24 February 2010

BARRATT DEVELOPMENTS PLC
Results for the 6 months ended 31 December 2009

Mark Clare, Group Chief Executive of Barratt Developments commented:

"During the last six months, we have improved our trading performance, successfully refinanced the business and invested in new land. The value of our forward order book is now up 27% year on year and with our ongoing focus on optimising selling prices we are expecting to see significant improvements in operating margin in the second half."

Highlights:

- Total completions (including 25 joint venture completions) for the half year were 5,053 (2008: 6,905). Group revenue was £872.4m (2008: £1,261.8m).

- The average selling price (excluding joint ventures which are equity accounted) increased by 3.5% to £166,300 (2008: £160,700) largely driven by changes in mix.

- The operating margin before exceptional items was 2.4% (2008: 1.3%). Operating profit before exceptional items was £21.0m (2008: £16.0m[1]). Operating profit was £5.2m (2008: £497.9m loss[1]).

- Exceptional items of £129.9m (2008: £513.9m[1]) primarily related to the Group's amended financing arrangements, which came into effect following the Placing and the Rights Issue (2008: impairment of inventories and restructuring costs).

- The Group made a loss before tax and exceptional items of £48.5m (2008: £80.6m[1]), and a loss before tax after exceptional items of £178.4m (2008: £594.5m[1]).

- Net debt was £605.3m at 31 December 2009 (2008: £1,422.8m), a reduction of £671.6m since 30 June 2009 due to the net proceeds of the Placing and the Rights Issue, the sale of a commercial property and ongoing strong cash management.

- Forward sales at 31 December 2009 were £651.2m (2008: £455.8m) representing 3,995 plots (2008: 3,529 plots). At 21 February 2010 forward sales had increased to £847.4m, which, taken with completions to date, means that the Group has secured around 77% of its full year requirement.

- Since mid-2009 the Group has agreed terms on £358m of land, comprising 74 sites and 9,038 plots, which will deliver attractive margins based on current selling prices.

- For the last 6 weeks the Group has delivered 0.55 private sales per active site per week up 12.2% on the first half of the financial year.

[1] The results for the period ended 31 December 2008 have been restated for the change in accounting policy relating to the defined benefit pension scheme as explained in note 3.

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The Interim Management Report contains certain forward-looking statements about the future outlook for the Group. Although the Directors believe that these statements are based on 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.

A presentation will be broadcast live on the Barratt Developments corporate website, www.barrattdevelopments.co.uk, from 8.45am today. A playback facility will be available shortly after the presentation has finished. Those wishing to listen-only to the presentation at 8.45am may dial:

Live dial-in
UK toll free 0800 358 1448
International +44 (0)20 8609 0582
Replay
UK toll free 0800 358 2189
International +44 (0)20 8609 0289
Conference reference 282278#

The presentation slides will be available on the Barratt Developments corporate website, www.barrattdevelopments.co.uk.

The Interim Management Report for the six months ended 31 December 2009 is available from today, 24 February 2010, on the Barratt Developments corporate website, www.barrattdevelopments.co.uk via the following link: www.barrattdevelopments.co.uk/ir/reports/.

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

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Group Chief Executive's statement

Results

During the period, the recovery of the UK new housing market continued in terms of customer demand and pricing, albeit mortgage availability remained restricted, particularly in the higher loan to value segment.

The Group's operating profit before exceptional items for the first half of its financial year was £21.0m (2008: £16.0m[1]), a margin of 2.4% (2008: 1.3%). The Group made a loss before tax and exceptional items of £48.5m (2008: £80.6m[1]). After exceptional items of £129.9m (2008: £513.9m[1]), primarily related to the amended financing arrangements which came into effect following the Placing and the Rights Issue (2008: impairment of inventories and restructuring costs), the Group's loss before tax was £178.4m (2008: £594.5m[1]).

The Group's adjusted basic loss per share was 4.9p (2008: 10.3p[1,2]). The Group's loss per share was 18.9p (2008: 80.9p[1,2]).

The Group's half year net debt was £605.3m (2008: £1,422.8m), a reduction of £671.6m since 30 June 2009 reflecting the net proceeds of the Group's Placing and Rights Issue, disposal of a commercial property and ongoing strong cash management.

The Board is committed to improving the profitability and strengthening the financial position of the Group whilst continuing to invest in its existing land bank as well as new sites. In this context, and in accordance with the restrictions under the Group's financing arrangements[3], the Board is not paying an interim dividend (2008: nil).

Driving business performance

The Group has significantly improved its financial position through the Placing and the Rights Issue which was successfully completed in November and which allowed the Group to reduce its levels of debt. With further reductions in debt achieved through the disposal of a commercial property and operational initiatives, the Group is now in a stronger position to develop existing sites and to take advantage of land purchasing opportunities as they arise.

The current focus for the Group is improving profitability through the management of the balance between price and volume as well as through operational efficiency. The Group has identified a number of immediate priorities to drive its business performance including:

- Using the scale of the Group's operations to enhance efficiency and to reduce the costs of construction.
- Maximising the value achieved for the Group's products through pricing discipline, sales and marketing capability, focusing on quality and ensuring the right product mix on site.
- Enhancing the margin from the Group's existing land bank whilst continuing to invest in land opportunities which will generate improved margins and in the Group's strategic land capabilities.

Significant progress on these priorities is being made. For example, consumer marketing has been enhanced with the launch of new features for its customer-facing websites and internet strategies to drive traffic. On land, a total of 119 sites have been replanned since July 2008 and a number of potentially higher margin land opportunities have been secured. In addition, in January 2010, the Group was selected by the Homes and Communities Agency as one of their delivery partners in all regions of the country.

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[1] The results for the period ended 31 December 2008 have been restated for the change in accounting policy relating to the defined benefit pension scheme as explained in note 3.

[2] The number of shares in issue has been revised to reflect the Rights Issue as required by IAS 33 'Earnings per Share'.

[3] The terms of the Group's amended financing arrangements restrict payment of dividends and prohibit any dividend being declared in respect of the financial year ending 30 June 2010. Thereafter, no restriction on dividends will apply under the Group's amended financing arrangements.

Housebuilding operations

In the first six months of the financial year the Group operated across an average of 420 sites, down 22.1% on the same period last year. Active sites, those from which the Group is currently selling, averaged 368 over the half year (2008: 469). During the half year, the Group has opened 52 sites and as at 31 December 2009 it was operating from 364 active sites (2008: 428) and 407 total sites (2008: 497).

The Group averaged 180 net private reservations per week (2008: 211) during the first half, which was 0.49 net private reservations per active site per week (2008: 0.45), up 8.9% on the equivalent period in the prior year. The cancellation rate for the first half was 17.8% compared to 27.8% in the prior year.

Total housebuilding completions (including joint ventures) for the first half were 5,053 (2008: 6,905) included in this were private completions of 4,381 (2008: 5,997) at an average selling price ('ASP') of £173,200 (2008: £170,100), social completions of 647 (2008: 908) at an ASP of £119,000 (2008: £98,600) and joint venture completions of 25 (2008: nil) at an ASP of £265,600. The Group ASP excluding joint venture completions was £166,300 (2008: £160,700).

Overall 60.2% of the Group's first half completions (excluding joint ventures) were houses (2008: 46.5%). Outside central London, houses accounted for 64.7% (2008: 50.4%) of completions (excluding joint ventures). Sales to investors, including non s.106 sales to Housing Associations, formed 11.7% (2008: 28.7%) of the Group's completions (excluding joint ventures).

The Group has been pleased with consumer demand for the Government's HomeBuy Direct Scheme ('HBD'). The Group's original allocation was for 3,018 units. During the first half of the financial year the Group completed 754 sales under the scheme and had a further 454 reserved or exchanged. In February 2010 the Group received confirmation from the Homes and Communities Agency that it had secured, through Kickstart 1, additional funding of £35.7m across 17 developments. In addition, the Group has applied for a further £28.3m of Kickstart 2 funding, across 24 developments.

Housebuilding operations delivered an operating margin before exceptional items of 2.7% (2008: 1.1%). The higher margin reflects the focus of the housebuilding business upon rebuilding its profitability. Before exceptional items, the operating profit was £22.8m (2008: £12.3m[1]). After exceptional items, the operating profit was £11.8m (2008: £435.7m loss[1]).

As at 31 December 2009, forward sales for the Group were up by 43% to £651.2m (2008: £455.8m) of which £471.1m (72%) were contracted (2008: £360.2m (79%)).

Commercial operations

Commercial revenue of £27.7m (2008: £139.5m) included £25.0m (2008: £125.4m) related to the ongoing asset disposal programme from the Wilson Bowden Developments portfolio. The Group's commercial operations made a loss from operations before exceptional items of £1.8m (2008: £3.7m profit). After exceptional items of £4.8m (2008: £65.9m), the loss from operations was £6.6m (2008: £62.2m).

In November, the Group disposed of Atlantic Quay 5, a commercial property in Glasgow, for £25.0m. The Board concluded that although this disposal would result in an exceptional charge of £4.8m, it represented an attractive offer given the alternative local rental market outlook and the opportunity it provided to re-invest the proceeds in land acquisitions. This completes the planned sale of legacy assets from the Wilson Bowden Developments portfolio for a total of around £200m.

Exceptional items

As previously reported, the Group incurred exceptional items in the first half of £129.9m (2008: £513.9m[1]). This primarily reflects the exceptional items relating to the amendments to and prepayments of indebtedness under the Group's financing arrangements and the impairment on Atlantic Quay 5 (2008: impairment of inventories and restructuring costs). There were no other land impairment charges as at 31 December 2009.

Land

The Group is investing in land where it can deliver attractive returns. From mid-2009 when the Group re-entered the land market up to mid-February 2010, it has agreed terms on £358m of land purchases, the majority of which it will acquire on the basis of deferred payment. This comprises 9,038 plots across 74 sites with an average plot cost to average selling price ratio of 20%, which will deliver attractive margins based on current selling prices.

Total cash expenditure on land in the first half was £124m (2008: £141m). The Group anticipates that total cash expenditure for the year will be between £300m and £350m (2009: £263.7m). At 31 December 2009, the Group's owned land bank stood at 50,990 plots (2008: 60,586 plots) with an additional 13,429 plots (2008: 11,614 plots) under conditional contracts, giving a total of 64,419 plots (2008: 72,200 plots).

Balance sheet

The net assets of the Group increased by £584.1m to £2,915.7m between 30 June and 31 December 2009. Significant balance sheet movements include:

- Group net debt reduced by £671.6m to £605.3m reflecting the prepayments made following completion of the Group's Placing and Rights Issue, sale of Atlantic Quay 5 and ongoing focus upon strong cash management.

- Land holdings reduced by £95.5m to £2,357.7m. This decrease reflects land additions of £120m offset by land usage. There has been no further charge to Group profits from housebuilding impairments during the half year (2008: £431.5m).

- Work in progress reduced by £48.5m to £995.7m. The Group continues to manage its work in progress carefully and at 31 December 2009 the Group had 691 unreserved completed units (30 June 2009: 822).

- Available for sale financial assets increased by £18.2m to £104.7m reflecting the 754 HomeBuy Direct completions and the 616 completions which used the Group's own similar product during the half year.

