



Immediate release

10 May 2012

Barratt Developments Interim Management Statement

Barratt continuing to deliver improved performance

Barratt Developments PLC is issuing an Interim Management Statement for the Company and its subsidiaries (the "Group") for the 18 weeks from 1 January 2012 to 6 May 2012 (the "period")

Highlights

- Strong spring selling season with average weekly net private reservations up 25.3% against the prior year, driven by higher sales rates per site and increased site numbers
- Private average selling price ("ASP") on completions during the period up by c. 5% against the prior year to c. £202,000 reflecting continuing positive changes in mix
- Overall underlying prices continued to be stable, with greater robustness in London and the South East
- Value of private forward sales up 16.1% to £827.9m (2011: £713.2m)
- We expect to agree terms on c. 10,000 plots of higher margin land in the full financial year
- Reducing overall Group indebtedness remains a key objective, with net debt as at 30 June 2012 now expected to be £75m below previous guidance at around £275m (30 June 2011: £322.6m)

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

"We have had our strongest spring selling season for five years. Our overall pricing levels have been maintained and average weekly net private reservations in the period are up 25% compared to last year. As a result we're ahead on achieving our objectives of improving profitability and reducing net debt."

Trading

Reservations for the spring selling season have continued to run at levels considerably ahead of the prior year. We have taken advantage of the stronger market conditions to deliver increased completions from our older lower margin land. This has accelerated the transition of our landbank from older lower margin land to more recently acquired higher margin land and will increase our cash inflow in the second half, further reducing net debt.

The average number of active sites in the period was 397 up from 374 in the prior year equivalent period ("prior year").

On a per site basis, we delivered 0.62 net private reservations per active site per week in the period, up from 0.53 in the prior year. We delivered 248 (2011: 198) average weekly net private reservations, an increase of 25.3% on the prior year, driven by higher sales rates per site and increased site numbers (Note 1).

The cancellation rate in the period was 15.4% (2011: 16.1%).

Social housing completions in the period were ahead of the prior year reflecting new site starts and are expected to be c. 22% of full year completions.

For the full financial year, we are now forecasting around 600 additional completions compared to our previous expectations, resulting in total completions (excluding joint ventures) for FY 2011/12 of c. 12,600 (FY 2010/11: 11,078).

Our average selling price continues to increase driven by continuing positive changes in mix. Private ASP on completions during the period increased by c. 5% on the prior year to c. £202,000 (2011: £192,000). Whilst we expect ASP to increase in the second half, the rate of increase will be lower than this, reflecting very strong prior year private ASP comparatives from our London business in the final quarter. Overall, our underlying prices have remained stable, with greater robustness in London and the South East. Total ASP on completions during the period was c. £179,000 (2011: £172,000).

Private forward sales were up 20.9% on the prior year to 3,901 plots (2011: 3,227 plots), with the value up 16.1% to £827.9m (2011: £713.2m). Total forward sales were 6,280 plots (2011: 6,400 plots), of which 62% (2011: 68%) was contracted (Note 2).

As highlighted in February, shared equity has remained an important selling tool given the constraints on mortgage finance. During the period, 22% (2011: 18%) of completions were supported by shared equity of which around 16% (2011: 1%) used the Government backed FirstBuy and Kickstart schemes and the remaining 6% (2011: 17%) used Barratt's own shared equity schemes. For the full financial year we expect shared equity to be used on around 20% (FY 2010/11: 22%) of completions.

Government initiatives

The NewBuy mortgage indemnity scheme which offers up to a 95% loan to value mortgage was launched on 12 March 2012. Customer interest since the launch of the scheme remains encouraging with c. 1,600 individuals registering with Barratt each week. We continue to believe the scheme will be positive for the new build industry enabling customers to secure higher loan to value mortgages. Reservations to date using the scheme total c. 70 and we would expect this rate to increase as we start to prioritise it as a sales tool and all the major lenders enter the market. As a result, during FY 2012/13 we expect to see a significant decrease in the dependence of the Group on shared equity.

The Group has made good use of the Government-backed shared equity scheme FirstBuy. In the financial year to date we have been awarded four further tranches totalling 750 units, in addition to our original 1,400 unit allocation.

Around 20 of our developments have been shortlisted and are in due diligence for funding from the Get Britain Building Programme. This Government scheme aims to help fund sites where there is an implementable planning permission but where activity has either stalled or not started for economic reasons. It is expected that funding allocations will be announced shortly.

On 27 March 2012 the Government published its National Planning Policy Framework. Whilst we are encouraged by the need for all local authorities to be able to demonstrate a 5 year land supply and the presumption in favour of sustainable development, we continue to believe that our planning success in the future will remain a function of our level of engagement locally.

London

Our London division continues to trade well and to acquire new sites to strengthen its position as one of the leading housebuilders in the capital. In the financial year to date we have secured land on seven London sites totalling c. 1,400 units (including joint ventures). We have also commenced development on 11 new sites or new phases on existing sites which together will deliver a total of 1,724 units. These include developments at Altitude in Aldgate, Osiers in Wandsworth, Maple Quays in Canada Water and St Andrew's in Bromley-by-Bow.

Customer service

We remain committed to delivering the highest quality product and service to our customers, and are delighted the Group has been awarded the maximum five star rating for customer satisfaction from the Home Builders Federation for a third consecutive year.

Land and planning

We continue to bring our more recently acquired, higher margin, land into production. For the current financial year we expect more than a third of completions to come from this land, increasing to more than half of completions in FY 2012/13 and around two thirds in FY 2013/14. This land is performing in line with, or ahead of, our required hurdle rates on acquisition which include a gross margin of at least 20% and a return on capital employed of at least 25% (Note 3).

