

## Directors and Professional Advisers



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COMPANIES HOUSE  
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10/01/2006

### Directors

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

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

Mr C G Toner, 63, was appointed a non-executive director in May 2002. He was previously the Deputy Group Chief Executive of Abbey National plc and is currently a non-executive director of Ford Credit Europe (FCE) Bank Plc. He was appointed Group Vice-Chairman in June 2002 and Group Chairman in October 2002.

Mr D A Pretty, 60, initially joined the Group in 1976 and was formerly the managing director of Barratt Central London. He left the Group in 1987 to take up a position as managing director of St George PLC. He rejoined the Group and was appointed to the Main Board in 1990. In 1991 he became Chairman of the Barratt Homes Southern Region. He was appointed Group Managing Director in March 1998 and Group Chief Executive in October 2002. He was appointed a director of the Home Builders Federation in January 2005 and is a member of the Code for Sustainable Buildings Senior Steering Group set up by the ODPM in December 2004.

Mr H Walker, 60, joined the Group in 1977 and was managing director of Barratt Manchester from 1988 until his appointment to the Group Board in July 1996 as Chairman of the Barratt Homes Central Region. He was appointed Deputy Group Chief Executive in July 2003.

Mr P H Ashworth, 67, was appointed a non-executive director in May 1997. He is the senior partner in the firm of solicitors, Field Cunningham & Co. and for the last 40 years has specialised in development site acquisition for both residential development and retail and leisure development throughout the UK.

Mr S J Boyes, 45, joined the Group in 1978. Formerly the managing director of Barratt York, he was appointed to the Group Board in July 2001 and is Chairman of the Barratt Homes Northern Region.

Mr R J Davies, 57, was appointed a non-executive director in May 2004. He is the Chief Executive of Arriva plc, a position he has held since December 1998. He previously held the same position at East Midlands Electricity plc, before which he had been Finance Director of Ferranti International plc and Waterford Wedgwood plc. He had earlier held various senior positions with the Ford Motor Company in the UK, USA and Spain.

Mr C A Dearlove, 54, joined the Group finance department in 1981. He was appointed to the Group Board as Group Finance Director in December 1992.

Mr C Fenton, 47, initially joined the Group in 1983 becoming managing director of Barratt West London in 1996. He was appointed to the Group Board in July 2003 and is Chairman of the Barratt Homes Southern Region.

Mr P R Gieron, 51, joined the Group in 1980. Formerly the managing director of Barratt Bristol, he was appointed to the Group Board in July 1997 and is Chairman of the KingsOak Homes Region.

Mr G K Hester, 60, joined the Group in 1996 having formerly held positions as the Chief Executive of Westbury Homes Limited and as a director of the Britannia Group. He was appointed managing director of Barratt Bristol in 1996 and to the Group Board in November 1999. He is the Chairman of the Barratt Homes West Region.

Mr A E Kilburn OBE, 69, non-executive director, was appointed to the Board in April 1998. He has worked in housing for more than 40 years and has held senior positions in both local authority and housing association sectors. Formerly the Chief Executive of Home Housing Association from 1976 until his retirement in April 1998, he is currently involved in a number of charitable enterprises including the North of England Civic Trust and the William Sutton Group, of which he is Chairman.

Mr M Pescod, 59, was appointed a non-executive director in October 2001. He is a founding partner of the investment bank Tricorn Partners LLP. He was previously a partner in Slaughter and May.

Mr W Shannon, 55, was appointed a non-executive director on 1st September 2005. He is currently a non-executive director of Aegon UK PLC and Matalan PLC. He was previously an executive director of Whitbread PLC from 1994 to 2004.

Secretary  
Mr L Dent

### Life President

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

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

Registered Auditors  
PricewaterhouseCoopers LLP  
Newcastle upon Tyne

Solicitors  
Slaughter and May

Brokers  
JFMorgan Cazenove  
UBS Investment Bank

Merchant Bankers  
UBS Investment Bank



# Notice of Annual General Meeting

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Notice is hereby given that the forty seventh annual general meeting of Barratt Developments PLC (the "Company") will be held at the Barber-Surgeons' Hall, Monkwell Square, Wood Street, London, EC2Y 5BL on 17th November 2005 at 2.30pm for the following purposes:

1. To receive and adopt the reports of the auditors and directors and the accounts for the year ended 30th June 2005.
2. To declare a final dividend.  
  
To re-elect directors:
3. Mr C G Toner who retires by rotation.
4. Mr D A Pretty who retires by rotation.
5. Mr H Walker who retires by rotation.
6. Mr W Shannon who retires at the first annual general meeting following his appointment by the Board.
7. To re-appoint PricewaterhouseCoopers LLP as auditors of the Company to hold office until the conclusion of the next general meeting at which accounts are laid before the Company and to authorise the directors to fix their remuneration.
8. That the Directors' Remuneration Report for the year ended 30th June 2005 be and is hereby approved.

To consider and, if thought fit, pass the following resolutions of which resolutions 9, 10, 11 and 12 will be proposed as ordinary resolutions and resolutions 13, 14 and 15 will be proposed as special resolutions.

9. That:
  - (a) the Company's Co-Investment Plan (the Plan), a summary of which is set out in Appendix II to the circular to shareholders dated 13th October 2005, be and is hereby approved and that the directors be and they are hereby authorised to do all acts and things necessary to establish and carry it into effect; and
  - (b) the directors be and they are hereby authorised to vote and be counted in the quorum on any matter connected with the Plan (except that no director may vote or be counted in a quorum in respect of his own participation) and any prohibition on voting contained in the Articles of Association of the Company be and is hereby relaxed accordingly.
10. That the proposed amendment to the Company's Long-Term Performance Plan summarised in the circular to shareholders dated 13th October 2005 be and it is hereby approved and the directors be and they are hereby authorised to do all acts and things necessary to establish and carry it into effect.
11. That the proposed performance targets for future awards under the Company's Long-Term Performance Plan summarised in the circular to shareholders dated 13th October 2005 be and they are hereby approved.
12. That the Board be and it is generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities (within the meaning of Section 80 of the Companies Act 1985) up to an aggregate nominal amount of £5,798,886 being 24.0% of the nominal value of the existing issued share capital as at 28th September 2005 provided that this authority shall expire on the date of the next annual general meeting after the passing of this resolution save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Board may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.
13. That the Board be and it is hereby empowered, pursuant to Section 95 of the Companies Act 1985, to allot equity securities (within the meaning of Section 94 of the said Act) for cash pursuant to the authority conferred by resolution 12 (subject to the passing of resolution 12) and/or where such allotment constitutes an allotment of equity securities by virtue of section 94(3A) of the said Act, as if sub-section (1) of Section 89 of the said Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:
  - (a) in connection with a rights issue in favour of ordinary shareholders (excluding any person holding ordinary shares as treasury shares) where the equity securities respectively attributable to the interests of all ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them provided that the directors may make such arrangements in respect of overseas holders of shares and in respect of fractional entitlements as they consider necessary or convenient; and
  - (b) (otherwise than pursuant to sub-paragraph (a) above) up to an aggregate nominal value of £1,210,056 being 5% of the nominal value of the existing issued share capital as at 28th September 2005, and shall expire on the date of the next annual general meeting of the Company after the passing of this resolution, save that the Company may before such expiry make an offer or agreement which would, or might, require equity securities to be allotted after such expiry and the Board may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

## Notice of Annual General Meeting

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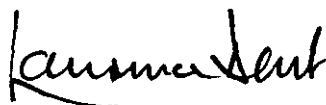
14. That the Company be and it is hereby generally and unconditionally authorised to make one or more market purchases (within the meaning of Section 163(3) of the Companies Act 1985) of its ordinary shares of 10p each ("Ordinary Shares") provided always that:

- (a) this authority is limited to a maximum aggregate number of 24,201,114 Ordinary Shares;
- (b) the maximum price which may be paid for an Ordinary Share is an amount equal to 105 per cent of the average of the closing middle market quotation for an Ordinary Share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the Ordinary Share is contracted to be purchased (exclusive of expenses); and
- (c) the minimum price which may be paid for an Ordinary Share, is 10p (exclusive of expenses).

The authority hereby conferred shall, unless renewed prior to such time, expire on the earlier of the date falling eighteen months after the passing of this resolution and the conclusion of the Company's next annual general meeting, save that the Company may before such expiry enter into a new contract under which a purchase of Ordinary Shares may be completed or executed wholly or partly after such expiry and the Company may purchase Ordinary Shares in pursuance of such contract as if the authority conferred hereby had not expired.

15. That the draft regulations contained in the document submitted to the Meeting and signed by the Chairman for the purpose of identification be and they are hereby approved and adopted as the Articles of Association of the Company in substitution for and to the exclusion of all existing Articles of Association.

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



By order of the Board  
L. Dent  
Secretary  
13th October 2005

### Notes:

- (i) Any member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and, on a poll, to vote instead of the member. A proxy need not be a member of the Company.
- (ii) Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, only those shareholders registered at 2.30pm on 15th November 2005 will be entitled to attend and vote at the meeting in respect of the numbers of shares registered in their names at that time. Subsequent changes to the register will be disregarded in determining the rights of any person to attend and vote at the meeting.
- (iii) Copies of contracts of service of the directors with the Company and the register of the directors' interests will be available for inspection at the place of the meeting from 2.15pm until the conclusion of the meeting.

# Directors' Report

The directors submit their report and the accounts for the year ended 30th June 2005.

## ACTIVITIES OF THE GROUP

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

A full review of the Group's performance and prospects can be found in the Chairman's Statement on pages 4 and 5, and in the Chief Executive's Review on pages 6 to 18.

## RESULTS AND DIVIDENDS

The profit on ordinary activities after taxation for the year ended 30th June 2005 was £290.7m (2004 £260.5m).

An interim dividend of 8.99p per share (2004 6.90p) was paid on 20th May 2005 and it is proposed to pay a final dividend of 17.99p per share (2004 14.68p) on 18th November 2005 to shareholders on the register at the close of business on 21st October 2005.

The dividends paid and proposed to be paid amount to £63.9m (2004 £51.4m).

## ANNUAL GENERAL MEETING

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

Resolution number 12 requests shareholder approval to renew for one year the directors' authority to allot unissued shares in the capital of the Company and Resolution number 13 requests shareholders to authorise the directors to allot shares for cash in the context of a rights issue and otherwise up to a limit equal to 5% of the issued share capital without initially offering such shares to existing shareholders. The directors consider that the Company should maintain an adequate margin of unissued shares for use, for example, in connection with a future acquisition although they have no present intention of issuing any shares except to satisfy options under the Company's share option schemes.

