

5 February 2020

**BARRATT DEVELOPMENTS PLC**

Half year results for the six month period ended 31 December 2019

**Strong first half performance, continued good progress against medium term targets**

<b>£m unless otherwise stated<sup>1,2</sup></b>	<b>Half year ended 31 December 2019</b>	<b>Half year ended 31 December 2018</b>	<b>Change</b>
Total completions (homes) <sup>3</sup>	8,314	7,622	9.1%
Revenue	2,266.2	2,132.0	6.3%
Profit from operations	421.7	409.7	2.9%
Adjusted operating margin <sup>4</sup>	19.4%	19.0%	40 bps
Operating margin <sup>4</sup>	18.6%	19.2%	(60 bps)
Profit before tax	423.0	408.0	3.7%
Basic earnings per share (pence)	33.8	32.7	3.4%
Interim dividend per share (pence)	9.8	9.6	2.1%
ROCE (%) <sup>4</sup>	29.3	29.5	(20 bps)
Net cash <sup>4</sup>	433.8	387.7	11.9%

**Highlights**

- Britain's largest housebuilder leading the industry in both build quality and customer service. Only major housebuilder to be awarded HBF 5 Star rating by our customers for ten consecutive years
- Highest half year home completions in 12 years with 8,314 total completions<sup>3</sup>, up 9.1%, reflecting growth and a smoother delivery profile. On track for 3-5% growth in wholly owned completions in FY20
- Adjusted operating margin of 19.4% (2018: 19.0%), driven by continued good progress from our margin initiatives. Operating margin was 18.6% (2018: 19.2%) after adjusted items costs of £17.8m (2018: adjusted items credit of £3.7m)
- Land creditors as at 31 December reduced to £830.8m (2018: £961.8m), achieving targeted level, and continued effective cash generation, closing the half year with net cash of £433.8m (2018: £387.7m)
- First UK housebuilder to set a science-based target, challenging ourselves to reduce carbon emissions in our operations by around a third from FY18 to FY25 in line with our ambition to be the leading national sustainable housebuilder

**Current trading**

- Net private reservations per active outlet per average week from 1 January to 2 February 2020 were 0.83 (2019: 0.74)
- Strong total forward sales<sup>3</sup> as at 2 February 2020 of 13,043 homes (3 February 2019: 13,194 homes) at a value of £3,027.1m (3 February 2019: £3,021.0m)
- Outlook for the full year remains in line with the Board's expectations

**Capital Return Plan**

- Further extension to the Capital Return Plan with proposed special returns of £175m in November 2020 and November 2021 in addition to ordinary dividend cover at 2.5 times

**Commenting on the results David Thomas, Chief Executive of Barratt Developments PLC, said:**

"We have achieved a strong first half performance, delivering continued volume growth and making good progress against our medium term targets. We have made a good start to our second half and with substantial net cash, a well-capitalised balance sheet and strong forward sales, the outlook for the full year is in line with our expectations.

"The customer continues to be at the heart of everything we do. In 2019 we were proud to become the only major housebuilder to be awarded a 5 Star rating by our customers in the HBF survey for ten consecutive years and look forward to extending that record. We will continue to lead the industry in quality and service as we deliver the high quality homes and developments the country needs, creating jobs and supporting economic growth across England, Scotland and Wales."

<sup>1</sup> Refer to Glossary for definition of key financial metrics

<sup>2</sup> Unless otherwise stated, all numbers quoted exclude JVs

<sup>3</sup> Including JVs in which the Group has an interest

<sup>4</sup> In addition to the Group using a variety of statutory performance measures it also measures performance using alternative performance measures (APMs). Definitions of APMs and reconciliations to the equivalent statutory measures are detailed in the Glossary and Definitions. Net cash definition in Note 5.1

**Note on forward looking statements**

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.

**This announcement contains inside information.** The person responsible for arranging for the release of this announcement on behalf of Barratt Developments PLC is Claire Adams (Interim Head of Investor Relations).

**There will be an analyst and investor meeting at 8:30am today at Deutsche Bank, 1 Great Winchester Street, London, EC2N 2DB. The presentation will be broadcast live on the Barratt Developments corporate website, [www.barrattdevelopments.co.uk](http://www.barrattdevelopments.co.uk), from 8:30am today. A playback facility will be available shortly after the presentation has finished.**

A listen only function will also be available

Dial in: 08003 767922

International dial in: +44 (0) 2071 928000

Conference ID: 1970264

Further copies of this announcement can be downloaded from the Barratt Developments corporate website [www.barrattdevelopments.co.uk](http://www.barrattdevelopments.co.uk) or by request 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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**Financial reporting calendar**

The Group's next scheduled announcement of financial information is the trading update on 7 May 2020.

## Chief Executive's Statement

### Overview

We have delivered a strong operational and financial performance in our first half and continue to make good progress against our medium term targets. We are building homes the country needs, creating jobs and supporting economic growth whilst also delivering both operationally and financially for our stakeholders.

Primary operational targets and key financial metrics		
	Medium term targets	Progress in the half year
<b>Completions</b>	3-5% growth per annum in wholly owned home completions  Present business capacity of 20,000 homes per annum	Highest half year completions in 12 years  On track to deliver 3-5% growth in wholly owned completions in FY20
<b>Gross margin</b>	New land acquisitions at minimum 23% gross margin	Significant progress towards our margin targets  Adjusted gross margin up 60 bps to 23.0% (Gross margin 22.2%)
<b>ROCE</b>	Minimum of 25%	Strong ROCE of 29.3% for the 12 months to 31 December 2019

We are very proud to be Britain's largest housebuilder and to consistently lead the industry in both customer service and build quality. We operate across England, Scotland and Wales through our three brands: Barratt Homes, David Wilson Homes and Barratt London. We strive to meet our customers' expectations and we believe that the high quality of our homes and our excellent customer service is fundamental to our ongoing success.

We remain committed to playing our part in addressing Britain's housing shortage and have a medium term target to grow wholly owned home completion volumes by 3-5% per annum. We delivered our highest half year volume in 12 years, strongly growing total completions<sup>3</sup> by 9.1% to 8,314, driven by growth in our regional business including our Cambridgeshire division, and outer London. This increase reflects both progress towards our medium term volume target and our aim for a smoother delivery profile between the first and second half of our financial year. We remain committed to maintaining our industry-leading standards of quality and customer service whilst continuing to grow volume.

Over the last six years, the operational improvements we have made have successfully grown our margin and we have now made significant progress towards our margin targets. Our new product ranges continue to underpin our land acquisition at a minimum of 23% gross margin. We continue to remain focused on driving further improvements in the efficiency of our operations and controlling costs whilst maintaining our focus on quality and customer satisfaction.

As a result of our successful operational improvements, in the half year we delivered a 60 bps increase in adjusted gross margin to 23.0% (2018: 22.4%) and a 40 bps increase in adjusted operating margin to 19.4% (2018: 19.0%). During the period, we incurred £17.8m of adjusted items related to costs associated with legacy properties at developments where cladding has needed to be removed and replaced. We delivered a gross margin of 22.2% (2018: 22.6%) and an operating margin of 18.6% (2018: 19.2%). Profit from operations for the half year was £421.7m (2018: £409.7m).

We delivered a strong ROCE of 29.3% (2018: 29.5%), ahead of our target of a minimum of 25% over the medium term. We are pleased with our ROCE performance as in the half year we achieved our target to reduce land creditors in line with our operating framework.

We have a robust and resilient balance sheet and ended the half year with net cash of £433.8m (31 December 2018: £387.7m).

Our disciplined approach and our financial strength enable us to keep investing in our business and the future of housebuilding.

## **Attractive housing market fundamentals**

The housing market fundamentals remain attractive. The lending environment continues to be positive with greater competition in the mortgage market and a broad spread of lenders supporting homebuyers. We anticipate continuing Government support for new-build homes to help aspiring homebuyers to get onto the housing ladder. The Conservative Party manifesto going into the 2019 General Election made clear that Help to Buy will continue in its current form until March 2021, and thereafter a new scheme will be in place for two further years with scheme participation available to first-time buyers with some regional price caps. To June 2019, 236,313 homes had been bought using the scheme, 81% by first-time buyers (Source: MHCLG, Help to Buy (equity loan scheme) statistics: November 2019).

## **Committed to building more high quality homes**

We remain committed to playing our part in addressing the housing shortage. We design attractive developments that meet our high quality standards and will enhance local communities for years to come. We continue to increase volumes whilst maintaining our industry-leading quality, and remain committed to investing in the future of housebuilding.

## **Leadership in quality and customer service**

We believe our industry leadership in quality and customer service is fundamental to our business resilience and our quality has been externally recognised through a number of awards. The NHBC Pride in the Job Awards recognise excellence in build quality and site management. In June 2019, 84 of our site managers achieved awards, more than any other housebuilder for the 15<sup>th</sup> consecutive year. Of these site managers, 23 have gone on to win Seals of Excellence with three winning regional awards. We are extremely proud that one of our site managers, Mark Summersgill, was named Supreme Winner in the Large Builder category at the NHBC Pride in the Job Awards. As a business, this is the fourth time in five years we have won a Supreme award. No other major housebuilder has achieved this level of success and recognition for quality in the same period.

We are also the only major housebuilder to be awarded the maximum 5 Star rating by our customers in the HBF customer satisfaction survey for ten years in a row which means that our customer satisfaction rating is consistently over 90%.

In November 2019 we were awarded the Housebuilder of the Year award at the WhatHouse? Awards, also winning the Gold Award in the Best Large Housebuilder category. In addition, we were successfully named as Large Housebuilder of the Year at the Housebuilder Awards 2019. To win these two major industry awards in the same year is a unique achievement for our business and a reflection of our commitment to quality and customer service.

## **Investing in our people**

We are committed to the development of our people, not just because it is the right thing to do, but because it is fundamental to our long-term success. As our industry continues to face a skills shortage, it is important to attract and retain the best people.

We are building a diverse and inclusive workforce that reflects the communities in which we operate, delivering excellence for our customers by drawing on a broad range of talents, skills and experience.

We are investing for the future and continue to develop award winning schemes including those for graduates, apprentices and former Armed Forces personnel, alongside our own Degree Apprenticeship in Residential Development and Construction run in conjunction with Sheffield Hallam University. Building on the success of this programme, we have created a fast track bricklaying apprenticeship, shortening the programme duration by six months, which has attracted more candidates.

We also continue to collaborate with the wider housebuilding industry. We actively participate in the Home Building Skills Partnership, the aims of which include attracting new entrants to the industry, providing the skills for today and the future, and supporting the supply chain in attracting and developing the skills they need to support our industry.

We seek to create a great place to work founded on an open and honest culture. We engage with our employees on a regular basis so we can understand their issues and concerns and address them. We carry out an annual engagement survey, further surveys throughout the year and consult with our Workforce Forum. The feedback received is used to take action and devise improvements.

We aim to create an attractive working environment and we are committed to delivering our Diversity and Inclusion Strategy. We have identified targets in areas such as gender and ethnicity and our aim is to improve in all areas over the next two years. We have introduced flexible working to help us retain talented employees as it can be particularly beneficial for those with family and caring responsibilities. Nearly all our managers have now completed our diversity training programme, and all employees will complete our diversity and inclusion e-learning module. We have also launched a career development programme for high potential female employees.

We are now an accredited Living Wage Employer, making us one of the first major housebuilders to receive the accreditation. The real Living Wage is different to the Government's National Minimum and Living Wage, as it is an independently calculated higher hourly rate of pay that is based on the actual cost of living. Receiving this accreditation demonstrates our commitment to our employees as well as our suppliers and subcontractors.

### Modern methods of construction (MMC)

We are committed to increasing the number of homes we build using MMC to increase efficiency and to help mitigate the challenges posed by the shortage of skilled workers within the industry. We continue to develop, trial and implement MMC, building and selling 17.6% of homes in the first half using timber frame or large format block (2018: 14.6% homes built and sold using timber frame, large format block or light gauge steel frame). We also use offsite manufactured ground floor solutions and roof cassettes. In FY19, we achieved our 2020 target of 20% of home completions using MMC a year ahead of schedule and set a new target to use MMC to build 25% of our homes by 2025.

