

Barratt Construction Limited
Annual report
for the year ended 30 June 2003

Registered Number 27535



Barratt Construction Limited

Annual report

for the year ended 30 June 2003

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Directors' report for the year ended 30 June 2003

The directors present their report and the audited accounts for the year ended 30 June 2003.

Principal activities

The principal activities of the company are building, contracting and private residential development.

Review of business and future developments

The directors are pleased with the progress of the business during the year and consider the state of affairs of the company at the year end to be satisfactory. The directors expect that the present level of activity will be sustained for the foreseeable future.

Dividends

The directors have declared the following ordinary dividends in respect of the year ended 30 June 2003:

	2003 £'000	2002 £'000
Interim paid: 32.4p per ordinary share (2002: 21.4p per ordinary share)	318	210
Final proposed 84.9p per ordinary share (2002: 55.5p per ordinary share)	833	545
Total 117.3p per ordinary share (2002: 76.9p per ordinary share)	1,151	755

Directors

The directors of the company at 30 June 2003, all of whom have been directors for the whole of the year ended on that date, unless otherwise stated, were:

S Boyes (Chairman)
F Eaton
D McLeod
N J Sim
D Stewart
C A Dearlove
D Scott
L Dent

Mr F Eaton sadly died on 7 October 2002. Mr L Dent was appointed a director on 11 October 2002.

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Directors' interests

None of the directors had any interests in the share capital of the company at the year end. The interests of Mr S Boyes and Mr C A Dearlove in the shares of the ultimate parent company, Barratt Developments PLC are shown in that company's accounts. The interests of Mr L Dent in the shares of the ultimate parent company, Barratt Developments PLC are shown in the accounts of Barratt Homes Limited, a fellow subsidiary company. The other directors who held office at the end of the financial year who had interests in the shares of the ultimate parent company as follows:

	30 June 2003		Note	30 June 2002	
	Shareholding	Options		Shareholding	Options
D McLeod	17,527	-	(a)	8,000	30,000
		15,000	(b)		15,000
		15,000	(c)		15,000
		12,000	(d)		12,000
		14,000	(e)		
N J Sim	Nil	-	(b)	Nil	8,000
		8,000	(c)		8,000
		7,000	(d)		7,000
		8,000	(e)		
D Stewart	Nil	8,000	(b)	Nil	8,000
		8,000	(c)		8,000
		7,000	(d)		7,000
		8,000	(e)		
D Scott	Nil	7,000	(d)	Nil	7,000
		8,000	(e)		-

- (a) These options are exercisable at 205p per share after 15 October 2001 and before 14 October 2008.
- (b) These options are exercisable at 275p per share after 30 September 2002 and before 29 September 2009.
- (c) These options are exercisable at 273p per share after 27 October 2003 and before 26 October 2010.
- (d) These options are exercisable at 330p per share after 1 November 2004 and before 31 October 2011.
- (e) These options are exercisable at 435p per share after 22 November 2005 and before 21 November 2011.

The mid market share price of the company was 420.25p at 1 July 2002 and 432.00p at 30 June 2003. The mid-market high and low share prices of the company during the year were 479.00p and 335.00p respectively. No options of directors in office at 30 June 2003 lapsed unexercised during the year.

Options exercised during year:

D McLeod	30,000 @ 205p
NJ Sim	8,000 @ 275p

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Employees

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

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

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

The company works closely with the Construction Industry Training Board (CITB) and the National House Building Council (NHBC) in training provision and a training plan is prepared annually linked to identified business priorities and objectives. Having regard to the nature of our business, particular focus is given in the training programme to construction management, trade skills, health and safety and customer care.

Creditor payments

It is company policy to abide by the agreed terms of payment with suppliers where the goods and services have been supplied in accordance with the relevant terms and conditions of contract. Implementation of this policy resulted in a supplier payment period for the company of 82 days for its trade creditors at 30 June 2003 (86 days at 30 June 2002).

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period that give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the period ended 30 June 2003 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Barratt Construction Limited

Environmental performance and corporate social responsibility

The Barratt Group has been at the forefront of urban renewal in towns and cities throughout the UK for close on 25 years. The development of homes that stand the test of time for families and individuals in communities in which they can live and thrive is at the very heart of our business. We recognise therefore the significant and direct impact which our business has on the quality of life of our customers, those who at one time or another live in the homes we have built, their neighbours and all those who make up the wider communities in which our developments are located.

