

22 February 2012



BARRATT DEVELOPMENTS PLC
Results for the half year ended 31 December 2011

Barratt Developments PLC (the 'Company') is today issuing the results for the Company and its subsidiary undertakings (the 'Group') in respect of the half year ended 31 December 2011 ('the period').

Substantial increase in profits

Highlights:

- Revenues for the half year to 31 December 2011 increased by 8.6% to £952.8m (2010: £877.6m)
- Average selling price increased by 3.1% to £181,200 (2010: £175,800), with private average selling price increasing by 4.2% to £199,900 (2010: £191,900) driven by further positive mix changes
- Profit from operations was £61.1m (2010: £43.5m), a 40.5% increase, with operating margin increasing to 6.4% (2010: 5.0%)
- Profit before tax of £21.6m (2010: loss before tax of £4.6m)
- Recently acquired higher margin land continues to be brought into production and is expected to contribute more than one third of this financial year's completions
- 98% (2010: 97%) of customers would recommend us to a friend
- Net debt as at 31 December 2011 was £542.2m (31 December 2010: £537.0m) and is forecast to be lower than previously expected at around £350m at 30 June 2012 (30 June 2011: £322.6m)
- Strong start to the second half with the Group delivering 246 (FY 2010/11 equivalent period: 202) private sales per week, up 21.8% in the seven weeks to 19 February driven by both an improved sales rate of 0.61 (FY 2010/11 equivalent period: 0.55) private sales per active site per week and new site openings. Overall underlying prices remain stable
- Private forward sales as at 19 February 2012 were up by 24.3% to £693.2m (20 February 2011: £557.9m)
- Second half gross margin and operating profit expected to increase from the prior year equivalent period

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

"Over the last six months we have continued to improve the performance of the business, despite the wider economic uncertainty. We have delivered a further substantial increase in profits and recently acquired high margin land is now driving further recovery. We have again brought debt and land creditors in below expected levels. We have seen a strong start to 2012 and over the first seven weeks private reservations are running 21.8% ahead of this time last year."

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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.

There will be an analyst and investor meeting at 8:30am today at UBS, Ground Floor, 1 Finsbury Avenue, London, EC2M 2PP. The meeting will be broadcast live on the Barratt Developments corporate website, www.barrattdevelopments.co.uk from 8:30am today. A listen only function will also be available.

Please dial: +44(0) 1452 565 124

Conference ID: 45738881

The Interim Management Report for the six months ended 31 December 2011 is available from today, 22 February 2012, 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.

For further information please contact:

Barratt Developments PLC

David Thomas, Group Finance Director 020 7299 4896
Susie Bell, Head of Investor Relations 020 7299 4880

For media enquiries, please contact:

Barratt Developments PLC

Patrick Law, Group Corporate Affairs Director 020 7299 4892

Maitland

Liz Morley 020 7379 5151
Neil Bennett

Group Chief Executive's statement

Results

The Group's performance in the half year reflects both the greater stability of the market over the last 12 months and the delivery of our objective to rebuild profitability.

The Group made a profit before tax for the first half to 31 December 2011 of £21.6m (2010: loss before tax £4.6m) driven by a continued improvement in operating performance, with an increase in both average selling prices and operating margin and a reduction in interest costs.

The Group's profit from operations was £61.1m (2010: £43.5m), with an operating margin of 6.4% (2010: 5.0%).

The Group's earnings per share were 1.3p (2010: loss per share 0.9p).

The Group's net debt as at 31 December 2011 was £542.2m (31 December 2010: £537.0m), lower than previous expectations, reflecting higher than anticipated completions in the period, ongoing control of working capital and the timing of land payments. In line with expected cash generation and normal seasonal trends, net debt is forecast to reduce to around £350m as at 30 June 2012 (30 June 2011: £322.6m).

The Board is committed to improving the profitability and strengthening the financial position of the Group whilst continuing to invest both in its existing land bank as well as new sites that meet the Group's required hurdle rates. In this context, the Board does not consider it appropriate to pay an interim dividend (2010: nil). The Board will continue to review appropriate uses of the free cashflow of the business.

Group objectives

The Group's overriding objective is to rebuild profitability and we have set out three clear priorities to achieve this:

- optimising average selling prices;
- improving operational efficiency; and
- targeted land buying.

The reduction of our net debt is also a key objective. Going forward we expect that increased operating profit and our target to lower average investment per site will reduce our overall indebtedness.

Improving business performance

Group profit from operations increased by 40.5% year on year to £61.1m (2010: £43.5m), with operating margin improving to 6.4% (2010: 5.0%). This reflects the significant progress made on the Group's objectives in the first half of the year.

Average selling price ('ASP') for the period increased by 3.1% to £181,200 (2010: £175,800). Whilst overall, underlying prices in the period were stable, we continue to see regional variation with greater robustness in the South East. Private ASP increased by 4.2% to £199,900 (2010: £191,900) driven by further positive changes in mix. Social ASP declined by 9.5% to £111,800 (2010: £123,500), largely due to a lower social content in London in the period versus the prior year equivalent period.

We have continued to implement further operational efficiencies to reduce our build costs and increase the effectiveness of our operations. We have maintained a firm control on direct costs despite upward price pressures on certain materials and overheads are in line with the prior half year. Going forward, it is likely that some raw material prices will rise due to underlying commodity prices and increased demand, however we will continue to work to mitigate these increases.

We are focused on bringing our recently acquired higher margin land into production as quickly as possible. In the current financial year as a whole we continue to expect more than one third of completions to come from this land, increasing to more than a half of completions in FY 2012/13 and around two thirds in FY 2013/14. Also, we continue to actively trade through our old sites.

Housebuilding operations

In the first six months of the financial year the Group operated across an average of 382 (2010: 352) active sites, up 8.5% on the same period last year. During the half year, the Group opened 80 sites and completed 57 sites, resulting in a net increase in active sites to 400 as at 31 December 2011 (31 December 2010: 366). Based on our current organisational structure, we believe that we have the capacity to go to around 460 active outlets as a maximum, but this will only happen if market demand supports it.

The Group averaged 184 (2010: 138) net private reservations per week during the first half, which was 0.48 (2010: 0.39) net private reservations per active site per week, an increase of 23.1%. The prior year equivalent period was adversely affected by a decline in consumer confidence, particularly in the weeks around the Government's Comprehensive Spending Review in October 2010 and the extreme weather conditions in December 2010. The cancellation rate for the first half was lower than the prior year equivalent period at 17.7% (2010: 20.1%).

Group Chief Executive's statement (continued)

Housebuilding completions for the first half were 5,117 (2010: 4,796) with private completions of 4,028 (2010: 3,669) and social housing completions of 1,089 (2010: 1,127).

Overall 68.6% (2010: 65.1%) of the Group's first half completions were houses. Outside central London, houses accounted for 75.2% (2010: 72.4%) of completions.

The continued constraints on mortgage finance and, in particular, the limited availability of higher loan to value products, has meant shared equity remains an important selling tool. In the half year, 972 (2010: 1,342) completions utilised shared equity, representing 19.0% (2010: 28.0%) of completions. Of these, 545 (2010: 537) completions used the Government FirstBuy or HomeBuy Direct initiatives (these are jointly funded by the Homes and Communities Agency and the housebuilder), with the remainder using the Group's own schemes.

During the period we have targeted and achieved an increased use of part-exchange as a selling tool, with 16.8% (2010: 12.7%) of our completions supported by this incentive in the period. We continue to manage our commitment to part-exchange stock carefully and at 31 December 2011 had 355 unreserved part-exchange properties (31 December 2010: 364).

Social housing accounted for 21.3% (2010: 23.5%) of completions. We continue to expect social housing completions to represent c. 20% of completions for the financial year.

Housebuilding revenues for the half year were £930.5m (2010: £847.2m). Housebuilding gross margin was 10.3% (2010: 9.2%) with the improvement mainly resulting from the increased completions being achieved from recently acquired higher margin land and continued margin improvements from cost reduction and replanning on older sites.

Housebuilding operations saw a significant increase in profit from operations to £59.1m (2010: £43.2m). As a result the operating margin increased to 6.4% up from 5.1% in the prior year equivalent period. This increased profitability was driven by a substantial improvement in gross margin coupled with tight overhead cost control.

As at 31 December 2011, total forward sales for the Group were up 8.1% at £698.1m (31 December 2010: £645.7m), equating to 4,710 plots (31 December 2010: 4,353). Private forward sales as at 31 December 2011 increased by 29.8% to £415.3m (31 December 2010: £319.9m), reflecting the Group's stronger sales performance during the autumn selling season.

Commercial development operations

Our commercial development revenue was £22.3m (2010: £30.4m) with a profit from operations of £2.0m (2010: £0.3m). This included revenue from the design and build of a 40,000 sq. ft. foodstore in Warrington, which is scheduled to complete in the second half of the financial year, and the disposal of 41 acres of land at our site in Rochdale to a food retailer.

Our commercial business, Wilson Bowden Developments, currently has preferred developer status on six shopping centre developments and continues to progress these opportunities whilst seeking to create best value available from the Group's portfolio of other commercial assets.

Land and planning

Land

We are focused on bringing our recently acquired higher margin land into production as quickly as possible. In the current financial year as a whole we continue to expect more than one third of completions to come from this land, increasing to more than half of completions in FY2012/13 and around two thirds in FY2013/14.

This recently acquired land continues to perform in line with, or above, our hurdle rates on acquisition which include a gross margin of at least 20% and a return on capital employed (based on operating profit) of at least 25%.

Since we returned to land buying in mid 2009 we have approved terms on 13,359 plots to 30 June 2010, 8,861 plots in FY2010/11 and we anticipate approving terms on around 8,000 plots in FY2011/12. The reduction in approvals reflects our earlier land buying success and our strategy to reduce the depth of our landbank. As a national housebuilder, we continue to acquire land across all of our operating regions and seek to ensure that our land acquisition strategy is not unduly weighted to any geographic area. We are now driving to accelerate the reduction in our owned landbank to around 4 year's supply (based on prior year completions) by 30 June 2012 and maintain conditional land at c. 1 year's supply.

In the first half the Group agreed terms on £178.1m (2010: £318.0m) of land purchases equating to 4,671 plots (2010: 6,078 plots). By plots 85% (2010: 81%) was for houses and by value 58% (2010: 59%) was located in our southern area.

Total cash expenditure on land in the first half was £261m (2010: £142m). The Group anticipates that total cash expenditure on land for the full financial year will be between £500m to £550m (FY2010/11: £261m).

