KingsOak Homes Limited

Annual report

for the year ended 30 June 2007

Registered Number 1993976

KingsOak Homes Limited

Annual report

for the year ended 30 June 2007

Contents

KingsOak Homes Limited

Directors' report for the year ended 30 June 2007

The Directors present their report and the audited financial statements of the Company for the year ended 30 June 2007

Principal activities
The principal activity of the Company is building and development

Review of business and future outlook
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 results for the Company show a pre-tax profit of £8,157,000 (2006 restated £2,036,000) for the year

During the year ended 30 June 2007, the ultimate parent company, Barratt Developments PLC, acquired the entire share capital of Wilson Bowden plc Following this acquisition the Directors of Barratt Developments PLC took the decision to discontinue the use of the KingsOak brand, although the Company continues to trade under the David Wilson Homes and Barratt Homes brand names

Housebuilding
KingsOak Homes completed 2,053 properties (down 11 1% on the prior year total of 2,309), with total revenue for the year of £387 5m (2006 £369 5m), an increase of 4 9% over the prior year There was a decrease of 12 3% in the average rate of sales per operating site, whilst the average number of operating sites has risen from 71 to 72 during the year The average selling price in KingsOak Homes was £184,800 (2006 £160,600), which represents an increase of 15 1% on the prior year This is mainly due changes in product mix and price increases

The key performance indicators of the business are as follows

Key performance indicator	2007	2006	Movement	
Operational				
Residential completion numbers	2,053	2,309	-11 1%	Discussed in the section entitled 'Housebuilding'
Average sales price (Residential turnover divided by the number of completions)	£184,800	£160,600	15 1%	
Land bank plots (Number of residential plots owned and agreed subject to contract)	8,500	8,200	3 7%	Discussed in the section entitled 'land'
Reportable accidents (Number per 100,000 people employed in the Group Housebuilding business)	643	670	-4 0%	Discussed in the section entitled 'Health & safety'
Financial				
Revenue	£387 5m	£369 5m	4 9%	
Operating profit	£29 6m	£17 8m*	66 3%	
Profit before tax	£8 2m	£2 0m*	310%	

* The results for the year ended 30 June 2006 have been restated as explained in note 1 to the accounts

KingsOak Homes Limited

Land
The Company's land bank has been strengthened during the year and now stands at 8,500 plots representing approximately 4 1 years of land usage at the current rate of consumption The land bank includes 300 plots which have been purchased subject to contract

Geographic and product diversity
The Company offered a product range from first time buyer to family homes with an average selling price in the order of £184,800 We operate throughout central and southern England and during the year ended 30 June 2007 we were selling from an average of 72 sites spread over 8 divisions These divisions and sites were rebranded as David Wilson Homes or Barratt Homes during the year

Environment
During the year the Government announced the requirement for all new homes to be zero carbon by 2016 Whilst this requirement will pose a challenge for all housebuilders, the Barratt Developments PLC Group are seeking to become industry leaders in this area The Group will launch, later in the year, an environmental charter that sets out how we will reduce our own impact, improve the environmental quality of what we build and help our customers to reduce their impact

The Company continued to make progress in certifying our divisions to ISO14001 standard for Environmental Management In last year's Group Annual Report we stated our target was that all of our divisions would have achieved ISO14001 status by 30 June 2007 We are pleased to report that all of the Company's divisions achieved certification in this area

Health & Safety
We have continued to make good progress in the field of health a safety with a reduction in the number of reportable accidents to 643 per 100,000 persons employed in the Group housebuilding business, a reduction of 4 0% on the previous year

The Company continued to make progress with the process of certifying our operating divisions under OHSAS18001 in Health and Safety At 30 June 2007, 2 divisions were certified to this level

Key risks
The Company's financial and operational performance is subject to a number of risks The Board seeks to ensure that appropriate processes are put in place to manage, monitor and mitigate these risks

The Company recognises that the management of risk is fundamental to the achievement of Company targets As such all tiers of management are involved in this process The majority of risks are managed at the Group level

Principal risks of the Company include, but are not limited to

Risk	Mitigation
Residential Property Market	
Response to changes in the macroeconomic climate including buyer confidence and interest rates	The Executive Directors conduct a weekly meeting which reviews key trading indicators, including sales rates, visitor levels and levels of incentives and cash flow projections
Provision of high quality product to maintain brand quality and minimise remedial costs	The Group has a comprehensive approach to quality enshrined in the 'Forward through Quality Initiative'
Land	
Securing sufficient land of appropriate size and quality to provide profitable growth	Each division produces a monthly analysis of the amount of land currently controlled compared to their outline three year sales projections These are consolidated upwards for regular review at Board level In addition each operating division holds weekly land meetings Every land acquisition is subject to a formal appraisal procedure and is required to achieve an overall hurdle rate of return
Government regulation	
Length of time taken to obtain required planning and technical consents	The Group has considerable inhouse technical and planning expertise devoted to achieving an implementable planning consent
Consequence of changes in tax legislation	Changes in potential and actual changes in tax legislation are monitored by both our industry experienced inhouse finance teams and our external tax advisors The Group has adopted a low risk strategy to tax planning

