



27 February 2014

BARRATT
DEVELOPMENTS PLC

BARRATT DEVELOPMENTS PLC
Half Yearly Financial Report for the six months ended 31 December 2013

First half housing completions at highest level in five years

- Significant increase in output with the Group¹ responding quickly to uplift in consumer demand
- Strong, broad based recovery with higher sales rates across all areas of the country
- Continued investment in high return new development opportunities across the UK with 11,394 plots approved in the half year
- Disciplined approach has delivered significant progress on ROCE² at 14.2% for the 12 months to 31 December 2013
- Recruitment target for apprentices, graduates and trainees increased to 1,100 over three years

| | Half year ended 31 December 2013 | Half year ended 31 December 2012 | Change |
|--------------------------------|-------------------------------------|-------------------------------------|--------|
| Total completions ³ | 6,195 | 5,194 | +19% |
| Revenue | £1,264.9m | £951.1m | +33% |
| Profit from operations | £139.5m | £80.8m | +73% |
| Operating margin ⁴ | 11.0% | 8.5% | +250bp |
| Profit before tax | £120.4m | £45.9m ⁵ | +162% |
| Basic earnings per share | 9.5p | 3.4p | +179% |
| Interim dividend per share | 3.2p | - | n/a |
| ROCE | 14.2% | 9.0% | +520bp |

Outlook

- Very strong start to the second half with 0.76 (2013: 0.64) net private reservations per active site per week⁶ over the last eight weeks
- Net private reservations up 30.2% at 0.69 (2013: 0.53) per active site per week for the financial year to date
- Total forward sales as at 23 February 2014 up by 56.2% to £1,748.1m (24 February 2013: £1,119.1m)
- Expect to deliver full year profit towards the top end of the range of current analyst estimates⁷
- Interim dividend payment of 3.2 pence per share reflecting the move to three times dividend cover, two years ahead of target. For the three years to FY16 total dividend payments expected of around £365m based on current analyst estimates⁸

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

“Underpinning this strong performance is an improved market and a business model that is delivering homes that people want to buy in places they want to live. Our disciplined approach means that we have been able to increase the number of new homes we are building whilst driving up profitability, return on capital and dividends. Our momentum has continued into 2014 with sales rates well above last year and forward sales of £1.7bn. We are now expanding our recruitment programme to 1,100 apprentices, graduates and trainees, demonstrating our commitment to further controlled growth.”

¹ In this Half Yearly Financial Report, Barratt Developments PLC is defined as the ‘Company’ and it together with its subsidiary undertakings is defined as the ‘Group’

² Return on capital employed (‘ROCE’) is calculated as earnings before interest, tax and operating exceptionals for the 12 months to December divided by average net assets adjusted for goodwill and intangibles, tax, cash, loans and borrowings, retirement benefit obligations and derivative financial instruments

³ Includes joint venture (‘JVs’) completions in which the Group has an interest

⁴ Operating margin is profit from operations divided by revenue

⁵ Restated following the adoption of IAS 19 (Revised) ‘Employee Benefits’ in the period

⁶ Unless otherwise stated all numbers exclude joint ventures

⁷ As per Reuters on 25 February 2014 where estimates for FY14 profit before tax ranged from £323m to £380m

⁸ As per Reuters estimates on 25 February 2014

The Half Yearly Financial 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 the future outlook may be influenced by factors that could cause actual outcomes and results to be materially different.

There will be an analyst and investor meeting at 8.30am today at Deutsche Bank, 1 Great Winchester Street, London, EC2N 2DB. The meeting will be broadcast live on the Barratt Developments corporate website, www.barrattdevelopments.co.uk. A listen only function will also be available.

Please dial:

UK: 0800 9531287

International: +44 (0) 1452 560297

Conference ID: 46204713

The Half Yearly Financial Report for the six month period ended 31 December 2013 is available from today, 27 February 2014, on the Barratt Developments corporate website, www.barrattdevelopments.co.uk via the following address: www.barrattdevelopments.co.uk/barratt/en/investor/results

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

Overview

The housing market has remained strong and coupled with a good operational performance, we have delivered significant improvements across all of our key financial metrics in the first half.

We have increased our production and sales levels, and agreed the purchase of 11,394 plots of land on 85 sites, an increase of 22% on the prior year equivalent period (the 'prior year').

We have achieved a 250 basis point increase in operating margin and a 162% increase in pre-tax profit on the prior year. ROCE for the 12 months to 31 December 2013 has improved by 520 basis points to 14.2%. We have a formal ROCE target of 18% for FY16, however given our progress to date, we expect to achieve this earlier.

The Board is pleased to announce an interim dividend of 3.2 pence per share, reflecting the move to a dividend payment covered three times by earnings per share, two years ahead of target.

The market

The growth in consumer confidence that started in early 2013 has continued throughout the first half of our financial year, against the backdrop of an improving economic outlook. The Help to Buy equity loan scheme has provided additional impetus to the market recovery and we expect it to remain a very attractive opportunity for our customers, particularly first-time buyers, during the remaining life of the scheme. More generally, we are also seeing improvements in the underlying provision of mortgage finance. During the period, 29% of our total completions (excluding JVs) utilised Help to Buy.

Geographically, we are seeing a broad based recovery in terms of sales, with higher average sales rates across all regions.

Increasing the supply of new homes

Whilst both the market for new homes and build rates are improving, the shortage of homes will not be fully resolved in the short-term. We support the Government's attempts to accelerate the supply of new homes by assisting the ability to buy, and also addressing the longer-term supply issues of land availability and planning. We are responding quickly and have increased our output by 19% in the period compared with the prior year, and continue to expect to deliver around 45,000 new homes over the next three years.

Increased activity levels across the sector have led to some pressures on the industry supply chain, material costs and subcontract labour costs. The strength of our supplier relationships and focus on centralised procurement and standard product has served us well, and we have had no significant disruption to our build programme in the period⁹. Looking ahead, we are confident that our supplier relationships will continue to benefit the Group and that our requirements for the next 12 months will be met.

Financial performance

In the half year, we delivered 6,195 (2012: 5,194) total completions (including JVs), an increase of 19.3% on the prior year. Private completions were up 22.7% on the prior year to 5,202 (2012: 4,241). Affordable housing completions totalled 751 (2012: 844), with the reduction in volume reflecting site phasing. We expect affordable housing to account for around 16% (FY13: 17.1%) of completions for FY14. JV completions in which the Group had an interest were 242 units (2012: 109 units).

Total average selling price ('ASP') increased by 13.9% in the period to £211,200 (2012: £185,500). Private ASP increased by 11.6% in the period to £225,300 (2012: £201,900) primarily driven by changes in mix, with fewer flats outside of London, more family homes being built around the country and an increased proportion of completions from London in the period versus the prior year. Affordable housing ASP increased by 10.1% to £113,800 (2012: £103,400).

Operating profit increased by 72.6% to £139.5m (2012: £80.8m). Operating margin was up by 250 basis points to 11.0% (2012: 8.5%) reflecting the higher proportion of completions from new higher margin land, growth in volumes and the early benefit of lower incentives on completions.

⁹ The six months ended 31 December 2013 (the 'period')

Group Chief Executive's statement (continued)

In the half year, the Group's share of JV profit was £10.1m (2012: £0.5m), and for FY14 we expect this to be around £35m. We continue to make good progress on all JV sites and expect a high level of completions in the full year from our Altitude and Queensland Terrace developments, both Barratt London JVs with London & Quadrant.

We have a total of 12 JV sites, of which seven are in London. The total future gross development value of our JV sites as at 31 December 2013 was £2.5bn, the majority of which is expected to be delivered over the next six years.

Finance charges reduced to £29.2m (2012: £35.4m), reflecting our lower cost of debt following the refinancing in May 2013 and lower average debt in the period.

Profit before tax increased by 162.3% to £120.4m (2012: £45.9m) and basic earnings per share increased by 179.4% to 9.5 pence per share (2012: 3.4 pence per share).

Delivering our strategic objectives

Our improved performance has been driven by our continued focus on our three strategic objectives of building profitability, maintaining an appropriate capital structure and driving ROCE.

Building profitability

Targeted land buying

The most important factor in our drive to build profitability is acquiring and bringing into production high margin land. In the half year, 60% of our completions were from more recently acquired higher margin land. We remain disciplined in our land buying and all land acquired must meet or exceed our hurdle rates of 20% gross margin and 25% ROCE¹⁰.

We continue to see excellent opportunities in the land market and we were successful in approving the acquisition of 11,394 plots (2012: 9,320 plots) of land in the period, a 22.3% increase on the prior year. In London and the South East where the land market is more competitive, we are focused on acquiring land from the public sector and sites that are larger or more technically complex. In both areas we have a strong capability and track record.

Our broader success in buying land is based on the extensive local knowledge of our divisional land teams and strong local relationships with land owners, combined with detailed assessments of local market conditions. We have target locations based on the availability of land, housing market conditions and the likelihood of obtaining planning.

An important part of bringing land into production is the planning process. We have seen some improvements in this area, both as a result of changes in Government policy and operational improvements within our business. Following the implementation of the Government's National Planning Policy Framework, there are stronger incentives for local authorities to put in place their plan for a five year land supply. That is leading to an improved dialogue between local authorities and our divisions. Nevertheless, the planning process remains a lengthy one and on average it takes us around 70 weeks from agreeing to purchase the land to achieving full or outline planning consent. The length of the planning process will remain a restriction on the speed at which housing supply can increase.

During the half year, we achieved planning on 77 sites (2012: 70 sites). Looking forward, we have detailed consents for 82% of our expected FY15 completions and outline consents on a further 10%.

We continue to target a regionally balanced land portfolio with a supply of owned and controlled land of approximately 4.5 years. As at 31 December 2013, our owned and controlled land bank stood at 4.4 years (2012: 4.0 years) based on 12 months to 31 December 2013 completion volumes, totalling 62,644 plots (2012: 56,062 plots). We also held 6,488 plots (2012: 6,790 plots) of approved land.

¹⁰ Site ROCE on land acquisition is calculated as site operating profit (site trading profit less sales overheads less allocated administrative overheads) divided by average investment in site land, work in progress and equity share

Group Chief Executive's statement (continued)

The acquisition of new land and the completion of older sites has transformed the Group's land bank. As at 31 December 2013, 79% of our owned and controlled land bank plots were acquired since re-entering the land market in 2009, with less than 5% of plots on impaired old land.

At 31 December 2013, our JVs had an owned and controlled land bank in which the Group had an interest of 5,492 plots (2012: 1,848 plots), of which 4,699 plots (2012: 1,156 plots) are in London.