Timber frame construction is a sustainable, low energy method of manufacturing, built in factories to high standards. In June 2019, we acquired Oregon, a manufacturer of timber frames. Oregon was already one of our key timber frame suppliers, providing high quality products and excellent customer service. The experienced Oregon management team continue to lead our timber frame business and the integration of Oregon into the Group is proceeding well. Our core English houstypes have now been designed for Oregon timber frames and the first frames on English sites have been erected during the half year. We expect to deliver over 800 timber frames from Oregon to our sites this year.

### Our financial performance

#### Half year results

The Group has delivered a strong first half performance with good customer demand for our high quality new homes supported by a stable market backdrop. Overall our net private reservation rate was strong at 0.69 (2018: 0.64) with a particularly strong end to the half year.

During the period, we operated from an average of 372 outlets<sup>3</sup> (2018: 376 outlets) and expect to operate a similar number of outlets across our financial year. We have made good progress on new site openings, launching 45 new outlets<sup>3</sup> (2018: 90 outlets) in the half year which was ahead of our new site openings plan.

Total home completions<sup>3</sup> were the highest at our half year for 12 years at 8,314 homes (2018: 7,622 homes) and comprised:

Completions (units)	H1 FY20	H1 FY19	Change
Private	6,301	6,078	3.7%
Affordable	1,699	1,324	28.3%
JV	314	220	42.7%
<b>Total<sup>3</sup></b>	<b>8,314</b>	<b>7,622</b>	<b>9.1%</b>

As a result of the strong half year completion growth we are on track to deliver 3-5% growth in wholly owned completions this year, with our volume growth continuing to come from three areas. Our Cambridgeshire division, now in its second full year of trading, is performing well and delivered 143 completions in the half year. Over the next few years the division will grow towards its capacity of around 725 units. We continue to focus on the growth opportunities in outer London and our London business is now fully repositioned to take advantage of these. In addition, our existing divisional network has capacity for further volume growth. In recent years, we have secured high quality land to support growth across our regional business. This should enable growth in each regional division to c. 725 homes per annum over the medium term.

Affordable housing completions increased by 28.3% to 1,699 (2018: 1,324). This included an additional 305 homes within our London business reflecting delivery on new sites and weighting of delivery towards the first half of this year. We continue to expect affordable completions to represent 21% of our volume for the financial year.

Private ASP was £312,000 (2018: £317,300) reflecting the greater weighting of London delivery in the second half due to site build programmes. Outside of London, our private ASP increased by 2.6% to £303,900 (2018: £296,200), driven by mix movements towards our higher ASP regions and to larger family homes. Affordable ASP increased by 32.3% to £160,000 (2018: £120,900) reflecting the change in mix with more affordable units delivered in London. Total ASP was £279,800 (2018: £282,200).

The repositioning of our London business is now complete with all wholly owned central London units forward sold. Our two remaining active central London JVs are now 98% forward sold.

We have delivered an uplift of 60 bps in adjusted gross margin in the half year mainly from the delivery of our new product ranges on land acquired at a minimum 23% gross margin hurdle rate, whilst continuing in the normal course of our business to invest in quality and customer service. As a result our adjusted gross margin was 23.0% (2018: 22.4%). In line with our commitment to put customers first, adjusted item costs of £17.8m arose on legacy properties at developments where cladding has needed to be removed and replaced, leading to a gross margin of 22.2% (2018: 22.6%).

We carefully control our administrative expenses. Alongside underlying inflation of c. 3%, there have been changes to the phasing of expenditure and we have invested in our new Oregon and Cambridgeshire operations and in our IT capabilities. As a result, our administrative costs in the half year increased to £82.0m (2018: £72.5m). We continue to expect net administrative expenses for FY20 to be around £195m.

Operating profit increased by £12.0m to £421.7m (2018: £409.7m) as a result of our increased completion delivery and growth in adjusted gross margin partly offset by the adjusted items and increase in administrative costs. Our adjusted operating margin increased by 40 bps to 19.4% (2018: 19.0%) driven by the strong delivery across our business. After adjusted items, operating margin for the half year was 18.6% (2018: 19.2%).

Net finance charges were £1.0m lower than the prior period at £14.1m (2018: £15.1m). The cash finance charge was £3.1m (2018: £3.2m) with non-cash charges of £11.0m (2018: £11.9m). We now expect FY20 net finance costs to be around £30m, comprising £7m of cash and £23m of non-cash.

In the half year, the Group's share of JV profit was £15.4m (2018: £13.4m). We continue to expect to deliver around 750 JV completions and around £30m of JV profit in FY20.

Profit before tax increased by 3.7% to £423.0m (2018: £408.0m) and the Group recognised £77.7m of tax charges at an effective rate of 18.4% (2018: 18.7%). Basic earnings per share increased by 3.4% to 33.8 pence per share (2018: 32.7 pence per share).

### ***Adjusted items***

Following the Grenfell Tower tragedy, amendments to the Building Regulations and related guidance have been made. The Group carried out a review of all of its current and legacy buildings where it has used cladding. Approved Inspectors signed off all of our buildings, including the cladding used, as compliant with the relevant Building Regulations during construction and on completion. Following this review and in line with our commitment to put our customers first, we have incurred and accrued an additional £7.0m of costs for work involved at legacy properties associated with removing and replacing cladding. Whilst we were not liable for these works, the costs would otherwise have fallen to leaseholders, many of whom bought their properties from us. In addition to removing and replacing cladding at one bespoke development constructed in 2001, further works have been required for which we have also provided voluntary assistance, with total costs associated with this development of £10.8m.

Further to continuing and evolving Government advice on the cladding of multi-storey buildings, we continue to work with building owners and management companies on the assessment and review of buildings we have constructed.

We are signatories to the Building Safety Charter and active members of the Early Adopters Group, which is committed to supporting cultural change across the industry to ensure buildings are safe for those living and working in them, now and in the future.

### ***Capital structure and operating framework***

We will continue to maintain an appropriate capital structure and operating framework.

Our capital structure has shareholders' funds and land creditors funding the longer term requirements of the business with term loans and bank debt funding shorter term requirements for working capital. On 22 November 2019, we extended our £700m Revolving Credit Facility to 22 November 2024.

In order to maintain a resilient balance sheet, our operating framework is to have average net cash over the financial year and to be cash positive at year end. As at 31 December 2019, the Group had a net cash balance of £433.8m (31 December 2018: £387.7m), reflecting effective operating cash generation and phasing of land payments, partly offset by an increase in corporation tax paid due to new payment schedules required by changes to tax regulation. We now expect FY20 year-end net cash to be around £600m as a result of trading and lower levels of required investment in other working capital.

Whilst we continue to seek to defer payment for some land purchases to drive a higher ROCE, we have achieved our targeted reduction in land creditors to 25-30% of the owned land bank during the half year. As at 31 December 2019 land creditors were 27.4% (31 December 2018: 32.1%) of the owned land bank.

Our operating framework has remained consistent throughout the half year and is as follows:

	<b>Operating framework</b>	<b>Progress in the half year</b>
<b>Land bank</b>	c. 3.5 years owned and c. 1.0 year controlled	31 December 2019: 3.7 years owned and 0.9 years controlled (31 December 2018: 3.7 years owned and 1.0 year controlled)
<b>Land creditors</b>	Reduce usage to 25-30% of the land bank over medium term	Achieved target - reduced to 27.4% (31 December 2018: 32.1%)
<b>Net cash</b>	Average net cash over the financial year	Average net cash of £458.3m for the six months ending 31 December 2019
	Year-end net cash	31 December 2019: £433.8m (31 December 2018: £387.7m)
<b>Treasury</b>	Appropriate financing facilities	£700m Revolving Credit Facility extended to November 2024
<b>Capital Return Plan</b>	2.5 x dividend cover Ordinary dividend supplemented by special returns when market conditions allow	FY20 interim dividend of 9.8p (2018: 9.6p) per share and Capital Return Plan extended to November 2021

Net tangible assets were £3,941.5m (£3.87 per share) (2018: £3,659.5m) of which land, net of land creditors, and work in progress totalled £4,005.8m (£3.93 per share) (2018: £3,704.9m).

### The key dimensions underpinning delivery of our strategy

#### *Land and planning*

In addition to stable market conditions, our successful land investment strategy has driven increased completion volumes and improvements in profitability during the half year.

We have continued to see high quality land opportunities across the country that exceed our minimum hurdle rates. Our ability to dual brand and appeal to a broad mix of purchasers through our Barratt and David Wilson product ranges enables us to successfully deliver larger sites. We continue with our disciplined approach to land acquisition, and have approved £406.1m (2018: £338.2m) of operational land for purchase, which equates to 9,242 plots (2018: 9,576 plots) in line with our expectations. To support our volume growth aspirations we continue to expect to approve between 18,000-22,000 plots for the full year. We spent around £450m on land during the half year and continue to expect to invest c. £1.1bn on land in FY20.

We continue to target a regionally balanced land portfolio with a supply of owned land of c. 3.5 years and a further c. 1.0 year of controlled land. Our target for a shorter than sector average land bank reflects our focus on ROCE and our fast build and sell model. Reflecting the high quality land opportunities we have seen in recent years as well as our growth ambitions, at 31 December 2019 we are above this target with 4.6 years land supply comprising 3.7 years owned land and 0.9 years of controlled land, with the owned land bank including land with both outline and detailed planning consents.

Our land bank at 31 December comprised:

<b>Our land bank</b>	<b>31 December 2019</b>	<b>31 December 2018</b>
Owned and unconditional land bank (plots)	65,728	63,125
Conditionally contracted land bank (plots)	15,118	17,505
<b>Total owned and controlled land bank (plots)</b>	<b>80,846</b>	<b>80,630</b>
<b>Number of years' supply</b>	<b>4.6</b>	<b>4.7</b>
JVs owned and controlled land bank (plots)	5,656	5,426
Strategic land (acres)	12,988	12,192
Land bank carrying value	£3,036.3m	£2,994.4m

At 31 December 2019, the ASP of plots in our owned land bank was £277k (2018: £275k) which remains representative of our expected delivery in FY20.

During the half year we delivered 1,942 (2018: 1,894) completions from strategically sourced land, and we converted 2,421 plots (2018: 2,472 plots) of strategic land into our owned and controlled land bank. Around 35% of our strategic land is allocated or included in draft in local plans. We continue to target 30% of completions from strategic land in the medium term, which we believe is an appropriate level for our business.

Following our success with planning over the past 12 months we are well positioned, with 98% of our expected FY21 completions (2019: 97% of FY20 completions) having outline or detailed planning consent.

### ***Improving efficiency and reducing costs***

Improving the efficiency of our operations and controlling costs whilst maintaining our focus on quality and customer satisfaction remains a key focus for the Group, as it will enhance our margin and improve business resilience. Our new housetype ranges maintain our high standards of design whilst being faster to build, helping us to reduce build cost and waste and are more suitable for MMC. We delivered 4,491 completions (2018: 2,159 completions) from these ranges across the country in the half year. Of our outlets, 76% now have the new product ranges and we expect to deliver around 10,000 completions from these ranges in FY20. Over the next few years, we would expect that c. 90% of our outlets would be suitable for our new product ranges equating to c. 85% of our completions. Our new housing ranges cover all segments of our market providing us with the flexibility to replan sites to suit market conditions and meet consumer demands should the need arise.

We continue to make further refinements to our housing ranges in response to the changing costs of certain trades and materials, without affecting our quality or design standards. As part of our continuous review process, we have introduced hipped roof designs to some of our standard house types which reduce the amount of brickwork required and also optimised internal floor plans to achieve more usable living space from the same house footprint and increase profitability.

We have a robust and carefully managed supply chain with around 90% of the housebuild materials sourced by our centralised procurement function manufactured or assembled in the UK. We are also improving construction efficiency and reducing demand on labour through implementing the new housetype ranges, which are easier and quicker to build, and through the use of MMC such as timber frames, large format block and light gauge steel frames.

We have fixed price agreements in place for all of these materials to June 2020, half are fixed until December 2020 with over a third fixed until June 2021.

Whilst we continue to see some pressure on skilled labour supply with shortages remaining location and trade specific the rate of inflation is moderating, we now expect overall build cost inflation for FY20 to be around 3%.

### **Health and safety**

A fundamental priority is to provide a safe working environment for all our employees and sub-contractors. We are committed to achieving the highest industry health and safety standard and the well-being of our people is paramount to us. Increased activity levels across the industry in terms of site openings and production volumes combined with shortages of skilled staff has contributed to an increased risk of accidents on sites.

