24 February 2011

BARRATT DEVELOPMENTS PLC

Results for the half year ended 31 December 2010

Highlights:

- Revenues for the half year were in line with the prior year equivalent period at £877.6m (2009: £872.4m)
- Completions for the period were 4,832 (2009: 5,053), including 36 (2009: 25) joint venture completions
- Average selling price (excluding joint venture completions) increased by 5.7% against the prior year equivalent period to £175,800 (2009: £166,300), with private average selling price increasing by 10.8% to £191,900 (2009: £173,200), mainly as a result of mix changes
- The drive to improve business performance and rebuild profitability led to a significant increase in operating margin to 5.0% (2009: 0.6%), with profit from operations in the first six months of £43.5m (2009: £5.2m)
- Loss before tax for the period of £4.6m (2009: loss before tax of £178.4m)
- Terms were agreed on £318.0m of land purchases, comprising 57 sites and 6,078 plots, which are expected to deliver attractive margins based on current selling prices
- Net debt reduced year on year to £537.0m (2009: £605.3m) and is forecast to be around £400m at 30 June 2011 (30 June 2010: £366.9m)
- The Group has delivered 0.57 (2010: 0.55) private sales per active site per week in the last six weeks, in line with the equivalent period in the prior year and up from 0.39 in the first half

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

“By focusing on price not volume and improving the underlying efficiency of our business, we have achieved a significant improvement in our operating margin despite a challenging autumn selling season.

2011 has started well with encouraging sales rates and stable underlying pricing. We expect to see further operating margin growth in our second half as we continue to optimise prices, reduce costs and open new higher margin sites from recently acquired land.

However, the market remains fragile and longer term recovery continues to depend on greater availability of mortgage finance.”

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

A presentation will be broadcast live on the Barratt Developments corporate website, www.barrattdevelopments.co.uk, from 8.30am today. A playback facility will be available shortly after the presentation has finished. Those wishing to listen-only to the presentation at 8.30am may dial:

Live dial-in:

UK access number	+44 (0)20 3140 0723
UK toll free	0800 368 1916
Replay	
UK access number	+44 (0)20 3140 0698
UK toll free	0800 368 1890
US toll free	+1 877 846 3918
Conference reference	376039#

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

The Interim Management Report for the six months ended 31 December 2010 is available from today, 24 February 2011, on the Barratt Developments corporate website, www.barrattdevelopments.co.uk via the following link: www.barrattdevelopments.co.uk/ir/reports/.

Further copies of the announcement can be obtained from the Company Secretary's office at:

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

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Group Chief Executive’s statement

Results

The Group delivered an improved operating performance in the period with a significant increase in both average selling prices and operating margin. This is against a backdrop of restricted mortgage lending and weak consumer confidence, particularly around the Government’s Comprehensive Spending Review in October 2010.

The Group’s profit from operations for the first half of its financial year was £43.5m (2009: £5.2m), with an operating margin of 5.0% (2009: 0.6%). The Group made a loss before tax in the period of £4.6m (2009: loss before tax £178.4m).

The Group’s loss per share was 0.9p (2009: loss per share 18.9p).

The Group’s half year net debt was £537.0m (2009: £605.3m), an increase of £170.1m compared with £366.9m at 30 June 2010 reflecting normal operational trends. Net debt is expected to reduce to around £400m as at 30 June 2011 (30 June 2010: £366.9m).

The Board is committed to improving the profitability and strengthening the financial position of the Group whilst continuing to invest in its existing land bank as well as new sites. In this context, the Board will not be paying an interim dividend (2009: nil).

Driving business performance

The Group’s overriding objective remains rebuilding profitability. We have made considerable progress in the first six months of the financial year and are on course to deliver further improvement in the second half. We have three clear priorities to drive business performance:

- Focus upon margin improvement through optimising average selling prices and not chasing volumes
- Continued emphasis on operational and cost efficiency
- Investing in land which is expected to deliver attractive returns in the future

Significant progress on all of these priorities has been achieved in the first half of the year. The Group has maintained underlying selling prices and delivered a 10.8% increase in private average selling prices during what has been a tough autumn selling period.

We have continued to pursue further operational efficiencies designed 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. There has been no increase in overheads in the period and, looking ahead, the Group is focused on lowering these costs further as it sees the benefits of investment in new systems coming through. Further progress on costs is also targeted from technical innovation, in particular the efficient delivery of low carbon housing.

The Group has continued to acquire land where it provides attractive returns. We expect this new, higher margin land to help drive future gross margin improvement as the number of sites opening on newly acquired land increases significantly.

Housebuilding operations

In the first six months of the financial year the Group operated across an average of 352 (2009: 368) active sites, down 4.3% on the same period last year. During the half year, the Group opened 79 sites and as at 31 December 2010 it was operating from 366 (2009: 364) active sites.

In the second half the Group expects to open a further c. 100 sites, with total active sites as at 30 June 2011 expected to be c. 390 (30 June 2010: 339).

The Group averaged 138 (2009: 180) net private reservations per week during the first half, which was 0.39 (2009: 0.49) net private reservations per active site per week. During the period the Group saw a decline in consumer confidence, particularly in the weeks around the Government’s Comprehensive Spending Review in October 2010. The extreme weather conditions during December also adversely affected sales rates with a number of sites inaccessible due to heavy snowfall. The cancellation rate for the first half was 20.1% compared with 17.8% in the prior year equivalent period.

Total housebuilding completions (including joint ventures) for the first half were 4,832 (2009: 5,053) with private completions of 3,669 (2009: 4,381), social housing completions of 1,127 (2009: 647) and joint venture completions in which the Group had a share of 36 (2009: 25).

Group Chief Executive’s statement (continued)

Housebuilding operations (continued)

Overall 65.1% (2009: 60.2%) of the Group’s first half completions (excluding joint ventures) were houses. Outside central London, houses accounted for 72.4% (2009: 64.7%) of completions (excluding joint ventures).

The continued constraints on mortgage finance and, specifically the limited availability of higher loan to value products, has meant shared equity remains an important part of the Group’s sales mix. In the first six months, 1,342 (2009: 1,370) completions utilised shared equity, representing 28.0% (2009: 27.2%) of completions. Of these, 537 (2009: 754) completions used the Government HomeBuy Direct initiative, with the remainder using the Group’s own schemes.

The Group is continually looking to develop new innovative products and partnerships that help to address the lack of higher loan to value mortgage products available in the market. In January the Group announced its arrangement with Hitachi Capital (UK) PLC which allows parents to borrow money to help their children on to the property ladder without having to re-mortgage or create a second charge over their own homes.

The Group has also targeted an increase in the use of part-exchange and in the first half, 12.7% (2009: 9.6%) of completions were supported by this. Sales to investors fell to 4.7% (2009: 11.7%) of the Group’s completions (excluding joint ventures), however we would expect to see this increase going forward as rental yields become more attractive.

The increase in social housing content to 23.5% (2009: 12.9%) of completions (excluding joint ventures), reflects the higher level of site openings over the past twelve months and the phasing of social delivery upon existing sites. For the financial year to June 2011, the Group expects social housing to represent c. 20% (2010: 16.5%) of completions.

For the first six months, the average selling price (‘ASP’) (excluding joint ventures) increased by 5.7% to £175,800 (2009: £166,300). Private ASP increased by 10.8% to £191,900 (2009: £173,200) and social ASP increased by 3.8% to £123,500 (2009: £119,000). The increase in ASP was driven by changes in mix, with the Group selling a higher proportion of houses versus flats. Excluding the impact of changes in mix, underlying selling prices in the first six months remained stable.

Housebuilding revenues were £847.2m (2009: £844.7m), in line with the equivalent period last year. Housebuilding gross margin was 9.2% (2009: 6.9%) with the improvement mainly resulting from a 3.5% increase in revenue per square foot.

Housebuilding operations saw a significant increase in profit from operations to £43.2m (2009: £11.8m). As a result the operating margin increased to 5.1% up from 1.4% in the prior year equivalent period. This increased profitability was driven by a substantial improvement in gross margin coupled with tight overhead cost control.