Under Resolution number 14, the company is seeking renewal for a further year of its authority to make purchases in the market of its own ordinary shares subject to specified limits. Purchases under this authority will only be made on the London Stock Exchange and will be funded from distributable profits. Following implementation of new treasury shares legislation, any ordinary shares so purchased may either be cancelled or held by the company in treasury. The company would consider whether to hold any ordinary shares that it purchases in treasury at the time of purchase. Any ordinary shares held in treasury would be available for re-issue (including pursuant to the authority conferred by resolution number 13).

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

The total number of options to subscribe for equity shares outstanding as at 28th September 2005 was 9,367,125 (being 3.9% of the issued share capital at that date and representing 4.8% of the share capital which would be in issue if both the existing authority to purchase shares granted at the 2004 AGM and the authority being sought were fully utilised).

Under Resolution number 15, which will be proposed as a special resolution, the Company is seeking shareholder approval for the adoption by the Company of new Articles of Association. As the Company's current Articles of Association (the "Current Articles") were adopted in 1997, the Board has concluded that the time has come to amend and update the Current Articles in order to reflect the considerable number of changes to, among other things, company law and practice which have taken place since then. Because the proposed amendments to the Current Articles are numerous, the Board has decided that the updating process will be best achieved by adopting an entirely new set of Articles of Association (the "New Articles"). The Circular to Shareholders dated 13th October 2005 explains more fully the material differences between the Current Articles and the proposed New Articles.

## DIRECTORS AND THEIR SHAREHOLDINGS

The current directors of the Company are listed on page 22. Mr W Shannon was appointed a director on 1st September 2005. All other directors listed on page 22 held office throughout the financial year.

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

Ordinary shares of 10p each	30th June 2005		1st July 2004	
	Fully paid	Executive share options	Fully paid	Executive share options
C G Toner	8,000	—	8,000	—
D A Pretty	100,325	551,759	91,235	620,000
H Walker	273,877	772,801	273,877	634,679
P H Ashworth	5,700	—	5,700	—
S J Boyes	65,238	336,018	45,238	370,917
R J Davies	—	—	—	—
C A Dearlove	65,710	331,406	54,646	834,275
C Fenton	9,973	215,376	9,973	112,275
P R Gieron	96,089	344,734	86,999	629,633
G K Hester	61,264	344,734	56,264	349,633
A E Kilburn	4,000	—	4,000	—
M Pescod	10,000	—	10,000	—

## Directors' Report

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At 30th June 2005 the executive directors had a potential future interest in 4,414,640 ordinary shares which are held by the Barratt Developments PLC Employee Benefit Trust.

Details of movements in the directors' interests in executive share options are shown in the Remuneration Report on page 34.

No notification had been received of any change in the above interests during the period 30th June 2005 to 28th September 2005.

Under the provisions of Article 87 of the Company's memorandum and articles of association, Mr C G Toner, Mr D A Pretty and Mr H Walker offer themselves for re-election. Mr W Shannon retires in accordance with the provisions of Article 86 and offers himself for re-election. Mr P H Ashworth will retire at the annual general meeting and will not seek re-election.

At no time during or at the end of the year did any director have a material interest in a contract of significance in relation to the business of the Group, other than the transactions detailed in note 26 to the accounts.

### CORPORATE GOVERNANCE

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

The Company is committed to the principles of corporate governance set out in the Combined Code on Corporate Governance issued by the Financial Reporting Council in July 2003 ("the Code").

#### Statement of Compliance

Throughout the year ended 30th June 2005 the Company complied with the provisions of the Code except in the following area.

- Schedule A to the Code recommends that in general the annual bonus of executive directors should not be pensionable. By virtue of long-standing contractual arrangements the pensionable salaries of Mr S J Boyes, Mr C A Dearlove, Mr P R Gieron and Mr H Walker included bonus. As detailed in the Remuneration Report on pages 34 to 41, with effect from 1st July 2005 the pensionable salaries of all directors, including the above named, will be based on basic salary only.

#### The Structure

The Company is headed by the Group Board which, during the year, comprised the Chairman, four non-executive Directors and seven executive Directors. During the year an additional non-executive Director, Mr W Shannon, was recruited and joined the Board with effect from 1st September 2005. The Director biographies and details of service are set out on page 22.

The Board delegates management of the business to the Executive Board led by the Group Chief Executive. The other members of the Executive Board are the Group Deputy Chief Executive, the Group Finance Director, the Group Corporate Director and Company Secretary and the Regional Chairmen of our six operating Regions covering our 34 housebuilding divisions. Each housebuilding division is headed by a Managing Director and a local management team which make up the divisional board, each of which is chaired by a Regional Chairman. Each divisional board meets monthly to oversee local housebuilding operations and performance. Although each division is run and monitored as a freestanding business, they each operate within clearly defined central parameters in relation to strategic direction and financial control. This tried and tested structure enables the divisions to be responsive to local demand and market conditions, whilst at the same time benefiting from the disciplines, financial strength and economies of scale of a large national Group.

#### Decision Making

The Group board is responsible to shareholders for the entrepreneurial leadership of the company within a framework of policy and decision making controls for the setting of Group strategy, assessing and managing risk and ensuring that the necessary financial and human resources are in place to enable strategic aims to be met. The Board is also responsible for measuring and monitoring performance against key financial and operational indicators and for determining the Company's values and standards.

The Group Board has adopted a reserved list of matters and decisions which can only be approved by the Board and which is reviewed annually. The list of reserved matters includes the formulation of strategy, the approval of budgets, business plans, dividends and financial statements and the approval of major capital investment and business acquisitions and disposals. The list of reserved matters was last reviewed on 13th May, 2005.

## Directors' Report

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The Executive Board is responsible for implementing approved strategy and business plans and for monitoring operational and financial performance against agreed objectives and budgets. The Executive Board also formulates budgets and capital expenditure proposals for approval by the Group Board and is responsible for the efficient day to day management of the business.

Defined levels of autonomy and responsibility are set for all senior management in relation to the approval of financial commitments and key risk areas such as land purchase, cash management, health and safety and environmental performance.

### Board Meetings and Membership

The Board met on seven occasions during the year, including one full day meeting set aside for a comprehensive review of Group business strategy. Twice a year the Board meets in one of our divisional operating units setting aside time for site visits and the opportunity to meet with divisional management and local staff. All Directors were in attendance at all meetings apart from the September meeting for which Mr R Davies gave his apologies.

The Code requires a balance of executive and non-executive Directors so that no individual or group can dominate the Board's decision taking. The number and calibre of the non-executive Directors on the Board, together with their diverse backgrounds and experience, ensures that this principle is met. The Board considers that numerical balance between executive and non-executive Directors in line with Code expectations should be achievable by the end of 2006 as a result of natural turnover.

The Board believes that the Chairman and all non-executive Directors, with the exception of Mr P H Ashworth, are wholly independent in that they have no business or other relationship with the Group that might influence their independence of judgement. Mr Ashworth has an ongoing business relationship with the Company, details of which are disclosed on page 53. Mr Ashworth is not a member of the Audit and Remuneration Committees and will stand down as a non-executive Director immediately following the Annual General Meeting on 17th November 2005.

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

The Group Chief Executive has direct charge of the Executive Directors and is responsible for the management of all Group operations and day to day activities. It is the Group Chief Executive's responsibility to formulate strategic options for consideration by the Board; to deliver the strategic objectives set by the Board and to ensure that the Group has in place appropriate risk management and control systems.

The Board has appointed Mr A E Kilburn as Senior Independent Director. The Senior Independent Director has specific responsibility for co-ordinating the evaluation by the Nominations Committee of the Chairman's effectiveness as well as being a point of contact for shareholders in the event of there being any material issues or concerns which the Chairman and/or Chief Executive have failed adequately to address.

The Group Company Secretary, a practising solicitor, attends all Board and Committee Meetings and all directors have access to his advice and, if necessary, to independent professional advice at the Company's expense.

### Board Committees

The Board has established three standing committees, the Audit Committee, the Remuneration Committee and the Nominations Committee, the functions of which are clearly specified within defined terms of reference and which are reviewed annually. The terms of reference were last reviewed in December 2004 in line with the requirements of the Code.

### The Audit Committee

During the year the Audit Committee comprised Mr M Pescod (Chairman), Mr R J Davies and Mr A E Kilburn, all of whom are wholly independent non-executive Directors. The Audit Committee met on five occasions throughout the year and all members were present at each meeting. The Committee members are considered to possess recent and relevant financial experience.

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

## Directors' Report

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In the year to 30th June 2005 the Audit Committee discharged its responsibilities by:-

- reviewing the interim and annual financial statements, trading updates and related Stock Exchange announcements made during the year;
- reviewing the external auditor's work plan for the audit of Group accounts;
- reviewing the external auditor's annual audit report, management letter and the forward action plan in relation to all material issues identified in the annual audit process;
- reviewing the internal audit function, its resourcing, work programmes, the results of internal audits and the adequacy of management's response;
- reviewing Group internal control and risk management systems;
- approving a policy regulating the Group's use of external auditors for non-audit services under which assignments exceeding a specified value must be pre-approved by the Audit Committee.

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

### Remuneration Committee

During the year the Remuneration Committee comprised Mr A E Kilburn (Chairman), Mr R J Davies, Mr M Pescod and Mr C G Toner. All members of the Committee are considered by the Company to be wholly independent. During the year under review the Remuneration Committee met on eight occasions with all members present. The Committee operates under defined terms of reference which were last reviewed in December, 2004. The Committee's principal responsibilities are:-

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

During the year the Remuneration Committee undertook a comprehensive review of executive remuneration policy, full details of which are set out in the Remuneration Report on pages 34 to 41.

### Nominations Committee

During the year the Nominations Committee comprised Mr C G Toner (Chairman), Mr P H Ashworth, Mr R J Davies, Mr A E Kilburn, Mr M Pescod and Mr D A Pretty. The majority of members of the Committee are considered by the Company to be wholly independent. The Nominations Committee met on three occasions during the year and all members were present for each meeting.

The Nominations Committee operates under defined terms of reference and its principal responsibilities include:-

- ensuring the Board is comprised of the right balance of skills, knowledge and experience;
- identifying and nominating for approval by the Board candidates to fill Board vacancies as and when they arise;
- overseeing the Group's succession planning process;
- undertaking the process of Board, Committee and individual Director performance evaluation.