In addition, we have c. 10,500 acres (30 June 2013: c. 11,400 acres) of strategic land, which we actively manage to obtain the necessary planning consents. In the half year, 3,654 plots (2012: 1,698 plots) were transferred from strategic land to our operational land bank, more than double the number in the prior year. Strategic land is expected to become an increasing proportion of our operational land in future years.

Optimising prices

We remain focused on improving the quality of our homes in terms of location, design and construction quality. This in turn helps underpin our determination to secure a competitive advantage and ensure we get the right prices for the outstanding homes we build.

We aim to design homes and places where people aspire to live and we are continuing to invest in and develop our new product range. During the period, we have introduced 'Great Places' throughout the Group, which incorporates the Design Council's Building for Life 12, the industry standard for well-designed neighbourhoods to ensure that we build attractive, functional and sustainable developments.

We continue to see a change in the mix of homes we build – more family homes and apartments in London, and fewer apartments outside London. This ongoing change in mix has driven higher average private selling prices in the period.

The improved market conditions and stronger consumer demand have led to some increases in underlying sales prices across the Group, largely in the form of reduced incentives. This has resulted in an improvement in our net pricing on reservations in the period of around 150 to 200 basis points.

Overall, ASP increased by 13.9% to £211,200 (2012: £185,500), with private ASP increasing by 11.6% from £201,900 in the prior year to £225,300.

Operational efficiency

Improving efficiency remains a priority for the Group. We continue to standardise the building of our homes, centralise procurement and share best practice. We regularly benchmark efficiency measures across divisions.

In the period, the majority of materials, including subcontractor materials, were centrally procured. This ensures consistent quality and costs across the Group, as well as securing a supply chain for our 27 divisions¹¹.

All of our significant supply agreements are fixed in advance, usually for 12 months. During the period we saw some upward price pressure, in particular for bricks and timber. For FY14 material costs will be in line with our expectations, supported by our fixed-term contracts and pricing. During the period we have seen some increases in subcontracted labour costs, particularly in relation to bricklaying, where rates are now similar to pre-downturn levels.

We continue to renew subcontractor and supplier agreements to ensure best pricing and the continuous availability of labour and materials, and are confident that our requirements for the next 12 months will be met.

Maintaining an appropriate capital structure

Net debt as at 31 December 2013 was significantly lower than in the prior year at £155.0m (2012: £331.7m). The increase of £129.1m from 30 June 2013 (Net debt: £25.9m) reflects normal seasonal trends in working capital, the payment in July 2013 of £53m in respect of interest on the early termination of

¹¹ During the year ended 30 June 2013, we operated from 25 divisions. During the half year we opened divisions in Aberdeen and central London

Group Chief Executive's statement (continued)

£151.9m equivalent of private placement notes and the £24.5m paid for the FY13 dividend. We continue to expect that the Group will have minimal net debt as at 30 June 2014.

The appropriate capital structure for the Group is that land and long-term work in progress are funded by shareholders' funds and land creditors. The use of land creditors drives a higher ROCE and at 31 December 2013 they were 37% (2012: 37%) as a proportion of our owned land bank.

Driving return on capital employed

The Group is focused on driving a significant increase in ROCE and for the 12 months to 31 December 2013 generated a ROCE of 14.2% (2012: 9.0%). We have a formal ROCE target of 18% for FY16, however given our progress to date we expect to achieve this earlier.

All land acquired since 2009 has met our requirement of a minimum site ROCE hurdle of 25%. On the 60 sites completed to date that have been acquired since 2009, we have achieved an average site ROCE of 38%.

Employees

At 31 December 2013 we had 5,358 (2012: 4,760) employees and had engaged around 12,500 (2012: c. 10,000) subcontractors.

To help the Group address the skill shortage in the building industry, in 2013, we set out to recruit 600 apprentices, graduates and trainees over a three year period. We have made rapid progress and are likely to meet the target within the first two years of our scheme. We now aim to recruit around 1,100 apprentices, graduates and trainees over the next three years.

Construction excellence and efficiency

The Group prides itself on delivering the highest quality of construction, which underpins our brands and the attractiveness of our homes to potential buyers. In FY13 our site managers won 102 NHBC 'Pride in the Job' awards – the most awards a housebuilder has ever won and an industry leading performance for the ninth consecutive year. We are continuing to invest in our people to seek to ensure that this track record is maintained.

Industry leading customer experience

Customer satisfaction remains very high, with over 90% of our customers saying they would recommend us to a friend. In FY13 we achieved the highest HBF grading of 5 Star for the fourth consecutive year, a stronger track record than any other national housebuilder. With our levels of output increasing rapidly, we are very focused on seeking to maintain customer satisfaction levels.

Dividend

The Board recognises the importance of both capital growth and dividend income to shareholders. We recommenced dividend payments in November 2013 with a final dividend in respect of FY13 of 2.5 pence per share, which was covered around six times by adjusted basic earnings per share. At the time we stated that our intention was to adopt a progressive dividend policy with the target of reaching a dividend cover of around three times in FY16.

Given the prevailing market backdrop, the strong operational and financial performance of the Group and our confidence in the future prospects of the Group, the Board is pleased to move to a dividend payment covered around three times by earnings per share with immediate effect. Based on current analyst estimates for earnings per share, total dividend payments for the three years to FY16, assuming a three times dividend cover, would be around £365m, which the Board considers sensibly balances returns to shareholders with the investment needed to continue to develop and add value to the business.

The interim dividend of 3.2 pence per share will be paid on 20 May 2014 to all shareholders on the register on 22 April 2014.

Current trading and outlook

In the last eight weeks, the sales performance across the Group has remained very strong. Average net private reservations per active site per week have increased by 18.8% on the prior year equivalent period to 0.76 (2013: 0.64). We continue to see the benefit of reduced sales incentives, which coupled with

Group Chief Executive's statement (continued)

improvements in underlying prices, is now driving an improvement in net selling prices of around 250 basis points.

As at 23 February 2014, total forward sales (excluding JVs) for the Group were up 56.2% at £1,748.1m (24 February 2013: £1,119.1m), equating to 9,062 plots (24 February 2013: 6,030 plots). Private forward sales (excluding JVs) as at 23 February 2014 increased by 47.4% to £1,323.2m (24 February 2013: £897.7m). JV total forward sales at 23 February 2014 were £188.0m (24 February 2013: £105.3m), equating to 346 plots (24 February 2013: 365 plots). JV private forward sales were £181.8m (24 February 2013: £80.1m).

We expect full year completion volumes for the Group to be around 14,250, plus around 650 completions delivered through our JV portfolio. We remain committed to rebalancing the proportion of completions delivered in the first half of the year. This will deliver benefits in customer service levels, supply chain management and will assist us in getting the best possible price for our high quality homes.

We are confident in the outlook for the Group and expect to deliver a very strong performance for the full financial year, with profit before tax towards the top end of the range of current analyst estimates.

The Board will remain focused on managing the balance between controlled business growth that creates shareholder value and providing sustainable and attractive dividends.

Mark Clare
Group Chief Executive
26 February 2014

Principal risks and uncertainties

The Group's financial and operational performance and reputation is subject to a number of potential risks and uncertainties, which could have a material impact on the Group's performance over the remaining six months of the financial year and could cause actual results to differ materially from expected and historical results. The Directors do not consider that the process of risk management and the principal risks and uncertainties have changed since the publication of the Annual Report and Accounts for the year ended 30 June 2013. A detailed explanation of the relevance to the Group's strategy and mitigation of the risks outlined below can be found on pages 34 to 39 of the Annual Report and Accounts for the year ended 30 June 2013, which is available at www.barrattdevelopments.co.uk.

Economic environment, including housing demand and mortgage availability

Changes in the UK and European macroeconomic environments, including unemployment, flat economic growth, buyer confidence, availability of mortgage finance particularly for higher loan to values including Government backed schemes, the ability of purchasers to repay shared equity loans, interest rates, competitor pricing, falls in house prices or land values or a failure of the housing market to recover, may lead to a fall in the demand for houses which in turn could result in impairments of the Group's inventories, goodwill and intangible assets.

Cost reduction measures may adversely affect the Group's business or its ability to respond to future improvements in market conditions.

Land purchasing

The ability to secure sufficient consented land at appropriate cost and quality to provide profitable growth.

Liquidity

Unavailability of sufficient borrowing facilities to enable the servicing of liabilities (including pension funding) and the inability to refinance facilities as they fall due, obtain surety bonds, or comply with borrowing covenants. Furthermore, there are risks to management of working capital such as conditional contracts, build costs, joint ventures and the cash flows related to them.

Attracting and retaining high calibre employees

Inability to recruit and/or retain employees with appropriate skill sets or sufficient numbers of such employees.

Availability of raw materials, subcontractors and suppliers

Shortages or increased costs of materials and skilled labour, the failure of a key supplier or the inability to secure supplies upon appropriate credit terms could increase costs and delay construction.

Government regulation and planning policy

Inability to adhere to the increasingly stringent and complex regulatory environment, including planning and technical requirements affecting the housing market and regulatory requirements more generally.

Construction and new technologies

Failure to identify and achieve key construction milestones, due to factors including the impact of adverse weather conditions, the failure to identify cost overruns promptly, design and construction defects, and exposure to environmental liabilities which could delay construction, increase costs, reduce selling prices and result in litigation and uninsured losses. There are also risks associated with climate change and the use of new technology in the build process e.g. materials related to carbon reduction.

Joint ventures and consortiums

Large development projects, some of which involve joint ventures or consortium arrangements and/or commercial developments, are complex and capital intensive and changes may negatively impact upon cash flows or returns.

Health and safety

Health and safety breaches can result in injuries to employees, subcontractors and site visitors, delays in construction/increased costs, reputational damage, criminal prosecution and civil litigation.

Information technology ('IT')

Failure of the Group's IT systems, in particular those relating to surveying and valuation, could adversely impact the performance of the Group.

Principal risks and uncertainties (continued)

Financial risk management and contingent liabilities

Details of the Group's management of liquidity risk, market risk, credit risk and capital risk in relation to financial instruments are provided in the Annual Report and Accounts for the year ended 30 June 2013 on pages 125 to 130.

Details of contingent liabilities including litigation are provided in note 19 of the condensed consolidated half yearly financial statements.

