



16 November 2011

Barratt Developments PLC Interim Management Statement

Barratt Developments PLC (the "Group") will be holding its Annual General Meeting this afternoon at 2:30pm at the Royal College of Physicians, London and is today issuing its Interim Management Statement, which covers the period from 1 July to 13 November 2011 (the "period").

Highlights

- Average weekly net private reservations up 25.9% in the period due to an increased number of sites and an improved reservation rate per site
- Private average selling price ("ASP") in the period increased by c. 7% compared to the prior year equivalent period to c. £207,000 as a result of changes in product mix and new site starts
- New site openings from recently acquired higher margin land are expected to drive a significant improvement in profit before tax for the full year
- Private forward sales up 27.4% on the prior year at 3,221 plots
- Net debt as at 30 June 2012 expected to be at the lower end of our previous guidance at around £400m

Mark Clare, Group Chief Executive commented,

"Our strategy of pursuing value rather than volume combined with bringing recently acquired higher margin land into production, is delivering a significant improvement in operating performance. The location of our new sites coupled with our highest quality housing is helping to drive pricing and some recovery in sales rates. However, without an increase in the availability of mortgage finance, industry growth will remain constrained."

Trading

Our total active sites have increased as we have brought newly acquired higher margin land into production. Average active sites were 379 in the period up from 349 in the prior year. We anticipate that total active sites will increase to c. 410 by the financial year end in June 2012, equating to an average of c. 390 for the year.

Average weekly net private reservations increased by 25.9% in the period (from 158 in the prior year equivalent period to 199) driven by increased site numbers and higher reservation rates per site. On a per site basis, we delivered 0.53 net private reservations per active site per week in the period, up from 0.45 in the prior year equivalent period and 0.48 in H2 FY 2010/11 (Note 1). The comparative trading performance in H1 2010/11 was negatively impacted by weak consumer confidence particularly around the Government's Comprehensive Spending Review in late October 2010.

Social housing completions were in line with expectations and are forecast to be c. 17% of total completions in H1 2011/12, down from 23.5% in H1 2010/11. For FY 2011/12, social housing completions are expected to be around 20% of the total completions.

The Group expects the split of total completions between the first half and second half of the financial year to be approximately 40% in H1 2011/12 and 60% in H2 2011/12.

Average selling price continues to increase driven by changes in product mix. Private ASP (excluding joint ventures) on completions during the period increased by c. 7% on the prior year equivalent period to c. £207,000. Overall underlying prices remained stable with greater robustness in London and the South East.

The cancellation rate for the period continued to be low at 14.6% compared with 15.2% in the prior year equivalent period.

Total forward sales were up 15.3% on the equivalent period in the prior year at 6,232 plots (2010: 5,406 plots), of which 66% (2010: 71%) were contracted. Private forward sales were up 27.4% to 3,221 plots (2010: 2,528 plots), with the value of private forward sales up 21.0% to £654.2m (2010: £540.6m) (Note 2).

Shared equity

Shared equity remains an important selling tool as a result of the continued constraints on higher loan to value mortgage finance. We expect shared equity to represent c. 20% of total completions in H1 2011/12 (H1 2010/11: 28.0%), of which around half will utilise FirstBuy.

In light of the current wider macro uncertainties, we have concluded that now is not the right time to realise best value by monetising part of our shared equity portfolio.

Land

Our more recently acquired higher margin land is now being brought into production, with c. 40 sites from new land expected to have been brought into production by the end of the first half of this year. This land continues to perform in line with or above our required hurdle rates applied on acquisition that include a gross margin of at least 20% and a return on capital employed of at least 25% (Note 3). Our forecast completions from new land remain largely unchanged with more than one third of completions expected from new land in this financial year increasing to more than 50% in FY 12/13 and around two thirds in FY 13/14. This delivery of new higher margin land is expected to drive a significant improvement in profitability for the Group for the financial year.

We remain focused on maximising the value of our historic land holdings and continue to expect to deliver c. 25% of total completions from impaired land in this financial year. Where appropriate we will accelerate the utilisation of impaired land through land sales or swaps and are targeting proceeds of c. £40m from total land sales in this financial year (2010/11: £26.7m).

On new land approvals, for the year to date we have agreed terms on £111.3m equating to a total of 23 sites and 2,320 plots (Note 4).

Since we returned to land buying in mid 2009 we have approved terms on 13,359 plots in 2009/10, 8,861 plots in 2010/11 and we anticipate approving terms on around 6,000 plots in FY12. The reduction in approvals reflects our earlier land buying success and prevailing market conditions. We are now driving to accelerate the reduction in our owned landbank to around 4 years supply by 30 June 2012 and maintain conditional land at c. 1 years supply.