In recruiting and selecting new Directors the Nominations Committee has followed a rigorous process with the initial short-listing being prepared using external recruitment consultants followed by one to one meetings with members of the Committee and the final selection being made by the Board as a whole. In the year ended 30th June 2005 the Nominations Committee:-

- reviewed and agreed the succession plan for the Group and Executive Boards and for the divisional management teams;
- undertook a recruitment selection process involving external consultants Spencer Stuart, to appoint an additional non-executive Director, Mr W Shannon, with effect from 1st September 2005.



# Directors' Report

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## Performance Evaluation

During the year a formal and structured process of evaluation of the performance of the Board, its Committees and individual Directors was undertaken by the Nominations Committee under the leadership and direction of the Group Chairman. The main aims of the process, which is based on the guidance set out in the Higgs' report "Review of the role and effectiveness on non-executive directors", are to:-

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

Central to the evaluation process are the Board's annual review of business strategy and the objectives and performance targets set by the Board each May for itself, its Committees and for the Chief Executive and, through him, for the Executive Board, 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 contributions made by the Board, its Committees and individual Directors in the attainment of the agreed objectives and targets.

To facilitate the process the Chairman met with all Directors and the Company Secretary on an individual basis, enabling each to give their views on the effectiveness of the Board and its Committees, in particular by identifying any shortcomings in procedures, working methods or any other areas of weakness requiring attention and improvement. In addition, the performance of individual non-executive Directors and the Chief Executive was appraised by the Chairman and the performance of the Executive team by the Chief Executive. The Senior Independent Director led the appraisal of the Chairman's performance after obtaining the views of all Directors in "one to one" discussions.

The results of these various interviews, assessments and appraisals were then reviewed and evaluated by the Nominations Committee and reported to the Group Board. On the evidence provided the Board and its Committees are satisfied with their overall effectiveness and balance and with the performance and contribution of the individual Directors. The results of the exercise will be used in setting Board and Committee objectives for the coming year and in reviewing and implementing the Board and Executive succession plan. It is intended next year to introduce a performance evaluation questionnaire for completion by all Directors in accordance with the Higgs' "Suggestions for Good Practice" Guidelines.

## Accountability

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

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

The Directors confirm that suitable accounting policies have been used and applied consistently and that reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 30th June 2005.

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

## Going Concern

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

## Internal Control and Risk Management

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

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

## Directors' Report

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

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

During the year the Audit Committee has undertaken a review of the staffing and resourcing of the Internal Audit Team with a view to the further development of Group risk management systems.

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

A "whistle blowing" policy and procedure has been established under which directors, management and staff can report in confidence any concerns they may have of malpractice, financial irregularity, breaches of health and safety, environmental or other Group procedures, discrimination, harassment or any other unethical behaviour.

### CORPORATE RESPONSIBILITY

During the year Barratt Developments PLC has made considerable progress in Corporate Responsibility (CR).

We have developed our CR policy and added seven strategic objectives. These are to help embed into the business our actions in the areas of: governance and management systems, creating value for society, managing our environmental impact, procurement and design, occupational health and safety, employment and diversity and our engagement with our stakeholders and communities.

This year we have also evolved a risk-based approach to CR. We carried out a non-financial risk assessment ensuring that plans and procedures are in place for risks of highest priority. This approach will also help us to prepare our Operating and Financial Review next year. We identified priority areas of risk as: climate change, our supply chain, access to land and planning, water supply, unfavourable media exposure, workplace accidents, the lack of skilled labour in construction and customer and community dissatisfaction.

Our key achievements have been in the development of our CR-related management systems - which work towards helping us minimise some of the risks above. We have introduced an ISO14001 certified environmental management system at six of our thirty two divisions and intend to roll this out to a further eight divisions next year. We have introduced a Health and Safety audit system to prepare the Group Health and Safety systems for accreditation to the international standard OHSAS 180001 in forthcoming years. Barratt Northampton gained this accreditation this year.

We are already beginning to see the business benefits that our commitment in these areas is bringing. We have achieved considerable improvements in our health and safety performance with no Health and Safety Executive (HSE) interventions this year. In environmental terms we have also significantly reduced the average tonnes of waste generated per development. We will continue to monitor our other impacts going forward to form a clear picture of where we can bring further benefits.

Next year we intend to focus on the long term environmental and social legacy of the houses we build. We will complete an "ecovillage" show complex at Buckshaw Village near Chorley which will pilot a number of environmental technologies and aim to build a second similar village in the South East in the near future. We will use these developments to gauge consumer preferences and inform our designs going forward.

We will continue to work closely with all our stakeholders. This year we have concentrated on engagement with investors and non-governmental organisations and also our customers. Next year our focus will be on our supply chain, looking at packaging and the environmental performance of the products we purchase. We have also expanded our Human Resources and Training team which will help us to work towards managing, recruiting, retaining and training one of our key assets - our people.

## Directors' Report

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Our achievements are recognised in the second WWF/Insight Investment survey of the major housebuilders in which we improved our score from 31% last year to 69% this year. We are aware that there is more to do, but are pleased that we have achieved so much in the last twelve months. Further details of this progress and our future objectives and targets are available in our second Corporate Responsibility Report, at [www.barratt-investor-relations.co.uk](http://www.barratt-investor-relations.co.uk). Detailed CR-related policy statements are also available on this website.

### ENVIRONMENTAL PERFORMANCE AND SUSTAINABILITY

Through its environmental policy the Group seeks to restore and enhance the natural environments in which its developments are set to improve the environmental performance of its products and to minimise the potential adverse impacts of our business operations. For 30 years Barratt has been at the forefront of urban regeneration in the UK and over 82% of our developments now utilise brownfield land; in the South East the figure rises to 95%.

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

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

In the year under review there have been no legal breaches of environmental legislation by the Group.

### HEALTH AND SAFETY

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

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

*The investment made in the development of our occupational health and safety management systems has led to a sustained and measurable improvement in the safety standards achieved on our sites. For the third year running the average safety standard ratings achieved by the Group as measured by an independent site safety inspection service undertaken by the NHBC have been ahead of the average ratings of all other national housebuilders using the service. The incident rate on our sites in the year, including both notifiable and reportable incidents, was 1,060 per 100,000 employees (including subcontractors) and we have an ongoing objective to improve on this performance in the year ahead.*

### EMPLOYMENT POLICY

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

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

The Group is committed to employee training and development at all levels of the organisation and endeavours to contribute to the industry's future skills base by an extensive recruitment and training programme for apprentices and graduate trainees.

## Directors' Report

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The Group currently employs 536 apprentices and 59 graduate trainees recruited from communities close to its areas of operation and its policy is to ensure that the majority of divisions and housebuilding sites employ both graduates and apprentices. To stimulate further graduate recruitment the Group continues to subscribe to "Graduate Prospects", a national publication used by most universities and colleges of further education, and has recently established a recruitment and employment opportunities website.

The Group works closely with the Construction Industry Training Board (CITB) and the NHBC in training provision and a training plan is prepared annually linked to identified business priorities and objectives. Having regard to the nature of our business, particular focus is given in the training programme to construction management, trade skills, health and safety and customer care. We have also committed to the Construction Skills Certification Scheme (CSCS) for our employees and subcontractors as part of the Major House Builders Group Qualified Workforce Initiative.

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

This year, an Employment Procedures Guide for Managers was developed and will be launched following the recruitment of five Regional Human Resource & Training Managers who will assist in the implementation of our strategic and also our day to day human resource objectives.

### INVESTOR RELATIONS

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

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

Our annual and interim reports, together with half-yearly trading updates, will continue to be the primary means by which information about the Group, its Board and its business is communicated to institutional and private shareholders, investors and analysts. In addition, other major company publications are also circulated to shareholders, which this year includes the Group's second Corporate Responsibility report. The Annual General Meeting is used to enable all shareholders, both large and small, to discuss the Group's operations and progress directly with the Board.

Information of a price sensitive nature is communicated as required by the Company Secretary to the Company Announcements Office of the Stock Exchange and the Group strives to ensure that all key information is effectively and clearly communicated.

In addition to the above formal communications, the Group Chief Executive and Group Finance Director meet regularly with institutional investors and analysts in order to convey an understanding of the Company's operations, the market and its management objectives and in the year under review a total of 71 such meetings have been held. The aim is to meet with major institutional shareholders at least once a year. Press releases on the Company's activities are made to journalists and the media through the Group Press Office and its external financial public relations consultancy service, Weber Shandwick Square Mile. The Group's joint brokers JPMorgan Cazenove and UBS Investment Bank also work actively on our behalf in an effort to ensure that investors and potential investors in the business are given reliable information on the Group's operations, its values and ethos in order to make informed investment decisions.

# Directors' Report

## STATUTORY INFORMATION

At 28th September 2005 notification had been received of the following interests which exceed a 3% interest in the issued share capital of the Company.

	Date of notification	Ordinary shares of 10p each	% of issued share capital
FMR Corp	26.09.05	31,111,206	12.86%
Barclays PLC	05.09.05	12,506,021	5.17%
Causeway Capital Management LLC	21.04.05	10,202,259	4.23%
Legal & General Group Plc	27.09.05	7,695,307	3.18%

During the year the Group made charitable donations of £61,000 (2004 £6,000). No political contributions were made during the year.

## INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group will be required to adopt International Financial Reporting Standards (IFRS) for the year ending 30th June 2006 which will include restated comparative information for 2005. Our core policies for turnover and profit recognition and the value of land and work in progress should be unaffected. The major areas of change are expected to relate to accounting for pension costs, share based payments, financial instruments and the timing of dividend payment recognition. A team has been established to assess the full impact on the Group of IFRS, which are currently undergoing a period of further change.

## CREDITOR PAYMENTS

Each Group company is responsible for agreeing the detail of terms and conditions relating to transactions with its suppliers. It is Group policy to abide by the agreed terms of payment with suppliers where the goods and services have been supplied in accordance with the relevant terms and conditions of contract. Implementation of this policy resulted in a supplier payment period for the Company of 33 days (2004 36 days) for its trade creditors at 30th June 2005.

## AUDITORS

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

On behalf of the Board  
L Dent  
Secretary  
Newcastle upon Tyne



13th October 2005

# Remuneration Report

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## Introduction

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

## Remuneration Committee

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

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

During the year under review the Remuneration Committee has met on eight occasions, with all members present.