Commercial development operations

Commercial development revenue was £30.4m (2009: £27.7m). This included revenue from the design and build for a major retailer of an 867,000 sq ft distribution centre in Rochdale. This project is on schedule to complete in the second half of the financial year. The Group’s commercial development operations made a profit from operations of £0.3m (2009: loss from operations £6.6m).

In the period the Group’s commercial development operation was successful in securing redevelopment agreements for Wokingham and Basildon town centres. Both of these have residential development elements which enables close co-operation and synergies between our commercial development and housebuilding operations.

Group Chief Executive's statement (continued)

Land

The Group has continued to invest in land where it meets its clearly defined hurdle rates in terms of profitability and return on capital, providing attractive returns at current prices. The Group's strategy is focused on acquiring land in prime locations, for example with excellent transport links, and on land that is relatively advanced in terms of gaining planning consents.

In the first half the Group agreed terms on £318.0m of land purchases equating to a total of 57 sites and 6,078 plots. By value 81% was for houses and 59% was located in our southern area.

For the full financial year, the Group anticipates agreeing terms on around 8,000 plots (mid 2009 to June 2010 13,359 plots). This slowdown in the rate of acquisition follows the progress we have made in acquiring land since re-entering the market in mid 2009. We continue to acquire land as a national housebuilder and ensure that our land acquisition strategy is not unduly focused on any geographic area.

Total cash expenditure on land in the first half was £142m (2009: £124m). The Group anticipates that total cash expenditure for the financial year on land will be between £350m and £400m (2009: £253m).

Land creditors as at 31 December 2010 were £588.1m (2009: £453.5m). The year on year increase in land creditors reflects the significant proportion of newly acquired land that has been acquired on deferred terms. Land creditors due within the next 12 months total £321.6m, with £266.5m due thereafter. In the second half to 30 June 2011, we expect land creditors will increase by £100m to £150m, however this is dependent upon the timing of legal contracts and payments.

At 31 December 2010, the Group's owned land bank stood at 50,587 plots (2009: 50,990 plots) with an additional 13,555 plots (2009: 13,429 plots) under conditional contracts, giving a total of 64,142 plots (2009: 64,419 total plots). This equates to approximately 4.5 years of owned land based on the prior year's completion volumes.

Of the Group's total plots including owned, conditional and approved land (66,479 plots), less than 20% is now made up from impaired land. 38% consists of non-impaired older land where the trading margin is on average c. 15% and the remaining 42% includes land acquired since re-entering the land market in mid 2009 with an average trading margin of more than 20% based on current house prices.

The majority of the Group's land bank already has outline or detailed planning consent. At the end of January 2011, the Group has detailed planning consent for 100% of budgeted volumes for the current financial year and 87% of budgeted volumes for FY 2011/12, with a further 5% having outline planning consent.

Balance sheet

The net assets of the Group increased by £5.2m to £2,905.4m between 30 June and 31 December 2010. Significant balance sheet movements include:

- Land holdings reduced by £65.0m to £2,243.7m. This decrease reflects land additions of £174.7m offset by land usage.
- Work in progress increased by £81.0m to £1,062.4m in accordance with the increase in sites at the end of the period. The Group maintains tight control over its work in progress and at 31 December 2010 the Group had 837 (30 June 2010: 746) unreserved completed units.
- Available for sale financial assets increased by £19.0m to £155.3m reflecting the 1,342 completions which used HomeBuy Direct or the Group's own similar products during the half year.
- Group net debt increased by £170.1m to £537.0m reflecting normal operational trends.
- Trade and other payables decreased by £115.8m to £1,197.7m reflecting the net reduction in trade payables partially offset by an increase in land payables.
- The deficit on the Barratt Developments defined benefit pension scheme decreased by £14.4m in the half year to £31.7m due to good asset returns and the Group's deficit reduction contributions offset by increased liabilities driven by a fall in corporate bond yields and a rise in long-term inflation assumptions.
- Goodwill and intangible assets remained at £892.2m as the impairment review of the housebuilding business and brand indicated that no impairment was required.
- Deferred tax assets reduced by £10.0m to £163.3m mainly due to the reduction in the corporation tax rate from 28% to 27%.

Group Chief Executive's statement (continued)

Borrowings and cash flow

Group net debt at 31 December 2010 was £537.0m (2009: £605.3m) with gearing at 26.7% (2009: 29.9%). Net debt is expected to reduce to around £400m by 30 June 2011.

The Group's net finance charge in the first half was £48.2m (2009: £68.9m before exceptional items, £183.0m including exceptional items). This includes a net non-cash finance charge of £12.9m (2009: £15.8m). The Group expects that its full year net finance charge before exceptional items will be around £100m (2010: £121.6m), consisting of cash interest of around £70m on net debt (including term debt) and around £30m of non-cash finance charges.

The Group's existing bank facilities will mature in April and November 2012. We are making good progress in our discussions regarding the re-financing of our facilities and expect this to be completed within the coming months.

Quality, service and the environment

During the half year ended 31 December 2010, the Group continued to make good progress in improving customer service and our most recent customer survey indicated that 97% (2009: 96%) of customers would recommend us to a friend.

The five-year warranty 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 it is widely recognised through awards and ratings such as Barratt's Five Star housebuilder status. This improvement in standards has been a contributing factor in driving profitability through maximising price and minimising unnecessary costs.

Current trading and outlook

We have made a good start to the second half of the financial year with a significant pick-up in trading since the depressed autumn selling period. Sales rates have been encouraging, with the Group achieving an average net private reservation rate of 0.57 (2010: 0.55) per site per week over the last six weeks, up from 0.39 in the first half. Some of the increase in net private reservation rate from the first half may reflect deferrals from last year as a result of the severe weather in December.

As at 20 February 2011, forward sales for the Group were up by 5.4% to £893.5m (21 February 2010: £847.4m) of which £567.1m (63%) were contracted (21 February 2010: £545.1m (64%)).

Underlying prices have remained stable, and we expect to see an increase in overall ASP in the second half versus the prior year due to further changes in mix, with houses representing a higher proportion of total completions. Whilst our focus remains on optimising selling price and not pursuing volumes, we recognise that the Group is not immune to future pricing trends in the wider housing market.

Whilst the market remains fragile, and longer term recovery is still dependent on greater availability of mortgage finance, with our continued focus on tight cost control and drive for improved operating efficiency, combined with an increase in completions from new higher margin land going forward, we expect to deliver further improvement in the Group's performance.

Mark Clare
Group Chief Executive
23 February 2011

Principal risks and uncertainties

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

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

Risk	Mitigation
Market	
Response to changes in the macroeconomic environment including unemployment, buyer confidence, availability of mortgage finance for purchasers, interest rates and the impact of competitor pricing.	A weekly review is undertaken of key trading indicators, including reservations, sales rates, visitor levels, pricing levels, competitor activity and cash flow projections and where appropriate management action is taken. The Group seeks to give mortgage lenders complete transparency regarding house purchase prices alongside any discounts or other incentives in order that they have appropriate information upon which to base their lending decision. The Group works with key mortgage lenders to ensure that products are appropriate wherever possible for its customers.
Design and construction defects may lead to cost overruns including remedial costs, and may reduce selling prices and adversely impact the Group's reputation.	The Group has a comprehensive approach to quality, service and customer care encapsulated in the 'Forward through Quality' initiative and customer care code of practice.
Liquidity	
Availability of sufficient borrowing facilities to enable the servicing of liabilities as they fall due.	The Group actively maintains a mixture of long-term and medium-term committed facilities that are designed to ensure that it has sufficient available funds for operations. The Group's borrowings are typically cyclical throughout the financial year and peak in April and May, and October and November of each year, as, due to seasonal trends in income, these are the points in the year when the Group has the highest working capital requirements. Accordingly, the Group maintains sufficient facility headroom to cover these requirements. On a normal operating basis the Group has a policy of maintaining facility headroom of up to £250m. 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 further stress tested at a Group level on a regular basis to ensure that adequate headroom within facilities and banking covenants is maintained.
Inability to obtain surety bonds.	The Group actively maintains a number of surety facilities that are designed to ensure that it has sufficient bonds available. The Group has a comprehensive regular forecasting process for surety bond requirements.
Inability of the Group to refinance its facilities as they fall due.	The Group has a policy that the maturity of its committed facilities and private placement notes in aggregate is at least two years on average with a target of three years. The Group's existing bank facilities will mature in April and November 2012. We are making good progress in our discussions regarding the re-financing of our facilities and expect this to be completed within the coming months.
Inability of the Group to comply with its borrowing covenants.	The Group is in compliance with its borrowing covenants and at the date of approval of the condensed consolidated half yearly financial statements, the Group's internal forecasts indicate that it will remain in compliance with these covenants for the foreseeable future being at least twelve months from the date of signing the condensed consolidated half yearly financial statements.