- Net swap liabilities reduced by £21.8m to £35.5m mainly due to the cancellation of interest rate and foreign exchange rate swaps following the prepayments made and consequential reduction in borrowings after completion of the Group's Placing and Rights Issue.

- Deferred tax assets increased by £43.6m to £170.9m due to losses that will be carried forward to offset the tax liabilities arising from future profits.

Borrowings and cash flow

Group net debt at 31 December 2009 was £605.3m (2008: £1,422.8m) and based upon anticipated levels of land expenditure is expected to reduce to between £520m and £570m by 30 June 2010.

The Group's net finance charge before exceptional items in the first half was £68.9m (2008: £94.6m). After exceptional finance costs of £114.1m that relate to the amended financing arrangements, which came into effect following the Placing and the Rights Issue, the Group's net finance charge was £183.0m (2008: £94.6m). The Group expects that its full year net finance charge before exceptional items will be around £118m (2009: £177.3m).

Capital structure

On 23 September 2009 the Company announced a fully underwritten Placing and Rights Issue, raising gross proceeds of £720.5m, and certain amendments to the terms of its financing arrangements, which would come into effect following completion of the Placing and the Rights Issue. The equity issue was completed on 4 November 2009 and the amended financing arrangements came into effect on 16 November 2009. The Placing and the Rights Issue, together with the amended financing arrangements, have significantly strengthened the position of the Group and are expected to enable the Group to take advantage of land acquisition opportunities that may arise in a recovering market.

Quality, service and the environment

During the half year ended 31 December 2009, the Group continued to make good progress in improving customer service and the Group's most recent customer surveys confirmed that 96% of customers would recommend us to a friend (2008: 91%).

The quality of the Group's construction team continues to be recognised. Following the Group's 2008 success in the National House Building Council 'Pride in The Job' quality awards, in 2009 the Group won an industry leading 76 awards (2008: 73).

Work has now started on Hanham Hall, as part of the Homes and Communities Agency's Carbon Challenge, that will deliver around 195 of the most environmentally advanced houses ever to be built in the UK by a volume housebuilder. The Group's objective is to find the most cost effective and customer acceptable solutions to environmental requirements.

Current trading and outlook

The Group's focus continues to be driving profitability primarily through achieving full value for its products and therefore the Board remains confident of the Group's prospects for the full year.

Over the last six weeks the Group achieved average net private reservations per active site per week of 0.55 against 0.53 in 2009. Overall these reservations have been achieved at prices above budgeted prices. As at 21 February 2010, forward sales for the Group were up by 27% to £847.4m (2008: £667.5m) of which £545.1m (64%) were contracted (2008: £431.5m (65%)).

The Group now believes it can achieve the optimal balance between margin and volume with a full year completions target of around 11,500 units, with average selling prices increasing by 8 to 10 percent year on year, mainly as a result of the mix change with more houses and less flats being sold. This will contribute to a significant improvement in operating margin in the second half compared to the first half. Further recovery in the UK new housing market will depend on improvement in the general economic conditions and in the availability of higher loan to value mortgages.

Mark Clare
Group Chief Executive
23 February 2010

Principal risks and uncertainties

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

Principal risks of the Group include, but are not limited to:

Risk	Mitigation
Market	
Response to changes in the macroeconomic environment including unemployment, buyer confidence, availability of mortgage finance for purchasers, interest rates and the impact of competitor pricing.	A weekly review is undertaken of key trading indicators, including reservations, sales rates, visitor levels, levels of incentives, competitor activity and cash flow projections and where appropriate management action is taken. The Group seeks to provide mortgage providers with complete transparency regarding house purchase prices alongside any discounts or other incentives in order that they have appropriate information upon which to base their lending decision. The Group works with key mortgage lenders to ensure that products are appropriate wherever possible for its customers.
Design and construction defects may lead to cost overruns including remedial costs, and may reduce selling prices and adversely impact the Group's reputation.	The Group has a comprehensive approach to quality, service and customer care encapsulated in the 'Forward through Quality' initiative and customer care code of practice.
Liquidity	
Availability of sufficient borrowing facilities to enable the servicing of liabilities as they fall due.	The Group actively maintains a mixture of long-term and medium-term committed facilities that are designed to ensure that it has sufficient available funds for operations. The Group's borrowings are typically cyclical throughout the financial year and peak in April and May and October and November of each year, as these are the points in the year when the Group has the highest working capital requirements. Accordingly, the Group maintains sufficient headroom to cover these requirements. On a normal operating basis the Group has a policy of maintaining headroom of £250m of available committed facilities. The Group has in place a comprehensive detailed regular forecasting process encompassing profitability, working capital and cash flow that is fully embedded in the business. These forecasts are further stress tested at a Group level on a regular basis to ensure that adequate headroom within facilities and banking covenants is maintained.
Inability to obtain surety bonds.	The Group actively maintains a number of surety facilities that are designed to ensure that it has sufficient bonds available. The Group has a comprehensive detailed regular forecasting process for surety bond requirements.

Principal risks and uncertainties (continued)

Risk	Mitigation
Inability of the Group to refinance its facilities as they fall due.	The Group has a policy that the maturity of its committed facilities and private placement notes in aggregate is at least two years on average with a target of three years.
Inability of the Group to comply with its borrowing covenants.	On 22 September 2009 the Company entered into agreements with its bank lenders and private placement noteholders to amend the terms of its existing financing arrangements including revised borrowing covenants. These amendments became effective on 16 November 2009. The Group is in compliance with its borrowing covenants and at the date of approval of the condensed consolidated half yearly financial statements, the Group's internal forecasts indicate that it will remain in compliance with these covenants for the foreseeable future being at least twelve months from the date of signing the condensed consolidated half yearly financial statements.
People	
Ability of the Group to attract, retain and develop a sufficiently skilled and experienced workforce.	The Group has a comprehensive Human Resources policy in place which includes apprentice schemes, a Graduate Recruitment Programme, succession planning and training schemes tailored to each discipline. The Group has set itself the target of having a fully CSCS carded and qualified workforce by 30 June 2010.
Underfunding of the Group's obligations in respect of the defined benefit pension scheme.	An actuarial valuation is conducted every three years. The Group reviews this and considers what additional contributions are necessary to make good this shortfall. To limit the risk further, with effect from 30 June 2009, the scheme ceased to offer future accrual of defined benefit pensions for current employees and the link between accrued benefits and future salary increases was removed.
Subcontractors and suppliers	
Shortages or increased costs of materials and skilled labour could increase costs and delay construction.	The Group adopts a professional approach to site management and seeks to partner with its supply chain.
Failure of a key supplier or inability to secure supplies upon appropriate credit terms.	The Group has a policy of having multiple suppliers for both labour contracts and material supplies and contingency plans should key suppliers fail.

Principal risks and uncertainties (continued)

Risk	Mitigation
Land	
Securing sufficient land of appropriate size and quality to provide profitable growth subject to the available borrowing facilities.	Each division produces a detailed site-by-site monthly analysis of the amount of land currently owned, committed and identified. These are consolidated for regular review at Board level. In addition, each operating division holds weekly land meetings. Every land acquisition is subject to a formal appraisal procedure and is required to achieve an overall Group defined hurdle rate of return.
The timing of conditional land purchase contracts becoming unconditional is uncertain. Unexpected changes in contract status may result in additional cash outflow for the Group.	Each division has a site-by-site detailed short-term and medium-term forecasting process including sensitivity scenarios.
Falls in house prices or land values or a failure of the housing market to recover could lead to further impairments of the Group's inventories, goodwill and intangible assets.	The Group's internal systems clearly identify the impact of sales price changes on the margin achievable. Biannual asset impairment reviews are performed.
The market for land can be illiquid and therefore it may be difficult to sell or trade land if required. Where land is sold, there is a risk that the proceeds may not be received from the counterparty.	The Group's internal forecasting process is able to identify the impact of these sensitivities explicitly.
Government regulation	
Changes in Government policy towards the housebuilding industry.	The Group consults with the UK Government both directly and through industry bodies to highlight potential issues.
The housebuilding industry is subject to extensive and complex regulations and an increasingly stringent regulatory environment including planning and technical requirements.	The Group has considerable in-house technical and planning expertise devoted to complying with regulations and achieving implementable planning consents.
Consequence of changes in tax legislation.	The Group has adopted a low risk strategy to tax planning and potential and actual changes in tax legislation are monitored by both industry experienced in-house finance teams and external tax advisers.
Construction	
Failure to identify and achieve key construction milestones, including the impact of adverse weather conditions, could delay construction or increase costs.	The Group's weekly reporting identifies the number of properties at key stages of construction. Projected construction rates are evaluated as part of the monthly forecasting cycle.
Large development projects, including commercial developments are complex and capital intensive and changes may negatively impact upon cash flows or returns.	Development projects, including returns and cash flows, are monitored regularly by divisional management teams.

Principal risks and uncertainties (continued)

Risk	Mitigation
Failure to identify cost overruns promptly.	The total costs on every site in progress are evaluated at least quarterly and reviewed by the divisional management teams.
Cost reduction measures may adversely affect the Group's business or its ability to respond to future improvements in market conditions.	In parallel to reducing costs during the downturn a Main Board level committee has developed a 'Planning for Recovery' programme.
Exposure to environmental liabilities and consideration of the impact of construction schemes upon the environment and social surroundings.	The Group regularly monitors a number of environmental impact indicators. The results of this appear in the Group's Corporate Social Responsibility Report.
Litigation and uninsured losses.	The Group has an in-house legal department and consults with external lawyers as appropriate. The Group maintains insurance cover for all main risks of the Group.
Health and safety	
Health and safety.	The Group has a dedicated health and safety audit department which is independent of the management of the operating divisions.
IT	
Failure of the Group's IT systems, in particular those relating to surveying and valuation, could adversely impact the performance of the Group.	The Group has a fully tested disaster recovery programme in place.

Details of the Group's management of liquidity risk, market risk, credit risk and capital risk in relation to financial instruments are provided in note 14 on pages 34 to 37.