Land creditors as at 31 December 2011 were £627.3m (31 December 2010: £588.1m). The year on year increase in land creditors reflects the significant proportion of newly acquired land that has been acquired on deferred terms. Land

Group Chief Executive's statement (continued)

creditors due within the next 12 months total £297.9m (2010: £321.6m), with £329.4m (2010: £266.5m) due thereafter. In the second half to 30 June 2012, we expect land creditors will increase to c. £700m to £750m, however this is dependent upon the timing of planning consents and land contracts.

At 31 December 2011, the Group's owned land bank stood at 46,294 plots (2010: 50,587 plots) with an additional 12,065 plots (2010: 13,555 plots) under conditional contract, giving a total of 58,359 plots (2010: 64,142 total plots). This equates to approximately 4.2 years of owned land based on the prior year's completion volumes.

Of the Group's owned and unconditional plots (46,294 plots), less than 20% (30 June 2011: 24%) by value is made up of impaired land. 42% (30 June 2011: 47%) by value consists of non-impaired land where the average gross margin is c. 9% and the remaining 38% (30 June 2011: 29%) consists of land acquired since re-entering the land market in mid-2009 with an average gross margin of c. 20% based on current house prices.

We have also remained focused on maximising the value from 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 disposal of impaired land through land sales or swaps.

Our underlying assumptions for impairment calculation purposes are for low single digit selling price and cost inflation. In the past year, we have only seen a small improvement in underlying prices, but we have continued to deliver further cost reductions. We recognise that the Group is not immune to future pricing trends in the wider housing market and we will continue to review the trading environment and our impairment assumptions during the year to 30 June 2012.

Strategic land

In addition, we have c. 11,200 acres of strategic land the value of which is regularly reassessed until the necessary planning consents are obtained. In line with our operational land portfolio, this land is carried at the lower of cost and net realisable value. Strategic land is expected to produce an increasing proportion of our operational land in future years. In the next few years planning consents are expected on sites consisting of around 15,000 units.

Planning

In the first half we received detailed planning consents on 53 sites and we now have detailed planning consents for all of our expected FY 2011/12 completions. Looking forward, we have detailed consents for 84% of our expected FY 2012/13 completions and outline consents on a further 7%.

There is currently some uncertainty over how the future planning regime will operate as the Government has recently been consulting on a draft National Planning Policy Framework ('NPPF'). We have broadly supported the Government's proposed changes as we believe that the right balance has been achieved in the draft between the views of local people and the need for local housing. It is expected that the Government will announce the outcome of their consultation later in the spring.

Balance sheet

The net assets of the Group decreased by £18.2m to £2,911.9m between 30 June and 31 December 2011, primarily reflecting the Group's profit after tax of £12.1m offset by actuarial losses on the Group's defined benefit pension scheme of £30.6m.

Net tangible asset value decreased by 0.9% to £2,019.7m (30 June 2011: £2,037.9m) and net tangible asset value per share at 31 December 2011 was £2.09 (30 June 2011: £2.11 per share).

Significant balance sheet movements since 30 June 2011 include:

- Land holdings reduced by £27.6m to £2,162.1m. This decrease reflects net land additions of £183.9m offset by land usage.
- Work in progress increased by £95.8m to £1,119.0m due to the increase in the Group's site numbers. The Group maintains tight control over its work in progress and at 31 December 2011 the Group had 2.2 (30 June 2011: 2.2) unreserved stock units per active site.
- Available for sale financial assets increased by £8.1m to £177.5m reflecting the 972 completions that used FirstBuy, HomeBuy Direct or the Group's own similar products during the half year.
- Group net debt increased by £219.6m to £542.2m reflecting normal operational trends.
- Trade and other payables decreased by £166.2m to £1,213.5m mainly reflecting the net reduction in trade payables to £255.2m and a reduction in land payables to £627.3m.
- The deficit on the Barratt Developments defined benefit pension scheme increased by £23.3m in the half year to £35.1m reflecting a decrease in corporate bond yields and worse than expected asset returns partially offset by the Group's deficit reduction contributions.
- Goodwill and intangible assets remained at £892.2m as the impairment review of the housebuilding business and brand indicated that no impairment was required.

Group Chief Executive's statement (continued)

- Deferred tax assets increased by £1.6m to £144.8m mainly due to the impact of the increase in the pension scheme deficit and the movement in the value of the Group's derivative financial instruments, partially offset by the impact of tax rate changes and the current year tax charge.

Borrowings and cash flow

Group net debt at 31 December 2011 was £542.2m (31 December 2010: £537.0m) with gearing at 26.8% (2010: 26.7%) both of which were lower than previous expectations reflecting higher than anticipated completions in the period, ongoing control of working capital, and the timing of land payments. In line with expected cash generation and normal seasonal trends, net debt is expected to reduce to around £350m by 30 June 2012.

The Group's net finance charge in the first half was £38.9m (2010: £48.2m). This includes a net non-cash finance charge of £9.5m (2010: £12.9m). The Group expects that its full year net finance charge will be around £80m (2011 financial year: £92.4m before exceptional items, £138.9m including exceptional items), consisting of cash interest of around £60m on net debt (including term debt) and around £20m of non-cash finance charges. We will continue to focus on reducing net debt and associated interest costs.

The Group has around £1 billion of committed facilities and private placement notes to May 2015, with some of the Group's arrangements extending as far as 2021, which provides us with appropriate funding.

Quality, service and the environment

The Group continued to make good progress in improving customer service and our most recent customer survey indicated that 98% (2010: 97%) of customers would recommend us to a friend.

Our five-year warranty on fixtures and fittings continues to be a product that is unique to the Group, providing a point of difference compared to other housebuilders.

Our commitment to delivering the highest quality product is not only acknowledged by our customers but is also widely recognised through third party accreditation and awards. In November 2011, we were named 'Housebuilder of the Year' at the industry's most prestigious annual awards organised in conjunction with the official industry body, the Homebuilders Federation ('HBF'). We have also been awarded HBF Five Star housebuilder status for the second consecutive year and have won 80 NHBC 'Pride in the Job' Quality Awards, 31 Seal of Excellence Awards and 2 Regional Awards.

Government housing strategy

The publication of the Government's housing strategy in November 2011 was a welcome development for the industry. The New Build Indemnity scheme, NewBuy, is potentially the most important aspect, as it focuses on enabling customers to secure up to 95% loan to value mortgages which is significantly above current limits available for the new build sector. If the scheme is successfully implemented, it will substantially reduce the customer deposit required and be more cost and cashflow efficient than shared equity products. Good progress is being made in establishing NewBuy and it is likely to see first completions in the late spring.

However, whilst NewBuy is being established, FirstBuy, the Government backed equity share product, will remain an important sales tool. We have made good progress in using our initial allocation of £24.9m (1,400 units) and this success has been recognised by the Homes and Communities Agency through additional allocations totalling £9.5m (620 units).

The housing strategy is also expected to result in a substantial release of surplus Government land for housing through the 'build now pay later' initiative. The Group is well positioned to capitalise on this programme, as a result of its track record in successfully securing public land that has been released through the Delivery Partner Panel. To date, the Group has won seven bids for more than 1,900 units with a gross development value of c. £490m and is also at an advanced stage of tendering for a further four projects.

Government initiatives to address housing supply include the Get Britain Building Fund of £420m. This is targeting sites where there is an implementable planning permission but where activity has either stalled or has not started for economic reasons. We have submitted our bid for an allocation of this funding.

Current trading and outlook

The Group has delivered an improved performance in the first half of the financial year and we have significantly strengthened our forward order book going into the second half. Our strategy of optimising selling prices, improving operational efficiency and investing in and bringing into production higher margin land, is delivering significant improvements in profitability.

In the first seven weeks of the second half of the current financial year, the sales performance across the Group has been strong. Net private reservations have averaged 0.61 (FY 2010/11 equivalent period: 0.55) per active site per week. Combined with an increase in active sites we have seen private reservations increase by 21.8% compared to the prior year equivalent period. Overall underlying selling prices have remained stable. Cancellation rates have remained low at an average of 13.8% (FY 2010/11 equivalent period: 11.8%) for the first seven weeks of the second half.

Group Chief Executive's statement (continued)

As at 19 February 2012, total forward sales for the Group were up 7.8% at £962.8m (20 February 2011: £893.5m), equating to 5,958 plots (20 February 2011: 5,722 plots). Private forward sales as at 19 February 2012 increased by 24.3% to £693.2m (20 February 2011: £557.9m).

Whilst there remains considerable uncertainty surrounding the outlook for the economy, we have had an encouraging start to the second half and we welcome the Government's new housing strategy and believe it will have a positive impact on the industry.

In the second half of our financial year, in line with the same period last year, we expect a greater contribution from completions on recently acquired higher margin land and also a greater contribution from our London business where the margins on older sites are substantially higher than the Group average. The combination of these two factors coupled with a greater second half weighting of completion volumes is expected to result in an increase in gross margin and operating profit performance compared to the same period last year.

Mark Clare

Group Chief Executive
21 February 2012

Principal risks and uncertainties

The Group's financial and operational performance and reputation 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 of which the principal risks are identified in the table below. The Group recognises that the management of risk is fundamental to the achievement of Group targets. As such management throughout the Group is involved in this process.