## Membership and Proceedings of the Remuneration Committee

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

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

## Advice

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

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

## Remuneration Policy

During the year the Committee has undertaken a full review of executive remuneration. To address structural concerns raised by major shareholders changes have been made to certain elements of the package, and these are detailed in this report. The fundamental aims of this review were to ensure that executive remuneration:

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

Throughout the process the Committee has consulted with major shareholders to ensure their support for the approach taken. This report details the Company's remuneration policy for 2005/06 and, so far as practicable, for subsequent years. Any changes made to the policy will be identified in subsequent Remuneration Reports to shareholders. Central to the Group remuneration policy is recognition that the sustained growth and profitability of our business is determined in no short measure by the skill and commitment of the executive team. The reward policy for executive directors seeks to provide remuneration and other service conditions which will attract, retain, motivate and reward executive directors of the highest calibre within the industry's highly competitive employment market. Within these broad objectives the executive remuneration package is based on the following principles:

# Remuneration Report

- the greater part of remuneration paid to executives should be linked to the achievement of demanding performance targets; currently over 50% of the total executive remuneration package is performance based;
- performance related remuneration should align the interests of executives with those of shareholders by setting performance targets based on measures of shareholder return;
- total remuneration for outstanding performance should be competitive with that available elsewhere in the sector.

## The Remuneration Package for Executive Directors

The remuneration package for executive directors comprises:

- basic salary;
- annual performance related bonus;
- long-term share incentives;
- pension and other benefits.

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

## Basic Salary

Basic salaries for executive directors are a fixed annual sum payable monthly in cash. Salaries are set having regard to individual responsibilities, skills and experience and are currently based on the market rate for similar positions in large national housebuilding companies. Salaries were included in the review of executive remuneration carried out during the year by the Remuneration Committee and a repositioning will take effect from 1st July 2005. The increases reflect a move to a more competitive market positioning with reference to the peer group, and also the adjustments to other parts of the package. Although the increases to basic salary are significant when looked at in isolation compared with the previous year, the value of the total reward package, for the same level of performance, has not increased from last year because of adjustments made to other elements. These other changes are detailed in the report below.

	£	£
D A Pretty	507,500	(2004 : 416,500)
H Walker	348,000	(2004 : 300,000)
S J Boyes	290,600	(2004 : 250,000)
C A Dearlove	272,600	(2004 : 235,000)
C Fenton	290,600	(2004 : 250,000)
P R Gieron	290,600	(2004 : 250,000)
G K Hester	290,600	(2004 : 250,000)

## Annual Profit Related Bonus

Until the financial year ended 30th June 2005 each executive director participated in an annual profit related bonus scheme based on the annual level of the Group's pre-tax profit with awards made at 0.1333% of the Group pre-tax profit for the Group Chief Executive, 0.1165% for the Group Deputy Chief Executive and 0.1% for all other executive directors. A similar annual bonus scheme is operated for senior management in all divisions based on a percentage of pre-tax profit for each division.

A new discretionary bonus scheme will replace the above contractual bonus arrangement with effect from 1st July 2005. Annual bonus payments will be dependent upon the achievement of demanding financial objectives and key strategic measures for the business, set annually by the Group Board. For the financial year 2005/06 90% of the bonus payment will be based on pre-tax profits and 10% will be based on the achievement of customer satisfaction targets. For the attainment of 100% of target the amount of bonus will be 130% of basic salary. The maximum amount of bonus which can be received by any executive is 180% of basic salary, for the attainment of 125% of profit target. Previously there was no cap to the bonus payment. If actual performance falls below 80% of target then no bonus will be payable. Payment of the bonus is on a progressive scale with proportionately more being attainable for performance over and above target.

## Remuneration Report

As part of the changes to the annual bonus the Committee is proposing that a proportion of the bonus is deferred on a compulsory basis, with an opportunity for additional voluntary deferral. The deferred amounts will be converted into shares, with an opportunity for additional matching shares to be received if further performance targets are met. For this purpose, a new plan will, with shareholders' approval, be established; full details of the new plan are set out in the Shareholders' Circular accompanying this Annual Report.

### Share Option Plan

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

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

As part of the review the Committee has determined that in future no further options will be granted under the Plan. All long-term share awards will be made under the Long-Term Performance Plan which has more demanding performance targets than those attaching to share options, thereby increasing the alignment between executive and shareholder reward. The Committee also believe that this provides a more focused approach to incentives. Options which have been granted in previous years remain unchanged and details of the terms of these outstanding awards are set out below.

### Long-Term Performance Plan

The Long-Term Performance Plan (the "LTPP") was approved by shareholders at the Annual General Meeting held in November 2003 to take effect from 1st July 2003. As a consequence of the changes being made to the total remuneration package of executives, as described above, and in particular the cessation of use of the Executive Share Option Plan, the Committee is proposing that the LTPP be amended to allow awards of up to a maximum of 200% of basic salary. Details are set out in the Shareholders' Circular.

Awards under the LTPP are based on an annual allocation of notional ordinary shares equivalent in value to a maximum of 100% of basic salary with vesting taking place at the expiry of the three year performance period of the plan, subject to attainment of the agreed performance targets. 50% of the award will vest on attainment of a performance target based on Basic Earnings Per Share ("EPS") growth and 50% based on Total Shareholder Return ("TSR"). A vesting schedule has been established so that, in terms of EPS growth, the full 50% will vest if EPS growth exceeds the Retail Price Index ("RPI") plus 45% and 10% will vest if EPS growth exceeds RPI plus 30%, with straight line vesting between these two points. The remaining 50% will vest subject to TSR performance measured against the constituents of the FTSE Construction and Building Materials Sector Index. Again a vesting schedule has been established so that the full 50% will vest if TSR growth is in the upper quartile of the comparative index and 10% vesting if TSR growth is at the median of the index, with straight line vesting between the two points. Details of notional share awards made under the LTPP during the last year are set out below.

The Remuneration Committee has reviewed the performance targets for the awards to be granted under the LTPP in 2005. The Remuneration Committee has concluded that, in the current market in which the Company is operating, new performance targets are required in order to ensure that the LTPP remains an effective incentive to participants. As with existing awards, 50% of the award will be based on EPS growth and 50% on TSR performance.

For the EPS element of the target, the full 50% will vest if EPS growth exceeds the RPI Index plus 18% and 10% will vest if EPS growth exceeds the RPI plus 9%; for performance in between the award will vest on a straightline basis.

For the TSR element, the Company currently measures performance against the companies which make up the FTSE Construction and Buildings Materials Sector Index. It is understood that, from next year, housebuilding companies will be moved into a new sector of Household Goods. That sector will include companies that are not comparable to the Company. Accordingly, it is proposed that, for future awards, the comparator companies will be made up of listed housebuilders. A vesting schedule will be drawn up by taking an average of the two highest and two lowest TSR figures for such companies over the performance period and creating a mid-point and an upper quartile from those two figures. The full 50% will vest if the Company's TSR is within the upper quartile and 10% will vest at the mid-point mark; for performance in between, the award will vest on a straightline basis.

The Remuneration Committee considers that, in the current economic and business climate, these targets are as stringent as the existing targets were when the LTPP was first established. The Remuneration Committee will review the targets for future awards annually in the light of the then existing circumstances and, if appropriate, impose more stringent targets. Shareholders' approval for the new targets will be sought at the Annual General Meeting.

	No. of shares subject to an award		
	2005	2004	Total
D A Pretty	72,815	78,510	151,325
H Walker	52,448	49,020	101,468
S J Boyes	43,706	43,137	86,843
C A Dearlove	41,084	44,118	85,202
C Fenton	43,706	34,314	78,020
P R Gieron	43,706	46,863	90,569
G K Hester	43,706	46,863	90,569
	341,171	342,825	683,996



# Remuneration Report

## Pension Benefits

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

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

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

In respect of the remaining executive directors, and following the review of executive remuneration, changes will be made to their pension provision with effect from 1st July 2005. The annual profit related bonus will not be included in the calculation of final pensionable salary, for executive directors, for service after 1st July 2005. This complies with best practice as set out in the Combined Code for Corporate Governance. In recognition of the fact that the inclusion of profit related bonus in the calculation of pensionable salary is a contractual arrangement of some 25 years standing, which clearly pre-dates the introduction of the Combined Code, supplemental payments will be made to each executive director in respect of the period up to 6th April 2006 being the date of the introduction of the Lifetime Allowance Pension Rules. From this date new provisions will apply which take account of the new Revenue and Customs regulations. The Committee believes that these payments, which are set out below, address shareholder concerns regarding the inclusion of bonus in the pensionable salary definition, while recognising the fact that this is a contractual arrangement and one which applies equally to all Group management and staff as well as to executive directors.

	£
H Walker	87,700
S J Boyes	44,900
C A Dearlove	55,800
C Fenton	78,300
P R Gieron	52,600
G K Hester	99,300

## Service Contracts

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

### Individual Executive Directors Service Contracts:

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

## Non-Executive Directors' Remuneration

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

## Remuneration Report

With effect from 1st July 2005 the fee payable to Mr C G Toner as non-executive chairman was increased from £93,000 to £150,000 per annum.

With effect from 1st July 2005 the annual fee payable to non-executive directors was increased from £33,000 to £34,320, with an additional annual fee of £5,000 payable to those who also chair a Board Committee.