Condensed consolidated income statement
for the half year ended 31 December 2009 (unaudited)

		Half year ended 31 December 2009			Half year ended 31 December 2008 (restated*)			Year ended 30 June 2009 (audited)		
	Note	**Before exceptional items £m**	**Exceptional items (note 5) £m**	**£m**	Before exceptional items £m	Exceptional items (note 5) £m	£m	Before exceptional items £m	Exceptional items (note 5) £m	£m
Continuing operations										
Revenue	4	**872.4**	**-**	**872.4**	1,261.8	-	1,261.8	2,285.2	-	2,285.2
Cost of sales		**(813.8)**	**(4.8)**	**(818.6)**	(1,191.9)	(494.9)	(1,686.8)	(2,155.8)	(499.5)	(2,655.3)
Gross profit/(loss)		**58.6**	**(4.8)**	**53.8**	69.9	(494.9)	(425.0)	129.4	(499.5)	(370.1)
Administrative expenses		**(37.6)**	**(11.0)**	**(48.6)**	(53.9)	(19.0)	(72.9)	(95.2)	(20.0)	(115.2)
Profit/(loss) from operations	4	**21.0**	**(15.8)**	**5.2**	16.0	(513.9)	(497.9)	34.2	(519.5)	(485.3)
Finance income	6	**7.8**	**-**	**7.8**	14.4	-	14.4	18.0	-	18.0
Finance costs	6	**(76.7)**	**(114.1)**	**(190.8)**	(109.0)	-	(109.0)	(195.3)	(13.3)	(208.6)
Net finance costs	6	**(68.9)**	**(114.1)**	**(183.0)**	(94.6)	-	(94.6)	(177.3)	(13.3)	(190.6)
Share of post-tax loss from joint ventures		**(0.6)**	**-**	**(0.6)**	(2.0)	-	(2.0)	(1.0)	(2.0)	(3.0)
Loss before tax		**(48.5)**	**(129.9)**	**(178.4)**	(80.6)	(513.9)	(594.5)	(144.1)	(534.8)	(678.9)
Tax	7	**15.6**	**35.4**	**51.0**	26.3	142.4	168.7	62.0	148.3	210.3
Loss for the period from continuing operations		**(32.9)**	**(94.5)**	**(127.4)**	(54.3)	(371.5)	(425.8)	(82.1)	(386.5)	(468.6)
Loss for the period attributable to equity shareholders		**(32.9)**	**(94.5)**	**(127.4)**	(54.3)	(371.5)	(425.8)	(82.1)	(386.5)	(468.6)
Earnings per share from continuing operations										
Basic and Diluted (restated**)	9			**(18.9)p**			(80.9)p			(89.1)p

* The results for the period ended 31 December 2008 have been restated as explained in note 3.

** Earnings per share from continuing operations has been adjusted to reflect the Rights Issue as required by IAS 33 ‘Earnings per Share’.

The notes on pages 15 to 42 form an integral part of the condensed consolidated half yearly financial statements.

Condensed consolidated statement of comprehensive income
for the half year ended 31 December 2009 (unaudited)

	Note	**Half year ended 31 December 2009 £m**	Half year ended 31 December 2008 (restated*) £m	Year ended 30 June 2009 (audited) £m
Loss for the period		**(127.4)**	(425.8)	(468.6)
Other comprehensive (expense)/ income				
Losses on cash flow hedges	6	**(27.7)**	(51.2)	(62.8)
Actuarial (losses)/gains on defined benefit pension schemes	15	**(6.4)**	4.6	(14.1)
Tax credit on items taken directly to equity		**10.3**	13.1	21.8
Net loss recognised directly in equity		**(23.8)**	(33.5)	(55.1)
Amortisation of losses on cancelled interest rate swaps deferred in equity	6	**0.2**	0.2	0.4
Transfer to income statement on cash flow hedges – non exceptional	6	**11.6**	(56.0)	(21.7)
Transfer to income statement on cash flow hedges – exceptional	5	**50.1**	-	-
Tax (charge)/credit on items taken directly to equity		**(17.3)**	15.6	6.0
Net profit/(loss) transferred		**44.6**	(40.2)	(15.3)
Total comprehensive expense recognised for the period attributable to equity shareholders		**(106.6)**	(499.5)	(539.0)

* The results for the period ended 31 December 2008 have been restated as explained in note 3.

The notes on pages 15 to 42 form an integral part of the condensed consolidated half yearly financial statements.

Condensed consolidated statement of changes in shareholders' equity
at 31 December 2009 (unaudited)

	Share capital	Share premium	Merger reserve	Hedging reserve	Total retained earnings (restated*)	Total
	£m	£m	£m	£m	£m	£m
Balance at 1 July 2008	34.7	206.6	1,109.0	(3.4)	1,496.8	2,843.7
Effect of change in accounting policy	-	-	-	-	24.1	24.1
Balance at 1 July 2008 as restated	34.7	206.6	1,109.0	(3.4)	1,520.9	2,867.8
Loss for the period	-	-	-	-	(425.8)	(425.8)
Losses on cash flow hedges	-	-	-	(51.2)	-	(51.2)
Transfer to income statement on cash flow hedges	-	-	-	(56.0)	-	(56.0)
Amortisation of losses on cancelled interest rate swaps deferred in equity	-	-	-	0.2	-	0.2
Actuarial gains on pension scheme	-	-	-	-	4.6	4.6
Tax on items taken directly to equity	-	-	-	30.0	(1.3)	28.7
Total comprehensive expense recognised for the period ended 31 December 2008	-	-	-	(77.0)	(422.5)	(499.5)
Share-based payments	-	-	-	-	2.7	2.7
Balance at 31 December 2008	34.7	206.6	1,109.0	(80.4)	1,101.1	2,371.0
Loss for the period	-	-	-	-	(42.8)	(42.8)
Losses on cash flow hedges	-	-	-	(11.6)	-	(11.6)
Transfer to income statement on cash flow hedges	-	-	-	34.3	-	34.3
Amortisation of losses on cancelled interest rate swaps deferred in equity	-	-	-	0.2	-	0.2
Actuarial losses on pension scheme	-	-	-	-	(18.7)	(18.7)
Tax on items taken directly to equity	-	-	-	(6.4)	5.5	(0.9)
Total comprehensive income/(expense) recognised for the period ended 30 June 2009	-	-	-	16.5	(56.0)	(39.5)
Share-based payments	-	-	-	-	0.1	0.1
Balance at 30 June 2009	34.7	206.6	1,109.0	(63.9)	1,045.2	2,331.6
Loss for the period	-	-	-	-	(127.4)	(127.4)
Losses on cash flow hedges	-	-	-	(27.7)	-	(27.7)
Transfer to income statement on cash flow hedges – non exceptional	-	-	-	11.6	-	11.6
Transfer to income statement on cash flow hedges – exceptional	-	-	-	50.1	-	50.1
Amortisation of losses on cancelled interest rate swaps deferred in equity	-	-	-	0.2	-	0.2
Actuarial losses on pension scheme	-	-	-	-	(6.4)	(6.4)
Tax on items taken directly to equity	-	-	-	(9.6)	2.6	(7.0)
Total comprehensive income/(expense) recognised for the period ended 31 December 2009	-	-	-	24.6	(131.2)	(106.6)
Share-based payments	-	-	-	-	(0.1)	(0.1)
Issue of shares	61.8	-	-	-	658.7	720.5
Fees relating to issue of shares	-	-	-	-	(27.5)	(27.5)
Purchase of shares by Employee Benefit Trust	-	-	-	-	(2.2)	(2.2)
Balance at 31 December 2009	**96.5**	**206.6**	**1,109.0**	**(39.3)**	**1,542.9**	**2,915.7**

* The results for the period ended 31 December 2008 have been restated as explained in note 3.

Ordinarily, the excess of the proceeds over the nominal value of the share capital would be credited to non-distributable share premium account. However, the Placing and the Rights Issue were effected through a structure which resulted in the excess of the proceeds over the nominal value of the share capital issued being recognised within retained earnings.

The notes on pages 15 to 42 form an integral part of the condensed consolidated half yearly financial statements.

Condensed consolidated balance sheet
at 31 December 2009 (unaudited)

	Note	**31 December 2009**	31 December 2008 (restated*)	30 June 2009 (audited)
		£m	£m	£m
Assets				
Non-current assets				
Other intangible assets		**100.0**	100.0	100.0
Goodwill	10	**792.2**	792.2	792.2
Property, plant and equipment		**8.6**	13.0	9.9
Investments accounted for using the equity method		**87.8**	88.0	83.2
Available for sale financial assets		**104.7**	68.3	86.5
Trade and other receivables		**1.5**	2.2	1.5
Deferred tax assets		**170.9**	99.3	127.3
Derivative financial instruments - swaps	13	**19.9**	81.2	31.9
		1,285.6	1,244.2	1,232.5
Current assets				
Inventories	11	**3,387.0**	3,823.4	3,540.8
Trade and other receivables		**42.5**	70.4	41.5
Cash and cash equivalents	12	**295.8**	44.7	178.8
Current tax assets		**-**	54.6	50.6
		3,725.3	3,993.1	3,811.7
Total assets	4	**5,010.9**	5,237.3	5,044.2
Liabilities				
Non-current liabilities				
Loans and borrowings	12	**(906.3)**	(1,521.5)	(1,475.6)
Trade and other payables		**(274.9)**	(253.7)	(245.4)
Retirement benefit obligations	15	**(32.1)**	(25.5)	(31.5)
Derivative financial instruments – swaps	13	**(55.4)**	(131.0)	(89.2)
		(1,268.7)	(1,931.7)	(1,841.7)
Current liabilities				
Loans and borrowings	12	**(14.0)**	(4.6)	(8.5)
Trade and other payables		**(809.9)**	(927.1)	(862.4)
Current tax liabilities		**(2.6)**	-	-
Derivative financial instruments – swaps	13	**-**	(2.9)	-
		(826.5)	(934.6)	(870.9)
Total liabilities	4	**(2,095.2)**	(2,866.3)	(2,712.6)
Net assets		**2,915.7**	2,371.0	2,331.6
Equity				
Share capital	16	**96.5**	34.7	34.7
Share premium		**206.6**	206.6	206.6
Merger reserve		**1,109.0**	1,109.0	1,109.0
Hedging reserve		**(39.3)**	(80.4)	(63.9)
Retained earnings		**1,542.9**	1,101.1	1,045.2
Total equity		**2,915.7**	2,371.0	2,331.6

* The results for the period ended 31 December 2008 have been restated as explained in note 3.

The notes on pages 15 to 42 form an integral part of the condensed consolidated half yearly financial statements.

Condensed consolidated cash flow statement
for the half year ended 31 December 2009 (unaudited)

	Note	**Half year ended 31 December 2009**	Half year ended 31 December 2008	Year ended 30 June 2009 (audited*)
		£m	£m	£m
Net cash inflow from operating activities	17	**60.3**	249.7	407.8
Cash flows from investing activities				
Purchase of property, plant and equipment		**(0.2)**	(1.0)	(2.1)
Proceeds from sale of property, plant and equipment		**-**	2.4	2.3
Acquisition of subsidiaries net of cash acquired		**-**	(3.9)	(4.0)
Investments accounted for using the equity method		**(5.2)**	(24.5)	(20.7)
Interest received		**4.9**	5.1	3.7
Net cash outflow from investing activities		**(0.5)**	(21.9)	(20.8)
Cash flows from financing activities				
Proceeds from issue of share capital		**720.5**	-	-
Share issue costs		**(26.7)**	-	-
Purchase of shares by Employee Benefit Trust		**(2.2)**	-	-
Make-whole fees on redemption of private placement notes		**(4.9)**	-	-
Hedging termination costs		**(49.7)**	-	-
Other fees related to refinancing		**(6.2)**	-	-
Loan repayments		**(573.6)**	(215.9)	(241.0)
Net cash inflow/(outflow) from financing activities		**57.2**	(215.9)	(241.0)
Net increase in cash and cash equivalents		**117.0**	11.9	146.0
Cash and cash equivalents at the beginning of period		**178.8**	32.8	32.8
Cash and cash equivalents at the end of period		**295.8**	44.7	178.8

* The categorisation of various items in the year ended 30 June 2009 has been revised for consistency of presentation of cash flows with the half year ended 31 December 2009.

The notes on pages 15 to 42 form an integral part of the condensed consolidated half yearly financial statements.