Principal risks and uncertainties (continued)

Risk	Mitigation
People	
Ability of the Group to attract, retain and develop a sufficiently skilled and experienced workforce.	The Group has a comprehensive Human Resources policy in place which includes apprentice schemes, a graduate programme, succession planning and training schemes tailored to each discipline. The Group continues to target a fully CSCS carded and qualified workforce.
Underfunding of the Group's obligations in respect of the defined benefit pension scheme.	An actuarial valuation is conducted every three years. The Group reviews this and as appropriate considers what additional contributions are necessary to make good this shortfall. To limit the risk further, with effect from 30 June 2009, the scheme ceased to offer future accrual of defined benefit pensions for current employees and the link between accrued benefits and future salary increases was removed.
Subcontractors and suppliers	
Shortages or increased costs of materials and skilled labour could increase costs and delay construction.	The Group adopts a professional approach to site management and seeks to partner with its supply chain.
Failure of a key supplier or inability to secure supplies upon appropriate credit terms.	The Group has a policy of having multiple suppliers for both labour contracts and material supplies, and contingency plans should key suppliers fail.
Land	
Securing sufficient land of appropriate size and quality to provide profitable growth subject to the available borrowing facilities.	Each division produces a detailed site-by-site monthly analysis of the amount of land currently owned, committed and identified. These are consolidated for regular review at Board level. In addition, each operating division holds weekly land meetings. Every land acquisition is subject to a formal appraisal procedure and is required to achieve an overall Group defined hurdle rate of return.
The timing of conditional land purchase contracts becoming unconditional is uncertain. Unexpected changes in contract status may result in additional cash outflow for the Group.	Each division has a site-by-site detailed short-term and medium-term forecasting process including sensitivity scenarios.
Falls in house prices or land values or a failure of the housing market to recover could lead to further impairments of the Group's inventories, goodwill and intangible assets.	The Group's internal systems clearly identify the impact of sales price changes on the margin achievable. As a minimum, the Group performs biannual asset impairment reviews.
The market for land can be illiquid and therefore it may be difficult to sell or trade land if required. Where land is sold, there is a risk that the proceeds may not be received from the counterparty.	The Group's internal forecasting process is able to identify the impact of these sensitivities explicitly.
Government regulation	
Changes in Government policy towards the housebuilding industry.	The Group consults with the UK Government both directly and through industry bodies to highlight potential issues.
The housebuilding industry is subject to extensive and complex regulations and an increasingly stringent regulatory environment including planning and technical requirements.	The Group has considerable in-house technical and planning expertise devoted to complying with regulations and achieving implementable planning consents.
Consequence of changes in tax legislation.	The Group has adopted a low risk strategy to tax planning. Potential and actual changes in tax legislation are monitored by both industry experienced in-house finance teams and external tax advisers.

Principal risks and uncertainties (continued)

Risk	Mitigation
Construction	
Failure to identify and achieve key construction milestones, including the impact of adverse weather conditions, could delay construction or increase costs.	The Group's weekly reporting identifies the number of properties at key stages of construction. Projected construction rates are evaluated as part of the monthly forecasting cycle.
Large development projects, including commercial developments, are complex and capital intensive and changes may negatively impact upon cash flows or returns.	Development projects, including returns and cash flows, are monitored regularly by divisional management teams.
Failure to identify cost overruns promptly.	The total costs on every site in progress are evaluated at least quarterly and reviewed by the divisional management teams.
Cost reduction measures may adversely affect the Group's business or its ability to respond to future improvements in market conditions.	In parallel to reducing costs during the downturn a Main Board level committee has developed a 'Planning for Recovery' programme.
Exposure to environmental liabilities and consideration of the impact of construction schemes upon the environment and social surroundings.	The Group regularly monitors a number of environmental impact indicators. The results of this appear in the Group's Corporate Responsibility Report.
Litigation and uninsured losses.	The Group has an in-house legal department and consults with external lawyers as appropriate. The Group maintains appropriate insurance cover for all main risks of the Group. Any litigation that could have a material impact upon the Group is disclosed as contingent liabilities (see note 17).
Health and safety	
Health and safety.	The Group has a dedicated health and safety audit department which is independent of the management of the operating divisions.
IT	
Failure of the Group's IT systems, in particular those relating to surveying and valuation, could adversely impact the performance of the Group.	The Group has a fully tested disaster recovery programme in place.

Details of the Group's management of liquidity risk, market risk, credit risk and capital risk in relation to financial instruments are provided in note 13.

Condensed consolidated income statement

for the half year ended 31 December 2010 (unaudited)

		Half year ended 31 December 2010			Half year ended 31 December 2009			Year ended 30 June 2010 (audited)		
		Before exceptional items	**Exceptional items (note 5)**		Before exceptional items	Exceptional items (note 5)		Before exceptional items	Exceptional items (note 5)	
	Note	**£m**	**£m**	**£m**	£m	£m	£m	£m	£m	£m
Continuing operations										
Revenue	4	**877.6**	**-**	**877.6**	872.4	-	872.4	2,035.2	-	2,035.2
Cost of sales		**(796.5)**	**-**	**(796.5)**	(813.8)	(4.8)	(818.6)	(1,850.4)	(4.8)	(1,855.2)
Gross profit/(loss)		**81.1**	**-**	**81.1**	58.6	(4.8)	53.8	184.8	(4.8)	180.0
Administrative expenses		**(37.6)**	**-**	**(37.6)**	(37.6)	(11.0)	(48.6)	(94.7)	(11.0)	(105.7)
Profit/(loss) from operations	4	**43.5**	**-**	**43.5**	21.0	(15.8)	5.2	90.1	(15.8)	74.3
Finance income	6	**9.1**	**-**	**9.1**	7.8	-	7.8	13.4	-	13.4
Finance costs	6	**(57.3)**	**-**	**(57.3)**	(76.7)	(114.1)	(190.8)	(135.0)	(114.1)	(249.1)
Net finance costs	6	**(48.2)**	**-**	**(48.2)**	(68.9)	(114.1)	(183.0)	(121.6)	(114.1)	(235.7)
Share of post-tax profit/(loss) from joint ventures		**0.1**	**-**	**0.1**	(0.6)	-	(0.6)	(1.5)	-	(1.5)
Loss before tax		**(4.6)**	**-**	**(4.6)**	(48.5)	(129.9)	(178.4)	(33.0)	(129.9)	(162.9)
Tax	7	**(4.4)**	**-**	**(4.4)**	15.6	35.4	51.0	9.1	35.4	44.5
Loss for the period from continuing operations		**(9.0)**	**-**	**(9.0)**	(32.9)	(94.5)	(127.4)	(23.9)	(94.5)	(118.4)
Loss for the period attributable to equity shareholders		**(9.0)**	**-**	**(9.0)**	(32.9)	(94.5)	(127.4)	(23.9)	(94.5)	(118.4)
Loss per share from continuing operations										
Basic and Diluted	8			**(0.9)p**			(18.9)p			(14.5)p

Notes 1 to 19 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 2010 (unaudited)

	Note	**Half year ended 31 December 2010 £m**	Half year ended 31 December 2009 £m	Year ended 30 June 2010 (audited) £m
Loss for the period		**(9.0)**	(127.4)	(118.4)
Other comprehensive (expense)/ income				
Losses on cash flow hedges	6	**(7.1)**	(27.7)	(43.6)
Actuarial gains/(losses) on defined benefit pension schemes	14	**8.3**	(6.4)	(26.3)
Tax (charge)/credit on items taken directly to equity		**(0.9)**	10.3	19.9
Net profit/(loss) recognised directly in equity		**0.3**	(23.8)	(50.0)
Amortisation of losses on cancelled interest rate swaps deferred in equity	6	**-**	0.2	0.2
Transfer from income statement on cash flow hedges – non exceptional	6	**17.2**	11.6	14.1
Transfer from income statement on cash flow hedges – exceptional	6	**-**	50.1	50.1
Tax charge on items taken directly to equity		**(4.7)**	(17.3)	(18.0)
Net profit transferred		**12.5**	44.6	46.4
Total comprehensive income/(expense) recognised for the period attributable to equity shareholders		**3.8**	(106.6)	(122.0)

Notes 1 to 19 form an integral part of the condensed consolidated half yearly financial statements.

