receive options under the ESOS and awards under the LTPP in the same financial year.

29. Share-based payments (continued)

a) Details of the share-based payment schemes (continued)

iii) Long-Term Performance Plan (continued)

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. There is no re-testing of performance conditions. 50% of the award will vest on attainment of a performance target based on TSR and 50% based on EPS growth.

The Committee considers these targets to be the most appropriate measure of financial performance for a housebuilder at the time of the awards, as they are fundamental measures of the Group's underlying performance and are directly linked to the generation of returns to shareholders.

The TSR portion of the awards made in 2006 uses a comparator group comprising listed housebuilders as follows: Berkeley Group, Bellway, Bovis Homes Group, Redrow, Persimmon and Taylor Wimpey. For awards made in 2007, the comparator group for the TSR portion of the award comprises those companies, excluding investment trusts, ranked 51-100 in the FTSE Index. For the TSR element of the award, 50% of the total award will vest if the Company's TSR measured over a three-year period ranks at the upper quartile or above against the TSR of the comparator group. 10% of the total award will vest if the TSR ranks at the median and no part of the award will vest if the TSR ranks below the median. The award will vest on a straight-line basis between the upper and lower targets.

For awards made in 2006 and 2007, 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 awards will vest on a straight-line basis. The EPS for the Company is calculated by dividing the profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year, excluding those held by the Employee Benefit Trust.

The qualifying period for the award granted in 2006 ended on 30 June 2009. Performance of this award against the constituent TSR and EPS targets was tested after the year end and neither of the targets had been achieved. Accordingly no part of the 2006 awards will vest.

iv) Executive Share Option Scheme

In November 2008, the Company adopted the Executive Share Option Scheme (the 'ESOS'). The grant of share options under the ESOS is at the discretion of the 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 ESOS is subject to the achievement of an objective performance condition set by the Remuneration Committee, which for options granted in 2008 was based upon Return On Capital Employed ('ROCE'). There will be no opportunity to retest any performance criteria. The ROCE performance condition is underpinned by the requirement that the Committee is satisfied that vesting determined by the ROCE condition is such that it correctly reflects the underlying financial performance of the Company across the performance period.

The exercise of options granted under the ESOS is subject to the achievement of an objective performance condition set by the Committee. For options granted in 2008, 100% of the option will vest if the ROCE for the financial year ending 30 June 2011 reaches 14.5%, 25% of the award will vest if the ROCE reaches 10.5% and no part of the award will vest if the ROCE is below 10.5%. The award will vest on a straight-line basis between the upper and lower targets. There will be no opportunity to retest any performance criteria. ROCE will be calculated as operating profit (measured across the whole year to 30 June 2011) divided by shareholder funds plus net debt less any intangible assets (being the average of the 12 month end figures during the same year). The Committee considered that ROCE was the most rounded measure of financial performance for a housebuilder at the time of this award and was satisfied that the ROCE target range represented a stretching target considering the outlook for the housebuilding market.

v) Savings-Related Share Option Scheme

In November 2008, the Company adopted the Savings-Related Share Option Scheme (the 'SRSOS'). Under the SRSOS, participants are required to make monthly contributions to an HM Treasury approved savings contract with a bank or building society for a period of three years. On entering into the savings contract participants were granted an option to acquire ordinary shares in the Company at an exercise price determined under the rules of the SRSOS. The exercise of options under the SRSOS is not subject to the satisfaction of a performance condition as the SRSOS is HM Revenue and Customs approved and open to all eligible employees. The first grant under the SRSOS was made on 3 February 2009 at an exercise price of 87.05 pence per share.

29. Share-based payments (continued)

vi) Management Incentive Plan

In May 2009, the Company adopted the Management Incentive Plan 2008-2011 (the 'Plan'). The Plan entitles participants to a cash bonus linked to the Company's share price, subject to the achievement of an objective performance condition set by the Remuneration Committee, based upon ROCE for the financial year ending 30 June 2011. There will be no opportunity to retest any performance criteria. The ROCE performance condition is underpinned by the requirement that the Committee is satisfied that vesting determined by the ROCE condition is such that it correctly reflects the underlying financial performance of the Company across the performance period.

vii) Co-Investment Plan

The Co-Investment Plan (the 'Plan') was approved by shareholders at the AGM held in November 2005 and any annual bonus earned above target will normally be compulsorily deferred into shares held under this Plan. The Executive Directors also have the opportunity to voluntarily defer additional amounts of annual bonus up to a maximum of 25% of basic salary into the Plan.