Risk and description	Relevance to strategy	Mitigation
Market		
<p>Changes in the macroeconomic environment including unemployment, buyer confidence, availability of mortgage finance, the ability of purchasers to repay shared equity loans, interest rates, competitor pricing, falls in house prices or land values or a failure of the housing market to recover, may lead to a fall in the demand for houses which in turn could result in impairments of the Group's inventories, goodwill and intangible assets.</p> <p>Cost reduction measures may adversely affect the Group's business or its ability to respond to future improvements in market conditions.</p>	<p>The majority of homes built by the Group are purchased by individuals who rely on the availability of mortgages. The confidence of buyers and their ability to obtain mortgages or other forms of financing and pay down debt are impacted by the macroeconomic environment. Accordingly customer demand is sensitive to changes in economic conditions.</p> <p>The Group and Company's ability to grow its business partly depends on securing land or options over sites and having adequate resources to build sufficient homes to meet demand. The Company's ability to do this can be impacted by cash and profit constraints (see also the liquidity, land and construction risks sections below).</p>	<p>A weekly review is undertaken of key trading indicators, including reservations, sales rates, Group shared equity balances, part-exchange volumes, visitor levels, incentives, competitor activity and cash flow projections and, where possible, appropriate management action is taken.</p> <p>The Group's internal systems clearly identify the impact of sales price changes on the margins achievable and as a minimum the Group performs asset impairment reviews twice a year.</p> <p>The Group works with key mortgage lenders to ensure that products are appropriate wherever possible for its customers.</p> <p>The Group has Driving Profitable Sales and Commercial Action initiatives in place to seek to enhance the effectiveness and efficiency of our sales processes and keep the cost base tightly controlled and cost reduction measures are managed via the stewardship of the Executive.</p>
Liquidity		
<p>Unavailability of sufficient borrowing facilities to enable the servicing of liabilities (including pension funding) and the inability to refinance facilities as they fall due, obtain surety bonds, or comply with borrowing covenants. Furthermore there are risks to management of working capital such as conditional contracts, build costs, joint ventures and the cash flows related to them.</p>	<p>The Group maintains committed facilities of different duration that are designed to ensure that it has sufficient available funds for operations. The Group's borrowings are cyclical during the financial year and peak around April/May and October/November each year as, due to seasonal trends in income, these are the calendar points when the Group has the highest working capital requirements.</p> <p>The Group maintains sufficient facility committed debt headroom and in addition has a number of trade finance and surety facilities that are designed to ensure that the Group has sufficient bonds available.</p>	<p>The Group agreed its debt refinancing which provides around £1 billion of committed facilities and private placement notes to May 2015.</p> <p>The Group has in place a comprehensive regular forecasting process encompassing profitability, working capital and cash flow that is fully embedded in the business. These forecasts are regularly stress tested to ensure that adequate headroom within facilities and banking covenants is maintained. On a normal operating basis the Group has a policy of maintaining facility headroom of up to £150m.</p> <p>The Group has a comprehensive regular forecasting process for surety bond requirements.</p> <p>The Group is in compliance with its borrowing covenants and at the date of approval of the 2011 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 of the 2011 half year financial statements.</p>

Principal risks and uncertainties (continued)

Risk and description	Relevance to strategy	Mitigation
People		
Inability to recruit and/or retain employees with appropriate skill sets or sufficient numbers of such employees.	The Group aims to attract, retain and develop a sufficiently skilled and experienced workforce in order to maintain high standards of quality and customer service.	The Group has a comprehensive Human Resources policy which includes apprentice schemes, a graduate programme, succession planning and training schemes tailored to each discipline. The Group continues to target a fully Construction Skills Certification Scheme carded and qualified workforce.
Availability of raw materials, subcontractors and suppliers		
Shortages or increased costs of materials and skilled labour, the failure of a key supplier or the inability to secure supplies upon appropriate credit terms could increase costs and delay construction.	The Group relies upon affordable supplies of building materials from multiple sources and subcontractors to perform the majority of work on sites. This retains flexibility to commence work on new sites and enhances the Group's build cost efficiency.	The Group adopts a professional approach to site management and seeks to partner with its supply chain. The Group has a policy of having multiple suppliers for both labour contracts and material supplies and contingency plans should any key supplier fail.
Land		
Inability to secure sufficient consented land at appropriate cost and quality to provide profitable growth.	The Group needs to purchase sufficient quantities of good quality consented land at attractive prices, in order to be in a position to commence construction and enhance the Group's ability to deliver strong profit growth as the housing markets recover.	Potential land acquisitions are subject to formal appraisal, with those approved required to achieve an overall Group defined hurdle rate of return and to meet the Group and Company's strategic criteria for growth. 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 senior management and Board level. In addition, each operating division holds weekly land meetings.
Government regulation		
Inability to adhere to the increasingly stringent and complex regulatory environment, including planning and technical requirements affecting the housing market and regulatory requirements more generally.	The Group's land portfolio consists of land for the short and medium term as well as strategic land. The Group seeks to meet regulatory and planning requirements to obtain the planning permission required to develop homes and communities.	The Group consults with the Government both directly and through industry bodies to highlight potential issues and has considerable in-house technical and planning expertise devoted to complying with regulations and achieving implementable planning consents. The Group has appropriate policies and technical guidance manuals in place to assist employees achieve regulatory compliance and the standards of business conduct expected of them.

Principal risks and uncertainties (continued)

Risk and description	Relevance to strategy	Mitigation
Construction		
<p>Failure to identify and achieve key construction milestones, including: the impact of adverse weather conditions; the failure to identify cost over runs promptly; design and construction defects; and exposure to environmental liabilities could delay construction, increase costs, reduce selling prices and result in litigation and uninsured losses. Also there are risks associated with the use of new technology in the build process e.g. materials related to carbon reduction.</p> <p>In addition, large development projects, including commercial developments are complex and capital intensive and changes may negatively impact upon cash flows or returns.</p>	<p>The Group builds homes and communities in Britain ranging from houses to large scale flatted developments.</p>	<p>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. Development projects, including returns and cash flows, are monitored regularly by divisional management teams and the Group obtains legal and other professional advice when required. Any alternate forms of construction and building technologies and the quality of the materials used by the Group are subject to evaluation by external and internal technical experts including the NHBC to ensure compliance with all building and other regulations.</p> <p>The Group regularly monitors a number of environmental impact indicators, the results of which are disclosed in the Group's Sustainability Report.</p> <p>Appropriate insurance cover is maintained for all of the Group's main risks.</p>
Health and safety		
<p>Health and safety breaches can result in injuries to employees, sub-contractors and site visitors, delays in construction/increased costs, reputational damage, criminal prosecution and civil litigation.</p>	<p>Health and safety is a key issue in the house building sector. Given the inherent risks associated with it and management of it, it is of paramount importance to the Group. Senior management and the Board review health and safety matters on a regular basis and aim to reduce its injury incidence rates by implementing policies and procedures aimed at keeping staff and visitors free from injury.</p>	<p>The Group has a dedicated health and safety audit department which is independent of the management of the operating divisions. Health and safety audits are undertaken on a regular basis and processes are modified as required with a view to seeking continuous improvement. Performance is reviewed by the Health, Safety and Environment Committee that meets quarterly. Each month, health and safety reports are cascaded by each division, for review by the Executive Committee and Board, which also receives a direct report every six months from the Safety Health and Environment Director.</p>
IT		
<p>Failure of the Group's IT systems, in particular those relating to surveying and valuation, could adversely impact the performance of the Group.</p>	<p>The ability to be able to optimise prices and ensure operational efficiency is essential to the Group's performance. The Group's integrated management systems enable the Group to maintain tight control especially with regards to surveying and valuation.</p>	<p>A dedicated IT team regularly monitors and maintains Group IT systems to ensure continued functionality. A fully tested disaster recovery programme is in place.</p>

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 13 and details of contingent liabilities including litigation is provided at note 17 (c).

Condensed consolidated income statement
for the half year ended 31 December 2011 (unaudited)

	Note	Half year ended 31 December 2011			Half year ended 31 December 2010			Year ended 30 June 2011 (audited)		
		Before except- ional items £m	Except- ional items (note 5) £m	£m	Before except- ional items £m	Except- ional items (note 5) £m	£m	Before except- ional items £m	Except- ional items (note 5) £m	£m
Continuing operations										
Revenue	4	952.8	-	952.8	877.6	-	877.6	2,035.4	-	2,035.4
Cost of sales		(853.6)	-	(853.6)	(796.5)	-	(796.5)	(1,807.6)	-	(1,807.6)
Gross profit		99.2	-	99.2	81.1	-	81.1	227.8	-	227.8
Administrative expenses		(38.1)	-	(38.1)	(37.6)	-	(37.6)	(92.8)	(7.7)	(100.5)
Profit/(loss) from operations	4	61.1	-	61.1	43.5	-	43.5	135.0	(7.7)	127.3
Finance income	6	6.1	-	6.1	9.1	-	9.1	18.0	-	18.0
Finance costs	6	(45.0)	-	(45.0)	(57.3)	-	(57.3)	(110.4)	(46.5)	(156.9)
Net finance costs	6	(38.9)	-	(38.9)	(48.2)	-	(48.2)	(92.4)	(46.5)	(138.9)
Share of post-tax (loss)/profit from joint ventures		(0.6)	-	(0.6)	0.1	-	0.1	0.1	-	0.1
Share of post-tax (loss) from associates		-	-	-	-	-	-	-	-	-
Profit/(loss) before tax		21.6	-	21.6	(4.6)	-	(4.6)	42.7	(54.2)	(11.5)
Tax	7	(9.5)	-	(9.5)	(4.4)	-	(4.4)	(17.2)	14.9	(2.3)
Profit/(loss) for the period from continuing operations		12.1	-	12.1	(9.0)	-	(9.0)	25.5	(39.3)	(13.8)
Profit/(loss) for the period attributable to equity shareholders		12.1	-	12.1	(9.0)	-	(9.0)	25.5	(39.3)	(13.8)
Earnings/(loss) per share from continuing operations										
Basic	8			1.3p			(0.9)p			(1.4)p
Diluted	8			1.2p			(0.9)p			(1.4)p

Notes 1 to 20 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 2011 (unaudited)

	Half year ended 31 December 2011	Half year ended 31 December 2010	Year ended 30 June 2011 (audited)
Note	£m	£m	£m
Profit/(loss) for the period	12.1	(9.0)	(13.8)
Other comprehensive (expense)/income			
Amounts deferred in respect of effective cash flow hedges	6	(14.3)	(7.1)
Actuarial (losses)/gains on defined benefit pension schemes	14	(30.6)	8.3
Fair value adjustment on available for sale financial assets		2.2	-
Tax credit/(charge) on items taken directly to equity		11.3	(0.9)
Net (loss)/profit recognised directly in equity		(31.4)	0.3
Amounts reclassified to the income statement in respect of hedged cash flows	6	(0.9)	17.2
Amounts reclassified to the income statement in respect of hedged cash flows no longer expected to occur – exceptional	6	-	-
Tax credit/(charge) on items taken directly to equity		0.2	(4.7)
Net (loss)/profit transferred		(0.7)	12.5
Total comprehensive (expense)/income recognised for the period attributable to equity shareholders		(20.0)	3.8
		27.7	

Notes 1 to 20 form an integral part of the condensed consolidated half yearly financial statements.

