



17 November 2010

## **Barratt Developments PLC Interim Management Statement**

Barratt Developments PLC and its subsidiary undertakings (the "Group") is today issuing its 2010 Interim Management Statement for the period from 1 July 2010 to 14 November 2010 ("the period") in accordance with the UK Listing Authority's Disclosure and Transparency Rules.

### **Highlights**

- Underlying selling prices remained stable during the period
- Total average selling price ("ASP") on completions increased by c. 9% to £180,000, with private ASP increasing by c. 12% to £194,000, driven by changes in mix
- Total completion revenues increased by c. 9%
- Net private reservations per active site per week were down in the period at 0.45 (2009: 0.55), reflecting weaker customer sentiment
- Total forward sales were in line with the prior year at £870.9m
- Success in signing large scale partnership agreements

Mark Clare, Group Chief Executive commented,  
"Our strategy continues to be value and quality focused in a market where customers are taking longer to commit to house purchases. Whilst the autumn selling season has been weaker than anticipated, our encouraging performance on price is expected to drive margin growth for the year."

### **Trading**

During the period we operated from an average of 349 active sites, down from 369 for the same period in the prior year and 353 in the second half of FY 2009/10. During the first 20 weeks we opened 72 active sites and expect to open a further c. 120 sites by 30 June 2011. Taking account of expected site closures the net increase in active sites for the financial year will be c. 60.

In the period, we delivered 0.45 net private reservations per active site per week, compared with 0.55 in the prior year equivalent period.

The cancellation rate was 15.2% for the period compared with 13.9% in the prior year equivalent period.

Completion revenues in the period increased by c. 9% driven by relatively flat completion volumes and a significant increase in ASP compared to the prior year equivalent period. Total ASP increased by c. 9% to £180,000 with private ASP increasing by c. 12% to c. £194,000, driven by changes in mix.

Forward sales were in line with the equivalent period in the prior year at £870.9m (2009: £872.8m), of which 66% were contracted (2009: 60%) (Note 1).

## **Land**

We continue to pursue land opportunities where they are expected to provide attractive returns.

In the financial year to date we have agreed terms on £219.9m of land purchases equating to a total of 42 sites and 4,467 plots (Note 2). We expect the rate of acquisition to slow given our success to date in acquiring high quality land and greater competition in the market. For the financial year to 30 June 2011, we anticipate agreeing terms on around 8,000 plots in aggregate (mid 2009 to June 2010: 13,359 plots).

We expect approximately 14% of total volumes in the current financial year to be delivered from newly acquired land which should further accelerate operating margin recovery.

## **Joint venture and partnership opportunities**

We are continuing to explore partnership opportunities both in the residential and commercial sectors. These allow us to access opportunities that may not otherwise be available or reduce substantially the required investment.

In October 2010 we entered into a 50:50 joint venture partnership with London & Quadrant Housing Trust (L&Q) to acquire a site in Alie Street on the edge of the City of London which will provide 235 residential units. In addition to a 50% share of the profits, Barratt will receive a management fee for construction and marketing services. The joint venture partners will provide the equity to finance the cost of land, with L&Q providing a development facility on normal commercial terms to the joint venture.

We continue to work closely with the HCA's regional Delivery Partner Panels and, following our success in winning the North Prospect regeneration project in Plymouth, we are currently short-listed for a further 10 developments.

Our commercial developments division, Wilson Bowden Developments, has been selected for the major redevelopment of both Basildon and Wokingham town centres in partnership with our housebuilding division. These schemes include a combination of commercial and residential development.

## **Planning and government funding**

The majority of the Group's landbank already has outline or detailed planning consent. Specifically, the Group has detailed planning consent for almost 100% of budgeted volumes for the year ending 30 June 2011. For the year ending 30 June 2012, 75% of budgeted volumes have detailed planning consent, with a further 12% having outline planning consent.

## **Treasury management**

In line with previous guidance, net debt as at 31 December 2010 is expected to be around £575m (2009: £605.3m), the increase from 30 June 2010 reflecting normal operational trends and an increase in cash expenditure on land. We expect year end net debt as at 30 June 2011 to be between £400m and £450m (2010: £366.9m).

## **Outlook**

Conditions for the UK housing market remain challenging with constrained mortgage lending combined with weaker consumer confidence being key obstacles to significant recovery. The Group is focused on driving profitability through achieving full value for its quality products. As such, we anticipate limited volume growth in the current financial year driven by new site openings.

We expect changes in mix to continue to drive increases in ASP but at a slower rate in the second half, with houses increasing from 60% to around 65% of total completions for the full year. The increase in ASP and a larger proportion of completions from recently acquired higher margin land are together expected to drive margin growth in the current financial year.

We continue to focus on operational efficiency, including controlling costs throughout the business whilst maintaining a firm grip on stock, work-in-progress and trade creditor management. Whilst we are investing in land where we see the highest growth opportunities, we expect our rate of investment to slow reflecting our success in purchasing land to date.

**Note 1 – Forward sales**

	<b>14 Nov 2010</b>	<b>15 Nov 2009</b>	<b>% change</b>
<b><u>Private</u></b>			
<b>Value</b>	£540.6m	£643.1m	(16%)
- due in H1	£298.0m	£353.1m	(16%)
- due after H1	£242.6m	£290.0m	(16%)
<b>Plots</b>	2,528	3,336	(24%)
<b><u>Social</u></b>			
<b>Value</b>	£330.3m	£229.7m	44%
- due in H1	£70.4m	£25.4m	177%
- due after H1	£259.9m	£204.3m	27%
<b>Plots</b>	2,878	2,029	42%
<b><u>Total</u></b>			
<b>Value</b>	£870.9m	£872.8m	-
- of which contracted	£576.4m	£523.5m	10%
- % of which contracted	66%	60%	10%
- due in H1	£368.4m	£378.5m	(3%)
- due after H1	£502.5m	£494.3m	2%
<b>Plots</b>	5,406	5,365	1%
- % contracted	71%	65%	9%

## Note 2 – Land acquisition since mid 2009

	IMS period from 1 July 2010 to 14 November 2010	Mid 2009 to June 2010	Total since mid 2009
<b>Total spend</b>	£219.9m	£527.2m	£747.1m
<b>Total number of plots</b>	4,467	13,359	17,826
<b>Location</b>			
- South:North (by value)	52%:48%	66%:34%	62%:38%
- South:North (by plots)	40%:60%	51%:49%	48%:52%
<b>Vendor</b>			
- Government : Private	7%:93%	34%:66%	27%:73%
<b>Type</b>			
- Brownfield : Greenfield	26%:74%	60%:40%	52%:48%
- Houses : Flats	84%:16%	77%:23%	79%:21%
<b>Status</b>			
- Owned	n/a	n/a	57%
- Contracted	n/a	n/a	24%
- Progressing	n/a	n/a	19%
<b>Payment</b>			
- Paid 09/10	n/a	n/a	£40.2m
- Due in 10/11	n/a	n/a	£159.4m
- Due in 11/12	n/a	n/a	£220.4m
- Due after 11/12	n/a	n/a	£327.1m

*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 17 November 2010, to discuss this Interim Management Statement.

To access the conference call:

Dial-in: +44 (0) 20 3140 0785

A replay facility will be available:

Dial-in: +44 (0) 20 3140 0698 / 0800 368 1890

Passcode: 374979#

### **Annual General Meeting**

Barratt Developments PLC will be holding its Annual General Meeting today at 2:30pm at the Royal College of Physicians, 11 St Andrews Place, Regent's Park, London NW1 4LE.

### **For further information please contact:**

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