



11 May 2011

Barratt Developments PLC Interim Management Statement

Barratt Developments PLC is today issuing an Interim Management Statement (“IMS”) for the Company and its subsidiary undertakings (the “Group”) for the period from 1 January 2011 to 8 May 2011 (the “period”).

Highlights

- Sales rates have returned to more normal levels with net private reservations per active site per week during the period of 0.53 (2010: 0.56), significantly ahead of the first half (0.39)
- We have continued to see an increase in private average selling prices, up by c. 4% on the prior year equivalent period due to changes in mix
- We are on track to deliver a substantial improvement in operating profit (Note 1) in both the second half and the full financial year, driven by new higher margin sites and a continued focus on tight cost control
- The Group has agreed its debt refinancing which provides around £1 billion of committed facilities to May 2015, and will reduce the effective cost of finance going forward

Commenting on the IMS, Mark Clare, Group Chief Executive of Barratt Developments said:

“We are encouraged by the improvement in market conditions we’ve seen since the start of 2011, following a challenging autumn period. Our strategy for recovery is progressing well and we continue to expect a substantial increase in operating profit in our second half. The successful refinancing provides a strong platform for the business and will enable us to reduce the effective cost of financing going forward.”

Trading

Our focus has remained on driving the maximum value for each and every sale rather than chasing volume. Our private average selling price (excluding joint ventures) has continued to increase and is up by c. 4% on the prior year equivalent period, driven by changes in our sales mix.

We delivered 0.53 (2010: 0.56) net private reservations per active site per week in the period, significantly ahead of the rate achieved in the first half of the financial year (0.39). The cancellation rate was 16.1% (2010: 13.7%), broadly in-line with historic norms.

We opened 55 new sites in the period and expect to open a further c. 24 by the end of the financial year. Delivery of completions from these new higher margin sites will drive profitability and margin for the Group.

We continue to maintain a tight control on costs and are targeting further efficiency gains, in particular from our integrated management information systems.

As at 8 May 2011, forward sales stood at £1,046.9m (2010: £1,073.3m), of which £653.2m (62%) was contracted (2010: £684.1m (64%)) (Note 2).

Customer service

We are committed to delivering the highest quality product and service to our customers, and are delighted the Group has been awarded the maximum five star rating for customer satisfaction from the Home Builders Federation for a second consecutive year. We are the only major national housebuilder to have won a five star rating for customer satisfaction.

Government initiatives

The recent Budget announcements contained a number of positive measures for housebuilders. The introduction of a new Government backed shared equity scheme, FirstBuy, provides an important selling tool for the industry given the limited availability of higher loan to value mortgages, particularly for the new build sector. The Group has a strong track record of maximising the benefits of the previous HomeBuy Direct scheme, and this new initiative is likely to reduce the requirement for our own shared equity products going forward.

The Budget also included proposals to increase the supply of new housing through the accelerated release of public land, the reduction of regulatory costs, and improvements in planning. We have already been successful in securing land through the existing Delivery Partner Panel initiative and expect this further commitment to be an important source of land for the Group going forward.

Land and planning

The Group continues to invest in land where it meets our clearly defined hurdle rates in terms of profitability and return on capital, providing attractive returns at current selling prices. For the full financial year, we anticipate agreeing terms on a total of around 8,000 plots with the majority on deferred payment terms. For the period we have agreed terms on £78.8m of land purchases, equating to 1,696 plots (Note 3).

The Group is well positioned in terms of planning, with detailed consents in place for around 90% of expected FY 2011/12 volumes, with a further 5% of volumes having outline planning consent.

Refinancing

We are pleased to announce the agreement of a complete debt refinancing package. This will provide the Group with around £1 billion of committed facilities to May 2015, with some of these facilities extending as far as 2021 (Note 4). The effective cost of borrowing will be reduced as a result of improving the balance of the facilities between term debt and that needed to meet our working capital requirements, with the term debt reducing from £903m to £310m. The covenant package is similar, and the facilities provide appropriate headroom above our current forecast debt requirements.

Revised debt facilities

The refinancing comprises:

- new £770m committed bank revolving credit facilities, reducing to £680m in October 2013 to reflect the Group's reduced borrowing requirements, maturing in May 2015;
- the Group's existing private placement notes (currently amounting to c. £162m equivalent) will remain invested until their original maturity dates of between April 2013 and April 2020;
- new US\$80m private placement notes due in August 2017, swapped into sterling equating to a £48m fixed-rate loan; and
- a new £100m term loan from The Prudential/M&G UK Companies Financing Fund, of which 25% is scheduled to be repaid in 2019, 25% in 2020 and the balance in 2021.

The refinancing will be fully effective by the end of May.

