

25 February 2015



**BARRATT DEVELOPMENTS PLC**  
**Half Yearly Financial Report for the six months ended 31 December 2014**

**First half housing completions at highest level in six years**

- Completion volumes<sup>1</sup> increased by 12.5%
- Significant step up in the rate of site openings, with nearly 100 new sites (including JVs) opened in the half year
- Build cost pressures moderated as the supply of materials and labour increased
- Land market remains attractive with good supply of high quality new development opportunities
- Disciplined approach has increased ROCE<sup>2</sup> by 740 basis points to 21.6% for the 12 months to 31 December 2014

	Half year ended 31 December 2014	Half year ended 31 December 2013	Change
Total completions (including JVs) <sup>3</sup>	6,971	6,195	+12.5%
Revenue	£1,576.3m	£1,264.9m	+24.6%
Profit from operations	£224.1m	£139.5m	+60.6%
Operating margin <sup>4</sup>	14.2%	11.0%	+320bp
Profit before tax	£210.2m	£120.4m	+74.6%
Basic earnings per share	17.0p	9.5p	+78.9%
Interim dividend per share	4.8p	3.2p	+50.0%
ROCE <sup>2</sup>	21.6%	14.2%	+740bp

**Outlook**

- Strong start to the second half with 279 (2014: 285) net private reservations per week over the last eight weeks resulting in 0.71 (2014: 0.76) net private reservations per active site per week
- Total forward sales including JVs as at 22 February 2015 up by 17.5% to £2,275.3m (23 February 2014: £1,936.1m)
- Group expected to have net cash of between £50m and £100m as at 30 June 2015
- Interim dividend payment of 4.8 pence per share (2014: 3.2 pence per share)
- Capital Return Plan expected to return a total of 97.0 pence per share over the three years to November 2017<sup>5</sup>

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

“Since 2009 we have committed to invest over £4 billion in land for new housing and this is now paying off. Housing completions were up over 12% during our first half and are running at the highest level for six years, supporting over 12,000 suppliers and subcontractor companies. Over the next six months we plan to open a further 90 sites (including JVs) that will deliver another 13,500 new homes over their lifetime.

Our investment programme and the improvements to the business have driven a significant step up in our financial performance in the past year including a 75% increase in profit before tax. Our disciplined approach to land investment, delivering high quality homes and driving efficiency across the business, means we are well on our way to hitting our FY17 targets of a gross margin of at least 20% and a return on capital employed of at least 25%.”

<sup>1</sup> Includes joint venture ('JVs') completions in which the Group has an interest

<sup>2</sup> Return on capital employed ('ROCE') is calculated as earnings before interest, tax and operating exceptionals for the 12 months to December divided by average net assets adjusted for goodwill and intangibles, tax, cash, loans and borrowings, retirement benefit assets/obligations and derivative financial instruments

<sup>3</sup> Unless otherwise stated all numbers exclude joint ventures

<sup>4</sup> Operating margin is profit from operations divided by revenue

<sup>5</sup> All final dividends and the special cash payment programme are subject to shareholder approval

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 Deutsche Bank, 1 Great Winchester Street, London, EC2N 2DB. The meeting will be broadcast live on the Barratt Developments corporate website, [www.barrattdevelopments.co.uk](http://www.barrattdevelopments.co.uk). A listen only function will also be available.

Please dial:

UK: 0800 9531287

International: +44 (0) 1452 560297

Conference ID: 74817397

The Half Yearly Financial Report for the six month period ended 31 December 2014 is available from today, 25 February 2015, on the Barratt Developments corporate website, [www.barrattdevelopments.co.uk](http://www.barrattdevelopments.co.uk) via the following address: [www.barrattdevelopments.co.uk/barratt/en/investor/results](http://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.

**For further information please contact:**

**Barratt Developments PLC**

David Thomas, Group Finance Director	020 7299 4896
Susie Bell, Head of Investor Relations	020 7299 4880

**For media enquiries, please contact:**

**Barratt Developments PLC**

Patrick Law, Group Corporate Affairs Director	020 7299 4892
---	---------------

**Maitland**

Liz Morley	020 7379 5151
------------	---------------

## Group Chief Executive's statement

### Overview

The housing market has remained strong with continued growth in the number of transactions and pricing during the period. Consumer demand for new build properties has been robust across all our regions supported by the delivery of nearly 100 new sites (including JVs), a recovering mortgage market and the Government's Help to Buy (Equity Loan) scheme ('Help to Buy').

