



14 July 2010

Trading Update

Trading update

Barratt Developments PLC ("Barratt") is today issuing a trading update for the twelve months to 30 June 2010 ahead of its annual results announcement.

Highlights

- Total completions (Note 1) of 11,377 for the full year in-line with guidance, with 6,324 completions delivered in the second half
- Average selling price up by c.11% for the full year to c. £174k and by c.18% in the second half on the prior year equivalent period, mainly due to changes in mix
- Net private reservations up 4.2% for the full year at 0.50 per week per active site
- Forward sales up by 27% to £591.7m as at 30 June 2010
- Operating profit (Note 2) of at least £85m for the full year, ahead of expectations, resulting in a full year operating margin (Note 3) of at least 4%, and a second half operating margin of at least 5.5%
- Net debt of c. £375m as at 30 June 2010, significantly lower than previous guidance

Mark Clare, Group Chief Executive commented,

"In the last six months we have driven a significant improvement in operating margin, delivered a profit for the Group, and reduced debt levels by around £230m. This improved operating performance, combined with our success in agreeing terms on higher margin land means that the Group is well positioned to secure further margin growth in what continues to be a challenging market."

Trading

The Group has delivered a strong operational performance in the second half of the financial year. Our profitability will be above expectations driven by the Group's continued focus on maximising selling prices combined with tight cost control. The increase in average selling price ("ASP") is primarily due to a significant change in product mix, with houses representing 60% of

completions in the year versus 46% in the prior year. In addition, we have seen an improvement in underlying selling prices.

During the second half, the Group continued to agree terms on high quality land, which is expected to drive both volume and margin growth in 2010/11 and beyond.

The Group remains committed to delivering the highest quality product and service to our customers through our two principal brands – Barratt and David Wilson Homes. In April, we became the first major housebuilder to receive the maximum five-star rating for customer satisfaction awarded by the Home Builders Federation based on customer surveys post completion. In June, our site managers won more Pride in the Job Quality Awards than any other housebuilder, for an unprecedented sixth consecutive year. And this July, we were awarded the Daily Telegraph Homebuilder of the Year at the British Homes Awards 2010.

Revenue

Net private reservations per active site per week for the year were 0.50 (2009: 0.48), up 4.2% on prior year (Note 5). In the second half the net private reservations per active site per week were 0.52 (2009: 0.52). The cancellation rate was 18.0% for the full year (2009: 24.0%) and 18.2% in the second half (2009: 19.9%).

Total completions (Note 1) for the second half were 6,324 (2009: 6,372), giving total completions for the year of 11,377 (2009: 13,277). Private completions for the year were 9,455 (2009: 11,133), social housing completions were 1,870 (2009: 2,069) and joint venture completions were 52 (2009: 75). Social housing accounted for 16.5% (2009: 15.7%) of completions (excluding joint ventures).

For the twelve months, ASP (excluding joint ventures) increased by around 11% to c. £174k (2009: £157.2k). Private ASP increased by c.11% to c. £185k (2009: £166.5k) and social ASP increased by c.14% to c. £122k (2009: £107.1k). In the second half, ASP increased by around 18% on the prior year equivalent period to c. £181k (2009: £153.4k). This increase in ASP was largely driven by changes in mix, with houses representing 60% of full year completions as compared to 46% in the prior year. We remain focused on optimising the ASP that we can achieve for our product by not seeking volume growth that is detrimental to achieving our margin objectives.

During the year we have opened 106 sites and completed 143 sites. In the second half, 54 sites were opened and 79 were completed. The average number of active sites for the year was 360 (2009: 436).

Government initiatives

The Group sold 1,735 HomeBuy Direct units during the financial year, including 1,679 from the initial allocation of HomeBuy Direct, which has to be completed by September 2010. Our HomeBuy Direct funding from Kickstart 1 and Kickstart 2 for c. 570 units has been secured together with c. £31.5m of other government funding. We have one further scheme seeking funding of £1.6m under Kickstart 2 which is awaiting a final decision.