Condensed consolidated statement of changes in shareholders' equity
at 31 December 2010 (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 2009	34.7	206.6	1,109.0	(63.9)	(2.8)	14.9	1,033.1	1,045.2	2,331.6
Loss for the period	-	-	-	-	-	-	(127.4)	(127.4)	(127.4)
Losses on cash flow hedges	-	-	-	(27.7)	-	-	-	-	(27.7)
Transfer to income statement on cash flow hedges – non exceptional	-	-	-	11.6	-	-	-	-	11.6
Transfer to income statement on cash flow hedges – exceptional	-	-	-	50.1	-	-	-	-	50.1
Amortisation of losses on cancelled interest rate swaps deferred in equity	-	-	-	0.2	-	-	-	-	0.2
Actuarial losses on pension scheme	-	-	-	-	-	-	(6.4)	(6.4)	(6.4)
Tax on items taken directly to equity	-	-	-	(9.6)	-	0.8	1.8	2.6	(7.0)
Total comprehensive income/(expense) recognised for the period ended 31 December 2009	-	-	-	24.6	-	0.8	(132.0)	(131.2)	(106.6)
Share-based payments	-	-	-	-	-	(0.1)	-	(0.1)	(0.1)
Issue of shares	61.8	-	-	-	-	-	658.7	658.7	720.5
Fees relating to issue of shares	-	-	-	-	-	-	(27.5)	(27.5)	(27.5)
Purchase of shares by Employee Benefit Trust	-	-	-	-	(2.2)	-	-	(2.2)	(2.2)
Balance at 31 December 2009	96.5	206.6	1,109.0	(39.3)	(5.0)	15.6	1,532.3	1,542.9	2,915.7
Profit for the period	-	-	-	-	-	-	9.0	9.0	9.0
Losses on cash flow hedges	-	-	-	(15.9)	-	-	-	-	(15.9)
Transfer to income statement on cash flow hedges – non exceptional	-	-	-	2.5	-	-	-	-	2.5
Actuarial losses on pension scheme	-	-	-	-	-	-	(19.9)	(19.9)	(19.9)
Tax on items taken directly to equity	-	-	-	3.8	-	(0.4)	5.5	5.1	8.9
Total comprehensive expense recognised for the period ended 30 June 2010	-	-	-	(9.6)	-	(0.4)	(5.4)	(5.8)	(15.4)
Share-based payments	-	-	-	-	-	(0.1)	-	(0.1)	(0.1)
Transfer of share-based payments charge for non-vested options	-	-	-	-	-	(1.9)	1.9	-	-
Balance at 30 June 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)**
Losses on cash flow hedges	**-**	**-**	**-**	**(7.1)**	**-**	**-**	**-**	**-**	**(7.1)**
Transfer to income statement on cash flow hedges – non exceptional	**-**	**-**	**-**	**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**

Ordinarily, the excess of the proceeds over the nominal value of the share capital would be credited to non-distributable share premium account. However, the Placing and the Rights Issue, completed in November 2009, were effected through a structure which resulted in the excess of the proceeds over the nominal value of the share capital issued being recognised within retained earnings.

Notes 1 to 19 form an integral part of the condensed consolidated half yearly financial statements.

Condensed consolidated balance sheet
at 31 December 2010 (unaudited)

	Note	**31 December 2010**	31 December 2009	30 June 2010 (audited)
		£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		**6.4**	8.6	6.7
Investments accounted for using the equity method		**84.5**	87.8	79.9
Available for sale financial assets		**155.3**	104.7	136.3
Trade and other receivables		**8.6**	1.5	0.8
Deferred tax assets		**163.3**	170.9	173.3
Derivative financial instruments - swaps	12	**27.8**	19.9	32.7
		1,338.1	1,285.6	1,321.9
Current assets				
Inventories	10	**3,372.5**	3,387.0	3,342.3
Trade and other receivables		**49.8**	42.5	66.1
Cash and cash equivalents	11	**369.4**	295.8	546.5
		3,791.7	3,725.3	3,954.9
Total assets	4	**5,129.8**	5,010.9	5,276.8
Liabilities				
Non-current liabilities				
Loans and borrowings	11	**(915.4)**	(906.3)	(918.6)
Trade and other payables		**(267.3)**	(274.9)	(300.8)
Retirement benefit obligations	14	**(31.7)**	(32.1)	(46.1)
Derivative financial instruments – swaps	12	**(63.0)**	(55.4)	(72.4)
		(1,277.4)	(1,268.7)	(1,337.9)
Current liabilities				
Loans and borrowings	11	**(13.8)**	(14.0)	(23.2)
Trade and other payables		**(930.4)**	(809.9)	(1,012.7)
Current tax liabilities		**(2.8)**	(2.6)	(2.8)
		(947.0)	(826.5)	(1,038.7)
Total liabilities	4	**(2,224.4)**	(2,095.2)	(2,376.6)
Net assets		**2,905.4**	2,915.7	2,900.2
Equity				
Share capital	15	**96.5**	96.5	96.5
Share premium		**206.6**	206.6	206.6
Merger reserve		**1,109.0**	1,109.0	1,109.0
Hedging reserve		**(42.2)**	(39.3)	(48.9)
Retained earnings		**1,535.5**	1,542.9	1,537.0
Total equity		**2,905.4**	2,915.7	2,900.2

Notes 1 to 19 form an integral part of the condensed consolidated half yearly financial statements.

Condensed consolidated cash flow statement
for the half year ended 31 December 2010 (unaudited)

	Note	**Half year ended 31 December 2010 £m**	Half year ended 31 December 2009 £m	Year ended 30 June 2010 (audited) £m
Net cash (outflow)/inflow from operating activities	16	**(167.3)**	60.3	291.4
Cash flows from investing activities				
Purchase of property, plant and equipment		**(0.6)**	(0.2)	(0.4)
(Increase)/decrease in investments accounted for using the equity method		**(4.5)**	(5.2)	1.8
Interest received		**2.3**	4.9	6.5
Net cash (outflow)/inflow from investing activities		**(2.8)**	(0.5)	7.9
Cash flows from financing activities				
Proceeds from issue of share capital		**-**	720.5	720.5
Share issue costs		**-**	(26.7)	(27.5)
Purchase of shares by Employee Benefit Trust		**-**	(2.2)	(2.2)
Make-whole fees on redemption of private placement notes		**-**	(4.9)	(4.9)
Hedging termination costs		**-**	(49.7)	(49.7)
Other fees related to refinancing		**-**	(6.2)	(6.5)
Loan repayments		**(7.0)**	(573.6)	(561.3)
Net cash (outflow)/inflow from financing activities		**(7.0)**	57.2	68.4
Net (decrease)/increase in cash and cash equivalents		**(177.1)**	117.0	367.7
Cash and cash equivalents at the beginning of period		**546.5**	178.8	178.8
Cash and cash equivalents at the end of period		**369.4**	295.8	546.5

Notes 1 to 19 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 2010 (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 2010 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 2010, 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.

The Group's existing bank facilities will mature in April and November 2012. We are making good progress in our discussions regarding the re-financing of our facilities and expect this to be completed within the coming months.

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' ('IAS 34') as adopted by the EU.

The condensed consolidated half yearly financial statements have been prepared using accounting policies and methods of computation consistent with those applied in the preparation of the Group's Annual Report for the year ended 30 June 2010 except as described below.