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

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

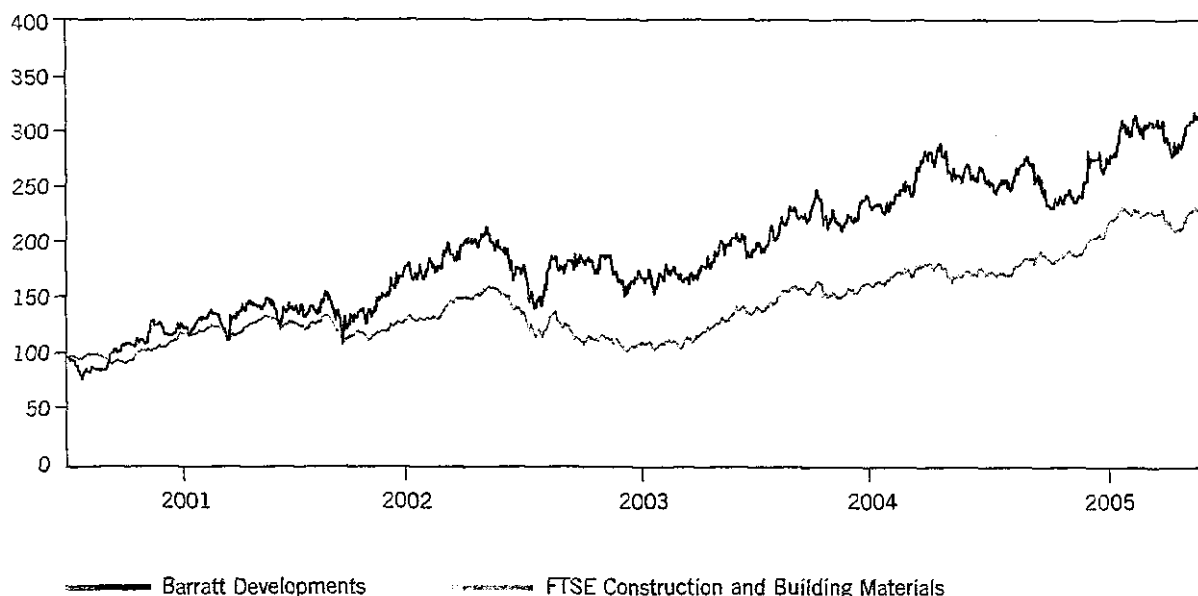
Non-executive Directors	Effective date of current Appointment	Date of first Appointment
Mr C G Toner	18th October 2002	15th May 2002
Mr P H Ashworth	18th November 2002	1st May 1997
Mr R J Davies*	5th May 2004	5th May 2004
Mr A E Kilburn	18th November 2002	1st April 1998
Mr M Pescod	1st October 2002	1st October 2001
Mr W Shannon	1st September 2005	1st September 2005

\*The director's fee in respect of Mr R J Davies is paid direct to Arriva plc.

### Total Shareholder Return Performance Graph

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

Total Shareholder Return - Rebased to 100 01/07/2000 - 30/06/05



# Remuneration Report

## Executive Directors Shareholding Guidelines

The following Shareholding Guidelines apply to Executive Directors:

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

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

## DIRECTORS EMOLUMENTS

	2005				2004	2005
	Salary/Fee	Performance Related	Benefits	Total	Total	Gain on exercise of share options
	£000	£000	£000	£000	£000	£000
C G Toner	93	–	–	93	88	–
D A Pretty	417	547	26	990	918	920
H Walker	300	478	21	799	673	–
P H Ashworth	33	–	–	33	31	–
S J Boyes	250	410	20	680	610	515
R J Davies	33	–	–	33	5	–
C A Dearlove	235	410	25	670	617	2,461
C Fenton	250	410	25	685	567	39
P R Gieron	250	410	12	672	620	1,477
G K Hester	250	410	19	679	627	396
A E Kilburn	40	–	–	40	36	–
M Pescod	38	–	–	38	36	–
<b>Total</b>	<b>2,189</b>	<b>3,075</b>	<b>148</b>	<b>5,412</b>	<b>4,828</b>	<b>5,808</b>

In addition to the salary figure detailed in the above table, a supplement of £208,250 (2004 £200,200) for the year ended 30th June 2005 in respect of the pension arrangements detailed earlier in this report was paid to Mr D A Pretty during the course of the year.

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

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

# Remuneration Report

## DIRECTORS' PENSION BENEFITS

	Increase in accrued pension over the year to 30.06.05 (net of inflation) (£)	Total pension accrued at the end of the year (£)	Transfer value of the increase in the accrued pension over the year (net of inflation) (£)	Increase in accrued pension over the year to 30.06.05 (£)	Transfer value of accrued pension at 30.06.04 (£)	Transfer value of accrued pension at 30.06.05 (£)	Increase in transfer value over the year (£)
D A Pretty	2,937	48,310	28,406	4,301	592,354	748,036	145,607
H Walker	39,807	226,604	561,453	45,388	2,381,396	3,485,035	1,070,816
S J Boyes	38,449	159,467	257,146	42,088	708,153	1,225,460	487,161
C A Dearlove	27,437	181,413	272,209	31,982	1,404,812	2,065,017	630,459
C Fenton	1,508	19,185	4,746	2,040	110,326	153,218	36,847
P R Gieron	27,896	184,229	236,525	32,597	1,232,429	1,842,399	579,349
G K Hester	1,549	14,215	13,551	1,930	147,492	195,312	41,775

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

The increase in the accrued entitlement is the difference between the accrued benefit at the end of the year and that at the previous year end.

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

# Remuneration Report

## DIRECTORS' SHARE OPTIONS

	During the year			At 30.06.05	Exercise Price p	Earliest Exercise	Latest Expiry
	At 30.06.04	Granted	Exercised				
D A Pretty	140,000	-	140,000	-	273	27.10.03	26.10.10
	120,000	-	120,000	-	330	01.11.04	31.10.11
	180,000	-	-	180,000	435	22.10.05	21.10.12
	180,000	-	-	180,000	545	10.10.06	09.10.13
	-	191,759	-	191,759	543	08.10.07	07.10.14
H Walker	140,000	-	-	140,000	275	30.09.02	29.09.09
	140,000	-	-	140,000	273	27.10.03	26.10.10
	120,000	-	-	120,000	330	01.11.04	31.10.11
	120,000	-	-	120,000	435	22.10.05	21.10.12
	114,679	-	-	114,679	545	10.10.06	09.10.13
	-	138,122	-	138,122	543	08.10.07	07.10.14
S J Boyes	30,000	-	30,000	-	273	27.10.03	26.10.10
	120,000	-	120,000	-	330	01.11.04	31.10.11
	120,000	-	-	120,000	435	22.10.05	21.10.12
	100,917	-	-	100,917	545	10.10.06	09.10.13
	-	115,101	-	115,101	543	08.10.07	07.10.14
C A Dearlove	21,064*	-	21,064	-	271	26.04.99	25.04.06
	120,000	-	120,000	-	222	11.12.00	10.12.07
	70,000	-	70,000	-	205	15.10.01	14.10.08
	140,000	-	140,000	-	275	30.09.02	29.09.09
	140,000	-	140,000	-	273	27.10.03	26.10.10
	120,000	-	120,000	-	330	01.11.04	31.10.11
	120,000	-	-	120,000	435	22.10.05	21.10.12
	103,211	-	-	103,211	545	10.10.06	09.10.13
	-	108,195	-	108,195	543	08.10.07	07.10.14
C Fenton	12,000	-	12,000	-	330	01.11.04	31.10.11
	20,000	-	-	20,000	435	22.10.05	21.10.12
	80,275	-	-	80,275	545	10.10.06	09.10.13
	-	115,101	-	115,101	543	08.10.07	07.10.14
P R Gieron	140,000	-	140,000	-	275	30.09.02	29.09.09
	140,000	-	140,000	-	273	27.10.03	26.10.10
	120,000	-	120,000	-	330	01.11.04	31.10.11
	120,000	-	-	120,000	435	22.10.05	21.10.12
	109,633	-	-	109,633	545	10.10.06	09.10.13
	-	115,101	-	115,101	543	08.10.07	07.10.14
G K Hester	120,000	-	120,000	-	330	01.11.04	31.10.11
	120,000	-	-	120,000	435	22.10.05	21.10.12
	109,633	-	-	109,633	545	10.10.06	09.10.13
	-	115,101	-	115,101	543	08.10.07	07.10.14

\* Granted under the 1986 Executive Share Option Scheme

The mid-market share price of the Company was 592.0p on 1st July 2004 and 716.5p as at 30th June 2005. The mid-market high and low share prices of the Company during the year were 716.5p and 499.5p respectively. No options of directors in office at 30th June 2005 lapsed unexercised during the year.

There were no changes in the interests of the directors shown above between 1st July 2005 and 28th September 2005.

On behalf of the Board

A E Kilburn OBE

Chairman of the Remuneration Committee



13th October 2005

## Group Profit and Loss Account

for the year ended 30th June 2005

	Note	2005 £m	2004 £m
TURNOVER			
- CONTINUING OPERATIONS		2,484.7	2,343.1
- DISCONTINUED OPERATIONS		28.0	172.9
GROUP TURNOVER		2,512.7	2,516.0
OPERATING PROFIT			
- BEFORE EXCEPTIONAL ITEMS		395.0	364.2
- EXCEPTIONAL ITEMS, PROFIT ON DISPOSAL OF FREEHOLD GROUND RENTS		15.9	-
- CONTINUING OPERATIONS		410.9	364.2
- DISCONTINUED OPERATIONS		0.4	11.4
OPERATING PROFIT	1	411.3	375.6
NET INTEREST PAYABLE	4	(4.7)	(7.9)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	406.6	367.7
TAXATION	5	(115.9)	(107.2)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	6	290.7	260.5
DIVIDENDS	7	(63.9)	(51.4)
RETAINED PROFIT	19	226.8	209.1
EARNINGS PER SHARE - BASIC	9	123.6p	111.4p
EARNINGS PER SHARE - DILUTED	9	122.1p	110.1p

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

## Statement of Total Group Recognised Gains and Losses

for the year ended 30th June 2005

	2005 £m	2004 £m
Profit on ordinary activities after taxation	290.7	260.5
Currency translation differences on foreign currency net investments	-	(3.9)
Total gains and losses recognised since last annual report	290.7	256.6

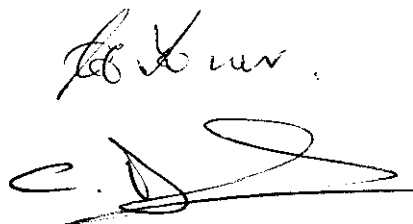
# Group Balance Sheet

at 30th June 2005

	Note	2005 £m	2004 £m
<b>FIXED ASSETS</b>			
Tangible assets	10	11.3	11.9
<b>CURRENT ASSETS</b>			
Properties held for sale		7.2	9.7
Stocks	12	2,403.0	1,977.0
Debtors due within one year	13	37.7	41.6
Debtors due after more than one year	13	2.6	1.3
Bank and cash		285.1	230.4
		<b>2,735.6</b>	<b>2,260.0</b>
<b>CURRENT LIABILITIES</b>			
Creditors due within one year	14	(1,293.4)	(1,066.0)
<b>NET CURRENT ASSETS</b>		<b>1,442.2</b>	<b>1,194.0</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,453.5</b>	<b>1,205.9</b>
<b>CREDITORS DUE AFTER MORE THAN ONE YEAR</b>	15	<b>(101.5)</b>	<b>(89.8)</b>
<b>NET ASSETS</b>		<b>1,352.0</b>	<b>1,116.1</b>
<b>CAPITAL AND RESERVES</b>			
Called up equity share capital	18	24.2	24.0
Share premium	19	197.9	190.7
Profit and loss account	19	1,129.9	901.4
<b>EQUITY SHAREHOLDERS' FUNDS</b>	20	<b>1,352.0</b>	<b>1,116.1</b>

