

Immediate release

**Barratt Developments PLC
Annual Results Announcement
for the year ended 30 June 2013**

Significantly improved results; investing for the future

Barratt Developments PLC (the 'Company') is today issuing its final results for the Company and its subsidiaries (the 'Group') for the year ended 30 June 2013.

Mark Clare, Group Chief Executive, commented: "These are significantly improved results and we have had a very strong start to the new financial year. We are seeing the housing market recovery starting to spread beyond London and the south east with a 29.4% increase in our average net private reservation rate across the Group. Our £2.6 billion commitment to land investment since 2009 puts us in a good position to capitalise on these market trends. We have already increased our completion volumes by over 20% in the past two years and expect to deliver around 45,000 new homes over the next three years."

Full year highlights

- Group revenues up by 12.2% for the full year to £2,606.2m (2012: £2,323.4m), with completions (including joint ventures) of 13,663 units (2012: 12,857 units)
- Average selling prices¹ increased to £194,800 (2012: £180,500) with private average selling prices increasing by 6.0% to £213,900 (2012: £201,800)
- Group operating profit before operating exceptional items for the full year up by 32.2% to £252.7m (2012: £191.1m)²
- Operating margin³ increased to 10.4% (2012: 9.5%) in the second half and to 9.7% for the full year, up from 8.2% in the prior full year
- Profit before tax and exceptional items increased by 73.7% to £192.3m (2012: £110.7m)⁴
- Net debt at 30 June 2013 significantly reduced to £25.9m (2012: £167.7m)

Outlook

- Very strong start to the new financial year with a 29.4% increase in average net private reservations per week per active site for the first ten weeks compared with the same period last year
- Private forward sales up 44.4% to £880.4m as at 8 September 2013 (9 September 2012: £609.6m)
- Continue to see good opportunities in the land market that meet our minimum hurdle rates of 20% gross margin and 25% return on capital employed ('ROCE')
- Group has outperformed on its target to reduce indebtedness and going forward expects to maintain an appropriate capital structure
- Focus on driving significant improvement in ROCE with an 18% ROCE target set for FY16
- The Board is proposing a final dividend of 2.5 pence per share payable in November and is adopting a progressive dividend policy with a target of three times dividend cover for FY16

¹ Unless otherwise stated all numbers exclude joint ventures

² Profit from operations was £249.9m (2012: £191.1m) including operating exceptional items of £2.8m (2012: £nil)

³ Operating margin is profit from operations before operating exceptional costs divided by Group revenue

⁴ Profit before tax was £104.8m (2012: £100.0m) including exceptional items of £87.5m (2012: £10.7m)

Certain statements in this document may be forward looking statements. By their nature, forward looking statements involve a number of risks, uncertainties or assumptions that could cause actual results to differ materially from those expressed or implied by those statements. Forward looking statements regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. Accordingly undue reliance should not be placed on forward looking statements.

There will be an analyst and investor meeting at 9.00am today at Deutsche Bank, Winchester House, 1 Great Winchester Street, London EC2N 2DB. The presentation will be broadcast live on the Barratt Developments corporate website, www.barrattdevelopments.co.uk, from 9.00am today. A playback facility will be available shortly after the presentation has finished.

A listen only function will also be available.
Dial in: 0800 953 1287
International dial in: +44 (0) 1452 560297
Access code: #31757241

Further copies of this announcement can be obtained from the Company Secretary's office at: Barratt Developments PLC, Barratt House, Cartwright Way, Forest Business Park, Bardon Hill, Coalville, Leicestershire, LE67 1UF.

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Chairman's Statement

Stronger market conditions, coupled with the extensive improvements in our operational performance, have led to a significant improvement in the financial results and the outlook for the Group.

As a result we have made rapid progress towards our strategic objectives of enhancing profitability, reducing indebtedness to achieve a more appropriate capital structure and improving return on capital.

Profit before tax and exceptional items increased by 73.7% to £192.3m (2012: £110.7m) and operating margin improved to 9.7% (2012: 8.2%). Net debt has been reduced to £25.9m (2012: £167.7m) at the year end and the business has refinanced ahead of schedule.

At the same time, we are creating a platform for future growth by agreeing the purchase of a further £1 billion of high margin land during the year. Our improved sales rates meant that we finished the financial year with a much enhanced forward sales position.

An improving market

The fundamental drivers of the new homes market in the UK are consumer confidence and the availability of mortgage finance, particularly at higher loan to values. Confidence in the UK housing market has started to grow, particularly during our final quarter, against the backdrop of a more stable economic outlook.

Significant progress has been made on the availability of finance for customers and the mortgage providers' capacity to lend has slowly improved. This has been accelerated by a series of Government mortgage initiatives - FirstBuy, NewBuy and Help to Buy.

The NewBuy mortgage indemnity scheme launched in March 2012 (and coupled with the FirstBuy equity share scheme that launched in summer 2011) made 90-95% mortgages for new build properties more widely available at more competitive rates. Whilst we made good use of both of the schemes, we saw a step change in demand for new homes with the launch of the Help to Buy (Equity Loan) scheme in April 2013.

Tackling the shortage of homes

Whilst there are signs that the market for new homes is improving and build rates are starting to respond, the shortage of homes of every tenure cannot be fully resolved in the short-term. It is conservatively estimated that as a nation to satisfy demand from household formation we should build around 260,000⁵ homes per annum but we are building around 135,000⁶. The social and economic consequences of this housing shortage are considerable.

We support the attempts of the Government to accelerate the supply of new homes by providing the ability to buy and also by addressing the longer term supply issues of land availability and planning.

Our land buying has accelerated and last year we agreed to acquire land for 18,536 homes (2012: 12,085 homes). Since 2009 we have agreed to invest £2.6 billion in new land which is being brought through planning and into production at the earliest opportunity. The land that we have secured is transforming the business. It will boost production and continue to drive our margin growth.

We have already increased our completion volumes by over 20% in the past two years and expect to deliver around 45,000 new homes over the next three years.

Pursuing quality

For the last five years, the Group has focused on improving every aspect of its operational performance and during the year I have seen at first-hand the result of the changes we have made. We have developed a compelling business model which has at its core targeted land buying, effective planning, outstanding design and construction excellence, all backed by an industry leading customer experience.

The quality of our operations is improving year after year at every point of our process. Design, build quality and customer service are all areas where our performance continues to be strong.

⁵ Source: Department of Communities and Local Government, Welsh Assembly and Scottish Government

⁶ Source: Department of Communities and Local Government, 2012 completed dwellings

I was particularly pleased to see the results of the NHBC 'Pride in the Job' Awards where our site managers secured more awards for quality workmanship than has ever been achieved by any housebuilder. We have now led the industry for nine consecutive years. We remain a 5 Star builder and we are the only national housebuilder to achieve that recognition for four consecutive years.

Employees

All our employees have played their part in delivering significant operational improvements. The Board is grateful for their efforts and is delighted that so many have bought shares in the Company and are benefiting from its success.

We are committed to investing in our workforce both to underpin quality and also to address the longer term skills issues that the industry faces as it increases output. The training we offer across a range of disciplines via our Barratt Academy and our graduate programme are now widely regarded as industry leading. We have launched a series of new initiatives including the recruitment of around 600 apprentices, graduates and paid interns over the next three years. We will also support 100 people through a unique Housebuilding Foundation Degree Programme delivered in partnership with Sheffield Hallam University.

The Board

We have recruited Nina Bibby to the Board as a Non-Executive Director and she brings with her extensive consumer marketing experience from a range of sectors including financial services.

Bob Davies retired from the Board after nearly nine years. Rod MacEachrane has decided to retire from the Board at the 2013 Annual General Meeting after nearly eight years on the Board. Their wise counsel and contributions will be missed.

Dividend

The Board recognises the importance of both capital growth and dividend income to our existing and potential shareholders. We are proposing to recommence dividend payments with a final dividend of 2.5 pence per share, which is covered around six times by adjusted basic earnings per share. The Board will adopt a progressive dividend policy as profitability grows, with the aim, for the year ending 30 June 2016, of achieving a target dividend cover of around three times.

The future

Our strategy continues to deliver a significantly improved business performance. In a recovering housing market, we would expect to achieve our objectives for the business earlier than previously anticipated. Whilst maintaining our disciplined approach, we will use the outstanding capability of the organisation to deliver significantly improved performance by continuing to secure the right land opportunities and delivering the highest quality homes for our customers.

Bob Lawson

Chairman

Group Chief Executive's Review

We have delivered a strong set of results and put in place the foundations for a further year of growth. We have a clear strategy that the business continues to implement in a disciplined way as the housing market starts to show signs of improvement.

In the year, we have increased revenues by 12.2%, our operating margin has increased by 150 basis points and our profit from operations before operating exceptional items has improved by 32.2%. We have reduced net debt by £141.8m to £25.9m (2012: £167.7m) at 30 June 2013.

This improved performance has been achieved against market conditions that were stable in the first three quarters of our financial year and showed signs of sustainable improvement in our final quarter. We have continued to focus on improving every aspect of our business model to ensure that we are in a good position to capitalise on future market growth.

We have accelerated our land acquisition, agreeing to purchase 18,536 plots (2012: 12,085 plots) during the year with a value of £1,047.3m (2012: £578.1m).

We are confident that we can make further progress in the year ahead.

Improving Performance

During the year, we have seen improvements in each key financial performance indicator.

Revenue for the year increased to £2,606.2m (2012: £2,323.4m) with completions (including joint ventures ('JVs')) increasing to 13,663 (2012: 12,857). Private completions were 10,978 (2012: 9,832) and affordable completions were 2,268 (2012: 2,805). The reduction in affordable completions is explained by the timing of new development site starts. We expect the long-term average mix of affordable units to be between 18% and 20%. JV completions in which the Group had an interest were 417 (2012: 220).

We have a geographical balance to our business. 17.7% of completions (including JVs) were in Scotland and northern England, 17.4% in the north west and west Midlands, 17.7% in eastern England and south Midlands, 11.6% in London, 16.4% in southern England and 19.2% in the south west.

Average net private reservations per active site per week improved by 11.5% from 0.52 last year to 0.58 this year. Average site numbers for the year were stable at 381 (2012: 381). We also operated from an average of 6 (2012: 5) JV sites during the year.

Our sales performance in our second half was excellent, reaching 0.66 (2012: 0.56) average net private reservations per active site per week, up 17.9% on last year. We saw a particularly strong sales performance in the final quarter of the financial year following the announcement of the Help to Buy (Equity Loan) scheme.

We saw improvements in private reservation rates in all our regions of the country.

Our average selling price increased by 7.9% to £194,800 (2012: £180,500) for the full year. Private average selling prices for the year increased by 6.0% to £213,900 (2012: £201,800).

Profit from operations before operating exceptional items increased by 32.2% from £191.1m to £252.7m. We delivered a significant improvement in operating margin before operating exceptional items to 9.7% (2012: 8.2%) for the full year and to 10.4% (2012: 9.5%) in the second half.

Profit before tax and exceptional items increased by 73.7% to £192.3m (2012: £110.7m). In the year we reported exceptional items of £87.5m related to our refinancing, the monetisation of equity share loans and the impairment of a commercial JV (2012: £10.7m related to the acquisition of a former JV). After exceptional items, profit before tax was £104.8m (2012: £100.0m).

Delivering our strategic objectives

This improved performance has been achieved through our continued focus on building profitability and reducing indebtedness to achieve a more appropriate capital structure; we have made substantial progress on both. With the housing market now starting to improve, the Group is increasingly focused on improving return on capital employed ('ROCE').

Building profitability – acquiring land

The most important factor in the drive to build profitability is acquiring and bringing into production high margin land. In 2009, after a substantial fall in land prices, we started to re-invest in land.

Since re-entering the market we have agreed land purchases of £2,606.7m and in the year we approved £1,047.3m (2012: £578.1m), an increase of 81.2%. During the year total cash expenditure on land was £677.5m (2012: £397.4m). The land that we have acquired more recently and brought into production is transforming the business – it continues to meet or exceed our hurdle rates of 20% gross margin and 25% ROCE⁷. On completed sites acquired since 2009, we have achieved an average gross margin of 21%.

In the year, around half of our completions were from more recently acquired higher margin land. We continue to expect that around two thirds of completions will come from this higher margin land in the year to 30 June 2014. The proportion of impaired plots in the owned and controlled land bank fell to 7% (2012: 12%).

In addition, we have c. 11,400 acres (2012: c. 10,500 acres) of strategic land, which we actively manage to obtain the necessary planning consents. In the year, 2,557 plots (2012: 701 plots) were transferred from strategic land to our operational land bank. Strategic land is expected to produce an increasing proportion of our operational land in future years.

We continue to seek to defer payment for new land where possible so as to drive a higher ROCE. Land creditors were 35% (2012: 35%) of the owned land bank at 30 June 2013.

Building profitability – optimising prices

An important part of our strategy has been to improve the quality of our homes in terms of location, design and construction quality. This in turn has helped to underpin our determination to secure a competitive advantage and to ensure that we get the right price for the outstanding homes we build.

The changing nature of the homes we build – more large family homes and fewer apartments outside London – led to an increase in the average private selling price. Larger family homes accounted for 27% of completions, up from 24% in the prior year. Private average selling price increased from £201,800 to £213,900 for the full year and in the second half increased year on year from £203,200 to £221,500 – an increase of 9.0%.

Overall prices during the period remained stable with some local variations and we continued to see strength in the London and south eastern market.

Building profitability – improving efficiency

Improving efficiency remains a priority for the Group. We continue to standardise the building of our homes, centralise procurement and share best practice. We regularly benchmark efficiency measures across divisions.

In the year, the majority of materials, including subcontractor materials, were centrally procured. This ensures consistent quality and costs across the Group as well as securing a supply chain for our 27⁸ divisions.

All of our significant supply contracts are fixed in advance, usually for twelve months. During 2013 we saw some price increases in bricks, blocks and plastic plumbing. However our overall price increase on centrally procured materials was less than 1%.

For FY14 we continue to put supplier agreements in place to ensure continuous availability of materials and overall we expect low single-digit cost increases. We will continue to work to ensure these increases are offset by further build efficiencies wherever we can.

⁷ Site ROCE on land acquisition is calculated as site operating profit (site trading profit less sales overheads less allocated administrative overheads) divided by average investment in site land, work in progress and equity share.

⁸ During the year ended 30 June 2013, we operated from 25 divisions. On 1 July 2013 we opened an additional division in Aberdeen. We are also in the process of opening a central London division, which will be fully operational in November 2013.

Reducing indebtedness – to achieve a more appropriate capital structure

Our progress on reducing indebtedness has been significantly ahead of expectations with net debt as at 30 June 2013 reduced to £25.9m (2012: £167.7m). This reduction has been achieved whilst we have continued to invest in land and indeed increased the rate of new land approvals. The strong performance on indebtedness in the year was the result of our improved trading performance combined with strong control of working capital.

Now that we have largely achieved our target of zero year end net debt, we believe the appropriate capital structure for the Group is that land and long-term work in progress are funded by shareholders' funds and land creditors. The use of land creditors drives a higher ROCE and we continue to expect land creditors to equate to around 35% of the owned land bank in current market conditions. The lending syndicate will fund short and medium-term work in progress.

Our improved financial position enabled the Company to agree a comprehensive refinancing package a year ahead of schedule, which provides us with more appropriate lending facilities in terms of both interest costs and duration.

Following our refinancing, we now have committed borrowing facilities of around £850m at attractive terms with maturities ranging from 2016 to 2021. We have repaid historic high cost private placement notes early and cancelled historic interest rate swaps. As a result the underlying average interest rate for the Group (excluding historic interest rate swaps) will fall to c. 4.5%.

The reduction of our indebtedness also reflects the monetisation of part of our equity share loan portfolio. This has been achieved by entering into a JV with a fund managed by Anchorage Capital and transferring equity share loans made between 1 January 2009 and 31 December 2011 to that JV. Anchorage has acquired a 50% interest in the JV for £33.7m.

Driving return on capital employed

The Group is focused on driving a significant increase in ROCE⁹ and is targeting a ROCE of 18% for FY16. All land acquired since 2009 has required a minimum ROCE hurdle of 25%. On completed sites acquired since 2009, we have achieved an average ROCE of 39%. In the year ended 30 June 2013 the Group generated a ROCE of 11.5% (2012: 8.3%).

We operate a fast asset turn operating model and the capital employed on our newer sites is already around a third lower than on our older sites.

We are focused on cashing in our low returning assets. In addition to the part sale of the equity share loan portfolio, we received proceeds of £35.4m for the sale of low return land during the year and we are continuing to reduce our commercial assets by developing them out or selling those already completed.

A proven business model

To deliver our objectives we have a strong business model and we are continuing to drive operational improvements in every aspect of our business. At the heart of our business model is targeted land buying, effective planning, outstanding design, construction excellence and an industry leading customer experience. This is supported by significant investment in the training and the quality of our workforce.

Targeted land buying

Our land purchase successes are based on the extensive local knowledge of our divisional teams and strong local relationships with land owners, combined with detailed assessments of local market conditions.

We have developed a series of target locations based on the availability of land, housing market conditions and the likelihood of obtaining planning. We see a good range of opportunities for investment in our targeted locations without undue concentration and without relaxing our 20% gross margin or 25% ROCE hurdle rates.

In the year as a whole we were successful in agreeing the acquisition of 18,536 plots (2012: 12,085 plots) of land, a 53.4% increase on the prior year. Our owned and controlled land bank now stands at 4.4 years (2012: 4.1 years) against a target of 4.5 years. We also have 6,174 plots (2012: 4,186 plots) of approved

⁹ ROCE is calculated as earnings before interest, tax and operating exceptional items divided by average net assets adjusted for goodwill and intangibles, tax, cash, loans and borrowings, retirement benefit obligations and derivative financial instruments.

land and c. 11,400 acres (2012: c. 10,500 acres) of strategic land, equivalent to c. 59,800 plots (2012: c. 61,000 plots). At 30 June 2013, our JVs had an owned and controlled landbank of 2,006 plots (2012: 1,583 plots), of which 1,446 plots (2012: 1,208 plots) are in London.

A strong competitive advantage for the Group is our ability to source land from the public sector. We have a specialist unit, Barratt Partnerships, which together with local divisions won 23 sites covering 4,320 units with a gross development value ('GDV') of £1,023m during the year. These sites included Ladywell Village, Catford, Milford Hospital, Godalming and the remaining phases of Derwenthorpe in York.

During the year we were appointed to all of the retendered Development Partner Panels. It is likely that public sector land disposal will increase in importance as a target has been set by Government to release sufficient land to build 100,000 homes.

We believe that our proven track record in winning and delivering complex schemes on former public sector land continues to place the Group in a strong position to benefit from this source of land.

We are increasingly proactive in the strategic land market and in the year we agreed option and promotion agreements on 1,611 acres and 11,762 plots of strategic land. Our strategic land portfolio is expected to produce an increasing proportion of our operational land in future years.

Planning

An important part of bringing land into production is the planning process. We have seen some improvements in this area both as a result of changes in Government policy and operational improvements within our business.

Following the implementation of the Government's National Planning Policy Framework, there are stronger incentives for local authorities to put in place five year land supplies. That in turn is leading to an improved dialogue between local authorities and our divisions.

Consultation with local people is playing a more important part in the planning process. We have overhauled how we consult with local people and have implemented a new approach, which is aimed at engaging with all key stakeholders.

Nevertheless, the planning process remains a lengthy one, and on average it takes us around 70 weeks from agreeing to purchase the land to achieving full or outline planning consent. The length of the planning process will remain a restriction on the speed at which housing supply can increase.

During the year, we achieved planning on 14,964 plots (2012: 13,159 plots) and as at 30 June 2013 we had detailed planning consent for 95% of our expected FY14 completions and outline consent for a further 3%.

Design

We aim to design homes and places where people aspire to live. We are continuing to invest in our new product range and during the year, 27% of our private completions outside London were from our new ranges. The new product ranges offer improved external designs, with better use of space and more light internally.

We have continued to emphasise the importance of design in creating attractive places to live. We have used our own design code, Q17, extensively throughout the Group to ensure our developments, as well as the individual homes, incorporate best design practice. We are now introducing a new initiative, Great Places, to ensure that we build attractive, functional and sustainable places. It will incorporate the Design Council's Building for Life 12, the industry standard for well-designed neighbourhoods. All relevant staff, including the Executive Committee, will be trained in the Building for Life 12 principles.