We have stringent standards and a continuous focus on health and safety throughout our business to seek to reduce the number of injuries occurring. We are focused on improving our processes and procedures and challenging unsafe behaviours. We also continue to focus on ensuring workers do not suffer long term issues associated with their work activities. We strive for improved standards and the prevention of injury and ill health. In line with the industry we are seeing pressures in this area and we continue to focus on driving improvements. In the 12 months to 31 December 2019, our reportable injury incidence rate was 330 (12 months to December 2018: 371) per 100,000 workers and our Health and Safety SHE audit compliance rate was 96% (12 months to 31 December 2018: 96%).

### **Charitable giving**

We are committed to creating a positive effect in the communities in which we operate and we aim to be industry leading in our approach to charitable giving and social responsibility. We believe it is important to support charitable causes locally and nationally and we actively promote charitable giving and volunteering amongst our employees.

We are committed to partnering with local organisations to support and improve communities and create a positive effect in the areas in which we work. Each of our divisions and offices support local charities and the Group matches the funds raised by our employees. We also encourage all of our employees to take paid time off work to volunteer in their local communities and ask them to consider using the Give As You Earn scheme. In January 2019, we launched the Barratt & David Wilson Community Fund through which each of our divisions and Group support functions give £1,000 a month to community groups and charities local to them or their sites. The fund is expected to donate around £1.0m to local charities and organisations over three years, with £318,000 donated to date.



We have recently launched a new £1.0m national charity partnership with The Outward Bound Trust, helping young people from disadvantaged backgrounds to make positive changes in their lives through learning and adventures in the outdoors. Our three year partnership will provide funding to enable 2,400 young people to attend their residential courses, to develop the key employability skills needed to prepare them for the world of work. We'll also be sending Barratt employees on the courses as mentors and hosting the annual Big Barratt Hike fundraiser event with the charity.

## **Sustainability**

We aim to be the leading national sustainable housebuilder, building a sustainable business that is resilient and ready for the future. We aim to connect social, environmental and economic value through the commitment to sustainability across our business, as we believe this leads to better long term decisions that should create long term value for our stakeholders.

As explained in our FY19 Annual Report & Accounts, based on our stakeholders' views we adopted a number of the UN Sustainable Development Goals, after researching their relevance to the UK, our sector, and how they link to what matters most to our stakeholders, and our priorities and principles. We will report on our progress on these this year in our FY20 Annual Report & Accounts.

In recognition of the transparency of our sustainability disclosures, in 2019 we were the first national housebuilder to receive a Crystal award from NextGeneration, the homebuilding sustainability benchmark. We also received a NextGeneration Gold award for our sustainability performance.

### ***Reducing carbon emissions***

We recognise the contribution we can make to the UK's reduction of carbon emissions and in May we signed a letter alongside 127 other businesses, investors and business networks calling for the Government to accept the Committee on Climate Change's proposed target and make Britain net zero carbon by 2050.

The 2050 net zero target has been set by Government and in January 2020 the Board approved our own new challenging science-based carbon reduction targets. In our own operations we will aim to reduce carbon emissions by 29% from FY18 to FY25, through measures like reducing diesel used by generators on site, amending our vehicle policies and implementing energy efficiency opportunities across our offices, sites, sales offices and show homes.

In addition, we are focused on the measureable steps that we can take to reduce both the embodied carbon in our supply chain and in-use carbon from our homes, including increasing the use of timber frame in home construction, which is a sustainable, low energy technology. We have set a target to reduce indirect carbon emissions by 11% from our supply chain and our homes by 2030. Partnerships with our suppliers is key to the delivery of our goals and we are engaging our suppliers and subcontractors.

We are working with Innovate UK on AIMCH, a research project to compare issues such as embodied carbon in homes and the generation of waste between offsite and traditional build methods. We are actively looking at how we can meet the Future Homes Standard and design homes which are not connected to the gas grid.

### ***Biodiversity and water***

We are aiming to create a net positive impact for ecology and biodiversity across all developments we are progressing through planning from 2020. We hold a strategic partnership with the RSPB and released wildlife friendly show home garden guidance in July 2019, mandating newly designed show home gardens to at least reach 'Bronze Level' standard against RSPB criteria.

We have also produced a document on our Approach to Water, available on our website, which explains the ways in which the business is impacted by water issues, water risks and actions we are taking.

### ***Waste***

We continue to focus on waste and resource efficiencies and continue to take practical steps in our operations to reduce waste. Over the course of 2019, we increased the number of pallets returned to our supply chain to over 296,000, a 15% improvement on the previous calendar year. We have also reduced the amount of packaging and protection used with kitchen units and reduced the requirement for polythene wrapping of structural joists in summer months.

In addition we continue to focus on gaining a better understanding of waste generation to help inform our strategic decisions. We have implemented a quarterly data reporting process, providing regional and divisional waste data analysis to our divisions to support better tracking of waste generation and costs. We have also started a review to compare the resource efficiency of timber frame and masonry built homes and issued a survey to our suppliers to better understand their approach to reducing packaging and single-use plastics. Furthermore, we have analysed samples of

skip contents to assess quality of our segregation and are using the findings to inform a renewed site based waste reduction and segregation awareness campaign in our second half.

## Capital Return Plan

We have a well-defined dividend policy with the Group paying an ordinary dividend cover of 2.5 times. We have previously announced that when market conditions allow, ordinary dividends will be supplemented with special returns. As previously announced the Board intends to pay a special return of £175m in November 2020. Demonstrating the Board's confidence in the business going forward, it now proposes to pay a further special return of £175m in November 2021.

The special returns proposed for November 2020 and November 2021, and any future special returns, may be made through share buybacks, special dividends or a combination of both. This recognises that at certain price points the Board believes that the Group is undervalued and share buybacks may be in the best interests of all shareholders. Our interim dividend is consistently calculated based on profit attributable to our shareholders for the 12 months to the half year date, 31 December 2019. Using our ordinary dividend cover policy of 2.5 times we will pay one third of this amount as an interim dividend. The Board is pleased to propose an interim dividend of 9.8 pence per share (2018: 9.6 pence per share). The interim dividend will be paid on Monday 11 May 2020 to all shareholders on the register on Friday 17 April 2020.

Capital Return Plan <sup>A</sup>	Dividend pence per share	Ordinary dividend £m	Special return pence per share	Special return £m	Total pence per share	Total £m
<b>Total paid<sup>B</sup></b>	<b>98.3</b>	<b>992.4</b>	<b>64.3</b>	<b>649.8</b>	<b>162.6</b>	<b>1,642.2</b>
Interim dividend FY20	9.8 <sup>C</sup>	99.4 <sup>D</sup>	-	-	9.8	99.4
Consensus estimate final dividend and special return in respect of FY20	19.3 <sup>C,E</sup>	195.8 <sup>D,E</sup>	17.2 <sup>C</sup>	175.0	36.5	370.8
<b>Total proposed and consensus dividend and return in respect of FY20</b>	<b>29.1</b>	<b>295.2</b>	<b>17.2</b>	<b>175.0</b>	<b>46.3</b>	<b>470.2</b>
Consensus estimate total dividend and special return in respect of FY21	30.3 <sup>C,E</sup>	307.5 <sup>D,E</sup>	17.2 <sup>C</sup>	175.0	47.5	482.5
<b>Total</b>	<b>157.7</b>	<b>1,595.1</b>	<b>98.7</b>	<b>999.8</b>	<b>256.4</b>	<b>2,594.9</b>

A. All future ordinary and special returns are subject to shareholder approval

B. Comprises total dividend payments for FY16 - FY19

C. Based upon 31 December 2019 share capital of 1,018,280,445

D. Based upon 31 December 2019 share capital of 1,014,746,539 shares for proposed payments

E. Based on Reuters consensus estimates of earnings per share of 72.8 pence for FY20 and 75.8 pence for FY21 as at 31 January 2020 and applying a 2.5 times dividend cover in line with the announced policy. 31 December share capital 1,018,280,445 less shares held by the EBT of 3,533,906 resulting in 1,014,746,539 shares for proposed payment calculation. This consensus estimate is provided for illustration purposes. No member of the Group nor any of their respective directors, officers or employees: (i) has commented on the consensus estimate, (ii) endorses the consensus estimate, or (iii) accepts any responsibility whatsoever for the accuracy of the consensus estimate and shall accordingly have no liability whatsoever in respect of the consensus estimate.

## Current trading and outlook

The Group has had a strong start to our financial year and the outlook for the full year is in line with the Board's expectations. We remain focused on delivering our medium term targets of volume growth in wholly owned completions of 3-5% over the medium term, land acquisition at a minimum 23% gross margin, and a minimum 25% ROCE.

The Group has achieved 294 net private reservations per average week (2019: 284), operating from an average of 355 outlets (2018: 385), resulting in net private reservations per active outlet per average week of 0.83 (2019: 0.74), in the second half to date.

Our total forward sales<sup>3</sup> as at 2 February 2020 were 13,043 homes (3 February 2019: 13,194 homes) at a value of £3,027.1m (3 February 2019: £3,021.0m).

	2 February 2020		3 February 2019		Variance %	
	£m	Homes	£m	Homes	£m	Homes
Private	1,593.7	4,984	1,473.8	4,874	8.1	2.3
Affordable	1,118.7	7,127	1,164.2	7,496	(3.9)	(4.9)
<b>Wholly owned</b>	<b>2,712.4</b>	<b>12,111</b>	<b>2,638.0</b>	<b>12,370</b>	<b>2.8</b>	<b>(2.1)</b>
JV	314.7	932	383.0	824	(17.8)	13.1
<b>Total</b>	<b>3,027.1</b>	<b>13,043</b>	<b>3,021.0</b>	<b>13,194</b>	<b>0.2</b>	<b>(1.1)</b>

Based on current market conditions, we are on track to deliver 3-5% growth in wholly owned completions in FY20, whilst ensuring we maintain our industry leading standards of quality and service. The housing market fundamentals remain attractive, with a long term undersupply of new homes, strong Government support to the sector and a positive lending environment.

The Group is in a strong position. We have a substantial net cash balance, a well-capitalised balance sheet, a healthy forward sales position, a continued focus on delivery of operational improvements across our business and an ongoing commitment to deliver high quality homes across the country. Whilst there is increased economic and political certainty following the December 2019 General Election, we recognise that the economic outlook in the medium term will depend on the transition and nature of the UK and EU's longer term relationship. The Board will continue to monitor the market and economy and believes that our strong financial position provides us with the resilience and flexibility to react to potential changes in the operating environment in FY20 and beyond.

**David Thomas**  
Chief Executive  
4 February 2020

## Principal risks and uncertainties

The Group's financial and operational performance and reputation is subject to a number of potential risks and uncertainties, which could, either separately or in combination, have a material impact on the Group's performance over the remaining six months of the financial year and could cause actual results and shareholder returns to differ materially from expected and historical results.

The transition and nature of the UK and EU's future relationship is currently uncertain and poses heightened risk on three of the Group's principal risks being i) the economic environment; ii) the ability to attract and retain high calibre employees; and iii) the availability of raw materials, sub-contractors and suppliers. The Board continues to monitor changes in these risks and to take appropriate action where necessary.

Climate change presents an ever increasing focus for both the Government and wider society. For our business, the risk from climate change presents itself in a number of principal areas. Transition risks and opportunities are those relating to actions the business takes as a result of policy, legal and technological changes to meet the challenge of operating in a lower carbon economy. These include the risks to construction from the use of new technology and materials aimed at reducing carbon emissions. These risk areas are embedded within the Group's risk management process in a number of areas, including, Construction, Availability of raw materials, sub-contractors and suppliers and Government planning and regulation. Physical risks and opportunities relate to the effects of changing climate on assets and supply chain disruption, which can impact on the comfortable heating of homes and the ability of developments to withstand extreme weather events such as heavy rainfall. Over the half year period we have continued to monitor these risks as part of our risk management framework. As a result, we now consider that climate change presents an emerging risk to our business.

Failure to address the risks from climate change or not follow climate related regulation could further increase the overarching risk to the Group's reputation. Inclusion within the Group's risk management process means climate change risk and its potential impact are carefully monitored and mitigated. As a business, we are focused on minimising the operational impact of our business and improving the energy efficiency of our sites and operations, mitigating climate change through the design and build of our homes and developments and by working with our suppliers to reduce carbon in our supply chain. More information can be found in our online Climate Change Policy and our annual submission to the CDP, available at [www.cdp.net](http://www.cdp.net).