Approved by the Board on 13th October 2005

C G Toner  
C A Dearlove } Directors



## Group Cash Flow Statement for the year ended 30th June 2005

	Note	2005 £m	2004 £m
CASH INFLOW FROM OPERATING ACTIVITIES	21	168.3	262.7
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		2.8	2.0
Interest paid		(7.5)	(13.5)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(4.7)	(11.5)
TAXATION		(113.8)	(98.7)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Purchase of tangible fixed assets		(1.9)	(3.7)
Sale of tangible fixed assets		2.6	–
Disposal/(purchase) of investments : interest in own shares		1.7	(1.7)
NET CASH INFLOW/(OUTFLOW) FROM CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		2.4	(5.4)
ACQUISITIONS AND DISPOSALS	22	83.2	–
EQUITY DIVIDENDS PAID		(55.6)	(45.0)
CASH INFLOW BEFORE FINANCING		79.8	102.1
FINANCING			
Issue of ordinary share capital		7.4	3.7
Decrease in debt due after more than one year	23	(9.0)	(19.1)
NET CASH OUTFLOW FROM FINANCING		(1.6)	(15.4)
INCREASE IN CASH IN THE YEAR	23	78.2	86.7

### RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2005 £m	2004 £m
Increase in cash in the year	78.2	86.7
Cash flow from decrease in debt	9.0	19.1
Change in net funds resulting from cash flows	87.2	105.8
Exchange movements	–	2.3
Movement in net funds in the year	87.2	108.1
Net funds at beginning of year	189.7	81.6
Net funds at end of year	23 276.9	189.7



# Accounting Policies

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

(a) Basis of accounting

The Group prepares its accounts on an historical cost basis.

(b) Consolidation

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

(c) Turnover

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

(d) Investments

Investments are valued at cost less provision for any impairment in value.

(e) Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value.

(f) Stocks

Stocks and work in progress, excluding long term contracting work in progress, are valued at the lower of cost and net realisable value.

Profit on contracting is taken on short term contracts when completed, and for long term contracts attributable profit is taken when the final outcome can be foreseen with reasonable certainty; provision is made for any anticipated losses. Amounts by which turnover in respect of long term contracts exceed payments on account are held in debtors as amounts recoverable on contracts. Amounts received in respect of long term contracts, in excess of amounts reflected in turnover, are held in creditors as payments on account.

(g) Depreciation

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

(h) Leased assets

Operating lease rentals are charged to the profit and loss account in equal instalments over the life of the lease.

(i) Exchange translations

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

(j) Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

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

(k) Pensions

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

# Notes to the Accounts

## 1. OPERATING PROFIT

	2005			2004		
	Continuing £m	Discontinued £m	Total £m	Continuing £m	Discontinued £m	Total £m
Group turnover	2,484.7	28.0	2,512.7	2,343.1	172.9	2,516.0
Cost of sales	(2,005.0)	(26.9)	(2,031.9)	(1,909.3)	(149.6)	(2,058.9)
Gross profit	479.7	1.1	480.8	433.8	23.3	457.1
Administrative expenses	(68.8)	(0.7)	(69.5)	(69.6)	(4.4)	(74.0)
Impairment provision	–	–	–	–	(7.5)	(7.5)
	410.9	0.4	411.3	364.2	11.4	375.6

The discontinued operations and prior years' impairment provision relate to the US housebuilding operation, the disposal of which completed on 30th August 2004.

## 2. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2005 £m	2004 £m
After charging:		
Depreciation – tangible owned fixed assets	1.7	1.2
Operating lease charges – hire of plant, machinery and vehicles	17.8	16.4
– other	3.2	3.1
Auditors' remuneration – audit services	0.2	0.2
(company: £19,500 – (2004 £19,500))		

Auditors' remuneration for non-audit services in the year amounted to £478,208 (company £364,508), (2004 £198,081 (company: £193,620)). The fees for non-audit services comprised £229,000 for the provision of specialist taxation advice in relation to prior years' costs of the US subsidiary plus a further £80,000 incurred on its disposal. £77,000 was paid during the year on advisory work on the structure of new IT systems. The balance, £92,000, related to normal taxation compliance work. The Audit Committee has an established policy for the provision of non-audit services by the auditors.

The profit on ordinary activities before taxation is stated after charging the directors' emoluments disclosed in the Remuneration Report on page 39.

## 3. ANALYSIS BY GEOGRAPHICAL AREA

	United Kingdom		USA		Total	
	2005 £m	2004 £m	2005 £m	2004 £m	2005 £m	2004 £m
Group turnover by origin	2,484.7	2,343.1	28.0	172.9	2,512.7	2,516.0
Operating profit	410.9	364.2	0.4	11.4	411.3	375.6
Net assets	1,352.0	1,065.8	–	50.3	1,352.0	1,116.1

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

## 4. NET INTEREST PAYABLE

	2005 £m	2004 £m
Payable: On bank loans, bills and overdrafts	7.5	9.3
Less: Receivable	(2.8)	(1.4)
	4.7	7.9

# Notes to the Accounts

## 5. TAXATION

	2005 £m	2004 £m
<b>ANALYSIS OF CHARGE IN YEAR</b>		
Current tax:		
UK corporation tax on profits of the period	116.9	106.2
Adjustment in respect of previous periods	(0.1)	(1.8)
Overseas tax	0.3	2.1
	117.1	106.5
Deferred tax:		
Origination and reversal of timing differences	(1.2)	0.7
	115.9	107.2

### FACTORS AFFECTING THE TAX CHARGE FOR THE YEAR

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

The differences are explained below:

	2005 £m	2004 £m
Profit on ordinary activities before taxation	406.6	367.7
Profit on ordinary activities before tax at a rate of 30% (2004 30%)	122.0	110.3
Expenses not deductible for tax purposes	0.6	3.0
Additional tax relief for land remediation costs	(1.9)	(1.3)
Benefit of tax losses	(1.3)	(5.9)
Other timing differences	(0.5)	(0.8)
Employee share schemes relief	(2.2)	-
Adjustments to tax charge in respect of previous periods	(0.1)	(1.8)
Higher rate of overseas tax	0.5	3.0
Current tax charge for the year	117.1	106.5

## 6. PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION

Of the profit attributable to shareholders, £118.7m (2004 £83.7m) is dealt with in the accounts of the company. In accordance with the provisions of Section 230 of the Companies Act 1985 a separate profit and loss account for the company is not presented.

## 7. DIVIDENDS

	2005 £m	2004 £m
Interim 8.99p per share paid (2004 6.90p)	21.1	16.1
Final 17.99p per share proposed (2004 14.68p)	42.8	35.3
	63.9	51.4

## 8. EMPLOYEES

	2005 £m	2004 £m
The average number of persons employed by the Group in building and development, excluding sub-contractors, was 4,829 (2004 4,578).		
Employee costs (including directors) comprise:		
Wages and salaries	147.0	139.8
Social security	15.4	13.8
Pension costs	8.8	8.6
	171.2	162.2

## Notes to the Accounts

### 8. EMPLOYEES continued

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

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

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

As a result of the actuarial valuation at 1st December 2001 employer contributions to the Scheme increased with effect from 1st December 2002. In this regard, with effect from 1st December 2002, the Company's UK employer contribution was increased to 15.2% of pensionable salary. The Group has also agreed to strengthen the Scheme's funding by additional contributions of £2.1m per annum for 10 years, from 2003. The actual additional contribution made in each year will be reviewed annually in light of the actuarial advice. Furthermore, with effect from 1st December 2003 the employer contribution was increased to 18.2% of pensionable salary.

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

The total UK employer contribution in respect of both Schemes for the year ended 30th June 2005 amounted to £10.4m (2004 £9.2m), while the amount charged to the profit and loss account was £8.8m (2004 £8.6m). This reduced the balance sheet accrual of £5.4m at the year ended 30th June 2004 to £3.8m at 30th June 2005.

### 9. EARNINGS PER SHARE

Basic earnings per ordinary share is based on the profit after taxation of £290,700,000 (2004 £260,500,000) and the weighted average number of ordinary shares in issue and ranking for dividend during the year (excluding those held by the Barratt Developments Employee Benefit Trust) of 235,167,051 (2004 233,904,273). For diluted earnings per share, the weighted average number of shares in issue and ranking for dividend is adjusted to assume the conversion of all dilutive potential shares. The effect of the dilutive potential shares is 2,962,205 (2004 2,597,644), this gives a diluted weighted average number of shares of 238,129,256 (2004 236,501,917).

### 10. TANGIBLE FIXED ASSETS

	Freehold property £m	Group Plant £m	Total £m	Company Plant Total £m
<b>Cost</b>				
At 1st July 2004	6.0	10.8	16.8	-
Additions	0.2	1.7	1.9	0.6
Disposals	(0.7)	(0.5)	(1.2)	-
<b>At 30th June 2005</b>	<b>5.5</b>	<b>12.0</b>	<b>17.5</b>	<b>0.6</b>
<b>Accumulated depreciation</b>				
At 1st July 2004	-	4.9	4.9	-
Charge for the year	-	1.7	1.7	0.2
Disposals	-	(0.4)	(0.4)	-
<b>At 30th June 2005</b>	<b>-</b>	<b>6.2</b>	<b>6.2</b>	<b>0.2</b>
<b>Net book value at 30th June 2005</b>	<b>5.5</b>	<b>5.8</b>	<b>11.3</b>	<b>0.4</b>
Net book value at 30th June 2004	6.0	5.9	11.9	-

# Notes to the Accounts

## 11. FIXED ASSET INVESTMENTS

Investment in subsidiary undertakings

The company has shareholdings at a cost of £60.7m (2004 £60.7m).