Matching awards will then be made by the Company, at the rate of one for one for compulsory deferral and at a maximum of four for one for voluntary deferral; matching awards will be subject to performance conditions measured over a period of three years. The relevant performance conditions are the same as those used for the LTPP as detailed on page 98 and 99.

b) Outstanding equity-settled share-based payments

At 30 June 2009, the following options issued in accordance with the rules of the Executive Share Option Plan, the Employee Share Option Plan, the LTPP, the Executive Share Option Scheme, the Co-Investmant Plan and the SRSOS were outstanding:

Date of grant	Option price pence	2009 Number	2008 Number	Not exercisable after
Executive Share Option Plan				
15 October 1998	205	–	39,000	14 October 2008
30 September 1999	275	**34,000**	47,000	29 September 2009
27 October 2000	273	**31,000**	52,000	26 October 2010
1 November 2001	330	**44,000**	77,764	31 October 2011
22 October 2002	435	**257,000**	360,738	21 October 2012
10 October 2003	545	**696,210**	823,210	9 October 2013
Total Executive Share Option Plan options		**1,062,210**	1,399,712	
Executive Share Option Scheme				
18 December 2008 (approved*)	61	**612,460**	–	17 December 2018
18 December 2008 (unapproved*)	56	**6,054,207**	–	17 December 2018
Total Executive Share Option Scheme options		**6,666,667**	–	
Employee Share Option Plan				
10 April 2000	240	**9,000**	13,000	9 April 2010
29 March 2001	315	**10,500**	29,500	28 March 2011
25 April 2002	470	**41,500**	58,000	24 April 2012
14 May 2004	590	**389,800**	465,450	13 May 2014
Total Employee Share Option Plan options		**450,800**	565,950	
Savings-Related Share Option Scheme				
3 February 2009	87	**9,690,675**	–	30 September 2012
Total share options		**17,870,352**	1,965,662	
Long-Term Performance Plan				
18 November 2005	–	–	1,040,888	–
16 November 2006	–	**712,767**	712,767	–
21 December 2007	–	**2,630,229**	2,977,041	–
Total Long-Term Performance Plan		**3,342,996**	4,730,696	
Co-Investment Plan				
3 December 2006	–	**13,560**	13,674	–
18 October 2007	–	**88,063**	89,769	–
Total Co-Investment Plan		**101,623**	103,443	
Total		**21,314,971**	6,799,801	

* The Executive Share Option Scheme is divided into two sub schemes, one of which is approved under the Income Tax (Earnings and Pensions) Act 2003 and the other which is not, and the exercise price is calculated differently for each sub scheme in accordance with the rules of the sub scheme.

29. Share-based payments (continued)

c) Outstanding cash-settled share-based payments

At 30 June 2009, the following award units issued in accordance with the rules of the Management Incentive Plan were outstanding:

Date of grant	Award price pence	2009 Number	2008 Number	Not exercisable after
Management Incentive Plan				
6 May 2009	87	5,633,725	–	30 June 2011
Total Management Incentive Plan		5,633,725	–	

d) Number and weighted average exercise price of outstanding share-based payments

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

	2009 Weighted average exercise price in pence	2009 Number of options	2008 Weighted average exercise price in pence	2008 Number of options
Outstanding at 1 July	476	1,399,712	512	3,195,145
Forfeited during the year	423	(337,502)	540	(1,750,433)
Exercised during the year	–	–	544	(45,000)
Outstanding at 30 June	493	1,062,210	476	1,399,712
Exercisable at 30 June	493	1,062,210	476	1,399,712

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

	2009 Weighted average exercise price in pence	2009 Number of options	2008 Weighted average exercise price in pence	2008 Number of options
Outstanding at 1 July	555	565,950	557	645,580
Forfeited during the year	515	(115,150)	575	(36,000)
Exercised during the year	–	–	569	(43,630)
Outstanding at 30 June	566	450,800	555	565,950
Exercisable at 30 June	566	450,800	555	565,950

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

	2009 Weighted average exercise price in pence	2009 Number of options	2008 Weighted average exercise price in pence	2008 Number of options
Outstanding at 1 July	–	4,730,696	–	2,186,259
Forfeited during the year	–	(1,387,700)	–	(393,674)
Exercised during the year	–	–	–	(38,930)
Granted during the year	–	–	–	2,977,041
Outstanding at 30 June	–	3,342,996	–	4,730,696
Exercisable at 30 June	–	–	–	–

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

	2009 Weighted average exercise price in pence	2009 Number of options	2008 Weighted average exercise price in pence	2008 Number of options
Outstanding at 1 July	–	–	–	–
Granted during the year	56	6,666,667	–	–
Outstanding at 30 June	56	6,666,667	–	–
Exercisable at 30 June	–	–	–	–

29. Share-based payments (continued)

d) Number and weighted average exercise price of outstanding share-based payments (continued)