KingsOak Homes Limited

Risk	Mitigation
Construction	
Failure to identify and achieve key construction milestones	The Group's weekly reporting identifies the number of properties at key stages of construction Projected construction rates are evaluated as part of the monthly forecasting cycle
Management reporting fails to identify cost overruns leaving insufficient time to take remedial action	The total costs on every site in progress are evaluated once a quarter and reviewed by the divisional board meeting
Innovative design and construction techniques are not employed	The Group ensures that it is at the forefront of design and construction techniques by a combination of • in-house technical departments • the employment of external consultants • an ongoing commitment to building experimental house types
Health and Safety	The Group has a dedicated Health & Safety audit department, which is independent of the management of the operating divisions
Consideration of the impact of construction schemes upon the environment and social surroundings	The Group monitors a number of environmental impact indicators The results of this appear in our Corporate Social Responsibility Report
People	
Ability of the Group to attract and retain the best people	The Group has a comprehensive Human Resources policy in place which includes • Apprentice Schemes
Ensuring that the Group has a sufficiently skilled and experienced workforce	• An extensive Graduate Recruitment Programme • Succession planning
Adequate succession planning to ensure that experience and knowledge of key management is retained within the business	• Training Schemes tailored to each discipline • The Group has set itself the target of having a fully carded workforce by 2010, under the Construction Skills Certification Scheme

Financial risk management objectives

The Group's operations and debt financing 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 as such there is a regular, detailed system for the reporting and forecasting of cash flows from the operations to Group management so as to ensure that risks are promptly identified and appropriate actions taken by the central Treasury Department 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 fix interest rates The Group does not use derivative financial instruments for speculative purposes

KingsOak Homes Limited

The Board of Directors of Barratt Developments PLC is responsible for setting specific, clearly defined guidelines regarding treasury that are applied by the Group In addition, the Directors approve and review all facilities and derivative transactions The Group operates a central Treasury Department to implement the guidelines established by the Board, to whom it reports regularly

i) Interest rate risk
The Group has both interest bearing assets and interest bearing liabilities 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 In order to achieve this the Group has entered into swap arrangements to hedge cash flow risks relating to interest rate movements on a proportion of its debt The Group has a policy that 60% - 80% of the forecast debt for the year end is at a fixed rate, with an average minimum duration of five years and an average maximum duration of fifteen years

ii) Credit risk
The Company has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers The exposure to credit loss on cash and cash equivalents and trade and other receivables is equivalent to their balance sheet carrying value

The Group has a credit policy that is limited to financial institutions with high credit ratings as set by international credit rating agencies 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

iii) Liquidity risk
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 objective is to minimise refinancing risk The Group therefore has a policy that the average maturity of its committed facilities and private placement notes is at least 3 years At 30 June 2007, the average maturity of the Group's facilities was 3 5 years

Dividends
An interim dividend of £1,174,500 (2006 £1,360,000) per ordinary share amounting to £2,349,000 (2006 £2,720,000) was paid on 25 May 2007 A final dividend of £782,500 (2006 £1,863,500) per ordinary share amounting to £1,565,000 (2006 £3,727,000) was proposed at the year end and was approved and paid on 31 October 2007 The aggregate dividends on the ordinary shares recognised as an expense during the year amounts to £6,076,000 (2006 £8,329,000) excluding proposed dividends that have yet to be approved by the balance sheet date

KingsOak Homes Limited

Directors
The Directors who held office during the year and up to the date of signing the financial statements were as follows

D A Pretty	(Chairman) (retired 31 December 2006)
P R Gieron	
A McCarrick	(resigned 1 October 2007)
M A Pain	
M S Clare	(appointed 2 October 2006)
K Handford	
A Wilson	(resigned 5 December 2006)
G K Hester	(resigned 15 January 2007)

Directors' indemnities
Following shareholder approval in January 2006, Barratt Developments PLC has provided an indemnity to the Directors and company secretary of all Group companies, including KingsOak Homes Limited, against all liability arising in respect of any act or omission in their duties This is a qualifying indemnity provision for the purposes of the Companies Act 1985

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

Creditor payment policy
It is Company policy for the year ending 30 June 2007 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 59 days for its trade creditors at 30 June 2007 (2006 64 days)

KingsOak Homes Limited

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) The financial statements are required by law to 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

In preparing those financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent, and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary

The Directors confirm that they have complied with the above requirements in preparing the financial statements