Notes to the condensed consolidated half yearly financial statements
for the half year ended 31 December 2009 (unaudited)

1. Cautionary statement

The Group Chief Executive's statement contained in this Interim Management Report ('IMR'), including the principal risks and uncertainties set out on pages 6 to 9, 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 IMR 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.

2. Basis of preparation

The financial information for the year ended 30 June 2009 is an extract from the published Annual Report 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 2009, prepared under International Financial Reporting Standards ('IFRS'), on which the auditors gave an unqualified opinion which did draw attention to a matter by way of emphasis in respect of going concern, but which 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.

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 Group Chief Executive's statement on pages 2 to 5. In addition, the material financial and operational risks and uncertainties that impact upon the Group's performance and their mitigation are outlined on pages 6 to 9 and financial risks including liquidity risk, market risk, credit risk and capital risk are outlined in note 14 to the condensed consolidated half yearly financial statements.

The financial performance of the Group is dependent upon the wider economic environment in which the Group operates. As explained in the principal risks and uncertainties on pages 6 to 9, factors that particularly impact upon the performance of the Company include changes in the macroeconomic environment including buyer confidence, availability of mortgage finance for the Group's purchasers and interest rates.

On 23 September 2009 the Company announced a fully underwritten Placing and Rights Issue, raising gross proceeds of £720.5m, and the renegotiation of its financing facilities. The equity issue was completed on 4 November 2009 and the amended financing arrangements came into effect on 16 November 2009.

The Placing and the Rights Issue, together with the amended financing arrangements, have significantly strengthened the position of the Group and are expected to enable the Group to take advantage of land acquisition opportunities that may arise in a recovering market. There has been some recovery in the new housing market during the half year, although the market remains subject to economic uncertainty and a lack of mortgage finance particularly in the higher loan to value segment. The amended financing arrangements provide an appropriate alternative framework for the Group should a further downturn arise.

Accordingly, after making enquiries, 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 Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the condensed consolidated half yearly financial statements.

3. Accounting policies

The unaudited condensed consolidated half yearly financial statements have been prepared using accounting policies consistent with IFRS as adopted by the European Union ('EU') and in accordance with IAS 34 'Interim Financial Reporting' ('IAS 34') as adopted by the EU.

The 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 for the year ended 30 June 2009 except as described below.

Changes in accounting policy

In the current financial year, the Group has adopted IAS 1 (revised) 'Presentation of Financial Statements', IFRS 8 'Operating Segments', IAS 23 (revised) 'Borrowing Costs' and IFRS 2 (revised) 'Share-based Payments'.

IAS 1 (revised) Presentation of Financial Statements

IAS 1 (revised) requires the production of a statement of comprehensive income setting out all items of income and expense relating to non-owner changes in equity. There is a choice between presenting comprehensive income in one statement or in two statements comprising an income statement and a separate statement of comprehensive income. The Group has elected to present comprehensive income in two statements. In addition, IAS 1 (revised) requires the statement of changes in shareholders' equity to be presented as a primary statement. The other revisions to IAS 1 have not had a significant impact on the presentation of the Group's financial information. The condensed consolidated half yearly financial statements have been prepared under the revised disclosure requirements.

IFRS 8 Operating Segments

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker, which in the case of the Group is the Board, to allocate resources to the segments and to assess their performance and is effective in the EU for accounting periods beginning on or after 1 January 2009. In contrast, the predecessor Standard (IAS 14 'Segment Reporting') required the Group to identify two sets of segments (business and geographical), using a risks and rewards approach, with the Group's system of internal financial reporting to key management personnel serving only as the starting point for the identification of such segments.

The Group has determined in accordance with IFRS 8 that its reported operating segments will be based on business segments (which were the basis of its primary operating segments under IAS 14), and the segmental information set out in note 4 is presented on this basis. The adoption of this standard has not resulted in a change in the Group's reportable segments and accordingly there has been no change in the allocation of goodwill between existing cash-generating units. IFRS 8 also requires the disclosure of information about geographical segmentation. As the Group operates in a single geographic market, no secondary segmentation is provided.

IAS 23 (revised) Borrowing Costs

IAS 23 (revised) requires the capitalisation of borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use) as part of the cost of the asset. The amendment removes the option of immediately expensing borrowing costs, subject to an exemption for inventories manufactured in large numbers on a repetitive basis.

The Group has evaluated its business processes and where developments are considered to fall under the requirements of IAS 23 (revised) costs are capitalised. No borrowing costs have been capitalised in the period ended 31 December 2009.

IFRS 2 (revised) Share-based Payments

The amendment to IFRS 2 requires non-vesting conditions to be taken into account in the estimate of the fair value of the equity instruments. The adoption of the amendment has resulted in a charge of £0.2m in the administrative expenses charged in the condensed consolidated income statement for the half year ended 31 December 2009 and a decrease of £0.2m in equity at 31 December 2009. The change in accounting policy had no impact upon the prior period income statement or equity.

3. Accounting policies (continued)

Defined benefit pension scheme

The change in accounting policy in relation to the defined benefit pension scheme disclosed in the Group's Annual Report for the year ended 30 June 2009 has required an adjustment to the comparatives for the half year ended 31 December 2008. The condensed consolidated income statement, the condensed consolidated balance sheet and the condensed consolidated statement of comprehensive income have been restated as shown below. This change in accounting policy had no impact on the condensed consolidated cash flow statement.

Condensed consolidated income statement	Half year ended 31 December 2008 £m
Exceptional pension curtailment gain – administrative expenses	(1.5)
Amortisation of unrecognised actuarial gains – administrative expenses	(0.6)
Tax	0.6
Loss from continuing operations	(1.5)

Condensed consolidated balance sheet	At 31 December 2008 £m	At 1 July 2008 £m
Retirement benefit obligations	36.0	33.5
Deferred tax	(10.1)	(9.4)
Non-current liabilities	25.9	24.1
Equity		
Retained profits at the start of the period	24.1	24.1
Increase in retained earnings	1.8	-
Equity	25.9	24.1

Condensed consolidated statement of comprehensive income	Half year ended 31 December 2008 £m
Actuarial gains on defined benefit pension scheme	4.6
Tax on items taken directly to equity	(1.3)
Net gain recognised directly in equity	3.3

As a result of this change in accounting policy the Group's retirement benefit obligation decreased by £36.0m from £61.5m to £25.5m at 31 December 2008 and its deferred tax asset decreased by £10.1m from £109.4m to £99.3m. The Group's loss from continuing operations for the period ended 31 December 2008 increased by £1.5m from £424.3m to £425.8m.

4. Segmental analysis

The Group consists of two separate segments for management reporting and control purposes, being housebuilding and commercial development. The Group presents its primary segment information on the basis of these operating segments. As the Group operates in a single geographic market, Britain, no secondary segmentation is provided.

	Half year ended 31 December 2009		Half year ended 31 December 2008 (restated*,**)		Year ended 30 June 2009 (restated**)	
Residential completions	**Units**	**Units**	Units	Units	Units	Units
Housebuilding	**5,028**		6,905		13,202	
Commercial development	**-**		-		-	
		5,028		6,905		13,202
Income statement	**£m**	**£m**	£m	£m	£m	£m
Revenue						
Housebuilding	**844.7**		1,122.3		2,095.8	
Commercial development	**27.7**		139.5		189.4	
		872.4		1,261.8		2,285.2
Cost of sales						
Housebuilding	**(786.8)**		(1,060.4)		(1,970.6)	
Commercial development	**(27.0)**		(131.5)		(185.2)	
		(813.8)		(1,191.9)		(2,155.8)
Gross profit before impairment of inventories						
Housebuilding	**57.9**		61.9		125.2	
Commercial development	**0.7**		8.0		4.2	
		58.6		69.9		129.4
Administrative expenses before restructuring costs and pension curtailment						
Housebuilding	**(35.1)**		(49.6)		(86.4)	
Commercial development	**(2.5)**		(4.3)		(8.8)	
		(37.6)		(53.9)		(95.2)
Profit/(loss) from operations before impairment of inventories, restructuring costs and pension curtailment						
Housebuilding	**22.8**		12.3		38.8	
Commercial development	**(1.8)**		3.7		(4.6)	
		21.0		16.0		34.2
Impairment of inventories						
Housebuilding	**-**		(431.5)		(431.5)	
Commercial development	**(4.8)**		(63.4)		(68.0)	
		(4.8)		(494.9)		(499.5)
Restructuring costs and pension curtailment						
Housebuilding	**(11.0)**		(16.5)		(14.9)	
Commercial development	**-**		(2.5)		(5.1)	
		(11.0)		(19.0)		(20.0)
Profit/(loss) from operations						
Housebuilding	**11.8**		(435.7)		(407.6)	
Commercial development	**(6.6)**		(62.2)		(77.7)	
		5.2		(497.9)		(485.3)
Share of post-tax loss from joint ventures						
Housebuilding	**(0.5)**		(2.0)		(3.0)	
Commercial development	**(0.1)**		-		-	
		(0.6)		(2.0)		(3.0)
Profit/(loss) from operations including share of post-tax loss from joint ventures						
Housebuilding	**11.3**		(437.7)		(410.6)	
Commercial development	**(6.7)**		(62.2)		(77.7)	
		4.6		(499.9)		(488.3)
Finance income		**7.8**		14.4		18.0
Finance costs – non exceptional		**(76.7)**		(109.0)		(195.3)
Finance costs – exceptional		**(114.1)**		-		(13.3)
Loss before tax		**(178.4)**		(594.5)		(678.9)
Tax		**51.0**		168.7		210.3
Loss for the period from continuing operations		**(127.4)**		(425.8)		(468.6)

4. Segmental analysis (continued)

Profit/(loss) from operations includes £0.8m relating to forfeited deposits (2008: £3.7m) and £6.9m (2008: £6.2m) of other income.

	31 December 2009		31 December 2008 (restated*)		30 June 2009 (audited)	
Balance sheet	**£m**	**£m**	£m	£m	£m	£m
Segment assets						
Housebuilding	**4,501.5**		4,931.6		4,625.3	
Commercial development	**146.5**		202.4		173.9	
		4,648.0		5,134.0		4,799.2
Elimination of intercompany balances		**(103.8)**		(95.3)		(111.7)
		4,544.2		5,038.7		4,687.5
Deferred tax assets		**170.9**		99.3		127.3
Current tax assets		**-**		54.6		50.6
Cash and cash equivalents		**295.8**		44.7		178.8
Consolidated total assets		**5,010.9**		5,237.3		5,044.2
Segment liabilities						
Housebuilding	**(1,216.6)**		(1,357.9)		(1,272.9)	
Commercial development	**(59.5)**		(77.6)		(67.3)	
		(1,276.1)		(1,435.5)		(1,340.2)
Elimination of intercompany balances		**103.8**		95.3		111.7
		(1,172.3)		(1,340.2)		(1,228.5)
Loans and borrowings		**(920.3)**		(1,526.1)		(1,484.1)
Current tax liabilities		**(2.6)**		-		-
Consolidated total liabilities		**(2,095.2)**		(2,866.3)		(2,712.6)

	Half year ended 31 December 2009		Half year ended 31 December 2008		Year ended 30 June 2009 (audited)	
Other information	**£m**	**£m**	£m	£m	£m	£m
Capital additions						
Housebuilding	**0.2**		1.0		2.1	
Commercial development	**-**		-		-	
		0.2		1.0		2.1
Depreciation						
Housebuilding	**1.4**		1.6		5.0	
Commercial development	**0.1**		0.1		0.1	
		1.5		1.7		5.1

* The results for the period ended 31 December 2008 have been restated as explained in note 3.