Condensed consolidated income statement
for the half year ended 31 December 2013 (unaudited)

| | Half year ended 31 December 2013 | | | Half year ended 31 December 2012 (*restated) | | | Year ended 30 June 2013 (audited) (*restated) | | | |
|---|-------------------------------------|---|---------------------------------|--|---|---------------------------------|--|---|---------------------------------|-----------|
| | Note | Before except- ional items £m | Except- ional items £m | £m | Before except- ional items £m | Except- ional items £m | £m | Before except- ional items £m | Except- ional items £m | £m |
| Continuing operations | | | | | | | | | | |
| Revenue | 4 | 1,264.9 | - | 1,264.9 | 951.1 | - | 951.1 | 2,606.2 | - | 2,606.2 |
| Cost of sales | | (1,088.1) | - | (1,088.1) | (839.9) | - | (839.9) | (2,247.0) | - | (2,247.0) |
| Gross profit | | 176.8 | - | 176.8 | 111.2 | - | 111.2 | 359.2 | - | 359.2 |
| Administrative expenses | | (37.3) | - | (37.3) | (30.4) | - | (30.4) | (106.5) | (2.8) | (109.3) |
| Profit from operations | 4 | 139.5 | - | 139.5 | 80.8 | - | 80.8 | 252.7 | (2.8) | 249.9 |
| Finance income | 5 | 4.7 | - | 4.7 | 7.7 | - | 7.7 | 12.8 | - | 12.8 |
| Finance costs | 5 | (33.9) | - | (33.9) | (43.1) | - | (43.1) | (81.1) | (79.3) | (160.4) |
| Net finance costs | 5 | (29.2) | - | (29.2) | (35.4) | - | (35.4) | (68.3) | (79.3) | (147.6) |
| Share of post-tax profit/(loss) from joint ventures | | 10.1 | - | 10.1 | 0.5 | - | 0.5 | 7.7 | (5.4) | 2.3 |
| Share of post-tax loss from associates | | - | - | - | - | - | - | (0.1) | - | (0.1) |
| Profit before tax | | 120.4 | - | 120.4 | 45.9 | - | 45.9 | 192.0 | (87.5) | 104.5 |
| Tax | 6 | (27.8) | - | (27.8) | (13.1) | - | (13.1) | (50.5) | 20.7 | (29.8) |
| Profit/(loss) for the period from continuing operations | | 92.6 | - | 92.6 | 32.8 | - | 32.8 | 141.5 | (66.8) | 74.7 |
| Profit/(loss) for the period attributable to equity shareholders | | 92.6 | - | 92.6 | 32.8 | - | 32.8 | 141.5 | (66.8) | 74.7 |
| Earnings per share from continuing operations | | | | | | | | | | |
| Basic | 8 | | | 9.5p | | | 3.4p | | | 7.7p |
| Diluted | 8 | | | 9.2p | | | 3.3p | | | 7.5p |

* The condensed consolidated income statement has been restated for the comparative prior period and the comparative prior year following the adoption of IAS 19 (Revised) 'Employee Benefits' in the period (see note 3).

Notes 1 to 21 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 2013 (unaudited)

| | Half year ended 31 December 2013 | Half year ended 31 December 2012 (*restated) | Year ended 30 June 2013 (audited) (*restated) |
|--|---|--|--|
| Note | £m | £m | £m |
| Profit for the period | 92.6 | 32.8 | 74.7 |
| Other comprehensive income/(expense): | | | |
| Items that will not be reclassified to profit or loss | | | |
| Actuarial gains/(losses) on defined benefit pension schemes | 16 2.5 | (4.7) | (4.5) |
| Fair value adjustment on available for sale financial assets – greater than one year | 12 0.7 | - | (6.2) |
| Tax (charge)/credit relating to items not reclassified | (1.2) | 0.9 | 2.3 |
| Total items that will not be reclassified to profit or loss | 2.0 | (3.8) | (8.4) |
| Items that may be reclassified subsequently to profit or loss | | | |
| Amounts deferred in respect of effective cash flow hedges | (4.2) | (12.6) | (1.9) |
| Amounts reclassified to the income statement in respect of hedged cash flows | 5 8.0 | 10.5 | 6.7 |
| Amounts reclassified to the income statement in respect of hedged cash flows no longer expected to occur - exceptional | 5 - | - | 18.5 |
| Tax charge relating to items that may be reclassified | (1.6) | - | (5.8) |
| Total items that may be reclassified subsequently to profit or loss | 2.2 | (2.1) | 17.5 |
| Total comprehensive income recognised for the period attributable to equity shareholders | 96.8 | 26.9 | 83.8 |

* The condensed consolidated statement of comprehensive income has been restated for the comparative prior period and the comparative prior year following the adoption of IAS 19 (Revised) 'Employee Benefits' in the period (see note 3).

Notes 1 to 21 form an integral part of the condensed consolidated half yearly financial statements.

Condensed consolidated statement of changes in shareholders' equity at 31 December 2013 (unaudited)

| | Share capital | Share premium | Merger reserve | Hedging reserve | Own shares | Share- based payment | Retained earnings (*restated) £m | Total retained earnings (*restated) £m | Total (*restated) £m |
|--|------------------|------------------|-------------------|--------------------|---------------|----------------------------|---|--|----------------------------|
| Balance at 1 July 2012 | 97.6 | 211.7 | 1,109.0 | (37.4) | (5.0) | 14.3 | 1,583.6 | 1,592.9 | 2,973.8 |
| Profit for the period | - | - | - | - | - | - | 32.8 | 32.8 | 32.8 |
| Amounts deferred in respect of effective cash flow hedges | - | - | - | (12.6) | - | - | - | - | (12.6) |
| Amounts reclassified to the income statement in respect of hedged cash flows | - | - | - | 10.5 | - | - | - | - | 10.5 |
| Actuarial losses on pension scheme | - | - | - | - | - | - | (4.7) | (4.7) | (4.7) |
| Tax on items taken directly to equity | - | - | - | - | - | - | 0.9 | 0.9 | 0.9 |
| Total comprehensive (expense)/income recognised for the period ended 31 December 2012 | - | - | - | (2.1) | - | - | 29.0 | 29.0 | 26.9 |
| Share-based payments | - | - | - | - | - | 1.3 | - | 1.3 | 1.3 |
| Issue of shares | 0.3 | 0.6 | - | - | - | - | - | - | 0.9 |
| Disposal of own shares | - | - | - | - | 0.6 | - | - | 0.6 | 0.6 |
| Transfer of share-based payment charge for exercised/lapsed options | - | - | - | - | - | (3.8) | 3.8 | - | - |
| Tax on share-based payments | - | - | - | - | - | 2.3 | 0.4 | 2.7 | 2.7 |
| Balance at 31 December 2012 | 97.9 | 212.3 | 1,109.0 | (39.5) | (4.4) | 14.1 | 1,616.8 | 1,626.5 | 3,006.2 |
| Profit for the period | - | - | - | - | - | - | 41.9 | 41.9 | 41.9 |
| Amounts deferred in respect of effective cash flow hedges | - | - | - | 10.7 | - | - | - | - | 10.7 |
| Amounts reclassified to the income statement in respect of hedged cash flows | - | - | - | (3.8) | - | - | - | - | (3.8) |
| Amounts reclassified to the income statement in respect of hedged cash flows no longer expected to occur - exceptional | - | - | - | 18.5 | - | - | - | - | 18.5 |
| Fair value adjustments on available for sale financial assets | - | - | - | - | - | - | (6.2) | (6.2) | (6.2) |
| Actuarial gains on pension scheme | - | - | - | - | - | - | 0.2 | 0.2 | 0.2 |
| Tax on items taken directly to equity | - | - | - | (5.8) | - | - | 1.4 | 1.4 | (4.4) |
| Total comprehensive income recognised for the period ended 30 June 2013 | - | - | - | 19.6 | - | - | 37.3 | 37.3 | 56.9 |
| Issue of shares | 0.1 | 1.1 | - | - | - | - | - | - | 1.2 |
| Share-based payments | - | - | - | - | - | 3.1 | - | 3.1 | 3.1 |
| Disposal of own shares | - | - | - | - | 0.8 | - | - | 0.8 | 0.8 |
| Tax on share-based payments | - | - | - | - | - | 4.5 | 0.5 | 5.0 | 5.0 |
| Balance at 30 June 2013 | 98.0 | 213.4 | 1,109.0 | (19.9) | (3.6) | 21.7 | 1,654.6 | 1,672.7 | 3,073.2 |
| Profit for the period | - | - | - | - | - | - | 92.6 | 92.6 | 92.6 |
| Amounts deferred in respect of effective cash flow hedges | - | - | - | (4.2) | - | - | - | - | (4.2) |
| Amounts reclassified to the income statement in respect of hedged cash flows | - | - | - | 8.0 | - | - | - | - | 8.0 |
| Fair value adjustments on available for sale financial assets | - | - | - | - | - | - | 0.7 | 0.7 | 0.7 |
| Actuarial gains on pension scheme | - | - | - | - | - | - | 2.5 | 2.5 | 2.5 |
| Tax on items taken directly to equity | - | - | - | (1.6) | - | - | (1.2) | (1.2) | (2.8) |
| Total comprehensive income recognised for the period ended 31 December 2013 | - | - | - | 2.2 | - | - | 94.6 | 94.6 | 96.8 |
| Dividend payments | - | - | - | - | - | - | (24.5) | (24.5) | (24.5) |
| Share-based payments | - | - | - | - | - | 4.2 | - | 4.2 | 4.2 |
| Issue of shares | 0.4 | 0.3 | - | - | - | - | (0.4) | (0.4) | 0.3 |
| Disposal of own shares | - | - | - | - | 0.1 | - | - | 0.1 | 0.1 |
| Transfer of share-based payment charge for exercised/lapsed options | - | - | - | - | - | (6.3) | 6.3 | - | - |
| Tax on share-based payments | - | - | - | - | - | (0.3) | 2.3 | 2.0 | 2.0 |
| Balance at 31 December 2013 | 98.4 | 213.7 | 1,109.0 | (17.7) | (3.5) | 19.3 | 1,732.9 | 1,748.7 | 3,152.1 |

* The condensed consolidated statement of changes in equity has been restated for the comparative prior period and the comparative prior year following the adoption of IAS 19 (Revised) 'Employee Benefits' in the period (see note 3).

Notes 1 to 21 form an integral part of the condensed consolidated half yearly financial statements.