Changes in accounting policy

In the current financial year, the Group has adopted Amendment to IFRS2 'Group cash-settled share-based payment transactions', Amendment to IFRS1 'Additional Exemptions for First-time Adopters' and 'Limited Exemption from Comparative IFRS7 Disclosures for First-time Adopters', Amendment to IAS32 'Classification of rights issues', IFRIC19 'Extinguishing Financial Liabilities with Equity Instruments' and Improvements to IFRSs.

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

Notes to the condensed consolidated half yearly financial statements
for the half year ended 31 December 2010 (unaudited)

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 2010		Half year ended 31 December 2009		Year ended 30 June 2010 (audited)	
Residential completions	**Units**	**Units**	Units	Units	Units	Units
Housebuilding	**4,796**		5,028		11,325	
Commercial development	**-**		-		-	
		4,796		5,028		11,325
Income statement	**£m**	**£m**	£m	£m	£m	£m
Revenue						
Housebuilding	**847.2**		844.7		2,000.1	
Commercial development	**30.4**		27.7		35.1	
		877.6		872.4		2,035.2
Cost of sales before exceptional impairment of inventories						
Housebuilding	**(769.0)**		(786.8)		(1,819.9)	
Commercial development	**(27.5)**		(27.0)		(30.5)	
		(796.5)		(813.8)		(1,850.4)
Gross profit before exceptional impairment of inventories						
Housebuilding	**78.2**		57.9		180.2	
Commercial development	**2.9**		0.7		4.6	
		81.1		58.6		184.8
Administrative expenses before exceptional restructuring costs						
Housebuilding	**(35.0)**		(35.1)		(88.8)	
Commercial development	**(2.6)**		(2.5)		(5.9)	
		(37.6)		(37.6)		(94.7)

Notes to the condensed consolidated half yearly financial statements
for the half year ended 31 December 2010 (unaudited)

4. Segmental analysis (continued)

	Half year ended 31 December 2010		Half year ended 31 December 2009		Year ended 30 June 2010 (audited)	
	£m	**£m**	£m	£m	£m	£m
Profit/(loss) from operations before exceptional items						
Housebuilding	**43.2**		22.8		91.4	
Commercial development	**0.3**		(1.8)		(1.3)	
		43.5		21.0		90.1
Exceptional impairment of inventories						
Housebuilding	**-**		-		-	
Commercial development	**-**		(4.8)		(4.8)	
		-		(4.8)		(4.8)
Exceptional restructuring costs						
Housebuilding	**-**		(11.0)		(11.0)	
Commercial development	**-**		-		-	
		-		(11.0)		(11.0)
Profit/(loss) from operations						
Housebuilding	**43.2**		11.8		80.4	
Commercial development	**0.3**		(6.6)		(6.1)	
		43.5		5.2		74.3
Share of post-tax profit/(loss) from joint ventures						
Housebuilding	**0.2**		(0.5)		(0.9)	
Commercial development	**(0.1)**		(0.1)		(0.6)	
		0.1		(0.6)		(1.5)
Profit/(loss) from operations including share of post-tax loss from joint ventures						
Housebuilding	**43.4**		11.3		79.5	
Commercial development	**0.2**		(6.7)		(6.7)	
		43.6		4.6		72.8
Finance income		**9.1**		7.8		13.4
Finance costs – non exceptional		**(57.3)**		(76.7)		(135.0)
Finance costs – exceptional		**-**		(114.1)		(114.1)
Loss before tax		**(4.6)**		(178.4)		(162.9)
Tax		**(4.4)**		51.0		44.5
Loss for the period from continuing operations		**(9.0)**		(127.4)		(118.4)

Notes to the condensed consolidated half yearly financial statements
for the half year ended 31 December 2010 (unaudited)

4. Segmental analysis (continued)

Profit from operations includes £0.5m relating to forfeited deposits (2009: £0.8m) and £3.8m (2009: £6.9m) of other income.

Balance sheet	**31 December 2010**		31 December 2009		30 June 2010 (audited)	
	£m	**£m**	£m	£m	£m	£m
Segment assets						
Housebuilding	**4,587.8**		4,501.5		4,531.5	
Commercial development	**112.0**		146.5		126.6	
		4,699.8		4,648.0		4,658.1
Elimination of intercompany balances		**(102.7)**		(103.8)		(101.1)
		4,597.1		4,544.2		4,557.0
Deferred tax assets		**163.3**		170.9		173.3
Cash and cash equivalents		**369.4**		295.8		546.5
Consolidated total assets		**5,129.8**		5,010.9		5,276.8
Segment liabilities						
Housebuilding	**(1,349.2)**		(1,216.6)		(1,473.4)	
Commercial development	**(45.9)**		(59.5)		(59.7)	
		(1,395.1)		(1,276.1)		(1,533.1)
Elimination of intercompany balances		**102.7**		103.8		101.1
		(1,292.4)		(1,172.3)		(1,432.0)
Loans and borrowings		**(929.2)**		(920.3)		(941.8)
Current tax liabilities		**(2.8)**		(2.6)		(2.8)
Consolidated total liabilities		**(2,224.4)**		(2,095.2)		(2,376.6)

Other information	**Half year ended 31 December 2010**		Half year ended 31 December 2009		Year ended 30 June 2010 (audited)	
	£m	**£m**	£m	£m	£m	£m
Capital additions						
Housebuilding	**0.6**		0.2		0.4	
Commercial development	**-**		-		-	
		0.6		0.2		0.4
Depreciation						
Housebuilding	**0.8**		1.4		3.5	
Commercial development	**0.1**		0.1		0.1	
		0.9		1.5		3.6

5. Exceptional items

Amended financing arrangements
During the half year ended 31 December 2009 the Group incurred a charge of £114.1m relating to its amended financing arrangements. Details as to the composition of this charge can be found in the Group's Annual Report for the year ended 30 June 2010 and Interim Report for the period ended 31 December 2009 which are both available on the Company's website www.barrattdevelopments.co.uk.

Impairment of inventories
During the half year ended 31 December 2009, the Group's review of the net realisable value of its land and work in progress carrying-values resulted in a net exceptional impairment of £4.8m related to the commercial developments business. Details of the review as at 31 December 2010 are provided in note 10.

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

6. Net finance costs

	Half year ended 31 December 2010	Half year ended 31 December 2009	Year ended 30 June 2010 (audited)
Recognised in income statement	**£m**	£m	£m
Finance income on short-term bank deposits	**(0.8)**	(0.3)	(0.5)
Imputed interest on available for sale financial assets	**(6.8)**	(2.9)	(7.0)
Other interest receivable	**(1.5)**	(4.6)	(5.9)
Finance income	**(9.1)**	(7.8)	(13.4)
Interest on bank overdrafts and loans	**23.7**	38.3	63.7
Amortisation of losses on cancelled interest rate swaps	**-**	0.1	0.2
Imputed interest on deferred term land payables	**15.4**	11.5	26.5
Finance costs related to employee benefits	**0.5**	0.8	1.6
Transfer to equity on cash flow hedges	**17.2**	11.6	14.1
Foreign exchange (gain)/loss on US Dollar debt	**(5.6)**	2.7	11.9
Amortisation of facility fees	**3.2**	6.3	9.4
Imputed interest on Kickstart equity funding	**0.6**	-	0.2
Other interest payable	**2.3**	5.4	7.4
Finance costs before exceptional items	**57.3**	76.7	135.0
Net finance costs before exceptional items	**48.2**	68.9	121.6
Exceptional finance costs:			
Make-whole fees on redemption of private placement notes	**-**	23.9	23.9
Hedging termination costs	**-**	52.7	52.7
Write-off of previous facility unamortised fees	**-**	31.0	31.0
Other fees related to refinancing	**-**	6.5	6.5
Exceptional finance costs	**-**	114.1	114.1
Total finance costs	**57.3**	190.8	249.1
Net finance costs	**48.2**	183.0	235.7

6. Net finance costs (continued)

Recognised in equity	**Half year ended 31 December 2010 £m**	Half year ended 31 December 2009 £m	Year ended 30 June 2010 (audited) £m
Losses on cash flow hedges	**7.1**	27.7	43.6
Total fair value losses on cash flow swaps included in equity	**7.1**	27.7	43.6
Amortisation of losses on cancelled interest rate swaps	**-**	(0.2)	(0.2)
Transfer from income statement on cash flow hedges – non exceptional	**(17.2)**	(11.6)	(14.1)
Transfer from income statement on cash flow hedges – exceptional	**-**	(50.1)	(50.1)
Total fair value losses on cash flow swaps transferred from equity	**(17.2)**	(61.9)	(64.4)

7. Tax

The effective rate of corporation tax for the half year (including exceptional items and after excluding the impact of the change in corporation tax rate from 28% to 27%) is 24.8% (half year ended 31 December 2009: 28.6%; year ended 30 June 2010: 27.3%). This is comprised of the best estimate of the average annual effective corporation tax rate expected, applied to the half year loss before exceptional items, and the tax effect of exceptional items, which is not included in the best estimate of the average annual effective rate but instead recognised in the same period in which the exceptional items arise.