** Additional disclosures have been provided for the half year ended 31 December 2008 and year ended 30 June 2009 for consistency of presentation with the half year ended 31 December 2009.

5. Exceptional items

Amended financing arrangements

On 23 September 2009 the Company announced a fully underwritten Placing and Rights Issue, raising gross proceeds of £720.5m, and the renegotiation of its banking facilities. The equity issue was completed on 4 November 2009 and the amended financing facilities came into effect on 16 November 2009.

As a consequence of amending the financing arrangements, as described in note 12, the Company incurred various fees, costs and other expenses. The amendment and other fees and costs were £24.2m, with £6.7m being charged to the income statement during the half year and £17.5m being amortised over the life of the amended facilities.

As a consequence of the part prepayment of the WB Acquisition Facilities as described in note 12, the Company made prepayment offers to each of the private placement noteholders, including make-whole amounts in respect of the private placement notes which were the subject of the prepayment offer. The noteholders had the option to receive a cash payment in satisfaction of the make-whole obligation instead of make-whole notes. Cash payments in respect of the make-whole amounts of £4.9m were made to certain noteholders and make-whole notes of £19.0m were issued to the remaining noteholders. The total charge recognised in the income statement in relation to make-whole payments and notes was £23.9m.

Interest rate swaps and foreign exchange swaps with contracted amounts of £285.0m and £51.5m respectively were cancelled during the half year ended 31 December 2009 following the Placing and the Rights Issue and prepayment of part of the Group's borrowings. Cumulative losses on interest rate swaps of £50.1m were recognised in the income statement following these cancellations. Interest incurred on the cancelled swaps from the date of the General Meeting up to the date of settlement amounted to £1.7m. Cancellation costs on foreign exchange swaps amounted to £0.9m.

The remaining balance of unamortised costs of £31.0m in respect of the restructuring of the Group's financing arrangements in 2008 was charged to the income statement when the amended financing arrangements became effective on 16 November 2009 as the terms of the amended financing arrangements were substantially different from the original financing arrangements primarily due to the revised covenant arrangements and certain new maturity dates and margins. The remaining fair value uplift of £0.2m in respect of the private placement notes was also credited to the income statement on 16 November 2009.

The total income statement charge in the half year relating to the amended financing arrangements was £114.1m.

Impairment of inventories

During the half year the Group reviewed the net realisable value of its land and work in progress carrying-values of its sites. This resulted in no further impairment of the housebuilding business (2008: £431.5m) and an impairment of £4.8m relating to the commercial developments business (2008: £63.4m). The total impairment for the half year was £4.8m (2008: £494.9m). Further details are provided in note 11.

Restructuring costs

During the half year ended 31 December 2009, the Group incurred £11.0m (2008: £19.9m) of costs in relation to reorganising and restructuring the business, including redundancy costs of £0.6m (2008: £11.0m).

Pension curtailment

No curtailment credit was recognised following the redundancies made during the half year (2008: £0.9m as restated) in relation to the Group's defined benefit pension scheme. Further details are provided in note 15.

6. Net finance costs

Recognised in income statement	**Half year ended 31 December 2009 £m**	Half year ended 31 December 2008* £m	Year ended 30 June 2009 (audited) £m
Finance income on short-term bank deposits	**(0.3)**	(0.6)	(0.9)
Imputed interest on available for sale financial assets	**(2.9)**	(9.3)	(11.2)
Other interest receivable	**(4.6)**	(4.5)	(5.9)
Finance income	**(7.8)**	(14.4)	(18.0)
Interest on bank overdrafts and loans	**38.3**	86.5	141.8
Amortisation of losses on cancelled interest rate swaps	**0.1**	0.2	0.4
Imputed interest on deferred term land payables	**11.5**	6.9	19.8
Finance costs related to employee benefits	**0.8**	0.1	0.3
Transfer from equity on cash flow hedges	**11.6**	(56.0)	(21.7)
Foreign exchange loss on US Dollar debt	**2.7**	56.8	33.8
Amortisation of facility fees	**6.3**	9.5	17.4
Basis rate swaps	**-**	2.9	-
Other interest payable	**5.4**	2.1	3.5
Finance costs before exceptional items	**76.7**	109.0	195.3
Net finance costs before exceptional items	**68.9**	94.6	177.3
Exceptional finance costs:			
Make-whole fees on redemption of private placement notes	**23.9**	-	13.3
Hedging termination costs	**52.7**	-	-
Write-off of previous facility unamortised fees	**31.0**	-	-
Other fees related to refinancing	**6.5**	-	-
Exceptional finance costs	**114.1**	-	13.3
Total finance costs	**190.8**	109.0	208.6
Net finance costs	**183.0**	94.6	190.6

Recognised in equity	**Half year ended 31 December 2009 £m**	Half year ended 31 December 2008* £m	Year ended 30 June 2009 (audited) £m
Losses on cash flow hedges	**27.7**	51.2	62.8
Total fair value losses on cash flow swaps included in equity	**27.7**	51.2	62.8
Amortisation of losses on cancelled interest rate swaps	**(0.2)**	(0.2)	(0.4)
Transfer to income statement on cash flow hedges – non exceptional	**(11.6)**	56.0	21.7
Transfer to income statement on cash flow hedges – exceptional	**(50.1)**	-	-
Total fair value (gains)/losses on cash flow swaps transferred from equity	**(61.9)**	55.8	21.3

* The categorisation of various items in the half year ended 31 December 2008 has been revised for consistency of presentation with the half year ended 31 December 2009 and year ended 30 June 2009.

7. Tax

The effective rate of corporation tax for the half year (including exceptional items) is 28.6% (half year ended 31 December 2008: 28.4%; year ended 30 June 2009: 31.0%). This is comprised of the best estimate of the average annual effective corporation tax rate expected, applied to the half year loss before exceptional items, and the tax effect of exceptional items, which is not included in the best estimate of the average annual effective rate but instead recognised in the same period in which the exceptional items arise.

As at 31 December 2009 the Group recognised a deferred tax asset of £170.9m mainly relating to losses which arose during the period and the prior year which are to be carried forward and relieved against profits arising in future periods.

8. Dividends

No interim or final dividends have been declared, proposed or paid in the half year ended 31 December 2009, half year ended 31 December 2008 or year ended 30 June 2009.

9. Earnings per share

Basic earnings per share is calculated by dividing the loss for the half year attributable to ordinary shareholders of £127.4m (2008: £425.8m (restated*)) by the weighted average number of ordinary shares in issue during the half year, excluding those held by the Employee Benefit Trust which were treated as cancelled, giving a figure of 672.9m (2008: 526.1m (restated**)).

There is no difference between basic and diluted earnings per share for the Group as the Group is loss making.

The earnings per share from continuing operations were as follows:

	Half year ended 31 December 2009 pence	Half year ended 31 December 2008 (restated*,**) pence	Year ended 30 June 2009 (restated**) pence
Basic and diluted earnings per share	**(18.9)**	(80.9)	(89.1)
Adjusted basic and diluted earnings per share	**(4.9)**	(10.3)	(15.6)

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

	Half year ended 31 December 2009		Half year ended 31 December 2008 (restated*,**)		Year ended 30 June 2009 (restated**)	
	£m	**pence per basic share**	£m	pence per basic share	£m	pence per basic share
Earnings for basic and diluted earnings per share	**(127.4)**	**(18.9)**	(425.8)	(80.9)	(468.6)	(89.1)
Add: exceptional finance costs	**114.1**	**17.0**	-	-	13.3	2.5
Add: impairment of inventories	**4.8**	**0.7**	494.9	94.1	499.5	95.0
Add: restructuring costs and pension curtailment gain	**11.0**	**1.6**	19.0	3.6	20.0	3.8
Less: tax effect of above items	**(35.4)**	**(5.3)**	(142.4)	(27.1)	(148.3)	(28.2)
Add: post-tax impairment of inventories relating to investments accounted for using the equity method	**-**	**-**	-	-	2.0	0.4
Earnings for adjusted basic and adjusted diluted earnings per share	**(32.9)**	**(4.9)**	(54.3)	(10.3)	(82.1)	(15.6)

Earnings are adjusted, removing exceptional finance costs, impairment of inventories, restructuring costs and pension curtailment gain and the related tax to reflect the Group's underlying earnings.

* The results for the period ended 31 December 2008 have been restated as explained in note 3.

** The number of shares in issue has been revised to reflect the Rights Issue as required by IAS 33 'Earnings per Share' which has adjusted the earnings per share.

10. Goodwill

	31 December 2009	31 December 2008	30 June 2009 (audited)
	£m	£m	£m
Opening and closing net book value	**792.2**	792.2	792.2

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

The Group conducts its annual goodwill impairment review at 30 June each year. However, due to the continued uncertainties in the UK housing market since 30 June 2009, and the significant change in the Group's capital structure following the Placing and the Rights Issue, the Group conducted a further impairment review of its goodwill and intangible assets together at 31 December 2009. This impairment review compared the value-in-use of the housebuilding segment with the carrying-value of its tangible and intangible assets and allocated goodwill. The Group allocates any identified impairment first to goodwill and then to assets on a pro-rata basis, which in the case of the Group is its intangible assets.

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

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

- Discount rate: this is a pre-tax rate reflecting current market assessments of the time value of money and risks appropriate to the Group's housebuilding business. Accordingly the rate of 11.5% is considered by the Directors to be the appropriate pre-tax risk adjusted discount rate being the Group's estimated pre-tax weighted average cost of capital. This rate is calculated using the current capital structure of the Group at the balance sheet date.

- Expected changes in selling prices for completed houses and the related impact upon operating margin: these are determined on a site-by-site basis for the first three years dependent upon local market conditions and product type. For years four and five these have been estimated at a Group level based upon past experience and expectations of future changes in the market taking into account external market forecasts.

- Sales volumes: these are determined on a site-by-site basis for the first three years dependent upon local market conditions, land availability and planning permissions. For years four and five these have been estimated at a Group level based upon past experience and expectations of future changes in the market taking into account external market forecasts.

- Expected changes in site costs to complete: these are determined on a site-by-site basis for the first three years dependent upon the expected costs of completing all aspects of each individual development, including any additional costs that are expected to occur due to the business being on an individual development site for longer due to current market conditions. For years four and five these have been estimated at a Group level based upon past experience and expectations of future changes in the market taking into account external market forecasts.

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

The impairment review of goodwill and intangible assets at 31 December 2009 was based upon current expectations regarding sales volumes, expected changes in selling prices and site costs to complete in the uncertain conditions within the UK housing market and used a discount rate appropriate to the position and risks of the Group. The result of the impairment review was that the recoverable value of goodwill and intangible assets exceeded its carrying-value by £495.3m. If the UK housing market and expectations regarding its future were to deteriorate further with either operating margins reducing by 1.7% per annum or the appropriate discount rate were to increase by 1.0% and all other variables were held constant then the recoverable value of goodwill and intangible assets would equal its carrying-value.