Condensed consolidated statement of changes in shareholders' equity at 31 December 2011 (unaudited)

	Share capital £m	Share premium £m	Merger reserve £m	Hedging reserve £m	Own shares £m	Share- based payment £m	Retained earnings £m	Total retained earnings £m	Total £m
Balance at 1 July 2010	96.5	206.6	1,109.0	(48.9)	(5.0)	13.2	1,528.8	1,537.0	2,900.2
Loss for the period	-	-	-	-	-	-	(9.0)	(9.0)	(9.0)
Amounts deferred in respect of effective cash flow hedges	-	-	-	(7.1)	-	-	-	-	(7.1)
Amounts reclassified to the income statement in respect of hedged cash flows	-	-	-	17.2	-	-	-	-	17.2
Actuarial gains on pension scheme	-	-	-	-	-	-	8.3	8.3	8.3
Tax on items taken directly to equity	-	-	-	(3.4)	-	-	(2.2)	(2.2)	(5.6)
Total comprehensive income/(expense) recognised for the period ended 31 December 2010	-	-	-	6.7	-	-	(2.9)	(2.9)	3.8
Share-based payments	-	-	-	-	-	1.0	0.4	1.4	1.4
Balance at 31 December 2010	96.5	206.6	1,109.0	(42.2)	(5.0)	14.2	1,526.3	1,535.5	2,905.4
Loss for the period	-	-	-	-	-	-	(4.8)	(4.8)	(4.8)
Amounts deferred in respect of effective cash flow hedges	-	-	-	(16.5)	-	-	-	-	(16.5)
Amounts reclassified to the income statement in respect of hedged cash flows	-	-	-	11.3	-	-	-	-	11.3
Amounts reclassified to the income statement in respect of hedged cash flows no longer expected to occur – exceptional	-	-	-	29.8	-	-	-	-	29.8
Fair value adjustments on available for sale financial assets	-	-	-	-	-	-	2.5	2.5	2.5
Actuarial gains on pension scheme	-	-	-	-	-	-	13.7	13.7	13.7
Tax on items taken directly to equity	-	-	-	(7.0)	-	-	(5.1)	(5.1)	(12.1)
Total comprehensive income recognised for the period ended 30 June 2011	-	-	-	17.6	-	-	6.3	6.3	23.9
Share-based payments	-	-	-	-	-	0.8	-	0.8	0.8
Balance at 30 June 2011	96.5	206.6	1,109.0	(24.6)	(5.0)	15.0	1,532.6	1,542.6	2,930.1
Profit for the period	-	-	-	-	-	-	12.1	12.1	12.1
Amounts deferred in respect of effective cash flow hedges	-	-	-	(14.3)	-	-	-	-	(14.3)
Amounts reclassified to the income statement in respect of hedged cash flows	-	-	-	(0.9)	-	-	-	-	(0.9)
Fair value adjustments on available for sale financial assets	-	-	-	-	-	-	2.2	2.2	2.2
Actuarial losses on pension scheme	-	-	-	-	-	-	(30.6)	(30.6)	(30.6)
Tax on items taken directly to equity	-	-	-	3.4	-	-	8.1	8.1	11.5
Total comprehensive expense recognised for the period ended 31 December 2011	-	-	-	(11.8)	-	-	(8.2)	(8.2)	(20.0)
Share-based payments	-	-	-	-	-	1.6	-	1.6	1.6
Issue of shares	0.1	0.1	-	-	-	-	-	-	0.2
Balance at 31 December 2011	96.6	206.7	1,109.0	(36.4)	(5.0)	16.6	1,524.4	1,536.0	2,911.9

Notes 1 to 20 form an integral part of the condensed consolidated half yearly financial statements.

Condensed consolidated balance sheet
at 31 December 2011 (unaudited)

		31 December 2011	31 December 2010	30 June 2011 (audited)
	Note	£m	£m	£m
Assets				
Non-current assets				
Other intangible assets		100.0	100.0	100.0
Goodwill	9	792.2	792.2	792.2
Property, plant and equipment		6.2	6.4	5.6
Investments accounted for using the equity method		111.9	84.5	102.8
Available for sale financial assets		177.5	155.3	169.4
Trade and other receivables		5.4	8.6	5.7
Deferred tax assets		144.8	163.3	143.2
Derivative financial instruments – swaps	12	30.9	27.8	25.0
		1,368.9	1,338.1	1,343.9
Current assets				
Inventories	10	3,355.8	3,372.5	3,296.8
Trade and other receivables		57.9	49.8	58.7
Cash and cash equivalents	11	2.8	369.4	72.7
Current tax assets		-	-	3.2
		3,416.5	3,791.7	3,431.4
Total assets	4	4,785.4	5,129.8	4,775.3
Liabilities				
Non-current liabilities				
Loans and borrowings	11	(563.6)	(915.4)	(405.5)
Trade and other payables		(332.5)	(267.3)	(352.5)
Retirement benefit obligations	14	(35.1)	(31.7)	(11.8)
Derivative financial instruments – swaps	12	(52.6)	(63.0)	(37.0)
		(983.8)	(1,277.4)	(806.8)
Current liabilities				
Loans and borrowings	11	(8.3)	(13.8)	(11.2)
Trade and other payables		(881.0)	(930.4)	(1,027.2)
Current tax liabilities		(0.4)	(2.8)	-
		(889.7)	(947.0)	(1,038.4)
Total liabilities	4	(1,873.5)	(2,224.4)	(1,845.2)
Net assets		2,911.9	2,905.4	2,930.1
Equity				
Share capital	15	96.6	96.5	96.5
Share premium		206.7	206.6	206.6
Merger reserve		1,109.0	1,109.0	1,109.0
Hedging reserve		(36.4)	(42.2)	(24.6)
Retained earnings		1,536.0	1,535.5	1,542.6
Total equity		2,911.9	2,905.4	2,930.1

Notes 1 to 20 form an integral part of the condensed consolidated half yearly financial statements.

Condensed consolidated cash flow statement
for the half year ended 31 December 2011 (unaudited)

		Half year ended 31 December 2011	Half year ended 31 December 2010	Year ended 30 June 2011 (audited)
	Note	£m	£m	£m
Net cash (outflow)/inflow from operating activities	16	(210.0)	(167.3)	100.2
Cash flows from investing activities				
Purchase of property, plant and equipment		(1.4)	(0.6)	(0.7)
Acquisition of subsidiaries net of cash acquired		-	-	(1.1)
Increase in investments accounted for using the equity method		(8.5)	(4.5)	(22.8)
Interest received		0.3	2.3	4.4
Net cash outflow from investing activities		(9.6)	(2.8)	(20.2)
Cash flows from financing activities				
Proceeds from issue of share capital		0.2	-	-
Hedging termination costs		(0.2)	-	(27.1)
Other fees related to amendment of financing arrangements		-	-	(8.6)
Loan drawdowns/(repayments)		149.7	(7.0)	(518.1)
Net cash inflow/(outflow) from financing activities		149.7	(7.0)	(553.8)
Net decrease in cash and cash equivalents		(69.9)	(177.1)	(473.8)
Cash and cash equivalents at the beginning of period		72.7	546.5	546.5
Cash and cash equivalents at the end of period		2.8	369.4	72.7

Notes 1 to 20 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 2011 (unaudited)

1. Cautionary statement

The Group Chief Executive's statement contained in this Interim Management Report ('IMR'), including the principal risks and uncertainties, has been prepared by the Directors in good faith based on the information available to them up to the time of their approval of this report solely for the Company's shareholders as a body, so as to assist them in assessing the Group's strategies and the potential for those strategies to succeed and accordingly should not be relied on by any other party or for any other purpose and the Company hereby disclaims any liability to any such other party or for reliance on such information for any such other purpose.

This 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 2011 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 2011, prepared under International Financial Reporting Standards ('IFRS'), on which the auditors gave an unqualified opinion which did not draw attention to any matters by way of emphasis and did not contain a statement made under either s498 (2) or (3) of the Companies Act 2006, has been filed with the Registrar of Companies.

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. The material financial and operational risks and uncertainties that impact upon the Group's performance and their mitigation are outlined in the principal risks and uncertainties and financial risks including liquidity risk, market risk, credit risk and capital risk are outlined in note 13 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, factors that particularly impact upon the performance of the Group include changes in the macroeconomic environment including buyer confidence, availability of mortgage finance for the Group's customers and interest rates.

On 10 May 2011 the Group agreed a complete debt refinancing package. This provides the Group with around £1 billion of committed facilities and private placement notes to May 2015, with some of the Group's arrangements extending as far as 2021. The covenant package is similar to before and the facilities provide appropriate headroom above our current forecast debt requirements.

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, being at least twelve months from the date of these condensed consolidated half yearly financial statements. Accordingly, 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' 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 2011 except as described below.

In the current period we have reviewed the fair value hierarchy applied to the measurement of the fair value of our available for sale financial assets and concluded that the assets should be classified as Level 3 rather than as Level 2, as previously classified. The disclosures required under IFRS 7 for Level 3 financial assets will be included in our 2012 Annual Report.

Notes to the condensed consolidated half yearly financial statements for the half year ended 31 December 2011 (unaudited)

3. Accounting policies (continued)

Changes in accounting policy

In the current financial year, the Group has adopted Amendment to IFRS7 'Disclosures – Transfers of Financial Assets', Amendment to IFRIC14 'Prepayment of a Minimum Funding Requirement', IAS 24 (Revised) 'Related Party Transactions' and the Annual Improvements to IFRS (2010 tranche).

The adoption of the amendments and interpretation have not had any impact upon the profit/(loss) or net assets of the Group in either the current period or comparative year and have not required any additional disclosures.

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 segmental information on the basis of these operating segments. As the Group operates in a single geographic market, Britain, no geographical segmentation is provided.

