

27 February 2013



BARRATT DEVELOPMENTS PLC
Half Yearly Financial Report for the six months ended 31 December 2012

Barratt Developments PLC (the 'Company') is today issuing the Half Yearly Financial Report for the Company and its subsidiary undertakings (the 'Group') in respect of the six month period ended 31 December 2012 ('the period').

113% increase in pre-tax profit

First half highlights

- Group revenues of £951.1m (2011: £952.8m) and completions of 5,085 units (2011: 5,117 units)
- Private completions increased by 5.3% on the prior year to 4,241 units (2011: 4,028 units)
- Profit from operations up 32.2% at £80.8m (2011: £61.1m), with operating margin increasing to 8.5% (2011: 6.4%)
- Profit before tax increased by 113.4% on the prior year to £46.1m (2011: £21.6m)
- Significant increase in approvals to acquire higher margin land, with £453.0m of land acquisitions approved in the period equating to 9,320 plots on 67 sites
- Net debt as at 31 December 2012 was £331.7m (31 December 2011: £542.2m) and is forecast to be around £160m at 30 June 2013 (30 June 2012: £167.7m)

Outlook

- Strong start to the second half with the Group delivering 0.64 (FY12: 0.61) net private reservations per active site per week (excluding joint ventures)
- Private forward sales (excluding joint ventures) as at 24 February 2013 up by 34.0% to £897.7m (26 February 2012: £669.9m)
- Joint venture private forward sales as at 24 February 2013 up by 231.0% to £80.1m (26 February 2012: £24.2m)
- The Board expects to propose a final dividend for the year ended 30 June 2013
- The Board has targets of achieving zero net debt as at 30 June 2015, a dividend cover of around three times for the year ended 30 June 2016 and a substantial improvement in return on capital employed in the medium term

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

"This has been a good first half performance with a 113% increase in pre-tax profit. Our order book of more than £1.1 billion reflects the strong customer interest we have seen in the early weeks of the year, supported by both NewBuy and better lending conditions. We're continuing to invest in new land to drive the future performance of the business and we expect a further significant improvement in profitability in this financial year."

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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 9.00am today at the Grange St Paul's Hotel, 10 Godliman Street, London, EC4V 5AJ. The meeting will be broadcast live on the Barratt Developments corporate website, www.barrattdevelopments.co.uk from 9.00am today. A listen only function will also be available.

Please dial: +44 (0) 1452 555 566

Conference ID: 95079723

The Half Yearly Financial Report for the six month period ended 31 December 2012 is available from today, 27 February 2013, 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

Market conditions remained stable during the period and the Group has made good progress in increasing profitability and reducing overall indebtedness.

In the period, we achieved a one third increase in operating margin and a 113.4% increase in pre-tax profit on the prior year equivalent period (the 'prior year'). Our net debt at 31 December 2012 was £331.7m, 38.8% lower than at 31 December 2011.

Whilst the availability of mortgage finance remains the key constraint to industry growth, we have started to see some improvements. NewBuy, which enables customers to borrow at 90-95% loan to value ratios, is in place and is working well. Expectations are that mortgage lending should increase in 2013, supported by the Bank of England's Funding for Lending Scheme. We are on track to deliver around half of our full year completions from higher margin land and, combined with our ongoing focus on driving efficiency across the Group, we expect to deliver a significant improvement in performance for the financial year.

Performance

Group revenues for the period were in line with the prior year at £951.1m (2011: £952.8m), with completions (excluding joint ventures ('JVs')) of 5,085 units (2011: 5,117 units).

Profit from operations for the period increased by 32.2% to £80.8m (2011: £61.1m), with a significant improvement in operating margin to 8.5% (2011: 6.4%). Profit before tax increased by 113.4% to £46.1m (2011: £21.6m). The Group's earnings per share were 3.4p (2011: 1.3p).

The Group's net debt as at 31 December 2012 was £331.7m (31 December 2011: £542.2m). In line with expected cash generation and normal seasonal trends, net debt is forecast to reduce to around £160m as at 30 June 2013 (30 June 2012: £167.7m).

Assuming a continuing stable housing market, the Board expects to propose a conservatively set final dividend in respect of the financial year ending 30 June 2013. The Board intends to adopt a progressive dividend policy as profitability grows, with the aim of achieving a target dividend cover of around three times for the dividend in respect of the year ending 30 June 2016.

Housebuilding operations

During the period the Group operated across an average of 378 active sites and an average of 5 JV sites (2011: 377 active sites, 4 JV sites). We expect the rate of site openings to increase in the second half and that average site numbers for the year ended 30 June 2013 ('FY13') will be marginally ahead of the prior financial year (FY12: 381 active, 5 JV).

The Group averaged 186 (2011: 181) net private reservations per week¹ during the period, which equates to 0.49 (2011: 0.48) average net private reservations per active site per week. The cancellation rate was 18.8% (2011: 17.9%).

Completions for the period were 5,085 units (2011: 5,117 units). Private completions were up 5.3% on the prior year at 4,241 units (2011: 4,028 units). Affordable housing completions totalled 844 units (2011: 1,089 units) representing 16.6% (2011: 21.3%) of completions. The reduction in volume reflects site phasing and we expect affordable housing completions to account for around 18% of completions for the 2013 financial year as a whole.

Housebuilding revenues for the period were £945.8m (2011: £930.5m). Housebuilding gross margin was 11.5% (2011: 10.3%) with the improvement mainly resulting from increased completions from recently acquired higher margin land and our continued focus upon operational efficiency.

Housebuilding operations saw a significant increase in profit from operations to £78.6m (2011: £59.1m). As a result, the housebuilding operating margin increased to 8.3% up from 6.4% in the prior year. This increased profitability was driven by a substantial improvement in gross margin coupled with tight overhead cost control.

¹ Unless otherwise stated all numbers exclude joint ventures.

Group Chief Executive's statement (continued)

Commercial development operations

Our commercial development revenue was £5.3m (2011: £22.3m) with a profit from operations of £2.2m (2011: £2.0m). The completion of a profitable land sale helped maintain operating profits in line with the prior year. In addition, we completed a 30,000 square feet office extension in Nottingham and delivered 39,100 square feet of stock property disposals.

Joint ventures

Development on our JV sites is progressing well, with marketing suites recently opened at our Altitude and Queensland Terrace developments in central London and the overseas marketing programme launched for Fulham Wharf. JV completions in the period totalled 109 units (2011: 81 units) with JV profits of £0.5m (2011: loss of £0.6m).

We expect completions and profits from JVs to increase significantly over the next few years, reflecting the construction and delivery profile. Our success in securing JVs in London has increased our presence and has strengthened our market position in the capital. We will continue to assess JV opportunities which allow us either to access sites that may not otherwise be available, or to reduce the investment required and improve the profitability and return on capital employed ('ROCE') through construction management or marketing fees.

Group objectives

The Group's primary objectives remain to rebuild profitability and reduce overall indebtedness – and we have made considerable progress in both of these areas during the half year. As the financial performance continues to recover we are adding driving ROCE as a published primary objective for the Group.

Rebuilding profitability

We have set out three clear priorities to enable us to rebuild profitability:

- optimise selling prices;
- improve operational efficiency; and
- deliver targeted land buying.

The 32.2% increase in Group profit from operations to £80.8m (2011: £61.1m) in the half year, with operating margin improving to 8.5% (2011: 6.4%), demonstrates the significant progress made on the Group's priorities.

• Optimise selling prices

We have embedded disciplines within the organisation to ensure we continue to focus on securing the best price for every sale – thereby maximising value rather than just driving volumes.

Average selling price ('ASP') for the period increased by 2.4% to £185,500 (2011: £181,200) driven by positive changes in mix. Overall, underlying selling prices remained broadly stable, albeit with regional variations. Private ASP increased by 1.0% in the period to £201,900 (2011: £199,900) driven by a small positive change in mix. Affordable housing ASP declined by 7.5% to £103,400 (2011: £111,800) in the period largely due to a lower proportion of London units.

• Improve operational efficiency

Driving operational efficiency has remained a significant focus for the Group. We continue to retain a firm control on costs, in particular capitalising on our scale and technical resources to maximise efficiency. We purchase a significant proportion of our materials centrally and our supply contracts for materials continue to be reviewed and renegotiated as appropriate. We continue to review our supply chain to create efficiencies by introducing new suppliers and altering build specifications where appropriate. Standard house-type costs are benchmarked across the Group to strive to ensure that the lowest possible cost is achieved whilst maintaining the quality of our homes. Going forward, it is likely that some pressure will continue to be felt as raw material prices rise due to underlying commodity prices. We will however seek to mitigate this by continuing to drive further efficiency savings and reductions in operating costs across the business.