This year, we won two prestigious Housing Design Awards; one for our plans for Evolution South in London and one for our Derwenthorpe site in York, developed in conjunction with the Joseph Rowntree Housing Trust.

Designing and building homes that meet the environmental challenges of the future remains a significant issue for the industry. This year, we have completed our AIMC4 project that aims to establish how best to meet higher environmental standards without the need for renewable technology. We have also made good progress at Hanham Hall, Bristol, one of the most environmentally advanced housing developments in the United Kingdom.

Construction excellence and efficiency

Quality of construction is a key priority for the Group. It underpins our brands and the attractiveness of our homes to potential buyers. This year our site managers won 102 NHBC 'Pride in the Job' Awards – the most awards a housebuilder has ever won and an industry leading performance for the ninth consecutive year.

We are continuing to invest in our people to ensure that this track record is maintained. We plan to take on around 600 apprentices, graduates and paid interns over the next three years with a clear career path for all of them. We will also support 100 people to follow a unique Housebuilding Foundation Degree Programme delivered in partnership with Sheffield Hallam University.

Our health and safety record continues to improve with our reportable injury incidence rate decreasing by 36% to 329 (2012: 511) per 100,000 persons employed. We are committed to seeking to reduce this year-on-year and we are working with our suppliers, partners and local communities to minimise the risk of injury on our sites.

Industry leading customer experience

Customer satisfaction remains at over 90% in terms of whether customers would recommend us to a friend and we achieved the highest HBF grading of 5 Star for the fourth consecutive year, a stronger track record than any other national housebuilder.

During the year, we upgraded our customer websites, our most important sales channel, to improve them and add additional functionality and content. We have also increased our investment in mobile marketing. We track the speed of response to leads from our websites and during the year we responded to 84% of web leads within 24 hours.

We continue to work with our customers to find the most appropriate support for them during the house buying process. 14.0% (2012: 20.5%) used equity share products, 5.8% (2012: 0.5%) used the NewBuy scheme and 15.7% (2012: 15.1%) used our part-exchange scheme. Following the implementation of these schemes, the complexity of the sales process has increased. To address this we have also invested in a structured training programme for all 1,000 of our sales advisers and sales managers. New sales staff will be trained through our Barratt Academy programme.

We launched an in-house management service company for our London developments during the year - Barratt Residential Asset Management ('BRAM'). BRAM will manage the public areas of developments post-completion and ensure a high standard of upkeep and good value for money in terms of service charges. This unique service will provide us with a competitive advantage in terms of service and value to buyers. We currently manage almost 1,500 properties through BRAM.

Our expanding London business

Our London business made significant progress during the year, with 1,362 completions compared with 1,233 in the prior year. In addition, we delivered 224 (2012: 59) JV completions. We are the only national housebuilder with a sizeable central London presence and we are now targeting delivery of 2,000 homes per annum in the medium-term from our London business.

Our ability to design, build and sell complex developments is providing the Group with a competitive advantage in this important market. During the year, excluding JVs, we agreed seven new sites which will result in 2,046 new homes for London and have a total GDV of over £820m.

Our London business has developed a number of strong joint venture partnerships over the last couple of years including those with L&Q, Metropolitan Housing, Morgan Stanley Real Estate Investing and British Land. These relationships have allowed us to maximise opportunities within London, whilst managing risk and the allocation of capital. Through increasing our outlets in central London we have increased customer awareness, raised our profile with land agents and seen increased access to land opportunities. Including JVs announced after the year end, these partnerships have sites with a GDV of over £2 billion, totalling around 4,800 units with an average selling price of c. £430,000.

At 30 June 2013, our London business had 4,864 (2012: 3,862) owned and controlled landbank plots, with an interest in a further 1,446 (2012: 1,208) plots within the owned and controlled landbank of our JVs.

Current trading

In the first ten weeks of the current financial year, the sales performance across the Group has been very strong. Average net private reservations per active site per week have increased by 29.4% to 0.66 (FY13 equivalent period: 0.51) driven by the improved market and a pull forward of our autumn sales and marketing campaign. Help to Buy has been used in 29.0% of total reservations. Net pricing has firmed in the financial year to date as we have been able to reduce our sales incentives compared to the same period last year by approximately 150 to 200 basis points.

As at 8 September 2013, total forward sales (excluding JVs) for the Group were up 59.5% at £1,231.3m (9 September 2012: £772.2m), equating to 6,676 plots (9 September 2012: 4,439 plots). Private forward sales as at 8 September 2013 increased by 44.4% to £880.4m (9 September 2012: £609.6m).

The gross margin in the forward order book has increased year-on-year by around 250 basis points primarily as a result of reservations on higher margin sites acquired since 2009, coupled with reduced sales incentives.

JV total forward sales at 8 September 2013 were £164.3m (9 September 2012: £43.4m), equating to 325 plots (9 September 2012: 163 plots). JV private forward sales were £156.3m (9 September 2012: £37.5m).

Outlook

Current market conditions are very positive. We have seen a significant step-up in consumer demand and mortgage supply, enhanced by the introduction of the Government Help to Buy scheme.

The strength of current trading and our forward order book, coupled with the expected delivery of around two thirds of completions from higher margin land, gives us confidence of another substantial improvement in performance in FY14.

We are targeting total completions of c. 16,000 units (including JVs) from our current operating structure and, given continued strength in the market, believe this is achievable in the year to 30 June 2016. We continue to see a strong pipeline of land acquisitions that meet or exceed our hurdle rates with no assumption of future price inflation.

Our focus remains on building profitability, maintaining an appropriate capital structure and substantially improving our return on capital employed, with a target ROCE of 18% for the year ended 30 June 2016.

Mark Clare

Group Chief Executive

Group Finance Director's Review

We have delivered another year of impressive profit growth and have further reduced net debt, whilst continuing to purchase land that will result in further improvements in margin. We have also comprehensively refinanced the business. We are well placed to make further good progress in 2014.

Key performance metrics

Our key performance metrics for the financial year were as follows:

- Revenue was £2,606.2m (2012: £2,323.4m)
- Completions, including joint ventures, increased by 6.3% to 13,663 (2012: 12,857)
- Profit from operations before operating exceptional items increased by 32.2% to £252.7m (2012: £191.1m)
- Profit from operations was £249.9m (2012: £191.1m)
- Operating margin before operating exceptional items was 9.7% (2012: 8.2%)
- Profit before tax before exceptional items increased by 73.7% to £192.3m (2012: £110.7m)
- Profit before tax was £104.8m (2012: £100.0m)
- Adjusted basic earnings per share before exceptional items was 14.6p (2012: 8.1p)
- Net debt was £25.9m (2012: £167.7m)

Significant transactions

During the year we completed a number of significant transactions to further strengthen and enhance our financial position and performance.

Comprehensive refinancing

As a result of our much improved financial performance, on 14 May 2013 we completed a comprehensive refinancing a year ahead of schedule, and achieved committed borrowing facilities at attractive terms over a period of up to eight years. The refinancing provides the Group with around £850m of committed borrowing facilities to June 2016 and £650m to May 2018 with some of these facilities extending as far as 2021.

The refinancing elements are detailed below:

Future facilities

- New £700m committed bank revolving credit facility, reducing to £550m in June 2016 and maturing in May 2018;
- Retention of the US\$80m of private placement notes that were issued in May 2011 and mature in August 2017, swapped into sterling equating to a £48m fixed-rate loan; and
- Retention of the £100m term loan from The Prudential/M&G UK Companies Financing Fund that was drawn in July 2011, of which 25% is scheduled to be repaid in 2019, 25% in 2020 and the balance in 2021.

Covenants

The covenants reflect a normalised lending package including a return to an interest cover covenant (as opposed to cash cover introduced in 2008) being tested alongside tangible net asset value and gearing covenants.

Prepayment of historic private placement notes

The Group's historic private placement notes that were issued in 2007 and 2008 (amounting to £151.9m equivalent at 30 June 2013), together with the associated cross currency swaps, were cancelled on 2 July 2013. The average interest payable on these notes was around 11.4%. These notes had interest payable make-whole provisions that were calculated at 300 basis points below the interest coupon. Accordingly, given the downward trajectory of Group debt there was both the opportunity and financial incentive for the Group to exercise its prepayment rights.

The interest make-whole of £53.0m is included in the exceptional finance charge in the income statement.

Cancellation of historic interest rate swaps

The Group's interest rate swaps were inceptioned in 2007. The Group has cancelled £55m nominal value of interest rate swaps resulting in an exceptional finance charge of £18.5m in the year ended 30 June 2013. After this cancellation, the Group has interest rate swaps remaining with a nominal contracted value of £137m. These will be cancelled in the future as appropriate. The cancellation cost for these remaining swaps as at 30 June 2013 was c. £30m.

Monetisation of equity share

In line with our previously stated aim to monetise this asset, on 13 May 2013 we entered into a joint venture, Rose Shared Equity LLP ('Rose'), with a fund managed by Anchorage Capital Group LLC ('Anchorage'). The Group's equity share loans that originated in the period from 1 January 2009 to 31 December 2011 were sold to Rose.

Anchorage acquired a 50% interest in Rose for £33.7m. Anchorage will receive its initial investment back by way of preferred return and then the partners will share equally all subsequent cash proceeds from the portfolio.

This transaction resulted in no gain or loss compared to the net book value of the assets being monetised.

The Group will continue to actively manage its equity share loan portfolio to optimise cash receipts.

Joint ventures

In the last three years we have developed a JV model mainly for our London region. Operationally, this provides us with a greater consumer presence and also creates more activity in the land market. Financially, it reduces peak investment per site, reduces concentration risk and enhances ROCE. During the year, we have entered into two new housebuilding JVs comprising Fulham Wharf LLP and Barratt Wates (Worthing) Limited.

Since 30 June 2013, we have also entered into a JV with a fund managed by Morgan Stanley Real Estate Investing to build 770 homes on a riverside site in the Royal Borough of Greenwich.

Review of financial performance

Operating performance and segmental analysis

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

An analysis of the operational performance of these segments is provided within the Business Review.

Exceptional items

The Group incurred exceptional items before tax in the year of £87.5m (2012: £10.7m). This comprised operating exceptional items of £2.8m (2012: £nil), exceptional costs arising from the impairment of its investment in a commercial JV of £5.4m (2012: £10.7m related to the acquisition of a former JV) and exceptional finance costs of £79.3m (2012: £nil).

Operating exceptional items

i) Refinancing and equity share monetisation

As a result of the comprehensive refinancing and the monetisation of equity share in the year, the Group incurred £2.8m of costs, mainly related to professional fees, which have been included as an exceptional operating expense. There is a related tax credit of £0.6m.

ii) Impairment of land and work in progress

The Group has completed a site-by-site impairment review using valuations incorporating forecast sales rates and average selling prices that reflect both current and anticipated trading conditions. The impairment reviews include low single-digit house price and build cost inflation assumptions in future periods.

Since the overall gross margins achieved across the Group's developments were primarily in line with those incorporated into prior period impairment reviews, no further exceptional impairment was required at 30 June 2013. However, there were gross impairment charges of £35.4m (2012: £48.1m) and reversals of £22.6m (2012: £34.8m) resulting in a net inventory impairment of £12.8m (2012: £13.3m) due to variations in market conditions across housebuilding and commercial development sites.

During the year ended 30 June 2013, we have experienced variation in house price movements by region and should the actual house price movements for the current financial year differ from that expected in the impairment review, then further impairments or reversals in impairments of the carrying value of our land bank may be required.

We recognise that the Group is not immune to future pricing trends in the wider housing market and we will continue to review the trading environment and our impairment assumptions during the year to 30 June 2014.

Financing exceptional items

As a result of the comprehensive refinancing in the year, the Group incurred £79.3m of exceptional finance costs related to the interest make-whole on the private placement notes, the cancellation of cross currency and interest rate swaps and the write-off of fees in respect of the previous refinancing. There is a related tax credit of £18.8m.

In addition, as a result of this refinancing, the Group has incurred fees of £14.9m which are being amortised over the life of the facilities.

Joint venture exceptional item

At 30 June 2013, the Group conducted an impairment review of its share of the inventories included within its JV investments. As a result of this review, the Group impaired its investment in a commercial JV by £5.4m with a related deferred tax credit of £1.3m.

Finance cost

The net finance charge before exceptional costs for the year was £68.0m (2012: £80.8m). This included a non-cash finance charge of £20.5m (2012: £23.2m). After financing exceptional costs of £79.3m (2012: £nil) related to the comprehensive refinancing, the net finance charge for the year was £147.3m (2012: £80.8m).

Following our refinancing, the underlying average interest rate for the Group (excluding historic interest rate swaps) has reduced to c. 4.5%. For the financial year ending 30 June 2014 we currently expect that our cash and non-cash finance charge will be c. £35m and c. £25m respectively.

Tax

The Group's tax charge for the year was £29.8m (2012: £32.6m). This differed from the effective rate for the year of 23.75% mainly due to the impact of the reduction in the statutory corporation tax rate from 24% to 23% and its impact upon the Group's deferred tax asset and adjustments relating to prior periods.

For the financial year ending 30 June 2014 we expect the total taxation charge to be around the effective rate of corporation tax of 22.5%. This excludes the impact of the charge arising from the reduction in the value of the Group's deferred tax asset due to the reduction in the standard rate of corporation tax enacted in the Finance Act 2013.

Dividend

The Board proposes to pay a final dividend of 2.5 pence per share for the financial year ending 30 June 2013, which subject to shareholder approval, will be paid on 20 November 2013 to shareholders on the register at the close of business on 25 October 2013. The dividend was covered around six times by adjusted basic earnings per share. The Board intends to adopt a progressive dividend policy as profitability grows, with the aim of achieving a target dividend cover of around three times for FY16.

Income recognised in equity

During the year an income of £8.8m (2012: expense of £33.9m) has been recognised in equity predominantly in respect of hedged cashflows and hedged cashflows no longer expected to occur.

Review of financial position

The net assets of the Group increased by £99.4m to £3,073.2m (2012: £2,973.8m), primarily reflecting the profit after tax for the year of £75.0m and the income recognised directly in equity including amounts in respect of hedged cashflows and hedged cashflows no longer expected to occur.

Net tangible asset value increased by 4.8% to £2,181.0m (2012: £2,081.6m) and net tangible asset value per share at 30 June 2013 was £2.23 (2012: £2.13 per share).

Significant movements in the balance sheet included:

- The Group's book value of land was £2,127.0m (2012: £2,077.3m), an increase of £49.7m. This increase included land additions of £658.4m offset by land usage and disposals.
- Group work in progress at 30 June 2013 was £1,001.9m (2012: £1,065.5m). Stock and work in progress has been closely controlled throughout the year and the decrease of £63.6m primarily reflects a reduced

stock holding at the year end. Unreserved stock units as at 30 June 2013 were 1.7 units (2012: 2.6 units) per active site.

- Group net debt decreased by £141.8m over the year to £25.9m (2012: £167.7m). As we increase site numbers, make scheduled payments on agreed new land, build work in progress particularly in London, and to deliver completions for spring 2014 we expect net debt at 31 December 2013 to increase in line with normal seasonal trends (2012: £331.7m). Going forward our target is to maintain an appropriate capital structure.
- Goodwill and intangible assets remained at £892.2m as the annual impairment review of the entire housebuilding business and brand indicated that no impairment was required at the year end.
- The Group had a corporation tax asset of £0.4m (2012: £0.4m) and a deferred tax asset of £92.1m (2012: £118.6m). The Group's deferred tax asset decreased by £26.5m mainly due to the reduction in the statutory corporation tax rate to 23% and the utilisation of tax losses. The changes to corporation tax rates announced in the 2013 Budget will further reduce the future value of the Group's deferred tax asset; however, as the changes were not substantively enacted at 30 June 2013 they are not reflected in the Group's financial statements. The reduction in corporation tax rate from 23% to 20%, which has been enacted since the balance sheet date, would further reduce the Group's deferred tax asset by £12.0m if all of the deferred tax was to reverse after July 2015.
- The pension fund deficit on the Barratt Developments defined benefit pension scheme reduced by £8.0m in the year to £13.4m mainly due to employer contributions and actual returns greater than expected returns, offset by changes in actuarial assumptions.
- Trade and other payables were £1,391.9m (2012: £1,361.3m) including an increase of £18.3m in land payables from £726.1m to £744.4m reflecting the significant proportion of newly acquired land on deferred terms.

Treasury

Following our refinancing we have around £850m of committed borrowing facilities to June 2016 and £650m to May 2018 with some of these facilities extending as far as 2021. In order to enable us to take advantage of current opportunities in the land market, we have agreed terms upon an additional £50m two year term loan, which we expect to be available from 1 October 2013. Our covenant package is appropriate and the facilities provide appropriate headroom above our current forecast requirements.

We maintain a regular dialogue with our lending group, holding at least three meetings per annum, where we provide an update on the housing market, our current trading performance and expected performance for the financial year.

The Group has a conservative treasury risk management strategy which includes a current target that 30-60% of the Group's median gross borrowings calculated by reference to the latest three year plan should be at fixed rates of interest. Group interest rates are fixed using both swaps and fixed rate debt instruments.

In conclusion

During the year, the Group has made significant progress in both building profitability and reducing net debt, and has refinanced to provide appropriate facilities for the Group's future funding requirements whilst reducing the effective cost of its facilities.

Our focus remains on building profitability, maintaining an appropriate capital structure and substantially improving our ROCE.

David Thomas

Group Finance Director

Business Review

UK housing market

The UK housing market remained relatively stable during the first nine months of our financial year and showed material signs of improvement during our final quarter.

We have seen an increase in the availability of higher loan to value mortgages and increasingly competitive mortgage rates, largely resulting from the Bank of England's Funding for Lending Scheme.

Government support for the UK housebuilding industry has remained strong with a number of initiatives in place designed to support house purchases and stimulate economic growth. Housing formed a prominent part of the March 2013 Budget with a range of new measures announced, in particular, to improve the supply of mortgage finance. In April 2013, Help to Buy (Equity Loan) was launched, the Government only equity share product available on new build. Since then, we have seen a significant step-up in levels of consumer interest and a strengthening of sales rates.

The Government is also putting in place longer term reforms to the planning system designed to increase the supply of new homes.

In 2012, the number of private industry housing completions has increased to 103,220 (2011: 99,980) according to the Department for Communities and Local Government. In the year ended 30 June 2013, according to the Bank of England, the total number of mortgage approvals for home purchases was 638,174 (2012: 617,676).

Our performance

We continue to deliver against our objectives of increasing profitability, maintaining an appropriate capital structure and driving return on capital employed ('ROCE').

We delivered an increase in profit from operations before operating exceptional items by 32.2% to £252.7m (2012: £191.1m) at a margin of 9.7% (2012: 8.2%). This increase was mainly driven by an increasing proportion of sales from more recently acquired higher margin land and cost control. After operating exceptional items of £2.8m (2012: £nil), our profit from operations was £249.9m (2012: £191.1m).

Profit before tax and exceptional items increased by 73.7% to £192.3m (2012: £110.7m). After exceptional items of £87.5m primarily related to our refinancing (2012: £10.7m related to the acquisition of a joint venture), our profit before tax was £104.8m (2012: £100.0m). Our basic earnings per share were 7.7p (2012: 7.0p).

Our net debt as at 30 June 2013 was significantly reduced to £25.9m (30 June 2012: £167.7m).

Housebuilding

Our housebuilding business has traded well throughout the year. Net private reservations per active site per week were up 11.5% in the year to 0.58 (2012: 0.52). Following the launch of the Government's Help to Buy (Equity Loan) scheme in April 2013, net private reservations per active site per week were up 34.7% in the quarter ending 30 June 2013 to 0.66 (2012: 0.49).

The improvement in our sales rates reflects strengthening market conditions but also the combination of our carefully selected locations, improved house design and development layout and the investment we have made in our industry leading sales and marketing capability. We are seeing particularly good momentum in our London business which continues to strengthen our position as one of the leading housebuilders in the capital.

We have averaged 381 (2012: 381) active sites during the year.

Total completions for the year were 13,663 units (2012: 12,857 units) including 417 JV units (2012: 220 JV units) in which we have an interest. Private completions were up 11.7% on the prior year at 10,978 units (2012: 9,832 units). Affordable housing completions totalled 2,268 units (2012: 2,805 units) representing 17.1% (2012: 22.2%) of completions, with the decrease reflecting the timing of site starts on new developments.