We have continued to focus on improving every aspect of our operational performance. Completions increased by 12.5% in the six month period compared with the prior year to 6,971 (including JVs) (2013: 6,195) with the intent of delivering a higher proportion of completions in the first half. There was a 5% increase in site numbers (including JVs) at 31 December 2014 compared to 31 December 2013, driven by our land investment strategy and our success in securing planning. Total average selling price ('ASP') increased by 8.5% to £229,200 and private ASP was up by 12.4% to £253,200.

To deliver sustainable shareholder value we continue to operate our successful business model of targeted land buying and effective planning, outstanding design, construction excellence and operational efficiency backed by innovative marketing and industry leading customer service.

Our disciplined approach to driving business performance has delivered a 320 basis point increase in operating margin and a 74.6% increase in profit before tax in the first half. During the period we continued our focus on increasing ROCE and for the 12 months to 31 December 2014 we saw an improvement of 740 basis points to 21.6%.

We have medium term targets of a minimum gross margin of 20% and a minimum ROCE of 25% by FY17 and are making good progress towards meeting them.

The Board is pleased to announce an interim dividend of 4.8 pence per share (2013: 3.2 pence per share). This is the second payment of our Capital Return Plan<sup>6</sup> which is expected to return a total of £962m to shareholders by way of £562m<sup>7</sup> of ordinary dividends and £400m of special cash payments by November 2017.

### The housing market

The housing market remained strong during the period with housing transactions increasing by 6%, representing around 80% of the 2007 figure<sup>8</sup>. External indices showed house price inflation moderated, with market house price inflation of around 3% in the six months<sup>9</sup>.

First time buyers have continued to return to the market and the number of first time buyer completions has reached a seven year high<sup>10</sup>.

The market has been supported by improved mortgage lending conditions leading to an expansion of mortgage products and more competitive rates for borrowers. As a result the affordability index, which measures mortgage payments as a percentage of income, is at a 20 year low<sup>11</sup>.

Lending to buyers in the new build sector has continued to strengthen with new providers entering the market. We continue to work with a broad set of lenders through our approved brokers to ensure that our customers have access to a wide range of mortgage products.

Help to Buy remains highly attractive to customers buying new build homes and a third (2013: 29%) of our total completions utilised the scheme. Overall our net private reservation rate was 0.58 (2013: 0.67) per active site per week in the half year. The sales rate in the prior year was exceptionally high following the initial launch of Help to Buy.

---

<sup>6</sup> All final dividends and the special cash payment programme are subject to shareholder approval

<sup>7</sup> Based on Reuters consensus estimates of earnings per share of 43.0p for FY15, 50.9p for FY16 and 54.8p for FY17 as at 23 February 2015 and applying a three times dividend cover in line with previously announced policy, and 991,943,159 shares as at 31 December 2014.

<sup>8</sup> Source: HMRC seasonally adjusted UK Property Transactions Count, December 2014

<sup>9</sup> Source: Halifax House Price Inflation Index, December 2014 (Issued 8 January 2015)

<sup>10</sup> Source: Halifax First-Time Buyer Review, January 2015

<sup>11</sup> Source: Office of National Statistics, Q3 2014

## Group Chief Executive's statement (continued)

We have seen improvements in the housing markets across all regions in the period. In London, our business continues to see strong demand across its portfolio of developments, with site launches at Enderby Wharf in Greenwich and Nine Elms Point in Vauxhall enjoying strong sales. The geographical spread and breadth of product range remain key strengths of Barratt London.

### Investing in housing supply

With housing demand remaining strong, we have continued to invest, in a disciplined way, to increase housing production. There remains a long term housing shortage of all tenures that can only be addressed through an additional supply of housing; we remain committed to playing our part in addressing this issue.

Over the last three years we have:

- Built more than 40,000 homes of which over 7,000 were affordable homes sold to registered providers
- Increased completions by 27% over the period
- Approved the investment of £3bn in almost 55,000 plots of land
- Invested in employees, including 540 new apprentices, trainees and graduates

We have increased our rate of site openings, launching 96 (2013: 81) new developments (including JVs) in the first half. As at 31 December 2014 the Group operated from 399 (2013: 380) active sites (including 14 JV active sites (2013: 9)), and we expect to see further controlled growth in site numbers going forward. We expect to open a further 90 sites (including JVs) in the next six months including Hollygate Park, the former Cotgrave colliery in Nottinghamshire; Baggeridge Village in Staffordshire, built on the former Baggeridge brickworks; Brooklands in Milton Keynes; and The Chocolate Works in York, the re-development of the former Terry's chocolate factory.