The number and weighted average exercise prices of the Savings-Related Share Option Scheme were as follows:

	2009 Weighted average exercise price in pence	2009 Number of options	2008 Weighted average exercise price in pence	2008 Number of options
Outstanding at 1 July	–	–	–	–
Forfeited during the year	87	(78,600)	–	–
Granted during the year	87	9,769,275	–	–
Outstanding at 30 June	87	9,690,675	–	–
Exercisable at 30 June	–	–	–	–

The number and weighted average award price of the Management Incentive Plan were as follows:

	2009 Weighted average exercise price in pence	2009 Number of award units	2008 Weighted average exercise price in pence	2008 Number of award units
Outstanding at 1 July	–	–	–	–
Granted during the year	87	5,633,725	–	–
Outstanding at 30 June	87	5,633,725	–	–
Exercisable at 30 June	–	–	–	–

The number and weighted average award price of the Co-Investment Plan were as follows:

	2009 Weighted average exercise price in pence	2009 Number of award units	2008 Weighted average exercise price in pence	2008 Number of award units
Outstanding at 1 July	–	103,443	–	13,984
Granted during the year	–	–	–	92,788
Lapsed during the year	–	(1,820)	–	(3,329)
Outstanding at 30 June	–	101,623	–	103,443
Exercisable at 30 June	–	–	–	–

No share options were exercised during the year. The weighted average share price, at the date of exercise, of share options exercised during the previous year was 807p. The weighted average life for all schemes outstanding at the end of the year was 4.9 years (2008: 2.7 years).

e) 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'.

i) Long-Term Performance Plan

The weighted average fair value of the options granted during 2009 was nil pence (2008: 355p) 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:

	2009 Grants	2008 Grants
Average share price	–	431p
Average exercise price	–	–
Expected volatility	–	30.0%
Expected life	–	2.6 years
Risk free interest rate	–	–
Expected dividends	–	3.0%

29. Share-based payments (continued)

e) Income statement charge (continued)

i) Long-Term Performance Plan (continued)

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

	2009 Grants	2008 Grants
Average share price	–	431p
Average exercise price	–	–
Expected volatility	–	30.0%
Expected life	–	2.6 years
Risk free interest rate	–	–
Expected dividends	–	3.0%

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

ii) Executive Share Option Scheme

The weighted average fair value of the options granted during 2009 was 48p (2008: nil pence) per award. The awards have been valued using a Black-Scholes model.

The weighted average inputs to the Black-Scholes model were as follows:

	2009 Grants	2008 Grants
Average share price	72p	–
Average exercise price	56p	–
Expected volatility	96.6%	–
Expected life	3.0 years	–
Risk free interest rate	2.49%	–
Expected dividends	–	–

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

iii) Savings-Related Share Option Scheme

The weighted average fair value of the options granted during 2009 was 39p (2008: nil pence) per award. The awards have been valued using a Black-Scholes model.

The weighted average inputs to the Black-Scholes model were as follows:

	2009 Grants	2008 Grants
Average share price	70p	–
Average exercise price	87p	–
Expected volatility	96.6%	–
Expected life	3.0 years	–
Risk free interest rate	2.24%	–
Expected dividends	–	–

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

29. Share-based payments (continued)

e) Income statement charge (continued)

iv) Management Incentive Plan

The weighted average fair value of the awards granted during 2009 was 106p (2008: nil pence) per award. The awards have been valued using a Black-Scholes model.

The weighted average inputs to the Black-Scholes model were as follows:

	2009 Awards	2008 Awards
Average share price	149p	–
Average exercise price	87p	–
Expected volatility	96.6%	–
Expected life	3.0 years	–
Risk free interest rate	2.22%	–
Expected dividends	–	–

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

v) Total expense

The Group recognised an expense of £2.8m (2008: £2.3m) in respect of equity-settled share-based payment transactions and £1.5m (2008: £nil) for cash-settled share-based payment transactions for the year ended 30 June 2009. As at 30 June 2009, an accrual of £1.9m (2008: £1.0m) was recognised in respect of social security liabilities on share-based payments.