Condensed consolidated balance sheet
at 31 December 2013 (unaudited)

| | Note | 31 December 2013 £m | 31 December 2012 £m | 30 June 2013 (audited) £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 | | 5.7 | 3.8 | 3.4 |
| Investments accounted for using the equity method | | 149.7 | 108.4 | 123.5 |
| Available for sale financial assets | 12 | 127.1 | 193.9 | 128.4 |
| Trade and other receivables | | 4.2 | 1.8 | 4.4 |
| Deferred tax assets | 6 | 64.5 | 108.8 | 92.1 |
| Derivative financial instruments – swaps | 15 | - | 22.3 | 4.1 |
| | | 1,243.4 | 1,331.2 | 1,248.1 |
| Current assets | | | | |
| Inventories | 10 | 3,435.3 | 3,391.5 | 3,209.8 |
| Available for sale financial assets | | - | 5.1 | 1.3 |
| Trade and other receivables | | 83.8 | 58.8 | 74.8 |
| Cash and cash equivalents | 13 | 160.5 | 10.0 | 294.4 |
| Derivative financial instruments - swaps | 15 | - | - | 25.6 |
| Current tax assets | | - | 0.7 | 0.4 |
| | | 3,679.6 | 3,466.1 | 3,606.3 |
| Total assets | 4 | 4,923.0 | 4,797.3 | 4,854.4 |
| Liabilities | | | | |
| Non-current liabilities | | | | |
| Loans and borrowings | 13 | (313.7) | (349.0) | (166.6) |
| Trade and other payables | | (409.1) | (302.1) | (378.1) |
| Retirement benefit obligations | 16 | (4.4) | (19.9) | (13.4) |
| Derivative financial instruments – swaps | 15 | (22.2) | (54.3) | (27.1) |
| | | (749.4) | (725.3) | (585.2) |
| Current liabilities | | | | |
| Loans and borrowings | 13 | (1.8) | (12.0) | (181.8) |
| Trade and other payables | | (1,019.1) | (1,053.8) | (1,013.8) |
| Derivative financial instruments - swaps | 15 | - | - | (0.4) |
| Current tax liabilities | | (0.6) | - | - |
| | | (1,021.5) | (1,065.8) | (1,196.0) |
| Total liabilities | 4 | (1,770.9) | (1,791.1) | (1,781.2) |
| Net assets | | 3,152.1 | 3,006.2 | 3,073.2 |
| Equity | | | | |
| Share capital | 17 | 98.4 | 97.9 | 98.0 |
| Share premium | | 213.7 | 212.3 | 213.4 |
| Merger reserve | | 1,109.0 | 1,109.0 | 1,109.0 |
| Hedging reserve | | (17.7) | (39.5) | (19.9) |
| Retained earnings | | 1,748.7 | 1,626.5 | 1,672.7 |
| Total equity | | 3,152.1 | 3,006.2 | 3,073.2 |

Notes 1 to 21 form an integral part of the condensed consolidated half yearly financial statements.

Condensed consolidated cash flow statement
for the half year ended 31 December 2013 (unaudited)

| | | Half year ended 31 December 2013 | Half year ended 31 December 2012 | Year ended 30 June 2013 (audited) |
|---|------|---|---|---|
| | Note | £m | £m | £m |
| Net cash (outflow)/inflow from operating activities | 18 | (34.1) | (140.9) | 165.8 |
| Cash flows from investing activities | | | | |
| Purchase of property, plant and equipment | | (3.2) | (1.0) | (2.0) |
| Proceeds on sale of property, plant and equipment | | - | 3.4 | 4.0 |
| Increase in investments accounted for using the equity method | | (16.1) | (22.3) | (9.9) |
| Disposal of/(investment in) property fund | | 1.3 | (5.1) | (1.3) |
| Interest received | | 0.1 | 0.6 | 0.7 |
| Net cash outflow from investing activities | | (17.9) | (24.4) | (8.5) |
| Cash flows from financing activities | | | | |
| Dividends paid | 7 | (24.5) | - | - |
| Disposal of own shares | | 0.1 | 0.8 | 1.4 |
| Proceeds from issue of share capital | | 0.3 | 0.7 | 2.1 |
| Hedging termination costs | | - | (0.2) | (0.3) |
| Interest rate swap cancellation costs | | - | - | (18.5) |
| Make-whole fee on redemption of private placement notes | | (53.0) | - | - |
| Other fees related to amendment of financing arrangements | | - | - | (14.7) |
| Loan (repayments)/drawdowns | | (4.8) | 23.7 | 16.8 |
| Net cash (outflow)/inflow from financing activities | | (81.9) | 25.0 | (13.2) |
| Net (decrease)/increase in cash and cash equivalents | | (133.9) | (140.3) | 144.1 |
| Cash and cash equivalents at the beginning of the period | | 294.4 | 150.3 | 150.3 |
| Cash and cash equivalents at the end of the period | | 160.5 | 10.0 | 294.4 |

Notes 1 to 21 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 2013 (unaudited)

1. Cautionary statement

The Group Chief Executive's statement contained in this Half Yearly Financial Report, 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 Half Yearly Financial Report 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 2013 is an extract from the published Annual Report and Accounts 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 2013, 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 are outlined in the principal risks and uncertainties section of this Half Yearly Financial Report and their relevance to the Group's strategy and mitigation of those risks together with the financial risks including liquidity risk, market risk, credit risk and capital risk are outlined respectively on pages 34 to 39 and on pages 125 to 130 of the Group's Annual Report and Accounts for the year ended 30 June 2013, which is available at www.barrattddevelopments.co.uk.

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 has total committed facilities and private placement notes of £928m. The maturity dates of these facilities range from June 2014 to July 2021, with £150m of the revolving credit facility maturing in June 2016 and £550m of the revolving credit facility maturing in May 2018. The committed facilities and private placement notes provide appropriate headroom above our current forecast debt requirements.

Accordingly, after making enquiries, the Directors have formed a judgement, at the time of approving the condensed consolidated half yearly financial statements, that there is a reasonable expectation that the Group 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. For this reason, they continue to adopt the going concern basis in preparing the condensed consolidated half yearly financial statements.

3. Accounting policies

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

The unaudited 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 and Accounts for the year ended 30 June 2013 except as described below.

Changes in accounting policy

In the current financial year, the Group has adopted IFRS 13 'Fair Value Measurement' and IAS 19 (Revised) 'Employee Benefits'.

The adoption of IFRS 13 'Fair Value Measurement' has resulted in a review to the way the Group values financial assets and liabilities measured at fair value (see note 14). In accordance with IFRS 13 the fair value of financial assets and financial liabilities now includes an assessment of credit risk in respect of the counter party and own credit risk respectively.

Notes to the condensed consolidated half yearly financial statements for the half year ended 31 December 2013 (unaudited)

3. Accounting policies (continued)

The Group has financial assets that include foreign currency swaps with a third party financial institution. The Group has a net settlement arrangement with the financial institution in respect of the foreign currency swaps and interest rate swaps. Due to this net settlement arrangement the Group has assessed credit risk associated with the foreign currency swap to be nil. Therefore, the Group's foreign currency swaps financial assets fair values have not been restated for the comparative prior period and the comparative prior year.

The financial liabilities at fair value relate to interest rate swaps with third party financial institutions. In accordance with IFRS 13 'Fair Value Measurement' the Group has undertaken an assessment of own credit risk. When assessing the Group's own credit risk the Directors have considered the financial covenants, which the Group is party to as part of its senior lending facilities. Following a review of these financial covenants the Directors believe that the Group has sufficient resources to fulfil its interest rate swap obligations in the future and the likelihood of default to be remote. Therefore, the Group has assessed its credit risk as nil and has not restated its financial liabilities fair values for the comparative prior period and the comparative prior year.

The impact to the Group of adopting IAS 19 (Revised) 'Employee Benefits' has been a change in the calculation of the interest cost charged to the profit and loss on employee benefits. In accordance with IAS 19 (Revised) 'Employee Benefits' interest is now calculated on the net defined benefit liability. The Group interest expense has been restated for the comparative period from £0.2m to £0.4m and from £0.5m to £0.8m for the comparative year (see note 16).

New standards, amendments and interpretations that have been published and are therefore mandatory for the Group's accounting periods beginning on or after 1 July 2013 and later periods are disclosed on page 98 of the Annual Report and Accounts for the year ended 30 June 2013. None of the amendments and interpretations adopted in the period other than those mentioned above have had any impact on the profit and loss and net assets or required any additional disclosure.

Notes to the condensed consolidated half yearly financial statements for the half year ended 31 December 2013 (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 2013 | | Half year ended 31 December 2012 | | Year ended 30 June 2013 (audited) | |
|--|-------------------------------------|----------------|-------------------------------------|-------------------|---|-------------------|
| | £m | £m | £m | (*restated) £m | £m | (*restated) £m |
| Income statement | | | | | | |
| Revenue | | | | | | |
| Housebuilding | 1,262.7 | | 945.8 | | 2,592.6 | |
| Commercial development | 2.2 | | 5.3 | | 13.6 | |
| | | <u>1,264.9</u> | | <u>951.1</u> | | <u>2,606.2</u> |
| Profit/(loss) from operations | | | | | | |
| Housebuilding | 140.2 | | 78.6 | | 249.9 | |
| Commercial development | (0.7) | | 2.2 | | - | |
| | | <u>139.5</u> | | <u>80.8</u> | | <u>249.9</u> |
| Profit from operations including share of post-tax profit/(loss) from joint ventures and associates | | | | | | |
| Housebuilding | 150.4 | | 79.2 | | 257.6 | |
| Commercial development | (0.8) | | 2.1 | | (5.5) | |
| | | <u>149.6</u> | | <u>81.3</u> | | <u>252.1</u> |
| Finance income | | 4.7 | | 7.7 | | 12.8 |
| Finance costs – non-exceptional | | (33.9) | | (43.1) | | (81.1) |
| Finance costs – exceptional | | - | | - | | (79.3) |
| | | <u>120.4</u> | | <u>45.9</u> | | <u>104.5</u> |
| Profit before tax | | 120.4 | | 45.9 | | 104.5 |
| Tax | | (27.8) | | (13.1) | | (29.8) |
| | | <u>92.6</u> | | <u>32.8</u> | | <u>74.7</u> |
| Profit for the period from continuing operations | | <u>92.6</u> | | <u>32.8</u> | | <u>74.7</u> |

* The segmental analysis has been restated for the comparative prior period and the comparative prior year following the adoption of IAS 19 (Revised) 'Employee Benefits' in the period (see note 3).

Profit from operations includes £0.2m (31 December 2012: £0.2m; 30 June 2013: £0.7m) relating to forfeited deposits and £13.9m (31 December 2012: £10.0m; 30 June 2013: £19.9m) of other income.