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

Disclosure of information to auditors

Each Director at the date of approval of this report confirms that

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985

On behalf of the board

M A Pain
Director

23 April 2008

Independent auditors' report to the members of KingsOak Homes Limited

We have audited the financial statements of KingsOak Homes Limited for the year ended 30 June 2007, which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet, the statement of accounting policies and the related notes These financial statements have been prepared under the accounting policies set out therein

Respective responsibilities of Directors and auditors
The Directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland) 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 whether in our opinion the information given in the Directors' report is consistent with the financial statements

In addition we report to you if, in our opinion, 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 other transactions is not disclosed

We read the Directors' report and consider the implications for our report if we become aware of any apparent misstatements within it

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 30 June 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' report is consistent with the financial statements

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Newcastle upon Tyne
25 April 2008

KingsOak Homes Limited

Profit and loss account for the year ended 30 June 2007

	Note	2007 £'000	As restated* 2006 £'000
Turnover	2	**387,508**	369,509
Cost of sales		**(346,988)**	(341,382)
Gross profit		**40,520**	28,127
Administrative expenses		**(10,961)**	(10,328)
Operating profit		**29,559**	17,799
Interest receivable and similar income	6	**623**	98
Interest payable and similar charges	7	**(22,025)**	(15,861)
Profit on ordinary activities before taxation	3	**8,157**	2,036
Taxation on profit on ordinary activities	8	**(2,517)**	(1,247)
Profit for the financial year		**5,640**	789

* The results for the year ended 30 June 2006 have been restated as explained in note 1

All activities of the Company are continuing

There are no material differences between the profit on ordinary activities before taxation and the profit for the year stated above and their historical cost equivalent

KingsOak Homes Limited

Statement of total recognised gains and losses for the year ended 30 June 2007

	2007 £'000	As restated* 2006 £'000
Profit for the financial year	**5,640**	789
Total recognised gains and losses relating to the year	**5,640**	789
Prior year adjustment (note 1)	**(1,698)**	-
Total recognised gains and losses since last annual report	**3,942**	789

* The results for the year ended 30 June 2006 have been restated as explained in note 1

KingsOak Homes Limited

Balance sheet as at 30 June 2007

	Note	2007	As restated* 2006
		£'000	£'000
Fixed assets			
Tangible assets	10	**918**	666
Investments	11	**2,001**	2,001
		2,919	2,667
Current assets			
Stocks	12	**568,011**	541,199
Debtors amounts falling due within one year	13	**20,593**	8,668
Debtors amounts falling due after more than one year	13	**6,283**	6,356
Cash at bank and in hand		**16,524**	32,945
		611,411	589,168
Creditors: amounts falling due within one year	14	**(562,051)**	(547,031)
Net current assets		**49,360**	42,137
Total assets less current liabilities		**52,279**	44,804
Creditors: amounts falling due after more than one year	15	**(10,594)**	(2,957)
Net assets		**41,685**	41,847
Capital and reserves			
Called up share capital	17	**-**	-
Share based payments reserve	18	**1,617**	1,343
Profit and loss account	19	**40,068**	40,504
Total shareholders' funds	20	**41,685**	41,847

* The results for the year ended 30 June 2006 have been restated as explained in note 1

The accounts on pages 10 to 32 were approved by the Board of Directors on 23 April 2008 and signed on its behalf by

M A Pain
Director

Statement of accounting policies

These financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom The principal accounting policies, which have been applied consistently throughout the year with the exception of the changes in accounting policy caused by the adoption of new accounting standards, are set out below

Changes in accounting policy
Where relevant, the requirements of all new accounting standards and pronouncements, whose implementation dates were during the year, have been adopted

Share-based payments
The Company adopted FRS20 'Share-based Payment' during the year Equity-settled share-based payments are measured at fair value at the date of grant 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

Accounting for trade creditors on extended terms
During the year the Company changed its accounting policy on accounting for trade creditors on extended terms Trade creditors on extended terms are discounted at the date of acquisition of the asset to which they relate The discount to nominal value is amortised over the period of the credit term and charged to interest costs The Directors have adopted this new policy as they believe it is more appropriate and so that the treatment is consistent throughout the Barratt Developments PLC Group

The impact of these changes in accounting policy is detailed in note 1

Group accounts
The financial statements contain information about KingsOak Homes Limited as an individual Company and do not contain consolidated financial information as the parent of a group The Company is exempt under Section 228 of the Companies Act 1985 from the requirements to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of Barratt Developments PLC, a company registered in England

Cash flow statement
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 1996) from publishing a cash flow statement

Turnover
Turnover is recognised at legal completion in respect of the total proceeds of building and development and an appropriate proportion of revenue from construction contracts by reference to the stage of completion of contract activity The sale proceeds of part exchange houses are not included in revenue

Turnover is only recognised on a construction contract where the outcome can be estimated reliably 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

KingsOak Homes Limited

Tangible fixed assets and depreciation
Tangible fixed assets are valued at cost less accumulated depreciation Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use Depreciation is charged on a straight line basis over the expected useful life, and is based upon the cost of the asset to the Company, as follows