	Half year ended 31 December 2011		Half year ended 31 December 2010		Year ended 30 June 2011 (audited)	
	Units	Units	Units	Units	Units	Units
Residential completions						
Housebuilding	5,177		4,796		11,078	
Commercial development	-		-		-	
		<u>5,177</u>		<u>4,796</u>		<u>11,078</u>
Income statement	£m	£m	£m	£m	£m	£m
Revenue						
Housebuilding	930.5		847.2		1,986.2	
Commercial development	22.3		30.4		49.2	
		<u>952.8</u>		<u>877.6</u>		<u>2,035.4</u>
Cost of sales before exceptional impairment of inventories						
Housebuilding	(834.8)		(769.0)		(1,764.4)	
Commercial development	(18.8)		(27.5)		(43.2)	
		<u>(853.6)</u>		<u>(796.5)</u>		<u>(1,807.6)</u>
Gross profit before exceptional impairment of inventories						
Housebuilding	95.7		78.2		221.8	
Commercial development	3.5		2.9		6.0	
		<u>99.2</u>		<u>81.1</u>		<u>227.8</u>
Administrative expenses before exceptional restructuring costs						
Housebuilding	(36.6)		(35.0)		(87.6)	
Commercial development	(1.5)		(2.6)		(5.2)	
		<u>(38.1)</u>		<u>(37.6)</u>		<u>(92.8)</u>

Notes to the condensed consolidated half yearly financial statements
for the half year ended 31 December 2011 (unaudited)

4. Segmental analysis (continued)

	Half year ended 31 December 2011		Half year ended 31 December 2010		Year ended 30 June 2011 (audited)	
	£m	£m	£m	£m	£m	£m
Profit from operations before impairment of inventories and restructuring costs						
Housebuilding	59.1		43.2		134.2	
Commercial development	2.0		0.3		0.8	
		<u>61.1</u>		<u>43.5</u>		<u>135.0</u>
Exceptional impairment of inventories and restructuring costs						
Housebuilding	-		-		(7.7)	
Commercial development	-		-		-	
		<u>-</u>		<u>-</u>		<u>(7.7)</u>
Profit from operations						
Housebuilding	59.1		43.2		126.5	
Commercial development	2.0		0.3		0.8	
		<u>61.1</u>		<u>43.5</u>		<u>127.3</u>
Share of post-tax (loss)/profit from joint ventures						
Housebuilding	(0.2)		0.2		0.1	
Commercial development	(0.4)		(0.1)		-	
		<u>(0.6)</u>		<u>0.1</u>		<u>0.1</u>
Share of post-tax (loss) from associates						
Housebuilding	-		-		-	
Commercial development	-		-		-	
		<u>-</u>		<u>-</u>		<u>-</u>
Profit from operations including share of post-tax (loss)/profit from joint ventures and associates						
Housebuilding	58.9		43.4		126.6	
Commercial development	1.6		0.2		0.8	
		<u>60.5</u>		<u>43.6</u>		<u>127.4</u>
Finance income		6.1		9.1		18.0
Finance costs – non exceptional		(45.0)		(57.3)		(110.4)
Finance costs – exceptional		-		-		(46.5)
Profit/(loss) before tax		21.6		(4.6)		(11.5)
Tax		(9.5)		(4.4)		(2.3)
Profit/(loss) for the period from continuing operations		<u>12.1</u>		<u>(9.0)</u>		<u>(13.8)</u>

Notes to the condensed consolidated half yearly financial statements
for the half year ended 31 December 2011 (unaudited)

4. Segmental analysis (continued)

Profit from operations includes £0.2m relating to forfeited deposits (2010: £0.5m) and £2.2m (2010: £3.8m) of other income.

	31 December 2011		31 December 2010		30 June 2011 (audited)	
	£m	£m	£m	£m	£m	£m
Balance sheet						
Segment assets						
Housebuilding	4,651.4		4,587.8		4,549.5	
Commercial development	85.9		112.0		101.0	
		<u>4,737.3</u>		<u>4,699.8</u>		<u>4,650.5</u>
Elimination of intercompany balances		<u>(99.5)</u>		<u>(102.7)</u>		<u>(94.3)</u>
		<u>4,637.8</u>		<u>4,597.1</u>		<u>4,556.2</u>
Deferred tax assets		144.8		163.3		143.2
Current tax asset		-		-		3.2
Cash and cash equivalents		2.8		369.4		72.7
Consolidated total assets		<u>4,785.4</u>		<u>5,129.8</u>		<u>4,775.3</u>
Segment liabilities						
Housebuilding	(1,370.2)		(1,349.2)		(1,480.0)	
Commercial development	(30.5)		(45.9)		(42.8)	
		<u>(1,400.7)</u>		<u>(1,395.1)</u>		<u>(1,522.8)</u>
Elimination of intercompany balances		<u>99.5</u>		<u>102.7</u>		<u>94.3</u>
		<u>(1,301.2)</u>		<u>(1,292.4)</u>		<u>(1,428.5)</u>
Loans and borrowings		(571.9)		(929.2)		(416.7)
Current tax liabilities		(0.4)		(2.8)		-
Consolidated total liabilities		<u>(1,873.5)</u>		<u>(2,224.4)</u>		<u>(1,845.2)</u>
Other information						
Capital additions						
Housebuilding	1.4		0.6		0.7	
Commercial development	-		-		-	
		<u>1.4</u>		<u>0.6</u>		<u>0.7</u>
Depreciation						
Housebuilding	0.7		0.8		1.7	
Commercial development	0.1		0.1		0.1	
		<u>0.8</u>		<u>0.9</u>		<u>1.8</u>

Notes to the condensed consolidated half yearly financial statements for the half year ended 31 December 2011 (unaudited)

5. Exceptional items

There are no exceptional items in either the half year ended 31 December 2011 or 31 December 2010.

Amended financing arrangements

The Group agreed a complete debt refinancing package in May 2011 and incurred costs of £46.5m. Details as to the composition of this charge can be found in the Group's Annual Report for the year ended 30 June 2011, which is available on the Company's website www.barratdevelopments.co.uk.

Restructuring costs

During the year ended 30 June 2011, the Group incurred £7.7m of costs in relation to reorganising and restructuring the business, including redundancy costs of £3.7m.

6. Net finance costs

	Half year ended 31 December 2011	Half year ended 31 December 2010	Year ended 30 June 2011 (audited)
	£m	£m	£m
Recognised in income statement			
Finance income on short-term bank deposits	-	(0.8)	(1.2)
Imputed interest on available for sale financial assets	(4.5)	(6.8)	(13.6)
Other interest receivable	(1.6)	(1.5)	(3.2)
	(6.1)	(9.1)	(18.0)
Interest on bank overdrafts and loans	25.0	23.7	46.2
Imputed interest on deferred term land payables	12.1	15.4	27.6
Finance (income)/costs related to employee benefits	(0.6)	0.5	0.9
Amounts reclassified to the income statement in respect of hedged cash flows	(0.9)	17.2	28.5
Foreign exchange loss/(gain) on US Dollar debt	5.5	(5.6)	(7.0)
Amortisation of facility fees	2.5	3.2	6.2
Imputed interest on Kickstart equity funding	-	0.6	0.9
Other interest payable	1.4	2.3	7.1
	45.0	57.3	110.4
Finance costs before exceptional items			
	38.9	48.2	92.4
Net finance costs before exceptional items			
Exceptional finance costs:			
Hedging termination costs	-	-	29.8
Write-off of previous facility unamortised fees	-	-	8.1
Other fees related to amendment of financing arrangements	-	-	8.6
	-	-	46.5
Exceptional finance costs			
	45.0	57.3	156.9
Total finance costs			
	38.9	48.2	138.9
Net finance costs			

The Group's approach to foreign exchange rate risk management is detailed in note 13 (b) (iii).

Notes to the condensed consolidated half yearly financial statements for the half year ended 31 December 2011 (unaudited)

6. Net finance costs (continued)

	Half year ended 31 December 2011	Half year ended 31 December 2010	Year ended 30 June 2011 (audited)
	£m	£m	£m
Recognised in equity			
Amounts deferred in respect of effective cash flow hedges	14.3	7.1	23.6
Total fair value losses on cash flow swaps included in equity	14.3	7.1	23.6
Amounts reclassified to the income statement in respect of hedged cash flows	0.9	(17.2)	(28.5)
Amounts reclassified to the income statement in respect of hedged cash flows no longer expected to occur - exceptional	-	-	(29.8)
Total fair value gain/(losses) on cash flow swaps transferred from/(to) equity	0.9	(17.2)	(58.3)

7. Tax

The effective rate of corporation tax for the half year (after excluding the impact of the change in corporation tax rate from 26% to 25% and prior year adjustments) is 23.6% (half year ended 31 December 2010: 24.8%; year ended 30 June 2011: 38.3%). This is comprised of the best estimate of the average annual effective corporation tax rate expected, applied to the half year profit before tax.

Owing to the change in corporation tax rate from 26% to 25%, the consolidated income statement includes a deferred tax charge of £4.4m and there is a £0.4m charge through reserves in the consolidated statement of comprehensive income.

As at 31 December 2011 the Group recognised a deferred tax asset of £144.8m (2010: £163.3m) mainly relating to prior year losses which are to be carried forward and relieved against profits arising in future periods.

Legislation Changes

A number of changes to the UK Corporation tax system were enacted in the Finance Act 2011, including a reduction in the main rate of corporation tax from 28% to 26% from 1 April 2011 and a further reduction to 25% from April 2012. The reduction from 28% to 26% had been substantively enacted as at 30 June 2011 and was therefore reflected in the accounts for the year ended 30 June 2011. The reduction from 26% to 25% was substantively enacted during the period and has therefore been reflected in the accounts for this period. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 23% by 1 April 2014.

These proposed reductions are expected to be enacted separately each year. If the deferred tax assets and liabilities of the Group were all to reverse after 2014, the effect of the changes from 25% to 23% would be to reduce the net deferred tax asset by £11.6m. To the extent that the deferred tax reverses more quickly than this, the impact on the net deferred tax asset will be reduced.

8. Earnings/(loss) per share

Basic earnings per share is calculated by dividing the profit for the half year attributable to ordinary shareholders of £12.1m (2010: £9.0m loss) 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, which was 961.6m (2010: 961.3m).

Diluted earnings per share is calculated by dividing the profit for the year attributable to ordinary shareholders of £12.1m by the weighted average number of ordinary shares in issue adjusted to assume conversion of all potentially dilutive share options from the start of the year, giving a figure of 978.2m shares.

There was no difference between basic and diluted earnings per share for the Group in the prior half year or full year as the Group was loss making.

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8. Earnings/(loss) per share (continued)

The earnings/(loss) per share from continuing operations were as follows:

	Half year ended 31 December 2011	Half year ended 31 December 2010	Year ended 30 June 2011 (audited)
	pence	pence	pence
Basic earnings/(loss) per share	1.3	(0.9)	(1.4)
Adjusted basic earnings/(loss) per share	1.3	(0.9)	2.7
Diluted earnings/(loss) per share	1.2	(0.9)	(1.4)
Adjusted diluted earnings/(loss) per share	1.2	(0.9)	2.7

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

	Half year ended 31 December 2011		Half year ended 31 December 2010		Year ended 30 June 2011 (audited)	
	£m	pence per basic share	£m	pence per basic share	£m	pence per basic share
Profit/(loss) for basic and diluted loss per share	12.1	1.3	(9.0)	(0.9)	(13.8)	(1.4)
Add: exceptional finance costs	-	-	-	-	46.5	4.8
Add: restructuring costs	-	-	-	-	7.7	0.8
Less: tax effect of above items	-	-	-	-	(14.9)	(1.5)
Earnings/(loss) for adjusted basic and adjusted diluted loss per share	12.1	1.3	(9.0)	(0.9)	25.5	2.7

Earnings/(loss) are adjusted, removing exceptional finance costs, restructuring costs and the related tax to reflect the Group's underlying profit/(loss).