Private average selling price ('ASP') on completions in the year was up by 6.0% on the prior year to £213,900 (2012: £201,800). Overall, we have seen underlying prices remain stable with some improvement

in London and the south east. Our total ASP was up by 7.9% on the prior year, increasing to £194,800 (2012: £180,500).

As a result of the increase in completions and total ASP, housebuilding revenues for the year increased by £305.8m to £2,592.6m (2012: £2,286.8m).

During the year, we used a number of different sales schemes in order to assist customers in purchasing their new homes including both our own and Government-backed schemes. Although the availability of mortgage finance improved during the year, equity share products remained an important sales tool as the availability of mortgage finance at higher loan to value ('LTV') ratios remained constrained. 14.0% (2012: 20.5%) of our completions used equity share products and of these completions, 28.8% used the Help to Buy (Equity Loan) scheme that was launched on 1 April 2013, 58.3% (2012: 65.5%) used other Government-backed initiatives and the remainder used our own equity share schemes.

Our part-exchange offer is an important part of our customer appeal, supporting 15.7% (2012: 15.1%) of our completions in the year. We continue to carefully manage our commitment and exposure to part-exchange stock which stood at £79.0m (2012: £80.2m) at 30 June 2013.

We have continued to drive operational efficiencies through good build controls, the use of standard house types, waste reduction, central procurement, value engineering and re-planning of sites. We will continue to work in partnership with our suppliers to find ways to mitigate increases in material costs whilst continuing to maintain our very high build standards. We will also continue to target additional cost reductions and efficiency savings by further standardisation of our specifications.

The implementation of our strategy has delivered a significant improvement in our housebuilding operating margin before operating exceptional items to 9.7% (2012: 8.3%) for the full year, equating to a profit from operations before operating exceptional items of £252.7m (2012: £189.6m). After operating exceptional items of £2.8m (2012: £nil), the housebuilding profit from operations was £249.9m (2012: £189.6m).

Commercial developments

The commercial property market outside London remains challenging, with a high number of available second-hand properties impacting design and build activity. Weak economic growth and a constrained lending environment also continue to place further restrictions on commercial demand. However, despite these factors, the operating performance from our commercial development segment was satisfactory.

Our commercial development revenue was £13.6m (2012: £36.6m) with a break-even operating position (2012: profit of £1.5m). We completed a profitable land sale, a 30,000 square feet office extension in Nottingham and delivered 148,600 square feet of stock property disposals. We also continue to progress our town centre redevelopment schemes.

Joint ventures

Development on our joint venture ('JV') sites is progressing well, with marketing suites opened during the year at our Altitude and Queensland Terrace developments in central London and the overseas marketing programme launched for Fulham Riverside. During the year JV sales active sites averaged 6 (2012: 5) with total JV completions of 417 units (2012: 220 units) and housebuilding JV profits of £7.8m (2012: £0.8m).

We expect completions and profits from JVs to increase significantly over the next couple of years, reflecting their construction and delivery profile. Our success in securing JVs in London has increased our presence and has strengthened our market position. We will continue to assess JV opportunities which allow us either to access sites that may not otherwise be available, or to reduce the investment required and improve the profitability and ROCE through construction management or marketing fees.

At 30 June 2013, the Group reviewed the value of its share of the inventories included within its JV investments this resulted in an exceptional impairment charge of £5.4m being recognised related to a commercial JV, resulting in a loss of £5.5m (2012: £0.3m) on commercial JVs for the year.

Building new communities

We build homes that meet the needs of our customers and the communities of which they are part. We operate across a broad spectrum of the market, creating homes for sale, shared ownership and affordable rental properties. We work with Government agencies and housing associations on a diverse range of urban regeneration schemes. Private selling prices during the financial year ranged from £52,500 to £1,735,000, with a private average selling price for the year of £213,900 (2012: £201,800).

Delivering land for development

Higher margin, more recently acquired land continues to be brought into production. We delivered almost half of our completions in the year from this land and expect this to increase to around two thirds in FY14, c. 83% in FY15 and c. 90% in FY16. This land continues to deliver in line with or ahead of our required hurdle rates on acquisition, which include a gross margin of at least 20% and a ROCE of at least 25%. As at 30 June 2013, more recently acquired land represented 73% (2012: 57%) of the owned and controlled land bank.

	2013	2012
Our land bank	Plots	Plots
Owned and unconditional plots	44,516	43,897
Conditionally contracted plots	13,138	10,312
Owned and controlled land bank	57,654	54,209
Number of years' supply based upon FY13 completion volumes	4.4 years	4.1 years
Approved plots	6,174	4,186
Acres of strategic land	c. 11,400	c. 10,500
Potential delivery from strategic land plots	c. 59,800	c. 61,000

We continue to reduce our historic land holdings and delivered 18% of completions in the year from impaired land. This has reduced the proportion of impaired plots in the owned and controlled land bank as at 30 June 2013 to 7% (30 June 2012: 12%). Where appropriate, we will also accelerate the utilisation of impaired land through land sales or swaps. In the year we realised £35.4m (2012: £39.0m) of proceeds from land sales.

During the year we have agreed the purchase of £1,047.3m (2012: £578.1m) of land equating to 18,536 plots (2012: 12,085 plots) on 145 sites (2012: 105 sites). Our focus remains both on ensuring we have the land supply necessary to support business growth over the next few years and delivering it in a way that maximises ROCE. We continue to see attractive land opportunities in prime locations across all regions. In particular, we have had good momentum in the London land market, with a total of 1,918 London plots agreed for purchase in the year including Ladywell Village, Catford, Cannon Wharf, Surrey Quays and Blackfriars Road, Southwark.

	Year ended 30 June 2013	Year ended 30 June 2012
Land purchases agreed		
Total	£1,047.3m	£578.1m
Total number of plots	18,536	12,085
Location		
– South : North (by value)	61% : 39%	58% : 42%
– South : North (by plots)	51% : 49%	46% : 54%
Vendor		
– Government : Private (by plots)	24% : 76%	28% : 72%
Type		
– Houses : Flats (by plots)	74% : 26%	86% : 14%

Cash expenditure on land in the year was £677.5m (2012: £397.4m).

We continue to seek to defer payment for new land where possible to drive a higher ROCE. Land creditors as at 30 June 2013 were £744.4m (30 June 2012: £726.1m) representing 35% (30 June 2012: 35%) of the owned land bank. The year-on-year increase in land creditors reflects the significant proportion of newly acquired land that has been acquired on deferred terms. Land creditors due within the next 12 months total £370.7m (30 June 2012: £368.1m), with £373.7m (30 June 2012: £358.0m) due thereafter. In the medium-term we expect land creditors to remain a fairly constant proportion of the land bank; however, this is dependent upon the timing of planning consents and land contracts.

At 30 June 2013, our land bank had a carrying value of £2,127.0m (2012: £2,077.3m) with an average housebuilding cost per plot of £45,000 (2012: £45,000). The average selling price of the plots within our owned land bank is currently expected to be c. £197,000 giving an average plot cost to average selling price ratio of 23% (2012: 24%).

Planning

We have started to see a positive effect of the new planning regime, particularly the need for local authorities to demonstrate a five year land supply. Combined with our focus on improving design and engagement with the communities in which we work, this has improved the level of dialogue with the local authorities.

The Government remains committed to accelerating the disposal of public land as part of its housing strategy. We have a strong track record of securing public land and we are pleased to have been appointed to all four of the retendered Homes and Communities Agency Delivery Partner Panels as well as to the Greater London Authority London Development Panel. In the year, we have had offers accepted on public land equating to 4,320 plots with a total gross development value of £1,023m.

At 30 June 2013 we have detailed planning consent for 95% of our expected FY14 completions and outline consent on a further 3%.

Working in partnership

We recognise that, whether acting as sole developer, JV partner, client or contractor, partnerships are vital to our success. We operate in many areas of the market, from complex regeneration to advanced environmental housing projects. In doing so, we create a legacy that goes well beyond the homes and commercial properties we build.

We continue to work with Government agencies and private landowners to identify and bring forward land for development, often improving its environmental condition in the process. We work with our suppliers to help them to introduce the new technologies that we need to meet increasingly challenging building standards, and with our subcontractors to help them to improve their environmental and safety performance.

We engage with local communities and local authorities in order to seek to address any impact that our developments may have on the environment, and we respond to community aspirations by creating new jobs, training people and supporting local initiatives. By holding public exhibitions, we invite stakeholders to talk to our specialist planners and architects about their concerns and aspirations for our developments. We believe that a genuinely collaborative approach will deliver more land and housing.

We have always been concerned with housing affordability issues and have worked closely with financial institutions and Government for a number of years to improve access to mortgage funding for customers. As a result we are currently working with a number of partners to help people gain access to appropriate housing.

We are currently active on a number of public and private sector partnership sites where we are working closely with the Homes and Communities Agency ('HCA'), local authorities and housing associations. We are working with the HCA to redevelop former collieries into popular new communities at Elba Park near Sunderland and Heritage Park, Silverdale. Bluebell, Nuneaton is replacing an old council estate with 800 new homes in partnership with Nuneaton and Bedworth Council. At Derwenthorpe on the outskirts of York we are building an outstanding new sustainable community of around 540 homes along garden village principles in partnership with the Joseph Rowntree Housing Trust.

Customers

Customers are at the heart of our business. We understand that our customers want support when making their purchase, and we are committed to offering the highest standards of quality and customer service, as well as good value, well-designed homes.

Our Customer Care Charter

Our Customer Care Charter, which is available on our website, ensures we remain focused on our customers throughout their journey with us. We are committed to continuing to improve the customer experience, both on-site and online, and we regularly obtain feedback from all our customers at key points in the sale process.

Our new product range

We have carefully considered customer preferences in the development of the Barratt and David Wilson product ranges. Both brands were updated in 2010/11 with internal layouts designed with modern living in mind, providing free-flowing living areas and natural light. The new designs have been well received by customers and we continue to roll out both new ranges.

Customer feedback indicates that Barratt homes offer customers value for money and high quality practical living space. The room proportions have been designed to ensure that they are large enough to accommodate our typical customer's furniture requirements, whilst ensuring our external designs are aesthetically pleasing. Due to smart, ergonomic design a Barratt customer can expect a wide range of features, creating great value for money.

Following customer feedback, our David Wilson family homes have been designed with more generous dimensions that deliver an overall sense of space. The designs include features such as higher specification kitchens, en-suite bathrooms with larger baths and the use of multiple roof lights in bedrooms.

Communicating with our customers

Our sales and marketing team has continued to promote our brands throughout the year using focused marketing campaigns. This included the use of the internet, radio and direct mail.

We recognise that the online market continues to change at a rapid pace. During the last year we have further enhanced the design and content of our websites, including those compatible with smartphones and tablets, to ensure a customer's first enquiry delivers all of the information they require. We have also continued to enhance our online user experience and quality of content through greater use of e-brochures, video, 360 degree tours and imagery of planned developments and house types, in addition to helpful information about the local area.

We continue to invest in the technological capabilities of our on-site sales centres, ensuring our sales advisers have the most up-to-date information immediately available to deliver a customer experience that is informative and hassle-free.

We continue to offer our customers support through targeted incentives and discounts as well as tools such as part-exchange.

Assisting with mortgage products

We recognise the importance of helping our customers find suitable financial products to purchase their new homes. The Group's Head of Mortgage Lender Relations works closely with the banks that provide mortgages to our customers to ensure that there is an appropriate range of products available. We also participate as fully as we can in Government schemes, such as Help to Buy, FirstBuy and NewBuy.

All our divisions and the mortgage brokers we recommend have implemented our Group-wide processes for dealing with lenders and surveyors. These ensure that we provide them with transparency in relation to our products and the financial arrangements between the Group and our customers. These standards exceed the industry requirements as specified by the Council of Mortgage Lenders and the processes are subject to regular internal audit.

Customer satisfaction

Our high quality homes have been accredited independently for the fourth year running with 5 Star builder status in the Home Builders Federation ('HBF')/National House-Building Council ('NHBC') annual customer satisfaction survey. This shows that over 90% of our customers questioned were satisfied with the quality of their new home and would 'Recommend us to a Friend'.

Customer satisfaction with the quality of their new home is extremely important to us. We have therefore recently implemented a requirement that every new home we build is inspected prior to completion by a divisional director to ensure that our high standards of quality are met. In order to drive performance and to enable us to improve customer satisfaction, we have invested in bespoke survey questions and increased management reporting which we are using throughout our business.

Five year warranty

We are the only volume housebuilder to offer a five year warranty which covers fixtures and fittings and is additional to the ten year NHBC warranty on the fabric of the building. This provides a real point of difference compared to our competitors and gives our customers increased confidence in our product.

Investing for the future

The nature of our industry continues to change and we are investing to equip our organisation to meet these challenges. It is the skills of our people that will underpin the capability of the Group to adapt to the future.

People

One of our key strengths is our people and we continue to invest in them and develop their expertise. During the year ended 30 June 2013, we employed an average of 4,781 people (2012: 4,451 people). We value the experience of our employees and 4% of our workforce has over 20 years' service. Despite high competition amongst employers in some regions, employee turnover has only slightly increased to 13% (2012: 12%). We are committed to providing equal opportunities for all. At 30 June 2013, 22% (2012: 9%) of the Board, 11% (2012: 11%) of our senior managers and 33% (2012: 34%) of our employees were female.

We offer both vocational and leadership training programmes, as well as in-house schemes promoting employee development, engagement and recognition.

The Barratt Academy continues to provide structured, bespoke training to support individual development across three separate disciplines; apprentices, site managers and technical/commercial roles. Combining professional training (on-site and in the classroom) with industry recognised qualifications, our courses aim to develop craft and trade specialists, highly competent site managers and employees with in-depth technical and commercial expertise.

During the year, we have also invested in a structured training programme for all 1,000 of our sales advisers and sales managers. New sales staff will be trained through our Barratt Academy programme.

We are also undertaking a number of initiatives which seek to rebuild the skills base of the industry. Over the next three years we intend to recruit around 150 graduates, 30 paid interns, around 400 apprentices, and support 100 people through a unique Housebuilding Foundation Degree Programme delivered in partnership with Sheffield Hallam University.

Our apprenticeship scheme comprises both trade and technical apprenticeships. Apprenticeships last for a minimum of two years and at 30 June 2013 the Group had 141 apprentices. We were delighted that our apprenticeship scheme came second in the Best Apprentice Programme at the National Graduate Recruitment Awards and that we were recognised in the Top 100 Apprenticeships Employers list compiled by the National Apprenticeship Service in partnership with City & Guilds.

We have a graduate development programme which aims to recruit high potential talent into the business. The programme lasts for two years and graduates are given the opportunity to spend time in each of our operational departments, whilst attending business and personal development courses. Alongside the formal training programme, graduates are also encouraged to undertake voluntary projects in their local community as part of their project management module. Our graduate development programme has won a number of awards. We were first in the Construction and Property category in Job Crowd's Top 100 Companies for Graduates to Work For and ninth overall. We were also delighted to win the Best Training Scheme at the Women in Construction Awards and to be third in the Graduate Employer of the Year Award at the National Graduate Recruitment Awards.

In addition, we offer specialist skills training in core areas, such as health and safety, construction and design and also offer a suite of internally designed and delivered management and leadership training courses. These are designed to help employees to develop the skills required to progress from middle management through to senior management and other leadership roles.

We remain focused on employee engagement and during the year our sixth annual engagement survey was undertaken. These voluntary surveys allow us to develop engagement plans throughout the business aimed at further improving our relationship with our employees.

We continue to recognise the outstanding individual and team performance of our employees through quarterly and annual divisional awards and annual national awards. In addition, we operate an instant recognition scheme, which during the current year has awarded 400 prizes.

The expertise of our construction teams has again been recognised externally, with a record-breaking 102 (2012: 76) of our site managers winning 'Pride in the Job' awards from the NHBC. This is the highest number ever won by a housebuilder since the competition began in 1980 and is more than any other housebuilder for an unprecedented ninth consecutive year.

Our target is to have a fully certified Construction Skills Certification Scheme ('CSCS') operational workforce, including subcontractors. At March 2013, 96% (2012: 97%) of our workforce, including subcontractors, was

fully CSCS certified, with the slight decrease reflecting the industry's focus on ensuring that all construction workers hold the appropriate card.

Planet

We are committed to our sustainability policy and we continue to strive to improve the design of both our homes and our developments to deliver high quality sustainable places to live.

Through our strict design requirements, we ensure that all of our developments meet a benchmark standard, creating exemplary schemes which include open spaces and communal areas. During the current financial year within our developments, 556 hectares of open space was created, 739 hectares of wildlife space was created or retained and 310,923 trees or shrubs were planted or retained.

We are committed to improving the carbon performance of our homes and have been working with a number of partners to achieve this and on industry leading research projects such as the AIMC4 Fabric First project. Our preferred approach is to improve the energy efficiency of our homes through fabric improvements and during the year 32% (2012: 26%) of our homes had enhanced energy efficiency due to fabric improvements. We also integrated renewables into 28% (2012: 30%) of our developments.

In progressing the zero carbon challenge as well as designing homes to meet the applicable building regulations, we also build homes to meet the requirements of the Code for Sustainable Homes ('CfSH') and various other design standards. In Scotland, the CfSH is not applicable and instead we comply with their equivalent which is a sustainability rating of bronze, silver and gold. Designing to the CfSH standards enables us to deliver sustainable homes that are tailored to a specific location as this standard takes into account both the energy and water efficiency of the home and the sustainability of the development. During the year we completed 4,227 homes (2012: 3,820 homes) that met the CfSH level 3 or above and 849 homes (2012: 1,150 homes) that met the previous EcoHomes Standard.

We are committed to leading on large scale sustainable housing projects as we believe that the experience and skills we develop from these provide us with the knowledge and experience we need to deliver future schemes to higher sustainability performance standards. For example, during the year we completed 42 units on our Hanham Hall development in Bristol and 32 on our Derwenthorpe development in York. We have commenced work on our Scotswood development in Newcastle upon Tyne where we are working in partnership to deliver a large scale sustainable development which is expected to produce 1,800 new homes to CfSH level 4.

We acknowledge that the nature of our business impacts on the local environment and we continue to strive to reduce this impact, both during and post-construction, by undertaking significant brownfield development, by delivering high quality regeneration projects and by monitoring our waste and energy usage. In the current year, we built 66% (2012: 65%) of our homes on brownfield land. In addition, all divisions within the Group continue to operate an environmental management system certified to ISO14001 which is subject to regular monitoring and audit. In each of our divisional offices, we have Green Teams to devise and implement schemes to reduce energy usage at a local level.

We are focused on waste management and seek to eliminate, minimise or recycle waste from our developments. During the year, we reduced our construction waste per legal completion to 6.25 tonnes (2012: 6.47 tonnes). We also segregated 95% (2012: 96%) of construction waste for recycling on-site.

During the year, we have adapted our greenhouse gas ('GHG') monitoring and reporting in line with the Government's recently published Environmental Reporting Guidelines (June 2013). Our gross GHG footprint for this year was 36,196 tonnes CO_{2e}. This is based on the energy used in our offices (electricity and gas), on our active developments (electricity, gas, diesel and LPG) and for business travel (leased cars and vans, rail and flights). Our Scope 1 carbon emissions from gas, LPG and diesel were 16,287 tonnes CO_{2e}, Scope 2 carbon emissions from electricity were at 13,035 tonnes CO_{2e} and our Scope 3 carbon emissions were 6,874 tonnes CO_{2e}. This equates to 2.77 tonnes of GHG emissions per 1,000 square foot of legally completed floor area. In 2013 we excluded fugitive emissions associated with air conditioning refrigerant losses in our offices due to the unavailability of this data.

We were delighted to win several major awards during the current year reflecting our commitment to sustainability. At the Housebuilder Awards we were named 'Sustainable Housebuilder of the Year' and at the What House awards were named 'Sustainable Developer of the Year'.

Health and Safety

The health and safety of our employees, our customers and the public remains a top priority. Our Safety, Health and Environmental management system ('SHE') is subject to continuous review and improvement and conforms to health and safety standards OHSAS18001 and ISO14001. All of our trading divisions adhere to the SHE guidelines and ongoing compliance is verified by a programme of internal and external audits. During the year, we carried out 5,437 monitoring visits and achieved an average compliance rate of 97% (2012: 96%).

We also measure health and safety performance by monitoring our reportable Injury Incidence Rate ('IIR'). During the financial year ended 30 June 2013, our IIR reduced by 36% to 329 (2012: 511) per 100,000 persons employed. We are committed to seeking to reduce the IIR year-on-year and we are working with our suppliers, partners and local communities to minimise the risk of injury.