Group administrative costs for the period were £30.4m (2011: £38.1m). Included within administrative costs is other income of £10.2m (2011: £2.4m), which has increased by £7.8m year on year largely due to the

Group Chief Executive's statement (continued)

timing of the sale of freehold reversions. For the full year, we expect administrative costs (net of other income) to be around £110m (FY12: £105.1m).

- **Deliver targeted land buying**

The Group has made further progress in transforming its landbank in the period by utilising historical, lower margin land whilst bringing more recently acquired, higher margin land into production as quickly as possible.

The Group's owned and controlled land bank totalled 56,062 plots as at 31 December 2012 (31 December 2011: 58,359 plots). This equates to 4.4 years (2011: 4.6 years) supply based on FY12 completion volumes.

For FY13 as a whole we continue to expect around half of completions to come from more recently acquired higher margin land, increasing to around two thirds in FY14 and c. 85% in FY15. This land continues to deliver in line with or ahead of our required hurdle rates on acquisition, which include a gross margin of at least 20% and a ROCE² of at least 25%. As at 31 December 2012 more recently acquired land represented 64% (2011: 53%) of the owned and controlled land bank.

We also remain focused on maximising the value of our historical land holdings. We anticipate delivering c. 18% of completions in FY13 as a whole from impaired land which would, in turn, reduce the proportion of impaired plots in the owned and controlled land bank as at 30 June 2013 to around 8% (30 June 2012: 12%). Where appropriate, we will also accelerate the utilisation of impaired land through land sales or swaps. In the first half we realised £28.3m (2011: £3.2m) of proceeds from land sales.

In the first half we have successfully agreed terms on £453.0m (2011: £178.1m) of new land equating to a total of 9,320 plots (2011: 4,671 plots) on 67 sites (2011: 47 sites). We continue to see good land opportunities in prime locations across all regions and for FY13 we expect to agree terms on a total of c. 15,000 plots. Our dual focus remains on ensuring we have the land supply necessary to support business growth over the next few years and delivering it in a way that maximises return on capital.

We have been particularly successful within the London market and have recently acquired three new major sites in central London with an aggregate gross development value of c. £480m. These projects in Blackfriars Road in Southwark, Cannon Wharf in Surrey Quays and Great Minster East in Westminster, will provide more than 1,100 new homes for the capital.

Cash expenditure on land in the period was £231m (2011: £261m). The Group anticipates that total cash expenditure on land for the full financial year will be around £700m (FY12: £397m).

We continue to seek to defer payment for new land where possible to drive a higher return on capital. Land creditors as at 31 December 2012 were £790.1m (31 December 2011: £627.3m) representing 37% (31 December 2011: 29%) of the owned land bank. The year on year increase in land creditors reflects the significant proportion of newly acquired land that has been acquired on deferred terms. Land creditors due within the next 12 months total £488.9m (31 December 2011: £297.9m), with £301.2m (31 December 2011: £329.4m) due thereafter. In the second half, we expect land creditors to remain a fairly constant proportion of the land bank, however this is dependent upon the timing of planning consents and land contracts.

Reducing indebtedness

The reduction of indebtedness remains a key objective and we reaffirm our target of achieving zero balance sheet net debt by June 2015.

Net debt as at 31 December 2012 was £331.7m (31 December 2011: £542.2m), considerably below the prior year. In line with expected cash generation and normal seasonal trends, we expect the level of net debt to reduce significantly in the second half of this financial year. Although we have recently increased our expected cash expenditure on land by around £50m, net debt as at 30 June 2013 is still expected to be c. £160m (30 June 2012: £167.7m).

² 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 and work in progress.

Group Chief Executive's statement (continued)

The Group's net finance charge in the first half was £35.2m (2011: £38.9m). This includes a net non-cash finance charge of £10.6m (2011: £9.5m). The Group expects that its full year net finance charge will be around £72m (FY12: £80.8m), consisting of cash finance charges of around £51m on net debt (including term debt) and around £21m of non-cash finance charges.

We recognise that for historical reasons the effective cost of the Group's facilities is higher than market norms and we continue to review strategies to address this.

We have £1 billion in aggregate of committed facilities to May 2015, with some of the Group's arrangements extending as far as 2021. This provides the Group with appropriate funding levels.

ROCE

As we rebuild profitability we are increasingly focused on driving the Group ROCE. Barratt has a strong track record of delivering a high ROCE and we believe our fast asset turn business model positions us well to drive ROCE going forward. We are targeting a substantial improvement in ROCE for the Group in the medium term.

Balance sheet

The net assets of the Group increased by £32.4m to £3,006.2m between 30 June and 31 December 2012, primarily reflecting the Group's profit after tax of £33.0m during the period.

Net tangible asset value increased by 1.6% to £2,114.0m (30 June 2012: £2,081.6m) and net tangible asset value per share at 31 December 2012 was £2.16 (30 June 2012: £2.13 per share).

Significant balance sheet movements since 30 June 2012 include:

- Land holdings increased by £40.0m to £2,117.3m. This increase reflects net land additions of £268.1m offset by land usage.
- Work in progress increased by £128.5m to £1,194.0m mainly due to the phasing of London developments. The Group maintains tight control over its work in progress and at 31 December 2012 the Group had 865 (30 June 2012: 955) unreserved stock units, equating to 2.2 (30 June 2012: 2.6) unreserved stock units per active site.
- Investments in JVs and associates increased by £22.8m to £108.4m mainly due to a large investment to fund land and work in progress in the new Fulham Wharf JV.
- Non-current available for sale financial assets increased by £4.7m to £193.9m reflecting the 859 completions that used FirstBuy or the Group's own shared equity products during the period.
- Group net debt increased by £164.0m to £331.7m reflecting normal seasonal operational trends.
- Trade and other payables decreased by £5.4m to £1,355.9m mainly reflecting the net reduction in trade payables from £291.4m to £259.3m partially offset by an increase in land payables to £790.1m.
- Goodwill and intangible assets remained at £892.2m as the impairment review of the housebuilding business indicated that no impairment was required.
- Deferred tax assets decreased by £9.8m to £108.8m mainly due to the impact of tax rate changes and the current year tax charge.

Quality, service and sustainability

The Group remains committed to delivering excellent customer service and our most recent customer survey indicated that 97% (2011: 98%) of customers would recommend us to a friend. We are a Home Builders Federation Five Star housebuilder and in 2012 won 75 National House-Building Council 'Pride in the Job' Quality Awards, 29 'Seal of Excellence Awards' and 4 Regional Awards.

Group Chief Executive's statement (continued)

We were named 'Sustainable Developer of the Year' at both the What House and Housebuilder Awards recognising the significant progress we have made around sustainability and endorsing our achievement in this area.

Government housing strategy

Government support for the UK housebuilding industry remains strong with a range of initiatives in place designed to support house purchases and stimulate growth. The Government is also putting in place longer term reforms designed to increase the supply of new homes.

The NewBuy mortgage indemnity scheme is now in place and working well, supported by reductions in mortgage rates for the product. We saw an increase in interest in NewBuy during the autumn and this continued throughout the period, with 7.7% of private reservations (excluding Scotland and Wales where NewBuy is not available) during the period supported by that scheme. Since the start of the 2013 calendar year, we have seen a further step up in interest in the scheme and we expect reservations using NewBuy to be 10% to 15% of total private reservations in the second half of the financial year.

Although the use of shared equity is carefully controlled, the Group is pleased to have secured a substantial additional allocation as part of the Government's latest FirstBuy funding round. We are targeting the use of FirstBuy on sites where affordability remains a key issue, with a focus on driving sales on older and impaired developments.

In the period 16.9% (2011: 19.0%) of completions (excluding JVs) were supported by shared equity, of which around three quarters were Government-backed schemes. At 31 December 2012 the net balance sheet value of all of the Group's shared equity loans was £193.9m (31 December 2011: £177.5m; 30 June 2012: £189.2m).

The Group will also receive c. £30m in low-cost development loans in 2013 from the Government's Get Britain Building Scheme which is designed to kickstart developments.

The Government continues to place emphasis on the accelerated release of surplus public land ('Build Now Pay Later') and in December announced that the Homes and Communities Agency's role in the process would be enhanced. The Group is well-positioned to capitalise on this initiative as it has significant expertise in the complex process of bidding and securing public sector land.

There has been considerable change to the UK planning system in recent years and whilst the impact of these changes will take time to be fully realised, there is growing evidence that the planning process is now being aided by the requirement for Local Authorities to have a five year land supply. During the period we received detailed planning consents covering 70 sites. Looking forward, we have detailed consents for 87% of our expected FY14 completions and outline consents on a further 8%.