9. Goodwill

	31 December 2011	31 December 2010	30 June 2011 (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 relating to the housebuilding segment. The goodwill relating to the commercial developments segment, with cost of £24.5m, was fully impaired in the year ended 30 June 2008.

The Group conducts an annual impairment review of goodwill and intangibles together for both the housebuilding and commercial developments segments. The impairment review was performed at 30 June 2011. However, due to the continued uncertainties in the UK housing market since 30 June 2011, the Group conducted a further impairment review of its goodwill and intangible assets at 31 December 2011. 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 and property, plant and equipment.

Notes to the condensed consolidated half yearly financial statements for the half year ended 31 December 2011 (unaudited)

9. Goodwill (continued)

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, taking into account available 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 12.08% (2010 restated: 10.89%) is considered by the Directors to be the appropriate pre-tax risk adjusted discount rate being the Group's estimated long-term pre-tax weighted average cost of capital. This rate used in the 31 December 2011 impairment review is calculated using the average capital structure of the Group during the period consistent with the approach used for the year ended 30 June 2011. Accordingly the discount rate of 12.0% quoted at 31 December 2010 has been restated as 10.89% to enable comparability between the financial periods. Using the capital structure of the Group at the balance sheet date as applied at December 2010, the discount rate would be 12.15% (2010: 12.0%).
- 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 2011 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 considered 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 £453.2m (2010 restated: £806.3m). Applying the discount rate based upon the capital structure of the Group at the balance sheet date, as used in the impairment review at 31 December 2010, the recoverable value of goodwill and intangible assets exceeded its carrying-value by £418.3m (2010: £249.6m).#

If the UK housing market and expectations regarding its future were to deteriorate with either operating margins reducing by 1.6% per annum (2010 restated: 2.7% per annum) or the appropriate discount rate were to increase by 1.0% (2010 restated: 1.6%) and all other variables were held constant then the recoverable value of goodwill and intangible assets would equal its carrying-value.

Notes to the condensed consolidated half yearly financial statements
for the half year ended 31 December 2011 (unaudited)

10. Inventories

	31 December 2011	31 December 2010	30 June 2011 (audited)
	£m	£m	£m
Land held for development	2,162.1	2,243.7	2,189.7
Construction work in progress	1,119.0	1,062.4	1,023.2
Part exchange properties	69.8	61.5	78.9
Other inventories	4.9	4.9	5.0
	<u>3,355.8</u>	<u>3,372.5</u>	<u>3,296.8</u>

The Directors consider all inventories to be essentially current in nature although the Group's operational cycle is such that a proportion of inventories will not be realised within twelve months. It is not possible to determine with accuracy when specific inventory will be realised as this will be subject to a number of issues such as consumer demand and planning permission delays.

a) Net realisable value of inventories

The Group's principal activity is housebuilding and commercial development. The majority of the development activity is not contracted prior to the development commencing. Accordingly, the Group has in its balance sheet at 31 December 2011 current assets that are not covered by a forward sale. The Group's internal controls are designed to identify any developments where the balance sheet value of land and work in progress is more than the lower of cost or net realisable value.

The Group conducts six-monthly reviews of the net realisable value of its land and work in progress. Where the estimated net realisable value of the site was less than its current carrying-value within the balance sheet, the Group has impaired the land and work in progress value. The Group historically recognised exceptional charges in respect of impairment within both the housebuilding and commercial developments business segments. The inception and utilisation of these provisions is set out in the table below:

Notes to the condensed consolidated half yearly financial statements
for the half year ended 31 December 2011 (unaudited)

10. Inventories (continued)

a) Net realisable value of inventories (continued)

Half year ended 31 December	Housebuilding		Commercial developments		Total £m
	£m		£m		
Impairment charged	#	#	#	#	
30 June 2008 – exceptional			157.2	51.2	208.4
31 December 2008 – exceptional			431.5	63.4	494.9
30 June 2009 – exceptional			-	4.6	4.6
31 December 2009 – exceptional			-	4.8	4.8
30 June 2010 – non exceptional			7.4	-	7.4
31 December 2010 – non exceptional			5.4	-	5.4
30 June 2011			-	-	-
31 December 2011			-	-	-
Total cumulative impairment charge			601.5	124.0	725.5
Impairment utilised					
30 June 2008			-	-	-
31 December 2008			212.7	40.6	253.3
30 June 2009			50.0	45.7	95.7
31 December 2009			55.1	4.8	59.9
30 June 2010			36.6	-	36.6
31 December 2010			43.8	13.0	56.8
30 June 2011			27.6	0.8	28.4
31 December 2011			25.5	0.3	25.8
Total cumulative impairment utilisation			451.3	105.2	556.5
Impairment remaining					
30 June 2008			157.2	51.2	208.4
31 December 2008			376.0	74.0	450.0
30 June 2009			326.0	32.9	358.9
31 December 2009			270.9	32.9	303.8
30 June 2010			241.7	32.9	274.6
31 December 2010			203.3	19.9	223.2
30 June 2011			175.7	19.1	194.8
31 December 2011			150.2	18.8	169.0

#

In the half year ended 31 December 2011, this review resulted in no (2010: £nil) net exceptional impairment charge for the housebuilding business. Due to performance variations upon individual housebuilding sites, there were gross exceptional impairment charges and reversals of £37.1m (2010: reversals £18.5m and charges £23.9m). In addition, due to changes arising from normal trading, such as planning status, there was a net inventory impairment charge of £nil (2010: £5.4m) included within profit from operations. There was no net (2010: £nil) impairment for the commercial developments business although there were gross impairment charges and reversals of £nil (2010: £1.2m) due to performance variations upon individual commercial sites.

The key judgements in these reviews were estimating the realisable value of a site which is determined by forecast sales rates, expected sales prices and estimated costs to complete. Sales prices were estimated on a site-by-site basis based upon local market conditions and took into account the current prices being achieved upon each site for each product type. In addition, the estimation of future sales prices included an allowance on a site-by-site basis for low single digit sales price inflation in future periods. The estimation of costs to complete also included an allowance for low single digit build cost inflation in future periods.

At 31 December 2011 the Group had a total land holding of £2,162.1m of which £2,049.3m is land held for current housing development. Of this £402.0m is made up from impaired land, £332.7m consists of non-impaired land purchased prior to mid-2009 where the gross margin is on average c. 5%, £249.0m consists of non-impaired land purchased prior to mid-2009 where the gross margin is on average c. 10% and the remaining £1,065.6m has an average gross margin of more than 15% based on current house prices.

Notes to the condensed consolidated half yearly financial statements for the half year ended 31 December 2011 (unaudited)

10. Inventories (continued)

a) Net realisable value of inventories (continued)

The land held at the balance sheet date that has already been impaired is most sensitive to the judgements being applied and the potential for further impairment or reversal. Forecasting risk also increases in relation to those sites that are not expected to be realised in the short to medium term. The Group's current forecasts indicate that, by volume, 20% of the impaired sites are expected to be realised in the second half of this year, a further 25% in financial year to June 2013, 17% in 2014 and 38% in 2015 and beyond.

The Group estimates that the impairment sensitivity for the housebuilding business to a uniform fall in house prices across the UK, from those prevailing as at 31 December 2011, is as follows:

Uniform national fall in house prices	Indicative impairment
%	£m
5	230
10	500

These estimates are illustrative as any changes in house prices have historically tended to be weighted either positively or negatively towards particular geographic regions of the UK, they exclude any sensitivity upon our commercial developments segment. In addition, variances in future build cost inflation from that allowed for in the Group's base calculation would impact upon the impairment sensitivity. The value of impairment is prior to attributing any tax credit that may accrue for future use.

The impairment review was based upon the likely sales prices being achieved by the Group upon each individual site. Should these sales prices change beyond management expectations in the future or if there were to be a future decline or rise in UK house prices overall then a further impairment or reversal of impairment of the Group's land bank may result.

Following these impairments £632.7m (2010: £960.8m) of inventories are valued at fair value less costs to sell rather than at historical cost.

b) Expensed inventories

The value of inventories expensed in half year to 31 December 2011 and included in cost of sales was £797.2m (2010: £743.1m) including £8.2m (2010: £3.1m) of inventory write-downs incurred in the course of normal trading and a reversal of £0.6m (2010: £nil) on inventories that were written down in a previous accounting period, but excluding £nil (2010: £5.4m) operating impairment.

Notes to the condensed consolidated half yearly financial statements
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11. Loans and borrowings

a) Net debt

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

	31 December 2011	31 December 2010	30 June 2011 (audited)
	£m	£m	£m
Cash and cash equivalents	2.8	369.4	72.7
Non-current borrowings			
Bank loans	(226.5)	(730.1)	(175.2)
Term loan	(100.0)	-	-
Private placement notes	(237.1)	(185.3)	(230.3)
Total non-current borrowings	(563.6)	(915.4)	(405.5)
Current borrowings			
Bank overdrafts	(2.4)	(0.2)	-
Kickstart equity funding	(5.7)	(13.3)	(10.9)
Loan notes	(0.2)	(0.3)	(0.3)
Total current borrowings	(8.3)	(13.8)	(11.2)
Total borrowings	(571.9)	(929.2)	(416.7)
Derivative financial instruments			
Foreign exchange swaps	26.9	22.8	21.4
Net debt	(542.2)	(537.0)	(322.6)

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 2011	31 December 2010	30 June 2011 (audited)
	£m	£m	£m
Foreign exchange swap – exchange rate element	26.9	22.8	21.4
Foreign exchange swap – interest rate element	3.3	4.3	2.6
	30.2	27.1	24.0
Interest rate swaps	(51.9)	(62.3)	(36.0)
Net derivative financial instruments	(21.7)	(35.2)	(12.0)

Notes to the condensed consolidated half yearly financial statements for the half year ended 31 December 2011 (unaudited)

11. Loans and borrowings (continued)

a) Net debt (continued)

Movement in net debt is analysed as follows:

	Half year ended 31 December 2011	Half year ended 31 December 2010	Year ended 30 June 2011 (audited)
	£m	£m	£m
Net decrease in cash and cash equivalents (Drawdown)/repayment of borrowings	(69.9) (149.7)	(177.1) 7.0	(473.8) 518.1
Movement in net debt in the period	(219.6)	(170.1)	44.3
Opening net debt	(322.6)	(366.9)	(366.9)
Closing net debt	(542.2)	(537.0)	(322.6)

b) 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 2011	Half year ended 31 December 2010	Year ended 30 June 2011 (audited)
	%	%	%
Bank loans net of swap interest	7.9	7.6	7.4
Term loan	5.6	-	-
Loan notes	0.6	0.5	0.5
Private placement notes	10.8	11.5	11.5

c) Drawn debt facilities

The principal features of the Group's drawn debt facilities at 31 December 2011 were as follows:

i) Committed facilities

- A committed £740.5m revolving credit facility made available under a credit agreement dated 5 February 2007 (as amended from time to time and most recently with effect from 10 May 2011). The maturity date on this debt is 26 April 2012.
- A committed £225.0m revolving credit facility made available under a facility agreement dated 2 February 2005 (as amended from time to time and most recently with effect from 10 May 2011). On 10 May 2011, £125.0m of the facility was cancelled and the maturity date on this debt was amended from 16 November 2012 to 26 April 2012.
- A committed £225.0m revolving credit facility made available under a facility agreement dated 9 July 2008 (as amended from time to time and most recently with effect from 10 May 2011). On 10 May 2011, £125.0m of the facility was cancelled and the maturity date on this debt was amended from 16 November 2012 to 26 April 2012.
- A committed £100.0m term loan made available under a facility dated 10 May 2011 of which 25% is scheduled to be repaid on 1 July 2019, 25% on 1 July 2020 and 50% on 1 July 2021.