30. Reconciliation of movements in equity

Group reconciliation of movements in equity

					Attributable to equity holders of the parent				
	Share capital	Share premium	Merger reserve	Hedging reserve	Own shares	Share-based payments	Retained earnings (restated*)	Total retained earnings (restated*)	Total (restated*)
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Balance at 1 July 2007 (adjusted*)	34.7	206.1	1,107.7	7.8	(2.8)	18.0	1,536.1	1,551.3	2,907.6
Profit for the year	–	–	–	–	–	–	86.4	86.4	86.4
Revaluation of available for sale financial assets	–	–	–	–	–	–	(4.6)	(4.6)	(4.6)
Losses on cash flow hedges	–	–	–	(11.7)	–	–	–	–	(11.7)
Transfer to income statement on cash flow hedges	–	–	–	(1.8)	–	–	–	–	(1.8)
Losses on cancelled interest rate swaps deferred in equity	–	–	–	(3.6)	–	–	–	–	(3.6)
Amortisation of losses on cancelled interest rate swaps deferred in equity	–	–	–	0.1	–	–	–	–	0.1
Actuarial gains on pension scheme	–	–	–	–	–	–	20.1	20.1	20.1
Tax on items taken directly to equity	–	–	–	4.3	–	(2.5)	(4.3)	(6.8)	(2.5)
Total income recognised for the year attributable to equity shareholders	–	–	–	(12.7)	–	(2.5)	97.6	95.1	82.4
Dividends	–	–	–	–	–	–	(126.0)	(126.0)	(126.0)
Issue of share capital	–	0.5	1.3	–	–	–	–	–	1.8
Transfer of loss on cancelled swaps	–	–	–	1.5	–	–	(1.5)	(1.5)	–
Share-based payments	–	–	–	–	–	2.3	–	2.3	2.3
Purchase of shares to satisfy LTPPs	–	–	–	–	–	(0.3)	–	(0.3)	(0.3)
Transfer of share-based payments charge for non-vested options	–	–	–	–	–	(3.5)	3.5	–	–
Balance at 30 June 2008	34.7	206.6	1,109.0	(3.4)	(2.8)	14.0	1,509.7	1,520.9	2,867.8
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(468.6)**	**(468.6)**	**(468.6)**
Losses on cash flow hedges	**–**	**–**	**–**	**(62.8)**	**–**	**–**	**–**	**–**	**(62.8)**
Transfer to income statement on cash flow hedges	**–**	**–**	**–**	**(21.7)**	**–**	**–**	**–**	**–**	**(21.7)**
Amortisation of losses on cancelled interest rate swaps deferred in equity	**–**	**–**	**–**	**0.4**	**–**	**–**	**–**	**–**	**0.4**
Actuarial losses on pension scheme	**–**	**–**	**–**	**–**	**–**	**–**	**(14.1)**	**(14.1)**	**(14.1)**
Tax on items taken directly to equity	**–**	**–**	**–**	**23.6**	**–**	**0.2**	**4.0**	**4.2**	**27.8**
Total (expense)/income recognised for the year attributable to equity shareholders	**–**	**–**	**–**	**(60.5)**	**–**	**0.2**	**(478.7)**	**(478.5)**	**(539.0)**
Share-based payments	**–**	**–**	**–**	**–**	**–**	**2.8**	**–**	**2.8**	**2.8**
Transfer of share-based payments charge for non-vested options	**–**	**–**	**–**	**–**	**–**	**(2.1)**	**2.1**	**–**	**–**
Balance at 30 June 2009	**34.7**	**206.6**	**1,109.0**	**(63.9)**	**(2.8)**	**14.9**	**1,033.1**	**1,045.2**	**2,331.6**

* The results for the year ended 30 June 2008 have been restated as explained in the Accounting policies note. The balance at 1 July 2007 was increased by £9.6m.

Losses on cash flow hedges of £62.8m (2008: £11.7m) relate to losses on interest rate swaps of £81.0m (2008: £19.1m), payments on interest rate swaps of £12.1m (2008: £nil) and gains on cross currency swaps of £30.3m (2008: £7.4m). £7.2m (2008: £nil) of this gain was realised upon cancellation of $40.5m of foreign exchange swaps following repayment of $40.5m US Dollar private placement notes on 12 January 2009. Transfers to income statement on cash flow hedges of £21.7m (2008: £1.8m) relate to payments on interest rate swaps of £12.1m (2008: £nil) and foreign exchange losses of £33.8m (2008: £1.8m). £7.2m (2008: £nil) of this loss was realised following repayment of $40.5m US Dollar private placement notes on 12 January 2009.