The company has actively pursued an environmental policy which seeks to minimise the potential adverse impacts of its business operations; to develop and improve the environmental performance of its products and to restore and enhance the natural environments in which our developments are set. In operational terms this broad policy translates into the following actions:

- Ensuring that before any land is purchased for development the feasibility study includes an environmental survey and risk assessment identifying both potential adverse impacts and opportunities to preserve and enhance existing environmental features.
- Clear instructions to architects and other specialist consultants to produce dynamic custom designs which minimise the environmental impact of our developments and complement any natural features on or adjacent to them.
- Close consultation and open dialogue with local communities and local planning authorities on the planning and building of developments.
- The Company strives to minimise any adverse environmental impact by sustained emphasis on safety, security, cleanliness and carefully planned traffic management arrangements on all construction sites.
- The operation of national agreements with suppliers under which suppliers' environmental performance is monitored with particular emphasis on the use of raw materials from renewable sources, the reduction of waste and improved energy efficiency.
- Ensuring that building designs set good standards in energy efficiency and water usage.
- A national agreement with Wastefile UK, a waste and environmental management facilitator under which waste materials from all Company building sites are segregated, measured, recycled or disposed of in accordance with statutory requirements.

Detailed statistics are now available which enable the company to monitor waste production levels and to target a sustained improvement in overall performance.

Although the above policies apply to all company developments they are particularly suited to developments on land which has had a former use. Barratt has been and continues to be the industry leader in the recovery and regeneration of redundant land and buildings, creating in their place dynamic and sustainable communities which enhance the environment and quality of life of people throughout the country. The company builds over 75% of its homes on sites with a former use, well in excess of Government targets.

Barratt Construction Limited

Independent auditors

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 14 February 2003 and the directors appointed its successor PricewaterhouseCoopers LLP, as auditors. A resolution concerning their reappointment will be proposed at the annual general meeting.

On behalf of the board

A handwritten signature in black ink, appearing to be 'C A Dearlove', written over a horizontal line.

C A Dearlove

Director

5 April 2004

Barratt Construction Limited

Independent auditors' report to the members of Barratt Construction Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet, and the related notes.

Respective responsibilities of directors and auditors

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

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

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

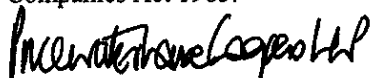
Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 30 June 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Newcastle upon Tyne

5 April 2004

Barratt Construction Limited

Profit and loss account for the year ended 30 June 2003

	Note	2003 £'000	2002 £'000
Turnover	1	47,014	46,569
Profit on ordinary activities before taxation	1	4,765	3,116
Taxation	5	(1,480)	(927)
Profit on ordinary activities after taxation		3,285	2,189
Dividends	6	(1,151)	(755)
Retained profit for the year	13	2,134	1,434

All activities of the company are continuing.

The company has no recognised gains and losses other than the profits above and therefore no separate statement of total recognised gains and losses has been presented.

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

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Balance sheet as at 30 June 2003

	Note	2003 £'000	2002 £'000
Fixed assets			
Tangible assets	7	144	106
Current assets			
Stocks	8	22,012	20,879
Debtors: amounts falling due after more than one year	9	101	332
Debtors: amounts falling due within one year	9	12,580	6,506
Cash at bank and in hand		495	1,380
		35,188	29,097
Creditors: amounts falling due within one year	10	(19,891)	(15,896)
Net current assets		15,297	13,201
Total assets less current liabilities		15,441	13,307
Net assets		15,441	13,307
Capital and reserves			
Called-up share capital	12	102	102
Profit and loss account	13	15,339	13,205
Shareholders' funds	14	15,441	13,307
Analysis of shareholders' funds			
Equity shareholders' funds		15,437	13,303
Non-equity shareholders' funds		4	4
		15,441	13,307

The accounts on pages 7 to 19 were approved by the board of directors on 5 April 2004 and signed on its behalf by:



C A Dearlove
Director

Barratt Construction Limited

Accounting policies

The accounts have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The company prepares its accounts on an historic cost basis.

Cash flow

The company is a wholly owned subsidiary of Barratt Developments PLC and the cash flows of the company are included in the consolidated cash flow statement of Barratt Developments PLC. Consequently, the company is exempt under the terms of Financial Reporting Standard No.1 (Revised) 'Cash Flow Statements' from publishing a cash flow statement.