Owing to the change in corporation tax rate from 28% to 27%, the consolidated income statement includes a deferred tax charge of £5.5m and there is a £0.7m charge through reserves in the consolidated statement of comprehensive income.

As at 31 December 2010 the Group recognised a deferred tax asset of £163.3m (2009: £170.9m) mainly relating to losses which arose during the period and in prior years which are to be carried forward and relieved against profits arising in future periods.

June 2010 Budget announcements
A number of changes to the UK Corporation tax system were announced in the June 2010 Budget Statement. The Finance (No 2) Act 2010, which became law on 27 July 2010, includes legislation reducing the main rate of corporation tax from 28% to 27% from 1 April 2011. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 24% by 1 April 2014.

The proposed reductions of the main rate of corporation tax by 1% per year to 24% by 1 April 2014 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 27% to 24% would be to reduce the net deferred tax asset by £18.1m. To the extent that the deferred tax reverses more quickly than this, the impact on the net deferred tax asset will be reduced.

8. Loss per share

Basic loss per share is calculated by dividing the loss for the half year attributable to ordinary shareholders of £9.0m (2009: £127.4m) by the weighted average number of ordinary shares in issue during the half year, excluding those held by the Employee Benefit Trust which were treated as cancelled, giving a figure of 961.3m (2009: 672.9m).

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

8. Loss per share (continued)

The losses per share from continuing operations were as follows:

	Half year ended 31 December 2010	Half year ended 31 December 2009	Year ended 30 June 2010 (audited)
	pence	pence	pence
Basic and diluted loss per share	**(0.9)**	(18.9)	(14.5)
Adjusted basic and diluted loss per share	**(0.9)**	(4.9)	(2.9)

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

	Half year ended 31 December 2010		Half year ended 31 December 2009		Year ended 30 June 2010 (audited)	
	£m	**pence per basic share**	£m	pence per basic share	£m	pence per basic share
Loss for basic and diluted loss per share	**(9.0)**	**(0.9)**	(127.4)	(18.9)	(118.4)	(14.5)
Add: exceptional finance costs	**-**	**-**	114.1	17.0	114.1	14.0
Add: exceptional impairment of inventories	**-**	**-**	4.8	0.7	4.8	0.6
Add: exceptional restructuring costs	**-**	**-**	11.0	1.6	11.0	1.3
Less: tax effect of above items	**-**	**-**	(35.4)	(5.3)	(35.4)	(4.3)
Loss for adjusted basic and adjusted diluted loss per share	**(9.0)**	**(0.9)**	(32.9)	(4.9)	(23.9)	(2.9)

Losses are adjusted, removing exceptional finance costs, exceptional impairment of inventories, exceptional restructuring costs and the related tax to reflect the Group's underlying losses.

9. Goodwill

	31 December 2010	31 December 2009	30 June 2010 (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 Group conducts its annual goodwill impairment review at 30 June each year. However, due to the continued uncertainties in the UK housing market since 30 June 2010, the Group conducted a further impairment review of its goodwill and intangible assets at 31 December 2010. This impairment review compared the value-in-use of the housebuilding segment with the carrying-value of its tangible and intangible assets and allocated goodwill. The Group allocates any identified impairment first to goodwill and then to assets on a pro-rata basis, which in the case of the Group is its intangible assets.

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

9. Goodwill (continued)

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 12.0% (30 June 2010: 11.3%) is considered by the Directors to be the appropriate pre-tax risk adjusted discount rate being the Group's estimated pre-tax weighted average cost of capital.
- 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 2010 was based upon current expectations regarding sales volumes, expected changes in selling prices and site costs to complete in the uncertain conditions within the UK housing market and used a discount rate appropriate to the position and risks of the Group. The result of the impairment review was that the recoverable value of goodwill and intangible assets exceeded its carrying-value by £249.6m (30 June 2010: £707.5m). The headroom reduction from 30 June 2010 arises mainly from the increase in the Group's discount rate, being the Group's estimated pre-tax weighted average cost of capital, at 31 December 2010. If the UK housing market and expectations regarding its future were to deteriorate further with either operating margins reducing by 0.9% (30 June 2010: 2.3%) per annum or the appropriate discount rate were to increase by 0.6% (30 June 2010: 1.5%) and all other variables were held constant then the recoverable value of goodwill and intangible assets would equal its carrying-value.

10. Inventories

	31 December 2010	31 December 2009	30 June 2010 (audited)
	£m	£m	£m
Land held for development	**2,243.7**	2,357.7	2,308.7
Construction work in progress	**1,062.4**	995.7	981.4
Part exchange properties	**61.5**	30.0	47.6
Other inventories	**4.9**	3.6	4.6
	3,372.5	3,387.0	3,342.3

During the half year ended 31 December 2010, the Group reviewed the net realisable value of its land and work in progress carrying-values of its sites. The impairment review compared the estimated future net present realisable value of development sites with their balance sheet carrying-value.

10. Inventories (continued)

Due to performance variations upon housebuilding sites and changes arising from normal trading, such as planning status, there was a net inventory impairment charge of £5.4m (2009: £nil) included within profit from operations. The net charge of £5.4m comprised gross impairment reversals of £18.5m and gross impairment charges of £23.9m.

There was no impairment for the commercial developments business (2009: £4.8m).

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

The impairment review was based upon the 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 £960.8m (2009: £1,201.3m) of inventories are valued at fair value less costs to sell rather than at historical cost.

11. Loans and borrowings

a) Net debt

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

	31 December 2010	31 December 2009	30 June 2010 (audited)
	£m	£m	£m
Cash and cash equivalents	**369.4**	295.8	546.5
Non-current borrowings			
Bank loans	**(730.1)**	(723.8)	(726.9)
Private placement notes	**(185.3)**	(182.5)	(191.7)
Total non-current borrowings	**(915.4)**	(906.3)	(918.6)
Current borrowings			
Bank overdrafts	**(0.2)**	(1.8)	-
Private placement notes	**-**	(11.2)	(11.2)
Kickstart equity funding	**(13.3)**	-	(11.7)
Loan notes	**(0.3)**	(1.0)	(0.3)
Total current borrowings	**(13.8)**	(14.0)	(23.2)
Total borrowings	**(929.2)**	(920.3)	(941.8)
Derivative financial instruments			
Foreign exchange swaps	**22.8**	19.2	28.4
Net debt	**(537.0)**	(605.3)	(366.9)

11. Loans and borrowings (continued)

a) Net debt (continued)

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 2010	31 December 2009	30 June 2010 (audited)
	£m	£m	£m
Foreign exchange swap – exchange rate element	**22.8**	19.2	28.4
Foreign exchange swap – interest rate element	**4.3**	(0.7)	3.8
	27.1	18.5	32.2
Interest rate swaps	**(62.3)**	(54.0)	(71.9)
Net derivative financial instruments	**(35.2)**	(35.5)	(39.7)

Movement in net debt is analysed as follows:

	Half year ended 31 December 2010	Half year ended 31 December 2009	Year ended 30 June 2010 (audited)
	£m	£m	£m
Net (decrease)/increase in cash and cash equivalents	**(177.1)**	117.0	367.7
Repayment of borrowings	**7.0**	573.6	561.3
Make-whole notes issued	**-**	(19.0)	(19.0)
Movement in net debt in the period	**(170.1)**	671.6	910.0
Opening net debt	**(366.9)**	(1,276.9)	(1,276.9)
Closing net debt	**(537.0)**	(605.3)	(366.9)