In late 2009, the Homes and Communities Agency (“HCA”) established a Delivery Partner Panel (“DPP”) to develop its sites, which can also be used by Local Authority partners for developing their land. The DPP framework will exist for three years and is split into three regional clusters - Northern, Central and Southern panels. As one of only two national housebuilders appointed to all three clusters, we are able to work closely with the HCA in bidding for projects on HCA and Local Authority-owned land across the country. We are pleased to see the DPP being used by a significantly greater number of Local Authorities than originally envisaged.

Operating profit and margin

Operating profit (Note 2) for the twelve months to 30 June 2010 is expected to be at least £85m (2009: £34.2m). The Group’s operating margin (Note 3) for the twelve months to 30 June 2010 is expected to be at least 4%, up from 1.5% in the prior year. The operating margin in the second half of the 2010 financial year is expected to be at least 5.5% (2009: 1.8%), up from 2.4% in the first half (2009: 1.3%).

Forward Sales

As at 30 June 2010, forward sales for the Group were up by 27% to £591.7m (2009: £464.3m), equating to 3,889 plots (2009: 3,328). Of these sales £402.9m (68%) were contracted (2009: £286.4m (62%)) (Note 6).

Exceptional costs

As previously indicated, the Group has incurred exceptional costs for the full year of £129.9m (2009: £534.8m). 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 (2009: impairment of inventories and restructuring costs).

Land and planning

Since re-entering the land market in mid 2009, we have agreed terms on £527.2m of land purchases, the majority of which we will acquire on the basis of deferred payment. This equates to 96 sites and 13,359 plots of which 77% are houses. With an expected ASP of £197k, based on current prices, the average plot cost to ASP ratio on this land is 20% (Note 7).

Whilst we will continue to pursue land opportunities where the expected returns exceed our hurdle rates, the rate of acquisition is likely to slow given

our success over the past year and the increased competition in the market.

The Group's owned land bank totalled around 50,700 plots as at the end of June 2010 (June 2009: 53,541). This equates to approximately 4.5 years supply based on FY 2010 completion volumes.

Land payables as at 30 June 2010 were approximately £600m (2009: £470.6m).

Stock and work in progress

Stock and work in progress have been tightly controlled throughout the period. Unreserved roof to complete units are down 6.0% to 1,888 (June 2009: 2,008). Unreserved stock units as at 30 June 2010 totalled 746 (2009: 822), 4.1 weeks supply at FY 2010 sales rates.

Treasury

Group net debt as at 30 June 2010 was approximately £375m (2009: £1,276.9m). Debt levels are below previous guidance due to lower cash expenditure on land reflecting the deferral of land payments and a continued focus on strong cash management.

We expect cash expenditure on land to increase in FY 2011 reflecting the payment of deferred terms agreed on land purchases since re-entering the land market in mid 2009. As a result, we expect a small increase in the full year debt levels for FY 2011 with debt at the half year-end expected to be considerably higher, in-line with normal operational trends.

As per our previous guidance, the net finance charge before exceptional costs for FY 2010 will be around £123m (2009: £177.3m). This includes a non-cash finance charge (Note 8) of around £31m (2009: £26.7m).

For FY 2011 we expect the total interest charge to be approximately £105m consisting of cash interest of around £75m on net debt including term debt (Note 9) and around £30m of non-cash finance charge.

Outlook

The outlook for the new housing market in the UK is likely to remain challenging as a result of continued constraints on the availability of mortgage finance and overall economic concerns.

There is some uncertainty surrounding planning and government funding. However, the Group has detailed planning consent in respect of 95% and outline consent in respect of an additional 3% of expected completion volumes for the year ending June 2011. In addition, given the high level of our contractually committed government funding, we do not anticipate any significant financial effect on FY 2011.