30. Reconciliation of movements in equity (continued)

Company reconciliation of movements in equity

	Share capital £m	Share premium £m	Merger reserve £m	Hedging reserve £m	Attributable to equity holders of the parent: Own shares £m	Share-based payments £m	Retained earnings (restated*) £m	Total retained earnings (restated*) £m	Total (restated*) £m
Balance at 1 July 2007 (adjusted*)	34.7	206.1	1,107.7	8.9	(2.8)	12.2	281.6	291.0	1,648.4
Profit for the year	–	–	–	–	–	–	978.4	978.4	978.4
Losses on cash flow hedges	–	–	–	(11.7)	–	–	–	–	(11.7)
Transfer to income statement on cash flow hedges	–	–	–	(1.8)	–	–	–	–	(1.8)
Losses on cancelled interest rate swaps deferred in equity	–	–	–	(3.6)	–	–	–	–	(3.6)
Amortisation of losses on cancelled interest rate swaps deferred in equity	–	–	–	0.1	–	–	–	–	0.1
Actuarial gains on pension scheme	–	–	–	–	–	–	20.1	20.1	20.1
Tax on items taken directly to equity	–	–	–	4.7	–	–	(5.6)	(5.6)	(0.9)
Total income recognised for the year attributable to equity shareholders	–	–	–	(12.3)	–	–	992.9	992.9	980.6
Dividends	–	–	–	–	–	–	(126.0)	(126.0)	(126.0)
Issue of share capital	–	0.5	1.3	–	–	–	–	–	1.8
Share-based payments	–	–	–	–	–	2.0	–	2.0	2.0
Purchase of shares to satisfy LTPPs	–	–	–	–	–	(0.3)	–	(0.3)	(0.3)
Transfer of share-based payments charge for non-vested options	–	–	–	–	–	(3.1)	3.1	–	–
Balance at 30 June 2008	34.7	206.6	1,109.0	(3.4)	(2.8)	10.8	1,151.6	1,159.6	2,506.5
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(20.2)**	**(20.2)**	**(20.2)**
Losses on cash flow hedges	**–**	**–**	**–**	**(62.8)**	**–**	**–**	**–**	**–**	**(62.8)**
Transfer to income statement on cash flow hedges	**–**	**–**	**–**	**(21.7)**	**–**	**–**	**–**	**–**	**(21.7)**
Amortisation of losses on cancelled interest rate swaps deferred in equity	**–**	**–**	**–**	**0.4**	**–**	**–**	**–**	**–**	**0.4**
Actuarial losses on pension scheme	**–**	**–**	**–**	**–**	**–**	**–**	**(14.1)**	**(14.1)**	**(14.1)**
Tax on items taken directly to equity	**–**	**–**	**–**	**23.6**	**–**	**–**	**4.0**	**4.0**	**27.6**
Total expense recognised for the year attributable to equity shareholders	**–**	**–**	**–**	**(60.5)**	**–**	**–**	**(30.3)**	**(30.3)**	**(90.8)**
Share-based payments	**–**	**–**	**–**	**–**	**–**	**2.8**	**–**	**2.8**	**2.8**
Transfer of share-based payments charge for non-vested options	**–**	**–**	**–**	**–**	**–**	**(2.1)**	**2.1**	**–**	**–**
Balance at 30 June 2009	**34.7**	**206.6**	**1,109.0**	**(63.9)**	**(2.8)**	**11.5**	**1,123.4**	**1,132.1**	**2,418.5**

* The results for the year ended 30 June 2008 have been restated as explained in the Accounting policies note. The balance at 1 July 2007 was increased by £9.6m.

Losses on cash flow hedges of £62.8m (2008: £11.7m) relate to losses on interest rate swaps of £81.0m (2008: £19.1m), payments on interest rate swaps of £12.1m (2008: £nil) and gains on cross currency swaps of £30.3m (2008: £7.4m). £7.2m (2008: £nil) of this gain was realised upon cancellation of $40.5m of foreign exchange swaps following repayment of $40.5m US Dollar private placement notes on 12 January 2009. Transfers to income statement on cash flow hedges of £21.7m (2008: £1.8m) relate to payments on interest rate swaps of £12.1m (2008: £nil) and foreign exchange losses of £33.8m (2008: £1.8m). £7.2m (2008: £nil) of this loss was realised following repayment of $40.5m US Dollar private placement notes on 12 January 2009.

30. Reconciliation of movements in equity (continued)

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.

Hedging reserve

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

Own shares

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

Share-based payments reserve

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

Parent Company income statement

In accordance with the provisions of section 408 of the Companies Act 2006, a separate income statement for the Parent Company has not been presented. The Company's loss for the year was £20.2m (2008: £978.4m profit).