Current trading

In the first eight weeks of the second half of the current financial year, the sales performance across the Group has been strong. Average net private reservations per active site per week have increased by 4.9% on the prior year equivalent period to 0.64 (FY12 equivalent period: 0.61). Overall underlying selling prices have remained broadly stable. Cancellation rates have remained low at an average of 13.3% (FY12 equivalent period: 14.1%).

As at 24 February 2013, total forward sales (excluding JVs) for the Group were up 21.4% at £1,119.1m (26 February 2012: £921.8m), equating to 6,030 plots (26 February 2012: 5,733 plots). Private forward sales as at 24 February 2013 increased by 34.0% to £897.7m (26 February 2012: £669.9m).

JV total forward sales at 24 February 2013 were £105.3m (26 February 2012: £34.2m), equating to 365 plots (26 February 2012: 151 plots). JV private forward sales were £80.1m (26 February 2012: £24.2m).

Group Chief Executive's statement (continued)

Outlook

Although we remain cautious as to whether the thaw in lending conditions will be sustained, improvements in mortgage lending and the success of the NewBuy scheme have supported a strong start to the 2013 calendar year.

New land is continuing to perform well and combined with our continued focus on operational performance we are on track to deliver significantly increased profitability for this financial year. We are focused on driving our ROCE by increasing profitability and reducing our asset base and expect ROCE will substantially improve in the medium term.

We are making good progress towards our target of achieving zero balance sheet net debt by June 2015 whilst continuing to take the opportunity to invest in higher margin land to drive future profit growth.

Mark Clare

Group Chief Executive
27 February 2013

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 principal risks and uncertainties have changed since the publication of the Annual Report and Accounts for the year ended 30 June 2012. A detailed explanation of the relevance to the Group's strategy and mitigation of the risks outlined below can be found on pages 36 to 39 of the Annual Report and Accounts for the year ended 30 June 2012 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, austerity measures, flat economic growth, buyer confidence, availability of mortgage finance, 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.

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.

Land purchasing

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

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. Also there are 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 2012 on pages 109 to 114.

Details of contingent liabilities including litigation are provided in note 18 of the condensed consolidated half yearly financial statements.

Condensed consolidated income statement

for the half year ended 31 December 2012 (unaudited)

		Half year ended 31 December 2012			Half year ended 31 December 2011			Year ended 30 June 2012 (audited)		
	Note	Before except- ional items £m	Except- ional items (note 5) £m	£m	Before except- ional items £m	Except- ional items (note 5) £m	£m	Before except- ional items £m	Except- ional items (note 5) £m	£m
Continuing operations										
Revenue	4	951.1	-	951.1	952.8	-	952.8	2,323.4	-	2,323.4
Cost of sales		(839.9)	-	(839.9)	(853.6)	-	(853.6)	(2,027.2)	-	(2,027.2)
Gross profit		111.2	-	111.2	99.2	-	99.2	296.2	-	296.2
Administrative expenses		(30.4)	-	(30.4)	(38.1)	-	(38.1)	(105.1)	-	(105.1)
Profit from operations	4	80.8	-	80.8	61.1	-	61.1	191.1	-	191.1
Finance income	6	7.7	-	7.7	6.1	-	6.1	16.9	-	16.9
Finance costs	6	(42.9)	-	(42.9)	(45.0)	-	(45.0)	(97.7)	-	(97.7)
Net finance costs	6	(35.2)	-	(35.2)	(38.9)	-	(38.9)	(80.8)	-	(80.8)
Share of post-tax profit/(loss) from joint ventures		0.5	-	0.5	(0.6)	-	(0.6)	0.5	-	0.5
Share of post-tax loss from associates		-	-	-	-	-	-	(0.1)	-	(0.1)
Loss on re-measurement of joint venture interest on acquisition of control	5	-	-	-	-	-	-	-	(10.7)	(10.7)
Profit before tax		46.1	-	46.1	21.6	-	21.6	110.7	(10.7)	100.0
Tax	7	(13.1)	-	(13.1)	(9.5)	-	(9.5)	(32.6)	-	(32.6)
Profit for the period from continuing operations		33.0	-	33.0	12.1	-	12.1	78.1	(10.7)	67.4
Profit for the period attributable to equity shareholders		33.0	-	33.0	12.1	-	12.1	78.1	(10.7)	67.4
Earnings per share from continuing operations										
Basic	8			3.4p			1.3p			7.0p
Diluted	8			3.3p			1.2p			6.9p

Notes 1 to 20 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 2012 (unaudited)

		Half year ended 31 December 2012	Half year ended 31 December 2011 (restated*)	Year ended 30 June 2012 (restated*) (audited)
	Note	£m	£m	£m
Profit for the period		33.0	12.1	67.4
Other comprehensive income/(expense):				
Items that will not be reclassified to profit or loss				
Actuarial losses on defined benefit pension schemes	15	(4.9)	(30.6)	(24.1)
Fair value adjustment on available for sale financial assets – greater than one year		-	2.2	(3.4)
Tax credit relating to items not reclassified		0.9	8.1	6.5
Total items that will not be reclassified to profit or loss		(4.0)	(20.3)	(21.0)
Items that may be reclassified subsequently to profit or loss				
Amounts deferred in respect of effective cash flow hedges	6	(12.6)	(14.3)	(21.1)
Amounts reclassified to the income statement in respect of hedged cash flows	6	10.5	(0.9)	5.1
Tax credit relating to items that may be reclassified		-	3.4	3.1
Total items that may be reclassified subsequently to profit or loss		(2.1)	(11.8)	(12.9)
Total comprehensive income/(expense) recognised for the period attributable to equity shareholders		26.9	(20.0)	33.5

* The presentation of the condensed consolidated statement of comprehensive income has been amended as required by the Amendment to IAS 1 'Financial Statement Presentation' which has been adopted in the half year.

Notes 1 to 20 form an integral part of the condensed consolidated half yearly financial statements.

Condensed consolidated statement of changes in shareholders' equity at 31 December 2012 (unaudited)

	Share capital £m	Share premium £m	Merger reserve £m	Hedging reserve £m	Own shares £m	Share- based payment £m	Retained earnings £m	Total retained earnings £m	Total £m
Balance at 1 July 2011	96.5	206.6	1,109.0	(24.6)	(5.0)	15.0	1,532.6	1,542.6	2,930.1
Profit for the period	-	-	-	-	-	-	12.1	12.1	12.1
Amounts deferred in respect of effective cash flow hedges	-	-	-	(14.3)	-	-	-	-	(14.3)
Amounts reclassified to the income statement in respect of hedged cash flows	-	-	-	(0.9)	-	-	-	-	(0.9)
Fair value adjustments on available for sale financial assets	-	-	-	-	-	-	2.2	2.2	2.2
Actuarial losses on pension scheme	-	-	-	-	-	-	(30.6)	(30.6)	(30.6)
Tax on items taken directly to equity	-	-	-	3.4	-	-	8.1	8.1	11.5
Total comprehensive expense recognised for the period ended 31 December 2011	-	-	-	(11.8)	-	-	(8.2)	(8.2)	(20.0)
Share-based payments	-	-	-	-	-	1.6	-	1.6	1.6
Issue of shares	0.1	0.1	-	-	-	-	-	-	0.2
Balance at 31 December 2011	96.6	206.7	1,109.0	(36.4)	(5.0)	16.6	1,524.4	1,536.0	2,911.9
Profit for the period	-	-	-	-	-	-	55.3	55.3	55.3
Amounts deferred in respect of effective cash flow hedges	-	-	-	(6.8)	-	-	-	-	(6.8)
Amounts reclassified to the income statement in respect of hedged cash flows	-	-	-	6.0	-	-	-	-	6.0
Fair value adjustments on available for sale financial assets	-	-	-	-	-	-	(5.6)	(5.6)	(5.6)
Actuarial gains on pension scheme	-	-	-	-	-	-	6.5	6.5	6.5
Tax on items taken directly to equity	-	-	-	(0.2)	-	-	(1.7)	(1.7)	(1.9)
Total comprehensive (expense)/income recognised for the period ended 30 June 2012	-	-	-	(1.0)	-	-	54.5	54.5	53.5
Share-based payments	-	-	-	-	-	1.7	-	1.7	1.7
Issue of shares	1.0	5.0	-	-	-	-	-	-	6.0
Transfer of share-based payments charge for non-vested options	-	-	-	-	-	(3.6)	3.6	-	-
Tax on share-based payments	-	-	-	-	-	(0.4)	1.1	0.7	0.7
Balance at 30 June 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	-	-	-	-	-	-	33.0	33.0	33.0
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	-	-	-	-	-	-	(4.9)	(4.9)	(4.9)
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

Notes 1 to 20 form an integral part of the condensed consolidated half yearly financial statements.