For the financial year to date we have agreed terms on £379.2m of land equating to 8,683 plots (Note 4). For the full year we expect to agree terms on a total of c. 10,000 plots.

We remain focused on generating cash from our older lower margin land and have taken advantage of the stronger market conditions during the spring selling season to increase completions from this land. Of the 600 additional completions now expected in this financial year, the majority are from our older land, split broadly 50:50 between non-impaired and impaired. As such, and also taking into account land sales and re-plans, we anticipate that impaired plots (Note 5) will fall to around 6,400 plots of the total owned landbank as at 30 June 2012 (30 June 2011: 10,292 plots).

On planning for FY2012/13, we have detailed consents for 91% of expected completions and outline consents on a further 6%.

Acquisition of our partner's share in former joint venture

In 2006 we entered into a joint venture agreement to develop a 720 unit site in Hattersley, with development commencing in 2010, and c. 50 reservations taken to date. Our partner went into liquidation in March 2012 and on 9 May we took the decision to acquire their share for a nominal amount. We will now fully consolidate the development and an exceptional non-cash charge of c. £10m will arise for the year to 30 June 2012.

Treasury

Reduction of the Group's overall indebtedness remains a key objective, and reflecting the combined effect of higher than expected completions in the second half, our ongoing tight control of working capital, and the timing of land payments, net debt as at 30 June 2012 is expected to be around £275m, significantly below our previous guidance of around £350m.

As announced in May 2011, in accordance with the terms of the Group's refinancing, on 26 April 2012 the existing bank facilities totalling £1,191m were replaced by new Revolving Credit Facilities totalling £780m. The Group's total committed facilities now total £1,091m (Note 6).

Land creditors as at 30 June 2012 are expected to be around £750m (2011: £700.7m).

The net finance charge for FY 2011/12 is expected to be c. £80m (FY 2010/11: £92.4m). This includes a net non-cash finance charge (Note 7) of around £20m (FY 2010/11: £22.0m).

Outlook

We have had our strongest spring selling season for five years, with overall pricing levels maintained, and average weekly net private reservations up 25.3% on the prior year. As a result we are ahead on achieving our objectives of improving profitability and reducing net debt.

Whilst the economic outlook remains uncertain and the availability of mortgage finance continues to be a constraint, we expect the benefits of the various Government initiatives to continue to provide support to the industry.

Our investment in new land is enabling us to shift away from older, lower margin land, and we expect to continue to drive up profitability and bring down debt over the next few years.

Note 1 – Reservation rates

	Average net private reservations per week	Net private reservations per week per active site ⁽¹⁾
18 weeks to 6 May 2012	248	0.62
18 weeks to 8 May 2011	198	0.53

(1) An active site is defined by the Group as a site with at least one unit available for sale

Note 2 – Forward sales

	6 May 2012	8 May 2011	% change
<u>Private</u>			
Value (£m)	827.9	713.2	16.1%
- due in H2 (£m)	636.6	582.8	9.2%
- due after H2 (£m)	191.3	130.4	46.7%
Plots	3,901	3,227	20.9%
<u>Social</u>			
Value (£m)	240.9	333.7	(27.8%)
- due in H2 (£m)	90.1	78.0	15.5%
- due after H2 (£m)	150.8	255.7	(41.0%)
Plots	2,379	3,173	(25.0%)
<u>Total</u>			
Value (£m)	1,068.8	1,046.9	2.1%
- of which contracted (£m)	579.2	653.2	(11.3%)
- % of which contracted	54%	62%	(8%)
- due in H2 (£m)	726.7	660.8	10.0%
- due after H2 (£m)	342.1	386.1	(11.4%)
Plots	6,280	6,400	(1.9%)
- % contracted	62%	68%	(6%)

Note 3 – Return on capital employed

Return on capital employed is defined as site operating profit (site trading profit less sales overheads and allocated administrative overheads) divided by average investment in site land and work in progress

Note 4 – Land approvals since mid 2009

	IMS period from 1 Jan 2012 to 6 May 2012	H1 2011/12	Total since mid 2009
Total land approvals	£201.1m	£178.1m	£1,360.5m
Total number of plots	4,012	4,671	30,903
Location			
- South:North (by value)	45%:55%	58%:42%	56%:44%
- South:North (by plots)	43%:57%	50%:50%	47%:53%
Vendor			
- Government : Private	9%:91%	30%:70%	23%:77%
Type			
- Houses : Flats	85%:15%	85%:15%	82%:18%
Status			
- Owned			63%
- Contracted			26%
- Progressing			11%
Payment			
- Paid 09/10			£40.2m
- Paid in 10/11			£132.9m
- Due in 11/12			£283.4m
- Due after 11/12			£904.0m

Unless stated otherwise, % splits are by plots

Note 5 – Impaired plots

Excludes consolidation of development in Hattersley arising from acquisition of our partner's share in former joint venture

Note 6 – Total facilities

Loan / facility	April 2012	Dec 2011	Maturity
Old RCF facilities		£1,191m	April 2012
New RCF facilities	£690m £90m		May 2015 Oct 2013
Private placements	£211m	£211m	Apr 2013 – Apr 2020
Pru M&G Companies Fund	£100m	£100m	July 2019 – July 2021
Total	£1,091m	£1,502m	

Note 7 – Net non cash finance charge

Non-cash finance charge is defined as imputed interest on available for sale financial assets, imputed interest on deferred term land payables, finance costs related to employee benefits, amortisation of facility fees and other non-cash interest.

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, Thursday 10 May 2012, to discuss this Interim Management Statement.

To access the conference call:

Dial-in: 020 3140 0668 Passcode: 255014#

A replay facility will be available:

Dial-in: 020 3140 0698 Passcode: 384359#

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