31. Cash flows from operating activities

	Note	Group 2009 £m	Group 2008 (restated*) £m	Company 2009 £m	Company 2008 (restated*) £m
(Loss)/profit for the year from continuing operations		**(468.6)**	86.4	**(20.2)**	978.4
Tax		**(210.3)**	50.9	**(5.5)**	(22.5)
Finance income		**(18.0)**	(12.8)	**(175.7)**	(106.4)
Finance costs		**208.6**	168.1	**187.3**	144.5
Share of post-tax loss from joint ventures		**3.0**	2.6	–	–
(Loss)/profit from operations		**(485.3)**	295.2	**(14.1)**	994.0
Amortisation of deferred loss on swaps	5	**0.4**	0.1	**0.4**	0.1
Amortisation of intangible assets	12	–	0.8	–	–
Impairment of intangible assets	12	–	6.2	–	–
Depreciation	13	**5.1**	6.7	**1.2**	1.0
Impairment of goodwill	11	–	24.5	–	–
Impairment of inventories	18	**499.5**	208.4	–	–
Impairment of available for sale financial assets	16	**23.7**	9.5	–	–
Share-based payments	29	**4.3**	2.3	**0.2**	0.7
Imputed interest on deferred term land payables	5	**(19.8)**	(20.7)	–	–
Imputed interest on available for sale financial assets	5, 16	**11.2**	2.9	–	–
Amortisation of facility fees	5	**(17.4)**	(6.5)	**(17.4)**	(6.5)
Finance costs related to employee benefits	5, 27	**(0.3)**	(1.7)	**(0.3)**	(1.7)
Revaluation of available for sale financial assets	16	–	(4.6)	–	–
Profit on disposal of property, plant and equipment	4	**(0.4)**	(2.1)	–	0.3
Impairment of investments	15	–	–	–	35.6
Deferred tax on fair value adjustment	33	**(3.3)**	–	–	–
Total non-cash items		**503.0**	225.8	**(15.9)**	29.5
Decrease/(increase) in inventories		**795.5**	(230.5)	–	–
Decrease/(increase) in trade and other receivables		**63.8**	43.0	**359.3**	(1,214.8)
Decrease in trade and other payables		**(321.9)**	(207.7)	**(21.2)**	(14.8)
Increase in available for sale financial assets		**(43.3)**	(39.1)	–	–
Total movements in working capital		**494.1**	(434.3)	**338.1**	(1,229.6)
Interest paid		**(155.3)**	(140.5)	**(153.8)**	(136.8)
Tax received/(paid)		**51.3**	(114.8)	**26.9**	29.3
Net cash inflow/(outflow) from operating activities		**407.8**	(168.6)	**181.2**	(313.6)

* The categorisation of various items in the year ended 30 June 2008 has been revised for consistency of presentation of cash flows with the year ended 30 June 2009. These include separating the impairment of inventories, impairment of available for sale financial assets, amortisation of facility fees and reclassifying the foreign exchange impact on loan repayments/drawdowns.

32. Operating lease obligations

a) The Group as lessee

At 30 June 2009, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2009		Group 2008	
	Land and buildings £m	**Other £m**	Land and buildings £m	Other £m
Within one year	**7.4**	**3.4**	7.1	4.0
More than one year and no later than five years	**19.2**	**3.1**	22.2	3.3
In five years or more	**11.0**	**–**	17.5	–
	37.6	**6.5**	46.8	7.3

Operating lease payments represent rentals payable by the Group for certain office properties and motor vehicles. Motor vehicle leases have an average term of 1.3 years (2008: 1.6 years) to expiry. Property leases have an average term of 3.3 years (2008: 5.0 years) to expiry.

At 30 June 2009, the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2009		Company 2008	
	Land and buildings £m	**Other £m**	Land and buildings £m	Other £m
Within one year	**0.8**	**0.3**	0.9	0.4
More than one year and no later than five years	**2.2**	**0.4**	3.0	0.3
In five years or more	**1.1**	**–**	2.0	–
	4.1	**0.7**	5.9	0.7

Operating lease payments represent rentals payable by the Company for certain office properties and motor vehicles. Motor vehicle leases have an average term of 1.8 years (2008: 2.0 years) to expiry. Property leases have an average term of 5.7 years (2008: 6.7 years) to expiry.

b) The Group as lessor

Property rental income earned during the year was £3.4m (2008: £1.4m).

The Group has lease agreements with third parties for certain commercial properties either in the process of development or which have been developed by the Group, and units on land to be subsequently developed for residential use. It is intended that the commercial properties, with their future rental income, will be sold to third parties in the normal course of business, and therefore they are classified as work in progress until the date of sale. At 30 June 2009, these properties had a carrying-value of £7.0m (2008: £20.3m), and land with rental units had a carrying-value of £45.9m (2008: £40.9m). At 30 June 2009, these rental agreements had an average term of 2.8 years (2008: 3.1 years) to expiry and total rental receivables over the remaining lease period are £4.9m (2008: £3.6m) with £1.5m (2008: £1.3m) expiring within one year, £2.7m (2008: £2.1m) expiring in more than one year and no later than five years and £0.7m (2008: £0.2m) expiring in five years or more.

33. Acquisitions

The Group acquired the entire issued share capital of one entity during the year, being:

- Hawkstone (South West) Limited Acquired on 1 July 2008.