In the 2013 NHBC Health and Safety Awards, Jason White, a site manager at Great West Quarter in Brentford, won the National Award in the Multi-Storey category. In addition, we won one Regional Award and had ten commended sites.

**Condensed consolidated income statement
for the year ended 30 June 2013**

	Notes	2013 Before exceptional items £m	2013 Exceptional items (note 6) £m	2013 £m	2012 Before exceptional items £m	2012 Exceptional items (note 6) £m	2012 £m
Continuing operations							
Revenue	5	2,606.2	–	2,606.2	2,323.4	–	2,323.4
Cost of sales		(2,247.0)	–	(2,247.0)	(2,027.2)	–	(2,027.2)
Gross profit		359.2	–	359.2	296.2	–	296.2
Administrative expenses		(106.5)	(2.8)	(109.3)	(105.1)	–	(105.1)
Profit from operations	5	252.7	(2.8)	249.9	191.1	–	191.1
Finance income	7	12.8	–	12.8	16.9	–	16.9
Finance costs	7	(80.8)	(79.3)	(160.1)	(97.7)	–	(97.7)
Net finance costs	7	(68.0)	(79.3)	(147.3)	(80.8)	–	(80.8)
Share of post-tax profit from joint ventures		7.7	(5.4)	2.3	0.5	–	0.5
Share of post-tax loss from associates		(0.1)	–	(0.1)	(0.1)	–	(0.1)
Loss on re-measurement of joint venture interest on acquisition of control		–	–	–	–	(10.7)	(10.7)
Profit/(loss) before tax		192.3	(87.5)	104.8	110.7	(10.7)	100.0
Tax	8	(50.5)	20.7	(29.8)	(32.6)	–	(32.6)
Profit/(loss) for the year		141.8	(66.8)	75.0	78.1	(10.7)	67.4
Profit/(loss) for the year attributable to equity shareholders		141.8	(66.8)	75.0	78.1	(10.7)	67.4
Earnings per share from continuing operations							
Basic	10			7.7p			7.0p
Diluted	10			7.5p			6.9p

**Condensed consolidated statement of comprehensive income
for the year ended 30 June 2013**

	Notes	2013 £m	2012 (restated*) £m
Profit for the year		75.0	67.4
Other comprehensive (expense)/income:			
Items that will not be reclassified to profit or loss			
Actuarial losses on defined benefit pension scheme	17	(4.8)	(24.1)
Fair value adjustment on available for sale financial assets	12	(6.2)	(3.4)
Tax credit relating to items not reclassified		2.3	6.4
Total items that will not be reclassified to profit or loss		(8.7)	(21.1)
Items that may be reclassified subsequently to profit or loss			
Amounts deferred in respect of effective cash flow hedges	7	(1.9)	(21.1)
Amounts reclassified to the income statement in respect of hedged cash flows	7	6.7	5.1
Amounts reclassified to the income statement in respect of hedged cash flows no longer expected to occur - exceptional	7	18.5	–
Tax (charge)/credit relating to items that may be reclassified		(5.8)	3.2
Total items that may be reclassified subsequently to profit or loss		17.5	(12.8)
Total comprehensive income recognised for the year attributable to equity shareholders		83.8	33.5

* The presentation of the statement of comprehensive income has been amended as required by the Amendment to IAS 1 'Financial Statement Presentation' which has been adopted in the year.

**Condensed consolidated statement of changes in shareholders' equity
at 30 June 2013**

	Share capital £m	Share premium £m	Merger reserve £m	Hedging reserve £m	Own shares £m	Share-based payments £m	Retained earnings £m	Total retained earnings £m	Total £m
At 1 July 2011	96.5	206.6	1,109.0	(24.6)	(5.0)	15.0	1,532.6	1,542.6	2,930.1
Profit for the year	–	–	–	–	–	–	67.4	67.4	67.4
Amounts deferred in respect of effective cash flow hedges	–	–	–	(21.1)	–	–	–	–	(21.1)
Amounts reclassified to the income statement in respect of hedged cash flows	–	–	–	5.1	–	–	–	–	5.1
Fair value adjustments on available for sale financial assets	–	–	–	–	–	–	(3.4)	(3.4)	(3.4)
Actuarial losses on pension scheme	–	–	–	–	–	–	(24.1)	(24.1)	(24.1)
Tax on items taken directly to equity	–	–	–	3.2	–	–	6.4	6.4	9.6
Total comprehensive (expense)/income recognised for the year ended 30 June 2012	–	–	–	(12.8)	–	–	46.3	46.3	33.5
Issue of shares	1.1	5.1	–	–	–	–	–	–	6.2
Share-based payments	–	–	–	–	–	3.3	–	3.3	3.3
Transfer of share-based payments charge for non-vested options	–	–	–	–	–	(3.6)	3.6	–	–
Tax on share-based payments	–	–	–	–	–	(0.4)	1.1	0.7	0.7
At 30 June 2012	97.6	211.7	1,109.0	(37.4)	(5.0)	14.3	1,583.6	1,592.9	2,973.8
Profit for the year	–	–	–	–	–	–	75.0	75.0	75.0
Amounts deferred in respect of effective cash flow hedges	–	–	–	(1.9)	–	–	–	–	(1.9)
Amounts reclassified to the income statement in respect of hedged cash flows	–	–	–	6.7	–	–	–	–	6.7
Amounts reclassified to the income statement in respect of hedged cash flows no longer expected to occur - exceptional	–	–	–	18.5	–	–	–	–	18.5
Fair value adjustments on available for sale financial assets	–	–	–	–	–	–	(6.2)	(6.2)	(6.2)
Actuarial losses on pension scheme	–	–	–	–	–	–	(4.8)	(4.8)	(4.8)
Tax on items taken directly to equity	–	–	–	(5.8)	–	–	2.3	2.3	(3.5)
Total comprehensive income recognised for the year ended 30 June 2013	–	–	–	17.5	–	–	66.3	66.3	83.8
Issue of shares	0.4	1.7	–	–	–	–	–	–	2.1
Share-based payments	–	–	–	–	–	4.4	–	4.4	4.4
Disposal of own shares	–	–	–	–	1.4	–	–	1.4	1.4
Transfer of share-based payments charge for exercised and non-vested options	–	–	–	–	–	(3.8)	3.8	–	–
Tax on share-based payments	–	–	–	–	–	6.8	0.9	7.7	7.7
At 30 June 2013	98.0	213.4	1,109.0	(19.9)	(3.6)	21.7	1,654.6	1,672.7	3,073.2

**Condensed consolidated balance sheet
at 30 June 2013**

	Notes	2013 £m	2012 £m
Assets			
Non-current assets			
Other intangible assets		100.0	100.0
Goodwill	11	792.2	792.2
Property, plant and equipment		3.4	6.4
Investments accounted for using the equity method		123.5	85.6
Available for sale financial assets	12	128.4	189.2
Trade and other receivables		4.4	4.1
Deferred tax assets		92.1	118.6
Derivative financial instruments – swaps	15	4.1	29.4
		1,248.1	1,325.5
Current assets			
Inventories	13	3,209.8	3,226.6
Available for sale financial assets	12	1.3	–
Trade and other receivables		74.8	50.3
Cash and cash equivalents	14	294.4	150.3
Derivative financial instruments – swaps	15	25.6	–
Current tax assets		0.4	0.4
		3,606.3	3,427.6
Total assets	5	4,854.4	4,753.1
Liabilities			
Non-current liabilities			
Loans and borrowings	14	(166.6)	(331.2)
Trade and other payables		(378.1)	(359.4)
Retirement benefit obligations	17	(13.4)	(21.4)
Derivative financial instruments – swaps	15	(27.1)	(53.3)
		(585.2)	(765.3)
Current liabilities			
Loans and borrowings	14	(181.8)	(12.1)
Trade and other payables		(1,013.8)	(1,001.9)
Derivative financial instruments – swaps	15	(0.4)	–
		(1,196.0)	(1,014.0)
Total liabilities	5	(1,781.2)	(1,779.3)
Net assets		3,073.2	2,973.8
Equity			
Share capital	18	98.0	97.6
Share premium		213.4	211.7
Merger reserve		1,109.0	1,109.0
Hedging reserve		(19.9)	(37.4)
Retained earnings		1,672.7	1,592.9
Total equity		3,073.2	2,973.8

**Condensed consolidated cash flow statement
for the year ended 30 June 2013**

	Notes	2013 £m	2012 £m
Net cash inflow from operating activities	19	165.8	149.7
Cash flows from investing activities			
Purchase of property, plant and equipment		(2.0)	(2.4)
Proceeds on sale of property, plant and equipment		4.0	–
Acquisition of subsidiaries net of cash acquired		–	1.6
Disposal of subsidiary undertaking		–	8.0
Increase in investments accounted for using the equity method		(9.9)	(7.9)
Investment in property fund	12	(1.3)	–
Interest received		0.7	0.2
Net cash outflow from investing activities		(8.5)	(0.5)
Cash flows from financing activities			
Disposal of own shares		1.4	–
Proceeds from issue of share capital		2.1	6.2
Hedging termination costs		(0.3)	(0.4)
Interest rate swap cancellation costs	6, 7	(18.5)	–
Other fees related to amendment of financing arrangements		(14.7)	–
Loan drawdowns/(repayments)		16.8	(77.4)
Net cash outflow from financing activities		(13.2)	(71.6)
Net increase in cash and cash equivalents		144.1	77.6
Cash and cash equivalents at the beginning of the year		150.3	72.7
Cash and cash equivalents at the end of the year	14	294.4	150.3

Notes to the condensed consolidated financial statements

For the year ended 30 June 2013

1. Cautionary statement

The Chairman's Statement, Group Chief Executive's Review, Group Finance Director's Review and Business Review contained in this Annual Results Announcement, including the principal risks and uncertainties (note 25), have been prepared by the Directors in good faith based on the information available to them up to the time of their approval of this report solely for the Company's shareholders as a body, so as to assist them in assessing the Group's strategies and the potential for those strategies to succeed and accordingly should not be relied on by any other party or for any other purpose and the Company hereby disclaims any liability to any such other party or for reliance on such information for any such other purpose.

This Annual Results Announcement has been prepared in respect of the Group as a whole and accordingly matters identified as being significant or material are so identified in the context of Barratt Developments PLC and its subsidiary undertakings in the consolidation taken as a whole.

2. Basis of preparation

Whilst the financial information included in this Annual Results Announcement has been prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB'), International Financial Reporting Interpretations Committee ('IFRIC') interpretations and Standing Interpretations Committee ('SIC') interpretations as adopted and endorsed by the European Union ('EU'), this announcement does not itself contain sufficient information to comply with IFRS. Full financial statements that comply with IFRS are included in the 2013 Annual Report and Accounts which will be circulated to shareholders in October 2013 and made available at www.barrattdevelopments.co.uk at that point.

The accounting policies adopted are consistent with those followed in the preparation of the Group's 2013 Annual Report and Accounts which have not changed significantly from those adopted in the Group's 2012 Annual Report and Accounts. A summary of the more significant Group accounting policies is set out below.

This Annual Results Announcement has been prepared under the historical cost convention as modified by the revaluation of available for sale financial assets, derivative financial instruments and share-based payments. The preparation of condensed financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the Directors' best knowledge of the amounts, actual results may ultimately differ from those estimates. The most significant estimates made by the Directors in these condensed financial statements are set out in 'Critical accounting judgements and key sources of estimation uncertainty' (note 4).

Going concern

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

The Group's business activities, together with factors which the Directors consider are likely to affect its future development, financial performance and financial position are set out in the Group Chief Executive's Review, the Group Finance Director's Review and the Business Review. The material financial and operational risks and uncertainties that may have an impact upon the Group's performance and their mitigation are outlined in note 25 and financial risks including liquidity risk, market risk, credit risk and capital risk are outlined in note 16.

The financial performance of the Group is dependent upon the wider economic environment in which the Group operates. As explained in the principal risks and uncertainties in note 25, factors that particularly affect the performance of the Group include changes in the macroeconomic environment including buyer confidence, availability of mortgage finance for the Group's customers and interest rates.

On 14 May 2013, the Group agreed a comprehensive refinancing package. This provides the Group with around £850m of committed facilities and private placement notes to June 2016 and £650m to May 2018. The committed facilities and private placement notes now in place provide appropriate headroom above our current forecast requirements. In addition, in order to enable it to take advantage of current opportunities in the land

market, the Group has agreed terms upon an additional £50m two year term loan, which we expect to be available from 1 October 2013.

In addition to the new borrowing facilities agreed in May 2013, the Group has secured £30m of financing from the Government's 'Get Britain Building' and 'Growing Places Fund' schemes during the year. These funds are repayable between 30 June 2014 and 30 June 2018.

Accordingly, after making enquiries and having considered forecasts and appropriate sensitivities, the Directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being at least 12 months from the date of these financial statements. For this reason, they continue to adopt the going concern basis in preparing the consolidated financial statements.

3. Accounting policies

Adoption of new and revised standards

In the year ended 30 June 2013, the Group has adopted:

- Amendment to IAS 12 'Deferred Tax: Recovery of Underlying Assets'; and
- Amendment to IAS 1 'Financial Statements Presentation'.

The adoption of the amendments to IAS 1 has resulted in changes to the presentation of the statement of comprehensive income. The adoption of both amendments has not had any impact upon the profit or net assets of the Group in either the current year or comparative year and has not required any additional disclosures.

Basis of consolidation

The Group financial statements include the results of Barratt Developments PLC (the 'Company'), incorporated in the UK, and all its subsidiary undertakings made up to 30 June. The financial statements of subsidiary undertakings are consolidated from the date when control passes to the Group using the purchase method of accounting and up to the date control ceases. All transactions with subsidiaries and intercompany profits or losses are eliminated on consolidation.

Business combinations

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

Jointly controlled entities

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

Jointly controlled operations

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

Associated entities

An associated entity is an entity, including an unincorporated entity such as a partnership, in which the Group holds a significant influence and that is neither a subsidiary nor an interest in a joint venture. Associated entities are accounted for using the equity method of accounting.

Revenue

Revenue is recognised at legal completion in respect of the total proceeds of building and development. An appropriate proportion of revenue from construction contracts is recognised by reference to the stage of completion of contract activity. Revenue is measured at the fair value of consideration received or receivable and represents the amounts receivable for the property, net of discounts and VAT. The sale proceeds of part-exchange properties are not included in revenue.

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

Construction contracts

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

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

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

Exceptional items

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

Restructuring costs

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

Profit from operations

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

Segmental reporting

The Group consists of two separate segments for internal reporting regularly reviewed by the chief operating decision maker to allocate resources to the segments and to assess their performance, being housebuilding and commercial developments. These segments therefore comprise the primary reporting segments within the financial statements. All of the Group's operations are within Britain, which is one geographic market in the context of managing the Group's activities.

Goodwill

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

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

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

Intangible assets

Brands

Internally generated brands are not capitalised. The Group has capitalised as intangible assets brands that have been acquired. Acquired brand values are calculated using discounted cash flows. Where a brand is considered

to have a finite life, it is amortised over its useful life on a straight-line basis. Where a brand is capitalised with an indefinite life, it is not amortised. The factors that contribute to the durability of brands capitalised are that there are no material legal, regulatory, contractual, competitive, economic or other factors that limit the useful life of these intangible assets.

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

Investments

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

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

Property, plant and equipment

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

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

Inventories

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

Land held for development, including land in the course of development, is initially recorded at discounted cost. Where, through deferred purchase credit terms, the carrying value differs from the amount that will ultimately be paid in settling the liability, this difference is charged as a finance cost in the income statement over the period of settlement.

Due to the scale of the Group's developments, the Group has to allocate site-wide development costs between units built in the current year and in future years. It also has to estimate costs to complete on such developments. In making these assessments, there is a degree of inherent uncertainty. The Group has developed internal controls to assess and review carrying values and the appropriateness of estimates made.

Leases as lessee

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

Leases as lessor

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

Share-based payments

The Group issues both equity-settled and cash-settled share-based payments to certain employees. In accordance with the transitional provisions, IFRS 2 'Share-based Payments' has been applied to all grants of equity instruments after 7 November 2002 that had not vested at 1 January 2005.

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

Non-vesting conditions are taken into account in the estimate of the fair value of the equity instruments.

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

Tax

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

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

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

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when they relate to taxes levied by the same tax authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Pensions

Defined contribution

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

Defined benefit

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

Past service cost, until the scheme ceased to offer future accrual of defined benefit pensions to employees from 30 June 2009, was recognised immediately to the extent that the benefits were already vested, and otherwise was amortised on a straight-line basis over the average period until the benefits become vested.

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

Borrowing costs

The Group capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of the asset where developments are considered to fall under the requirements of IAS 23 (Revised). Otherwise, the Group expenses borrowing costs in the period to which they relate through the income statement.

Financial instruments

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

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

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

Financial assets

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

Available for sale financial assets

Non-current available for sale financial assets

Non-interest bearing loans granted as part of sales transactions that are secured by way of a second legal charge on the respective property are classified as being available for sale and are stated at fair value. Fair value is determined in the manner described in note 12.

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

Gains and losses arising from changes in fair value are recognised in equity within other comprehensive income. Gains and losses arising from impairment losses, changes in future cash flows and interest calculated using the 'effective interest rate' method are recognised directly in the income statement.

Current available for sale financial assets

The Group entered into a seed investment agreement with Hearthstone Investments, a specialist property fund manager. The Group transferred showhomes in exchange for units in the new property fund. The Group does not intend to hold this investment in the long-term and it has therefore been designated as a current available for sale financial asset.

Revenue from transactions involving available for sale financial assets is recognised at the fair value of consideration receivable. The fair value of consideration received is the initial fair value of the units received in the property fund.

Gains and losses arising from changes in fair value are recognised in equity within other comprehensive income. The fair value of this investment is calculated using the unadjusted quoted price of units in the property fund obtained from independent brokers.

Gains and losses arising from impairment losses and changes in future cash flows are recognised directly in the income statement.

Trade and other receivables

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

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

Impairment of financial assets

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

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

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

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

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

Cash and cash equivalents

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

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

Financial liabilities and equity

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

Equity instruments

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

Financial liabilities

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

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

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

Trade and other payables

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

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

Bank borrowings

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

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

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

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

Get Britain Building

The Group has received cash upon specific sites under the Government's 'Get Britain Building' scheme which is repayable in future periods, as the sites to which it relates are developed. These loans are interest bearing and are recorded at the proceeds received plus accrued interest. These loans are included within loans and borrowings.

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

Growing Places Fund

The Group has received cash under a local government 'Growing Places Fund' scheme which is repayable over four years in eight six monthly instalments. This loan is interest bearing and recorded at the proceeds received plus accrued interest less repayments to date. This loan is included within loans and borrowings.

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

Derivative financial instruments

The Group has entered into derivative financial instruments in the form of interest rate swaps and cross currency swaps to manage the interest rate and foreign exchange rate risk arising from the Group's operations and sources of finance. The use of financial derivatives is governed by the Group's policies approved by the Board of Directors as detailed in notes 15 and 16.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each balance sheet date. The resulting gain or loss is recognised in the profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

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

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

Hedge accounting

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

Details of the fair values of the interest rate and cross currency swaps are provided in the Annual Report and Accounts. Movements on the hedging reserve in equity are detailed in the statements of changes in shareholders' equity.

Cash flow hedge

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

To the extent that any hedge is ineffective, gains and losses on the fair value of these swap arrangements are recognised immediately in finance charges in the income statement.

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

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

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in the income statement so as to match with the related costs they are intended to compensate for. Grants related to assets are deducted from the carrying amount of the asset. Grants related to income are included in the appropriate line within the income statement.

Kickstart

The Group has been granted assistance for the development of a number of sites under the Homes and Communities Agency ('HCA') 'Kickstart' scheme. Where receipts under the Kickstart scheme relate to grants, they are accounted for in accordance with the policy for Government grants stated above.

In addition, the Group has received cash upon specific sites under the Kickstart equity scheme which is repayable in future periods, as the sites to which it relates are developed, along with the share of the profits or losses attributable to the HCA arising from the sites. This liability is included within borrowings and is initially recognised at fair value by discounting it at prevailing market interest rates at the date of recognition. The discount to nominal value, which will be paid in settling the liability, is amortised over the expected life of the site and charged to finance costs using the 'effective interest rate' method. Gains and losses arising from changes in fair value of the liability related to the HCA's share of the profits or losses of the site are recognised directly in the income statement.