Condensed consolidated balance sheet
at 31 December 2012 (unaudited)

		31 December 2012	31 December 2011	30 June 2012 (audited)
	Note	£m	£m	£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		3.8	6.2	6.4
Investments accounted for using the equity method	11	108.4	111.9	85.6
Available for sale financial assets		193.9	177.5	189.2
Trade and other receivables		1.8	5.4	4.1
Deferred tax assets	7	108.8	144.8	118.6
Derivative financial instruments – swaps	14	22.3	30.9	29.4
		1,331.2	1,368.9	1,325.5
Current assets				
Inventories	10	3,391.5	3,355.8	3,226.6
Available for sale financial assets	12	5.1	-	-
Trade and other receivables		58.8	57.9	50.3
Cash and cash equivalents	13	10.0	2.8	150.3
Current tax assets		0.7	-	0.4
		3,466.1	3,416.5	3,427.6
Total assets	4	4,797.3	4,785.4	4,753.1
Liabilities				
Non-current liabilities				
Loans and borrowings	13	(349.0)	(563.6)	(331.2)
Trade and other payables		(302.1)	(332.5)	(359.4)
Retirement benefit obligations	15	(19.9)	(35.1)	(21.4)
Derivative financial instruments – swaps	14	(54.3)	(52.6)	(53.3)
		(725.3)	(983.8)	(765.3)
Current liabilities				
Loans and borrowings	13	(12.0)	(8.3)	(12.1)
Trade and other payables		(1,053.8)	(881.0)	(1,001.9)
Current tax liabilities		-	(0.4)	-
		(1,065.8)	(889.7)	(1,014.0)
Total liabilities	4	(1,791.1)	(1,873.5)	(1,779.3)
Net assets		3,006.2	2,911.9	2,973.8
Equity				
Share capital	16	97.9	96.6	97.6
Share premium		212.3	206.7	211.7
Merger reserve		1,109.0	1,109.0	1,109.0
Hedging reserve		(39.5)	(36.4)	(37.4)
Retained earnings		1,626.5	1,536.0	1,592.9
Total equity		3,006.2	2,911.9	2,973.8

Notes 1 to 20 form an integral part of the condensed consolidated half yearly financial statements.

Condensed consolidated cash flow statement
for the half year ended 31 December 2012 (unaudited)

		Half year ended 31 December 2012	Half year ended 31 December 2011	Year ended 30 June 2012 (audited)
	Note	£m	£m	£m
Net cash (outflow)/inflow from operating activities	17	(140.9)	(210.0)	149.7
Cash flows from investing activities				
Net disposal/(purchase) of property, plant and equipment		2.4	(1.4)	(2.4)
Acquisition of subsidiaries net of cash acquired		-	-	1.6
Disposal of subsidiary undertaking		-	-	8.0
Increase in investments accounted for using the equity method		(22.3)	(8.5)	(7.9)
Investment in property fund	12	(5.1)	-	-
Interest received		0.6	0.3	0.2
Net cash outflow from investing activities		(24.4)	(9.6)	(0.5)
Cash flows from financing activities				
Disposal of own shares		0.8	-	-
Proceeds from issue of share capital		0.7	0.2	6.2
Hedging termination costs		(0.2)	(0.2)	(0.4)
Loan drawdowns/(repayments)		23.7	149.7	(77.4)
Net cash inflow/(outflow) from financing activities		25.0	149.7	(71.6)
Net (decrease)/increase in cash and cash equivalents		(140.3)	(69.9)	77.6
Cash and cash equivalents at the beginning of the period		150.3	72.7	72.7
Cash and cash equivalents at the end of the period		10.0	2.8	150.3

Notes 1 to 20 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 2012 (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 2012 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 2012, 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 36 to 39 and on pages 109 to 114 of the Group's Annual Report and Accounts for the year ended 30 June 2012, which is available at www.barrattdevelopments.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 £1,001m. The maturity dates of these facilities range from April 2013 to July 2021, with the £690m revolving credit facilities maturing in May 2015. 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 2012 except as described below.

New accounting policy

Available for sale financial assets - current

During the period the Group entered into a seed investment agreement with Hearthstone Investments, a specialist property fund manager. The Group transferred showhomes in exchange for 5,144,711 units in the new property fund. The Group does not intend to hold this investment in the long-term and it has therefore been designated as a current available for sale financial asset.

Notes to the condensed consolidated half yearly financial statements for the half year ended 31 December 2012 (unaudited)

3. Accounting policies (continued)

New accounting policy (continued)

Available for sale financial assets - current (continued)

Revenue from transactions involving available for sale financial assets is recognised at the fair value of consideration receivable. The fair value of consideration received is the initial fair value of the units received in the property fund.

Gains and losses arising from changes in fair value are recognised in equity within other comprehensive income. The fair value of this investment is calculated using the unadjusted quoted price of units in the property fund obtained from independent brokers.

Gains and losses arising from impairment losses and changes in future cash flows are recognised directly in the income statement.

Changes in accounting policy

In the current financial year, the Group has adopted Amendment to IAS 12 'Deferred Tax: Recovery of Underlying Assets' and Amendment to IAS 1 'Financial Statement Presentation'.

The adoption of the amendments to IAS 1 has resulted in changes to the presentation of the condensed consolidated statement of comprehensive income. The adoption of both amendments has not had any impact upon the profit or net assets of the Group in either the current period or comparative period or comparative year and has not required any additional disclosures.

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 2012 and later periods are disclosed on page 84 of the Annual Report and Accounts for the year ended 30 June 2012.

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 2012		Half year ended 31 December 2011		Year ended 30 June 2012 (audited)	
	Units	Units	Units	Units	Units	Units
Residential completions						
Housebuilding	5,085		5,117		12,637	
Commercial development	-		-		-	
		<u>5,085</u>		<u>5,117</u>		<u>12,637</u>
Income statement	£m	£m	£m	£m	£m	£m
Revenue						
Housebuilding	945.8		930.5		2,286.8	
Commercial development	5.3		22.3		36.6	
		<u>951.1</u>		<u>952.8</u>		<u>2,323.4</u>
Cost of sales						
Housebuilding	(837.5)		(834.8)		(1,997.7)	
Commercial development	(2.4)		(18.8)		(29.5)	
		<u>(839.9)</u>		<u>(853.6)</u>		<u>(2,027.2)</u>
Gross profit						
Housebuilding	108.3		95.7		289.1	
Commercial development	2.9		3.5		7.1	
		<u>111.2</u>		<u>99.2</u>		<u>296.2</u>

Notes to the condensed consolidated half yearly financial statements
for the half year ended 31 December 2012 (unaudited)

4. Segmental analysis (continued)

	Half year ended 31 December 2012		Half year ended 31 December 2011		Year ended 30 June 2012 (audited)	
	£m	£m	£m	£m	£m	£m
Administrative expenses						
Housebuilding	(29.7)		(36.6)		(99.5)	
Commercial development	(0.7)		(1.5)		(5.6)	
		<u>(30.4)</u>		<u>(38.1)</u>		<u>(105.1)</u>
Profit from operations						
Housebuilding	78.6		59.1		189.6	
Commercial development	2.2		2.0		1.5	
		<u>80.8</u>		<u>61.1</u>		<u>191.1</u>
Share of post-tax profit/(loss) from joint ventures						
Housebuilding	0.6		(0.2)		0.8	
Commercial development	(0.1)		(0.4)		(0.3)	
		<u>0.5</u>		<u>(0.6)</u>		<u>0.5</u>
Share of post-tax loss from associates						
Housebuilding	-		-		(0.1)	
Commercial development	-		-		-	
		<u>-</u>		<u>-</u>		<u>(0.1)</u>
Loss on re-measurement of joint venture interest on acquisition of control						
Housebuilding	-		-		(10.7)	
Commercial development	-		-		-	
		<u>-</u>		<u>-</u>		<u>(10.7)</u>
Profit from operations including share of post-tax profit/(loss) from joint ventures and associates						
Housebuilding	79.2		58.9		179.6	
Commercial development	2.1		1.6		1.2	
		<u>81.3</u>		<u>60.5</u>		<u>180.8</u>
Finance income		7.7		6.1		16.9
Finance costs		(42.9)		(45.0)		(97.7)
Profit before tax		46.1		21.6		100.0
Tax		(13.1)		(9.5)		(32.6)
Profit for the period from continuing operations		<u>33.0</u>		<u>12.1</u>		<u>67.4</u>

Profit from operations includes £0.2m (31 December 2011: £0.2m; 30 June 2012: £0.5m) relating to forfeited deposits and £10.0m (31 December 2011: £2.2m; 30 June 2012: £16.6m) of other income.