The total cash consideration was £4.0m. This company was solely acquired for the land and land options that it holds. The book value of land acquired was £2.5m and the fair value was £4.7m which was offset by a deferred tax creditor of £0.7m (£0.7m at fair value). No goodwill arose on this acquisition. The acquisition did not contribute to the revenue or profit of the Group for the year.

In addition, as a result of a reallocation between the fair value and book value of land acquired as part of the prior year acquisition of Chancerygate (Lionel Road) Limited, a deferred tax credit of £3.3m arises in the year to 30 June 2009.

The Group also received cash contributions under the Wilson Bowden SAYE scheme of £1.3m in the prior year.

34. Contingent liabilities

a) Contingent liabilities related to subsidiaries

The Company has guaranteed certain bank borrowings of its subsidiary undertakings.

Certain subsidiary undertakings have commitments for the purchase of trading stock entered into in the normal course of business.

In the normal course of business the Group has given counter indemnities in respect of performance bonds and financial guarantees. Management estimate that the bonds and guarantees amount to £417.5m (2008: £434.9m), and confirm that the possibility of cash outflow is considered minimal and no provision is required.

b) Contingent liabilities related to joint ventures

The Group has guaranteed certain bank borrowings of its joint ventures, amounting to £3.9m at the year end (2008: £15.4m).

At 30 June 2009, the Group has an obligation to repay £0.9m (2008: £0.9m) of grant monies received by a joint venture upon certain future disposals of land.

The Group also has a number of performance guarantees in respect of its joint ventures, requiring the Group to complete development agreement contractual obligations in the event that the joint ventures do not perform what is expected under the terms of the related contracts.

c) Contingent liabilities related to subsidiaries and joint ventures

Provision is made for the Directors' best estimate of all known legal claims and all legal actions in progress. The Group takes legal advice as to the likelihood of success of claims and actions and no provision is made where the Directors consider, based on that advice, that the action is unlikely to succeed, or a sufficiently reliable estimate of the potential obligations cannot be made.

i) Incident at Battersea Park Road, London

One of the Company's principal subsidiaries is BDW Trading Ltd ('BDW'). On Tuesday 26 September 2006 at Battersea Park Road, London, a tower crane supplied to BDW (with operator) by a third party contractor collapsed. The collapse of the crane was not contained within the boundaries of the site and the crane operator and a member of the public were killed. In addition, significant damage was caused to a neighbouring block of flats and shops which resulted in the evacuation of a number of local residents due to concerns about structural stability. There is an ongoing criminal investigation currently being carried out by the London Metropolitan Police and the Health and Safety Executive to ascertain whether any of the parties involved are criminally liable for manslaughter or under relevant health and safety legislation. Although no assurance can be given, the Board has been advised that on the information available as at 22 September 2009, being the last practicable date prior to the publication of this Annual Report and Accounts, the risk of a finding of criminal liability against BDW is low. A number of civil claims brought against BDW in connection with the same incident have now been settled. All such claims are covered by the Group's insurance, to the extent not recoverable from the third party contractor's insurers.

ii) Incident at Bedfont Azure Lakes

On 28 February 2008, a resident was found dead and a lodger was found to be in a coma in housing association accommodation at the Bedfont Azure Lakes site developed by BDW. Police and Health and Safety Executive investigations commenced immediately into possible manslaughter/ breaches of relevant health and safety legislation. These investigations are ongoing. Claims are being made against BDW by both the housing association and by various residents on the estate where the incident occurred as a result of the disruption caused to them by an evacuation of the surrounding property, by their gas being turned off and by their premises having to be inspected in order to establish whether there was any wider issue with gas installations on the site. Some residents have claimed (retrospectively) that they have suffered some of the symptoms of mild carbon monoxide inhalation, such as headaches and dizziness. Given the nature of these various claims, it is too early to determine the full amount of the damages claimed, which are currently unquantifiable. The Group is undertaking work to ensure all installations at the site are safe and claims are being dealt with by the Group's insurers, although the extent to which these are covered by the Group's insurance or the insurance of other parties cannot, at present, be clearly ascertained.

35. Related party transactions

a) Remuneration of key personnel

Disclosures related to the remuneration of key personnel as defined in IAS24 'Related Party Disclosures' are given in note 9. There is no difference between transactions with key management personnel of the Company and the Group.

35. Related party transactions (continued)

b) Disposal of WBD (Atlantic Square) Limited to Capella Developments Limited and Development Management Agreement with Capella Consultancy Limited

On 30 June 2008, a wholly owned subsidiary of the Group, WBD (Atlantic Square) Limited, was sold by Wilson Bowden Developments Limited to Capella Developments Limited for total consideration of £4.3m (on a debt and cash free basis). In addition, the Group entered into a Development Management Agreement with Capella Consultancy Limited, a sister company of Capella Developments Limited, in respect of the management by Capella Consultancy Limited of certain of the Group's other Scottish properties and interests. The maximum consideration (including in respect of certain performance-related incentive arrangements) under the Development Management Agreement is £2.5m.