As part of the May 2011 refinancing, future facility commitments were agreed as follows:

- From 26 April 2012, new committed £770.0m revolving credit facilities, reducing to £680.0m in October 2013, were made available under credit agreements dated 10 May 2011. The maturity date on this debt is 10 May 2015.

Notes to the condensed consolidated half yearly financial statements for the half year ended 31 December 2011 (unaudited)

11. Loans and borrowings (continued)

c) Drawn debt facilities (continued)

ii) Fixed rate Sterling private placement notes

- £65.8m of fixed rate Sterling private placement notes expire between 23 April 2018 and 23 April 2020 and were issued pursuant to a note purchase agreement dated 23 April 2008 (as amended from time to time and most recently with effect from 10 May 2011).

iii) Fixed rate US Dollar private placement notes

- US Dollar private placement notes of \$80.0m due on 23 August 2017 were issued pursuant to note purchase agreements dated 10 May 2011.
- US Dollar ten-year private placement notes of \$42.6m issued pursuant to a note purchase agreement dated 23 April 2008 (as amended from time to time and most recently with effect from 10 May 2011).
- US Dollar five-year private placement notes of \$20.6m issued pursuant to a note purchase agreement dated 23 April 2008 (as amended from time to time and most recently with effect from 10 May 2011).
- US Dollar ten-year private placement notes of \$124.0m issued pursuant to a note purchase agreement dated 23 August 2007 (as amended from time to time and most recently with effect from 10 May 2011).

iv) Floating rate Sterling loan notes

The Group had £0.2m (2010: £0.3m) Sterling loan notes at 31 December 2011. These loan notes are repayable at 30 June or 31 December each year at the option of the noteholder or, to the extent not previously repaid, are due on 30 June 2012, and are subject to floating rates of interest linked to LIBOR.

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 UK bank rate, LIBOR and money market rates as applicable. All debt is unsecured.

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12. Derivative financial instruments – swaps

The Group has entered into derivative financial instruments to manage interest rate and foreign exchange risks as explained in note 13. The Group does not enter into any derivatives for speculative purposes.

	31 December 2011		31 December 2010		30 June 2011 (audited)	
	Asset £m	Liability £m	Asset £m	Liability £m	Asset £m	Liability £m
Designated as cash flow hedges						
Non-current						
Interest rate swaps	-	(51.9)	-	(62.3)	-	(36.0)
Foreign exchange swaps	30.9	(0.7)	27.8	(0.7)	25.0	(1.0)
Total derivative financial instruments	30.9	(52.6)	27.8	(63.0)	25.0	(37.0)

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 counterparty to cancel the swap in May 2015 at fair value.

As at 31 December 2011 the Group had outstanding net floating rate Sterling debt and overdrafts of £329.1m (2010: £730.6m). 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.

The Group has arranged to swap £192.0m (2010: £480.0m) of this debt into fixed rate Sterling debt in accordance with the Group treasury policy outlined in note 13. After taking into account swap arrangements the fixed interest rates applicable to the debt were as follows:

31 December 2011 £m	Fixed rate payable %	Maturity	31 December 2010 £m	Fixed rate payable %	Maturity
-	-	-	142.5	5.79	2012
-	-	-	50.0	5.80	2012
60.0	6.08	2017	60.0	5.94	2017
19.5	6.18	2017	60.0	5.99	2017
32.5	5.83	2017	32.5	5.64	2017
30.0	5.94	2022	60.0	5.75	2022
50.0	5.63	2022	75.0	5.44	2022
192.0			480.0		

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 2011, which is based on third party valuations, was a liability of £51.9m (2010: £62.3m) with a loss of £15.9m (2010: £9.6m gain) 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.

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 2011 the Group had outstanding fixed rate US Dollar loan notes of \$267.2m (2010: \$187.2m).

Notes to the condensed consolidated half yearly financial statements for the half year ended 31 December 2011 (unaudited)

12. 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 13. After taking into account swap arrangements the fixed interest rates applicable to the debt were as follows:

31 December 2011 \$m	Fixed rate payable %	Maturity	31 December 2010 \$m	Fixed rate payable %	Maturity
18.2	8.98	2013	18.2	8.98	2013
1.0	10.95	2013	1.0	10.95	2013
1.4	10.78	2013	1.4	10.78	2013
103.7	6.61	2017	103.7	6.61	2017
7.5	10.55	2017	7.5	10.55	2017
12.8	9.75	2017	12.8	9.75	2017
80.0	8.14	2017	-	-	-
33.7	9.24	2018	33.7	9.24	2018
3.6	12.23	2018	3.6	12.23	2018
5.3	11.37	2018	5.3	11.37	2018
267.2			187.2		

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 match 82% (2010: 76%) of the interest payments. The fair value of the swap arrangements as at 31 December 2011, which is based on third party valuations, was an asset of £30.2m (2010: £27.1m) with a gain of £6.2m (2010: £5.1m) credited 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.

13. 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.

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 facility headroom to cover these requirements. On a normal operating basis the Group has a policy of maintaining headroom of up to £150.0m. The Group 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 2011, the Group had committed facilities and private placements of £1,501.5m (2010: £1,603.3m). The Group's drawn debt against these facilities was £563.8m (2010: £915.9m) and represented 37.5% (2010: 57.1%) of available committed facilities at 31 December 2011. The Group had total committed and uncommitted facilities of £1,547.7m (2010: £1,664.5m). In addition the Group had £2.8m (2010: £369.4m) of cash and cash equivalents.

Notes to the condensed consolidated half yearly financial statements for the half year ended 31 December 2011 (unaudited)

13. Financial risk management (continued)

a) Liquidity risk (continued)

The Group was in compliance with its financial covenants at 31 December 2011. 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 2011, the average maturity of the Group's facilities was 3.2 years (2010: 2.2 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 as at 31 December 2011, in respect of which all conditions precedent had been met, were as follows:

	31 December 2011	31 December 2010	30 June 2011 (audited)
Expiry date	£m	£m	£m
In less than one year	178.5	-	228.5
In more than one year but not more than two years	90.0	700.0	-
In more than two years but not more than five years	680.0	-	770.0
In more than five years	-	-	100.0
	948.5	700.0	1,098.5

In addition, the Group had £43.8m of undrawn uncommitted facilities available at 31 December 2011 (2010: £61.0m).

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 of key trading indicators, including reservations, sales rates, visitor levels, levels of incentives, competitor activity and cash flow projections;
- the provision to mortgage providers with complete transparency of house purchase prices alongside any discounts or other incentives in order that they have appropriate information upon which to base their lending decision; and
- collaboration with key mortgage lenders to ensure that products are appropriate wherever possible for its customers.

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.

Notes to the condensed consolidated half yearly financial statements
for the half year ended 31 December 2011 (unaudited)

13. Financial risk management (continued)

b) Market risk (price risk) (continued)

i) UK housing market risk (continued)

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 2011			
Non-derivative financial assets	177.5	27.6	205.1
Non-derivative financial liabilities	-	(1,663.3)	(1,663.3)
Derivatives	-	(21.7)	(21.7)
	<u>177.5</u>	<u>(1,657.4)</u>	<u>(1,479.9)</u>
31 December 2010			
Non-derivative financial assets	155.3	384.6	539.9
Non-derivative financial liabilities	-	(1,956.3)	(1,956.3)
Derivatives	-	(35.2)	(35.2)
	<u>155.3</u>	<u>(1,606.9)</u>	<u>(1,451.6)</u>
30 June 2011 (audited)			
Non-derivative financial assets	169.4	109.5	278.9
Non-derivative financial liabilities	-	(1,644.0)	(1,644.0)
Derivatives	-	(12.0)	(12.0)
	<u>169.4</u>	<u>(1,546.5)</u>	<u>(1,377.1)</u>

The value of the Group's available for sale financial assets is directly linked to the UK housing market. At 31 December 2011 these assets were carried at a fair value of £177.5m (2010: £155.3m).

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.

The Group has a conservative treasury management strategy. The proportion of the Group's median gross borrowings calculated on the latest three-year plan that should be at fixed rates of interest is determined by the average expected interest cover for that period. The current target is for 30-60% to be at fixed rates of interest. Due to the cyclical nature of our borrowings throughout the year, at 31 December 2011, 74.5% (2010: 72.6%) of the Group's gross borrowings were fixed. Group interest rates are fixed using both swaps and fixed rate debt instruments.

Notes to the condensed consolidated half yearly financial statements
for the half year ended 31 December 2011 (unaudited)

13. 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 2011				
Financial liabilities (excluding derivatives)	329.1	237.1	1,097.1	1,663.3
Impact of interest rate swaps	(192.0)	192.0	-	-
	<u>137.1</u>	<u>429.1</u>	<u>1,097.1</u>	<u>1,663.3</u>
31 December 2010				
Financial liabilities (excluding derivatives)	730.6	185.3	1,040.4	1,956.3
Impact of interest rate swaps	(480.0)	480.0	-	-
	<u>250.6</u>	<u>665.3</u>	<u>1,040.4</u>	<u>1,956.3</u>
30 June 2011 (audited)				
Financial liabilities (excluding derivatives)	175.5	230.3	1,238.2	1,644.0
Impact of interest rate swaps	(192.0)	192.0	-	-
	<u>(16.5)</u>	<u>422.3</u>	<u>1,238.2</u>	<u>1,644.0</u>

iii) Foreign exchange rate risk

As at 31 December 2011, the Group has fixed rate US Dollar denominated private placement notes of \$267.2m (2010: \$187.2m). 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. The foreign exchange swaps match 82% of the interest payments and therefore the Group is subject to foreign exchange rate risk upon the remaining 18%.