Reputational risk could potentially arise from a number of sources including external and internal influences relating to the housebuilding sector which when combined or over a period of time could create a new principal risk. The Group actively manages the impact of reputational risk by carefully assessing the potential impact of all the principal risks and implementing mitigating actions to minimise those risks.

Save as set out above, the Directors do not consider the process of risk management and the principal risks and uncertainties to have changed since the publication of the Annual Report and Accounts for the year ended 30 June 2019.

Further details of the Group's principal risks and mitigation of the risks outlined below can be found on pages 57 to 64 of the Annual Report and Accounts for the year ended 30 June 2019, which is available at [www.barrattdevelopments.co.uk](http://www.barrattdevelopments.co.uk).

### *Economic environment, including housing demand and mortgage availability*

Changes in the UK and European macroeconomic environments, including but not limited to, the impact of the UK's exit from the EU and any change or removal of the Government's Help to Buy scheme, flat or negative economic growth, inflation, interest rates, buyer confidence, mortgage availability, competitor pricing, falls in house prices or land values.

### *Land availability*

The inability to secure sufficient consented land and strategic land options at appropriate cost and quality.

### *Availability of finance and working capital*

Unavailability of sufficient borrowing facilities and the inability to refinance facilities as they fall due, obtain surety bonds, or comply with borrowing covenants. Furthermore, there are risks from management of working capital such as conditional contracts, build costs, JVs and the cash flows related to them.

### *Attracting and retaining high calibre employees*

The ability to recruit and/or retain a sufficient number of employees with the appropriate skills.

### *Availability of raw materials, sub-contractors and suppliers*

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.

*Government regulation and planning policy*

Changing complex regulatory environment which affects planning and the time taken to obtain planning approval and technical requirements including Building Regulations.

*Construction*

Failure to identify and achieve key construction milestones (due to factors including the impact of adverse weather conditions), failure to identify cost overruns promptly, design and construction defects, and exposure to environmental and unadopted site infrastructure liabilities. There are also risks associated with climate change and the use of new technology and materials in the build process e.g. materials related to carbon reduction.

*Joint ventures and consortia*

Large development projects, some of which involve JV or consortia arrangements and/or commercial developments, are complex and capital intensive.

*Safety, health and environment*

Health and safety or environmental breaches can result in incidents affecting employees, sub-contractors and site visitors.

*IT*

Failure of any of the Group's IT systems in particular those relating to customer information, surveying and valuation. The Group could suffer significant financial and reputational damage due to the loss, theft or corruption of data either inadvertently or via a targeted cyber attack.

**Condensed Consolidated Income Statement**  
for the half year ended 31 December 2019 (unaudited)

		Half year ended 31 December 2019	Half year ended 31 December 2018*	Year ended 30 June 2019* (audited)
	Notes	£m	£m	£m
<b>Continuing operations</b>				
Revenue	2.1	2,266.2	2,132.0	4,763.1
Cost of sales		(1,762.5)	(1,649.8)	(3,678.9)
<b>Gross profit</b>		<b>503.7</b>	482.2	1,084.2
Analysed as:				
Adjusted gross profit		521.5	478.5	1,087.4
(Cost)/credit associated with legacy properties	2.2	(17.8)	3.7	(3.2)
Administrative expenses	2.2	(82.0)	(72.5)	(183.1)
<b>Profit from operations</b>		<b>421.7</b>	409.7	901.1
Analysed as:				
Adjusted operating profit		439.5	406.0	904.3
(Cost)/credit associated with legacy properties	2.2	(17.8)	3.7	(3.2)
Finance income	5.2	3.2	3.7	7.1
Finance costs	5.2	(17.3)	(18.8)	(35.9)
Net finance costs	5.2	(14.1)	(15.1)	(28.8)
Share of post-tax profit from joint ventures		15.4	13.4	39.2
Analysed as:				
Adjusted share of post-tax profit from joint ventures		15.4	13.4	46.2
(Cost)/credit associated with legacy properties	2.2	-	-	(7.0)
Loss on disposal of joint ventures		-	-	(1.7)
<b>Profit before tax</b>		<b>423.0</b>	408.0	909.8
Analysed as:				
Adjusted profit before tax		440.8	404.3	920.0
(Cost)/credit associated with legacy properties	2.2	(17.8)	3.7	(10.2)
Tax	2.5	(77.7)	(76.1)	(170.4)
<b>Profit for the period</b>		<b>345.3</b>	331.9	739.4
<b>Profit for the period attributable to the owners of the Company</b>		<b>342.7</b>	330.7	740.0
<b>Profit/(loss) for the period attributable to non-controlling interests</b>		<b>2.6</b>	1.2	(0.6)
<b>Earnings per share from continuing operations</b>				
Basic	2.3	33.8p	32.7p	73.2p
Diluted	2.3	33.3p	32.3p	72.3p

\* The Group has initially applied IFRS 16 using the modified retrospective approach and therefore comparatives have not been restated. Further information on the initial application of this standard can be found in notes 1.4 and 1.5.

The notes in sections 1 to 6 form an integral part of these Condensed Consolidated Half Yearly Financial Statements.

**Condensed Consolidated Statement of Comprehensive Income**  
for the half year ended 31 December 2019 (unaudited)

	<b>Half year ended 31 December 2019</b>	Half year ended 31 December 2018*	Year ended 30 June 2019* (audited)
	£m	£m	£m
<b>Profit for the period</b>	<b>345.3</b>	331.9	739.4
<b>Other comprehensive (expense)/income:</b>			
<b>Items that will not be reclassified to profit or loss</b>			
Actuarial loss on defined benefit pension scheme	<b>(2.0)</b>	(12.0)	(15.4)
Tax credit relating to items not reclassified	<b>0.2</b>	2.3	2.9
<b>Total items that will not be reclassified to profit or loss</b>	<b>(1.8)</b>	(9.7)	(12.5)
<b>Total comprehensive income recognised for the period</b>	<b>343.5</b>	322.2	726.9
<b>Total comprehensive income recognised for the period attributable to the owners of the Company</b>	<b>340.9</b>	321.0	727.5
<b>Total comprehensive income/(expense) recognised for the period attributable to non-controlling interests</b>	<b>2.6</b>	1.2	(0.6)

\* The Group has initially applied IFRS 16 using the modified retrospective approach and therefore comparatives have not been restated. Further information on the initial application of this standard can be found in notes 1.4 and 1.5.

The notes in sections 1 to 6 form an integral part of these Condensed Consolidated Half Yearly Financial Statements.

## Condensed Consolidated Statement of Changes in Shareholders' Equity (unaudited)

	Share capital (note 5.4) £m	Share premium £m	Merger reserve £m	Own shares £m	Share-based payments £m	Retained earnings £m	Total retained earnings £m	Non-controlling interests £m	Total equity £m
<b>At 1 July 2018 as adjusted for changes in accounting policies</b>	101.3	232.6	1,109.0	(1.2)	18.0	3,126.0	3,142.8	7.5	4,593.2
Profit for the period	-	-	-	-	-	330.7	330.7	1.2	331.9
Actuarial loss on pension scheme	-	-	-	-	-	(12.0)	(12.0)	-	(12.0)
Tax on items above taken directly to equity	-	-	-	-	-	2.3	2.3	-	2.3
<b>Total comprehensive income/(expense) recognised for the period ended 31 December 2018</b>	-	-	-	-	-	321.0	321.0	1.2	322.2
Dividend payments	-	-	-	-	-	(355.2)	(355.2)	-	(355.2)
Issue of shares	0.1	6.6	-	-	-	-	-	-	6.7
Share-based payments	-	-	-	-	6.3	-	6.3	-	6.3
Purchase of own shares	-	-	-	(21.4)	-	-	(21.4)	-	(21.4)
Transfers in respect of share options	-	-	-	7.6	(11.2)	3.5	(0.1)	-	(0.1)
Tax on share-based payments	-	-	-	-	(0.1)	0.1	-	-	-
<b>At 31 December 2018</b>	101.4	239.2	1,109.0	(15.0)	13.0	3,095.4	3,093.4	8.7	4,551.7
Profit/(loss) for the period	-	-	-	-	-	409.3	409.3	(1.8)	407.5
Actuarial loss on pension scheme	-	-	-	-	-	(3.4)	(3.4)	-	(3.4)
Tax on items above taken directly to equity	-	-	-	-	-	0.6	0.6	-	0.6
<b>Total comprehensive income/(expense) recognised for the period ended 30 June 2019</b>	-	-	-	-	-	406.5	406.5	(1.8)	404.7
Dividend payments	-	-	-	-	-	(97.1)	(97.1)	-	(97.1)
Issue of shares	0.3	0.1	-	-	-	-	-	-	0.4
Share-based payments	-	-	-	-	7.8	-	7.8	-	7.8
Purchase of own shares	-	-	-	(0.3)	-	-	(0.3)	-	(0.3)
Transfers in respect of share options	-	-	-	0.2	(1.2)	1.2	0.2	-	0.2
Tax on share-based payments	-	-	-	-	1.3	0.3	1.6	-	1.6
<b>At 30 June 2019</b>	101.7	239.3	1,109.0	(15.1)	20.9	3,406.3	3,412.1	6.9	4,869.0
Profit for the period	-	-	-	-	-	342.7	342.7	2.6	345.3
Actuarial loss on pension scheme	-	-	-	-	-	(2.0)	(2.0)	-	(2.0)
Tax on items above taken directly to equity	-	-	-	-	-	0.2	0.2	-	0.2
<b>Total comprehensive income recognised for the period ended 31 December 2019</b>	-	-	-	-	-	340.9	340.9	2.6	343.5
Dividend payments	-	-	-	-	-	(373.2)	(373.2)	-	(373.2)
Distribution made to non-controlling parties	-	-	-	-	-	-	-	(7.3)	(7.3)
Issue of shares	0.1	5.8	-	-	-	-	-	-	5.9
Share-based payments	-	-	-	-	9.6	-	9.6	-	9.6
Transfers in respect of share options including dividend equivalents	-	-	-	0.9	(9.8)	8.3	(0.6)	-	(0.6)
Tax on share-based payments	-	-	-	-	0.6	1.6	2.2	-	2.2
<b>At 31 December 2019</b>	101.8	245.1	1,109.0	(14.2)	21.3	3,383.9	3,391.0	2.2	4,849.1

The notes in sections 1 to 6 form an integral part of these Condensed Consolidated Half Yearly Financial Statements.



## Condensed Consolidated Balance Sheet at 31 December 2019 (unaudited)

	Notes	31 December 2019 £m	31 December 2018* £m	30 June 2019* (audited) £m
<b>Assets</b>				
<b>Non-current assets</b>				
Other intangible assets		101.7	100.0	102.3
Goodwill		805.9	792.2	805.9
Property, plant and equipment		18.6	13.7	17.4
Right-of-use assets	1.5	50.9	-	-
Investments in joint ventures and associates		159.7	246.4	189.0
Retirement benefit assets		68.6	53.1	62.6
Secured loans		1.3	3.0	1.4
Trade and other receivables		1.4	2.1	1.5
		<b>1,208.1</b>	<b>1,210.5</b>	<b>1,180.1</b>
<b>Current assets</b>				
Inventories	3.1	4,938.6	4,761.4	4,824.3
Secured loans		1.0	0.2	1.2
Trade and other receivables		195.2	156.4	223.6
Cash and cash equivalents	5.1	626.7	579.1	958.3
Current tax assets		0.4	-	-
		<b>5,761.9</b>	<b>5,497.1</b>	<b>6,007.4</b>
<b>Total assets</b>		<b>6,970.0</b>	<b>6,707.6</b>	<b>7,187.5</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Loans and borrowings	5.1	(200.0)	(200.0)	(200.0)
Trade and other payables	3.2	(365.2)	(485.5)	(413.5)
Lease liabilities	1.5	(40.2)	-	-
Deferred tax liabilities	2.5	(16.2)	(21.5)	(17.6)
		<b>(621.6)</b>	<b>(707.0)</b>	<b>(631.1)</b>
<b>Current liabilities</b>				
Trade and other payables	3.2	(1,474.8)	(1,364.6)	(1,587.9)
Lease liabilities	1.5	(11.2)	-	-
Current tax liabilities		-	(84.3)	(99.5)
Provisions	6.1	(13.3)	-	-
		<b>(1,499.3)</b>	<b>(1,448.9)</b>	<b>(1,687.4)</b>
<b>Total liabilities</b>		<b>(2,120.9)</b>	<b>(2,155.9)</b>	<b>(2,318.5)</b>
<b>Net assets</b>		<b>4,849.1</b>	<b>4,551.7</b>	<b>4,869.0</b>
<b>Equity</b>				
Share capital	5.4	101.8	101.4	101.7
Share premium		245.1	239.2	239.3
Merger reserve		1,109.0	1,109.0	1,109.0
Retained earnings		3,391.0	3,093.4	3,412.1
<b>Equity attributable to the owners of the Company</b>		<b>4,846.9</b>	<b>4,543.0</b>	<b>4,862.1</b>
<b>Non-controlling interests</b>		<b>2.2</b>	<b>8.7</b>	<b>6.9</b>
<b>Total equity</b>		<b>4,849.1</b>	<b>4,551.7</b>	<b>4,869.0</b>

\* The Group has initially applied IFRS 16 using the modified retrospective approach and therefore comparatives have not been restated. Further information on the initial application of this standard can be found in notes 1.4 and 1.5.