Against this backdrop, the Group remains focused on driving profitability by achieving full value for its products and maintaining a tight control on costs. We are targeting total completions in FY 2011 to be approximately 5% to 10% ahead of the FY 2010 level resulting from an increase in the number of sales outlets rather than higher sales rates. Our focus will remain on optimising price and not pursuing volumes. We expect to see further mix change with houses representing at least 65% of total volumes. The split of completions between the first and second half is likely to be at a similar level to FY 2010.

Notes:

Note 1 – Total completions

Total completions is defined as housebuilding completions plus completions from joint ventures in which the Group has a share

Note 2 – Operating profit

Operating profit is defined as Group profit from operations before exceptional items

Note 3 – Operating margin

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

Note 4 – Profit

Profit is defined as profit before tax and exceptional items

Note 5 – Reservation rates

	2010			2009		
	H1	H2	FY	H1	H2	FY
Net private reservations per week per active site	0.49	0.52	0.50	0.45	0.52	0.48

Note 6 – Forward sales

	30 June 2010	30 June 2009	% change
<u>Private</u>			
Value	£322.4m	£264.5m	22%
- due in H1	£233.7m	£228.7m	2%
- due after H1	£88.7m	£35.8m	148%
Plots	1,470	1,533	(4)%

<u>Social</u>			
Value	£269.3m	£199.8m	35%
- due in H1	£76.4m	£75.6m	1%
- due after H1	£192.9m	£124.2m	55%
Plots	2,419	1,795	35%
<u>Total</u>			
Value	£591.7m	£464.3m	27%
- of which contracted	£402.9m	£286.4m	41%
- % of which contracted	68%	62%	10%
- due in H1	£310.1m	£304.3m	2%
- due after H1	£281.6m	£160.0m	76%
Plots	3,889	3,328	17%
- % contracted	76%	70%	9%

Note 7 – Land approvals since mid 2009

	June 2010
Total spend	£527.2m
Total number of plots	13,359
Location	
- South : North (by value)	66% : 34%
- South : North (by plots)	51% : 49%
Vendor	
- Government : Private	34% : 66%
Type	
- Brownfield : Greenfield	60% : 40%
- Houses : Flats	77% : 23%
Status	
- Owned	52%
- Contracted	30%
- Progressing	18%
Payment	
- Paid in 09/10	£40.2m
- Due in 10/11	£156.9m
- Due after 10/11	£330.1m

Unless stated otherwise, % splits are by plots

Note 8 – Non-cash finance charge

Non-cash finance charge is defined as imputed interest on available for sale financial assets, amortisation of losses on cancelled interest rate swaps,

employee benefits and amortisation of facility fees

Note 9 – Term debt

The £916m of debt classified as term includes:

- The £741m revolving credit facility which was fully drawn in August 2008 and which has since that date operated effectively as a term loan
- Total private placement notes of £175m

-ENDS-

Certain statements in this document may be forward looking statements. By their nature, forward looking statements involve a number of risks, uncertainties or assumptions that could cause actual results to differ materially from those expressed or implied by those statements. Forward looking statements regarding past trends or activities should not be taken as representation that such trends or activities will continue in the future. Accordingly undue reliance should not be placed on forward looking statements.

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 14 July 2010, to discuss this trading update.

To access the conference call
Dial-in: +44 (0)20 7906 8535

A replay facility will be available from 11:00am
Dial-in: +44 (0)20 3364 5943
Pass code: 271094#

www.barrattdevelopments.co.uk

For further information please contact:

Barratt Developments PLC

Mark Clare, Group Chief Executive 020 7299 4898
David Thomas, Group Finance Director 020 7299 4896

Analyst / investor enquiries

Susie Bell, Head of Investor Relations 020 7299 4880

Media enquiries

Dan Bridgett, Head of External Affairs 020 7299 4873

Maitland

Liz Morley 020 7379 5151

James Devas