Freehold property	25 years
Short leasehold property	Over the term of the lease
Plant and machinery	1 to 7 years

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

Properties held for sale
Properties held for sale, comprising properties previously held for investment, are stated at lower of cost and net realisable value

Stocks
Stocks and work in progress, excluding long term contract work in progress, are valued at the lower of cost and net realisable value Costs comprise direct materials, direct labour costs and those overheads, which have been incurred in bringing the inventories to their present location and condition Where necessary, provision is made for obsolete, slow moving and defective stocks

Land held for development, including land in the course of development, is initially recorded at fair value Where, through deferred purchase credit terms, the fair value differs from the amount that will ultimately be paid in settling the liability, this difference is charged as a finance cost in the income statement over the period of settlement Due to the scale of the Company's developments, the Company 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 Company has developed internal controls to assess and review carrying values and appropriateness of estimates made

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

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

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 at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date Deferred tax is measured on an undiscounted basis

Pension costs
Barratt Developments PLC operates a defined benefit and defined contribution scheme, which cover employees of the Company

Contributions made to the defined benefit scheme are based on the cost of providing pensions across all participating Group companies As the Company is unable to identify its share of the assets and liabilities of the Group scheme, it accounts for contributions as if they were to a defined contribution pension scheme Contributions are charged to the profit and loss account in the year to which they relate

Contributions payable under the defined contribution scheme are charged to the profit and loss account as they arise

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

Trade debtors
Trade debtors do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts

Trade debtors on extended terms are recorded at their fair value at the date of the transaction The discount to nominal value is amortised over the period of the credit term and credited to interest costs

Trade creditors
Trade creditors on normal terms are not interest bearing and are stated at their nominal value

Trade creditors on extended terms are recorded at their fair value at the date of acquisition of the asset to which they relate The discount to nominal value is amortised over the period of the credit term and charged to interest costs

Notes to the financial statements for the year ended 30 June 2007

1 Changes in accounting policy

Where relevant, the requirements of all new accounting standards and pronouncements, whose implementation dates were during the year, have been adopted

Share-based payments
The Company adopted FRS20 'Share-based Payment' during the year, which requires that the company recognise a charge for share options granted on or after 7 November 2002 The resultant charge to operating profit for the year ended 30 June 2007 in respect of share-based payments was £302,000 (2006 £669,000), including £28,000 (2006 £15,000) in respect of the Company's expected liability for National Insurance on unapproved options

An estimate of the tax base of share options at the end of the period is determined by reference to the market value of the related share and exercise price of the option at the reporting date multiplied by the vesting period that has lapsed The deductible temporary difference results in the recognition of a deferred tax asset The deferred tax asset at 30 June 2007 was £484,000 (2006 £428,000)

The effects of this change in policy are summarised below

	Year ended 30 June 2007	Year ended 30 June 2006
	£'000	£'000
Profit and loss account		
Increase in administrative expenses	**(302)**	(669)
Decrease in profit before tax	**(302)**	(669)
Decrease in tax	**56**	200
Decrease in profit for the year	**(246)**	(469)
Balance sheet		
Deferred tax asset (note 16)	**484**	428
Accruals and deferred income	**(117)**	(89)
Net current assets	**367**	339
Net assets	**367**	339

1 Changes in accounting policy (continued)

	30 June 2007 £'000	30 June 2006 £'000
Shareholders funds		
Profit and loss reserve opening balance (note 19)	**(1,004)**	(535)
Profit and loss reserve movements in the period	**(246)**	(469)
Profit and loss reserve closing balance	**(1,250)**	(1,004)
Share-based payment reserve opening balance	**1,343**	689
Share-based payment reserve movements in the period (note 18)	**274**	654
Share-based payment reserve closing balance (note 18)	**1,617**	1,343
Total shareholders' funds	**367**	339

Accounting for trade creditors on extended terms
During the year the Company changed its accounting policy on accounting for trade creditors on extended terms Trade creditors on extended terms are discounted at the date of acquisition of the asset to which they relate The discount to nominal value is amortised over the period of the credit term and charged to interest costs The impact of the change in accounting policy in the year was to increase cost of sales by £592,000 (2006 reduction of £675,000) and increase interest costs by £2,931,000 (2006 £1,791,000) The Directors have changed policy as they believe it is more appropriate and so that the treatment is consistent throughout the Barratt Developments PLC Group

The effects of this change in policy are summarised below

	Year ended 30 June 2007 £'000	Year ended 30 June 2006 £'000
Profit and loss account		
(Increase)/decrease in cost of sales	**(592)**	675
Increase in interest payable	**(2,931)**	(1,791)
Decrease in profit before tax	**(3,523)**	(1,116)
Decrease in tax	**1,057**	335
Decrease in profit for the year	**(2,466)**	(781)