Notes to the condensed consolidated half yearly financial statements
for the half year ended 31 December 2012 (unaudited)

4. Segmental analysis (continued)

	31 December 2012		31 December 2011		30 June 2012 (audited)	
	£m	£m	£m	£m	£m	£m
Balance sheet						
Segment assets						
Housebuilding	4,641.2		4,651.4		4,443.5	
Commercial development	76.5		85.9		79.5	
	4,717.7		4,737.3		4,523.0	
Elimination of intercompany balances	(39.9)		(99.5)		(39.2)	
	4,677.8		4,637.8		4,483.8	
Deferred tax assets	108.8		144.8		118.6	
Current tax assets	0.7		-		0.4	
Cash and cash equivalents	10.0		2.8		150.3	
Consolidated total assets	4,797.3		4,785.4		4,753.1	
Segment liabilities						
Housebuilding	(1,432.9)		(1,370.2)		(1,437.0)	
Commercial development	(37.1)		(30.5)		(38.2)	
	(1,470.0)		(1,400.7)		(1,475.2)	
Elimination of intercompany balances	39.9		99.5		39.2	
	(1,430.1)		(1,301.2)		(1,436.0)	
Loans and borrowings	(361.0)		(571.9)		(343.3)	
Current tax liabilities	-		(0.4)		-	
Consolidated total liabilities	(1,791.1)		(1,873.5)		(1,779.3)	
	Half year ended 31 December 2012		Half year ended 31 December 2011		Year ended 30 June 2012 (audited)	
	£m	£m	£m	£m	£m	£m
Other information						
Capital additions						
Housebuilding	1.0		1.4		2.0	
Commercial development	-		-		0.4	
	1.0		1.4		2.4	
Depreciation						
Housebuilding	0.8		0.7		1.5	
Commercial development	-		0.1		0.1	
	0.8		0.8		1.6	

Notes to the condensed consolidated half yearly financial statements for the half year ended 31 December 2012 (unaudited)

5. Exceptional items

There were no exceptional items in either the half year ended 31 December 2012 or 31 December 2011.

In the year ended 30 June 2012 the Group incurred the following exceptional item:

Loss on re-measurement of joint venture interest on acquisition of control

In 2006 the Group entered into a joint venture agreement to develop sites in Greater Manchester including one in Hattersley. The Group's joint venture partner went into liquidation in March 2012 and on 9 May 2012 the Group acquired its share for £1. As required by IFRS 3 (Revised) 'Business Combinations' the Group disposed of its share in the joint venture entities and acquired the entities as subsidiaries which resulted in an exceptional loss of £10.7m.

6. Net finance costs

	Half year ended 31 December 2012	Half year ended 31 December 2011	Year ended 30 June 2012 (audited)
	£m	£m	£m
Recognised in income statement			
Finance income on short-term bank deposits	-	-	(0.1)
Imputed interest on available for sale financial assets	(6.5)	(4.5)	(12.0)
Finance income related to employee benefits	-	-	(1.2)
Other interest receivable	(1.2)	(1.6)	(3.6)
Finance income	(7.7)	(6.1)	(16.9)
Interest on bank overdrafts and loans	20.4	25.0	48.9
Imputed interest on deferred term land payables	14.1	12.1	28.8
Finance costs/(income) related to employee benefits	0.2	(0.6)	-
Amounts reclassified to the income statement in respect of hedged cash flows	10.5	(0.9)	5.1
Foreign exchange (gain)/loss on US Dollar debt	(6.0)	5.5	4.0
Amortisation of facility fees	2.8	2.5	3.5
Imputed interest on Kickstart equity funding	-	-	(0.2)
Other interest payable	0.9	1.4	7.6
Finance costs	42.9	45.0	97.7
Net finance costs	35.2	38.9	80.8

The Group's approach to foreign exchange rate risk management is detailed in note 14 (b).

Notes to the condensed consolidated half yearly financial statements for the half year ended 31 December 2012 (unaudited)

6. Net finance costs (continued)

	Half year ended 31 December 2012	Half year ended 31 December 2011	Year ended 30 June 2012 (audited)
	£m	£m	£m
Recognised in equity			
Amounts deferred in respect of effective cash flow hedges	12.6	14.3	21.1
Total fair value losses on cash flow swaps included in equity	12.6	14.3	21.1
Amounts reclassified to the income statement in respect of hedged cash flows	(10.5)	0.9	(5.1)
Total fair value (loss)/gain on cash flow swaps transferred (to)/from equity	(10.5)	0.9	(5.1)

7. Tax

The effective rate of corporation tax for the half year (after excluding the impact of the change in corporation tax rate from 24% to 23% and prior year adjustments) is 22.1% (31 December 2011: 23.6%; 30 June 2012: 26.4%). 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 24% to 23%, the condensed consolidated income statement includes a deferred tax charge of £3.0m and there is a £0.7m charge through reserves in the condensed consolidated statement of comprehensive income.

As at 31 December 2012 the Group recognised a deferred tax asset of £108.8m (31 December 2011: £144.8m; 30 June 2012: £118.6m) mainly relating to prior year losses which are to be carried forward and relieved against profits arising in future periods.

Legislation changes

A number of changes to the UK corporation tax system were enacted in the Finance Act 2012, including a reduction in the main rate of corporation tax from 24% to 23% from 1 April 2013. The reduction from 24% to 23% was substantively enacted during the period and has therefore been reflected in the accounts for this period. Further reductions to the main rate are proposed to reduce the rate to 21% by 1 April 2014.

These proposed reductions are expected to be enacted separately each year. If the deferred tax assets and liabilities of the Group were all to reverse after 2014, the effect of the changes from 23% to 21% would be to reduce the net deferred tax asset by £9.4m. To the extent that the deferred tax reverses more quickly than this, the impact on the net deferred tax asset will be reduced.

8. Earnings per share

Basic earnings per share is calculated by dividing the profit for the half year attributable to ordinary shareholders of £33.0m (31 December 2011: £12.1m; 30 June 2012: £67.4m) 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 972.6m (31 December 2011: 961.6m; 30 June 2012: 963.9m).

Diluted earnings per share is calculated by dividing the profit for the half year attributable to ordinary shareholders of £33.0m (31 December 2011: £12.1m; 30 June 2012: £67.4m) 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 997.7m (31 December 2011: 978.2m; 30 June 2012: 979.6m) shares.

Notes to the condensed consolidated half yearly financial statements for the half year ended 31 December 2012 (unaudited)

8. Earnings per share (continued)

The earnings per share from continuing operations were as follows:

	Half year ended 31 December 2012	Half year ended 31 December 2011	Year ended 30 June 2012 (audited)
	pence	pence	pence
Basic earnings per share	3.4	1.3	7.0
Adjusted basic earnings per share	3.4	1.3	8.1
Diluted earnings per share	3.3	1.2	6.9
Adjusted diluted earnings per share	3.3	1.2	8.0

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

	Half year ended 31 December 2012		Half year ended 31 December 2011		Year ended 30 June 2012 (audited)	
	£m	pence per basic share	£m	pence per basic share	£m	pence per basic share
Profit for basic and diluted earnings per share	33.0	3.4	12.1	1.3	67.4	7.0
Add: exceptional loss on re-measurement of joint venture interest on acquisition of control	-	-	-	-	10.7	1.1
Profit for adjusted basic and adjusted diluted earnings per share	33.0	3.4	12.1	1.3	78.1	8.1

Earnings are adjusted, removing exceptional costs from the re-measurement of joint venture interest on acquisition of control to reflect the Group's underlying profit.

9. Goodwill

	31 December 2012	31 December 2011	30 June 2012 (audited)
	£m	£m	£m
Opening and closing net book value	792.2	792.2	792.2

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 together for both the housebuilding and commercial developments segments. The impairment review was performed at 30 June 2012. However, due to the continued uncertainties in the UK housing market since 30 June 2012, the Group conducted a further impairment review of its goodwill and intangible assets at 31 December 2012. 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 2012 (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 12.5% (31 December 2011: 12.1%; 30 June 2012: 12.9%) 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 2012 was based upon current expectations regarding sales volumes, expected changes in selling prices and site costs to complete in the uncertain conditions 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 £367.6m (31 December 2011: £453.2m; 30 June 2012: £379.1m).