The notes in sections 1 to 6 form an integral part of these Condensed Consolidated Half Yearly Financial Statements.

**Condensed Consolidated Cash Flow Statement**  
for the half year ended 31 December 2019 (unaudited)

	Notes	Half year ended 31 December 2019 £m	Half year ended 31 December 2018* £m	Year ended 30 June 2019* (audited) £m
<b>Net cash inflow/(outflow) from operating activities</b>		<b>7.0</b>	(33.3)	361.3
<b>Investing activities:</b>				
Purchase of property, plant and equipment		(4.0)	(4.0)	(7.2)
Consideration, net of cash acquired, paid on acquisition of subsidiaries		-	-	(15.8)
Proceeds, net of cash disposed of, from the disposal of subsidiaries		-	-	4.6
Increase in investments accounted for using the equity method		(10.3)	(15.3)	(51.0)
Repayment of amounts invested in entities accounted for using the equity method		50.9	7.6	66.9
Dividends received from investments accounted for using the equity method		4.0	8.8	60.3
Proceeds from the disposal of investments accounted for using the equity method		-	-	18.6
Interest received		2.4	2.8	5.1
<b>Net cash inflow/(outflow) from investing activities</b>		<b>43.0</b>	(0.1)	81.5
<b>Financing activities:</b>				
Dividends paid to equity holders of the Company	2.4	(373.2)	(355.2)	(452.3)
Distribution made to non-controlling partner		(7.3)	-	-
Purchase of own shares		-	(21.4)	(21.7)
Proceeds from disposal of own shares		0.1	-	-
Proceeds from issue of share capital		5.9	6.7	7.1
Payment of dividend equivalents		(0.7)	-	-
Payment of lease liabilities*		(6.4)	-	-
Loan repayments		-	-	-
<b>Net cash outflow from financing activities</b>		<b>(381.6)</b>	(369.9)	(466.9)
<b>Net decrease in cash and cash equivalents</b>		<b>(331.6)</b>	(403.3)	(24.1)
<b>Cash and cash equivalents at the beginning of the period</b>		<b>958.3</b>	982.4	982.4
<b>Cash and cash equivalents at the end of the period</b>	5.1	<b>626.7</b>	579.1	958.3

\* The Group has initially applied IFRS 16 using the modified retrospective approach and therefore comparatives have not been restated. Further information on the initial application of this standard can be found in notes 1.4 and 1.5.

The notes in sections 1 to 6 form an integral part of these Condensed Consolidated Half Yearly Financial Statements.

**Reconciliation of profit from operations to net cash (outflow)/inflow from operating activities**  
for the half year ended 31 December 2019 (unaudited)

	Notes	Half year ended 31 December 2019 £m	Half year ended 31 December 2018* £m	Year ended 30 June 2019* (audited) £m
<b>Profit from operations</b>		<b>421.7</b>	409.7	901.1
Depreciation of property plant and equipment		2.8	1.9	4.3
Depreciation of right-of-use assets*		6.3	-	-
Amortisation of intangible assets		0.6	-	-
Profit on disposal of subsidiary undertaking		-	-	(0.6)
Impairment/(reversal of impairment) of inventories		1.8	(6.9)	(14.8)
Movements in provisions		17.8	-	-
Profit on redemption of secured loans		(0.2)	(0.6)	(1.2)
Share-based payments charge		9.6	6.3	14.1
Imputed interest on deferred term payables**	5.2	(9.5)	(11.3)	(21.5)
Imputed interest on lease arrangements*	5.2	(1.0)	-	-
Amortisation of facility fees	5.2	(1.3)	(1.5)	(2.8)
Finance income related to employee benefits	5.2	0.8	0.9	2.0
<b>Total non-cash items</b>		<b>27.7</b>	(11.2)	(20.5)
Increase in inventories		(116.1)	(237.8)	(291.9)
Decrease/(increase) in receivables		21.0	73.2	(2.3)
Decrease in payables		(165.9)	(182.1)	(53.3)
<b>Total movements in working capital</b>		<b>(261.0)</b>	(346.7)	(347.5)
Interest paid		(4.8)	(6.0)	(11.6)
Tax paid		(176.6)	(79.1)	(160.2)
<b>Net cash inflow/(outflow) from operating activities</b>		<b>7.0</b>	(33.3)	361.3

\* The Group has initially applied IFRS 16 using the modified retrospective approach and therefore comparatives have not been restated. Further information on the initial application of this standard can be found in notes 1.4 and 1.5.

\*\* The balance sheet movements in land and leased assets include non-cash movements due to imputed interest. Imputed interest is therefore included within non-cash items in the statement above.

The notes in sections 1 to 6 form an integral part of these Condensed Consolidated Half Yearly Financial Statements.

# Notes to the Condensed Consolidated Half Yearly Financial Statements

for the half year ended 31 December 2019 (unaudited)

## Section 1 – Basis of preparation

### 1.1 Cautionary statement

The Chief Executive's statement contained in this Half Yearly Financial Report, including the principal risks and uncertainties, has 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 Half Yearly Financial Report 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 taken as a whole.

### 1.2 Basis of preparation

The condensed financial information for the year ended 30 June 2019 is an extract from the published Annual Report and Accounts for that year and does not constitute statutory accounts as defined in s434 of the Companies Act 2006. A copy of the statutory accounts for the year ended 30 June 2019, prepared under International Financial Reporting Standards ('IFRS') as adopted by the EU, on which the auditors gave an unmodified opinion which did not draw attention to any matters by way of emphasis and did not contain a statement made under either s498 (2) or (3) of the Companies Act 2006, has been filed with the Registrar of Companies.

### 1.3 Going concern

In determining the appropriate basis of preparation of the Condensed Consolidated Half Yearly 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 that are likely to affect its future development, financial performance and financial position are set out in the Chief Executive's statement. The material financial and operational risks and uncertainties that impact upon the Group's performance are outlined in the principal risks section of this Half Yearly Financial Report and their relevance to the Group's strategy and mitigation of those risks together with the financial risks including liquidity risk, market risk, credit risk and capital risk are outlined respectively on pages 57 to 65 and on pages 175 to 178 of the Group's Annual Report and Accounts for the year ended 30 June 2019 which is available at [www.barrattdevelopments.co.uk](http://www.barrattdevelopments.co.uk).

The financial performance of the Group is dependent upon the wider economic environment in which the Group operates. As explained in the principal risks section, factors that particularly affect the performance of the Group include changes in the UK and European macroeconomic environments, including but not limited to, the impact of the UK's exit from the EU and any change or removal of the Government's Help to Buy scheme, flat or negative economic growth, inflation, interest rates, buyer confidence, mortgage availability, competitor pricing and falls in house prices or land values. In forming their conclusion, the Directors have considered all currently available information about the potential future outcomes of events and changes in conditions that are reasonably possible at the time of making this statement. In doing this they have concluded that no material uncertainties exist.

The Group has total committed facilities and private placement notes of £900.0m. The £700.0m revolving credit facility matures in November 2024 and the £200.0m sterling US private placement notes mature in August 2027. The committed facilities and private placement notes provide sufficient headroom above our current forecast debt requirements.

Accordingly, after making enquiries and having considered forecasts and appropriate sensitivities, the Directors have formed a judgement, at the time of approving the Condensed Consolidated Half Yearly 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 twelve months from the date of these Condensed

Consolidated Half Yearly Financial Statements. For this reason, they continue to adopt the going concern basis in preparing the Condensed Consolidated Half Yearly Financial Statements.

## 1.4 Accounting policies

The unaudited Condensed Consolidated Half Yearly Financial Statements have been prepared using accounting policies consistent with IFRS as adopted by the EU and in accordance with IAS 34 'Interim Financial Reporting' as adopted by the EU.

The unaudited Condensed Consolidated Half Yearly Financial Statements have been prepared using accounting policies and methods of computation consistent with those applied in the preparation of the Group's Annual Report and Accounts for the year ended 30 June 2019, except in respect of IFRS 8 'Operating Segments', and as amended by the adoption of new standards, including IFRS 16 'Leases'.

- **IFRS 8 'Operating Segments'** requires disclosure of a segment's information if its revenue, profit or assets constitute 10% of the Group's total. Following its acquisition in 2007, the Commercial operating segment had net assets of £195.1m and operated under significantly different risks to the housebuilding business. In recent years, the segment has been consistently immaterial in the context of the Group's net assets and does not give useful information to investors concerning the value and risks of the Group, and therefore it is no longer disclosed.

New standards, amendments and interpretations that have been published and are therefore mandatory for the Group's accounting periods beginning on or after 1 July 2019 and later periods are disclosed on page 143 of the Annual Report and Accounts for the year ended 30 June 2019. During the period the Group has adopted the following new and revised standards and interpretations:

- **IFRS 16 'Leases'** became effective for accounting periods beginning on or after 1 January 2019 and was applicable to the Group for the period beginning on 1 July 2019, replacing IAS 17 'Leases' and IFRIC 4 'Determining whether an arrangement contains a lease'.

The Group has applied IFRS 16 using the modified retrospective approach, under which any cumulative effect of initial application is recognised in retained earnings at 1 July 2019. Comparative information has not, therefore, been restated and is reported under previous accounting policies.

IFRS 16 specifies how leases are recognised, measured and disclosed.

The Group has elected to apply the practical expedient in respect of the assessment of transactions as leases. Contracts not previously assessed as leases under IAS 17 were not reassessed.

### *The Group as a lessee*

Prior to the application of IFRS 16 the Group's property and equipment leases were classified as operating leases. Under IFRS 16 right-of-use assets and lease liabilities are recognised in the Balance Sheet. At transition, lease liabilities were measured at the present value of remaining lease payments, discounted at incremental borrowing rates which ranged between 1% and 6% at 1 July 2019. Incremental borrowing rates have been calculated based upon risk free UK government bond rates adjusted for the average term of each lease portfolio and Group specific spread adjustments. Lease liabilities are remeasured when the Group changes its assessment of whether it will exercise a termination or extension option. Right-of-use assets are initially measured at cost comprising the initial measure of the lease liability plus any direct costs less any lease incentives. Subsequently, right of use assets are measured at cost less accumulated depreciation and any accumulated impairment losses.

The following practical expedients were used when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- a single discount rate is applied to portfolios of leases with similar properties
- the exemption not to recognise right-of-use assets and liabilities for leases with a lease term of less than 12 months is applied
- initial direct costs were excluded from measurement of the right-of-use asset at the date of initial application
- hindsight was used in determining the lease term

### *The Group as lessor*

The Group is not required to make any adjustments on transition to IFRS 16.

### *Impact on the Financial Statements:*

On transition to IFRS 16 the Group recognised £55.4m of right-of-use assets, £55.0m of lease liabilities and £0.4m of accruals.

The table below presents a reconciliation from operating lease commitments disclosed at 30 June 2019 to lease liabilities recognised at 1 July 2019.

	£m
<b>Operating lease commitments disclosed under IAS 17 at 30 June 2019 (audited)</b>	58.3
Effect of discounting	(10.4)
Other adjustments including adjustments for short term leases and hindsight adjustments	7.1
<b>Lease liabilities recognised at 1 July 2019</b>	55.0

A summary of the impact of the adoption of IFRS 16 on the Condensed Consolidated Half Yearly Financial Statements is included in note 1.5.