4. Critical accounting judgements and key sources of estimation uncertainty

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

a) Critical accounting judgements

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

b) Key sources of estimation uncertainty

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

Carrying value of land and work in progress

The Group's principal activity is housebuilding and commercial development. The majority of the development activity is not contracted prior to the development commencing. Accordingly, the Group has in its balance sheet at 30 June 2013 current assets that are not covered by a forward sale. The Group's internal controls are designed to identify any developments where the balance sheet value of land and work in progress is more than the lower of cost or net realisable value.

Following the downturn in the market in 2007/08, the Group has conducted ongoing six-monthly reviews of the net realisable value of its land and work in progress. Where the estimated net realisable value of the site was less than its current carrying value within the balance sheet, the Group has impaired the land and work in progress value. The provisions remaining are set out in the table below:

Land impairment remaining	Housebuilding £m	Commercial developments £m	Total £m
At 1 July 2011	175.7	19.1	194.8
Charge in the year	6.6	–	6.6
Utilised	(70.1)	(0.5)	(70.6)
At 30 June 2012	112.2	18.6	130.8
Charge in the year	3.2	0.5	3.7
Utilised	(39.9)	(11.6)	(51.5)
At 30 June 2013	75.5	7.5	83.0

During the year, due to performance variations upon individual housebuilding sites, there were gross impairment charges of £34.8m (2012: £44.8m) and gross impairment reversals of £22.5m (2012: £31.5m) resulting in a net inventory impairment of £12.3m (2012: £13.3m) included within profit from operations of which £3.2m (2012: £6.6m) relates to sites which have been previously impaired. There was also a gross impairment charge of £0.6m (2012: £3.3m) and a gross impairment reversal of £0.1m (2012: £3.3m) for the commercial developments business, resulting in a net inventory impairment of £0.5m (2012: £nil), due to performance variations upon individual commercial sites.

The key judgements in these reviews were estimating the realisable value of a site which is determined by forecast sales rates, expected sales prices and estimated costs to complete. Sales prices were estimated on a site-by-site basis based upon local market conditions and took into account the current prices being achieved upon each site for each product type. In addition, the estimation of future sales prices included an allowance on a site-by-site basis for low single-digit sales price inflation in future periods. The estimation of costs to complete also included an allowance for low single-digit build costs inflation in future periods.

At 30 June 2013, the Group had a total land holding of £2,127.0m of which £2,003.9m is land held for current housing development. Of this £189.6m is made up of impaired land, £473.5m consists of non-impaired land purchased prior to mid-2009 where the gross margin is on average c. 8%, and the remaining £1,340.8m has an average gross margin of over 20% based on current house prices.

During the year, the Group has experienced stable market conditions in the first three quarters of the financial year and signs of sustainable improvement in the final quarter. If the UK housing market were to change beyond management expectations in the future, in particular with regards to the assumptions around likely sales prices and estimated costs to complete, further adjustments to the carrying value of land and work in progress may be required.

The land held at the balance sheet date that has already been impaired is most sensitive to the judgements being applied and the potential for further impairment or reversal. Forecasting risk also increases in relation to those sites that are not expected to be realised in the short to medium term. The Group's current forecasts indicate that, by volume, around 46% of the impaired plots are expected to be realised within one year, 20% between one and two years, and 34% in more than two years.

The Group estimates that the impairment sensitivity for the housebuilding business to an immediate uniform fall in house prices across the UK, from those prevailing as at 30 June 2013, is as follows:

Uniform fall in national house prices %	Indicative impairment £m
5	103
10	171

These estimates are illustrative as any changes in house prices have historically tended to be weighted either positively or negatively towards particular geographic regions of the UK, and they exclude any sensitivity upon our commercial developments segment. In addition, variances in future build cost inflation from that allowed for in the Group's base calculation would have an impact upon the impairment sensitivity. The value of impairment is prior to attributing any tax credit that may accrue for future use.

Estimation of costs to complete

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

Recognition of profit where developments are accounted for under IAS 11 'Construction Contracts'

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

Impairment of goodwill

The determination of the impairment of goodwill of the housebuilding business requires an estimation of the value-in-use of the housebuilding cash-generating unit as defined in note 11. The value-in-use calculation requires an estimate of the future cash flows expected from the housebuilding business, including the anticipated growth rate of revenue and costs, and requires the determination of a suitable discount rate to calculate the present value of the cash flows. The discount rate used is based upon the average capital structure of the Group and current market assessments of the time value of money and risks appropriate to the Group's housebuilding business. Changes in these may impact upon the Group's discount rate in future periods. The carrying amount of goodwill at 30 June 2013 was £792.2m with no impairment recognised during the year ended 30 June 2013.

Impairment of brands

The determination of the impairment calculation for the Group's indefinite life brand, David Wilson Homes, requires an estimation of the value-in-use of the brand. The value-in-use calculation requires an estimate of the future cash flows expected from this brand as part of the review of the carrying value of goodwill, including the anticipated growth rate of revenue and costs, and requires the determination of a suitable discount rate to calculate the present value of the cash flows. The discount rate used is based upon the average capital structure of the Group and current market assessments of the time value of money and risks appropriate to the Group's housebuilding

business. Changes in these may impact upon the Group's discount rate in future periods. The carrying amount of indefinite life brands at 30 June 2013 was £100.0m with no impairment recognised during the year ended 30 June 2013.

Deferred tax assets

At 30 June 2013, the Group recognised a net deferred tax asset of £92.1m comprising gross deferred tax assets of £121.1m and gross deferred tax liabilities of £29.0m. £84.7m related to losses that arose during preceding years, predominantly as a result of the refinancing and land impairments, that are to be carried forward and relieved against profits arising in future periods. The judgement to recognise the deferred tax asset is dependent upon taxable profits arising in the same company as the losses originally arose and the Group's expectations regarding future profitability including site revenue and cost forecasts for future years which contain a degree of inherent uncertainty.

Defined benefit pension scheme

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

As actual rates of increase and mortality may differ from those assumed, the pension liability may differ from that included in these financial statements.

Hedge accounting

The majority of the Group's facilities are floating rate, which exposes the Group to increased interest rate risk. The Group has in place £137.0m (2012: £192.0m) of floating-to-fixed interest rate swaps. The Group has adopted hedge accounting for these swaps on the basis that it is highly probable that there is sufficient forecast debt to match with the period of swaps. If this basis was not met in future any changes in fair value of the swaps would be recognised in the income statement, rather than in equity. During the year ended 30 June 2013, there was a gain of £6.9m (2012: loss of £16.6m) included in equity related to these swaps.

In addition, the Group has US\$246.6m (2012: US\$267.2m) of cross currency swaps to manage the cash flow risks related to foreign exchange, arising from the Group's sources of US Dollar denominated finance. These swaps are designated as a cash flow hedge against future foreign exchange rate movements. If the hedges ceased to be highly effective, any changes in fair value of the swaps would be recognised in the income statement, rather than equity. During the year ended 30 June 2013, there was a gain of £0.7m (2012: £4.6m) included in equity related to these swaps.

Non-current available for sale financial assets

The Group holds non-current available for sale financial assets principally comprising interest free loans granted as part of sales transactions that are secured by way of a second legal charge on the respective property. The loans are held at fair value. The fair value calculation requires an estimate of the future cash flows expected from the redemption of interest free loans, including an estimate of the market value of the property at the estimated time of repayment, and requires the determination of a suitable discount rate to calculate the present value of the cash flows. The estimated market value is based on original selling prices and local market conditions with an allowance for low single-digit sales price inflation. The estimated repayment profile is based on historical data for first time buyers selling their property. The discount rate used is consistent with the interest rate payable on a third party second charge loan of a similar amount and duration. At 30 June 2013, the asset recognised on the balance sheet was £128.4m (2012: £189.2m).

Investment in joint venture holding non-current available for sale financial assets

The Group holds a joint venture investment of £25.8m (2012: £nil) in Rose Shared Equity LLP. This entity holds non-current available for sale financial assets comprising interest free loans that are secured by way of a second charge on the respective property. The Group's investment is accounted for using the equity method of accounting. In line with the Group's other joint venture investments, the carrying value is reviewed at each balance sheet date. This review requires estimation of the cash flows expected to be received by the Group which is based upon calculation of the fair values of the loans held by the entity including an estimate of future cash flows expected from the redemption of interest free loans, including an estimate of the market value of the property at the estimated time of redemption, and requires the determination of a suitable discount rate to calculate the present value of the cash flows. The estimated market value is based on original selling prices and local market conditions with an allowance for low single-digit sales price inflation. The estimated repayment profile is based on historic data for first time buyers selling their property. The discount rate used is consistent with the interest rate payable on a third party second charge loan of a similar amount and duration.

5. Segmental analysis

The Group consists of two separate segments for management reporting and control purposes, being housebuilding and commercial developments. The segments are considered appropriate for reporting under IFRS 8 'Operating Segments' since these segments are regularly reviewed internally by the Board without further significant categorisation. The Group presents its primary segment information on the basis of these operating segments. As the Group operates in a single geographic market, Britain, no secondary segmentation is provided.

	House-building Units	Commercial developments Units	2013 Total Units	House- building Units	Commercial developments Units	2012 Total Units
Residential completions	13,246	–	13,246	12,637	–	12,637
Income statement	£m	£m	£m	£m	£m	£m
Revenue	2,592.6	13.6	2,606.2	2,286.8	36.6	2,323.4
Cost of sales	(2,236.9)	(10.1)	(2,247.0)	(1,997.7)	(29.5)	(2,027.2)
Gross profit	355.7	3.5	359.2	289.1	7.1	296.2
Administrative expenses - non-exceptional	(103.0)	(3.5)	(106.5)	(99.5)	(5.6)	(105.1)
Profit from operations before exceptional items	252.7	–	252.7	189.6	1.5	191.1
Administrative expenses - exceptional	(2.8)	–	(2.8)	–	–	–
Profit from operations	249.9	–	249.9	189.6	1.5	191.1
Share of post-tax profit/(loss) from joint ventures and associates - non-exceptional	7.7	(0.1)	7.6	0.7	(0.3)	0.4
Exceptional loss on joint ventures	–	(5.4)	(5.4)	–	–	–
Loss on re-measurement of joint venture interest on acquisition of control	–	–	–	(10.7)	–	(10.7)
Profit from operations including post-tax profit/(loss) from joint ventures and associates	257.6	(5.5)	252.1	179.6	1.2	180.8
Finance income			12.8			16.9
Finance costs – non-exceptional			(80.8)			(97.7)
Finance costs – exceptional			(79.3)			–
Profit before tax			104.8			100.0
Tax			(29.8)			(32.6)
Profit for the year from continuing operations			75.0			67.4

	House- building £m	Commercial developments £m	2013 Total £m	House- building £m	Commercial developments £m	2012 Total £m
Balance sheet						
Segment assets	4,442.0	60.1	4,502.1	4,443.5	79.5	4,523.0
Elimination of intercompany balances			(34.6)			(39.2)
			4,467.5			4,483.8
Deferred tax assets			92.1			118.6
Current tax assets			0.4			0.4
Cash and cash equivalents			294.4			150.3
Consolidated total assets			4,854.4			4,753.1
Segment liabilities	(1,425.2)	(42.2)	(1,467.4)	(1,437.0)	(38.2)	(1,475.2)
Elimination of intercompany balances			34.6			39.2
			(1,432.8)			(1,436.0)
Loans and borrowings			(348.4)			(343.3)
Consolidated total liabilities			(1,781.2)			(1,779.3)

Other information	£m	£m	£m	£m	£m	£m
Capital additions	2.0	–	2.0	2.0	0.4	2.4
Depreciation	1.6	–	1.6	1.5	0.1	1.6

6. Exceptional items

In the year ended 30 June 2013 there were the following exceptional items:

Debt refinancing

On 14 May 2013, the Group agreed a comprehensive refinancing package. The Group entered into a new £700m revolving credit facility, reducing to £550m in June 2016 and maturing in May 2018. The Group will retain the US\$80m of private placement notes that were issued in May 2011 and mature in August 2017 and the £100m term loan that was drawn in July 2011, of which 25% is scheduled to be repaid in 2019, 25% in 2020 and the balance in 2021. As a result of this refinancing the Group has incurred fees of £14.9m which are being amortised over the life of the facilities. In addition the Group has accelerated the amortisation of refinancing fees previously capitalised of £7.8m.

The Group's private placement notes that were issued in 2007 and 2008 (which amounted to £151.9m equivalent), together with the associated foreign exchange swaps, were cancelled with effect from 2 July 2013. The interest make-whole of £53.0m has been recognised as an exceptional charge in the income statement as the Group was irrevocably committed to this repayment as at 30 June 2013.

The Group has cancelled £55m nominal value of interest rate swaps resulting in an exceptional interest charge of £18.5m.

As a result of the refinancing, total exceptional finance costs were £79.3m with a related tax credit of £18.8m.

Part sale of non-current available for sale financial asset

On 13 May 2013, the Group entered into a joint venture, Rose Shared Equity LLP ('Rose'), with a fund managed by Anchorage Capital Group LLC ('Anchorage'). The Group disposed of the majority of its own equity share loans that originated in the period from 1 January 2009 to 31 December 2011 into the joint venture at no gain or loss. Anchorage acquired a 50% interest in Rose for £33.7m. The Group has recognised exceptional administrative costs related to fees upon this transaction and the comprehensive debt refinancing of £2.8m with a related tax credit of £0.6m.

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

At 30 June 2013, the Group conducted an impairment review of its share of the inventories included within its investments accounted for using the equity method. This resulted in an impairment charge for the year of £5.4m with a related tax credit of £1.3m.

In the year ended 30 June 2012, there was the following exceptional item:

Loss on re-measurement of joint venture interest on acquisition of control

In 2006, the Group entered into a joint venture agreement to develop sites in Greater Manchester including one in Hattersley. The Group's joint venture partner went into liquidation in March 2012 and on 9 May 2012 the Group acquired its share for £1. As required by IFRS 3 (Revised) 'Business Combinations', the Group has disposed of its share in the joint venture entities and acquired the entities as subsidiaries resulting in an exceptional loss of £10.7m.

7. Net finance costs

Recognised in income statement

	Notes	2013 £m	2012 £m
Finance income on short-term bank deposits		(0.1)	(0.1)
Imputed interest on available for sale financial assets	12	(10.2)	(12.0)
Finance income related to employee benefits	17	–	(1.2)
Other interest receivable		(2.5)	(3.6)
Finance income		(12.8)	(16.9)
Interest on loans and borrowings		37.7	48.9
Imputed interest on deferred term land payables		26.5	28.8
Finance costs related to employee benefits	17	0.5	–
Amounts reclassified to the income statement in respect of hedged cash flows		6.7	5.1
Foreign exchange losses on US Dollar debt		2.8	4.0
Amortisation of facility fees		4.6	3.5
Imputed interest on Kickstart equity funding		(0.9)	(0.2)
Other interest payable		2.9	7.6
Finance costs before exceptional items		80.8	97.7
Net finance costs before exceptional items		68.0	80.8
Exceptional finance costs			
Make-whole fee on redemption of private placement notes		53.0	–
Hedging termination costs		18.5	–
Write-off of previous facility unamortised fees		7.8	–
Exceptional finance costs	6	79.3	–
Total finance costs		160.1	97.7
Net finance costs		147.3	80.8

Recognised in equity

	Notes	2013 £m	2012 £m
Amounts deferred in respect of effective cash flow hedges		1.9	21.1
Total fair value losses on cash flow swaps included in equity		1.9	21.1
Amounts reclassified to the income statement in respect of hedged cash flows		(6.7)	(5.1)
Amounts reclassified to the income statement in respect of hedged cash flows no longer expected to occur – exceptional	6	(18.5)	–
Total fair value losses on cash flow swaps transferred to equity		(25.2)	(5.1)

8. Tax

Analysis of the tax charge for the year

	2013 £m	2012 £m
Current tax		
UK corporation tax for the year	(0.9)	(0.9)
Adjustment in respect of previous years	–	(0.2)
	(0.9)	(1.1)
Deferred tax		
Origination and reversal of temporary differences	25.2	27.3
Adjustment in respect of previous years	2.2	(2.3)
Impact of reduction in corporation tax rate	3.3	8.7
	30.7	33.7
Tax charge for the year	29.8	32.6

In addition to the amount charged to the income statement, a net deferred tax credit of £4.2m (2012: £10.3m) was recognised directly in equity.

Factors affecting the tax charge for the year

The tax rate assessed for the year is higher (2012: higher) than the standard effective rate of corporation tax in the UK of 23.75% (2012: 25.5%).

The differences are explained below:

	2013 £m	2012 £m
Profit before tax	104.8	100.0
Profit before tax multiplied by the standard rate of corporation tax of 23.75% (2012: 25.5%)	24.9	25.5
Effects of:		
Other items including non-deductible expenses	1.8	–
Loss on re-measurement of joint venture interest on acquisition of control	–	2.7
Additional tax relief for land remediation costs	(1.4)	(2.0)
Adjustment in respect of previous years	2.2	(2.5)
Tax in respect of joint ventures	(0.2)	(0.2)
Tax on share-based payments	(0.8)	0.4
Impact of change in tax rate on deferred tax asset	3.3	8.7
Tax charge for the year	29.8	32.6

Legislation reducing the main rate of corporation tax to 23% with effect from 1 April 2013 was enacted on 17 July 2012. Accordingly, the current year tax charge has been provided for at an effective rate of 23.75% and the closing deferred tax asset has been provided for at a rate of 23% in these financial statements.

Additional reductions in the main rate of corporation tax from 23% to 21% with effect from 1 April 2014 and from 21% to 20% with effect from 1 April 2015 were enacted within the Finance Act 2013 on 17 July 2013. As these reductions were not substantively enacted by the balance sheet date, their effect has not been reflected in these financial statements.

If the deferred tax assets and liabilities of the Group were all to reverse after 2015, the effect of the reduction from 23% to 20% would be to reduce the net deferred tax asset by £12.0m. To the extent that the net deferred tax asset reverses more quickly than this, the impact of the rate reductions on the net deferred tax asset will be reduced.

9. Dividends

	2013 £m	2012 £m
Proposed final dividend for the year ended 30 June 2013 of 2.5 pence (2012: nil pence) per share	24.4	-

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability at 30 June 2013.

10. Earnings per share

Basic earnings per share is calculated by dividing the profit for the year attributable to ordinary shareholders of £75.0m (2012: £67.4m) by the weighted average number of ordinary shares in issue during the year, excluding those held by the Employee Benefit Trust which are treated as cancelled, which was 973.7m shares (2012: 963.9m).

Diluted earnings per share is calculated by dividing the profit for the year attributable to ordinary shareholders of £75.0m (2012: £67.4m) by the weighted average number of ordinary shares in issue adjusted to assume conversion of all potentially dilutive share options from the start of the year, giving a figure of 998.7m shares (2012: 979.6m).

The earnings per share from continuing operations were as follows:

	2013 pence	2012 pence
Basic earnings per share	7.7	7.0
Adjusted basic earnings per share	14.6	8.1
Diluted earnings per share	7.5	6.9
Adjusted diluted earnings per share	14.2	8.0

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

	2013 £m	Basic 2013 pence	Diluted 2013 pence	2012 £m	Basic 2012 pence	Diluted 2012 pence
Profit for basic and diluted earnings per share	75.0	7.7	7.5	67.4	7.0	6.9
Add: exceptional administrative expenses	2.8	0.3	0.3	-	-	-
Add: exceptional finance costs	79.3	8.1	7.9	-	-	-
Add: exceptional impairment of joint venture	5.4	0.6	0.5	-	-	-
Add: exceptional loss on re-measurement of joint venture on acquisition of control	-	-	-	10.7	1.1	1.1
Less: tax effect of above items	(20.7)	(2.1)	(2.0)	-	-	-
Earnings for basic and adjusted diluted earnings per share	141.8	14.6	14.2	78.1	8.1	8.0

Earnings are adjusted, removing exceptional finance costs, exceptional loss on joint ventures and the related tax to reflect the Group's underlying profit.

11. Goodwill

	Group £m
Cost	
At 1 July 2011, 30 June 2012 and 30 June 2013	816.7
Accumulated impairment losses	
At 1 July 2011, 30 June 2012 and 30 June 2013	24.5
Carrying amount	
At 30 June 2012 and 30 June 2013	792.2

The Group's goodwill has a carrying value of £792.2m relating to the housebuilding segment. The goodwill relating to the commercial developments segment, with a cost of £24.5m, was fully impaired in the year ended 30 June 2008.