1 Changes in accounting policy (continued)

	30 June 2007 £'000	30 June 2006 £'000
Balance sheet		
Stocks	**(6,216)**	(4,196)
Deferred tax asset (note 16)	-	296
Corporation tax creditor	**1,353**	-
Net current assets	**(4,863)**	(3,900)
Creditors amounts falling due after more than one year	**1,703**	3,206
Net assets	**(3,160)**	(694)
Shareholders funds		
Profit and loss reserve opening balance (note 19)	**(694)**	87
Profit and loss reserve movements in the period	**(2,466)**	(781)
Profit and loss reserve closing balance	**(3,160)**	(694)
Total shareholders' funds	**(3,160)**	(694)

2 Turnover

All of the activities of the Company related to that of its principal activity The activities took place solely in the United Kingdom

3 Profit on ordinary activities before taxation

	2007 £'000	2006 £'000
Profit on ordinary activities before taxation is stated after charging:		
Depreciation of tangible owned fixed assets	**232**	227
Operating lease charges – plant and machinery	**1,274**	1,234
Operating lease charges - other	**325**	509

Auditors' remuneration for audit services of £16,000 (2006 £48,000) was borne by another group company

4 Directors' emoluments

Mr M S Clare and Mr M A Pain are also Directors of the holding company, Barratt Developments PLC and Mr D A Pretty was a Director of Barratt Developments PLC until his resignation on 15 January 2007 Their remuneration in respect of services as Directors to the Group is disclosed in the annual report of Barratt Developments PLC Mr K Handford and Mr A Wilson are or were also Directors of BDW Trading Limited (formerly Barratt Homes Limited), and their remuneration was bourne by and disclosed in the annual report of that company Mr A McCarrick was also employed by Barratt Developments PLC and his remuneration was borne by that company

The emoluments of the remaining Directors are as follows

	Year ended 30 June 2007	Year ended 30 June 2006
Directors' emoluments	**727,130**	1,314,731

The emoluments, excluding pension contributions, of the highest paid Director were £727,130 (2006 £920,135)

The total pension benefit accrued to the highest paid Director at the end of the year was £248,036 (2006 £276,378)

5 Employee information

The average monthly number of persons (including executive Directors) employed during the year was

By activity	**2007 Number**	2006 Number
Building and development	**564**	684

	2007 £'000	As restated* 2006 £'000
Staff costs (for the above persons):		
Wages and salaries	**19,539**	21,929
Share option costs	**274**	654
Social security costs	**2,042**	2,337
Other pension costs (note 22)	**745**	977
	22,600	25,897

* The results for the year ended 30 June 2006 have been restated as explained in note 1

6 Interest receivable and similar income

	2007 £'000	2006 £'000
Interest receivable from group undertakings	**566**	77
Bank interest receivable	**4**	2
Other interest receivable	**53**	19
	623	98

7 Interest payable and similar charges

	2007 £'000	As restated* 2006 £'000
Interest payable on bank loans and overdrafts	**277**	330
Interest payable on loan from ultimate parent company	**18,817**	13,740
Imputed interest on deferred term land payables	**2,931**	1,791
	22,025	15,861

* The results for the year ended 30 June 2006 have been restated as explained in note 1

8 Taxation on profit on ordinary activities

(a) Analysis of charge in the year

	2007 £'000	As restated* 2006 £'000
Current tax		
UK corporation tax on profits of the year	**2,252**	921
Adjustment in respect of prior years	**-**	717
Total current tax	**2,252**	1,638
Deferred tax		
Origination and reversal of timing differences	**227**	(391)
Change in corporation tax rate from 30% to 28%	**38**	-
Total deferred tax (note 16)	**265**	(391)
Tax on profit on ordinary activities	**2,517**	1,247

* The results for the year ended 30 June 2006 have been restated as explained in note 1

8 Taxation on profit on ordinary activities (continued)

(b) Factors affecting the tax charge for the year

The tax assessed for the year differs to the standard rate of corporation tax in the UK The differences are explained below

	2007 £'000	As restated* 2006 £'000
Profit on ordinary activities before tax	**8,157**	2,036
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2006 30%)	**2,447**	611
Effects of		
Expenses not deductible for tax purposes	**101**	90
Accelerated capital allowances and other timing differences	**(236)**	535
Employee share scheme relief	**-**	(240)
Adjustment in respect of prior years	**-**	717
Contaminated land relief	**(60)**	(75)
Current tax charge for the year	**2,252**	1,638

* The results for the year ended 30 June 2006 have been restated as explained in note 1

(c) Factors that may affect future tax charge

The impact of the change in corporation tax rate from 30% to 28% has been to increase the deferred tax charge in the year and other than that there are no factors that are expected to affect future tax charges materially

9 Dividends

	2007 £'000	2006 £'000
2006 final dividend paid of £1,863,500 (2005 £2,804,500) per share	**3,727**	5,609
2007 interim dividend paid of £1,174,500 (2006 £1,360,000) per share	**2,349**	2,720
	6,076	8,329