Planning consent continues to be achieved in line with our expectations. For the financial year to date we have received detailed planning consents on 47 sites and we now have detailed planning consents for our expected 2011/12 completions. Looking forward, we have detailed consents for 79% and outline consents on a further 9% of our expected 2012/13 completions.

Net debt / land creditors

We continue to actively manage our balance sheet and operate prudently within the terms of our financing arrangements. In acquiring new higher margin land since mid 2009 we have focused on matching the timing of completion revenues and the related land payments where possible to maximise the return on capital.

We expect net debt as at 31 December 2011 to be around £620m and as at 30 June 2012 to be around £400m. We expect land creditors at both 31 December 2011 and 30 June 2012 to be c. £750m.

Quality and Service

The Group continues to deliver the highest quality products and level of service to our customers. We were awarded HBF 5 Star housebuilder status for a second consecutive year and have won 80 NHBC "Pride in the Job" Quality Awards so far this year.

Most recently, Barratt was named "Housebuilder of the Year" at the industry's annual awards earlier this month, organised by The Housebuilder magazine in conjunction with the official industry body, the HomeBuilders Federation. In addition the Group was also accredited with Best Regeneration Project, Best Landscaped / Managed Open Space and Best Community Initiative Awards.

Outlook

The Group's strategy is to rebuild profitability through optimising selling prices, improving operational efficiency, investing in new higher margin land and bringing it into production.

For the current financial year we anticipate volume growth to be driven by increased site openings supplemented by higher year on year sales rates in the first half. Private ASP should continue to increase due to further changes in our product mix.

Following a good start, the Group remains on track to deliver profits in line with the Board's expectations for the year. However it is clear that unless we see a significant increase in the availability of mortgage finance then future growth prospects for the industry will remain constrained.

Note 1 – Reservation rates

	Average net private reservations per week	Net private reservations per week per active site ⁽¹⁾
20 weeks to 13 Nov 2011	199	0.53
20 weeks to 14 Nov 2010	158	0.45

(1) An active site is defined by the Group as a site with at least one unit available for sale

Note 2 – Forward sales

	13 Nov 2011	14 Nov 2010	% change
<u>Private</u>			
Value	£654.2m	£540.6m	21.0%
- due in H1	£393.3m	£298.0m	32.0%
- due after H1	£260.9m	£242.6m	7.5%
Plots	3,221	2,528	27.4%
<u>Social</u>			
Value	£314.1m	£330.3m	(4.9%)
- due in H1	£48.2m	£70.4m	(31.5%)
- due after H1	£265.9m	£259.9m	2.3%
Plots	3,011	2,878	4.6%
<u>Total</u>			
Value	£968.3m	£870.9m	11.2%
- of which contracted	£558.4m	£576.4m	(3.1%)
- % of which contracted	58%	66%	(8%)
- due in H1	£441.5m	£368.4m	19.8%
- due after H1	£526.8m	£502.5m	4.8%
Plots	6,232	5,406	15.3%
- % contracted	66%	71%	(5%)

Note 3 – Return on capital employed

Return on capital employed is defined as site operating profit (site trading profit less sales overheads and allocated administrative overheads) divided by average investment in site land and work in progress

Note 4 – Land acquisition since mid 2009

	IMS period from 1 July 2011 to 13 November 2011	FY 2010 /11	Total since mid 2009
Total spend	£111.3m	£454.1m	£1,092.6m
Total number of plots	2,320	8,861	24,540
Location			
- South:North (by value)	60%:40%	49%:51%	58%:42%
- South:North (by plots)	41%:59%	41%:59%	46%:54%
Vendor			
- Government : Private	32%:68%	10%:90%	25%:75%
Type			
- Houses : Flats	81%:19%	86%:14%	81%:19%
Status			
- Owned	n/a	n/a	15,059
- Contracted	n/a	n/a	7,674
- Progressing	n/a	n/a	1,807
Payment			
- Paid 09/10	n/a	n/a	£40.2m
- Paid in 10/11	n/a	n/a	£132.9m
- Due in 11/12	n/a	n/a	£280.8m
- Due after 11/12	n/a	n/a	£638.7m

Unless stated otherwise, % splits are by plots

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

Conference call for analysts and investors

Mark Clare, Group CEO and David Thomas, Group FD will be hosting a conference call at 08:30am today, Wednesday 16 November 2011, to discuss this Interim Management Statement.

To access the conference call:

Dial-in: +44 (0) 20 3140 0722

A replay facility will be available:

Dial-in: +44 (0) 20 3140 0698

Passcode: 380850#

Annual General Meeting

Barratt Developments PLC will be holding its Annual General Meeting today at 2:30pm at the Royal College of Physicians, 11 St Andrews Place, Regent's Park, London NW1 4LE.

For further information please contact:

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