If the UK housing market and expectations regarding its future were to deteriorate with either operating margins reducing by 1.4% per annum (31 December 2011: 1.6% per annum; 30 June 2012: 1.0% per annum) or the appropriate discount rate were to increase by 0.8% (31 December 2011: 1.0%; 30 June 2012: 1.0%) 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 2012 (unaudited)

10. Inventories

	31 December 2012	31 December 2011	30 June 2012 (audited)
	£m	£m	£m
Land held for development	2,117.3	2,162.1	2,077.3
Construction work in progress	1,194.0	1,119.0	1,065.5
Part exchange properties	78.1	69.8	80.2
Other inventories	2.1	4.9	3.6
	<u>3,391.5</u>	<u>3,355.8</u>	<u>3,226.6</u>

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 2012 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 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 has impaired the land and work in progress value. The Group historically recognised exceptional charges in respect of impairment within both the housebuilding and commercial developments business segments. The inception and utilisation of these provisions is set out in the table on the following page:

Notes to the condensed consolidated half yearly financial statements
for the half year ended 31 December 2012 (unaudited)

10. Inventories (continued)

a) Net realisable value of inventories (continued)

Half year ended:	Housebuilding	Commercial developments	Total
	£m	£m	£m
Impairment charged			
30 June 2008 – exceptional	157.2	51.2	208.4
31 December 2008 – exceptional	431.5	63.4	494.9
30 June 2009 – exceptional	-	4.6	4.6
31 December 2009 – exceptional	-	4.8	4.8
30 June 2010 – non exceptional	7.4	-	7.4
31 December 2010 – non exceptional	5.4	-	5.4
30 June 2011	-	-	-
31 December 2011	-	-	-
30 June 2012 – non exceptional	6.6	-	6.6
31 December 2012 – non exceptional	2.1	-	2.1
Total cumulative impairment charge	610.2	124.0	734.2
Impairment utilised			
30 June 2008	-	-	-
31 December 2008	212.7	40.6	253.3
30 June 2009	50.0	45.7	95.7
31 December 2009	55.1	4.8	59.9
30 June 2010	36.6	-	36.6
31 December 2010	43.8	13.0	56.8
30 June 2011	27.6	0.8	28.4
31 December 2011	25.5	0.3	25.8
30 June 2012	44.6	0.2	44.8
31 December 2012	26.0	0.3	26.3
Total cumulative impairment utilisation	521.9	105.7	627.6
Impairment remaining			
30 June 2008	157.2	51.2	208.4
31 December 2008	376.0	74.0	450.0
30 June 2009	326.0	32.9	358.9
31 December 2009	270.9	32.9	303.8
30 June 2010	241.7	32.9	274.6
31 December 2010	203.3	19.9	223.2
30 June 2011	175.7	19.1	194.8
31 December 2011	150.2	18.8	169.0
30 June 2012	112.2	18.6	130.8
31 December 2012	88.3	18.3	106.6

In the half year ended 31 December 2012, this review resulted in no (31 December 2011: no; 30 June 2012: no) net exceptional impairment charge for the housebuilding business. Due to performance variations upon individual housebuilding sites, there were gross exceptional impairment charges and reversals of £7.6m (31 December 2011: £37.1m; 30 June 2012: £31.5m). In addition, due to changes arising from normal trading, such as planning status, there was a net inventory impairment charge of £2.1m (31 December 2011: £nil; 30 June 2012: £6.6m) included within profit from operations. There was no (31 December 2011: no; 30 June 2012: no) net impairment for the commercial developments business and there were gross impairment charges and reversals of £nil (31 December 2011: £nil; 30 June 2012: £3.3m) 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.

At 31 December 2012 the Group had a total land holding of £2,117.3m of which £1,991.0m is land held for current housing development. Of this £260.1m is made up of impaired land, £594.1m consists of non-impaired land purchased prior to mid-2009 where the gross margin is on average c. 9% and the remaining £1,136.8m has an average gross margin of c. 20% based on current house prices.

Notes to the condensed consolidated half yearly financial statements for the half year ended 31 December 2012 (unaudited)

10. Inventories (continued)

a) Net realisable value of inventories (continued)

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, 24% of the impaired sites are expected to be realised in the second half of this year, a further 30% in financial year to June 2014, 11% in 2015 and 35% in 2016 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 2012, is as follows:

Uniform national fall in house prices	Indicative impairment
%	£m
5	159
10	<u>345</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 £517.7m (31 December 2011: £632.7m; 30 June 2012: £607.5m) 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 2012 and included in cost of sales was £781.9m (half year ended 31 December 2011: £797.2m; full year ended 30 June 2012: £1,900.5m) including £5.1m (half year ended 31 December 2011: £8.2m; full year ended 30 June 2012: £18.8m) of inventory write-downs incurred in the course of normal trading and a reversal of £nil (half year ended 31 December 2011: £0.6m; full year ended 30 June 2012: £nil) on inventories that were written down in a previous accounting period, but excluding £nil (half year ended 31 December 2011: £nil; full year ended 30 June 2012: £nil) exceptional impairment and £2.1m (half year ended 31 December 2011: £nil; full year ended 30 June 2012: £6.6m) operating impairment.

11. Investments accounted for using the equity method

The Group has entered into the following new joint ventures during the half year ended 31 December 2012:

- On 11 July 2012 the Group entered into a joint venture with London & Quadrant, one of the UK's largest Housing Associations. The joint venture has acquired a site at Fulham Wharf, London.
- On 2 October 2012 the Group entered into a joint venture with Wates Group, one of the UK's largest building and construction companies. The joint venture will develop land at Worthing College, Worthing.

12. Available for sale financial assets – current

During the half year the Group entered into a seed investment agreement with Hearthstone Investments, a specialist residential property fund manager. The Group transferred showhomes with a value of £5.1m into the fund in exchange for 5.1m units at an average price of £1.00 per unit.

In accordance with IFRS 7 'Financial Instruments: Disclosures' these financial assets have been classified as Level 1 within the fair value hierarchy. Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identifiable assets. At 31 December 2012 based on unadjusted quoted prices the units had a market value of £5.1m. No gain or loss has been recognised in the condensed consolidated statement of comprehensive income for the half year ended 31 December 2012. These assets are classified within current assets as available for sale financial assets as the Group does not intend to hold this investment in the long-term.

Notes to the condensed consolidated half yearly financial statements
for the half year ended 31 December 2012 (unaudited)

13. Loans and borrowings

a) Net debt

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

	31 December 2012	31 December 2011	30 June 2012 (audited) (restated*)
	£m	£m	£m
Cash and cash equivalents	10.0	2.8	150.3
Non-current borrowings			
Bank loans	(30.0)	(226.5)	(6.2)
Term loan	(100.0)	(100.0)	(100.0)
Private placement notes	(219.0)	(237.1)	(225.0)
Total non-current borrowings	(349.0)	(563.6)	(331.2)
Current borrowings			
Bank overdrafts	-	(2.4)	-
Kickstart equity funding	(1.4)	(5.7)	(1.3)
Private placement notes	(10.6)	-	(10.6)
Loan notes	-	(0.2)	(0.2)
Total current borrowings	(12.0)	(8.3)	(12.1)
Total borrowings	(361.0)	(571.9)	(343.3)
Derivative financial instruments			
Foreign exchange swaps	19.3	26.9	25.3
Net debt	(331.7)	(542.2)	(167.7)

* Non-current bank loans at 30 June 2012 of £106.2m have been recategorised as £6.2m bank loans and the term loan of £100.0m.