The Directors have proposed a final dividend for the year ended 30 June 2007 of £782,500 per ordinary share amounting to £1,565,000 This dividend has not been accounted for within the current year financial statements as it had not been approved at the balance sheet date

10 Tangible assets

	Freehold and leasehold property £'000	Plant and machinery £'000	Total £'000
Cost			
At 1 July 2006	183	1,410	1,593
Additions	783	422	1,205
Disposals	(693)	(25)	(718)
Intergroup transfers	-	(48)	(48)
At 30 June 2007	**273**	**1,759**	**2,032**
Accumulated depreciation			
At 1 July 2006	76	851	927
Charge for the year	25	207	232
Intergroup transfers	-	(45)	(45)
At 30 June 2007	**101**	**1,013**	**1,114**
Net book amount			
At 30 June 2007	**172**	**746**	**918**
At 30 June 2006	107	559	666

11 Investments

	Total £'000
Cost and net book amount at 30 June 2006 and 30 June 2007	**2,001**

Name of subsidiary undertakings	Description of share	Proportion of nominal value of shares held
Broad Oak Homes Limited (Dormant)	Ordinary £1 shares	100%
Milton Park Homes plc (Property Development)	Ordinary £1 shares	100%

The companies are registered and operate in the UK The Directors believe that the carrying value of the investments is supported by their underlying net assets

12 Stocks

	2007	As restated* 2006
	£'000	£'000
Work in progress	**538,238**	505,683
Properties held for sale	**406**	937
Show house complexes and houses awaiting legal completion	**29,367**	34,579
	568,011	541,199

* The results for the year ended 30 June 2006 have been restated as explained in note 1

13 Debtors

	2007	As restated* 2006
	£'000	£'000
Trade debtors	**5,717**	1,418
Other debtors	**14,162**	5,848
Prepayments	**183**	606
Deferred tax (see note 16)	**531**	796
Debtors falling due within 1 year	**20,593**	8,668
Secured debtors	**6,283**	6,356
Debtors falling due after more than 1 year	**6,283**	6,356
Total Debtors	**26,876**	15,024

* The results for the year ended 30 June 2006 have been restated as explained in note 1

The secured debtors relate to deferred receivables from the sale of homes which are repayable upon the earlier of resale or at ten years from inception They are secured by way of a second charge over the home and no interest is payable on them

14 Creditors: amounts falling due within one year

	2007	As restated* 2006
	£'000	£'000
Trade creditors including deferred land payments	**158,692**	179,607
Payments on account	**1,467**	1,070
Amounts owed to parent and fellow subsidiary undertakings	**351,581**	332,705
Corporation tax payable	**1,580**	2,210
Other taxation and social security payable	**1,104**	1,174
Other creditors	**7,029**	5,227
Accruals and deferred income	**40,598**	25,038
	562,051	547,031

* The results for the year ended 30 June 2006 have been restated as explained in note 1

Creditors include £nil (2006 £11,440,000) secured on assets of the Company Amounts owed to group undertakings are unsecured and have no fixed date of repayment Interest is payable on loans from the parent undertaking at a market rate

15 Creditors: amounts falling due after more than one year

	2007	As restated* 2006
	£'000	£'000
Trade creditors, including deferred land payments	**10,594**	2,957

*The results for the year ended 30 June 2006 have been restated as explained in note 1

The maturity of creditors due after more than one year is as follows

	2007	As restated* 2006
	£'000	£'000
In more than one year but not more than two years	**10,594**	2,957

16 Deferred tax asset

The movement in the deferred tax asset is as follows

	£'000
At 1 July 2006 as previously stated	72
Prior year adjustment	724
At 1 July 2006 restated*	796
Charged to the profit and loss account	(265)
At 30 June 2007	**531**

	2007	As restated* 2006
	£'000	£'000
Accelerated capital allowances	**2**	24
Short term timing differences	**529**	772
	531	796

* The results for the year ended 30 June 2006 have been restated as explained in note 1

The Directors consider that it is more likely than not that there will be sufficient taxable profits in the future such as to realise the deferred tax asset, and therefore the asset has been recognised in these financial statements

17 Called up share capital

	2007	2006
	£	£
Authorised		
100 Ordinary shares of £1 each	**100**	100
Allotted and fully paid		
2 Ordinary shares of £1 each	**2**	2

18 Share based payment reserve

	£'000
Balance at 30 June 2006 as previously reported	-
Prior year adjustment (note 1)	1,343
Balance at 30 June 2006 as restated*	1,343
Movement in the year	274
Balance at 30 June 2007	**1,617**

* The results for the year ended 30 June 2006 have been restated as explained in note 1