The principal subsidiary undertakings are:

Barratt Homes Limited	}	All of the subsidiary undertakings' principal activities are housebuilding and development. All are registered in England and Wales except Barratt Construction Limited which is registered in Scotland. All of the shares are wholly owned by the parent.
KingsOak Homes Limited		
Barratt Construction Limited		
Barratt Commercial Limited		

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

## 12. STOCKS

Group	2005) £m)	2004) £m)
Work in progress	2,225.7)	1,874.4)
Showhouse complexes and houses awaiting legal completion	177.3)	102.6)
	<b>2,403.0)</b>	<b>1,977.0)</b>

## 13. DEBTORS

	Group		Company	
	2005 £m	2004 £m	2005 £m	2004 £m
Due within one year				
Secured loans	–	0.2	–	–
Trade debtors	5.4	4.7	–	–
Amounts due from subsidiary undertakings	–	–	200.7	246.5
Amounts recoverable on contracts	3.1	4.4	–	–
Other debtors	19.3	19.1	–	–
Prepayments	3.9	5.6	0.5	0.3
Deferred taxation	6.0	7.6	3.0	2.1
	<b>37.7</b>	<b>41.6</b>	<b>204.2</b>	<b>248.9</b>
Due after more than one year				
Amounts due from subsidiary undertakings	–	–	61.6	61.6
Secured loans	1.0	0.5	–	–
Other debtors	1.6	0.8	–	–
	<b>2.6</b>	<b>1.3</b>	<b>61.6</b>	<b>61.6</b>
	<b>40.3</b>	<b>42.9</b>	<b>265.8</b>	<b>310.5</b>

The analysis of deferred tax is disclosed in note 17.

# Notes to the Accounts

## 14. CREDITORS DUE WITHIN ONE YEAR

	Group		Company	
	2005 £m	2004 £m	2005 £m	2004 £m
Bank loans and overdrafts	4.8	28.3	3.3	4.3
Trade creditors (including deferred land payments)	779.7	580.9	1.6	0.4
Amounts due to subsidiary undertakings	-	-	-	81.1
Payments on account	61.6	32.7	-	-
Corporation tax	60.7	58.2	3.4	2.1
Other taxation and social security	8.3	5.1	-	-
Other creditors	31.7	35.8	-	1.9
Accruals and deferred income	303.8	289.7	21.6	25.6
Dividend	42.8	35.3	42.8	35.3
	<b>1,293.4</b>	<b>1,066.0</b>	<b>72.7</b>	<b>150.7</b>

## 15. CREDITORS DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	2005 £m	2004 £m	2005 £m	2004 £m
Bank loans and overdrafts	3.4	12.4	-	-
Trade creditors (including deferred land payments)	98.1	77.4	-	-
	<b>101.5</b>	<b>89.8</b>	<b>-</b>	<b>-</b>

Total creditors include £70.1m (2004 £58.3m), secured by legal charges on certain assets of the Group.

## 16. FINANCIAL INSTRUMENTS

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

The Group finances its operations through a mixture of shareholders' funds and borrowings. To ensure flexibility, the majority of the borrowings are made under pre-arranged revolving credit facilities.

All short-term debtors and creditors have been, as permitted, excluded from the disclosure requirements of Financial Reporting Standard Number 13. The secured loans and other debtors of £2.6m (2004 £1.3m) due after more than one year are payable between two and five years and are non-interest bearing. The bank loans and overdrafts due after more than one year are repayable between two and five years.

The interest rate profile of the financial liabilities is: £8.2m (2004 £25.9m) sterling, floating rate linked to the UK bank base rate; £nil (2004 £14.8m) US dollars, floating rate linked to either the US prime rate or Libor, decided by the Group prior to any drawdown of the facilities; £98.1m (2004 £77.4m) sterling, non-interest bearing, the weighted average period to maturity being 2.5 years.

Sterling cash deposits of £246.5m (2004 £216.0m) comprise deposits placed on money markets at call at floating rates of interest.

The undrawn committed borrowing facilities are: £69.4m (2004 £55.9m) expiring in one year or less, £nil (2004 £468.2m) expiring in more than one year but not more than two years, £400.0m (2004 £4.0m) expiring in more than two years.

There is no material difference between book value and the fair value of the Group's financial assets and financial liabilities as at 30th June 2005.

## 17. DEFERRED TAXATION

	Group	
	2005 £m	2004 £m
<b>DEFERRED TAX ASSETS</b>		
Deferred tax assets comprise:		
Accelerated capital allowances	0.2	0.2
Short term timing differences	(5.8)	4.6
Losses	-	2.8
Deferred tax asset	<b>6.0</b>	<b>7.6</b>
Balance at 1st July 2004	7.6	8.3
Transfer on disposal of US subsidiary undertaking	(2.8)	-
Amount credited/(charged) to profit and loss account	1.2	(0.7)
<b>Balance at 30th June 2004</b>	<b>6.0</b>	<b>7.6</b>

# Notes to the Accounts

## 18. CALLED UP SHARE CAPITAL

	2005 £m	2004 £m
Authorised 300,000,000 ordinary shares of 10p each	30.0	30.0
Allotted and issued ordinary shares of 10p each		
Fully paid – 241,972,144 ordinary shares (2004 239,797,852)	24.2	24.0

The issued share capital of the company was increased during the year to 241,972,144 ordinary shares of 10p each by the issue of 2,174,292 ordinary shares of 10p each for a cash consideration of £7,388,979 in satisfaction of options duly exercised in accordance with the rules of the share option scheme and the share option plans.

As at 30th June 2005 the following options issued in accordance with the rules of the executive share option plan and the employee share option plan were outstanding:

Date of grant	Option price	Directors	Senior executives	Other employees	Not exercisable after
a) Executive share option plan					
11.12.97	222p	–	110,000	–	10.12.07
15.10.98	205p	–	129,000	–	14.10.08
30.09.99	275p	140,000	82,000	–	29.09.09
27.10.00	273p	140,000	114,963	–	26.10.10
01.11.01	330p	120,000	188,009	–	31.10.11
22.10.02	435p	800,000	1,044,500	–	21.10.12
10.10.03	545p	798,348	1,286,000	–	09.10.13
08.10.04	543p	898,480	1,613,000	–	07.10.14
b) Employee share option plan					
10.04.00	240p	–	–	30,500	09.04.10
29.03.01	315p	–	–	69,000	28.03.11
25.04.02	470p	–	–	265,500	24.04.12
14.05.04	590p	–	–	1,344,500	13.05.14

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

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

The Barratt Developments PLC Employee Benefit Trust (EBT) holds 4,414,640 (2004: 5,372,140) ordinary shares in the Company. The cost of the shares, at an average of 358.0 pence per share, was £15,809,386 (2004: £17,524,409). The market value of the shares held by the EBT at 30 June 2005, at 716.5 pence per share, was £31,630,896 (2004: £31,668,765). 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.

## 19. RESERVES

	Share premium £m	Profit and loss account £m	Total £m
Group			
At 1st July 2004	190.7	901.4	1,092.1
Premium on issue of ordinary equity shares under share options	7.2	–	7.2
Profit and loss account	–	226.8	226.8
Disposal of own shares	–	1.7	1.7
<b>At 30th June 2005</b>	<b>197.9</b>	<b>1,129.9</b>	<b>1,327.8</b>
Company			
At 1st July 2004	190.7	223.9	414.6
Premium on issue of ordinary equity shares under share options	7.2	–	7.2
Profit and loss account	–	54.8	54.8
Disposal of own shares	–	1.7	1.7
<b>At 30th June 2005</b>	<b>197.9</b>	<b>280.4</b>	<b>478.3</b>

## Notes to the Accounts

### 20. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	2005 £m	2004 £m
Opening equity shareholders' funds	1,116.1	908.9
Profit on ordinary activities after taxation	290.7	260.5
Dividends	(63.9)	(51.4)
	226.8	209.1
Exchange adjustments	-	(3.9)
New share capital subscribed (including premium)	7.4	3.7
Movement in own shares	1.7	(1.7)
Net addition to equity shareholders' funds	235.9	207.2
Closing equity shareholders' funds	1,352.0	1,116.1

### 21. CASH INFLOW FROM OPERATING ACTIVITIES

	2005 £m	2004 £m
Operating profit	411.3	375.6
Depreciation charges	1.7	1.2
(Profit)/loss on sale of fixed assets	(1.9)	1.6
Decrease/(increase) in properties held for sale	2.5	(2.0)
Increase in stocks	(528.7)	(254.4)
Increase in debtors	(4.4)	(6.8)
Increase in creditors	287.8	147.5
	168.3	262.7

### 22. DISPOSALS

On 30th August 2004 the group disposed of its small Southern California housebuilding operation at no profit or loss.  
Net assets disposed of:

	£m
Fixed assets	0.1
Stocks	102.7
Debtors	5.4
Creditors	(27.0)
	81.2
Inter company balances and disposal costs	3.3
	84.5
Satisfied by:	
Cash	83.2
Deferred payment	1.3
	84.5

The business sold during the year contributed £0.4m to the group's net operating cash flows and paid £0.4m in respect of net returns on investments and servicing of finance.

### 23. ANALYSIS OF NET FUNDS/(DEBT)

	2005 £m	Cash flow £m	2004 £m	Cash flow £m	Exchange movement £m	2003 £m
Cash at bank and in hand	285.1	54.7	230.4	110.1	(1.1)	121.4
Overdrafts	(4.8)	23.5	(28.3)	(23.4)	0.4	(5.3)
	280.3	78.2	202.1	86.7	(0.7)	116.1
Debt due after more than one year	(3.4)	9.0	(12.4)	19.1	3.0	(34.5)
Total	276.9	87.2	189.7	105.8	2.3	81.6



# Notes to the Accounts

## 24. OPERATING LEASE OBLIGATIONS

	2005		Group		2004	
	Land and buildings £m	Other £m	Land and buildings £m	Other £m	Land and buildings £m	Other £m
Annual commitments under non-cancellable operating leases which expire:						
Within one year	0.3	1.6	0.6	1.7		
Between two and five years	0.5	3.4	1.0	3.7		
In five years or more	1.6	0.8	0.9	-		
	2.4	5.8	2.5	5.4		

## 25. CONTINGENT LIABILITIES

The company has guaranteed certain bank borrowings of its subsidiary undertakings, amounting to £8.2m at the year end (2004 £22.7m).

## 26. RELATED PARTY TRANSACTIONS

A number of partners of the firm of solicitors Field Cunningham & Co, one of whom is Mr P H Ashworth, perform development related legal work for five of the thirty two operating divisions of the Group. The firm also performs some general legal work for divisions and deals with certain specific Group legal matters. All transactions with the firm have been on normal commercial terms. The amount invoiced during the year ended 30th June 2005 was £977,495 (2004 £802,410) of which £136,680 (2004 £20,795) was outstanding at the year end.