Hedging arrangements

The Group presently has £480m nominal value of interest rate swaps which fix the rate of LIBOR on its existing term loan facility. Following a reduction in the level of our term debt and a revision to our interest rate hedging policy, we intend to cancel c. £290m of these swaps for a cash payment of c. £30m.

Estimated future blended rate of interest

We estimate that our future blended rate of interest will be between 7.5% and 8%. The cash interest cost in FY 2011/12 will be c. £70m, a saving of around £5m p.a. from the estimated equivalent cost under the previous financing arrangements.

Exceptional costs

Exceptional costs of approx. £55m, mainly relating to the refinancing and the cancellation of interest rate swaps, will be charged to the income statement. The principal components and the balance sheet effect are detailed in Note 5.

FY 2010/11 interest and debt guidance

The Group's net finance charge before exceptional costs for the financial year ending 30 June 2011 is expected to be c. £100m (2010: £121.6m). This will consist of cash interest of c. £70m on net debt (including term debt) and c. £30m of non-cash finance charges.

Net debt as at 30 June 2011, prior to the exceptional costs arising from the refinancing, is expected to be in-line with previous guidance. It will now however increase to around £450m following the payment of c. £67m cash exceptional costs (Note 5).

Outlook

Whilst we are encouraged by the relative stability we have seen in the UK housing market since the beginning of January, we expect activity to remain constrained in the near term, reflecting the continued lack of higher loan to value mortgage products, particularly in the new build sector.

The Group will continue to focus on its strategy of driving profitability through maximising the value for its products, delivering increased levels of outlets from our new higher margin land, and keeping a tight control on costs. We continue to expect to see a substantial improvement in the profitability of the Group in the second half and the full financial year before exceptional costs.

Note 1 – Operating profit

Operating profit is defined as Group profit from operations before exceptional costs

Note 2 – Forward sales

	8 May 2011	9 May 2010
<u>Private</u>		
Value	£713.2m	£752.5m
- due in H2	£582.8m	£569.6m
- due after H2	£130.4m	£182.9m
Plots	3,227	3,534
<u>Social</u>		
Value	£333.7m	£320.8m
- due in H2	£78.0m	£77.2m
- due after H2	£255.7m	£243.6m
Plots	3,173	2,794
<u>Total</u>		
Value	£1,046.9m	£1,073.3m
- of which contracted	£653.2m	£684.1m
- % of which contracted	62%	64%
- due in H2	£660.8m	£646.8m
- due after H2	£386.1m	£426.5m
Plots	6,400	6,328
- % contracted	68%	69%

Note 3 – Land acquisition

	1 Jan to 8 May 2011	1 July to 31 Dec 2010
Total spend	£78.8m	£318.0m
Total number of plots	1,696	6,078
Location		
- South : North (by value)	38% : 62%	59% : 41%
- South : North (by plots)	35% : 65%	45% : 55%
Vendor		
- Government : Private	29% : 71%	4% : 96%
Type		
- Brownfield : Greenfield	42% : 58%	29% : 71%
- Houses : Flats	90% : 10%	81% : 19%

Unless stated otherwise, % splits are by plots

Note 4 – Debt maturities

£m	FY 11/12	FY 12/13	FY 13/14	FY 14/15	FY 15/16	FY 16/17	FY 17/18	After FY 17/18	Total
Bank facilities	420.8		90.0	680.0					1,190.8
Private placement notes		10.6					164.8	35.4	210.8
Prudential M&G								100.0	100.0
Total	420.8	10.6	90.0	680.0	nil	nil	164.8	135.4	1,501.6

Note 5 – Exceptional costs

	Income statement	Balance sheet	Total
Refinancing fees - facility, legal and other	£9m	£20m	£29m
Accelerated amortisation of previously capitalised refinancing fees	£8m		£8m
Interest rate swap cancellations and adjustments	£30m		£30m
Administrative restructuring costs	£8m		£8m
Total	£55m	£20m	£75m

Of the above estimates, £67m will be a cash cost and the £8m accelerated amortisation of previously capitalised refinancing fees will be a non-cash cost.

This Interim Management Statement contains certain forward-looking statements about the future outlook for the Group. Although the Directors believe that these statements are based upon reasonable assumptions, any such statements should be treated with caution as future outlook may be influenced by factors that could cause actual outcomes and results to be materially different.

Conference call for analysts and investors

Mark Clare, Group CEO and David Thomas, Group FD will be hosting a conference call at 08:00am today, Wednesday 11 May 2011, to discuss this Interim Management Statement.

To access the conference call:

Dial-in: 020 3140 0724

A replay facility will be available:

Dial-in: 020 3140 0698 Passcode: 377207#

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