19 Profit and loss account

	£'000
Balance at 30 June 2006 as previously reported	42,202
Prior year adjustment (note 1)	(1,698)
Balance at 30 June 2006 as restated*	40,504
Retained loss for the financial year	(436)
Balance at 30 June 2007	**40,068**

*The results for the year ended 30 June 2006 have been restated as explained in note 1

20 Reconciliation of movements in shareholders' funds

	2007	2006 As restated*
	£'000	£'000
Opening shareholders' funds as previously reported	**42,202**	48,492
Prior year adjustment (note 1)	**(355)**	241
Opening shareholders' funds as restated*	**41,847**	48,733
Profit for the financial year	**5,640**	789
Dividends paid	**(6,076)**	(8,329)
Movement in share based payments reserve	**274**	654
Closing shareholders' funds as restated*	**41,685**	41,847

*The results for the year ended 30 June 2006 have been restated as explained in note 1

KingsOak Homes Limited

21 Share-based payments

Details of the share option schemes

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

(b) Employee Share Option Plan
In November 1999, Barratt Developments PLC adopted an Employee Share Option Plan (the 'Plan') The board approves the grant of share options to Group employees under this Plan which are normally exercisable between three and ten years from the date of the grant The exercise of the options granted under the Plan are subject to the achievement of an objective performance condition set by the board of Barratt Developments PLC, namely that the growth in the basic earnings per share of Barratt Developments PLC over a period of three consecutive financial years should exceed the growth in the Retail Price Index by at least 9%

Those who have participated in the Executive Share Option Plan do not participate in the Employee Share Option Plan

(c) Long-Term Performance Plan
The Long-Term Performance Plan (the 'LTTP') was approved by shareholders of Barratt Developments PLC at the Annual General Meeting held in November 2003 to take effect from 1 July 2003

Awards under the LTPP are based on an annual allocation of notional ordinary shares equivalent in value to a maximum of 200% of basic salary with vesting taking place at the expiry of the three year performance period of the plan, subject to attainment of the agreed performance targets 50% of the award will vest on attainment of a performance target based on Basic Earnings Per Share ("EPS") growth and 50% based on Total Shareholder Return ("TSR") For awards made in 2003 and 2004 a vesting schedule has been established so that, in terms of EPS growth, the full 50% will vest if EPS growth exceeds the Retail Price Index ("RPI") plus 45% and 10% will vest if EPS growth exceeds RPI plus 30% with straight line vesting between these two points The remaining 50% will vest subject to TSR performance measured against the constituents of the FTSE Construction and Building Materials Sector Index Again a vesting schedule has been established so that the full 50% will vest if TSR growth is in the upper quartile of the comparative index and 10% vesting if TSR growth is at the median of the index, with straight line vesting between the two points

Shareholders of Barratt Developments PLC approved a change to these performance conditions at the 2005 AGM, and for awards made in 2005 and thereafter the targets are as follows For the EPS element of the target, the full 50% will vest if EPS growth exceeds the RPI Index plus 18% and 10% will vest if EPS growth exceeds the RPI plus 9%, for performance in between the award will vest on a straightline basis

For the TSR portion of the award a peer group will be formed comprising listed housebuilders A vesting schedule will be drawn up by taking an average of the two highest and two lowest TSR figures for such companies over the performance period and creating a mid-point and an upper quartile from those two figures The full 50% will vest if Barratt Development PLC's TSR is within the upper quartile and 10% will vest at the mid-point mark, for performance in between, the award will vest on a straightline basis

KingsOak Homes Limited

21 Share based payments (continued)

Outstanding options
At 30 June 2007 the following options issued in accordance with the rules of the Executive Share Option Plan, the Employee Share Option Plan and the Long-Term Performance Plan were outstanding

Date of grant	Option price pence	**2007 Number**	2006 Number	Not exercisable after
Executive Share Option Plan				
1 November 2001	330	**13,000**	13,000	31 October 2011
22 October 2002	435	**46,000**	114,000	21 October 2012
10 October 2003	545	**75,000**	315,000	9 October 2013
8 October 2004	543	**219,000**	263,000	7 October 2014
Total Executive Share Option Plan options		**353,000**	705,000	
Employee Share Option Plan				
29 March 2001	315	**2,500**	2,500	28 March 2011
25 April 2002	470	**6,500**	8,000	24 April 2012
14 May 2004	590	**38,500**	106,500	13 May 2014
Total Employee Share Option Plan options		**47,500**	117,000	
Total share options		**400,500**	822,000	
Long-Term Performance Plan				
27 November 2003	-	**-**	46,863	-
8 October 2004	-	**74,300**	74,300	-
18 November 2005	-	**133,792**	133,792	-
16 November 2006	-	**57,743**	-	-
Total Long-Term Performance Plan		**265,835**	254,955	
Total share options and Long-Term Performance Plan		**666,335**	1,076,955	

KingsOak Homes Limited

21 Share based payments (continued)

The number and weighted average exercise prices of the Executive Share Option Plan were as follows