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 2010	Half year ended 31 December 2009	Year ended 30 June 2010 (audited)
	%	%	%
Bank loans net of swap interest	**7.6**	8.1	8.1
Loan notes	**0.5**	2.7	2.0
Private placement notes	**11.5**	11.6	11.6

11. Loans and borrowings (continued)

c) Drawn debt facilities

The principal features of the Group's drawn debt facilities at 31 December 2010 were as follows:

i) Committed facilities

- A committed £740.5m five-year revolving credit facility of which £740.5m was drawn at 31 December 2010, made available under a credit agreement dated 5 February 2007 (as amended from time to time including in August 2008 and most recently with effect from 16 November 2009). As part of the August 2008 amendments, the revolving credit facility was fully drawn and now effectively operates as a term facility. The maturity date on this debt is 26 April 2012.
- A committed £350.0m three-year revolving credit facility of which £nil was drawn at 31 December 2010, made available under a facility agreement dated 2 February 2005 (as amended from time to time and most recently with effect from 16 November 2009). The maturity date on this debt is 16 November 2012.
- A committed £350.0m three-year revolving credit facility of which £nil was drawn at 31 December 2010, made available under a facility agreement dated 9 July 2008 (as amended from time to time and most recently with effect from 16 November 2009). The maturity date on this debt is 16 November 2012.

ii) Fixed rate Sterling private placement notes

- The Group repaid £12.0m of fixed rate Sterling private placement notes on 29 October 2010. The remaining £65.8m of fixed rate Sterling private placement notes expire between 23 April 2018 and 23 April 2020.

iii) Fixed rate US Dollar private placement notes

- US Dollar ten-year private placement notes of $42.6m effective from 23 April 2008 and as amended on 16 November 2009.
- US Dollar five-year private placement notes of $20.6m effective from 23 April 2008 and as amended on 16 November 2009.
- US Dollar ten-year private placement notes of $124.0m effective from 23 August 2007 and as amended on 16 November 2009.

iv) Floating rate Sterling loan notes

The Group had £0.3m (2009: £1.0m) Sterling loan notes at 31 December 2010 having repaid £0.7m on 30 June 2010. These loan notes are repayable at 30 June or 31 December each year at the option of the noteholder or are due in December 2012, and are subject to floating rates of interest linked to LIBOR. Following the Placing and the Rights Issue, which completed in November 2009, £0.3m of cash is held in a secured bank account which supports the Group's obligation to repay any amounts which the noteholder may claim under that guarantee.

v) Bank overdrafts and uncommitted money market facilities

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

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 2010		31 December 2009		30 June 2010 (audited)	
	Asset £m	**Liability £m**	Asset £m	Liability £m	Asset £m	Liability £m
Designated as cash flow hedges						
Non-current						
Interest rate swaps	**-**	**(62.3)**	-	(54.0)	-	(71.9)
Foreign exchange swaps	**27.8**	**(0.7)**	19.9	(1.4)	32.7	(0.5)
Total derivative financial instruments	**27.8**	**(63.0)**	19.9	(55.4)	32.7	(72.4)

a) Interest rate swaps

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

As at 31 December 2010 the Group had outstanding floating rate Sterling debt and overdrafts of £730.6m (2009: £726.6m). 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 £480.0m (2009: £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 2010 £m	**Fixed rate payable %**	**Maturity**	31 December 2009 £m	Fixed rate payable %	Maturity
142.5	5.79	2012	142.5	5.79	2012
50.0	5.80	2012	50.0	5.80	2012
60.0	5.94	2017	60.0	5.94	2017
60.0	5.99	2017	60.0	5.99	2017
32.5	5.64	2017	32.5	5.64	2017
60.0	5.75	2022	60.0	5.75	2022
75.0	5.44	2022	75.0	5.44	2022
480.0			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 2010, which is based on third party valuations, was a liability of £62.3m (2009: £54.0m) with a gain of £9.6m (2009: £13.3m loss) 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.

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. $120.6m of the Group's foreign exchange swap arrangements contain a clause that allows the Group or the issuer to cancel the swap in July 2012 and March 2013 at fair value.

As at 31 December 2010 the Group had outstanding fixed rate US Dollar loan notes of $187.2m (2009: $187.2m).

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 2010 $m	**Fixed rate payable %**	**Maturity**	31 December 2009 $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
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
187.2			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 as a result of refinancing on 9 July 2008 match 76% of the interest payments. The fair value of the swap arrangements as at 31 December 2010, which is based on third party valuations, was an asset of £27.1m (2009: £18.5m) with a loss of £5.1m (2009: £0.1m) 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.

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 £250.0m. 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 2010, the Group had committed bank facilities of £1,603.3m (2009: £1,616.0m) and total facilities of £1,664.5m (2009: £1,687.2m). The Group's drawn debt against these facilities was £915.9m (2009: £920.3m). This represented 57.1% (2009: 56.9%) of available committed facilities at 31 December 2010. In addition the Group had £369.4m (2009: £295.8m) of cash and cash equivalents.

13. Financial risk management (continued)

a) Liquidity risk (continued)

The Group was in compliance with its financial covenants at 31 December 2010. 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 2010, the average maturity of the Group's facilities was 2.2 years (2009: 3.1 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, in respect of which all conditions precedent had been met, were as follows:

Expiry date	**31 December 2010 £m**	31 December 2009 £m	30 June 2010 (audited) £m
In more than one year but not more than two years	**700.0**	-	-
In more than two years but not more than five years	**-**	700.0	700.0
	700.0	700.0	700.0

In addition, the Group had £61.0m of undrawn uncommitted facilities available at 31 December 2010 (2009: £69.4m).

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.

13. Financial risk management (continued)

b) Market risk (price risk) (continued)

i) UK housing market risk (continued)

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

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

	Linked to UK housing market £m	**Not linked to UK housing market £m**	**Total £m**
31 December 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)
	155.3	**(1,606.9)**	**(1,451.6)**
31 December 2009			
Non-derivative financial assets	104.7	313.8	418.5
Non-derivative financial liabilities	-	(1,839.6)	(1,839.6)
Derivatives	-	(35.5)	(35.5)
	104.7	(1,561.3)	(1,456.6)
30 June 2010 (audited)			
Non-derivative financial assets	136.3	582.4	718.7
Non-derivative financial liabilities	-	(2,036.6)	(2,036.6)
Derivatives	-	(39.7)	(39.7)
	136.3	(1,493.9)	(1,357.6)

The value of the Group's available for sale financial assets is directly linked to the UK housing market. At 31 December 2010 these assets were carried at a fair value of £155.3m (2009: £104.7m).

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 policy that 60%–80% of the Group's median gross borrowings calculated on the latest three-year plan (taking into account hedging) is at a fixed rate, with an average minimum duration of five years and an average maximum duration of fifteen years. At 31 December 2010, 72.6% of the Group's borrowings was at a fixed rate (2009: 71.1%).

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 2010				
Financial liabilities (excluding derivatives)	730.6	185.3	1,040.4	1,956.3
Impact of interest rate swaps	(480.0)	480.0	-	-
Financial liability exposure to interest rate risk	**250.6**	**665.3**	**1,040.4**	**1,956.3**
31 December 2009				
Financial liabilities (excluding derivatives)	726.6	193.7	919.3	1,839.6
Impact of interest rate swaps	(480.0)	480.0	-	-
Financial liability exposure to interest rate risk	246.6	673.7	919.3	1,839.6
30 June 2010 (audited)				
Financial liabilities (excluding derivatives)	727.2	202.9	1,106.5	2,036.6
Impact of interest rate swaps	(480.0)	480.0	-	-
Financial liability exposure to interest rate risk	247.2	682.9	1,106.5	2,036.6

iii) Foreign exchange rate risk

As at 31 December 2010, the Group has fixed rate US Dollar denominated private placement notes of $187.2m (2009: $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 76% of the interest payments and therefore the Group is subject to foreign exchange rate risk upon the remaining 24%.

c) Credit risk

In the majority of cases, the Group receives cash upon legal completion for private sales and receives advance stage payments from Registered Social Landlords for social housing. The Group has £155.3m (2009: £104.7m) 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.