The Group conducts an annual impairment review of goodwill and intangibles together for both the housebuilding and commercial developments segments. The impairment review was performed at 30 June 2013 and compared the value-in-use of the housebuilding segment with the carrying value of its tangible and intangible assets and allocated goodwill. The Group allocates any identified impairment first to goodwill and then to assets on a pro-rata basis, which in the case of the Group is its intangible assets and property, plant and equipment.

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

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

- Discount rate: this is a pre-tax rate reflecting current market assessments of the time value of money and risks appropriate to the Group's housebuilding business. Accordingly, the rate of 12.2% (2012: 12.9%) is considered by the Directors to be the appropriate pre-tax risk adjusted discount rate, being the Group's estimated long-term pre-tax weighted average cost of capital. This rate used in the 30 June 2013 impairment review is calculated using the average capital structure of the Group during the financial year, consistent with the prior year, due to the cyclicity of the Group's borrowing requirements and reflects the Group's reduced borrowing costs following the comprehensive refinancing completed during the year.
- Expected changes in selling prices for completed houses and the related impact upon operating margin: these are determined on a site-by-site basis for the first two years dependent upon local market conditions and product type. For years three to five, these have been estimated at a Group level based upon past experience and expectations of future changes in the market, taking into account external market forecasts.
- Sales volumes: these are determined on a site-by-site basis for the first two years dependent upon local market conditions, land availability and planning permissions. For years three to five, these have been estimated at a Group level based upon past experience and expectations of future changes in the market, taking into account external market forecasts.
- Expected changes in site costs to complete: these are determined on a site-by-site basis for the first two years dependent upon the expected costs of completing all aspects of each individual development including any additional costs that are expected to occur as a result of the business being on an individual development site for longer due to current market conditions. For years three to five, these have been estimated at a Group level based upon past experience and expectations of future changes in the market, taking into account external market forecasts.

The conclusion of this impairment review was that the Group's goodwill and intangible assets related to the housebuilding segment was not impaired.

The impairment review of goodwill and intangible assets at 30 June 2013 was based upon current expectations regarding sales volumes, expected changes in selling prices and site costs to complete in the uncertain conditions within the UK housing market and used a discount rate considered appropriate to the position and risks of the Group. The result of the impairment review was that the recoverable value of goodwill and intangible assets exceeded its carrying value by £1,140.6m (2012: £379.1m).

If the UK housing market and expectations regarding its future were to deteriorate with either operating margins reducing by 3.8% per annum (2012: 1.0% per annum) or the appropriate discount rate were to increase by 2.6% (2012: 1.0%) and all other variables were held constant, then the recoverable value of goodwill and intangible assets would equal its carrying value. Further information is given in Critical Accounting Judgements and Key Sources of Estimation Uncertainty in note 4.

12. Available for sale financial assets

Non-current available for sale financial assets

	Notes	2013 £m	2012 £m
At 1 July		189.2	169.4
Additions		23.8	27.7
Disposals		(82.5)	(4.7)
Imputed interest	7	10.2	12.0
Net impairment taken through income statement		(6.1)	(11.8)
Fair value adjustment taken through other comprehensive income		(6.2)	(3.4)
At 30 June		128.4	189.2

Available for sale financial assets principally comprise interest free loans which are granted as part of sales transactions and for which the cash flows receivable are based on the value of the property at redemption. These loans are secured by way of a second legal charge on the respective property (after the first mortgage). These loans are held at the present value of expected future cash flows, taking into account the estimated market value of the property at the estimated time of repayment. The income statement includes a net impairment of £6.1m (2012: £11.8m) in cost of sales.

The present value of expected future cash flows is calculated using a discount rate consistent with the interest rate payable on a third party second charge loan of a similar amount and duration. This is considered to be the most appropriate rate as the interest free loans are similar in nature to second charge loans offered by third party financial institutions. The average discount rate used for the year ended 30 June 2013 was 8.0% (2012: 7.5%). The movement in the discount rate during the year has resulted in a fair value adjustment charge, which has been taken through other comprehensive income of £6.2m (2012: £3.4m).

The estimated fair value is based on original selling prices and local market conditions with an allowance for low single-digit sales price inflation. The Group has also used independent valuation specialists to review and assess the estimated portfolio value.

The repayment profile used to calculate the timing of future cash flows is based on historical data for first-time buyers selling their property.

The net impairment of the available for sale financial assets taken through the income statement relates to borrower default including an estimate made for losses incurred that have not yet been reported to the Group by the home owner or the first charge provider and the impact of the decline in UK house prices on the present value of the estimated future cash flows of these assets.

Further disclosures relating to financial assets are set out in note 16 (b).

On 13 May 2013, the Company entered into a joint venture, Rose Shared Equity LLP ('Rose'), with a fund managed by Anchorage Capital Group LLC ('Anchorage'). The Group disposed of the majority of its own equity share loans that originated in the period from 1 January 2009 to 31 December 2011 at no gain or loss. The loans were sold to Rose at their net book value of £59.2m. Anchorage acquired a 50% interest in Rose for £33.7m. Anchorage will receive its initial investment back by way of preferred return and then the partners will share equally all subsequent cash proceeds from the portfolio. The Group has treated this transaction as an asset disposal and investment in a joint venture.

Current available for sale financial assets

During the year, the Group entered into a seed investment agreement with Hearthstone Investments, a specialist residential property fund manager. The Group sold showhomes with a value of £5.1m into the fund in exchange for 5.1m units at an average price of £1.00 per unit. During the year the Group has sold 3.8m units at an average price of £1.00 per unit. At 30 June 2013 the Group held 1.3m units. In accordance with IFRS 7 'Financial Instruments: Disclosures', these financial assets have been classified as Level 1 within the fair value hierarchy. Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identifiable assets. At 30 June 2013, based on unadjusted quoted prices the units had a market value of £1.3m. No gain or loss has been recognised in the consolidated statement of comprehensive income for the year ended 30 June 2013. These assets are classified within current assets as available for sale financial assets as the Group does not intend to hold this investment in the long-term.

13. Inventories

	2013 £m	2012 £m
Land held for development	2,127.0	2,077.3
Construction work in progress	1,001.9	1,065.5
Part-exchange properties	79.0	80.2
Other inventories	1.9	3.6
	3,209.8	3,226.6

a) Nature of inventories

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

b) Impairment of inventories

At 30 June 2013, the Group reviewed the net realisable value of its land and work in progress carrying values of its sites. The impairment review compared the estimated future net present realisable value of development sites with their balance sheet carrying value. During the year, due to performance variations upon individual housebuilding sites, there were gross impairment charges of £34.8m (2012: £44.8m) and gross impairment reversals of £22.5m (2012: £31.5m) resulting in a net inventory impairment of £12.3m (2012: £13.3m) included within profit from operations. There was also a gross impairment charge of £0.6m (2012: £3.3m) and a gross impairment reversal of £0.1m (2012: £3.3m) for the commercial developments business, resulting in a net inventory impairment of £0.5m (2012: £nil), due to performance variations upon individual commercial sites.

The key judgements in these reviews were estimating the realisable value of a site which is determined by forecast sales rates, expected sales prices and estimated costs to complete. Sales prices were estimated on a site-by-site basis based upon local market conditions and took into account the current prices being achieved upon each site for each product type. In addition, the estimation of future sales prices included an allowance on a site-by-site basis for low single-digit sales price inflation in future periods. The estimation of costs to complete also included an allowance for low single-digit build cost inflation in future periods. Further information regarding these judgements is included within the Critical Accounting Judgements and Key Sources of Estimation Uncertainty section (note 4).

During the year, the Group has experienced stable market conditions in the first three quarters of the financial year and signs of sustainable improvement in the final quarter. If the UK housing market were to change beyond management expectations in the future, in particular with regards to the assumptions around likely sales prices and estimated costs to complete, further adjustments to the carrying value of land and work in progress may be required.

Following these impairments, £325.7m (2012: £607.5m) of inventories are valued at fair value less costs to sell rather than at historical cost.

c) Expensed inventories

The value of inventories expensed in the year ended 30 June 2013 and included in cost of sales was £2,139.3m (2012: £1,900.5m) including the inventory impairments.

14. Loans and borrowings

a) Net debt

Net debt at 30 June 2013 is shown below:

	2013 £m	2012 £m
Cash and cash equivalents	294.4	150.3
Non-current borrowings		
Bank loans*	–	(6.2)
Term loans*	(85.0)	(100.0)
Government loans	(29.8)	–
Private placement notes	(51.8)	(225.0)
Total non-current borrowings	(166.6)	(331.2)
Current borrowings		
Bank overdrafts	(4.1)	–
Loan notes	–	(0.2)
Government loans	(0.5)	–
Private placement notes	(175.6)	(10.6)
Kickstart equity funding	(1.6)	(1.3)
Total current borrowings	(181.8)	(12.1)
Total borrowings	(348.4)	(343.3)
Derivative financial instruments		
Foreign exchange swaps	28.1	25.3
Net debt	(25.9)	(167.7)

*Non-current bank loans at 30 June 2012 of £106.2m have been recategorised as £6.2m bank loans and the term loan of £100.0m

Cash and cash equivalents comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less. Net debt is defined as cash and cash equivalents, bank overdrafts, interest bearing borrowings and foreign exchange swaps. The Group includes foreign exchange swaps within net debt. These swaps were entered into to hedge the foreign exchange exposure upon the Group's US Dollar denominated private placement notes. The Group's foreign exchange swaps have both an interest rate and an exchange rate element and only the exchange rate element on the notional amount of the swap is included within the net debt note above.

The Group's derivative financial instruments at 30 June are shown below:

	2013 £m	2012 £m
Foreign exchange swap – exchange rate element	28.1	25.3
Foreign exchange swap – interest rate element	1.2	3.3
	29.3	28.6
Interest rate swaps	(27.1)	(52.5)
Net derivative financial instruments	2.2	(23.9)

On 14 May 2013, the Group completed a comprehensive refinancing package and as part of this, irrevocably committed to prepay US\$166.6m of private placement notes and cancel the associated foreign exchange swaps, with effect from no later than 2 July 2013. Accordingly, on 2 July 2013 foreign exchange swaps of US\$166.6m were cancelled.

b) Drawn debt facilities

The drawn debt at 30 June comprises:

	2013 £m	2012 £m
Non-current		
Bank loans*	–	6.2
Term loans*	85.0	100.0
Government loans	29.8	–
Private placement notes	51.8	225.0
Total non-current borrowings	166.6	331.2
Current		
Bank overdrafts	4.1	–
Loan notes	–	0.2
Private placement notes	175.6	10.6
Kickstart equity funding	1.6	1.3
Government loans	0.5	–
Total current borrowings	181.8	12.1
Total borrowings	348.4	343.3

*Non-current bank loans at 30 June 2012 of £106.2m have been recategorised as £6.2m bank loans and the term loan of £100.0m

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

	2013 %	2012 %
Bank loans net of swap interest*	6.6	5.0
Government loans	2.7	–
Loan notes	–	0.7
Term loans*	5.3	5.7
Private placement notes*	10.8	10.7

* The weighted average interest rates disclosed above have been restated to exclude amortised fees and non-utilisation fees as the Directors are of the opinion that this provides more relevant information as to the interest rates paid upon the Group's borrowings.

The principal features of the Group's drawn debt facilities at 30 June 2013 were as follows:

i) Committed facilities

- A committed £700.0m revolving credit facility, reducing to £550.0m in June 2016, was made available under credit agreements dated 14 May 2013 as part of the Group's comprehensive refinancing. As at 30 June 2013, £nil was drawn. The maturity date of this facility is 14 May 2018.
- A committed £100.0m term loan, of which £100.0m was drawn at 30 June 2013, made available under a credit agreement dated 10 May 2011 (as amended from time to time and most recently with effect from 14 May 2013), the maturity of which is scheduled to be repaid as follows: 25% on 1 July 2019; 25% on 1 July 2020; and 50% on 1 July 2021.
- Committed loans of £30.3m have been obtained in the year under the Government's 'Get Britain Building' and local government 'Growing Places Fund' schemes. These loans are due to be repaid between 30 June 2014 and 30 June 2018 with the majority due in the year ending 30 June 2018.

ii) Fixed rate Sterling private placement notes

- £65.8m of fixed rate Sterling private placement notes expire between 23 April 2018 and 23 April 2020 and were issued pursuant to a note purchase agreement dated 23 April 2008 (as amended from time to time and most recently with effect from 10 May 2011). As part of the comprehensive refinancing agreed on 14 May 2013, these private placement notes were prepaid in full on 2 July 2013.

iii) Fixed rate US Dollar private placement notes

- US Dollar private placement notes of \$80.0m due on 23 August 2017 were issued pursuant to note purchase agreements dated 10 May 2011 (as amended from time to time and most recently with effect from 14 May 2013).
- US Dollar ten-year private placement notes of \$42.6m issued pursuant to a note purchase agreement dated 23 April 2008 (as amended from time to time and most recently with effect from 10 May 2011). As part of the comprehensive refinancing agreed on 14 May 2013, these private placement notes were prepaid in full on 2 July 2013.
- US Dollar five-year private placement notes of \$20.6m issued pursuant to a note purchase agreement dated

23 April 2008 (as amended from time to time and most recently with effect from 10 May 2011). These notes matured and were repaid on 23 April 2013.

- US Dollar ten-year private placement notes of \$124.0m issued pursuant to a note purchase agreement dated 23 August 2007 (as amended from time to time and most recently with effect from 10 May 2011). As part of the comprehensive refinancing agreed on 14 May 2013, these private placement notes were prepaid in full on 2 July 2013.

iv) Floating rate Sterling loan notes

- The Group had £nil (2012: £0.2m) Sterling loan notes at 30 June 2013. These loan notes were repaid on 2 July 2012.

v) Bank overdrafts and uncommitted money market facilities

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

15. Derivative financial instruments - swaps

The Group has entered into derivative financial instruments to manage interest rate and foreign exchange risks as explained in note 16. The Group does not enter into any derivatives for speculative purposes.

	Asset £m	2013 Liability £m	Asset £m	2012 Liability £m
Designated as cash flow hedges				
Non-current				
Interest rate swaps	-	(27.1)	-	(52.5)
Foreign exchange swaps	4.1	-	29.4	(0.8)
Current				
Foreign exchange swaps	25.6	(0.4)	-	-
Total derivative financial instruments	29.7	(27.5)	29.4	(53.3)

a) Interest rate swaps

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

The Group's £60.0m 2017 and £25.0m 2022 interest rate swap arrangements contain a clause that allows the Group or the counterparty to cancel the swap in May 2015 at fair value.

As at 30 June 2013, the Group had outstanding net floating rate Sterling debt and overdrafts of £117.4m (2012: £106.5m). In obtaining this funding, the Group sought to achieve certainty as to the availability of, and income statement charge related to, a designated proportion of anticipated future debt requirements.

The Group has entered into swap arrangements to swap £137.0m (2012: £192.0m) of this debt into fixed rate Sterling debt in accordance with the Group treasury policy outlined in note 16. After taking into account swap arrangements, the fixed interest rates applicable to the debt were as follows:

£m	Fixed rate payable %	2013 Maturity	£m	Fixed rate payable %	2012 Maturity
60.0	6.08	2017	60.0	6.08	2017
19.5	6.18	2017	19.5	6.18	2017
32.5	5.83	2017	32.5	5.83	2017
-	-	-	30.0	5.94	2022
25.0	5.63	2022	50.0	5.63	2022
137.0			192.0		

On 14 May 2013, as part of the Group's comprehensive refinancing package, the Group agreed to cancel £55m nominal value of interest rate swaps. These interest rate swaps were cancelled and settled in June 2013 with an exceptional charge of £18.5m included within finance costs. Further details are included in note 6.

The swap arrangements are designated as a cash flow hedge against future interest rate movements. The fair value of the swap arrangements as at 30 June 2013, which is based on third party valuations, was a liability of £27.1m (2012: £52.5m) with a gain of £6.9m (2012: loss of £16.6m) charged directly to equity in the year.

There was no ineffectiveness to be taken through the income statement during the year or the prior year.

Further disclosures relating to financial instruments are set out in note 16.

b) Foreign exchange swaps

The Group enters into derivative transactions in the form of swap arrangements to manage the cash flow risks related to foreign exchange arising from its sources of finance denominated in US Dollars.

As at 30 June 2013, the Group had outstanding fixed rate US Dollar loan notes of \$246.6m (2012: \$267.2m).

The Group has entered into swap arrangements to swap all of this debt into fixed rate Sterling debt in accordance with the Group treasury policy outlined in note 16. After taking into account swap arrangements, the fixed interest rates applicable to the debt were as follows:

\$m	Fixed rate payable %	2013 Maturity*	\$m	Fixed rate payable %	2012 Maturity
–	–	–	18.2	8.98	2013
–	–	–	1.0	10.95	2013
–	–	–	1.4	10.78	2013
103.7	6.61	2013	103.7	6.61	2017
7.5	10.55	2013	7.5	10.55	2017
12.8	9.75	2013	12.8	9.75	2017
80.0	8.14	2017	80.0	8.14	2017
33.7	9.24	2013	33.7	9.24	2018
3.6	12.23	2013	3.6	12.23	2018
5.3	11.37	2013	5.3	11.37	2018
246.6			267.2		

*On 14 May 2013, the Group completed a comprehensive refinancing package and as part of this, irrevocably committed to prepay US\$166.6m of private placement notes and cancel the associated foreign exchange swaps, with effect from no later than 2 July 2013. Accordingly, on 2 July 2013, foreign exchange swaps of US\$166.6m were cancelled.

The swap arrangements are designated as cash flow hedges against future foreign exchange rate movements. The hedges match the contractual initial receipt, the final settlement and match 83% of the interest payments. The fair value of the swap arrangements as at 30 June 2013, which is based on third party valuations, was an asset of £29.3m (2012: £28.6m) with a gain of £0.7m (2012: £4.6m) credited directly to equity in the year.

There was no ineffectiveness to be taken through the income statement during the year or the prior year. Further disclosures relating to financial instruments are set out in note 16.

16. Financial risk management

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

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

a) Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its liabilities as they fall due. The Group actively maintains a mixture of long-term and medium-term committed facilities that are designed to ensure that the Group has sufficient available funds for operations. The Group's borrowings are typically cyclical throughout the financial year and peak in April and May and October and November of each year, due to seasonal trends in income. Accordingly, the Group maintains sufficient facility headroom to cover these requirements. On a normal operating basis, the Group has a policy of maintaining headroom of up to £150.0m. The Group identifies and takes appropriate actions based upon its regular, detailed system for the reporting and forecasting of cash flows from its operations. At 30 June 2013, the Group had committed bank and other facilities of £1,030.5m (2012: £1,091.0m) and total facilities of £1,076.7m (2012: £1,137.2m). The Group's drawn debt against these facilities was £342.7m (2012: £342.0m). This represented 33.3% (2012: 31.3%) of available committed facilities at 30 June 2013. In addition, the Group had £294.4m (2012: £150.3m) of cash and cash equivalents.

The Group was in compliance with its financial covenants at 30 June 2013. At the date of approval of the financial statements, the Group's internal forecasts indicate that it will remain in compliance with these covenants for the foreseeable future, being at least twelve months from the date of signing these financial statements.

The Group's objective is to minimise refinancing risk. The Group therefore has a policy that the average maturity of its committed bank facilities and private placement notes is at least two years on average with a target of three years. At 30 June 2013, the average maturity of the Group's facilities was 3.9 years (2012: 3.7 years).

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

Expiry date	2013 £m	2012 £m
In less than one year	–	–
In more than one year but not more than two years	150.0	90.0
In more than two years but not more than five years	550.0	670.0
In more than five years	–	–
	700.0	760.0

In addition, the Group had £42.1m (2012: £46.2m) of undrawn uncommitted facilities available at 30 June 2013.

b) Market risk (price risk)

i) UK housing market risk

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

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

has detailed procedures to manage its market related operational risks, which include:

- a weekly review of key trading indicators, including reservations, sales rates, visitor levels, levels of incentives, competitor activity and cash flow projections;
- the provision to mortgage providers with complete transparency of house purchase prices alongside any discounts or other incentives in order that they have appropriate information upon which to base their lending decision; and
- collaboration with key mortgage lenders to ensure that products are appropriate wherever possible for their customers.

