



12 May 2010

Interim Management Statement

This Interim Management Statement ("IMS") covers the 19 week period from 1 January 2010 to 9 May 2010 ("the IMS period").

Highlights

- For the six months to 30 June 2010 average selling price is expected to increase by around 15% on the prior year equivalent period (at least 10% for the full financial year), largely due to mix changes
- The Group is on track to deliver a profit (Note 1) for the second half (2009: £63.5m loss)
- Net private reservations per active site for the IMS period up 4% on the prior year and up 14% on the first half
- Total forward sales up 32% on prior year at £1,073.3m
- Continuing to acquire land at attractive values, with terms agreed on £447.8m of land equating to 12,286 plots since mid 2009
- Net debt as at 30 June 2010 is anticipated to be around £500m, below previous guidance due to the deferral of land payments

Mark Clare, Group Chief Executive commented,

"The increase in our selling prices coupled with effective cost control is leading to good margin growth and we expect to deliver a profit for the second half. Our forward sales now exceed £1bn, the highest level we have reported for two years, and we're continuing to secure highly desirable land that meets our hurdle rates and will further accelerate our margin recovery. Nevertheless while the market has seen a measure of recovery we remain cautious given continuing economic uncertainty and constrained lending."

Trading

We have been encouraged by the sales rates seen since reporting our interim results in February 2010 which are ahead of the prior year equivalent period and the first half of this financial year. At the same time, average selling prices have increased mainly due to sales mix and we have continued to maintain a tight control on costs. As a result we expect to see a significant improvement in operating margin (Note 2), which will result in a profit (Note 1) for the Group in the six months to 30 June 2010.

In addition, we have continued to make good progress on improving product quality and customer satisfaction with Barratt recently becoming the first major housebuilder to receive the maximum five-star rating by the Home Builders Federation.

Revenues

With increased market stability, we are continuing to invest in new site openings whilst retaining a tight control on working capital. At 30 June 2010 we expect to have c. 340 active sites, increasing to c. 390 by 31 December 2010.

For the IMS period we delivered 0.56 net private reservations per active site per week (2009: 0.54), up 3.7% on the prior year and up 14.3% on the first half (Note 3). The cancellation rate for the IMS period was 13.7% compared with 15.8% in the prior year.

Forward Sales

In total, forward sales are up 32% and stand at £1,073.3m (10 May 2009: £811.9m), of which £684.1m (64%) are contracted (2009: £451.4m (56%)) (Note 4).

Land and planning

We are continuing to make good progress investing in prime location land opportunities on which we expect to deliver attractive returns. Since re-entering the land market in mid 2009, we have terms agreed on £447.8m of land purchases, the majority of which will be acquired on deferred payment terms. This equates to 90 sites and 12,286 plots with an average plot cost to average selling price ratio of 19%, which meet our hurdle rates and will further accelerate operating margin recovery (Note 5).

The Group's owned land bank comprises approximately 53,100 plots (June 2009: 53,541). This equates to approximately 4.6 years supply based on this financial year's expected completion volumes. Approximately 16,900 plots have been previously impaired. In-line with prior guidance, in the second half of this financial year we expect c. 50% of total completions to come from this impaired land.

The Group has detailed planning consent in respect of at least 90% of budgeted volumes for the year ending June 2011.

Exceptional costs

As announced with our interim results, the Group incurred exceptional costs in the first half of £129.9m (2009 first half: £513.9m (restated)). This primarily reflects the exceptional items relating to the amendments to and prepayments of indebtedness under the Group's financing arrangements, restructuring costs

and the impairment on Atlantic Quay 5 (2008: impairment of inventories and restructuring costs).

Treasury

Net interest expense in the second half will be around £52m (2009: £82.7m). We expect the full year interest cost before exceptional items to be around £121m (2009: £177.3m).

We anticipate net debt as at 30 June 2010 to be around £500m, below our previous guidance due to lower cash expenditure on land reflecting deferral of land payments.

Outlook

The Group's focus is driving profitability through achieving full value for its products and retaining a tight control on costs. Completions for FY 2010 are expected to be up to 11,500 units, with houses representing around 60% of total volumes compared to 46% in the prior year. As a result of sales mix changes and some increase in underlying selling prices, we now anticipate total average selling price increasing in the second half by around 15% on the equivalent period in the prior year, and by at least 10% for the full financial year.

We expect to see a significant improvement in operating margin (Note 2) in the second half and as a result anticipate that the Group will report a profit for that period (Note 1).

Whilst the market has seen a measure of recovery over the past six months, we remain cautious, and expect growth to continue to be constrained by economic uncertainty and a lack of mortgage finance, particularly in the high loan to value sector.

Note 1 – Profit definition

Profit is defined as profit before tax and exceptional items

Note 2 – Operating margin definition

Operating margin is defined as Group profit from operations before exceptional costs divided by Group revenue

Note 3 – Reservation rates

	Average net private reservations per week	Net private reservations per week per total site	Net private reservations per week per active site
19 weeks to 9	199	0.48	0.56

May 2010			
19 weeks to 10 May 2009	223	0.47	0.54
6 months to 31 Dec 2009	180	0.43	0.49

Note 4 – Forward sales

	9 May 2010	10 May 2009	% change
<u>Private</u>			
Value	£752.5m	£569.3m	32%
- due in H2	£569.6m	£461.7m	23%
- due after H2	£182.9m	£107.6m	70%
Plots	3,534	3,243	9%
<u>Social</u>			
Value	£320.8m	£242.6m	32%
- due in H2	£77.2m	£76.2m	1%
- due after H2	£243.6m	£166.4m	46%
Plots	2,794	2,201	27%
<u>Total</u>			
Value	£1,073.3m	£811.9m	32%
- of which contracted	£684.1m	£451.4m	52%
- % of which contracted	64%	56%	14%
- due in H2	£646.8m	£537.9m	20%
- due after H2	£426.5m	£274.0m	56%
Plots	6,328	5,444	16%
- % contracted	69%	63%	10%

Note 5 – Land acquisition since mid 2009

	May 2010	Feb 2010
Total spend	£447.8m	£358.3m
Total number of plots	12,286	9,038
Location		
- South : North (by value)	64% : 36%	60% : 40%
- South : North (by plots)	49% : 51%	46% : 54%
Vendor		
- Government : Private	33% : 67%	34% : 66%
Type		
- Brownfield : Greenfield	62% : 38%	66% : 34%
- Houses : Flats	78% : 22%	78% : 22%
Status		
- Owned	36%	17%
- Contracted	38%	44%
- Progressing	26%	39%
Payment		
- Due in 09/10	£64.8m	£72.5m
- Due in 10/11	£136.8m	£106.3m
- Due after 10/11	£246.2m	£179.5m

Unless stated otherwise, % splits are by plots

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

Conference call for analysts and investors

Mark Clare, Group CEO and David Thomas, Group FD will be hosting a conference call at 08:00am today, Wednesday 12 May 2010, to discuss this Interim Management Statement.

To access the conference call:

Dial-in: 020 7906 8557

A replay facility will be available:

Tel: 020 3364 5943 Pin: 266353#

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