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 £177.5m (2010: £155.3m) of available for sale financial assets which expose it to credit risk, although this asset is 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 2011 was £9.7m (2010: £89.5m). 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.

Notes to the condensed consolidated half yearly financial statements for the half year ended 31 December 2011 (unaudited)

13. 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 11.

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.

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.

14. Defined benefit pension scheme

The amounts recognised in the income statement were as follows:

	Half year ended 31 December 2011	Half year ended 31 December 2010	Year ended 30 June 2011 (audited)
	£m	£m	£m
Interest cost	6.8	6.6	13.1
Expected return on scheme assets	(7.4)	(6.1)	(12.2)
Total pension (income)/cost recognised in finance costs in the consolidated income statement	(0.6)	0.5	0.9
Total pension (income)/cost recognised in the consolidated income statement	(0.6)	0.5	0.9

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

	Half year ended 31 December 2011	Half year ended 31 December 2010	Year ended 30 June 2011 (audited)
	£m	£m	£m
Expected return less actual return on pension scheme assets	2.2	(19.1)	(18.5)
Loss/(gain) arising from changes in the assumptions underlying the present value of benefit obligations	28.4	10.8	(3.5)
Total pension cost/(income) recognised in the consolidated statement of comprehensive income	30.6	(8.3)	(22.0)

Notes to the condensed consolidated half yearly financial statements
for the half year ended 31 December 2011 (unaudited)

14. Defined benefit pension scheme (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 2011	31 December 2010	30 June 2011 (audited)
	£m	£m	£m
Net liability recognised in the balance sheet	35.1	31.7	11.8

Cash flow movements in scheme assets were as follows:

	Half year ended 31 December 2011	Half year ended 31 December 2010	Year ended 30 June 2011 (audited)
	£m	£m	£m
Employer contributions	6.7	6.6	13.2
Benefits paid from scheme	(3.3)	(4.0)	(7.3)

15. Share capital

	31 December 2011	31 December 2010	30 June 2011 (audited)
	Number	Number	Number
Allotted and issued ordinary shares of 10p each – fully paid	965,500,999	965,268,706	965,341,126
	£m	£m	£m
Allotted and issued ordinary shares of 10p each – fully paid	96.6	96.5	96.5

During the six months, 8,313,562 options over the Company's shares were granted under the Company's Long-Term Performance Plan and 132,491 options over the Company's shares were granted under the Company's Co-Investment Plan.

Allotment of shares during the period

During the six months, 159,873 shares were issued to satisfy early exercises under the 2009 SAYE scheme.

Employee Benefit Trust

The Barratt Developments PLC Employee Benefit Trust (the 'EBT') holds 3,858,573 (2010: 3,858,573) ordinary shares in the Company. The cost of the shares held by the EBT, at an average of 120.7 pence per share (2010: 120.7 pence per share), was £4,655,452 (2010: £4,655,452). The market value of the shares held by the EBT at 31 December 2011 at 92.9 pence per share (2010: 88.7 pence per share) was £3,584,614 (2010: £3,422,554). 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.

Notes to the condensed consolidated half yearly financial statements
for the half year ended 31 December 2011 (unaudited)

16. Cash flows from operating activities

	Half year ended 31 December 2011	Half year ended 31 December 2010	Year ended 30 June 2011 (audited)
	£m	£m	£m
Profit/(loss) for the period from continuing operations	12.1	(9.0)	(13.8)
Tax	9.5	4.4	2.3
Finance income	(6.1)	(9.1)	(18.0)
Finance costs	45.0	57.3	156.9
Share of post-tax loss/(profit) from joint ventures	0.6	(0.1)	(0.1)
Share of post-tax loss from associates	-	-	-
Profit from operations	61.1	43.5	127.3
Depreciation	0.8	0.9	1.8
Impairment of inventories – non exceptional	-	5.4	5.4
Impairment of available for sale financial assets	6.5	10.5	16.3
Share-based payments charge	1.9	1.0	1.4
Imputed interest on deferred term land payables	(12.1)	(15.4)	(27.6)
Imputed interest on available for sale financial assets	4.5	6.8	13.6
Amortisation of facility fees	(2.5)	(3.2)	(6.2)
Imputed interest on Kickstart equity funding	-	(0.6)	(0.9)
Write-off of previous facility unamortised fees	-	-	(8.1)
Finance income/(costs) related to employee benefits	0.6	(0.5)	(0.9)
Total non-cash items	(0.3)	4.9	(5.2)
(Increase)/decrease in inventories	(59.0)	(35.6)	72.1
Decrease in trade and other receivables	1.3	8.5	2.5
(Decrease)/increase in trade and other payables	(177.6)	(123.0)	23.2
(Increase) in available for sale financial assets	(12.4)	(29.5)	(46.7)
Total movements in working capital	(247.7)	(179.6)	51.1
Interest paid	(26.7)	(36.1)	(77.5)
Tax received	3.6	-	4.5
Net cash (outflow)/inflow from operating activities	(210.0)	(167.3)	100.2

The balance sheet movement in land and available for sale financial assets include non-cash movements due to imputed interest. Imputed interest is therefore included within non-cash items in the note above.

Notes to the condensed consolidated half yearly financial statements for the half year ended 31 December 2011 (unaudited)

17. 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 £401.2m (2010: £430.0m), and confirm that the possibility of cash outflow is considered minimal and no provision is required.

b) Contingent liabilities related to joint ventures and associates

The Group has provided bank guarantees to the value of £3.1m in relation to one of its associates during the period. The Group did not have any associates during the half year ended 31 December 2010.

At 31 December 2011, the Group has an obligation to repay £0.9m (2010: £0.9m) of grant monies received by a joint venture upon certain future disposals of land.

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

c) Contingent liabilities related to subsidiaries, joint ventures and associates

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 Limited ('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 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 21 February 2012, 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 Lakes, Azure site that was developed by BDW. It is believed that the cause of both the death and the serious injury was carbon monoxide poisoning. Following investigations by the Police and the Health and Safety Executive criminal proceedings are being pursued against the plumbing and heating sub-contractor, and against an individual registered gas engineer. The criminal charges are understood to include alleged manslaughter caused by gross negligence and breach of gas legislation. It is also understood that the criminal trial against these defendants is now scheduled for March 2012. Meanwhile the Police and Health and Safety Executive investigations are still ongoing. Civil claims have been made against BDW by both the housing association and by various residents on the estate where the incident occurred. A number of claims have been settled by the Group's insurers but the remainder are still outstanding and are being dealt with by the Group's insurers, although the extent to which these are recoverable or to which they are covered by the Group's insurance or the insurance of other parties cannot, at present, be clearly ascertained.

iii) Barratt American Incorporated

A former indirect subsidiary of the Company, Barratt American Incorporated ('American'), is one of a number of defendants in a construction defect claim which was commenced in California. American was sold in August 2004 and the events in issue in the claim appear to post-date this sale. The Company has also been named as a defendant in this claim.

The Company asserts that the courts in California have no jurisdiction over it in relation to the claim and is currently awaiting judgment from the California Supreme Court on this point. If the Company is held to be subject to the jurisdiction of the Californian courts, the Directors believe that the Company has good defences to the claim, although the outcome of the claim, and whether other connected claims may arise, remain uncertain and may not be known for some time.

Notes to the condensed consolidated half yearly financial statements for the half year ended 31 December 2011 (unaudited)

18. Related party transactions

Related party transactions for the period to 31 December 2011 are detailed below:

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 building contracts. These transactions totalled £1.2m (2010: £1.2m), £1.2m (2010: £nil) and £6.7m (2010: £nil).

The amount of outstanding loans and interest due to the Group from its joint ventures at 31 December 2011 was £120.4m (2010: £92.6m). The amounts outstanding are unsecured and will be settled in cash. The Group has provided no (2010: no) bank guarantees to its joint ventures. There were no other amounts outstanding to the Group from its joint ventures at either 31 December 2011 or 31 December 2010.

Transactions between the Group and its associates

The amount of outstanding loans due to the Group from its associates at 31 December 2011 was £0.3m. The amounts outstanding are unsecured and will be settled in cash. The Group has provided bank guarantees to the value of £3.1m in relation to one of its associates during the period. There were no other amounts outstanding to the Group from its associates at 31 December 2011.

The Group did not have any associates in the half year ended 31 December 2010.

Property purchases by directors of BDW Trading Limited

The Board and certain members of senior management are related parties within the definition of IAS 24 (Revised) 'Related Party Disclosures' and Chapter 11 of the UK Listing Rules. There is no difference between transactions with key personnel of the Company and the Group.

During the year the Group entered into the following 'smaller related party transactions' as defined in Listing Rule 11.1.10R:

- In November 2011, the partner of Gary Ennis, a director of the Company's main trading company, BDW Trading Limited ('BDW') purchased an apartment from BDW at a purchase price of £242,250.
- In December 2011, the spouse of Richard Brooke, a director of BDW, purchased three properties from BDW at a combined purchase price of £231,950.

Each of the aforementioned purchases was conducted at a fair and reasonable market price based on similar comparable transactions at that time. There were no amounts outstanding at 31 December 2011 in relation to these transactions.

19. Seasonality

The Group, in common with the rest of the housebuilding industry, is subject to the main house selling seasons of spring and autumn, 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 very significant seasonal variations.

20. Forward looking statements

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.

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 IAS 34 as required by DTR 4.2.4R. They also confirm to the best of their knowledge that the interim management report herein includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year) and DTR 4.2.8R (disclosure of related party transactions and changes 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
D F Thomas, Group Finance Director
R J Davies, Senior Independent Director
R MacEachrane, Non-Executive Director
M E Rolfe, Non-Executive Director
T E Bamford, Non-Executive Director

These condensed consolidated half yearly financial statements were approved by the Board on 21 February 2012.

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 2011 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 it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 2, 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 2011 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 Auditor
London, United Kingdom
21 February 2012

Registered office

Barratt Developments PLC,
Barratt House,
Cartwright Way,
Forest Business Park,
Bardon Hill,
Coalville,
Leicestershire,
LE67 1UF

Tel: 01530 278 278
Fax: 01530 278 279
www.barrattdevelopments.co.uk

Corporate office

Barratt Developments PLC,
Kent House,
1st Floor,
14-17 Market Place,
London,
W1W 8AJ

Tel: 020 7299 4898
Fax: 020 7299 4851

Company information

Registered in England and Wales. Company number 604574