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 2012	31 December 2011	30 June 2012 (audited)
	£m	£m	£m
Foreign exchange swap – exchange rate element	19.3	26.9	25.3
Foreign exchange swap – interest rate element	1.9	3.3	3.3
	21.2	30.2	28.6
Interest rate swaps	(53.2)	(51.9)	(52.5)
Net derivative financial instruments	(32.0)	(21.7)	(23.9)

Notes to the condensed consolidated half yearly financial statements for the half year ended 31 December 2012 (unaudited)

13. Loans and borrowings (continued)

a) Net debt (continued)

Movement in net debt is analysed as follows:

	Half year ended 31 December 2012	Half year ended 31 December 2011	Year ended 30 June 2012 (audited)
	£m	£m	£m
Net (decrease)/increase in cash and cash equivalents	(140.3)	(69.9)	77.5
(Drawdown)/repayment of borrowings	(23.7)	(149.7)	77.4
Movement in net debt in the period	(164.0)	(219.6)	154.9
Opening net debt	(167.7)	(322.6)	(322.6)
Closing net debt	(331.7)	(542.2)	(167.7)

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 2012	Half year ended 31 December 2011 (restated*)	Year ended 30 June 2012 (restated*) (audited)
	%	%	%
Bank loans net of swap interest	7.2	4.5	5.0
Term loan	5.5	5.6	5.7
Loan notes	-	0.6	0.7
Private placement notes	10.7	10.7	10.7

* The weighted average interest rates disclosed above have been restated to exclude amortised fees and non-utilisation fees as the Directors are of the opinion that this provides more relevant information as to the interest rates paid upon the Group's borrowings.

c) Drawn debt facilities

The principal features of the Group's drawn debt facilities at 31 December 2012 were as follows:

i) Committed facilities

- A committed £690.0m revolving credit facility, of which £40.0m was drawn at 31 December 2012, was made available under a credit agreement dated 10 May 2011. The maturity date on this debt is 10 May 2015.
- A committed £100.0m term loan was made available under a facility dated 10 May 2011 of which 25% is scheduled to be repaid on 1 July 2019, 25% on 1 July 2020 and 50% on 1 July 2021.

A committed £90.0m revolving credit facility was made available under a credit agreement dated 10 May 2011. The maturity date on this debt was 31 October 2013, however, on 6 September 2012 the Group gave voluntary notice for its cancellation with effect from 12 September 2012.

Notes to the condensed consolidated half yearly financial statements for the half year ended 31 December 2012 (unaudited)

13. Loans and borrowings (continued)

c) Drawn debt facilities (continued)

ii) *Fixed rate Sterling private placement notes*

- £65.8m of fixed rate Sterling private placement notes expire between 23 April 2018 and 23 April 2020 and were issued pursuant to a note purchase agreement dated 23 April 2008 (as amended from time to time and most recently with effect from 10 May 2011).

iii) *Fixed rate US Dollar private placement notes*

- US Dollar private placement notes of \$80.0m due on 23 August 2017 were issued pursuant to note purchase agreements dated 10 May 2011.
- US Dollar ten-year private placement notes of \$42.6m issued pursuant to a note purchase agreement dated 23 April 2008 (as amended from time to time and most recently with effect from 10 May 2011).
- US Dollar five-year private placement notes of \$20.6m issued pursuant to a note purchase agreement dated 23 April 2008 (as amended from time to time and most recently with effect from 10 May 2011).
- US Dollar ten-year private placement notes of \$124.0m issued pursuant to a note purchase agreement dated 23 August 2007 (as amended from time to time and most recently with effect from 10 May 2011).

iv) *Floating rate Sterling loan notes*

- The Group had £nil (2011: £0.2m) Sterling loan notes at 31 December 2012. These loan notes were repaid on 2 July 2012.

v) *Bank overdrafts and uncommitted money market facilities*

- The Group also uses various bank overdrafts and uncommitted borrowing facilities that are subject to floating interest rates linked to UK bank base rate, LIBOR and money market rates as applicable. All debt is unsecured.

Notes to the condensed consolidated half yearly financial statements for the half year ended 31 December 2012 (unaudited)

14. 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 2012		31 December 2011		30 June 2012 (audited)	
	Asset £m	Liability £m	Asset £m	Liability £m	Asset £m	Liability £m
Designated as cash flow hedges						
Non-current						
Interest rate swaps	-	(53.2)	-	(51.9)	-	(52.5)
Foreign exchange swaps	22.3	(1.1)	30.9	(0.7)	29.4	(0.8)
Total derivative financial instruments	22.3	(54.3)	30.9	(52.6)	29.4	(53.3)

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 2012 the Group had outstanding net floating rate Sterling debt and overdrafts of £130.0m (2011: £329.1m). 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 £192.0m (2011: £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 2012. After taking into account swap arrangements the fixed interest rates (excluding margin) applicable to the debt were as follows:

31 December 2012 £m	Fixed rate payable %	Maturity	31 December 2011 £m	Fixed rate payable %	Maturity
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	30.0	5.94	2022
50.0	5.63	2022	50.0	5.63	2022
192.0			192.0		

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 2012, which is based on third party valuations, was a liability of £53.2m (2011: £51.9m) with a loss of £0.7m (2011: £15.9m) 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 2012 the Group had outstanding fixed rate US Dollar private placement notes of \$267.2m (2011: \$267.2m).

Notes to the condensed consolidated half yearly financial statements for the half year ended 31 December 2012 (unaudited)

14. Derivative financial instruments – swaps (continued)

b) Foreign exchange swaps (continued)

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 2012 \$m	Fixed rate payable %	Maturity	31 December 2011 \$m	Fixed rate payable %	Maturity
18.2	8.98	2013	18.2	8.98	2013
1.0	10.95	2013	1.0	10.95	2013
1.4	10.78	2013	1.4	10.78	2013
103.7	6.61	2017	103.7	6.61	2017
7.5	10.55	2017	7.5	10.55	2017
12.8	9.75	2017	12.8	9.75	2017
80.0	8.14	2017	80.0	8.14	2017
33.7	9.24	2018	33.7	9.24	2018
3.6	12.23	2018	3.6	12.23	2018
5.3	11.37	2018	5.3	11.37	2018
267.2			267.2		

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 82% (2011: 82%) of the interest payments. The fair value of the swap arrangements as at 31 December 2012, which is based on third party valuations, was an asset of £21.2m (2011: £30.2m) with a loss of £7.4m (2011: £6.2m gain) 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.

15. Defined benefit pension scheme

The amounts recognised in the condensed consolidated income statement were as follows:

	Half year ended 31 December 2012 £m	Half year ended 31 December 2011 £m	Year ended 30 June 2012 (audited) £m
Interest cost	6.7	6.8	13.6
Expected return on scheme assets	(6.5)	(7.4)	(14.8)
Total pension cost/(income) recognised in finance costs in the condensed consolidated income statement	0.2	(0.6)	(1.2)
Total pension cost/(income) recognised in the condensed consolidated income statement	0.2	(0.6)	(1.2)

Notes to the condensed consolidated half yearly financial statements for the half year ended 31 December 2012 (unaudited)

15. Defined benefit pension scheme (continued)

The amounts recognised in the condensed consolidated statement of comprehensive income were as follows:

	Half year ended 31 December 2012	Half year ended 31 December 2011	Year ended 30 June 2012 (audited)
	£m	£m	£m
Expected return less actual return on pension scheme assets	(13.5)	2.2	(0.7)
Loss arising from changes in the assumptions underlying the present value of benefit obligations	18.4	28.4	24.8
Total pension cost recognised in the condensed consolidated statement of comprehensive income	4.9	30.6	24.1

The amount included in the condensed consolidated balance sheet arising from the Group's obligations in respect of its defined benefit pension scheme was as follows:

	31 December 2012	31 December 2011	30 June 2012 (audited)
	£m	£m	£m
Net liability recognised in the condensed consolidated balance sheet	19.9	35.1	21.4

Cash flow movements in scheme assets were as follows:

	Half year ended 31 December 2012	Half year ended 31 December 2011	Year ended 30 June 2012 (audited)
	£m	£m	£m
Employer contributions	6.6	6.7	13.3
Benefits paid from scheme	(3.8)	(3.3)	(8.5)

16. Share capital

	31 December 2012	31 December 2011	30 June 2012 (audited)
	Number	Number	Number
Allotted and issued ordinary shares of 10p each – fully paid	978,705,605	965,500,999	975,790,605
	£m	£m	£m
Allotted and issued ordinary shares of 10p each – fully paid	97.9	96.6	97.6

During the half year, 4,620,159 (31 December 2011: 8,313,562; 30 June 2012: 8,313,562) awards over the Company's shares were granted under the Company's Long-Term Performance Plan, 1,338,259 (31 December 2011: 132,491; 30 June 2012: 132,491) awards over the Company's shares were granted under the Company's Co-Investment Plan and awards of 545,729 (31 December 2011: nil; 30 June 2012: nil) were granted over the Company's shares under the Senior Management Long-Term Plan.

Notes to the condensed consolidated half yearly financial statements

for the half year ended 31 December 2012 (unaudited)

16. Share capital (continued)

Allotment of shares during the period

During the half year, a total of 1,186,227 shares (31 December 2011: 159,873; 30 June 2012: 10,449,479) were issued to satisfy all exercises under the 2009 grants of the SAYE scheme.

During the half year to 31 December 2012, 673 shares (31 December 2011: nil; 30 June 2012: nil) were issued to satisfy early exercises under the 2010 grants of the SAYE scheme and 5,999 shares (31 December 2011: nil; 30 June 2012: nil) were issued to satisfy early exercises under the 2011 grants of the SAYE scheme.