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

## 27. RETIREMENT BENEFITS

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

### a) DEFINED CONTRIBUTION SCHEME

The Group now operates a defined contribution scheme for employees. The service cost of this scheme for the period was £1.2m (2004 £0.9m). At the balance sheet date there were outstanding contributions of £0.1m (2004 £0.1m) which were paid on or before the due date.

### b) DEFINED BENEFIT SCHEME

The Group operates a defined benefit scheme in the UK. A full actuarial valuation was carried out at 1st December 2001 and updated to 30th June 2005 by a qualified independent actuary. The defined benefit scheme is closed to new entrants. The projected unit method has been used to calculate the current service cost. This will rise over time (as a percentage of payroll) as the members of the scheme approach retirement. At the balance sheet date there were outstanding contributions of £0.7m (2004 £0.7m) which were paid on or before the due date.

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

	30th June 2005 Projected unit	30th June 2004 Projected unit	30th June 2003 Projected unit
Valuation method			
Inflation rate	2.75%	3.00%	2.60%
Salary increase	4.75%	5.00%	4.60%
Rate of increase: for pensions in payment	2.75%	3.00%	2.60%
for deferred pensions	2.75%	3.00%	2.60%
Discount rate	4.95%	5.70%	5.25%

	Long term rate of return at 30th June 2005	Value at 30th June 2005 £m	Long term rate of return at 30th June 2004	Value at 30th June 2004 £m	Long term rate of return at 30th June 2003	Value at 30th June 2003 £m
SCHEME ASSETS						
Equities	6.75%	69.5	7.50%	55.2	7.00%	59.0
Bonds	4.55%	45.4	5.70%	36.7	5.25%	9.3
Other	4.00%	0.8	4.00%	0.2	4.50%	5.1
Market value of assets		115.7		92.1		73.4
Present value of liabilities		(197.2)		(145.9)		(139.0)
Deficit		(81.5)		(53.8)		(65.6)
Deferred tax asset		24.4		16.1		19.7
Net pension deficit		(57.1)		(37.7)		(45.9)

# Notes to the Accounts

## 27. RETIREMENT BENEFITS (continued)

	2005 Group £m	2004 Group £m
<b>GROUP NET ASSETS</b>		
Net assets excluding net pension deficit	1,352.0	1,116.1
SSAP24 adjustment	3.8	5.4
Deferred tax	(1.1)	(1.6)
Net pension deficit	(57.1)	(37.7)
Net assets including net pension deficit	1,297.6	1,082.2

	2005 Group £m	2004 Group £m
<b>GROUP PROFIT AND LOSS ACCOUNT</b>		
Net profit and loss account excluding net pension deficit	1,129.9	901.4
SSAP24 adjustment	3.8	5.4
Deferred tax	(1.1)	(1.6)
Net pension deficit	(57.1)	(37.7)
Profit and loss account including net pension deficit	1,075.5	867.5

### AMOUNT CHARGEABLE TO OPERATING PROFIT IN RESPECT OF DEFINED BENEFIT SCHEME

	Year to 30th June 2005 £m	Year to 30th June 2004 £m
Current service cost	5.6	5.4
Past service cost	–	–
	5.6	5.4

	Year to 30th June 2005 £m	Year to 30th June 2004 £m
<b>NET RETURN ON PENSION SCHEME</b>		
Expected return on pension scheme assets	6.4	5.1
Interest on pension liabilities	(8.4)	(7.4)
Net return	(2.0)	(2.3)

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

	Year to 30th June 2005 £m	Year to 30th June 2004 £m
Actual return less expected return on assets	8.9	5.4
Experience gains and losses on liabilities	(7.2)	–
Changes in assumptions	(31.1)	5.8
Actuarial (loss)/gain recognised in STRGL	(29.4)	11.2
Adjustment due to surplus cap	–	–
Net (loss)/gain recognised	(29.4)	11.2

	Year to 30th June 2005 £m	Year to 30th June 2004 £m
<b>MOVEMENT IN DEFICIT DURING THE YEAR</b>		
Deficit in scheme at beginning of year	(53.8)	(65.6)
Movement in year:		
Current service cost	(5.6)	(5.4)
Contributions	9.3	8.3
Past service costs	–	–
Net return on assets	(2.0)	(2.3)
Actuarial (loss)/gain	(29.4)	11.2
Deficit in scheme at end of year	(81.5)	(53.8)

## Notes to the Accounts

### 27. RETIREMENT BENEFITS (continued)

	2005 £m	Year to 30th of June		2002 £m
		2004 £m	2003 £m	
<b>HISTORY OF EXPERIENCE GAINS AND LOSSES</b>				
Difference between expected and actual return on scheme assets:				
amount	<b>8.9</b>	5.4	(10.9)	(15.7)
percentage of scheme assets	<b>8%</b>	6%	15%	21%
Experience gains and losses on scheme liabilities:				
amount	<b>(7.2)</b>	–	0.3	0.4
percentage of scheme liabilities	<b>4%</b>	–	1%	1%
Total amount recognised in statement of total recognised gains and losses:				
amount	<b>(29.4)</b>	11.2	(26.5)	(29.0)
percentage of scheme liabilities	<b>15%</b>	8%	19%	26%

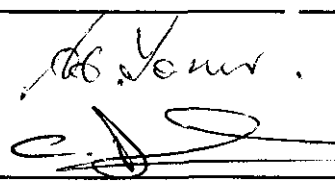
## Company Balance Sheet at 30th June 2005

	Note	2005 £m	2004 £m
<b>FIXED ASSETS</b>			
Tangible assets	10	<b>0.4</b>	–
Investment in subsidiary undertakings	11	<b>60.7</b>	60.7
		<b>61.1</b>	60.7
<b>CURRENT ASSETS</b>			
Debtors due within one year	13	<b>204.2</b>	248.9
Debtors due after more than one year	13	<b>61.6</b>	61.6
Bank and cash		<b>248.3</b>	218.1
		<b>514.1</b>	528.6
<b>CURRENT LIABILITIES</b>			
Creditors due within one year	14	<b>(72.7)</b>	(150.7)
<b>NET CURRENT ASSETS</b>		<b>441.4</b>	377.9
<b>NET ASSETS</b>		<b>502.5</b>	438.6
<b>CAPITAL AND RESERVES</b>			
Called up equity share capital	18	<b>24.2</b>	24.0
Share premium	19	<b>197.9</b>	190.7
Profit and loss account	19	<b>280.4</b>	223.9
<b>EQUITY SHAREHOLDERS' FUNDS</b>		<b>502.5</b>	438.6

Approved by the Board on 13th October 2005

C G Toner  
C A Dearlove

Directors



## Five Year Record and Financial Calendar

### FIVE YEAR RECORD

Year	2005	2004	2003 Restated	2002 Restated	2001 Restated
Group turnover £m	<b>2,512.7</b>	2,516.0	2,171.0	1,799.4	1,509.1
Profit before tax £m	<b>406.6</b>	367.7	288.7	220.0	178.4
Share capital and reserves £m	<b>1,352.0</b>	1,116.1	908.9	741.8	619.4
Per ordinary share:					
Earnings (basic) pence	<b>123.6</b>	111.4	89.1	68.6	55.1
Dividend pence	<b>26.98</b>	21.58	17.26	14.38	13.07
Net assets pence	<b>559</b>	465	381	312	264
Dividend cover	<b>4.6</b>	5.2	5.2	4.8	4.2

### FINANCIAL CALENDAR

Announcement of results:		Dividends:	
Half year	23rd March 2005	Interim paid	20th May 2005
Full year	28th September 2005	Final proposed	18th November 2005
Annual Report posted to shareholders		19th October 2005	
Annual General Meeting		17th November 2005	

# Independent Auditors' Report

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## **Independent auditors' report to the members of Barratt Developments PLC**

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

## **Respective responsibilities of directors and auditors**

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

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

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

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

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

## **Basis of audit opinion**

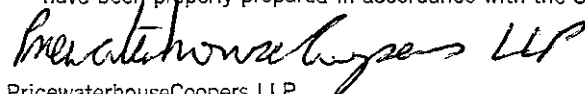
We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the auditable part of the directors' remuneration report. It also includes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

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

## **Opinion**

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the company and the group at 30th June 2005 and of the profit and cash flows of the group for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- those parts of the directors' remuneration report required by Part 3 of Schedule 7A to the Companies Act 1985 have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
Newcastle upon Tyne

13th October 2005

# Group Structure and Directory

## GROUP OFFICE

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

## PRINCIPAL SUBSIDIARY UNDERTAKINGS

### UK HOUSEBUILD

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

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

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

### COMMERCIAL PROPERTY

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

### BARRATT HOMES LTD

#### Northern Region

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

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

**Barratt Leeds,**  
Premier House,  
14 Royds Hall Road,  
Pavilion Business Park,  
Leeds,  
LS12 6AJ.  
Tel: 0113 279 0099  
Fax: 0113 279 0038

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

**Barratt York,**  
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Poppleton,  
York,  
YO26 6PH.  
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Fax: 01904 781665

#### Central Region

**Barratt Central,**  
Worrall House,  
683 Chester Road,  
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Fax: 0161 877 6070

**Barratt Chester,**  
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Ellesmere Port,  
South Wirral,  
Cheshire, CH65 9HQ.  
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Fax: 0151 357 4801

**Barratt East Midlands,**  
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16 Regan Way, Chilwell,  
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Fax: 0115 973 2329

**Barratt Manchester,**  
Worrall House,  
683 Chester Road,  
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Fax: 0161 848 7332

**Barratt Northampton,**  
900 Pavilion Drive,  
Northampton Business Park,  
Northampton, NN4 7RG.  
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Fax: 01604 664501

**Barratt Sheffield,**  
Barratt House,  
Newton Chambers Road,  
Thorncliffe Park,  
Chapelton,  
Sheffield, S35 2PH.  
Tel: 0114 257 2500  
Fax: 0114 257 2501

**Barratt West Midlands,**  
Trinity Point,  
New Road, Halesowen,  
West Midlands, B63 3HY.  
Tel: 0121 585 5303  
Fax: 0121 585 5304

#### West Region

**Barratt West,**  
Barratt House,  
Almondsbury Business Centre,  
Woodlands, Almondsbury,  
Bristol, BS32 4QH.  
Tel: 01454 202202  
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