There has been no impact on the Condensed Consolidated Half Yearly Financial Statements in respect of:

- **IFRIC 23 ‘Uncertainty over Income Tax Treatments’;**
- **Amendments to IFRS 9 ‘Prepayment Features with Negative Compensation’;**
- **Amendments to IAS 28 ‘Long-term Interests in Associates and Joint Ventures’;**
- **Annual Improvements to IFRS Standards 2015-2017 Cycle; and**
- **Amendments to IAS 19 ‘Plan Amendment, Curtailment or Settlement’.**

## 1.5 Impact of changes in accounting policies

The Group has elected to adopt IFRS 16 using the modified retrospective approach, under which any cumulative effect of initial application is recognised in retained earnings at 1 July 2019. Comparative information has not been restated. The tables below summarise the impact of the change in accounting policy on the Condensed Consolidated Income Statement, Condensed Consolidated Balance Sheet and Condensed Consolidated Cash Flow Statement of the Group.

Impact on Condensed Consolidated Income Statement	Half year ended 31 December 2019 as reported £m	Adjustments in respect of the adoption of IFRS 16 £m	Results before adjustments for the adoption of IFRS 16 £m
Revenue	2,266.2	-	2,266.2
Cost of sales	(1,762.5)	0.3	(1,762.8)
<b>Gross profit</b>	<b>503.7</b>	0.3	503.4
Administrative expenses	(82.0)	0.3	(82.3)
<b>Profit from operations</b>	<b>421.7</b>	0.6	421.1
Finance income	3.2	-	3.2
Finance costs (including lease finance charge)	(17.3)	(1.0)	(16.3)
Net finance costs	(14.1)	(1.0)	(13.1)
Share of post-tax profit from joint ventures	15.4	-	15.4
<b>Profit before tax</b>	<b>423.0</b>	(0.4)	423.4
Tax	(77.7)	0.1	(77.8)
<b>Profit for the period</b>	<b>345.3</b>	(0.3)	345.6
<b>Earnings per share from continuing operations</b>			
Basic	33.8p	(0.1)p	33.9p
Diluted	33.3p	-	33.3p

<b>Impact on Condensed Consolidated Balance Sheet</b>	<b>At 31 December 2019 as reported</b>	Adjustments in respect of the adoption of IFRS 16	At 31 December 2019 before adjustments for the adoption of IFRS16
	£m	£m	£m
<b>Assets</b>			
<b>Non-current assets</b>			
Right-of-use assets	50.9	50.9	-
Other non-current assets per balance sheet	1,157.2	-	1,157.2
	<b>1,208.1</b>	50.9	1,157.2
<b>Current assets</b>	<b>5,761.9</b>	0.1	5,761.8
<b>Total assets</b>	<b>6,970.0</b>	51.0	6,919.0
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Lease liabilities	(40.2)	(40.2)	-
Other non-current liabilities	(581.4)	-	(581.4)
	<b>(621.6)</b>	(40.2)	(581.4)
<b>Current liabilities</b>			
Lease liabilities	(11.2)	(11.2)	-
Other current liabilities	(1,488.1)	0.1	(1,488.2)
	<b>(1,499.3)</b>	(11.1)	(1,488.2)
<b>Total liabilities</b>	<b>(2,120.9)</b>	(51.3)	(2,069.6)
<b>Net assets</b>	<b>4,849.1</b>	(0.3)	4,849.4
<b>Equity</b>			
Retained earnings	3,391.0	(0.3)	3,391.3
Other reserves and capital	1,455.9	-	1,455.9
Non-controlling interests	2.2	-	2.2
<b>Total equity</b>	<b>4,849.1</b>	(0.3)	4,849.4

<b>Impact on Condensed Consolidated Cash Flow Statement</b>	<b>Half year ended 31 December 2019 as reported</b> £m	Adjustments in respect of the adoption of IFRS 16 £m	Half year ended 31 December 2019 before adjustments for the adoption of IFRS 16 £m
<b>Profit from operations</b>	<b>421.7</b>	0.6	421.1
Depreciation of right-of-use assets	6.3	6.3	-
Imputed interest on lease arrangements	(1.0)	(1.0)	-
Other non-cash items	22.4	-	22.4
<b>Total non-cash items</b>	<b>27.7</b>	5.3	22.4
<b>Total movements in working capital</b>	<b>(261.0)</b>	0.5	(261.5)
Interest paid	(4.8)	-	(4.8)
Tax paid	(176.6)	-	(176.6)
<b>Net cash inflow from operating activities</b>	<b>7.0</b>	6.4	0.6
<b>Net cash inflow from investing activities</b>	<b>43.0</b>	-	43.0
Payment of lease liabilities	(6.4)	(6.4)	-
Other financing activities	(375.2)	-	(375.2)
<b>Net cash outflow from financing activities</b>	<b>(381.6)</b>	(6.4)	(375.2)
<b>Net decrease in cash and cash equivalents</b>	<b>(331.6)</b>	-	(331.6)
<b>Cash and cash equivalents at the beginning of the period</b>	<b>958.3</b>	-	958.3
<b>Cash and cash equivalents at the end of the period</b>	<b>626.7</b>	-	626.7

## Section 2 – Results for the year and utilisation of profits

### 2.1 Revenue

The Group's revenue derives principally from the proceeds of building and development of residential homes and commercial property. These activities are carried out alongside each other and considered together for management reporting and control purposes.

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

	<b>Half year ended 31 December 2019</b> £m	Half year ended 31 December 2018 £m	Year ended 30 June 2019 (audited) £m
Private residential sales	<b>1,966.2</b>	1,928.8	4,222.6
Affordable residential sales	<b>271.9</b>	160.1	473.1
Commercial and other revenue	<b>28.1</b>	43.1	67.4
	<b>2,266.2</b>	2,132.0	4,763.1

Included within Group revenue is £100.8m (31 December 2018: £20.2m; 30 June 2019: £76.8m) of revenue from construction contracts on which revenue is recognised over time by reference to the stage of completion of the contracts.



## 2.2 Profit before tax

### Adjusted items

During the period, charges of £17.8m were recognised in respect of costs associated with legacy properties (31 December 2018: £3.7m released following the disposal of a legacy property; 30 June 2019: £6.9m charged in respect of costs associated with legacy properties and £3.7m released following the disposal of a legacy property). Further details are provided in note 6.1.

No charge (31 December 2018: £nil; 30 June 2019: £7.0m) was recognised in adjusted items in the period in respect of costs associated with legacy JV properties.

These amounts have been separately disclosed as adjusted in the Condensed Consolidated Income Statement.

### Administrative expenses

Administrative expenses include sundry income which principally comprises management fees receivable from joint ventures (note 6.3.1), the sale of freehold reversions, ground rent receivable and the net proceeds on the sale of part-exchange properties.

In the current period operating expenses include depreciation of right-of-use assets, prior periods have not been restated as detailed in notes 1.4 and 1.5.

	<b>Half year ended 31 December 2019</b>	Half year ended 31 December 2018*	Year ended 30 June 2019* (audited)
	£m	£m	£m
<b>Operating expenses</b>	<b>98.2</b>	88.8	212.6
Part-exchange income	<b>(200.9)</b>	(140.5)	(341.1)
Part-exchange costs	<b>199.0</b>	139.0	337.9
Other sundry income	<b>(14.3)</b>	(14.8)	(26.3)
<b>Sundry income</b>	<b>(16.2)</b>	(16.3)	(29.5)
<b>Administrative expenses</b>	<b>82.0</b>	72.5	183.1

\* The Group has initially applied IFRS 16 using the modified retrospective approach and therefore comparatives have not been restated. Further information on the initial application of this standard can be found in notes 1.4 and 1.5.

## 2.3 Earnings per share

The earnings per share from continuing operations were as follows:

	<b>Half year ended 31 December 2019</b>	Half year ended 31 December 2018*	Year ended 30 June 2019* (audited)
	pence	pence	pence
Basic earnings per share	<b>33.8</b>	32.7	73.2
Diluted earnings per share	<b>33.3</b>	32.3	72.3

Basic earnings per share is calculated by dividing the profit for the half year attributable to ordinary shareholders of the Parent Company by the weighted average number of ordinary shares in issue during the half year, excluding those held by the EBT which were treated as cancelled.

Diluted earnings per share is calculated by dividing the profit for the half year attributable to ordinary shareholders of the Parent Company 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.

	<b>Half year ended 31 December 2019</b>	Half year ended 31 December 2018	Year ended 30 June 2019 (audited)
	pence	pence	pence
Profit attributable to ordinary shareholders of the Parent Company (£m) *	<b>342.7</b>	330.7	740.0

Weighted average number of shares in issue (million)	<b>1,018.1</b>	1,014.0	1,014.2
Weighted average number of shares in EBT (million)	<b>(4.9)</b>	(4.0)	(3.8)
Weighted average number of shares for basic earnings per share (million)	<b>1,013.2</b>	1,010.0	1,010.4
Weighted average number of shares in issue (million)	<b>1,018.1</b>	1,014.0	1,014.2
Adjustment to assume conversion of all potentially dilutive shares (million)	<b>12.2</b>	8.5	10.0
Weighted average number of shares for diluted earnings per share (million)	<b>1,030.3</b>	1,022.5	1,024.2

\* The Group has initially applied IFRS 16 using the modified retrospective approach and therefore comparatives have not been restated. Further information on the initial application of this standard can be found in notes 1.4 and 1.5.

## 2.4 Dividends

	<b>Half year ended 31 December 2019</b>	Half year ended 31 December 2018	Year ended 30 June 2019 (audited)
	<b>£m</b>	£m	£m
<b>Amounts recognised as distributions to equity shareholders:</b>			
Final dividend for the year ended 30 June 2019 of 19.5p per share	<b>197.8</b>	-	-
Special dividend for the year ended 30 June 2019 of 17.3p per share	<b>175.4</b>	-	-
Interim dividend for the year ended 30 June 2019 of 9.6p per share	-	-	97.1
Final dividend for the year ended 30 June 2018 of 17.9p per share	-	180.6	180.6
Special dividend for the year ended 30 June 2018 of 17.3p per share	-	174.6	174.6
<b>Total dividends distributed to equity shareholders in the period</b>	<b>373.2</b>	355.2	452.3
Proposed interim dividend for the year ending 30 June 2020 of 9.8p per share	<b>99.4</b>	-	-

The interim dividend of 9.8 pence per share was approved by the Board on 4 February 2020 and has not been included as a liability as at 31 December 2019.

## 2.5 Tax

The corporation tax charge comprises of the best estimate of the expected annual effective corporation tax rate applied to the half year profit before tax plus the impact of rate changes and prior year adjustments.

The effective rates are as follows:

	<b>Half year ended 31 December 2019</b>	Half year ended 31 December 2018	Year ended 30 June 2019 (audited)
Effective rate of corporation tax for the period	<b>18.4%</b>	18.7%	18.7%
Effective rate of corporation tax for the period excluding the impact of rate changes and prior year adjustments	<b>18.3%</b>	18.7%	18.8%

As at 31 December 2019 the Group recognised a net deferred tax liability of £16.2m (31 December 2018: £21.5m; 30 June 2019: £17.6m).

## Section 3 – Working capital

### 3.1 Inventories

	<b>31 December 2019</b>	31 December 2018	30 June 2019 (audited)
	<b>£m</b>	£m	£m
Land held for development	<b>3,036.3</b>	2,994.4	3,071.6
Construction work in progress	<b>1,800.3</b>	1,672.3	1,632.8
Part-exchange properties and other inventories	<b>102.0</b>	94.7	119.9
	<b>4,938.6</b>	4,761.4	4,824.3

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 the timing of achievement of planning permissions.

During the half year, the Group conducted a review of the net realisable value of specific sites identified as at high risk of having forecast costs in excess of income. Due to performance variations and changes to viability on individual sites, there were gross impairment charges of £4.6m and gross impairment reversals of £2.8m resulting in a net impairment of £1.8m (31 December 2018: £6.9m reversal; 30 June 2019: £14.8m reversal) included within profit from operations.

The value of inventories expensed in the half year ended 31 December 2019 and included in cost of sales was £1,619.0m (31 December 2018: £1,564.7m; 30 June 2019: £3,502.7m).