Notes to the condensed consolidated half yearly financial statements
for the half year ended 31 December 2013 (unaudited)

4. Segmental analysis (continued)

| | 31 December 2013 | | 31 December 2012 | | 30 June 2013 (audited) | |
|---------------------------------------|------------------|------------------|------------------|------------------|---------------------------|------------------|
| | £m | £m | £m | £m | £m | £m |
| Balance sheet | | | | | | |
| Segment assets | | | | | | |
| Housebuilding | 4,679.3 | | 4,641.2 | | 4,442.0 | |
| Commercial development | 59.3 | | 76.5 | | 60.1 | |
| | | <u>4,738.6</u> | | <u>4,717.7</u> | | <u>4,502.1</u> |
| Elimination of intercompany balances | | (40.6) | | (39.9) | | (34.6) |
| Total segmental assets | | <u>4,698.0</u> | | <u>4,677.8</u> | | <u>4,467.5</u> |
| Deferred tax assets | | 64.5 | | 108.8 | | 92.1 |
| Current tax assets | | - | | 0.7 | | 0.4 |
| Cash and cash equivalents | | 160.5 | | 10.0 | | 294.4 |
| Consolidated total assets | | <u>4,923.0</u> | | <u>4,797.3</u> | | <u>4,854.4</u> |
| | | | | | | |
| Segment liabilities | | | | | | |
| Housebuilding | (1,464.3) | | (1,432.9) | | (1,425.2) | |
| Commercial development | (31.1) | | (37.1) | | (42.2) | |
| | | <u>(1,495.4)</u> | | <u>(1,470.0)</u> | | <u>(1,467.4)</u> |
| Elimination of intercompany balances | | 40.6 | | 39.9 | | 34.6 |
| Total segmental liabilities | | <u>(1,454.8)</u> | | <u>(1,430.1)</u> | | <u>(1,432.8)</u> |
| Loans and borrowings | | (315.5) | | (361.0) | | (348.4) |
| Current tax liabilities | | (0.6) | | - | | - |
| Consolidated total liabilities | | <u>(1,770.9)</u> | | <u>(1,791.1)</u> | | <u>(1,781.2)</u> |

Notes to the condensed consolidated half yearly financial statements
for the half year ended 31 December 2013 (unaudited)

5. Net finance costs

| | Half year ended 31 December 2013 | Half year ended 31 December 2012 | Year ended 30 June 2013 |
|--|---|---|----------------------------------|
| | £m | (*restated) £m | (audited) (*restated) £m |
| Recognised in income statement | | | |
| Finance income on short-term bank deposits | (0.1) | - | (0.1) |
| Imputed interest on available for sale financial assets | (2.8) | (6.5) | (10.2) |
| Other interest receivable | (1.8) | (1.2) | (2.5) |
| Finance income | (4.7) | (7.7) | (12.8) |
| Interest on bank overdrafts and loans | 10.1 | 20.4 | 37.7 |
| Imputed interest on deferred term land payables | 16.2 | 14.1 | 26.5 |
| Finance costs related to employee benefits | 0.2 | 0.4 | 0.8 |
| Amounts reclassified to the income statement in respect of hedged cash flows | 8.0 | 10.5 | 6.7 |
| Foreign exchange (gain)/loss on US Dollar debt | (4.4) | (6.0) | 2.8 |
| Amortisation of facility fees | 1.4 | 2.8 | 4.6 |
| Imputed interest on Kickstart equity funding | - | - | (0.9) |
| Other interest payable | 2.4 | 0.9 | 2.9 |
| Finance costs | 33.9 | 43.1 | 81.1 |
| Net finance cost before exceptional items | 29.2 | 35.4 | 68.3 |
| Exceptional finance costs | | | |
| Make-whole fee on redemption of private placement notes | - | - | 53.0 |
| Hedging termination costs | - | - | 18.5 |
| Write-off of previous facility unamortised fees | - | - | 7.8 |
| Exceptional finance costs | - | - | 79.3 |
| Total finance cost | 33.9 | 43.1 | 160.4 |
| Net finance costs | 29.2 | 35.4 | 147.6 |

* The finance costs have been restated for the comparative prior period and the comparative prior year following the adoption of IAS 19 (Revised) 'Employee Benefits' in the period (see note 3).

The Group's approach to foreign exchange rate risk management is detailed in note 15(b).

6. Tax

The effective rate of corporation tax for the half year (after excluding the impact of the change in corporation tax rate from 23% to 20% and prior year adjustments) is 21.8% (31 December 2012: 22.1%; 30 June 2013: 23.2%). This is comprised of the best estimate of the expected annual effective corporation tax rate applied to the half year profit before tax.

Owing to the change in corporation tax rate from 23% to 20%, the condensed consolidated income statement includes a deferred tax charge of £1.5m and there is a £2.0m charge through reserves in the condensed consolidated statement of comprehensive income.

As at 31 December 2013 the Group recognised a deferred tax asset of £64.5m (31 December 2012: £108.8m; 30 June 2013: £92.1m) mainly relating to prior year losses, which are to be carried forward and relieved against profits arising in future periods.

Notes to the condensed consolidated half yearly financial statements for the half year ended 31 December 2013 (unaudited)

6. Tax (continued)

Legislation changes

A number of changes to the UK corporation tax system were enacted in the Finance Act 2013, including a reduction in the main rate of corporation tax from 23% to 21% from 1 April 2014 and from 21% to 20% from 1 April 2015. The reductions from 23% were substantively enacted during the period and have therefore been reflected in the accounts for this period.

7. Dividends

| | Half year ended 31 December 2013 | Half year ended 31 December 2012 | Year ended 30 June 2013 (audited) |
|--|---|---|---|
| | £m | £m | £m |
| Amounts recognised as distributions to equity holders in the period | | | |
| Final dividend for the year ended 30 June 2013 | - | - | 24.5 |
| Proposed interim dividend for the year ended 30 June 2014 | 31.4 | - | - |

The proposed interim dividend of 3.2 pence per share was approved by the Board on 26 February 2014 and has not been included as a liability as at 31 December 2013.

8. Earnings per share

Basic earnings per share is calculated by dividing the profit for the half year attributable to ordinary shareholders of £92.6m (31 December 2012 (*restated): £32.8m; 30 June 2013 (*restated): £74.7m) by the weighted average number of ordinary shares in issue during the half year, excluding those held by the Employee Benefit Trust which were treated as cancelled, which was 977.6m (31 December 2012: 972.6m; 30 June 2013: 973.7m) shares.

Diluted earnings per share is calculated by dividing the profit for the half year attributable to ordinary shareholders of £92.6m (31 December 2012 (*restated): £32.8m; 30 June 2013 (*restated): £74.7m) by the weighted average number of ordinary shares in issue adjusted to assume conversion of all potentially dilutive share options from the start of the year, giving a figure of 1,006.1m (31 December 2012: 997.7m; 30 June 2013: 998.7m) shares.

The earnings per share from continuing operations were as follows:

| | Half year ended 31 December 2013 | Half year ended 31 December 2012 | Year ended 30 June 2013 (audited) |
|-------------------------------------|---|---|---|
| | pence | (*restated) pence | (*restated) pence |
| Basic earnings per share | 9.5 | 3.4 | 7.7 |
| Adjusted basic earnings per share | 9.5 | 3.4 | 14.5 |
| Diluted earnings per share | 9.2 | 3.3 | 7.5 |
| Adjusted diluted earnings per share | 9.2 | 3.3 | 14.2 |

Notes to the condensed consolidated half yearly financial statements for the half year ended 31 December 2013 (unaudited)

8. Earnings per share (continued)

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

| | Half year ended 31 December 2013 | | Half year ended 31 December 2012 (*restated) | | Year ended 30 June 2013 (audited) (*restated) | |
|---|-------------------------------------|--------------------------------|--|--------------------------------|--|--------------------------------|
| | £m | pence per basic share | £m | pence per basic share | £m | pence per basic share |
| Profit for basic and diluted earnings per share | 92.6 | 9.5 | 32.8 | 3.4 | 74.7 | 7.7 |
| Add: exceptional administrative expenses | - | - | - | - | 2.8 | 0.3 |
| Add: exceptional finance costs | - | - | - | - | 79.3 | 8.1 |
| Add: exceptional impairment on joint venture | - | - | - | - | 5.4 | 0.5 |
| Less: tax effect of above items | - | - | - | - | (20.7) | (2.1) |
| | <u>92.6</u> | <u>9.5</u> | <u>32.8</u> | <u>3.4</u> | <u>141.5</u> | <u>14.5</u> |
| Profit for adjusted basic and adjusted diluted earnings per share | <u>92.6</u> | <u>9.5</u> | <u>32.8</u> | <u>3.4</u> | <u>141.5</u> | <u>14.5</u> |

* The earnings per share has been restated for the comparative prior period and the comparative prior year following the adoption of IAS 19 (Revised) 'Employee Benefits' in the period (note 3).

9. Goodwill

| | 31 December 2013 | 31 December 2012 | 30 June 2013 (audited) |
|------------------------------------|---------------------|---------------------|------------------------------|
| | £m | £m | £m |
| Opening and closing net book value | <u>792.2</u> | <u>792.2</u> | <u>792.2</u> |

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

The Group conducts an annual impairment review of goodwill and intangibles for the housebuilding segment. The impairment review was performed at 30 June 2013. However, due to the materiality of goodwill and intangibles to the condensed consolidated half yearly financial statements, the Group conducted a further impairment review of its goodwill and intangible assets at 31 December 2013. This impairment review compared the value-in-use of the housebuilding segment with the carrying value of its tangible and intangible assets and allocated goodwill. The Group allocates any identified impairment first to goodwill and then to assets on a pro-rata basis, which in the case of the Group is its intangible assets and property, plant and equipment.

Notes to the condensed consolidated half yearly financial statements for the half year ended 31 December 2013 (unaudited)

9. Goodwill (continued)

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

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

- Discount rate: this is a pre-tax rate reflecting current market assessments of the time value of money and risks appropriate to the Group's housebuilding business. Accordingly the rate of 12.7% (31 December 2012: 12.5%; 30 June 2013: 12.2%) is considered by the Directors to be the appropriate pre-tax risk adjusted discount rate being the Group's estimated long-term pre-tax weighted average cost of capital.
- 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 2013 was based upon current expectations regarding sales volumes, expected changes in selling prices and site costs to complete within the UK housing market and used a discount rate considered appropriate to the position and risks of the Group. The result of the impairment review was that the recoverable value of goodwill and intangible assets exceeded its carrying-value by £1,211m (31 December 2012: £368m; 30 June 2013: £1,141m).

If the UK housing market and expectations regarding its future were to deteriorate with either operating margins reducing by 3.5% per annum (31 December 2012: 1.4% per annum; 30 June 2013: 3.8% per annum) or the appropriate discount rate were to increase by 2.6% (31 December 2012: 0.8%; 30 June 2013: 2.6%) and all other variables were held constant then the recoverable value of goodwill and intangible assets would equal its carrying-value.