Transactions with related parties

The company has taken advantage of the exemption permitted by Financial Reporting Standard No.8 'Related Party Disclosures' and has not disclosed intra-group transactions with other companies in the Barratt Group.

Fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. Plant and machinery is depreciated on a straight line basis over its expected useful life, which ranges from one to ten years.

Stocks

Stocks, properties held for sale and work in progress are valued at the lower of cost and net realisable value.

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

Turnover

Turnover comprises the value of work done, excluding value added tax, on contracts. Residential development turnover is recognised on legal completion. The sale proceeds of part exchange properties are not included in turnover.

Operating leases

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

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Deferred taxation

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

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

Deferred tax is measured on a non-discounted basis.

Pension costs

The cost of providing retirement pensions and related benefits is charged to the profit and loss account over the periods benefiting from the employees' services. The difference between the charge to the profit and loss account and the contributions paid to the scheme is shown as an asset or a liability in the balance sheet.

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Notes to the financial statements for the year ended 30 June 2003

1 Profit on ordinary activities before taxation

	2003 £'000	2002 £'000
Turnover	47,014	46,569
Cost of sales	(40,968)	(41,873)
Gross profit	6,046	4,696
Administrative expenses	(1,627)	(1,449)
Operating profit	4,419	3,247
Interest payable (see note 4)	(38)	(131)
Interest receivable (see note 4)	384	-
Profit on ordinary activities before taxation	4,765	3,116

In the opinion of the directors the company has only one class of business, all of which is carried out in the United Kingdom.

	2003 £'000	2002 £'000
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation of tangible owned fixed assets	86	80
Hire of plant, machinery and motor vehicles – operating leases	301	325
Hire of other assets – operating leases	41	57
Auditors' remuneration – audit services	4	4
Profit on disposal of tangible fixed assets	(12)	-

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2 Directors' emoluments

The remuneration paid to the directors of Barratt Construction Limited was:

	2003	2002
	£'000	£'000
Emoluments (including benefits in kind)	476	383

Retirement benefits are accruing to 4 (2002: 4) directors under defined benefit schemes.

Emoluments of the highest paid director were as follows:

	2003	2002
	£'000	£'000
Aggregate emoluments and benefits (excluding gains on exercise of share options and value of shares received under long-term incentive schemes)	167	134
Defined benefit pension schemes:		
Accrued pension at end of year	58	54

F Eaton, C A Dearlove, S Boyes and L Dent are also directors or employees of the holding company, Barratt Developments PLC and other fellow subsidiary undertakings. Their remuneration in respect of services as directors to the group is disclosed in the annual report of Barratt Developments PLC. It is not possible to make an accurate apportionment of their remuneration between their services as directors or employees of Barratt Developments PLC and their services as directors or employees of Barratt Construction Limited and the other subsidiary undertakings.

3 Employee information

The average weekly number of persons (including executive directors) employed by the company during the year was:

	2003	2002
	Number	Number
Building and contracting	351	360

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	2003 £'000	2002 £'000
Staff costs (for the above persons):		
Wages and salaries	7,110	7,114
Social security costs	584	559
Other pension costs (see note 16)	256	179
	7,950	7,852

4 Interest payable and receivable

	2003 £'000	2002 £'000
On bank loans and overdrafts	(29)	(31)
On intercompany loans	-	(92)
Other	(9)	(8)
	(38)	(131)
Group interest receivable	382	-
Other interest receivable	2	-
	346	(131)

5 Taxation

(a) Analysis of charge in the year

	2003 £'000	2002 £'000
Current tax		
UK corporation tax at 30% (2002: 30%)	1,453	939
Adjustment in respect of prior periods	24	12
Total current tax	1,477	951
Deferred tax		
Origination and reversal of timing differences	3	(24)
	1,480	927

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(b) Factors affecting the tax charge for the period

The tax assessed for the period is higher than the standard rate of corporation tax in the UK. The differences are explained below

	2003 £'000	2002 £'000
Profit on ordinary activities before tax	4,765	3,116
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2002: 30%)	1,430	935
<i>Effects of:</i>		
Expenses not deductible for tax purposes	20	4
Accelerated capital allowances/other timing differences	3	
Adjustments to tax charge in respect of prior periods	24	12
Current tax charge for the year	1,477	951

(c) Factors that may affect future tax charge

There are no factors that are expected to affect future tax charges materially.