### 3.2 Trade and other payables

	<b>31 December 2019</b>	31 December 2018	30 June 2019 (audited)
	<b>£m</b>	£m	£m
<b>Non-current liabilities</b>			
Land payables	<b>339.5</b>	463.3	385.6
Other payables	<b>25.7</b>	22.2	27.9
	<b>365.2</b>	485.5	413.5
<b>Current liabilities</b>			
Trade payables	<b>294.3</b>	296.6	353.6
Land payables	<b>491.3</b>	498.5	575.1
Accruals and deferred income	<b>512.7</b>	459.2	533.4
Other tax and social security	<b>13.0</b>	13.3	13.9
Other payables	<b>163.5</b>	97.0	111.9
	<b>1,474.8</b>	1,364.6	1,587.9

## Section 4 – Business combinations and other investing activities

### 4.1 Investments accounted for using the equity method

No new joint venture arrangements were entered into during the period. A conditional joint venture agreement for Wembley Park was entered into during the period.

## Section 5 – Capital structure and financing

### 5.1 Net cash

Net cash is defined as cash and cash equivalents, bank overdrafts, interest bearing borrowings, prepaid fees and foreign exchange swaps.

Drawn debt and net cash at the period end are shown below:

	<b>31 December 2019</b>	31 December 2018	30 June 2019 (audited)
	<b>£m</b>	£m	£m
<b>Cash and cash equivalents</b>	<b>626.7</b>	579.1	958.3
<b>Drawn debt</b>			
<b>Borrowings</b>			
Sterling US private placement notes	<b>(200.0)</b>	(200.0)	(200.0)
<b>Total borrowings being total drawn debt</b>	<b>(200.0)</b>	(200.0)	(200.0)
Prepaid fees*	<b>7.1</b>	8.6	7.4
<b>Net cash</b>	<b>433.8</b>	387.7	765.7
<b>Total borrowings at the period end are analysed as:</b>			
Non-current borrowings	<b>(200.0)</b>	(200.0)	(200.0)
<b>Total borrowings being drawn debt</b>	<b>(200.0)</b>	(200.0)	(200.0)

\*Prepaid fees included in net cash are included within prepayments on the Balance Sheet.

On 22 November 2019 the Group's £700.0m Revolving Credit Facility was amended and extended from November 2023 to November 2024.

Movement in net cash, including a reconciliation of liabilities arising from financing activities, is as follows:

	<b>Half year ended 31 December 2019</b>	Half year ended 31 December 2018	Year ended 30 June 2019 (audited)
	<b>£m</b>	£m	£m
Net decrease in cash and cash equivalents	<b>(331.6)</b>	(403.3)	(24.1)
<b>Other movements in net cash:</b>			
Movement in prepaid fees	<b>(0.3)</b>	(0.3)	(1.5)
Movement in net cash in the period	<b>(331.9)</b>	(403.6)	(25.6)
Opening net cash	<b>765.7</b>	791.3	791.3
<b>Closing net cash</b>	<b>433.8</b>	387.7	765.7

## 5.2 Net finance costs

	Half year ended 31 December 2019  £m	Half year ended 31 December 2018*  £m	Year ended 30 June 2019* (audited) £m
<b>Recognised in the Income Statement:</b>			
<b>Finance income</b>			
Finance income on short term bank deposits	(2.2)	(1.7)	(2.8)
Finance income related to employee benefits	(0.8)	(0.9)	(2.0)
Other interest receivable	(0.2)	(1.1)	(2.3)
	(3.2)	(3.7)	(7.1)
<b>Finance costs</b>			
Interest on loans and borrowings	4.8	5.1	9.7
Imputed interest on deferred term payables	9.5	11.3	21.5
Finance charge on leased assets*	1.0	-	-
Amortisation of facility fees	1.3	1.5	2.8
Other interest payable	0.7	0.9	1.9
	17.3	18.8	35.9
<b>Net finance costs</b>	<b>14.1</b>	<b>15.1</b>	<b>28.8</b>

\* The Group has initially applied IFRS 16 using the modified retrospective approach and therefore comparatives have not been restated. Further information on the initial application of this standard can be found in notes 1.4 and 1.5.

The weighted average interest rates (excluding amortised fees and non-utilisation fees) were as follows:

	31 December 2019  %	31 December 2018  %	30 June 2019 (audited) %
Private placement notes	2.8	2.8	2.8

### 5.3 Financial instruments - fair value disclosures

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

The fair value of the secured loan portfolio has been calculated on a loan by loan basis using the present value of the expected future cash flows of each loan. The fair values of other non-derivative financial assets and liabilities are determined based on discounted cash flow analysis using current market rates for similar instruments. Other financial liabilities are subsequently measured at amortised cost using the 'effective interest rate' method.

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

	Half year ended 31 December 2019		Half year ended 31 December 2018		Year ended 30 June 2019 (audited)	
	£m		£m		£m	
	Fair value	Carrying value	Fair value	Carrying value	Fair value	Carrying value
<b>Financial assets</b>						
Cash and cash equivalents	626.7	626.7	579.1	579.1	958.3	958.3
Trade and other receivables	156.1	156.1	112.6	112.6	177.9	177.9
Non-current secured loans	1.3	1.3	3.0	3.0	1.4	1.4
Current secured loans	1.0	1.0	0.2	0.2	1.2	1.2
<b>Total financial assets</b>	<b>785.1</b>	<b>785.1</b>	<b>694.9</b>	<b>694.9</b>	<b>1,138.8</b>	<b>1,138.8</b>
<b>Financial liabilities</b>						
Trade and other payables	1,427.3	1,429.6	1,548.1	1,547.9	1,628.7	1,631.1
Lease liabilities*	51.4	51.4	-	-	-	-
Loans and borrowings	199.0	200.0	183.3	200.0	196.8	200.0
<b>Total financial liabilities</b>	<b>1,677.7</b>	<b>1,681.0</b>	<b>1,731.4</b>	<b>1,747.9</b>	<b>1,825.5</b>	<b>1,831.1</b>

\* The Group has initially applied IFRS 16 using the modified retrospective approach and therefore comparatives have not been restated. Further information on the initial application of this standard can be found in notes 1.4 and 1.5.

Financial assets and liabilities that are measured subsequent to initial recognition at fair value comprise secured loans which are measured according to level 3 of the fair value hierarchy. There have been no transfers between levels during the half year.

### 5.4 Share capital

	31 December 2019	31 December 2018	30 June 2019 (audited)
<b>Allotted and issued ordinary shares (£m):</b>			
10p each fully paid	101.8	101.4	101.7
<b>Allotted and issued ordinary shares (number):</b>			
10p each fully paid	1,018,280,445	1,014,256,706	1,016,985,862

	Half year ended 31 December 2019 number	Half year ended 31 December 2018 number	Year ended 30 June 2019 (audited) number
<b>Options over the Company's shares granted during the period:</b>			
LTPP	2,629,027	2,940,565	2,940,565
Sharesave	-	-	1,673,444
DBP	583,505	644,386	644,386
ELTIP	1,254,200	1,221,120	1,221,120
	<b>4,466,732</b>	<b>4,806,071</b>	<b>6,479,515</b>

	Half year ended 31 December 2019  number	Half year ended 31 December 2018  number	Year ended 30 June 2019 (audited) number
<b>Allotment of shares during the period:</b>			
At the beginning of the period	<b>1,016,985,862</b>	1,012,722,682	1,012,722,682
Issued to satisfy early exercises under Sharesave schemes	<b>40,433</b>	20,078	39,090
Issued to satisfy exercises under matured Sharesave schemes	<b>1,254,150</b>	1,513,946	1,524,090
Issued to the EBT to satisfy future exercises	-	-	2,700,000
	<b>1,018,280,445</b>	1,014,256,706	1,016,985,862

## Own shares reserve

The own shares reserve represents the cost of shares in Barratt Developments PLC purchased in the market and held by the Barratt Developments PLC EBT on behalf of the Company in order to satisfy options and awards that have been granted under the Barratt Developments PLC Executive, Employee, and Senior Management share option plans, the LTPP and the DBP schemes.

	31 December 2019	31 December 2018	30 June 2019 (audited)
Ordinary shares in the Company held in the EBT (number)	<b>3,533,906</b>	3,494,748	6,172,255
Cost of shares held in the EBT	<b>£14.2m</b>	£15.0m	£15.1m
Market value of shares held in the EBT at 746.6p (31 December 2018: 462.8p; 30 June 2019: 572.6p) per share	<b>£26.4m</b>	£16.2m	£35.3m

During the period the EBT purchased no shares in the market (31 December 2018: 4,000,000; 30 June 2019: 4,000,000) and disposed of 111,851 shares (31 December 2018: 36,308; 30 June 2019: 58,801) in settlement of exercises under the Senior Management Share Option Plan 2009/10 and the Senior Management Incentive Scheme. 2,526,498 (31 December 2018: 1,400,549; 30 June 2019: 1,400,549) shares were used to satisfy the vesting of the LTPP and the DBP schemes. No shares (31 December 2018: no shares; 30 June 2019: 2,700,000 shares) were issued to the EBT at par.

## Section 6 – Provisions, contingencies and related parties

### 6.1 Provisions

	Legacy developments - cladding  £m	Legacy development - cladding and further assistance  £m	Total  £m
At 1 July 2019	-	-	-
Additions to provisions in the period	7.0	10.8	17.8
Utilisation in the period	-	(4.5)	(4.5)
<b>At 31 December 2019</b>	<b>7.0</b>	<b>6.3</b>	<b>13.3</b>

Following the Grenfell Tower tragedy, amendments to the Building Regulations and related guidance have been made. The Group carried out a review of all of its current and legacy buildings where it has used cladding. Approved Inspectors signed off all of our buildings, including the cladding used, as compliant with the relevant Building Regulations during construction and on completion. Following this review and in line with our commitment to put our customers first, we have incurred and accrued an additional £7.0m of costs for work involved at legacy properties associated with removing and replacing cladding. Whilst we were not liable for these works, the costs would otherwise have fallen to leaseholders, many of whom bought their properties from us. In addition to removing and replacing cladding at one bespoke development constructed in 2001, further works have been required for which we have also provided voluntary assistance, with total costs associated for this development of £10.8m.

Further to continuing and evolving Government advice on the cladding of multi-storey buildings, we continue to work with building owners and management companies on the assessment and review of buildings we have constructed.

We are signatories to the Building Safety Charter and active members of the Early Adopters Scheme, which is committed to supporting cultural change across the industry to ensure buildings are safe for those living and working in them, now and in the future.

## **6.2 Contingent liabilities**

### **6.2.1 Contingent liabilities related to subsidiaries**

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 £404.9m (31 December 2018: £467.3m; 30 June 2019: £444.8m), and confirm that at the date of these Condensed Consolidated Financial Statements the possibility of cash outflow is considered remote and no provision is required.

#### ***Cladding***

Following the Grenfell Tower tragedy, amendments to the Building Regulations have been approved to implement a ban on the use of combustible materials in the external wall systems of buildings. The ban currently applies to new high-rise residential buildings 18 metres or more in height and includes material alterations such as the replacement of cladding. The regulations came into force on 21 December 2018.

The Government has issued revised guidelines to Building Owners and those deemed the Responsible Person (normally the Management Company) to consider, as part of their fire risk assessments, the ability of any cladding system to prevent the spread of fire. The result has been that there has been more scrutiny of all materials used on building façades. The Group has undertaken a review of all of its current and legacy buildings where it has used cladding solutions. Approved Inspectors signed off all of our buildings, including the cladding used, as compliant with the relevant Building Regulations.

We recognise that the retrospective review of building materials continues to evolve. The Financial Statements have been prepared based on currently available information; however, the costs of the removal and replacement of cladding and other works identified during the removal and replacement may change as building works progress. In addition, further changes to Building Regulations and Fire Safety Regulations are currently in the consultation phase and revised requirements may alter the current position, the result of which is not yet known.

#### ***Industry wide pension scheme***

As previously disclosed in the Group's Annual Report and Accounts for 30 June 2019, following correspondence with an industry wide final salary pension scheme, there is a risk of an obligation arising in respect of pension scheme funding, pursuant to section 75 of the Pensions Act 1995, for employees of a subsidiary who left the Group following disposal of its business and assets.

In June 2019 the Group received an estimate of the section 75 obligation. The Group is in the process of taking appropriate actuarial and legal advice on the section 75 obligation. An extension has been agreed with the pension scheme whilst this is completed. No debt notices have been issued at the time of issuing this report. Disclosure on this matter is therefore made in accordance with note 6.2.3.

The Directors consider that while it is increasingly probable that a liability could result in the future, at present there remain uncertainties in the estimate of the section 75 obligation calculation. Following communication with the Trustees a liability has been recognised in relation to this matter.