11. Inventories

	31 December 2009	31 December 2008	30 June 2009 (audited)
	£m	£m	£m
Land held for development	**2,357.7**	2,567.2	2,453.2
Construction work in progress	**995.7**	1,183.9	1,044.2
Part exchange properties	**30.0**	70.8	36.7
Other inventories	**3.6**	1.5	6.7
	3,387.0	3,823.4	3,540.8

During the half year ended 31 December 2009, the Group reviewed the net realisable value of its land and work in progress carrying-values of its sites. The impairment review compared the estimated future net present realisable value of development sites with their balance sheet carrying-value. This review resulted in no impairment charge for the housebuilding business (2008: £431.5m), although there were gross impairment reversals and charges of £39.1m due to performance variances upon housebuilding sites. There was an impairment of £4.8m for the commercial developments business (2008: £63.4m), leading to a total impairment during the half year of £4.8m (2008: £494.9m).

The key judgements in estimating the future net present realisable value of a site were the estimation of likely sales prices and estimated costs to complete. Sales prices were estimated on a site-by-site basis based upon local market conditions and considered the current prices being achieved upon each site for each product type.

The impairment review was based upon the current prices being achieved by the Group upon each individual site. Whilst the UK housing market has seen some recovery during the half year, if it were to change beyond management expectations in the future then further adjustments to the carrying-value of land and work in progress may be required.

Following these impairments £1,201.3m (2008: £1,521.8m) of inventories are valued at fair value less costs to sell rather than at historical cost.

12. Loans and borrowings

a) Net debt

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

	31 December 2009	31 December 2008	30 June 2009 (audited)
	£m	£m	£m
Cash and cash equivalents	**295.8**	44.7	178.8
Non-current borrowings			
Bank loans	**(723.8)**	(1,194.5)	(1,200.9)
Private placement notes	**(182.5)**	(327.0)	(274.7)
Total non-current borrowings	**(906.3)**	(1,521.5)	(1,475.6)
Current borrowings			
Bank overdrafts	**(1.8)**	(3.2)	(7.4)
Private placement notes	**(11.2)**	-	-
Loan notes	**(1.0)**	(1.4)	(1.1)
Total current borrowings	**(14.0)**	(4.6)	(8.5)
Total borrowings	**(920.3)**	(1,526.1)	(1,484.1)
Derivative financial instruments			
Foreign exchange swaps	**19.2**	58.6	28.4
Net debt	**(605.3)**	(1,422.8)	(1,276.9)

Cash and cash equivalents comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less.

Net debt is defined as cash and cash equivalents, bank overdrafts, interest bearing borrowings and foreign exchange swaps. The Group includes foreign exchange swaps within net debt as these swaps were entered into to hedge the foreign exchange exposure upon the Group's US Dollar denominated private placement notes. The Group's foreign exchange swaps have both an interest rate and an exchange rate element and only the exchange rate element on the notional amount of the swap is included within the net debt note. The Group's derivative financial instruments at the period end are shown below:

	31 December 2009	31 December 2008	30 June 2009 (audited)
	£m	£m	£m
Foreign exchange swap – exchange rate element	**19.2**	58.6	28.4
Foreign exchange swap – interest rate element	**(0.7)**	22.6	2.1
	18.5	81.2	30.5
Basis rate swaps	**-**	(2.9)	-
Interest rate swaps	**(54.0)**	(131.0)	(87.8)
Net derivative financial instruments	**(35.5)**	(52.7)	(57.3)

12. Loans and borrowings (continued)

a) Net debt (continued)

Movement in net debt is analysed as follows:

	Half year ended 31 December 2009	Half year ended 31 December 2008	Year ended 30 June 2009 (audited)
	£m	£m	£m
Net increase in cash and cash equivalents	**117.0**	11.9	146.0
Repayment of borrowings	**573.6**	215.9	241.0
Make-whole notes issued	**(19.0)**	-	(13.3)
Movement in net debt in the period	**671.6**	227.8	373.7
Opening net debt	**(1,276.9)**	(1,650.6)	(1,650.6)
Closing net debt	**(605.3)**	(1,422.8)	(1,276.9)

b) Developments related to committed facilities and private placement notes

On 22 September 2009, the Company entered into agreements with its bank lenders and private placement noteholders to amend the terms of its existing financing arrangements, including revised covenant arrangements. These amendments became effective on 16 November 2009 following the prepayment of 40% of the WB Acquisition Facilities, being £483.0m of the committed £484.1m five-year term facility and £9.5m of the £750.0m revolving credit facility (which operates as a term facility) and prepayment of £94.8m of private placement notes. In addition, on 16 November 2009, undrawn commitments of £50m under each of the Company's two revolving credit facilities were cancelled, reducing the total revolving credit commitments under both facilities to £700m.

As a result of the prepayment of private placement notes, make-whole notes totalling £19.0m were issued to the noteholders as detailed in note 5.

c) Weighted average interest rate

The weighted average interest rates paid, including amortised fees, but excluding exceptional items, were as follows:

	Half year ended 31 December 2009	Half year ended 31 December 2008	Year ended 30 June 2009 (audited)
	%	%	%
Bank loans net of swap interest	**8.1**	9.3	8.9
Loan notes	**2.7**	7.8	7.8
Private placement notes	**11.6**	11.1	11.7

12. Loans and borrowings (continued)

d) Drawn debt facilities

The principal features of the Group's drawn debt facilities at 31 December 2009 were as follows:

i) Committed facilities

- A committed £740.5m five-year revolving credit facility of which £740.5m was drawn at 31 December 2009, made available under a credit agreement dated 5 February 2007 (as amended from time to time including in August 2008 and most recently with effect from 16 November 2009). As part of the August 2008 amendments, the revolving credit facility was fully drawn and now effectively operates as a term facility. The maturity date on this debt is 26 April 2012. During the half year £9.5m of the facility was prepaid and the relevant proportion of the facility cancelled.
- A committed £350.0m three-year revolving credit facility of which £nil was drawn at 31 December 2009, made available under a facility agreement dated 2 February 2005 (as amended from time to time and most recently with effect from 16 November 2009). The maturity date on this debt is 16 November 2012.
- A committed £350.0m three-year revolving credit facility of which £nil was drawn at 31 December 2009, made available under a facility agreement dated 9 July 2008 (as amended from time to time and most recently with effect from 16 November 2009). The maturity date on this debt is 16 November 2012.

The Group suspended dividend payments in June 2008 as part of its cash conservation policy. The Board remains focused on strengthening the balance sheet and conserving cash. In addition, the Group's existing financing arrangements also impose restrictions on the payment of dividends until 30 June 2010. The Board is committed to reinstating the payment of dividends and will do so when it becomes appropriate and permissible to do so.

ii) Fixed rate Sterling private placement notes

The Group has £77.8m of fixed rate Sterling private placement notes. £11.2m expire on 15 October 2010. The remaining £66.6m of fixed rate Sterling private placement notes expire between 23 April 2018 and 23 April 2020. At 30 June 2009, there were £114.2m of fixed rate Sterling private placement notes but on 16 November 2009, the Company repaid £43.4m of fixed rate Sterling private placement notes and issued £7.3m of fixed rate Sterling private placement notes due to the make-whole clause within each of these agreements which was triggered on repayment. At 30 June 2009 the fixed rate Sterling private placement notes had a fair value uplift of £0.3m. During the period £0.1m of the fair value uplift was credited to the income statement and the remaining £0.2m was credited to the income statement within exceptional items.

iii) Fixed rate US Dollar private placement notes

- US Dollar ten-year private placement notes of $42.6m effective from 23 April 2008 and as amended on 16 November 2009. At 30 June 2009, there were $59.8m US Dollar ten-year private placement notes but on 16 November 2009, the Company repaid $22.5m of US Dollar ten-year private placement notes and issued $5.3m of US Dollar ten-year private placement notes due to the make-whole clause within these agreements which was triggered on repayment.
- US Dollar five-year private placement notes of $20.6m effective from 23 April 2008 and as amended on 16 November 2009. At 30 June 2009, there were $31.3m of US Dollar five-year private placement notes but on 16 November 2009, the Company repaid $12.1m of US Dollar five-year private placement notes and issued $1.4m of US Dollar five-year private placement notes due to the make-whole clause within these agreements which was triggered on repayment.
- US Dollar ten-year private placement notes of $124.0m effective from 23 August 2007 and as amended on 16 November 2009. At 30 June 2009 there were $180.5m of US Dollar ten-year private placement notes but on 16 November 2009, the Company repaid $69.3m of US Dollar ten-year private placement notes and issued $12.8m of US Dollar ten-year private placement notes due to the make-whole clause within these agreements which was triggered on repayment.

12. Loans and borrowings (continued)

d) Drawn debt facilities (continued)

iv) Floating rate sterling loan notes

The Group had £1.0m (2008: £1.4m) Sterling loan notes at 31 December 2009 having repaid £0.1m on that date and £0.3m at 30 June 2009. These loan notes are repayable at 30 June or 31 December each year at the option of the noteholder or are due in December 2012, and are subject to floating rates of interest linked to LIBOR. The obligations of the Group in respect of the Sterling loan notes are guaranteed by Lloyds TSB Bank Plc until 27 April 2010. Following the Placing and the Rights Issue £1.0m of cash is held in a secured bank account which supports the Group's obligation to repay any amounts which the noteholder may claim under that guarantee. Such security will be released on the expiry of the loan notes guarantee.

v) Bank overdrafts and uncommitted money market facilities

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

All debt is unsecured.

13. Derivative financial instruments – swaps

The Group has entered into derivative financial instruments to manage interest rate and foreign exchange risks as explained in note 14. The Group does not enter into any derivatives for speculative purposes.

	31 December 2009		31 December 2008		30 June 2009 (audited)	
	Asset £m	**Liability £m**	Asset £m	Liability £m	Asset £m	Liability £m
Held for trading						
Current						
Basis rate swaps	**-**	**-**	-	(2.9)	-	-
Designated as cash flow hedges						
Non-current						
Interest rate swaps	**-**	**(54.0)**	-	(131.0)	-	(87.8)
Foreign exchange swaps	**19.9**	**(1.4)**	81.2	-	31.9	(1.4)
	19.9	**(55.4)**	81.2	(131.0)	31.9	(89.2)
Total derivative financial instruments	**19.9**	**(55.4)**	81.2	(133.9)	31.9	(89.2)

a) Interest rate swaps

The Group enters into derivative transactions in the form of swap arrangements to manage the cash flow risks, related to interest rates, arising from the Group's sources of finance. All of the Group's interest rate swap arrangements contain a clause that allows the Group or the issuer to cancel the swap in May 2012 at fair value.

As at 31 December 2009 the Group had outstanding floating rate sterling debt and overdrafts of £726.6m (2008: £1,199.1m). In obtaining this funding the Group sought to achieve certainty as to both the availability of, and income statement charge related to, a designated proportion of anticipated future debt requirements.