Capella Developments Limited and Capella Consultancy Limited were related parties of the Barratt Group because, at completion, each company was an associate of James Fitzsimons who was a former Director of Wilson Bowden Developments Limited, WBD (Atlantic Square) Limited and certain other companies within the Group.

At 30 June 2009, there was no outstanding balance (2008: £nil) due to the Group from either Capella Developments Limited or Capella Consultancy Limited.

c) Transactions between the Company and its subsidiaries

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 to the Company from subsidiary undertakings at 30 June 2009 totalled £1,511.1m (2008: £2,229.3m). There was no amount owed by the Company to subsidiary undertakings at 30 June 2009 (2008: £nil).

During the year ended 30 June 2009, the Company made management charges to subsidiaries of £22.0m (2008: £27.1m), received interest on Group loans from subsidiaries of £171.1m (2008: £102.1m) and received dividends from subsidiaries of £nil (2008: £1,058.4m).

The Company and Group have entered into counter-indemnities in the normal course of business in respect of performance bonds.

d) Transactions between the Group and its joint ventures

The Group has principally entered into transactions with its joint ventures in respect of funding, development management services (with charges made based on the utilisation of these services), purchases of land and work in progress and reimbursement of group and consortium tax relief (see note 14). These transactions totalled £1.9m (2008: £4.1m), £0.6m (2008: £3.6m), £18.5m (2008: £15.6m) and £nil (2008: £0.2m).

The amount of outstanding loans and interest due to the Group from its joint ventures at 30 June 2009 is disclosed in note 14. The amount of other outstanding payables to the Group from its joint ventures at 30 June 2009 totalled £nil (2008: £nil). The amounts outstanding are unsecured and will be settled in cash. The Group has also provided bank guarantees to the value of £26.0m (2008: £9.3m) to two of its venturers. No provisions have been made for doubtful debts in respect of the amounts owed by the related parties.

36. Post balance sheet events

a) Additional Executive Share Option Scheme

In recognition of his loss of benefit under his previous employer's long-term incentive and share option plans it was agreed with Mr D F Thomas that he would be granted an one-off award that seeks to target benefits equivalent to the options granted under the ESOS in 2008. In order to satisfy this obligation Mr D F Thomas will be granted an option by the trustees of the Employee Benefit Trust which, if and when exercised, will be satisfied from ordinary shares acquired in the market. The option will be over 666,666 ordinary shares at an exercise price per share of 55 pence. The option will be subject to the same performance targets as the options granted under the ESOS in 2008 and will be on substantially the same terms and conditions as those options.

b) Proposed Placing and Rights Issue

On 23 September 2009, the Company entered into an agreement with UBS Limited, Credit Suisse Securities (Europe) Limited, HSBC Bank plc, Barclays Bank plc, Lloyds TSB Bank plc and RBS Hoare Govett Limited to fully underwrite a £720.5m equity issue, to be structured as a Placing and a Rights Issue. The Group has also entered into amended financing arrangements which will come into effect upon successful completion of the Placing and Rights Issue. Completion of the Placing and Rights Issue is conditional amongst other things upon shareholder approval at a General Meeting expected to be held on 19 October 2009.

Five year record, Financial calendar, Group advisers, Company information and Life President

Five year record

	2009	2008 (restated*)	2007 (restated*)	2006 (restated*)	2005 (restated*)
Group revenue (£m)	**2,285.2**	3,554.7	3,046.1	2,431.4	2,484.7
(Loss)/profit before tax (£m)	**(678.9)**	137.3	424.8	385.3	390.2
Share capital and equity (£m)	**2,331.6**	2,867.8	2,907.6	1,529.0	1,318.9
Per ordinary share:					
Basic earnings per share (pence)	**(135.8)**	25.0	115.4	113.5	118.7
Dividend paid (pence)	–	36.53	32.07	28.33	23.67
Net assets (pence)	**672**	827	839	629	545
Dividend cover	–	0.7	3.9	4.0	5.0

* The results for the years ended 30 June 2008 and 2007 have been restated as explained in the Accounting policies note. The results for the years ended 30 June 2007, 2006 and 2005 have been restated as explained in the 30 June 2008 financial statements.

Financial calendar

The following dates have been announced or are indicative of future dates:

Announcement of results	
2009 Annual General Meeting and Interim management statement	17 November 2009
2009/10 Interim/half year results	February 2010
Interim management statement	May 2010
2009/10 Preliminary Results	September 2010

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Investment Bankers
UBS Investment Bank

Company information

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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.

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