### **6.2.2 Contingent liabilities related to joint ventures and associates**

The Group has given counter-indemnities in respect of performance bonds and financial guarantees to its joint ventures totalling £10.4m (31 December 2018: £13.3m; 30 June 2019: £12.5m).

At 31 December 2019, the Group has an obligation to repay £0.9m (31 December 2018: £0.9m; 30 June 2019: £0.9m) of grant monies received by a joint venture upon certain future disposals of land.



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

There are no contingent liabilities in relation to associates at 31 December 2019 (31 December 2018: £nil; 30 June 2019: £nil).

### 6.2.3 Contingent liabilities related to legal claims

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.

There was no contingent liability in respect of such claims at 31 December 2019.

## 6.3 Related party transactions

Related party transactions for the period to 31 December 2019 are detailed below:

### 6.3.1 Transactions between the Group and its joint ventures

The Group has entered into transactions with its joint ventures as follows:

	<b>31 December 2019</b>	31 December 2018	30 June 2019 (audited)
	<b>£m</b>	£m	£m
<b>Transactions between the Group and its JVs during the period:</b>			
Charges in respect of development management and other services provided to JVs	<b>3.1</b>	3.8	8.4
Interest charges in respect of funding provided to JVs	<b>0.1</b>	1.0	2.2
Profit distributions received from JVs	<b>4.0</b>	8.8	60.3
<b>Balances at the period end:</b>			
Capital, net funding loans and interest due from JVs	<b>167.8</b>	239.4	208.3
Other amounts due from JVs	<b>31.5</b>	27.4	19.8
Loans and other amounts due to JVs	<b>0.8</b>	1.1	(1.8)

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.

The Group's contingent liabilities relating to its joint ventures are disclosed in note 6.2.2.

### 6.3.2 Transactions between the Group and its associates

There were no outstanding loans or other balances due to the Group from its associates at 31 December 2019 or during either comparative period. The Group's contingent liabilities relating to its associates are disclosed in note 6.2.2.

### 6.3.3 Transactions between the Group and its Directors

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.

Transactions between the Group and key management personnel in the first half of the year ending 30 June 2019 were limited to those relating to remuneration, previously disclosed as part of the Remuneration report within the Group's Annual Report and Accounts for the year ended 30 June 2019. Options granted to senior management are disclosed in aggregate in note 5.4. There have been no other material changes to the arrangements between the Group and key management personnel.

There have been no related party transactions as defined in Listing Rule 11.1.5R for the period ended 31 December 2019.

## **Statement of Directors' Responsibilities**

The Directors confirm that to the best of their knowledge these Condensed Consolidated Half Yearly Financial Statements have been prepared in accordance with IAS 34 as required by DTR 4.2.4R. They also confirm that to the best of their knowledge that the Interim Management Report herein includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year) and DTR 4.2.8R (disclosure of related party transactions and changes thereto).

The Directors of Barratt Developments PLC are:

J M Allan, Non-Executive Chairman  
D F Thomas, Chief Executive  
S J Boyes, Deputy Chief Executive and Chief Operating Officer  
J E White, Chief Financial Officer  
R J Akers, Senior Independent Director  
N S Bibby, Non-Executive Director  
J F Lennox, Non-Executive Director  
S M White, Non-Executive Director

The Half Yearly Financial Report was approved by the Board on 4 February 2020, and signed on its behalf by

D F Thomas  
**Chief Executive**

## **Independent review report to Barratt Developments PLC**

We have been engaged by the Company to review the condensed set of financial statements in the Half Yearly Financial Report for the six months ended 31 December 2019 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in shareholders' equity, the condensed consolidated balance sheet, the condensed consolidated cash flow statement and related notes 1 to 6.3. We have read the other information contained in the Half Yearly Financial Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

### **Directors' responsibilities**

The Half Yearly Financial Report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the Half Yearly Financial Report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1.4, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this Half Yearly Financial Report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union.

### **Our responsibility**

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the Half Yearly Financial Report based on our review.

### **Scope of review**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the Half Yearly Financial Report for the six months ended 31 December 2019 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

### **Deloitte LLP**

Statutory Auditor  
London, United Kingdom  
4 February 2020

## Glossary & Definitions

Active outlet	A site with at least one plot for sale
AIMCH	Advanced Industrialised Methods for the Construction of Homes
APMs	Alternative performance measures
ASP	Average selling price
CIRIA	Construction Industry Research and Information Association
CIEEM	Chartered Institute of Ecology and Environmental Management
IEMA	Institute of Environmental Management and Assessment
DBP	Deferred Bonus Plan
DTR	Disclosure Guidance and Transparency Rules
EBT	Barratt Developments Employee Benefit Trust
ELTIP	Employee Long Term Incentive Plan
EU	European Union
FY	Refers to the financial year ended 30 June
HBF	Home Builders Federation
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
JVs	Joint ventures
Land supply	Land supply is calculated as total owned (owned land and land subject to unconditional contracts) and controlled (land subject to conditional contracts) land bank plots divided by wholly owned completions in the last 12 months
LTPP	Long Term Performance Plan
MHCLG	Ministry of Housing, Communities & Local Government
MMC	Modern methods of construction
Ordinary dividend cover	Calculated as the ratio of the Group's profit or loss for the period attributable to the owners of the Company to total ordinary dividend
Net cash	Net cash / debt is defined as cash and cash equivalents, bank overdrafts, interest bearing borrowings, prepaid fees and foreign exchange swaps
Net tangible assets	Group net assets less other intangible assets and goodwill
NHBC	National House Building Council
Regional	Includes all regions except London
RSPB	Royal Society for the Protection of Birds
ROCE	Return on capital employed calculated as earnings before intangible amortisation, interest, tax, operating charges relating to the defined benefit pension scheme and adjusted items, divided by average net assets adjusted for goodwill and intangibles, tax, cash, loans and borrowings, retirement benefit assets/obligations and derivative financial instruments.
Sharesave	Savings-Related Share Option Scheme
SHE	Safety, Health and the Environment
The Company	Barratt Developments PLC
The Group	Barratt Developments PLC and its subsidiary undertakings
Total completions	Unless otherwise stated total completions quoted include JV completions
REGO	Renewable Energy Guarantees of Origin

## Definitions of alternative performance measures ('APMs') and reconciliation to IFRS

Further information on the use of APMs and why the Group believes they are a good measure of performance alongside IFRS metrics is provided on pages 4 and 5 in the Group's Annual Report and Accounts for the year ended 30 June 2019. New APMs discussed in the period are adjusted gross margin and adjusted operating margin; these have been used since they reflect the underlying performance of the business.

**Gross margin** is defined as gross profit divided by revenue:

	Half year ended 31 December 2019	Half year ended 31 December* 2018	Year ended 30 June* 2019 (audited)
Revenue per Condensed Consolidated Income Statement (£m)	2,266.2	2,132.0	4,763.1
Gross profit per Condensed Consolidated Income Statement (£m)	503.7	482.2	1,084.2
<b>Gross margin</b>	<b>22.2%</b>	22.6%	22.8%

\* The Group has initially applied IFRS 16 using the modified retrospective approach and therefore comparatives have not been restated. Further information on the initial application of this standard can be found in notes 1.4 and 1.5.

**Adjusted gross margin** is defined as adjusted gross profit divided by revenue:

	Half year ended 31 December 2019	Half year ended 31 December* 2018	Year ended 30 June* 2019 (audited)
Revenue per Condensed Consolidated Income Statement (£m)	2,266.2	2,132.0	4,763.1
Adjusted gross profit per Condensed Consolidated Income Statement (£m)	521.5	478.5	1,087.4
<b>Adjusted gross margin</b>	<b>23.0%</b>	22.4%	22.8%

\* The Group has initially applied IFRS 16 using the modified retrospective approach and therefore comparatives have not been restated. Further information on the initial application of this standard can be found in notes 1.4 and 1.5.

**Operating margin** is defined as profit from operations divided by revenue:

	Half year ended 31 December 2019	Half year ended 31 December* 2018	Year ended 30 June 2019* (audited)
Revenue per Condensed Consolidated Income Statement (£m)	2,266.2	2,132.0	4,763.1
Profit from operations per Condensed Consolidated Income Statement (£m)	421.7	409.7	901.1
<b>Operating margin</b>	<b>18.6%</b>	19.2%	18.9%

\* The Group has initially applied IFRS 16 using the modified retrospective approach and therefore comparatives have not been restated. Further information on the initial application of this standard can be found in notes 1.4 and 1.5.

**Adjusted operating margin** is defined as adjusted operating profit divided by revenue:

	Half year ended 31 December 2019	Half year ended 31 December* 2018	Year ended 30 June 2019* (audited)
Revenue per Condensed Consolidated Income Statement (£m)	2,266.2	2,132.0	4,763.1
Adjusted operating profit per Condensed Consolidated Income Statement (£m)	439.5	406.0	904.3
<b>Adjusted operating margin</b>	<b>19.4%</b>	19.0%	19.0%

\* The Group has initially applied IFRS 16 using the modified retrospective approach and therefore comparatives have not been restated. Further information on the initial application of this standard can be found in notes 1.4 and 1.5.

**ROCE** is calculated as earnings before amortisation, interest, tax, operating charges relating to the defined benefit pension scheme and operating adjusting or exceptional items for the 12 months to December, divided by average net assets adjusted for goodwill and intangibles, tax, net cash, retirement benefit assets/obligations and derivative financial instruments:

	Half year ended 31 December 2019	Half year ended 31 December 2018*	Year ended 30 June 2019* (audited)	Year calculated to 31 December 2019*	Half year ended 31 December 2017*	Year ended 30 June 2018* (audited)	Year calculated to 31 December 2018*
	£m	£m	£m	£m	£m	£m	£m
Profit from operations	421.7	409.7	901.1	913.1	355.2	862.6	917.1
Amortisation of intangible assets	0.6	-	-	0.6	-	-	-
(Credit)/cost associated with legacy properties	17.8	(3.7)	3.2	24.7	3.0	7.0	0.3
Defined benefit past service cost	-	1.7	1.7	-	-	-	1.7
Share of post-tax profit from joint ventures and associates including loss on disposal of joint ventures	15.4	13.4	37.5	39.5	10.7	18.0	20.7
<b>Annualised earnings before amortisation, interest, tax, adjusted items and defined benefit scheme charges</b>			943.5	977.9		887.6	939.8

	31 December 2019	31 December 2018*	30 June 2019* (audited)	31 December 2017*	30 June 2018* (audited)
	£m	£m	£m	£m	£m
Group net assets per Condensed Consolidated Balance Sheet	4,849.1	4,551.7	4,869.0	4,267.7	4,597.7
Less:					
Other intangible assets per Condensed Consolidated Balance Sheet	(101.7)	(100.0)	(102.3)	(100.0)	(100.0)
Goodwill per Condensed Consolidated Balance Sheet	(805.9)	(792.2)	(805.9)	(792.2)	(792.2)
Current tax (assets)/liabilities	(0.4)	84.3	99.5	61.8	85.8
Deferred tax liabilities	16.2	21.5	17.6	20.1	25.3
Retirement benefit (assets)	(68.6)	(53.1)	(62.6)	(34.8)	(58.7)
Cash and cash equivalents	(626.7)	(579.1)	(958.3)	(378.0)	(982.4)
Loans and borrowings	200.0	200.0	200.0	212.1	191.1
Prepaid fees	(7.1)	(8.6)	(7.4)	-	-
<b>Capital employed</b>	<b>3,454.9</b>	<b>3,324.5</b>	<b>3,249.6</b>	<b>3,256.7</b>	<b>2,966.6</b>
<b>Three point average capital employed</b>	<b>3,343.0</b>	<b>3,182.6</b>	<b>3,180.2</b>	<b>3,014.4</b>	<b>3,000.3</b>

	<b>31 December 2019</b>	31 December 2018*	30 June 2019* (audited)
<b>Annualised earnings before amortisation, interest, tax, adjusted items and defined benefit scheme charges (from table above) (£m)</b>	<b>977.9</b>	939.8	943.5
<b>Three point average capital employed (from table above) (£m)</b>	<b>3,343.0</b>	3,182.6	3,180.2
<b>ROCE</b>	<b>29.3%</b>	29.5%	29.7%

\* The Group has initially applied IFRS 16 using the modified retrospective approach and therefore comparatives have not been restated. Further information on the initial application of this standard can be found in notes 1.4 and 1.5.