13. Derivative financial instruments – swaps (continued)

a) Interest rate swaps (continued)

The Group has arranged to swap £480.0m (2008: £765.0m) of this debt into fixed rate sterling debt in accordance with the Group treasury policy outlined in note 14. After taking into account swap arrangements the fixed interest rates applicable to the debt were as follows:

31 December 2009 £m	**Fixed rate payable %**	**Maturity**	31 December 2008 £m	Fixed rate payable %	Maturity
142.5	5.79	2012	142.5	5.79	2012
50.0	5.80	2012	50.0	5.80	2012
60.0	5.94	2017	60.0	5.94	2017
60.0	5.99	2017	60.0	5.99	2017
32.5	5.64	2017	40.0	5.93	2017
60.0	5.75	2022	40.0	5.96	2017
75.0	5.44	2022	32.5	5.64	2017
			120.0	5.75	2022
			75.0	5.44	2022
			65.0	5.43	2022
			40.0	5.72	2022
			40.0	5.76	2022
480.0			765.0		

The swap arrangements are designated as a cash flow hedge against future interest rate movements. The fair value of the swap arrangements as at 31 December 2009, which is based on third party valuations, was a liability of £54.0m (2008: £131.0m) with a loss of £13.3m (2008: £124.2m) charged directly to equity in the half year. There was no ineffectiveness to be taken through the income statement during the half year or the prior half year.

Swaps with a notional amount of £285.0m were cancelled during the half year ended 31 December 2009 following the Placing and the Rights Issue and prepayment of part of the Group's sterling borrowings. Cumulative losses on interest rate swaps of £47.1m were recognised in the income statement following these cancellations. Swaps with a notional amount of £95.0m were cancelled during the year ended 30 June 2008. Cumulative losses on these swaps of £3.0m, previously deferred in equity, have been recognised in the income statement as an exceptional item, as the forecast transaction specified in the hedge relationship is no longer expected to occur.

b) Foreign exchange swaps

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

As at 31 December 2009 the Group had outstanding fixed rate US Dollar loan notes of $187.2m (2008: $300.0m).

13. Derivative financial instruments – swaps (continued)

b) Foreign exchange swaps (continued)

The Group has entered into swap arrangements to swap all of this debt into fixed rate sterling debt in accordance with the Group treasury policy outlined in note 14. After taking into account swap arrangements the fixed interest rates applicable to the debt were as follows:

31 December 2009 $m	**Fixed rate payable %**	**Maturity**	31 December 2008 $m	Fixed rate payable **%**	Maturity
18.2	8.98	2013	35.0	8.98	2013
1.0	10.95	2013	200.0	6.61	2017
1.4	10.78	2013	65.0	9.24	2018
103.7	6.61	2017			
7.5	10.55	2017			
12.8	9.75	2017			
33.7	9.24	2018			
3.6	12.23	2018			
5.3	11.37	2018			
187.2			300.0		

The swap arrangements are designated as cash flow hedges against future foreign exchange rate movements. The hedges match the contractual initial receipt, the final settlement, and as a result of refinancing on 9 July 2008 match 76% of the interest payments. The fair value of the swap arrangements as at 31 December 2009, which is based on third party valuations, was an asset of £18.5m (2008: £81.2m) with a loss of £0.1m (2008: £73.8m credited) charged directly to equity in the half year.

A gain of £11.9m (2008: £nil) was realised upon cancellation of $103.9m of foreign exchange swaps following repayment of $103.9m US Dollar private placement notes on 16 November 2009. In addition the Group made a realised foreign exchange loss of £11.9m (2008: £nil) upon its US Dollar private placement notes.

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

c) Basis rate swaps

There were no basis rate swaps outstanding as at 31 December 2009 (2008: £2.9m liability).

14. Financial risk management

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

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

14. Financial risk management (continued)

a) Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its liabilities as they fall due. The Group actively maintains a mixture of long-term and medium-term committed facilities that are designed to ensure that the Group has sufficient available funds for operations. The Group's borrowings are typically cyclical throughout the financial year and peak in April and May and October and November of each year, due to seasonal trends in income. Accordingly the Group maintains sufficient headroom under its revolving credit facilities to cover these requirements. On a normal operating basis the Group has a policy of maintaining headroom of £250.0m of available committed bank facilities and identifies and takes appropriate actions based upon its regular, detailed system for the reporting and forecasting of cash flows from its operations. At 31 December 2009, the Group had committed facilities of £1,519.3m (2008: £2,159.4m) and $187.2m (2008: $300.0m) with a total of £1,616.0m (2008: £2,308.1m) and total facilities, including uncommitted facilities of £71.2m (2008: £91.2m), of £1,687.2m (2008: £2,399.3m). The Group's drawn debt was £920.3m (2008: £1,526.1m). This represented 56.9% (2008: 66.1%) of available committed facilities.

The Group was in compliance with its financial covenants at 31 December 2009. At the date of approval of the condensed consolidated half yearly financial statements the Group's internal forecasts indicate that it will remain in compliance with these covenants for the foreseeable future being at least twelve months from the date of signing the condensed consolidated half yearly financial statements.

The Group's objective is to minimise refinancing risk. The Group therefore has a policy that the average maturity of its committed bank facilities and private placement notes is at least two years on average with a target of three years. At 31 December 2009, the average maturity of the Group's facilities was 3.1 years (2008: 3.5 years).

The Group maintains certain committed floating rate facilities with banks to ensure sufficient liquidity for its operations. The undrawn committed facilities available to the Group were as follows:

Expiry date	**31 December 2009** £m	31 December 2008 £m	30 June 2009 (audited) £m
In less than one year	**-**	-	50.0
In more than one year but not more than two years	**-**	50.0	-
In more than two years but not more than five years	**700.0**	750.0	750.0
	700.0	800.0	800.0

In addition, the Group had £69.4m of undrawn uncommitted facilities available at 31 December 2009 (2008: £88.0m).

b) Market risk (price risk)

i) UK housing market risk

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

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

- A weekly review is undertaken of key trading indicators, including reservations, sales rates, visitor levels, levels of incentives, competitor activity and cash flow projections.
- The Group seeks to provide mortgage providers with complete transparency regarding house purchase prices alongside any discounts or other incentives in order that they have appropriate information upon which to base their lending decision.
- The Group works with key mortgage lenders to ensure that products are appropriate wherever possible for its customers.

14. Financial risk management (continued)

b) Market risk (price risk) (continued)
i) UK housing market risk (continued)

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

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

	Linked to UK housing market £m	Not linked to UK housing market £m	Total £m
31 December 2009			
Non-derivative financial assets	104.7	313.8	418.5
Non-derivative financial liabilities	-	(1,839.6)	(1,839.6)
Derivatives	-	(35.5)	(35.5)
	104.7	**(1,561.3)**	**(1,456.6)**
31 December 2008			
Non-derivative financial assets	68.3	87.7	156.0
Non-derivative financial liabilities	-	(2,609.3)	(2,609.3)
Derivatives	-	(52.7)	(52.7)
	68.3	(2,574.3)	(2,506.0)
30 June 2009 (audited)			
Non-derivative financial assets	86.5	195.3	281.8
Non-derivative financial liabilities	-	(2,369.8)	(2,369.8)
Derivatives	-	(57.3)	(57.3)
	86.5	(2,231.8)	(2,145.3)

The value of the Group's available for sale financial assets is directly linked to the UK housing market. At 31 December 2009 these were carried at a fair value of £104.7m (2008: £68.3m).

ii) Interest rate risk

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

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

Taking into account hedging, the Group has a policy that 60%–80% of its average gross borrowings calculated on the latest three-year plan is at a fixed rate. Swaps with a notional amount of £285.0m were cancelled during the half year ended 31 December 2009 following the Placing and the Rights Issue and prepayment of part of the Group's sterling borrowings. Cumulative losses on interest rate swaps of £47.1m were recognised in the income statement following these cancellations. Swaps with a notional amount of £95.0m were cancelled during the year ended 30 June 2008. Cumulative losses on these swaps of £3.0m, previously deferred in equity, have been recognised in the income statement as an exceptional item, as the forecast transaction specified in the hedge relationship is no longer expected to occur. At 31 December 2009, 71.1% of the Group's borrowings was at a fixed rate (2008: 68.1%).

14. Financial risk management (continued)

b) Market risk (price risk) (continued)
ii) Interest rate risk (continued)

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

	Floating rate financial liabilities £m	Fixed rate financial liabilities £m	Non-interest bearing financial liabilities £m	Total £m
31 December 2009				
Financial liabilities (excluding derivatives)	726.6	193.7	919.3	1,839.6
Impact of interest rate swaps	(480.0)	480.0	-	-
Financial liability exposure to interest rate risk	**246.6**	**673.7**	**919.3**	**1,839.6**
31 December 2008				
Financial liabilities (excluding derivatives)	1,199.1	327.0	1,083.2	2,609.3
Impact of interest rate swaps	(765.0)	765.0	-	-
Financial liability exposure to interest rate risk	434.1	1,092.0	1,083.2	2,609.3
30 June 2009 (audited)				
Financial liabilities (excluding derivatives)	1,209.4	274.7	885.7	2,369.8
Impact of interest rate swaps	(765.0)	765.0	-	-
Financial liability exposure to interest rate risk	444.4	1,039.7	885.7	2,369.8

iii) Foreign exchange rate risk

As at 31 December 2009, the Group has fixed rate US Dollar denominated private placement notes of $187.2m (2008: $300.0m). In order to mitigate risks associated with the movement in the foreign exchange rate, the Group has a policy of fully hedging the principal of its US Dollar denominated debt and a significant proportion of the interest payments. The Group therefore entered into foreign exchange swap arrangements on the issue of its US Dollar denominated debt, all of which are designated as cash flow hedges. Accordingly the Group has no net exposure to foreign currency risk on the principal of its US Dollar debt. As a result of the revised financing arrangements implemented in July and August 2008 and the revised financing arrangements following the Placing and the Rights Issue, the foreign exchange swaps match 76% of the interest payments and therefore the Group is subject to foreign exchange rate risk upon the remaining 24%.

c) Credit risk
In the majority of cases, the Group receives cash upon legal completion for private sales and receives advance stage payments from Registered Social Landlords for social housing. The Group has £104.7m (2008: £68.3m) of available for sale financial assets which expose it to credit risk, although these assets are spread over a large number of properties. As such, the Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

The Group manages credit risk in the following ways:

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

The maximum exposure to any counterparty at 31 December 2009 was £55.3m (2008: £30.0m). The carrying amount of financial assets recorded in the financial statements, net of any allowance for losses, represents the Group's maximum exposure to credit risk.

14. Financial risk management (continued)

d) Capital risk management (cash flow risk)

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

The Group manages as capital its equity, as set out in the condensed consolidated statement of changes in shareholders' equity, its bank borrowings (being overdrafts, loan notes and bank loans) and its private placement notes, as set out in note 12.

The Group is subject to the prevailing conditions of the UK economy and the Group's earnings are dependent upon the level of UK house prices. UK house prices are determined by the UK economy and economic conditions including employment levels, interest rates, consumer confidence, mortgage availability and competitor pricing. The management of these operational risks is set out in the principal risks and uncertainties on pages 6 to 9.