6 Dividends

	2003 £'000	2002 £'000
Ordinary:		
Interim paid of 32.4p (2002: 21.4p) per share	318	210
Final proposed of 84.9p (2002: 55.5p) per share	833	545
	1,151	755

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7 Tangible fixed assets

	Plant and machinery £'000
Cost	
At 1 July 2002	628
Additions	124
Disposals	(40)
At 30 June 2003	712
Depreciation	
At 1 July 2002	522
Charge for the year	86
Disposals	(40)
At 30 June 2003	568
Net book value	
At 30 June 2003	144
At 30 June 2002	106

8 Stocks

	2003 £'000	2002 £'000
Work in progress	18,886	17,522
Showhouses and houses awaiting legal completion	3,126	3,357
	22,012	20,879

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9 Debtors

	2003 £'000	2002 £'000
Amounts falling due after more than one year:		
Trade debtors	101	332
Amounts falling due within one year:		
Trade debtors	55	71
Amounts recoverable on contracts	1,835	1,636
Amounts owed by parent and fellow subsidiary undertakings	10,075	4,491
Prepayments	565	255
Deferred tax asset (see note 11)	50	53
	12,580	6,506
	12,681	6,838

10 Creditors: amounts falling due within one year

	2003 £'000	2002 £'000
Payments on account	3,807	1,833
Trade creditors	6,491	6,248
Amounts owed to parent and fellow subsidiary undertakings	484	483
Corporation tax payable	756	544
Other taxation and social security payable	236	256
Accruals and deferred income	6,293	5,070
Other creditors	932	858
Dividend payable	892	604
	19,891	15,896

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11 Deferred tax

	2003 £'000
At 1 July 2002	(53)
Charged to the profit and loss account	3
At 30 June 2003	(50)

12 Called up share capital

	2003 £'000	2002 £'000
Authorised, allotted, called up and fully paid		
42,500 deferred ordinary shares of 10p each	4	4
981,120 ordinary shares of 10p each	98	98
	102	102

13 Profit and loss account

	£'000
At 1 July 2002	13,205
Retained profit for the year	2,134
At 30 June 2003	15,339

14 Reconciliation of movements in shareholders' funds

	2003 £'000	2002 £'000
Profit for the year	3,285	2,189
Dividends	(1,151)	(755)
Net addition to shareholders' funds	2,134	1,434
Opening shareholders' funds	13,307	11,873
Closing shareholders' funds	15,441	13,307

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15 Contingent liabilities

As part of the group's financing arrangements the company gives cross-guarantees, in conjunction with fellow United Kingdom subsidiaries in respect of certain group borrowings. At 30 June 2003 these borrowings amounted to £Nil (2002: £6,802,000).

In addition there are contingent liabilities in respect of guarantees entered into in the normal course of business.

16 Pension and similar obligations

(a) Pension costs under SSAP24

The Barratt Developments PLC Pension and Life Assurance Scheme makes provision for pensions to eligible past and present employees of the company; contributions to the scheme are based upon pension costs across the group as a whole.

The funded defined benefit final salary section of the pension scheme was closed to new members on 1 July 2001 and will be replaced by a defined contribution section of the scheme for new employees.

Full disclosure relating to the above pension fund arrangements can be found in the accounts of Barratt Developments PLC.

The pension cost charge for the year was £255,978 (2002: £179,338).

(b) Pension disclosures under FRS17 transitional arrangements

The company participates in the Barratt Developments PLC pension and Life Assurance Scheme which is both a defined benefit and defined contribution scheme. It is not possible to identify the share of the underlying assets and liabilities in the scheme relating to individual participating employees. Consequently in accordance with FRS17, the company will account for its liability to the fund as if it were a defined contribution scheme and the charge to the profit and loss account in future years will represent the actual contribution paid by the company.

No disclosure of the balance sheet position is required. Details of the scheme are included in the disclosure in the financial statements of the parent company, Barratt Developments PLC.

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17 Financial commitments

At 30 June 2003 the company had annual commitments under non-cancellable operating leases as follows:

	2003		2002	
	Land and buildings	Other	Land and buildings	Other
	£'000	£'000	£'000	£'000
Leases which expire:				
Within one year	-	115	-	12
Between two and five years inclusive	-	157	-	295
	-	272	-	307

18 Ultimate parent company and controlling party

The directors regard Barratt Developments PLC, a company registered in England and Wales, as the ultimate parent company and controlling party. Copies of the ultimate parent company's accounts may be obtained from Barratt Developments PLC, Wingrove House, Ponteland Road, Newcastle upon Tyne, NE5 3DP.