13. Financial risk management (continued)

c) Credit risk (continued)

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 2010 was £89.5m (2009: £55.3m). 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.

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 schemes

The amounts recognised in the income statement were as follows:

	Half year ended 31 December 2010	Half year ended 31 December 2009	Year ended 30 June 2010 (audited)
	£m	£m	£m
Interest cost	**6.6**	6.2	12.4
Expected return on scheme assets	**(6.1)**	(5.4)	(10.8)
Total pension cost recognised in finance costs in the consolidated income statement	**0.5**	0.8	1.6
Total pension cost recognised in the consolidated income statement	**0.5**	0.8	1.6

14. Defined benefit pension schemes (continued)

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

	Half year ended 31 December 2010	Half year ended 31 December 2009	Year ended 30 June 2010 (audited)
	£m	£m	£m
Expected return less actual return on pension scheme assets	**(19.1)**	(21.2)	(17.6)
Loss arising from changes in the assumptions underlying the present value of benefit obligations	**10.8**	27.6	43.9
Total pension (gain)/cost recognised in the consolidated statement of comprehensive income	**(8.3)**	6.4	26.3

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 2010	31 December 2009	30 June 2010 (audited)
	£m	£m	£m
Net liability recognised in the balance sheet	**31.7**	32.1	46.1

Cash flow movements in scheme assets were as follows:

	Half year ended 31 December 2010	Half year ended 31 December 2009	Year ended 30 June 2010 (audited)
	£m	£m	£m
Employer contributions	**6.6**	6.6	13.3
Benefits paid from scheme	**(4.0)**	(4.6)	(9.9)

15. Share capital

	31 December 2010	31 December 2009	30 June 2010 (audited)
	Number	Number	Number
Allotted and issued ordinary shares of 10p each – fully paid	**965,268,706**	965,159,775	965,215,015
	£m	£m	£m
Allotted and issued ordinary shares of 10p each – fully paid	**96.5**	96.5	96.5

During the six months, 6,841,830 options over the Company's shares were granted under the Company's Long-Term Performance Plan.

Allotment of shares during the period

During the six months, 53,691 shares were issued to satisfy early exercises under the 2009 SAYE scheme.

15. Share capital (continued)

Employee Benefit Trust

The Barratt Developments PLC Employee Benefit Trust (the 'EBT') holds 3,858,573 (2009: 3,935,405) ordinary shares in the Company. The cost of the shares held by the EBT, at an average of 131.2 pence per share (2009: 128.6 pence per share), was £5,062,745 (2009: £5,062,745). The market value of the shares held by the EBT at 31 December 2010 at 88.7 pence per share (2009: 124.0 pence per share) was £3,422,554 (2009: £4,879,902). 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.

16. Cash flows from operating activities

	Half year ended 31 December 2010 £m	Half year ended 31 December 2009 £m	Year ended 30 June 2010 (audited) £m
Loss for the period from continuing operations	**(9.0)**	(127.4)	(118.4)
Tax	**4.4**	(51.0)	(44.5)
Finance income	**(9.1)**	(7.8)	(13.4)
Finance costs	**57.3**	190.8	249.1
Share of post-tax (profit)/loss from joint ventures	**(0.1)**	0.6	1.5
Profit from operations	**43.5**	5.2	74.3
Amortisation of deferred loss on swaps	**-**	0.1	0.2
Depreciation	**0.9**	1.5	3.6
Impairment of inventories	**5.4**	4.8	4.8
Impairment of available for sale financial assets	**10.5**	6.2	6.1
Share-based payments	**1.0**	0.1	(0.6)
Imputed interest on deferred term land payables	**(15.4)**	(11.5)	(26.5)
Imputed interest on available for sale financial assets	**6.8**	2.9	7.0
Amortisation of facility fees	**(3.2)**	(6.3)	(9.4)
Imputed interest on Kickstart equity funding	**(0.6)**	-	(0.2)
Write-off of previous facility unamortised fees	**-**	(31.0)	(31.0)
Finance costs related to employee benefits	**(0.5)**	(0.8)	(1.6)
Total non-cash items	**4.9**	(34.0)	(47.6)
(Increase)/decrease in inventories	**(35.6)**	149.0	193.7
Decrease/(increase) in trade and other receivables	**8.5**	(1.0)	(23.9)
(Decrease)/increase in trade and other payables	**(123.0)**	(24.4)	198.2
Increase in available for sale financial assets	**(29.5)**	(24.4)	(55.9)
Total movements in working capital	**(179.6)**	99.2	312.1
Interest paid	**(36.1)**	(63.7)	(101.2)
Tax received	**-**	53.6	53.8
Net cash (outflow)/inflow from operating activities	**(167.3)**	60.3	291.4

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 £430.0m (2009: £390.0m), and confirm that the possibility of cash outflow is considered minimal and no provision is required.

b) Contingent liabilities related to joint ventures

The Group has guaranteed no (2009: £3.9m) bank borrowings of its joint ventures.

At 31 December 2010, the Group has an obligation to repay £0.9m (2009: £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 and joint ventures

Provision is made for the Directors' best estimate of all known legal claims and all legal actions in progress. The Group takes legal advice as to the likelihood of success of claims and actions and no provision is made where the Directors consider, based on that advice, that the action is unlikely to succeed, or a sufficiently reliable estimate of the potential obligations cannot be made.

i) Incident at Battersea Park Road, London

One of the principal subsidiaries within the Group is BDW Trading Ltd ('BDW'). On Tuesday 26 September 2006 at Battersea Park Road, London, a tower crane supplied to BDW (with operator) by a third party contractor collapsed. The collapse of the crane was not contained within the boundaries of the site and the crane operator and a member of the public were killed. In addition, significant damage was caused to a neighbouring block of flats and shops which resulted in the evacuation of a number of local residents due to concerns about structural stability. There is an ongoing criminal investigation currently being carried out by the London Metropolitan Police and the Health and Safety Executive to ascertain whether any of the parties involved are criminally liable for manslaughter or under relevant health and safety legislation. Although no assurance can be given, the Board has been advised that on the information available as at 23 February 2011, 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 have been commenced against both the plumbing and heating sub-contractor utilised by BDW for the development for a breach of health and safety legislation, and against an individual registered gas engineer for manslaughter caused by gross negligence and breach of gas safety legislation. The Police and Health and Safety Executive investigations are still ongoing. 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.

18. Related party transactions

Transactions between the Group and its joint ventures

The Group has principally entered into transactions with its joint ventures in respect of funding, development management services (with charges made based on the utilisation of these services), and purchases of land and work in progress. These transactions totalled £1.2m (2009: £1.0m), £nil (2009: £0.1m), and £nil (2009: £0.2m).

The amount of outstanding loans and interest due to the Group from its joint ventures at 31 December 2010 is £92.6m (2009: £94.9m). The amounts outstanding are unsecured and will be settled in cash. The Group has provided no (2009: £3.9m) bank guarantees to its venturers. There were no other amounts outstanding to the Group from its joint ventures at either 31 December 2010 or 31 December 2009.

19. Seasonality

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

Responsibility statement

The Directors confirm that to the best of their knowledge these condensed consolidated half yearly financial statements have been prepared in accordance with IAS34 and that the interim management report herein includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year) and DTR 4.2.8R (disclosure of related party transactions and changes therein).

The Directors of Barratt Developments PLC during the half year were:

R A Lawson, Chairman
M S Clare, Group Chief Executive
S J Boyes, Group Board Executive Director
C Fenton, Group Board Executive Director
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
W Shannon, Non-Executive Director (resigned 21 October 2010)

These condensed consolidated half yearly financial statements were approved by the Board on 23 February 2011.

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 2010 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 19. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

Directors' responsibilities

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

As disclosed in note 3, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half yearly financial report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half yearly financial report based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half yearly financial report for the six months ended 31 December 2010 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
23 February 2011

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Company information

Registered in England and Wales. Company number 604574