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

15. Defined benefit pension schemes

The amounts recognised in the income statement were as follows:

	Half year ended 31 December 2009	Half year ended 31 December 2008 (restated*)	Year ended 30 June 2009 (audited)
	£m	£m	£m
Current service cost	**-**	1.4	2.8
Exceptional curtailment gain	**-**	(0.9)	(7.1)
Total pension charge/(credit) recognised in operating expenses in the consolidated income statement	**-**	0.5	(4.3)
Interest cost	**6.2**	6.4	12.9
Expected return on scheme assets	**(5.4)**	(6.3)	(12.6)
Total pension cost recognised in finance costs in the consolidated income statement	**0.8**	0.1	0.3
Total pension cost/(credit) recognised in the consolidated income statement	**0.8**	0.6	(4.0)

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

	Half year ended 31 December 2009	Half year ended 31 December 2008 (restated*)	Year ended 30 June 2009 (audited)
	£m	£m	£m
Expected return less actual return on pension scheme assets	**(21.2)**	15.7	20.5
Loss/(gain) arising from changes in the assumptions underlying the present value of benefit obligations	**27.6**	(20.3)	(6.4)
Total pension cost/(gain) recognised in the consolidated statement of comprehensive income	**6.4**	(4.6)	14.1

15. Defined benefit pension schemes (continued)

The amount included in the balance sheet arising from the Group's obligations in respect of its defined benefit pension scheme was as follows:

	31 December 2009	31 December 2008 (restated*)	30 June 2009 (audited)
	£m	£m	£m
Net liability recognised in the balance sheet	**32.1**	25.5	31.5

Cash flow movements in scheme assets were as follows:

	Half year ended 31 December 2009	Half year ended 31 December 2008	Year ended 30 June 2009 (audited)
	£m	£m	£m
Employer contributions	**6.6**	7.7	15.8
Member contributions	**-**	0.9	1.6
Benefits paid from scheme	**(4.6)**	(4.3)	(10.5)
Premiums paid	**-**	(0.1)	(0.2)

* The results for the period ended 31 December 2008 have been restated as explained in note 3.

16. Share capital

	31 December 2009	31 December 2008	30 June 2009 (audited)
	Number	Number	Number
Authorised ordinary shares of 10p each	**1,400,000,000**	439,460,000	439,460,000
Allotted and issued ordinary shares of 10p each – fully paid	**965,159,775**	346,718,019	346,718,019
	£m	£m	£m
Authorised ordinary shares of 10p each	**140.0**	43.9	43.9
Allotted and issued ordinary shares of 10p each – fully paid	**96.5**	34.7	34.7

During the six months, 7,406,014 options over the Company's shares were granted under the Company's Executive Share Option Scheme and 4,160,038 options were granted under the Senior Management Share Option Plan 2009/2010.

Allotment of shares during the period

On 19 October 2009 the Company issued 72,916,666 ordinary 10p shares by way of a Placing at 240 pence per share.

On 19 October 2009 the Company provisionally allotted 545,525,090 New Ordinary Shares in respect of a 1.3 for 1 Rights Issue at a price of 100 pence per share. The allotment was subsequently confirmed on the closing of the Rights Issue.

The Placing and the Rights Issue generated gross proceeds to the Company of £720.5m. After costs of £27.5m excluding shares purchased by the Employee Benefit Trust, the Placing and the Rights Issue generated net proceeds to the Company of £693.0m.

Employee Benefit Trust

The Barratt Developments PLC Employee Benefit Trust (the 'EBT') holds 3,935,405 (2008: 1,711,046) ordinary shares in the Company. During the half year the EBT participated in the Rights Issue and consequently purchased 2,224,359 ordinary shares for £2,224,359. The cost of the shares held by the EBT, at an average of 128.6 pence per share (2008: 165.9 pence per share) was £5,062,745 (2008: £2,838,386). The market value of the shares held by the EBT at 31 December 2009 at 124.0 pence per share (2008: 70.0 pence per share) was £4,879,902 (2008: £1,197,732). The shares are held in the EBT for the purpose of satisfying options that have been granted under The Barratt Developments PLC Executive and Employee Share Option Plans. These ordinary shares do not rank for dividend and do not count in the calculation of the weighted average number of shares used to calculate earnings per share until such time as they are vested to the relevant employee.

17. Cash flows from operating activities

	Half year ended 31 December 2009 £m	Half year ended 31 December 2008 (restated*) £m	Year ended 30 June 2009 (audited) £m
Loss for the period from continuing operations	**(127.4)**	(425.8)	(468.6)
Tax	**(51.0)**	(168.7)	(210.3)
Finance income	**(7.8)**	(14.4)	(18.0)
Finance costs	**190.8**	109.0	208.6
Share of post-tax loss from joint ventures	**0.6**	2.0	3.0
Profit/(loss) from operations	**5.2**	(497.9)	(485.3)
Amortisation of deferred loss on swaps	**0.1**	0.2	0.4
Basis rate swaps	**-**	2.9	-
Depreciation	**1.5**	1.7	5.1
Impairment of inventories	**4.8**	494.9	499.5
Impairment of available for sale financial assets	**6.2**	-	23.7
Share-based payments	**0.1**	2.7	4.3
Imputed interest on deferred term land payables	**(11.5)**	(6.9)	(19.8)
Imputed interest on available for sale financial assets	**2.9**	9.3	11.2
Amortisation of facility fees	**(6.3)**	(9.5)	(17.4)
Write-off of previous facility unamortised fees	**(31.0)**	-	-
Finance costs related to employee benefits	**(0.8)**	(0.1)	(0.3)
Profit on disposal of property, plant and equipment	**-**	(0.2)	(0.4)
Deferred tax on fair value adjustment	**-**	-	(3.3)
Total non-cash items	**(34.0)**	495.0	503.0
Decrease in inventories	**149.0**	516.3	795.5
(Increase)/decrease in trade and other receivables	**(1.0)**	31.1	63.8
Decrease in trade and other payables	**(24.4)**	(235.3)	(321.9)
Increase in available for sale financial assets	**(24.4)**	(1.4)	(43.3)
Total movements in working capital	**99.2**	310.7	494.1
Interest paid	**(63.7)**	(89.4)	(155.3)
Tax received	**53.6**	31.3	51.3
Net cash inflow from operating activities	**60.3**	249.7	407.8

* The results for the period ended 31 December 2008 have been restated as explained in note 3.

18. Contingent liabilities

a) 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 £390.0m (2008: £473.0m), and confirm that the possibility of cash outflow is considered minimal and no provision is required.

b) Contingent liabilities related to joint ventures

The Group has guaranteed certain bank borrowings of its joint ventures, amounting to £3.9m (2008: £3.5m).

At 31 December 2009, the Group has an obligation to repay £0.9m (2008: £0.9m) of grant monies received by a joint venture upon certain future disposals of land.

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

c) Contingent liabilities related to subsidiaries and joint ventures

Provision is made for the Directors' best estimate of all known 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 where the Directors consider, based on that advice, that the action is unlikely to succeed, or a sufficiently reliable estimate of the potential obligations cannot be made.

i) Incident at Battersea Park Road, London

One of the principal subsidiaries within the Group is BDW Trading Ltd ('BDW'). On Tuesday 26 September 2006 at Battersea Park Road, London, a tower crane supplied to BDW (with operator) by a third party contractor collapsed. The collapse of the crane was not contained within the boundaries of the site and the crane operator and a member of the public were killed. In addition, significant damage was caused to a neighbouring block of flats and shops which resulted in the evacuation of a number of local residents due to concerns about structural stability. There is an ongoing criminal investigation currently being carried out by the London Metropolitan Police and the Health and Safety Executive to ascertain whether any of the parties involved are criminally liable for manslaughter or under relevant health and safety legislation. Although no assurance can be given, the Board has been advised that on the information available as at 22 February 2010, being the last practicable date prior to the publication of the IMR, the risk of a finding of criminal liability against BDW is low. A number of civil claims brought against BDW in connection with the same incident have now been settled. All such claims are covered by the Group's insurance, to the extent not recoverable from the third party contractor's insurers.

ii) Incident at Bedfont Azure Lakes

On 28 February 2008, a resident was found dead and another resident seriously injured in housing association accommodation at the Bedfont Azure Lakes site developed by BDW. It is believed that the cause of both the death and the serious injury was carbon monoxide poisoning. Police and Health and Safety Executive investigations commenced immediately into possible manslaughter/breaches of relevant health and safety legislation. These investigations are ongoing. Claims have been made against BDW by both the housing association and by various residents on the estate where the incident occurred as a result of the disruption caused to them by an evacuation of the surrounding property, by their gas being turned off and by their premises having to be inspected in order to establish whether there was any wider issue with gas installations on the site. Some residents have also claimed (retrospectively) that they have suffered some of the symptoms of mild carbon monoxide inhalation.

The claims made by the Housing Association for loss and disruption are expected to be of the order £1.8m and may in due course be recoverable from third parties or their insurers. A number of the personal injury claims have been settled by the Group's insurers but the remainder, including that of the seriously injured resident, are still outstanding and it is not possible to fully quantify them at this time. It is expected that all personal injury claims will be covered by the Group's insurances or the insurances of third parties. The Group has undertaken work to ensure that all installations at the site are safe and is continuing to monitor the safety of the gas installations as part of the programme of other remediation works agreed with the Housing Association.

19. Related party transactions

Transactions between the Group and its joint ventures

The Group has principally entered into transactions with its joint ventures in respect of funding, development management services (with charges made based on the utilisation of these services), and reimbursement of group and consortium tax relief. These transactions totalled £1.0m (2008: £2.2m), £0.1m (2008: £0.6m), and £0.2m (2008: £nil).

The amount of outstanding loans and interest due to the Group from its joint ventures at 31 December 2009 is £94.9m (2008: £93.6m). The amounts outstanding are unsecured and will be settled in cash. The Group has also provided bank guarantees to the value of £3.9m (2008: £3.5m) to one of its venturers. There were no other amounts outstanding to the Group from its joint ventures at either 31 December 2009 or 31 December 2008.

20. Seasonality

The Group, in common with the rest of the housebuilding industry, is subject to the two main spring and autumn house selling seasons, which also result in peaks and troughs in the Group's debt profile. Since these seasons fall in separate half years the Group's financial results are not usually subject to significant seasonal variations.

Responsibility statement

The Directors confirm that to the best of their knowledge these condensed consolidated half yearly financial statements have been prepared in accordance with IAS34 and 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 therein).

The Directors of Barratt Developments PLC during the half year were:
R A Lawson, Chairman
M S Clare, Group Chief Executive
S J Boyes, Group Board Executive Director
C Fenton, Group Board Executive Director
M A Pain, Group Finance Director (resigned 21 July 2009)
R J Davies, Senior Independent Director
R MacEachrane, Non-Executive Director
M E Rolfe, Non-Executive Director
W Shannon, Non-Executive Director
D F Thomas, Group Finance Director (appointed 21 July 2009)
T E Bamford, Non-Executive Director (appointed 1 July 2009)

These condensed consolidated half yearly financial statements were approved by the Board on 23 February 2010.

M S Clare
Group Chief Executive

D F Thomas
Group Finance Director

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 2009 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 20. 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 them 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 and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 3, 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 Ireland) 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 2009 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Deloitte LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom
23 February 2010

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Company information

Registered in England and Wales. Company number 604574