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

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

	Linked to UK housing market £m	Not linked to UK housing market £m	Total £m
2013			
Non-derivative financial assets	128.4	347.8	476.2
Non-derivative financial liabilities	–	(1,583.5)	(1,583.5)
Derivatives	–	2.2	2.2
	128.4	(1,233.5)	(1,105.1)
2012			
Non-derivative financial assets	189.2	177.7	366.9
Non-derivative financial liabilities	–	(1,542.4)	(1,542.4)
Derivatives	–	(23.9)	(23.9)
	189.2	(1,388.6)	(1,199.4)

The value of the Group's available for sale financial assets is directly linked to the UK housing market. At 30 June 2013, these assets were carried at a fair value of £128.4m (2012: £189.2m). Further information is set out in note 12.

Sensitivity analysis

At 30 June 2013, if UK house prices had been 5% lower and all other variables were held constant, the Group's house price linked financial assets and liabilities, which are solely available for sale financial assets, would decrease in value, excluding the effects of tax, by £8.4m (2012: £9.7m) with a corresponding reduction in both the result for the year and equity.

ii) Interest rate risk

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

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

The Group has a conservative treasury risk management strategy. The proportion of the Group's median gross borrowings calculated on the latest three-year plan that should be at fixed rates of interest is determined by the average expected interest cover for that period. The current target is for 30-60% to be at fixed rates of interest. Due to the cyclical nature of our borrowings throughout the year, as at 30 June 2013, 65.3% (2012: 61.7%) of the Group's gross borrowings were fixed. Group interest rates are fixed using both swaps and fixed rate debt instruments.

The exposure of the Group's financial liabilities to interest rate risk is as follows:

	Floating rate financial liabilities £m	Fixed rate financial liabilities £m	Non-interest bearing financial liabilities £m	Total £m
2013				
Financial liabilities (excluding derivatives)	117.4	231.0	1,235.1	1,583.5
Impact of interest rate swaps	(137.0)	137.0	–	–
Financial liability exposure to interest rate risk	(19.6)	368.0	1,235.1	1,583.5
2012				
Financial liabilities (excluding derivatives)	106.5	236.8	1,199.1	1,542.4
Impact of interest rate swaps	(192.0)	192.0	–	–
Financial liability exposure to interest rate risk	(85.5)	428.8	1,199.1	1,542.4

Floating interest rates on Sterling borrowings are linked to the UK bank rate, LIBOR and money market rates. The floating rates are fixed in advance for periods generally ranging from one to six months. Short-term flexibility is achieved through the use of overdraft, committed and uncommitted bank facilities. The weighted average interest rate for floating rate borrowings in 2013 was 3.6% (2012: 3.5%).

Sterling private placement notes of £65.8m (2012: £65.8m) were arranged at fixed interest rates and exposed the Group to fair value interest rate risk. The weighted average interest rate for fixed rate Sterling private placement notes for 2013 was 12.0% (2012: 12.0%) with, at 30 June 2013, a weighted average period of zero years (2012: 6.9 years) for which the rate is fixed.

US Dollar denominated private placement notes of £133.5m (2012: £145.0m) were arranged at fixed interest rates and exposed the Group to fair value interest rate risk. The weighted average interest rate for fixed rate US Dollar denominated private placement notes, after the effect of foreign exchange rate swaps, for 2013 was 10.2% (2012: 10.2%) with, at 30 June 2013, a weighted average period of 1.5 years (2012: 4.9 years) for which the rate is fixed.

On 14 May 2013, the Group completed a comprehensive refinancing package and irrevocably committed to prepay the £65.8m Sterling private placement notes and US\$166.6m private placement notes and cancel the associated foreign exchange swaps, with effect from no later than 2 July 2013. Accordingly, on 2 July 2013 the Sterling private placement notes of £65.8m and US\$166.6m private placement notes were prepaid and foreign exchange swaps of US\$166.6m were cancelled.

Sensitivity analysis

In the year ended 30 June 2013, if UK interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's pre-tax profit would decrease/increase by £0.6m (2012: £1.6m), the Group's post-tax profit would decrease/increase by £0.5m (2012: £1.2m) and the Group's equity would decrease/increase by £0.5m (2012: £1.2m).

iii) Foreign exchange rate risk

As at 30 June 2013, the Group has fixed rate US Dollar denominated private placement notes of \$246.6m (2012: \$267.2m). In order to mitigate risks associated with the movement in the foreign exchange rate, the Group has a policy of fully hedging the principal of its US Dollar denominated debt and a significant proportion of the interest payments. The Group therefore entered into foreign exchange swap arrangements on the issue of its US Dollar denominated debt, all of which are designated as cash flow hedges. Accordingly, the Group has no net exposure to foreign currency risk on the principal of its US Dollar debt. The foreign exchange swaps match 83% of the interest payments and therefore the Group is subject to foreign exchange rate risk upon the remaining 17%.

On 14 May 2013, the Group completed a comprehensive refinancing package and irrevocably committed to prepay US\$166.6m of private placement notes and cancel the associated foreign exchange swaps, with effect from no later than 2 July 2013. Accordingly, on 2 July 2013 foreign exchange swaps of US\$166.6m were cancelled.

Details of the Group's foreign exchange swaps are provided in note 15.

Sensitivity analysis

In the year ended 30 June 2013, if the US Dollar per Pound Sterling exchange rate had been \$0.20 higher/lower and all other variables were held constant, the Group's pre-tax profit would decrease/increase by £0.4m (2012:

£0.3m), the Group's post-tax profit would decrease/increase by £0.3m (2012: £0.2m) and the Group's equity would decrease/increase by £0.3m (2012: £0.2m).

c) Credit risk

In the majority of cases, the Group receives cash upon legal completion for private sales and receives advance stage payments from Registered Providers for social housing. The Group has £128.4m (2012: £189.2m) of available for sale financial assets, which expose it to credit risk, although this asset is spread over a large number of properties. In addition, the Group has an investment of £25.8m in a joint venture which holds available for sale financial assets, which exposes the joint venture to credit risk, although this is spread over a large number of properties. As such, the Group has no significant concentration of credit risk, as its exposure is spread over a large number of counterparties and customers.

The Group manages credit risk in the following ways:

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

The maximum exposure to any counterparty at 30 June 2013 was £76.9m (2012: £42.5m) of cash on deposit with a financial institution. The carrying amount of financial assets recorded in the financial statements, net of any allowance for losses, represents the Group's maximum exposure to credit risk.

d) Capital risk management (cash flow risk)

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

The Group manages as capital its equity, as set out in the consolidated statement of changes in shareholders' equity, its bank borrowings (being overdrafts, loan notes and bank loans) and its private placement notes, as set out in note 14.

The Group is subject to the prevailing conditions of the UK economy and the Group's earnings are dependent upon the level of UK house prices. UK house prices are determined by the UK economy and economic conditions including employment levels, interest rates, consumer confidence, mortgage availability and competitor pricing. The management of these operational risks is set out in the principal risks and uncertainties in note 25.

In addition, the other methods by which the Group can manage its short-term and long-term capital structure include: adjusting the level of ordinary dividends paid to shareholders (assuming the Company is paying a dividend); issuing new share capital; arranging debt to meet liability payments; and selling assets to reduce debt.

17. Retirement benefit obligations

The Group operates defined contribution and defined benefit pension schemes.

Defined contribution schemes

	2013 £m	2012 £m
Contributions during the year		
Group defined contribution schemes consolidated income statement charge	7.0	6.7

At the balance sheet date, there were outstanding contributions of £0.7m (2012: £0.5m), which were paid on or before the due date.

Defined benefit scheme

The Group operates a funded defined benefit pension scheme in Great Britain, the Barratt Group Pension & Life Assurance Scheme (the 'Scheme'), which with effect from 30 June 2009, ceased to offer future accrual of defined benefit pensions. Alternative defined contribution pension arrangements are in place for current employees.

The most recent full actuarial valuation of the Scheme was carried out at 30 November 2010. The results of this valuation have been updated to 30 June 2013 by a qualified independent actuary. The Group has agreed with the Trustees of the Scheme to make contributions to the Scheme of £13.3m per annum until 31 January 2017 to address the Scheme's deficit. The Group also continues to meet the Scheme's administration expenses, death in service premiums and Pension Protection Fund levy.

At the balance sheet date, there were outstanding contributions of £1.1m (2012: £1.1m).

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

Principal actuarial assumptions	2013	2012
Weighted average assumptions to determine benefit obligations		
Discount rate	4.70%	4.80%
Rate of price inflation	3.40%	2.90%
Weighted average assumptions to determine net cost		
Discount rate	4.80%	5.50%
Expected long-term rate of return on plan assets	4.91%	6.10%
Rate of price inflation	2.90%	3.50%

Members are assumed to exchange 15% of their pension for cash on retirement. The assumptions have been chosen by the Group following advice from Mercer Human Resource Consulting Limited, the Group's actuarial advisers.

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

Assumptions	Male	Female
Retired member born in 1948 (life expectancy at age 65)	24.2 years	26.6 years
Non-retired member born in 1968 (life expectancy at age 65)	25.9 years	28.7 years

The base mortality assumptions are based upon the S1NA mortality tables. The Group has carried out a mortality investigation of the Scheme's membership to ensure that this is an appropriate assumption. Allowance for future increases in life expectancy is made in line with the medium cohort projection, with an underpin on the annual rate of improvement in mortality of 1.25% (2012: 1.25%).

The sensitivities regarding the principal assumptions used to measure the Scheme liabilities are set out below:

Assumptions	Change in assumption	Increase in Scheme liabilities
Discount rate	Decrease by 0.1%	£6.6m (2.1%)
Rate of inflation	Increase by 0.1%	£3.8m (1.2%)
Life expectancy	Increase by 1 year	£8.1m (2.6%)

The amounts recognised in the consolidated income statement were as follows:

	2013 £m	2012 £m
Interest cost	13.3	13.6
Expected return on Scheme assets	(12.8)	(14.8)
Total pension cost/(income) recognised in net finance costs in the consolidated income statement	0.5	(1.2)
Total pension cost/(income) recognised in the consolidated income statement	0.5	(1.2)

The amounts recognised in the Group statement of comprehensive income were as follows:

	2013 £m	2012 £m
Expected return less actual return on Scheme assets	(18.6)	(0.7)
Loss arising from changes in the assumptions underlying the present value of benefit obligations	23.4	24.8
Total pension cost recognised in the Group statement of comprehensive income	4.8	24.1

The amount included in the Group balance sheet arising from obligations in respect of the Scheme is as follows:

	2013 £m	2012 £m
Present value of funded obligations	308.3	280.5
Fair value of Scheme assets	(294.9)	(259.1)
Deficit for funded Scheme/net liability recognised in the Group balance sheet at 30 June	13.4	21.4

	2013 £m	2012 £m
Net liability for defined benefit obligations at 1 July	21.4	11.8
Contributions paid to the Scheme	(13.3)	(13.3)
Expense/(income) recognised in the consolidated income statement	0.5	(1.2)
Amounts recognised in the Group statement of comprehensive income	4.8	24.1
Net liability for defined benefit obligations at 30 June	13.4	21.4

A deferred tax asset of £3.1m (2012: £5.2m) has been recognised in the Group balance sheet in relation to the pension liability.

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

	2013 £m	2012 £m
Present value of benefit obligations at 1 July	280.5	250.6
Interest cost	13.3	13.6
Actuarial loss	23.4	24.8
Benefits paid from Scheme	(8.9)	(8.5)
Present value of benefit obligations at 30 June	308.3	280.5

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

	2013 £m	2012 £m
Fair value of Scheme assets at 1 July	259.1	238.8
Expected return on Scheme assets	12.8	14.8
Actuarial gain on Scheme assets	18.6	0.7
Employer contributions	13.3	13.3
Benefits paid from Scheme	(8.9)	(8.5)
Fair value of Scheme assets at 30 June	294.9	259.1

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

	Percentage of Scheme assets	2013 Expected return on Scheme assets	Percentage of Scheme assets	2012 Expected return on Scheme assets
Equity securities	47.2%	n/a	49.2%	6.20%
Debt securities	52.5%	n/a	50.2%	3.70%
Other	0.3%	n/a	0.6%	0.50%
Total	100.0%	n/a	100.0%	4.91%

As the Group will be adopting IAS 19 (revised) Employee benefits on 1 July 2013, the expected return on Scheme assets is not relevant at 30 June 2013.

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

The actual return on Scheme assets was as follows:

	2013 £m	2012 £m
Actual return on Scheme assets	31.4	15.5

The five-year history of experience adjustments arising on Scheme (liabilities)/assets were as follows:

	2013	2012	2011	2010	2009
Present value of defined benefit obligations (£m)	(308.3)	(280.5)	(250.6)	(248.3)	(201.9)
Fair value of Scheme assets (£m)	294.9	259.1	238.8	202.2	170.4
Deficit in the Scheme (£m)	(13.4)	(21.4)	(11.8)	(46.1)	(31.5)
Experience adjustment in Scheme liabilities (£m)	–	–	6.8	–	–
Percentage of Scheme liabilities (%)	–	–	2.7	–	–
Experience adjustment in Scheme assets (£m)	18.6	0.7	18.5	17.6	(20.5)
Percentage of Scheme assets (%)	6.3	0.3	7.7	8.7	(12.0)
Amount recognised in the Group statement of comprehensive income (£m)	4.8	24.1	(22.0)	26.3	14.1
Percentage of Scheme assets (%)	1.6	9.3	(9.2)	13.0	8.3

The cumulative amount of actuarial gains and losses since 30 June 2005 recognised in the Group statement of comprehensive income is a loss of £13.8m.

The expected employer contribution to the Scheme in the year ending 30 June 2014 is £13.3m.

18. Share capital

	2013 £m	2012 £m
Allotted and issued ordinary shares		
10p each fully paid: 979,715,092 ordinary shares (2012: 975,790,605)	98.0	97.6

During the year, 4,620,159 (2012: 8,313,562) awards over the Company's shares were granted under the Company's Executive Long-Term Performance Plan, 2,679,912 (2012: 6,896,472) options were granted under the Savings-Related Share Option Scheme ('SRSOS'), 1,338,259 (2012: 132,491) awards over the Company's shares were granted under the Company's Co-Investment Plan and awards of 585,264 (2012: nil) were granted over the Company's shares under the Senior Management Incentive Scheme.

Allotment of shares during the period

During the year, a total of 2,175,239 (2012: 10,449,479) shares were issued to satisfy exercises under the 2009 and 2010 SRSOS schemes.

During the year, 27,147 shares (2012: nil) were issued to satisfy early exercises under the 2010, 2011 and 2012 grants of the SRSOS schemes.

Employee Benefit Trust

The Barratt Developments PLC Employee Benefit Trust (the 'EBT') holds 3,988,259 (2012: 3,849,556) ordinary shares in the Company. A further 1,722,101 shares were allotted to the EBT by Barratt Developments PLC on 3 December 2012 at a price of 10 pence per share. During the year, the EBT disposed of 1,583,398 shares in settlement of exercises under the Senior Management Share Option Plan 2009/10 and Executive Share Option Scheme 2009/10. The market value of the shares held by the EBT at 30 June 2013 at 309.6 pence per share (2012: 139.1 pence per share) was £12,347,650 (2012: £5,354,732). 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 and Long-Term Performance 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. Cash flows from operating activities

	Notes	2013 £m	2012 £m
Profit for the year from continuing operations		75.0	67.4
Tax	8	29.8	32.6
Finance income	7	(12.8)	(16.9)
Finance costs - non-exceptional	7	80.8	97.7
Finance costs - exceptional	6, 7	79.3	–
Share of post-tax profit from joint ventures		(2.3)	(0.5)
Share of post-tax loss from associates		0.1	0.1
Loss on re-measurement of joint venture interest on acquisition of control	6	–	10.7
Profit from operations		249.9	191.1
Depreciation		1.6	1.6
Profit on disposal of property, plant and equipment		(0.6)	–
Impairment of inventories	13	12.8	6.6
Impairment of available for sale financial assets	12	6.1	11.8
Share-based payments charge		4.4	3.1
Imputed interest on deferred term land payables	7	(26.5)	(28.8)
Imputed interest on available for sale financial assets	7, 12	10.2	12.0
Amortisation of facility fees	7	(4.6)	(3.5)
Imputed interest on Kickstart equity funding	7	0.9	0.2
Write-off of previous facility unamortised fees	7	(7.8)	–
Finance (costs)/income related to employee benefits	7, 17	(0.5)	1.2
Total non-cash items		(4.0)	4.2
Decrease in inventories		4.0	71.7
(Increase)/decrease in trade and other receivables		(23.3)	14.0
(Decrease)/increase in trade and other payables		(32.4)	(39.9)
Decrease/(increase) in available for sale financial assets		22.7	(35.0)
Total movements in working capital		(29.0)	10.8
Interest paid		(52.0)	(60.3)
Tax received		0.9	3.9
Net cash inflow from operating activities		165.8	149.7

The balance sheet movements in land and available for sale financial assets include non-cash movements due to imputed interest. Imputed interest is therefore included within non-cash items in the note above.

20. Contingent liabilities

a) Contingent liabilities related to subsidiaries

The Company has guaranteed certain bank borrowings of its subsidiary undertakings.

Certain subsidiary undertakings have commitments for the purchase of trading stock entered into in the normal course of business.

In the normal course of business, the Group has given counter indemnities in respect of performance bonds and financial guarantees. Management estimate that the bonds and guarantees amount to £447.5m (2012: £424.8m), and confirm that at the date of these financial statements the possibility of cash outflow is considered minimal and no provision is required.

b) Contingent liabilities related to joint ventures

At 30 June 2013, the Group has an obligation to repay £0.9m (2012: £0.9m) of grant monies received by a joint venture upon certain future disposals of land.

During the year, the Group provided bank guarantees to the value of £2.6m (2012: £nil) to one of its joint ventures.

The Group also has a number of performance guarantees in respect of its joint ventures, requiring the Group to complete development agreement contractual obligations in the event that the joint ventures do not perform their obligations under the terms of the related contracts.

c) Contingent liabilities related to associates

During the year, the Group provided bank guarantees to the value of £nil (2012: £2.8m) to one of its associates.

d) Contingent liabilities related to subsidiaries, joint ventures and associates

Provision is made for the Directors' best estimate of all known material legal claims and all legal actions in progress. The Group takes legal advice as to the likelihood of success of claims and actions and no provision is made (other than for legal costs) where the Directors consider, based on such advice, that claims or actions are unlikely to succeed, or a sufficiently reliable estimate of the potential obligations cannot be made.

Barratt American Incorporated

A former indirect subsidiary of the Company, Barratt American Incorporated ('American'), is one of a number of defendants in a construction defect claim commenced in California. The Company has also been named as a defendant in this construction defect claim, as well as in a separate class action claim which arises out of the same alleged facts. American was sold in August 2004 and subsequently became insolvent, although it has significant insurance and is represented by counsel.

The majority of the events in issue in the construction case post-date the 2004 sale of American and the Company asserts that it had no involvement in these post-sale events. The Company and the Directors believe that the Company has good defences to this claim, although the outcome remains uncertain and may not be known for some time, as no trial date has yet been set. The Company has been successful in having the claims against it in the separate class action dismissed, although the plaintiffs in that case have appealed against the dismissal of their claims. That appeal will be considered by the California Court of Appeal and the outcome will also not be known for some time.

21. Related party transactions

a) Remuneration of key personnel

Disclosures related to the remuneration of key personnel as defined in IAS 24 'Related Party Disclosures' will be provided in the 2013 Annual Report and Accounts.

b) Transactions between the Group and its joint ventures

The Group has entered into transactions with its joint ventures in respect of development management services (with charges made based on the utilisation of these services) and funding. These transactions totalled £2.5m (2012: £2.1m) and £1.2m (2012: £2.0m). In addition, one of the Group's subsidiaries, BDW Trading Limited, contracts with a number of the Group's joint ventures to provide construction services and available for sale financial assets were sold by BDW Trading Limited to one of the Group's joint ventures at a valuation of £59.2m.