Employee Benefit Trust

The Barratt Developments PLC Employee Benefit Trust (the 'EBT') holds 4,680,620 (31 December 2011: 3,858,573; 30 June 2012: 3,849,556) ordinary shares in the Company. During the half year the EBT disposed of 891,037 shares in settlement of exercises under the Senior Management Share Option Plan 2009/10 and Executive Share Option Scheme 2009/10. A further 1,722,101 shares were allotted to the EBT by Barratt Developments PLC on 3 December 2012 at a price of 10 pence per share. The market value of the shares held by the EBT at 31 December 2012 at 207.6 pence per share (31 December 2011: 92.9 pence per share; 30 June 2012: 139.1 pence per share) was £9,716,967 (31 December 2011: £3,584,614; 30 June 2012: £5,354,732). 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 2012 (unaudited)

17. Cash flows from operating activities

	Half year ended 31 December 2012	Half year ended 31 December 2011	Year ended 30 June 2012 (audited)
	£m	£m	£m
Profit for the period from continuing operations	33.0	12.1	67.4
Tax	13.1	9.5	32.6
Finance income	(7.7)	(6.1)	(16.9)
Finance costs	42.9	45.0	97.7
Share of post-tax (profit)/loss from joint ventures	(0.5)	0.6	(0.5)
Share of post-tax loss from associates	-	-	0.1
Loss on re-measurement of joint venture interest on acquisition of control	-	-	10.7
Profit from operations	80.8	61.1	191.1
Depreciation	0.8	0.8	1.6
Profit on disposal of property, plant and equipment	(0.6)	-	-
Impairment of inventories – non exceptional	2.1	-	6.6
Impairment of available for sale financial assets	7.9	6.5	11.8
Share-based payments charge	1.3	1.9	3.1
Imputed interest on deferred term land payables	(14.1)	(12.1)	(28.8)
Imputed interest on available for sale financial assets	6.5	4.5	12.0
Amortisation of facility fees	(2.8)	(2.5)	(3.5)
Imputed interest on Kickstart equity funding	-	-	0.2
Finance (costs)/income related to employee benefits	(0.2)	0.6	1.2
Total non-cash items	0.9	(0.3)	4.2
(Increase)/decrease in inventories	(167.0)	(59.0)	71.7
(Increase)/decrease in trade and other receivables	(5.6)	1.3	14.0
Decrease in trade and other payables	(11.8)	(177.6)	(39.9)
Increase in available for sale financial assets	(12.6)	(12.4)	(35.0)
Total movements in working capital	(197.0)	(247.7)	10.8
Interest paid	(25.6)	(26.7)	(60.3)
Tax received	-	3.6	3.9
Net cash (outflow)/inflow from operating activities	(140.9)	(210.0)	149.7

The balance sheet movement in 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 2012 (unaudited)

18. 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 £487.9m (31 December 2011: £401.2m; 30 June 2012: £424.8m), 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 £2.8m (31 December 2011: £3.1m; 30 June 2012: £2.8m) in relation to the borrowings of one of its associates during the period.

At 31 December 2012, the Group has an obligation to repay £0.9m (31 December 2011: £0.9m; 30 June 2012: £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.

i) *Incident at Battersea Park Road, London*

One of the principal subsidiaries within the Group is BDW Trading Limited ('BDW'). On 26 September 2006 at Battersea Park Road, London, a tower crane supplied to BDW (with operator) by a third party contractor collapsed. The collapse of the crane was not contained within the boundaries of the site and the crane operator and a member of the public were killed. In March 2012, a jury following an inquest came to a verdict that the deaths were accidental and issued a narrative with their verdict that made no criticism of BDW. There is an ongoing criminal investigation by the London Metropolitan Police and the Health and Safety Executive to ascertain whether any of the parties involved are criminally liable for manslaughter or under relevant health and safety legislation. Although no assurance can be given, the Board has been advised that on the information available as at 26 February 2013, being the last practicable date prior to the publication of the 31 December 2012 Half Yearly Financial Report, the risk of a finding of criminal liability against BDW is low.

ii) *Incident at Bedfont Azure Lakes*

On 28 February 2008, a resident was found dead and another resident seriously injured in housing association accommodation at the Bedfont Azure Lakes site that was developed by BDW. It is believed that the cause of both the death and the serious injury was carbon monoxide poisoning. Following investigations by the Police and the Health and Safety Executive criminal proceedings were pursued against the plumbing and heating sub-contractor, and against an individual registered gas engineer. The criminal charges included alleged manslaughter caused by gross negligence and breach of gas legislation. The criminal trial against these defendants began in March 2012 and after a trial lasting for circa 75 days the jury returned unanimous verdicts of not guilty against both defendants on all charges. Following the conclusion of the criminal case an inquest will be arranged. Civil claims have been made against BDW by both the housing association and by various residents on the estate where the incident occurred. A number of claims have been settled by the Group's insurers but the remainder are still outstanding and are being dealt with by the Group's insurers, although the extent to which these are recoverable or to which they are covered by the Group's insurance or the insurance of other parties cannot, at present, be clearly ascertained.

iii) *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. (The construction defect claim and the class action claim will be referred to jointly as the 'Claims'.) American was sold in August 2004 and subsequently became insolvent, although it has significant insurance and is represented by counsel.

The Company asserted that the courts in California have no jurisdiction over it. Ultimately the California Supreme Court disagreed. Nevertheless, 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, although the outcome of the Claims remains uncertain and may not be known for some time.

Notes to the condensed consolidated half yearly financial statements for the half year ended 31 December 2012 (unaudited)

19. Related party transactions

Related party transactions for the period to 31 December 2012 are detailed below:

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) and funding. These transactions totalled £2.2m (half year ended 31 December 2011: £1.2m; year ended 30 June 2012: £2.1m) and £0.6m (half year ended 31 December 2011: £1.2m; year ended 30 June 2012: £2.0m). 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.

The amount of outstanding loans and interest due to the Group from its joint ventures at 31 December 2012 was £107.2m (31 December 2011: £120.4m; 30 June 2012: £83.6m). The amounts outstanding are unsecured and will be settled in cash. The Group has provided no (31 December 2011: no; 30 June 2012: no) bank guarantees to its joint ventures. There were no other amounts outstanding to the Group from its joint ventures at 31 December 2012 (31 December 2011: no; 30 June 2012: no).

Transactions between the Group and its associates

The amount of outstanding loans due to the Group from its associates at 31 December 2012 was £0.4m (31 December 2011: £0.3m; 30 June 2012: £0.3m). The amounts outstanding are unsecured and will be settled in cash. The Group has provided bank guarantees to the value of £2.8m (31 December 2011: £3.1m; 30 June 2012: £2.8m) in relation to the borrowings of one of its associates during the period. There were no other amounts outstanding to the Group from its associates at 31 December 2012.

Property purchases by Directors of BDW Trading Limited

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 2012 there have been no 'smaller related party transactions' as defined in Listing Rule 11.1.10R.

During the half year to 31 December 2011 the Group entered into the following 'smaller related party transactions' as defined in Listing Rule 11.1.10R:

- In November 2011, the partner of Gary Ennis, a Director of the Company's main trading company, BDW Trading Limited ('BDW') purchased an apartment from BDW at a purchase price of £242,250.
- In December 2011, the spouse of Richard Brooke, a Director of BDW, purchased three properties from BDW at a combined purchase price of £231,950.

In addition to the transactions above during the full year to 30 June 2012 the Group entered into the following additional 'smaller related party transactions' as defined in Listing Rule 11.1.10R:

- In February 2012, the son of Douglas McLeod, a Director of the Company's Scottish trading entity, BDW East Scotland Limited ('East Scotland'), purchased an apartment from East Scotland at a purchase price of £176,025.

Each of the aforementioned purchases was conducted at a fair and reasonable market price based on similar comparable transactions at that time. There were no amounts outstanding at 31 December 2011 or 30 June 2012.

20. 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.

Forward looking statements

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.

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

C Fenton, Group Executive Director (resigned 5 July 2012)

R J Davies, Senior Independent Director (resigned 14 November 2012)

M E Rolfe, Non-Executive Director (appointed Senior Independent Director from 14 November 2012)

R J Akers, Non-Executive Director

R MacEachrane, Non-Executive Director

T E Bamford, Non-Executive Director

N Bibby, Non-Executive Director (appointed 3 December 2012)

The Half Yearly Financial Report was approved by the Board on 26 February 2013.

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 2012 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 20. 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 2012 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 2013

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Company information

Registered in England and Wales. Company number 604574