	Weighted average exercise price in pence 2007	**Number of options 2007**	Weighted average exercise price in pence 2006	Number of options 2006
Outstanding at 1 July	**523**	**705,000**	488	1,013,000
Forfeited during the year	**543**	**(31,000)**	543	(54,000)
Exercised during the year	**521**	**(321,000)**	379	(254,000)
Outstanding at 30 June	**522**	**353,000**	523	705,000
Exercisable at 30 June	**486**	**134,000**	424	127,000

The number and weighted average exercise prices of the Employee Share Option Plan were as follows

	Weighted average exercise price in pence 2007	**Number of options 2007**	Weighted average exercise price in pence 2006	Number of options 2006
Outstanding at 1 July	**576**	**117,000**	571	167,500
Forfeited during the year	**590**	**(14,750)**	590	(37,000)
Exercised during the year	**567**	**(61,750)**	469	(13,500)
Transferred from other group companies	**414**	**7,000**	-	-
Outstanding at 30 June	**559**	**47,500**	576	117,000
Exercisable at 30 June	**559**	**47,500**	576	117,000

The number and weighted average exercise prices of the Long-Term Performance Plan were as follows

	Weighted average exercise price in pence 2007	**Number of options 2007**	Weighted average exercise price in pence 2006	Number of options 2006
Outstanding at 1 July	-	**254,955**	-	121,163
Forfeited during the year	-	**(23,432)**	-	-
Exercised during the year	-	**(23,431)**	-	-
Granted during the year	-	**57,743**	-	133,792
Outstanding at 30 June	-	**265,835**	-	254,955
Exercisable at 30 June	-	-	-	-

The weighted average share price, at the date of exercise, of share options exercised during the year was 1,087p (2006 859p) The weighted average life for outstanding share options at the end of the year was 4 5 years (2006 6 1 years)

21 Share based payments (continued)

Long-Term Performance Plan

The weighted average fair value of the options granted during 2007 was 788p (2006 609p) per award The awards have been valued using a present-economic value model for the EPS element of the scheme and a Monte Carlo model for the TSR element of the scheme

The weighted average inputs to the present-economic value model were as follows

	2007 Grants	2006 Grants
Average share price	**1,095p**	856p
Average exercise price	**-**	-
Expected volatility	**25 0%**	25 0%
Expected life	**2.6 years**	2 6 years
Risk free interest rate	**-**	-
Expected dividends	**3.0%**	3 5%

The weighted average inputs to the Monte Carlo model were as follows

	2007 Grants	2006 Grants
Average share price	**1,095p**	856p
Average exercise price	**-**	-
Expected volatility	**25.0%**	25 0%
Expected life	**2 6 years**	2 6 years
Risk free interest rate	**-**	-
Expected dividends	**3.0%**	3 5%

Expected volatility was determined by reference to the historical volatility of the Group's share price over a period consistent with the expected life of the options The expected life used in the model has been adjusted based on the Directors' best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations

Total expense

The Company recognised an expense of £302,000 (2006 £669,000) in respect of equity-settled share-based payment transactions for the year ended 30 June 2007 At 30 June 2007, an accrual of £117,000 (2006 £89,000) was recognised in respect of National Insurance liabilities on share-based payments

22 Pension obligations

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

Details of the scheme are included in the disclosure in the financial statements of the parent company, Barratt Developments PLC The latest actuarial valuation of the scheme, performed by a third party on 30 November 2004 and updated at 30 June 2007 shows a deficit before deferred taxation of £78 3m The valuation of deficit at a Group level on an FRS 17 basis is not performed and, therefore, the deficit calculated in accordance with IAS 19 has been disclosed

The pension cost charge for the year was £405,000 (2006 £636,000) in relation to the defined benefit final salary section and £340,000 (2006 £341,000) in relation to the defined contribution section

23 Financial commitments

At 30 June 2007 the Company had annual commitments under non-cancellable operating leases as follows

	2007		2006	
	Land and buildings	**Other**	Land and buildings	Other
	£'000	**£'000**	£'000	£'000
Leases which expire:				
Within one year	**240**	**65**	70	238
Between two and five years inclusive	**-**	**273**	81	804
In five years or more	**95**	**-**	33	-
	335	**338**	184	1,042

24 Related party transactions

The Company has taken advantage of the exemption allowed by Financial Reporting Standard Number 8 'Related party disclosures' not to disclose details of transactions with Barratt Group companies

25 Ultimate parent company and controlling party

The ultimate parent undertaking and controlling party is Barratt Developments PLC, a company incorporated in England Barratt Developments PLC is the undertaking of the largest and smallest group of undertakings to consolidate these financial statements at 30 June 2007 The consolidated financial statements of Barratt Developments PLC are available from Barratt House, Cartwright Way, Forest Business Park, Bardon Hill, Coalville, Leicestershire, LE67 1UF