The amount of outstanding loans and interest due to the Group from its joint ventures at 30 June 2013 will be

disclosed in the Annual Report and Accounts. The amount of other outstanding payables to the Group from its joint ventures at 30 June 2013 totalled £nil (2012: £nil). The Group has provided bank guarantees to the value of £2.6m (2012: £nil) in relation to one of its joint ventures during the year.

c) Transactions between the Group and its associates

The amount of outstanding loans due to the Group from its associates at 30 June 2013 was £nil (2012: £0.3m). The amounts outstanding are unsecured and will be settled in cash. The Group has provided bank guarantees to the value of £nil (2012: £2.8m) in relation to one of its associates during the year. There were no other amounts outstanding to the Group from its associates at 30 June 2013.

d) Property purchase by a Director of Barratt Developments PLC

The Board and certain members of senior management are related parties within the definition of IAS 24 (Revised) 'Related Party Disclosures' and Chapter 11 of the UK Listing Rules. There is no difference between transactions with key personnel of the Company and the Group.

During the year, the Company entered into the following 'related party transaction' as defined under IAS 24:

- In April 2013, the son of Mark Clare, Group Chief Executive of the Company, reserved and exchanged on an apartment from Alie Street LLP, a joint venture entity between BDW Trading Limited (the Company's main trading subsidiary) and London and Quadrant Housing Trust, at a purchase price of £744,246. The balance of £742,246 will become due on legal completion.

This purchase was conducted at a fair and reasonable market price based on similar comparable transactions at that time.

There have been no 'smaller related party transactions' as defined in Listing Rule 11.1.10R for the year ending 30 June 2013.

e) Property purchases by Directors of BDW Trading Limited

The Board and certain members of senior management are related parties within the definition of IAS 24 (Revised) 'Related Party Disclosures' and Chapter 11 of the UK Listing Rules. There is no difference between transactions with key personnel of the Company and the Group.

There have been no 'smaller related party transactions' as defined in Listing Rule 11.1.10R for the year ending 30 June 2013.

During the prior year, the Group entered into the following 'smaller related party transactions' as defined in Listing Rule 11.1.10R:

- In November 2011, the partner of Gary Ennis, a Director of the Company's main trading subsidiary company, BDW Trading Limited ('BDW'), purchased an apartment from BDW at a purchase price of £242,250.
- In December 2011, the spouse of Richard Brooke, a Director of BDW, purchased three properties from BDW at a combined purchase price of £231,950.
- In February 2012, the son of Douglas McLeod, a Director of the Company's Scottish trading entity, BDW North Scotland Limited (formerly BDW East Scotland Limited) ('North Scotland'), purchased an apartment from North Scotland at a purchase price of £176,025.

Each of the aforementioned purchases was conducted at a fair and reasonable market price based on similar comparable transactions at that time. There were no amounts outstanding at 30 June 2012 or 30 June 2013 in relation to these transactions.

22. Post balance sheet events

The Group prepaid £151.9m of private placement notes, together with the associated foreign exchange swaps, on 2 July 2013 as it was committed to as part of the comprehensive refinancing package agreed on 14 May 2013. Further details of the refinancing are provided in note 6.

On 15 August 2013 the Group entered into a joint venture, Enderby Wharf LLP, with Morgan Stanley Real Estate Investing.

The Group has agreed terms on a £50m two year term loan, which it expects to be available from 1 October 2013.

23. Seasonality

The Group, in common with the rest of the housebuilding industry, is subject to the main spring and autumn house selling seasons, which also result in peaks and troughs in the Group's debt profile and working capital requirements. Therefore, any weakness in the macroeconomic environment which affects these peak selling seasons can have a disproportionate impact upon the Group's results for the year.

24. Statutory accounts

The consolidated financial statements for the year ended 30 June 2013 have been approved by the Directors and prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB'), International Financial Reporting Interpretations Committee ('IFRIC') interpretations and Standing Interpretations Committee ('SIC') interpretations as adopted and endorsed by the European Union ('EU').

Barratt Developments PLC's 2013 Annual Report and Accounts will be circulated to shareholders in October 2013 and will be made available on its website www.barrattdevelopments.co.uk at that point. The financial information set out herein does not constitute the Company's statutory accounts for the year ended 30 June 2013 (as defined in Sections 434 and 436 of the Companies Act 2006) but is derived from the 2013 Annual Report and Accounts and the accounts contained therein. Statutory accounts for 2013 will be delivered to the Registrar of Companies following the Company's Annual General Meeting which will be held on 13 November 2013. The auditor has reported on these accounts; their report was unqualified and did not contain statements under Section 498 (2) or (3) of the Companies Act 2006.

The comparative figures for the year ended 30 June 2012 are not the Company's statutory accounts for the financial year but are derived from those accounts which have been reported on by the Company's auditor and which were delivered to the Registrar of Companies. The 2012 report of the auditor is unqualified and does not contain statements under Section 498 (2) or (3) of the Companies Act 2006.

Whilst the financial information included in this Annual Results Announcement has been prepared in accordance with IFRS, this announcement does not itself contain sufficient information to comply with IFRS as adopted for use in the EU.

25. Principal risks and uncertainties

The Group's financial and operational performance and reputation is subject to a number of risks. The Board seeks to ensure that appropriate processes are put in place to manage, monitor and mitigate these risks of which the principal risks are identified in the table below. The Group recognises that the management of risk is fundamental to the achievement of Group targets. As such, management throughout the Group are involved in this process.

Risk and description	Relevance to strategy	Mitigation	Change in 2013
Economic environment, including housing demand and mortgage availability			
<p>Changes in the UK and European macroeconomic environments, including unemployment, flat economic growth, buyer confidence, availability of mortgage finance particularly for higher loan to values including Government backed schemes, the ability of purchasers to repay equity share loans, interest rates, competitor pricing, falls in house prices or land values or a failure of the housing market to recover, may lead to a fall in the demand for houses which in turn could result in impairments of the Group's inventories, goodwill and intangible assets.</p> <p>Cost reduction measures may adversely affect the Group's business or its ability to respond to future improvements in market conditions.</p>	<p>The majority of homes built by the Group are purchased by individuals who rely on the availability of mortgages. The confidence of buyers and their ability to obtain mortgages or other forms of financing are impacted by the macroeconomic environment. Accordingly, customer demand is sensitive to changes in economic conditions.</p> <p>The Group's ability to grow its business partly depends on securing land or options over sites and having adequate resources to build sufficient homes to meet demand. The Group's ability to do this can be impacted by cash and profit constraints which, in turn, would have an adverse effect upon net operating assets and net debt (see also the liquidity, land and construction risks sections below).</p>	<p>Led by the Group Chief Executive, the Executive Committee undertakes a weekly review of key trading indicators, including reservations, sales rates, equity share sales, part-exchange, visitor levels, incentives, publically available competitor activity and cash flow projections and, where possible, appropriate management action is taken.</p> <p>The Group's internal systems clearly identify the impact of sales price changes on the margins achievable and as a minimum the Group performs asset impairment reviews twice a year.</p> <p>The Group works with key mortgage lenders to ensure that products are appropriate wherever possible for its customers.</p> <p>The Group continuously seeks to enhance the effectiveness and efficiency of our sales processes and keeps the Group's cost base tightly controlled. Cost reduction measures are also managed via the stewardship of the Executive and Operations Committees.</p>	<p>The UK housing market remained relatively stable during the first nine months of the Group's financial year and showed material signs of improvement during the final quarter.</p> <p>The Group has seen an increase in the availability of higher loan to value mortgages and increasingly competitive mortgage rates largely resulting from the Bank of England's Funding for Lending Scheme.</p> <p>Government support for the UK housebuilding industry has remained strong with a number of initiatives in place designed to support house purchases and stimulate economic growth. Housing formed a prominent part of the March 2013 Budget with a range of new measures announced in particular to improve the supply of mortgage finance. In April 2013 Help to Buy was launched, the Government only backed equity share product available to the new build sector. Since then the Group has seen a significant step up in levels of consumer interest and a strengthening of sales rates.</p>
Land Purchasing			
<p>The ability to secure sufficient consented land at appropriate cost and quality to provide profitable</p>	<p>The Group needs to purchase sufficient quantities of good quality, consented land</p>	<p>Under the stewardship of the Group Finance Director, potential land acquisitions are subject to formal appraisal, with</p>	<p>The Group continues to see a good range of opportunities for investment in its targeted locations without undue</p>

Risk and description	Relevance to strategy	Mitigation	Change in 2013
growth.	<p>at attractive prices in order to be in a position to commence construction and enhance the Group's ability to deliver profit growth.</p> <p>Acquiring poor quality or mispriced land would have an adverse impact on profitability and revenue.</p>	<p>those approved required to achieve an overall Group defined gross margin and ROCE hurdle and to meet the Group's strategic criteria for growth. Each division produces a detailed site-by-site monthly analysis of the amount of land currently owned, committed and identified. These are consolidated for regular review at senior management and Board level. In addition, each operating division holds regular land meetings.</p>	<p>concentration and without relaxing its 20% gross margin or 25% ROCE hurdle rates. However, there is a strong demand for conventional and low complexity sites in London and the south east, with some site specific land price increases in these areas driven by competition and house price inflation.</p>

Liquidity			
<p>Unavailability of sufficient borrowing facilities to enable the servicing of liabilities (including pension funding) and the inability to refinance facilities as they fall due, obtain surety bonds, or comply with borrowing covenants. Furthermore, there are risks to management of working capital such as conditional contracts, build costs, joint ventures and the cash flows related to them.</p>	<p>The Group maintains committed facilities of different duration that are designed to ensure that the Group has sufficient available funds for operations. The Group's borrowings are cyclical during the financial year and peak around April/May and October/November each year as, due to seasonal trends in income, these are the calendar points when the Group has the highest working capital requirements. The Group maintains sufficient committed debt facility headroom and in addition has a number of trade finance and surety facilities that are designed to ensure the Group has sufficient funds available. The absence of appropriate headroom would limit the Group's land buying and operational capability, adversely affecting profitability and the Group's ability to deliver shareholder value.</p>	<p>The Group has committed borrowing facilities of around £850m with maturities ranging from 2016 to 2021.</p> <p>The Group has in place a comprehensive regular forecasting process encompassing profitability, working capital and cash flow that is fully embedded in the business. The Group Finance Director ensures these forecasts are regularly stress-tested to ensure that adequate headroom within facilities and banking covenants is maintained. On a normal operating basis, the Group has a policy of maintaining facility headroom of up to £150m.</p> <p>The Group has a comprehensive regular forecasting process for surety bond requirements.</p> <p>The Group is in compliance with its borrowing covenants and, at the date of approval of the 2013 Annual Report and Accounts, the Group's internal forecasts indicate that it will remain in compliance with these covenants for the foreseeable future, being at least twelve months from the date of signing of the 2013 Annual Report and Accounts.</p>	<p>The Group has agreed a comprehensive refinancing during the year, which provides committed borrowing facilities of around £850m with maturities ranging from 2016 to 2021.</p>

Attracting and retaining high calibre employees*			
<p>Inability to recruit and/or retain employees with appropriate skill sets or sufficient numbers of such employees.</p>	<p>The Group aims to attract, retain and develop a sufficiently skilled and experienced workforce in order to maintain high standards of quality and customer</p>	<p>The Group Human Resources Director oversees a comprehensive Human Resources programme which includes apprenticeship schemes, a graduate development programme, succession planning and training</p>	<p>Despite high competition amongst employers in some regions, employee turnover has only slightly increased to 13% (2012: 12%).</p>

Risk and description	Relevance to strategy	Mitigation	Change in 2013
	<p>service.</p> <p>Not having employees with appropriate skill sets can lead to build delays, quality issues, reduced sales, poor customer care and reduced profitability.</p>	<p>schemes tailored to each discipline. These processes are embedded operationally. The Group continues to target a fully Construction Skills Certification Scheme carded and qualified operational workforce.</p> <p>We monitor employee turnover levels on a monthly basis and conduct exit interviews, as appropriate, to identify any areas for improvement. We benchmark our remuneration against industry competitors.</p>	<p>The Group is also undertaking a number of initiatives to help rebuild the skills base of the industry.</p>
Availability of raw materials, subcontractors and suppliers*			
<p>Shortages or increased costs of materials and skilled labour, the failure of a key supplier or the inability to secure supplies upon appropriate credit terms could increase costs and delay construction.</p>	<p>The Group relies upon affordable supplies of building materials from multiple sources and subcontractors to perform the majority of work on sites. This retains flexibility to commence work on new sites and enhances the Group's build cost efficiency. Adverse management of these suppliers and/or subcontractors could lead to build delays, cost increases and reduced profitability.</p>	<p>Managed by the Group Procurement Director, the Group adopts a professional approach to site management and seeks to partner with its supply chain. The Group has a policy of having multiple suppliers for both labour contracts and material supplies as well as contingency plans should any key supplier fail.</p>	<p>During 2013 the Group saw some price increases in bricks, blocks and plastic plumbing. However, the overall price increase on centrally procured materials was less than 1%. For FY14 the Group continues to put supplier agreements in place to seek to ensure continuous availability of materials and overall it expects low single-digit cost increases. The Group will continue to work to mitigate the impact of any such increases wherever possible through further build efficiencies.</p>
Government regulation and planning policy*			
<p>Inability to adhere to the increasingly stringent and complex regulatory environment, including planning and technical requirements affecting the housing market and regulatory requirements more generally.</p>	<p>The Group's land portfolio consists of land for the short and medium term as well as strategic land. Inability to obtain suitable consents, or unforeseen delays, could impact on the number or type of homes that we are able to build. We could also be required to fund higher than anticipated levels of planning obligations, or incur additional costs to meet increased regulatory requirements. All of these would have a detrimental impact on</p>	<p>Led by the Group Chief Executive, and supported by the Director of Corporate Affairs and the Group Head of Planning, the Group consults with the Government both directly and through industry bodies to highlight potential issues and has considerable in-house technical and planning expertise devoted to complying with regulations and achieving implementable planning consents.</p> <p>The Group has appropriate policies and technical guidance manuals in place to assist employees to achieve regulatory compliance and the standards of business conduct expected of them.</p>	<p>The Group continues to see some improvements in this area both as a result of changes in Government policy and operational improvements within its business.</p> <p>Following the implementation of the Government's National Planning Policy Framework, there are stronger incentives for local authorities to put in place five year land supplies. That in turn is leading to an improved dialogue between local authorities and in the Group's divisions.</p>

Risk and description	Relevance to strategy	Mitigation	Change in 2013
	<p>the contribution per plot. The Group seeks to meet regulatory and planning requirements to obtain the planning permission required to develop homes and communities.</p>		<p>Nevertheless the planning process remains a lengthy one and on average it takes the Group around 70 weeks from agreeing to purchase the land to achieving full or outline planning consent. The length of the planning process will remain a restriction on the speed at which housing supply can increase.</p>
Construction and new technologies*			
<p>Failure to identify and achieve key construction milestones, due to factors including the impact of adverse weather conditions, the failure to identify cost overruns promptly, design and construction defects, and exposure to environmental liabilities which could delay construction, increase costs, reduce selling prices and result in litigation and uninsured losses. There are also risks associated with climate change and the use of new technology in the build process e.g. materials related to carbon reduction.</p>	<p>The Group builds homes and communities in Great Britain ranging from houses to large-scale flatted developments. In the event we did not do so efficiently, or new technologies result in quality issues, the Group's profitability and ability to grow the business could be impacted negatively.</p>	<p>The Group's Executive Committee oversees weekly reporting which identifies the number of properties at key stages of construction. Projected construction rates are evaluated as part of the monthly forecasting cycle. Progress with development projects (including joint ventures and consortiums), including returns and cash flows, is monitored regularly by divisional management teams and the Group obtains legal and other professional advice when required. Any alternative forms of construction and building technologies and the quality of the materials used by the Group are subject to evaluation by external and internal technical experts, including the NHBC, to ensure compliance with all building and other regulations.</p> <p>All sites are valued on a quarterly basis and any cost overruns identified are reviewed at the monthly divisional board meetings and subject to challenge by regional and Group management.</p> <p>The Group regularly monitors a number of environmental impact indicators, the results of which are disclosed in the Group's Sustainability Report.</p> <p>Appropriate insurance cover is maintained for the Group's main risks.</p>	<p>In addition to the weekly reviews by the Group Executive Committee, the Group Operations Committee assesses regional performance monthly.</p>
Joint ventures and consortiums			
<p>Large development projects, some of which involve joint ventures or consortium arrangements and/or commercial developments, are</p>	<p>Due to their scale, some projects may require joint venture or consortium arrangements. Failure of a joint venture or</p>	<p>Led by the Group Finance Director, potential joint ventures and consortium arrangements are subject to formal appraisal and appropriate external advice is obtained before such</p>	<p>During the year, the Group has entered into a number of new joint ventures in London and the south east.</p>

Risk and description	Relevance to strategy	Mitigation	Change in 2013
complex and capital intensive and changes may negatively impact upon cash flows or returns.	consortium partner to perform its financial and/or operational obligations can place additional capital or operational burdens upon the Group.	arrangements are approved. Once operational, the performance of joint ventures and consortium arrangements is subject to regular operational and financial review.	
Health and safety*			
Health and safety breaches can result in injuries to employees, subcontractors and site visitors, delays in construction/increased costs, reputational damage, criminal prosecution and civil litigation.	Health and safety is a key issue in the house building sector. Given the inherent risks, it is of paramount importance to the Group. Senior management and the Board review health and safety matters on a regular basis and seek to reduce injury incidence rates by implementing policies and procedures aimed at keeping staff and visitors free from injury. In addition to the possibly tragic impact of an accident on-site, there is potential for legal proceedings, financial penalties, reputational damage and delay to the site's progress.	Reporting to the General Counsel, the Group Head of Safety, Health and Environment manages a dedicated health and safety department, which is independent of the management of the operating divisions. Health and safety audits are undertaken on a regular basis and processes are modified as required with a view to seeking continuous improvement. Performance is reviewed by the Health and Safety Committee, which meets quarterly. Each month, health and safety reports are cascaded by each division for review by the Executive and Operations Committees and Board, which also receives a direct report every six months from the Group Head of Safety, Health and Environment.	No change.
IT			
Failure of the Group's IT systems, in particular those relating to surveying and valuation, could adversely impact the performance of the Group.	The ability to optimise prices and ensure operational efficiency is essential to the Group's performance. The Group's integrated management systems enable the Group to maintain tight control, especially with regard to surveying and valuation. Adverse IT performance could cause delays in build and have an adverse impact on operational efficiency and profit.	Led by the Group Information Technology Director, a dedicated in-house IT team regularly monitors and maintains Group IT systems to ensure continued functionality. A fully-tested disaster recovery programme is in place.	The Group has invested in its site based IT and customer websites. The Group continues to invest in its business systems and IT infrastructure.

* Sustainability risks are explored in more detail in our 2013 Sustainability Report, available at www.barrattdevelopments.co.uk

Details of the Group's management of liquidity risk, market risk, credit risk and capital risk in relation to financial instruments are provided in note 16.

Details of the Group's contingent liabilities are provided in note 20.

26. Directors' responsibility statements

The Directors' responsibility statements are made in respect of the full Annual Report financial statements not the condensed statements required to be set out in this Annual Results Announcement.

The 2013 Annual Report and Accounts comply with the United Kingdom's Financial Services Authority Disclosure Rules and Transparency Rules in respect of the requirement to produce an annual financial report.

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

a) the Group and Parent Company financial statements contained in the 2013 Annual Report and Accounts have been prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board, International Financial Reporting Interpretations Committee interpretations and Standing Interpretations Committee interpretations as adopted and endorsed by the European Union, and those parts of the Companies Act 2006 applicable to companies reporting under IFRS, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and of the Group taken as a whole; and

b) the management report contained in the 2013 Annual Report and Accounts includes a fair review of the development and performance of the business and the position of the Company and the Group taken as a whole, together with a description of the principal risks and uncertainties they face.

The Directors of Barratt Developments PLC and their functions are listed below:

Robert Lawson, Chairman

Mark Clare, Group Chief Executive

Steven Boyes, Group Board Executive Director

Clive Fenton, Group Board Executive Director (resigned 5 July 2012)

David Thomas, Group Finance Director

Tessa Bamford, Non-Executive Director

Nina Bibby, Non-Executive Director (appointed 3 December 2012)

Robert Davies, Senior Independent Director (resigned 14 November 2012)

Roderick MacEachrane, Non-Executive Director

Mark Rolfe, Non-Executive Director (appointed Senior Independent Director from 14 November 2012)

Richard Akers, Non-Executive Director

Approved by order of the Board on 10 September 2013

Mark Clare

Group Chief Executive

David Thomas

Group Finance Director

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Company information

Registered in England and Wales. Company number 604574

The Annual Results Announcement and the presentation slides will be available on the Barratt Developments corporate website, www.barrattdevelopments.co.uk, from 9.00am today.