Notes to the condensed consolidated half yearly financial statements for the half year ended 31 December 2013 (unaudited)

10. Inventories

| | 31 December 2013 | 31 December 2012 | 30 June 2013 (audited) |
|-------------------------------|-----------------------------|---------------------|------------------------------|
| | £m | £m | £m |
| Land held for development | 2,257.7 | 2,117.3 | 2,127.0 |
| Construction work in progress | 1,135.7 | 1,194.0 | 1,001.9 |
| Part exchange properties | 41.9 | 78.1 | 79.0 |
| Other inventories | - | 2.1 | 1.9 |
| | 3,435.3 | 3,391.5 | 3,209.8 |

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

a) Net realisable value of inventories

The Group's principal activity is housebuilding and commercial development. The majority of the development activity is not contracted prior to the development commencing. Accordingly, the Group has in its balance sheet at 31 December 2013 current assets that are not covered by a forward sale. The Group's internal controls are designed to identify any developments where the balance sheet value of land and work in progress is more than the lower of cost or net realisable value.

The Group conducts ongoing six-monthly reviews of the net realisable value of its land and work in progress. Where the estimated net realisable value of the site was less than its current carrying-value within the balance sheet, the Group impairs the land and work in progress value. The provisions remaining are set out in the table below:

| Land impairment remaining: | Housebuilding | Commercial developments | Total |
|-----------------------------------|----------------------|------------------------------------|---------------|
| | £m | £m | £m |
| At 1 July 2012 | 112.2 | 18.6 | 130.8 |
| Charge in the period | 2.1 | - | 2.1 |
| Utilised | (26.0) | (0.3) | (26.3) |
| At 31 December 2012 | 88.3 | 18.3 | 106.6 |
| Charge in the period | 1.1 | 0.5 | 1.6 |
| Utilised | (13.9) | (11.3) | (25.2) |
| At 30 June 2013 | 75.5 | 7.5 | 83.0 |
| Charge in the period | 10.8 | - | 10.8 |
| Utilised | (15.3) | (1.5) | (16.8) |
| At 31 December 2013 | 71.0 | 6.0 | 77.0 |

In the half year ended 31 December 2013, due to performance variations upon individual housebuilding sites, there were gross impairment charges of £26.1m (31 December 2012: £15.5m; 30 June 2013: £25.7m) and gross impairment reversals of £15.3m (31 December 2012: £13.4m; 30 June 2013: £22.5m) resulting in a net inventory impairment charge of £10.8m (31 December 2012: £2.1m; 30 June 2013: £3.2m).

In addition there was a charge of £0.3m (31 December 2012: £2.8m; 30 June 2013: £9.1m) related to housebuilding sites not currently under development due to changes in planning status and the viability of these sites.

There were also gross impairment charges of £0.3m (31 December 2012: £nil; 30 June 2013: £0.6m) and gross impairment reversals of £0.3m (31 December 2012: £nil; 30 June 2013: £0.1m) for the commercial developments business, resulting in a net inventory impairment charge of £nil (31 December 2012: £nil; 30 June 2013: £0.5m), due to performance variations upon individual commercial sites.

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

Notes to the condensed consolidated half yearly financial statements for the half year ended 31 December 2013 (unaudited)

10. Inventories (continued)

a) Net realisable value of inventories (continued)

At 31 December 2013 the Group had a total land holding of £2,257.7m of which £2,157.7m is land held for current housing development. Of this £134.5m is made up of impaired land, £396.0m consists of non-impaired land purchased prior to mid-2009 where the gross margin is on average c. 8% and the remaining £1,627.2m has an average gross margin of c. 20% based on current house prices.

The land held at the balance sheet date that has already been impaired is most sensitive to the judgements being applied and the potential for further impairment or reversal. Forecasting risk also increases in relation to those sites that are not expected to be realised in the short to medium term. The Group's current forecasts indicate that, by volume, 30% of the impaired sites are expected to be realised in the second half of this financial year, a further 32% in the financial year to June 2015, 17% in FY16 and 21% in FY17 and beyond.

The Group estimates that the impairment sensitivity for the housebuilding business to a uniform fall in house prices across the UK, from those prevailing as at 31 December 2013, is as follows:

| Uniform national fall in house prices | Indicative impairment |
|---------------------------------------|-----------------------|
| % | £m |
| 5 | 99 |
| 10 | <u>240</u> |

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

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

Following these impairments £252.0m (31 December 2012: £517.7m; 30 June 2013: £325.7m) of inventories are valued at fair value less costs to sell rather than at historical cost.

b) Expensed inventories

The value of inventories expensed in the half year to 31 December 2013 and included in cost of sales was £1,011.1m (31 December 2012: £781.9m; 30 June 2013: £2,139.3m) including the inventory impairments.

11. Investments accounted for using the equity method

On 15 August 2013 the Group entered into a joint venture, Enderby Wharf LLP, with Morgan Stanley Real Estate Investing.

On 12 December 2013 the Group entered into a joint venture, Nine Elms LLP, with London & Quadrant.

On 17 December 2013, a new joint venture, BDWZest Developments LLP was formed to act as a parent entity for the strategic alliance between the Group and London & Quadrant. The three existing joint venture entities at Altitude, Queensland Terrace and Fulham Riverside were transferred to BDWZest Developments LLP. The Group and London & Quadrant received an equal interest in BDWZest Developments LLP for their respective interests in the joint venture trading entities. A new five year revolving credit facility of £120m has been arranged for BDWZest Developments LLP, however the funding for these joint venture trading entities continues to be primarily in the form of funding from the Group and London & Quadrant.

Notes to the condensed consolidated half yearly financial statements
for the half year ended 31 December 2013 (unaudited)

12. Available for sale financial assets

| | 31 December 2013 | 31 December 2012 | 30 June 2013 (audited) |
|--|-----------------------------|---------------------|------------------------------|
| | £m | £m | £m |
| Opening balance 1 July | 128.4 | 189.2 | 189.2 |
| Additions | 0.9 | 14.9 | 23.8 |
| Disposals | (7.9) | (3.8) | (82.5) |
| Imputed interest | 2.8 | 6.5 | 10.2 |
| Net reversal/(impairment) taken through income statement | 2.2 | (12.9) | (6.1) |
| Fair value adjustment taken through other comprehensive income | 0.7 | - | (6.2) |
| | 127.1 | 193.9 | 128.4 |

Available for sale financial assets principally comprise interest free loans, which are granted as part of sales transactions and for which the cash flows receivable are based on the value of the property at redemption. These loans are secured by way of a second legal charge on the respective property (after the first mortgage). These loans are held at the present value of expected future cash flows, taking into account the estimated market value of the property at the estimated time of repayment. The income statement includes a net impairment reversal of £2.2m (31 December 2012: charge £12.9m; 30 June 2013: charge £6.1m) in cost of sales.

The present value of expected future cash flows is calculated using a discount rate consistent with the interest rate payable on a third party second charge loan of a similar amount and duration. This is considered to be the most appropriate rate as the interest free loans are similar in nature to second charge loans offered by third party financial institutions. The average discount rate used for the period ended 31 December 2013 was 8.0% (31 December 2012: 7.5%; 30 June 2013: 8.0%). During the period the Group has recognised a fair value adjustment credit, which has been taken through other comprehensive income of £0.7m (31 December 2012: £nil; 30 June 2013: charge £6.2m).

The estimated fair value is based on original selling prices and local market conditions with an allowance for low single-digit house price inflation. The Group has also used independent valuation specialists to review and assess the estimated portfolio value.

The repayment profile used to calculate the timing of future cash flows is based on historical data for first-time buyers selling their property.

The net impairment of the available for sale financial assets taken through the income statement includes allowance for borrower default, including an estimate made for losses incurred that have not yet been reported to the Group by the home owner or the first charge provider and the impact of the change in UK house prices on the present value of the estimated future cash flows of these assets.

Further disclosures relating to financial assets are set out in note 14.

Notes to the condensed consolidated half yearly financial statements
for the half year ended 31 December 2013 (unaudited)

13. Loans and borrowings

a) Net debt

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

| | 31 December 2013 | 31 December 2012 | 30 June 2013 (audited) |
|---|-----------------------------|---------------------|------------------------------|
| | £m | £m | £m |
| Cash and cash equivalents | 160.5 | 10.0 | 294.4 |
| Non-current borrowings | | | |
| Bank loans | (100.0) | (30.0) | - |
| Term loan | (136.3) | (100.0) | (85.0) |
| Government loans | (29.8) | - | (29.8) |
| Private placement notes | (47.6) | (219.0) | (51.8) |
| Total non-current borrowings | (313.7) | (349.0) | (166.6) |
| Current borrowings | | | |
| Bank overdrafts | - | - | (4.1) |
| Government loans | (0.5) | - | (0.5) |
| Private placement notes | - | (10.6) | (175.6) |
| Kickstart equity funding | (1.3) | (1.4) | (1.6) |
| Total current borrowings | (1.8) | (12.0) | (181.8) |
| Total borrowings | (315.5) | (361.0) | (348.4) |
| Derivative financial instruments | | | |
| Foreign exchange swaps | - | 19.3 | 28.1 |
| Net debt | (155.0) | (331.7) | (25.9) |

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

Net debt is defined as cash and cash equivalents, bank overdrafts, interest bearing borrowings and foreign exchange swaps. The Group includes foreign exchange swaps within net debt as these swaps were entered into to hedge the foreign exchange exposure on 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, but 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 2013 | 31 December 2012 | 30 June 2013 (audited) |
|---|-----------------------------|---------------------|------------------------------|
| | £m | £m | £m |
| Foreign exchange swap – exchange rate element | - | 19.3 | 28.1 |
| Foreign exchange swap – interest rate element | (0.2) | 1.9 | 1.2 |
| | (0.2) | 21.2 | 29.3 |
| Interest rate swaps | (22.0) | (53.2) | (27.1) |
| Net derivative financial instruments | (22.2) | (32.0) | 2.2 |

Notes to the condensed consolidated half yearly financial statements
for the half year ended 31 December 2013 (unaudited)

13. Loans and borrowings (continued)

a) Net debt (continued)

Movement in net debt is analysed as follows:

| | Half year ended 31 December 2013 | Half year ended 31 December 2012 | Year ended 30 June 2013 (audited) |
|---|---|---|---|
| | £m | £m | £m |
| Net (decrease)/increase in cash and cash equivalents | (133.9) | (140.3) | 144.1 |
| Other fees related to amendment of financing arrangements | - | - | 14.5 |
| Repayment/(drawdown) of borrowings | 4.8 | (23.7) | (16.8) |
| | <hr/> | <hr/> | <hr/> |
| Movement in net debt in the period | (129.1) | (164.0) | 141.8 |
| Opening net debt | (25.9) | (167.7) | (167.7) |
| | <hr/> | <hr/> | <hr/> |
| Closing net debt | (155.0) | (331.7) | (25.9) |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

b) Weighted average interest rate

The weighted average interest rates paid (excluding amortised fees and non-utilisation fees) were as follows:

| | Half year ended 31 December 2013 | Half year ended 31 December 2012 | Year ended 30 June 2013 (audited) |
|---------------------------------|---|---|---|
| | % | % | % |
| Bank loans net of swap interest | 7.2 | 7.2 | 6.6 |
| Government loans | 2.0 | - | 2.7 |
| Term loans | 4.7 | 5.5 | 5.3 |
| Private placement notes | 8.1 | 10.7 | 10.8 |
| | <hr/> | <hr/> | <hr/> |

c) Drawn debt facilities

The changes to the Group's drawn debt facilities since 30 June 2013 are as follows:

• **Committed facilities**

- A committed £50.0m two-year term loan was made available under a facility dated 30 September 2013. At 31 December 2013 £50.0m had been drawn, which is scheduled to be repaid on 30 September 2015.

• **Fixed rate Sterling private placement notes**

- The £65.8m of fixed rate Sterling private placement notes were repaid on 2 July 2013 in accordance with the terms of the refinancing agreement dated 14 May 2013.

• **Fixed rate US Dollar private placement notes**

- The US Dollar ten-year private placement notes of \$42.6m were repaid on 2 July 2013 in accordance with the terms of the refinancing agreement dated 14 May 2013.
- The US Dollar ten-year private placement notes of \$124.0m were repaid on 2 July 2013 in accordance with the terms of the refinancing agreement dated 14 May 2013.

Notes to the condensed consolidated half yearly financial statements for the half year ended 31 December 2013 (unaudited)

14. Financial instruments' fair value disclosures

The following table provides an analysis of financial assets and financial liabilities that are measured subsequent to initial recognition at fair value, grouped into Levels 1 and 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets; and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset that are not based on observable market data (unobservable inputs).

The Group has no Level 2 financial instruments whose fair values are determined from inputs other than quoted prices included within Level 1 that are observable, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

There have been no transfers of assets between levels of the fair value hierarchy and no non-recurring fair value measurements.

| | Half year ended 31 December 2013 £m | Fair value measurements at 31 December 2013 using: | |
|---|--|--|--|
| | | Quoted prices in active markets for identical assets/liabilities (Level 1) £m | Non-observable market priced assets/liabilities (Level 3) £m |
| Financial assets: | | | |
| Non-current available for sale financial assets | 127.1 | - | 127.1 |
| Total | 127.1 | - | 127.1 |
| Financial liabilities: | | | |
| Derivative financial instruments | 22.2 | 22.2 | - |
| Total | 22.2 | 22.2 | - |

The fair values of financial assets and liabilities are determined as follows:

- The fair values of non-current available for sale financial assets are calculated using an internal valuation model. The model calculates the fair value on a loan by loan basis using the present value of expected future cash flows of each loan. The future value of each loan is based on original selling prices adjusted for regional house price inflation, which in turn is based upon independent valuation specialists and official published valuation data. Each loan includes an allowance for future low single-digit house price inflation in line with Group expectations and a repayment profile based on historical data for first-time buyers selling their property. In addition, the Group includes an allowance for borrower default, including an estimate made for losses incurred that have not yet been reported to the Group by the home owner or the first charge provider.
- Derivative financial instruments are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

Sensitivity analysis

At 31 December 2013, if UK house prices had been 5% lower and all other variables were held constant, the Group's house price linked financial assets, which are solely available for sale financial assets, would decrease in value, excluding the effects of tax, by £5.5m with a corresponding reduction in both the result for the period and equity.

Notes to the condensed consolidated half yearly financial statements
for the half year ended 31 December 2013 (unaudited)

14. Financial instruments' fair value disclosures (continued)

Carrying values

Except as detailed in the following table, the Directors consider that the carrying value amounts of the financial assets and financial liabilities recorded at amortised cost in the financial statements are approximately equal to their fair values:

| | Carrying amount | | | Fair value | | |
|------------------------------|----------------------------------|----------------------------------|-----------------------------------|----------------------------------|----------------------------------|-----------------------------------|
| | Half year ended 31 December 2013 | Half year ended 31 December 2012 | Year ended 30 June 2013 (audited) | Half year ended 31 December 2013 | Half year ended 31 December 2012 | Year ended 30 June 2013 (audited) |
| | £m | £m | £m | £m | £m | £m |
| Financial liabilities | | | | | | |
| Loans and borrowings | 315.5 | 361.0 | 344.3 | 315.5 | 373.9 | 404.9 |

15. Derivative financial instruments – swaps

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

| | 31 December 2013 | | 31 December 2012 | | 30 June 2013 (audited) | |
|---|------------------|---------------|------------------|---------------|------------------------|---------------|
| | Asset £m | Liability £m | Asset £m | Liability £m | Asset £m | Liability £m |
| Designated as cash flow hedges | | | | | | |
| Non-current | | | | | | |
| Interest rate swaps | - | (22.0) | - | (53.2) | - | (27.1) |
| Foreign exchange swaps | - | (0.2) | 22.3 | (1.1) | 4.1 | - |
| Current | | | | | | |
| Foreign exchange swaps | - | - | - | - | 25.6 | (0.4) |
| Total derivative financial instruments | - | (22.2) | 22.3 | (54.3) | 29.7 | (27.5) |

a) Interest rate swaps

The Group enters into derivative transactions in the form of swap arrangements to manage the cash flow risks related to interest rates, arising from the Group's sources of finance. All of the Group's interest rate swap arrangements contain a clause that allows the Group or the counterparty to cancel the swap in May 2015 at fair value.

As at 31 December 2013 the Group had outstanding net floating rate Sterling debt and overdrafts of £264.9m (2012: £130.0m). 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 £137.0m (2012: £192.0m) of this debt into fixed rate Sterling debt in accordance with the Group's treasury policy outlined in the Annual Report and Accounts for the year ended 30 June 2013. After taking into account swap arrangements, the fixed interest rates (excluding margin) applicable to the debt were as follows:

| 31 December 2013 | Fixed rate payable | Maturity | 31 December 2012 | Fixed rate payable | Maturity |
|------------------|--------------------|----------|------------------|--------------------|----------|
| £m | % | | £m | % | |
| 60.0 | 6.08 | 2017 | 60.0 | 6.08 | 2017 |
| 19.5 | 6.18 | 2017 | 19.5 | 6.18 | 2017 |
| 32.5 | 5.83 | 2017 | 32.5 | 5.83 | 2017 |
| - | - | - | 30.0 | 5.94 | 2022 |
| 25.0 | 5.63 | 2022 | 50.0 | 5.63 | 2022 |
| 137.0 | | | 192.0 | | |

Notes to the condensed consolidated half yearly financial statements for the half year ended 31 December 2013 (unaudited)

15. Derivative financial instruments – swaps (continued)

a) Interest rate swaps (continued)

The Group's interest rate swaps are with third party financial institutions. In accordance with IFRS 13 'Fair Value Measurement' the Group has undertaken an assessment of own credit risk. When assessing the Group's own credit risk the Directors have considered the financial covenants, which the Group is party to as part of its senior lending facilities. Following a review of these financial covenants the Directors believe that the Group has sufficient resources to fulfil its interest rate swap obligations in the future and the likelihood of default to be remote. Therefore, the Group has assessed its credit risk as nil and has not restated the fair values for the comparative prior period and the comparative prior year.

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 2013, which is based on third party valuations, was a liability of £22.0m (2012: £53.2m) with a gain of £5.1m (2012: loss £0.7m) charged directly to equity in the half year. There was no ineffectiveness to be taken through the income statement during the half year or the prior half year.

b) Foreign exchange swaps

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

As at 31 December 2013 the Group had outstanding fixed rate US Dollar private placement notes of \$80.0m (2012: \$267.2m).

The Group has entered into swap arrangements to swap all of this debt into fixed rate Sterling debt in accordance with the Group's treasury policy. After taking into account swap arrangements, the fixed interest rates applicable to the debt were as follows:

| 31 December 2013 \$m | Fixed rate payable % | Maturity | 31 December 2012 \$m | Fixed rate payable % | Maturity |
|----------------------------|----------------------------|-------------|----------------------------|----------------------------|-------------|
| - | - | - | 18.2 | 8.98 | 2013 |
| - | - | - | 1.0 | 10.95 | 2013 |
| - | - | - | 1.4 | 10.78 | 2013 |
| - | - | - | 103.7 | 6.61 | 2017 |
| - | - | - | 7.5 | 10.55 | 2017 |
| - | - | - | 12.8 | 9.75 | 2017 |
| 80.0 | 8.14 | 2017 | 80.0 | 8.14 | 2017 |
| - | - | - | 33.7 | 9.24 | 2018 |
| - | - | - | 3.6 | 12.23 | 2018 |
| - | - | - | 5.3 | 11.37 | 2018 |
| 80.0 | | | 267.2 | | |

The Group's foreign exchange swaps are with a third party financial institution. The Group has a net settlement arrangement with the financial institution in respect of the foreign exchange swaps. Due to this net settlement arrangement the Group has assessed credit risk associated with this third party to be nil. Therefore, the fair values have not been restated for the comparative financial prior period and the comparative prior year.

The swap arrangements are designated as cash flow hedges against future foreign exchange rate movements. The hedges match the contractual initial receipt, the final settlement and match 100% (2012: 82%) of the interest payments. The fair value of the swap arrangements as at 31 December 2013, which is based on third party valuations, was a liability of £0.2m (2012: asset of £21.2m) with a loss of £5.7m (2012: £7.4m loss) debited directly to equity in the half year.

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

Notes to the condensed consolidated half yearly financial statements for the half year ended 31 December 2013 (unaudited)

16. Defined benefit pension scheme

The defined benefit obligation as at 31 December 2013 is calculated on a year-to-date basis, using the latest actuarial valuation as at 31 December 2013. There have not been any significant fluctuations or one-time events since the 30 June 2013 valuation that would require adjustment to the actuarial assumptions made at 31 December 2013. In addition, there have been no changes to the pension assumptions used in the 30 June 2013 annual report and accounts other than a decrease in the discount rate used to determine the benefit obligations from 4.7% to 4.6%.

The defined benefit plan assets have been updated to reflect their market values at 31 December 2013.

During the period, the Group has adopted IAS 19 (Revised) 'Employee Benefits'. This has been applied retrospectively to the prior comparative period and comparative year, resulting in an increased finance cost related to employee benefits from £0.2m to £0.4m as at 31 December 2012 and from £0.5m to £0.8m as at 30 June 2013. The increased finance cost has resulted in an equivalent credit being recognised in other comprehensive income. There has been no impact on the defined benefit liability.

17. Share capital

| | 31 December 2013 | 31 December 2012 | 30 June 2013 (audited) |
|--|-----------------------------|---------------------|------------------------------|
| | Number | Number | Number |
| Allotted and issued ordinary shares of 10p each – fully paid | 984,085,288 | 978,705,605 | 979,715,092 |
| | £m | £m | £m |
| Allotted and issued ordinary shares of 10p each – fully paid | 98.4 | 97.9 | 98.0 |

During the half year, 2,407,303 (31 December 2012: 4,620,159; 30 June 2013: 4,620,159) awards over the Company's shares were granted under the Company's Executive Long-Term Performance Plan, 785,897 (31 December 2012: 1,338,259; 30 June 2013: 1,338,259) awards over the Company's shares were granted under the Company's Co-Investment Plan and awards of 709,644 (31 December 2012: 545,729; 30 June 2013: 585,264) were granted over the Company's shares under the Senior Management Incentive Scheme.

Allotment of shares during the period

During the half year, a total of 325,678 shares (31 December 2012: 1,186,227; 30 June 2013: 2,175,239) were issued to satisfy all exercises under the 2010 grants of the Savings-Related Share Option Scheme ('SRSOS') (31 December 2012 and 30 June 2013: 2009 and 2010 grants of the SRSOS schemes) and 4,021,515 shares (31 December 2012: nil; 30 June 2013: nil) were issued to satisfy all exercises under the 2010 Executive Long-Term Performance Plan.

During the half year to 31 December 2013, 23,003 shares (31 December 2012: 6,672; 30 June 2013: 27,147) were issued to satisfy early exercises under the 2010, 2011, 2012 and 2013 grants of the SRSOS scheme.

Employee Benefit Trust

The Barratt Developments PLC Employee Benefit Trust (the 'EBT') holds 3,760,920 (31 December 2012: 4,680,620; 30 June 2013: 3,988,259) ordinary shares in the Company. During the half year the EBT disposed of 227,339 shares in settlement of exercises under the Senior Management Incentive Plan and the Co-Investment Plan. The market value of the shares held by the EBT at 31 December 2013 at 349.0 pence per share (31 December 2012: 207.6 pence per share; 30 June 2013: 309.6 pence per share) was £13,125,611 (31 December 2012: £9,716,967; 30 June 2013: £12,347,650). The shares are held in the EBT for the purpose of satisfying options that have been granted under the Barratt Developments PLC Executive and Employee Share Option Plans. These ordinary shares do not rank for dividend and do not count in the calculation of the weighted average number of shares used to calculate earnings per share until such time as they are vested to the relevant employee.

Notes to the condensed consolidated half yearly financial statements
for the half year ended 31 December 2013 (unaudited)

18. Cash flows from operating activities

| | Half year ended 31 December 2013 | Half year ended 31 December 2012 (*restated) | Year ended 30 June 2013 (audited) (*restated) |
|--|---|--|--|
| | £m | £m | £m |
| Profit for the period from continuing operations | 92.6 | 32.8 | 74.7 |
| Tax | 27.8 | 13.1 | 29.8 |
| Finance income | (4.7) | (7.7) | (12.8) |
| Finance costs – non-exceptional | 33.9 | 43.1 | 81.1 |
| Finance costs – exceptional | - | - | 79.3 |
| Share of post-tax profit from joint ventures | (10.1) | (0.5) | (2.3) |
| Share of post-tax loss from associates | - | - | 0.1 |
| Profit from operations | 139.5 | 80.8 | 249.9 |
| Depreciation | 0.9 | 0.8 | 1.6 |
| Profit on disposal of property, plant and equipment | - | (0.6) | (0.6) |
| Impairment of inventories | 11.1 | 2.1 | 12.8 |
| (Reversal)/impairment of available for sale financial assets | (2.2) | 7.9 | 6.1 |
| Share-based payments charge | 4.2 | 1.3 | 4.4 |
| Imputed interest on deferred term land payables | (16.2) | (14.1) | (26.5) |
| Imputed interest on available for sale financial assets | 2.8 | 6.5 | 10.2 |
| Amortisation of facility fees | (1.4) | (2.8) | (4.6) |
| Imputed interest on Kickstart equity funding | - | - | 0.9 |
| Write-off previous facility unamortised fees | - | - | (7.8) |
| Finance costs related to employee benefits | (0.2) | (0.4) | (0.8) |
| Total non-cash items | (1.0) | 0.7 | (4.3) |
| (Increase)/decrease in inventories | (236.6) | (167.0) | 4.0 |
| Increase in trade and other receivables | (7.0) | (5.6) | (23.3) |
| Increase/(decrease) in trade and other payables | 84.4 | (11.6) | (32.1) |
| Decrease/(increase) in available for sale financial assets | 4.2 | (12.6) | 22.7 |
| Total movements in working capital | (155.0) | (196.8) | (28.7) |
| Interest paid | (17.6) | (25.6) | (52.0) |
| Tax received | - | - | 0.9 |
| Net cash (outflow)/inflow from operating activities | (34.1) | (140.9) | 165.8 |

* The cash flows from operating activities have been restated for the comparative prior period and the comparative prior year following the adoption of IAS 19 (Revised) 'Employee Benefits' in the period (see note 3).

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

Notes to the condensed consolidated half yearly financial statements for the half year ended 31 December 2013 (unaudited)

19. 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 £508.2m (31 December 2012: £487.9m; 30 June 2013: £447.5m), and confirm that the possibility of cash outflow is considered minimal and no provision is required.

b) Contingent liabilities related to joint ventures and associates

The Group has provided bank guarantees to the value of £2.1m (31 December 2012: £nil; 30 June 2013: £2.6m) in relation to the borrowings of one of its joint ventures during the period. The Group has also provided principal guarantees of £12.0m and cost and interest overrun guarantees in relation to the borrowings of a number of the Group's London joint ventures (31 December 2012: £nil; 30 June 2013: £nil). At 31 December 2013, no cost or interest overruns had been incurred. The Group's maximum exposure under these cost and interest overrun guarantees is estimated at £8.5m as at 31 December 2013.

The Group has provided bank guarantees to the value of £nil (31 December 2012: £2.8m; 30 June 2013: £nil) in relation to the borrowings of one of its associates during the period.

At 31 December 2013, the Group has an obligation to repay £0.9m (31 December 2012: £0.9m; 30 June 2013: £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 the obligations of its joint ventures, requiring the Group to complete development agreement contractual obligations in the event that the joint ventures do not perform as required under the terms of the related contracts.

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

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

Barratt American Incorporated

A former indirect subsidiary of the Company, Barratt American Incorporated ('American'), is one of a number of defendants in a construction defect claim commenced in California. The Company has also been named as a defendant in this construction defect claim, as well as in a separate class action claim which arises out of the same alleged facts. American was sold in August 2004 and subsequently became insolvent, although it has significant insurance and is represented by counsel.

The majority of the events in issue in both of the claims post-date the 2004 sale and the Company asserts it had no involvement in these post-sale events. The Company and the Directors believe that the Company has good defences to both claims. The Company successfully applied in 2013 to have the class action dismissed against it, although the claimants in the class action have appealed that dismissal to the Californian Court of Appeal. That appeal is expected to take place during the spring or summer of 2014. Separately the Court has set a timetable for the trial of construction defect claim, which is currently scheduled to begin on 18 July 2014 with an estimated length of approximately three months.

20. Related party transactions

Related party transactions for the period to 31 December 2013 are detailed below:

a) Transactions between the Group and its joint ventures

The Group has principally entered into transactions with its joint ventures in respect of development management services (with charges made based on the utilisation of these services), sales and administration fees, and funding. These transactions totalled £2.2m (31 December 2012: £2.2m; 30 June 2013: £2.5m), £0.8m (31 December 2012: £nil; 30 June 2013: £nil) and £1.3m (31 December 2012: £0.6m; 30 June 2013: £1.2m) respectively. In addition, one of the Group's subsidiaries, BDW Trading Limited, contracts with a number of the Group's joint ventures to provide construction services.

Notes to the condensed consolidated half yearly financial statements for the half year ended 31 December 2013 (unaudited)

20. Related party transactions (continued)

a) Transactions between the Group and its joint ventures (continued)

The total amount of LLP capital, outstanding loans and interest due to the Group from its joint ventures at 31 December 2013 was £140.5m (31 December 2012: £107.2m; 30 June 2013: £122.2m). The amounts outstanding are unsecured and will be settled in cash.

There were no other amounts outstanding to the Group from its joint ventures at 31 December 2013 (31 December 2012: none; 30 June 2013: none).

The Group's contingent liabilities relating to its joint ventures are disclosed in note 19.

b) Transactions between the Group and its associates

The amount of outstanding loans due to the Group from its associates at 31 December 2013 was £nil (31 December 2012: £0.4m; 30 June 2013: £nil).

There were no other amounts outstanding to the Group from its associates at 31 December 2013 (31 December 2012: none; 30 June 2013: none).

The Group's contingent liabilities relating to its associates are disclosed in note 19.

c) Property purchases by a Director

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

During the half year to 31 December 2013 there have been no 'smaller related party transactions' as defined in Listing Rule 11.1.10R.

During the full year to 30 June 2013 the Group entered into the following additional 'smaller related party transactions' as defined under IAS 24:

- In April 2013, the son of Mark Clare, Group Chief Executive of the Company, reserved and exchanged on an apartment from Alie Street LLP, a joint venture entity between BDW Trading Limited (the Group's main trading subsidiary) and London & Quadrant Housing Trust, at a purchase price of £744,246. Subsequently, the purchase of additional fixtures and fittings for the apartment at a purchase price of £3,668 was agreed in the normal course of trading. As at 31 December 2013, £673,490 remained outstanding on this transaction. Legal completion occurred on 20 February 2014 and the entire outstanding balance was paid in full.

The aforementioned purchase was conducted at a fair and reasonable market price based on similar comparable transactions at that time.

21. Seasonality

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

Responsibility statement

The Directors confirm that to the best of their knowledge these condensed consolidated half yearly financial statements have been prepared in accordance with IAS 34 as required by DTR 4.2.4R. They also confirm that to the best of their knowledge that the Interim Management Report herein includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year) and DTR 4.2.8R (disclosure of related party transactions and changes thereto).

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

R A Lawson, Chairman
M S Clare, Group Chief Executive
D F Thomas, Group Finance Director
S J Boyes, Chief Operating Officer
M E Rolfe, Senior Independent Director
R J Akers, Non-Executive Director
R MacEachrane, Non-Executive Director (resigned 13 November 2013)
T E Bamford, Non-Executive Director
N Bibby, Non-Executive Director

The Half Yearly Financial Report was approved by the Board on 26 February 2014.

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 2013 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 21. We have read the other information contained in the Half Yearly Financial Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

Directors' responsibilities

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

As disclosed in note 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 2013 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
26 February 2014