### Our financial results

Total completions (including JVs) were up by 12.5% in the period to 6,971 units (2013: 6,195 units). The strong uplift in affordable completions in the half reflects the high level of new site openings, with the affordable housing typically delivered towards the start of a development.

Completions (units)	2014	2013	Variance
Private	5,563	5,202	6.9%
Affordable	1,149	751	53.0%
JV	259	242	7.0%
<b>Total</b>	<b>6,971</b>	<b>6,195</b>	<b>12.5%</b>

We have been successful in repositioning the Group to a more balanced delivery profile in terms of both revenue and profit, and given first half completions, we expect to be close to achieving our target of around 45% of completions in the first half, for FY15.

With the sales rate of 0.58 (2013: 0.67) net private reservations per active site per week in the period we expect to deliver 15,000 completions plus a further 700 JV completions in FY15.

Whilst delivering increased completion volumes we also remain focused on achieving the best possible prices for the homes we sell. Total average selling price ('ASP') increased by 8.5% in the period to £229,200 (2013: £211,200). Private ASP increased by 12.4% in the period to £253,200 (2013: £225,300) split broadly equally between changes in mix and underlying sales price inflation. Affordable housing ASP was £113,000 (2013: £113,800).

Operating profit increased by £84.6m to £224.1m (2013: £139.5m). Operating margin was up by 320 basis points to 14.2% (2013: 11.0%) reflecting the higher proportion of completions from newer higher margin land, growth in volumes, operational efficiencies, and the benefit of underlying house price inflation net of cost inflation.

In the half year, the Group's share of JV profit was £15.6m (2013: £10.1m). We continue to make good progress on all JV sites and expect a high level of completions in the full year from our Queensland Road and Fulham Wharf developments, both Barratt London JVs with London & Quadrant Housing Trust.

## **Group Chief Executive's statement (continued)**

At 31 December 2014, we had a total of 14 active housebuild JV sites, of which six are in London. Our JVs have a total future gross development value of £3.1bn, the majority of which is expected to be delivered over the next 5 years.

Net finance charges increased to £29.7m (2013: £29.2m) reflecting higher non cash finance charges at £16.1m (2013: £15.0m).

Profit before tax increased to £210.2m (2013: £120.4m) and basic earnings per share increased by 79% to 17.0 pence per share (2013: 9.5 pence per share).

### ***Net debt and land creditors***

Net debt as at 31 December 2014 was £20.8m lower than in the prior year at £134.2m (2013: £155.0m). The increase of £207.3m from 30 June 2014 (net cash: £73.1m) reflects normal seasonal trends, the Group's build programme, and the £70.2m paid for the FY14 final dividend in November. We expect that the Group will have net cash of between £50m and £100m as at 30 June 2015.

On 17 December 2014 the Group amended its financing agreements relating to the £700m revolving credit facility ('RCF'), £100m term loan and \$80m (£48m) private placement notes. This resulted in slightly improved commercial terms than in the original agreements. The RCF now extends to 17 December 2019 (previously 14 May 2018) and the step down in the facility from £700m to £550m is now extended to 29 December 2017 (previously 30 June 2016).

The Group will maintain an appropriate capital structure with land and long-term work in progress funded by shareholders' funds and land creditors. The appropriate use of land creditors drives a higher ROCE and at 31 December 2014 represented 35% (2013: 37%) of our owned land bank. We continue to secure attractive deferred payment terms on land and expect land creditors as a proportion of the owned land bank to be maintained at around one-third for the full year.

### ***Return on capital employed***

The Group is focused on driving a significant increase in ROCE and for the 12 months to 31 December 2014 generated a ROCE of 21.6% (2013: 14.2%). We continue to make good progress towards our target of a minimum 25% ROCE for FY17.

### ***Building profitability***

In addition to stronger market conditions, the increase in our profitability has been driven by our successful land investment strategy, improvements in efficiency and the growing value of the high quality homes we build.

The transformation of our land bank continues and during the period 73% (2013: 60%) of completions were from more recently acquired, higher margin land.

### ***Land and planning***

Our disciplined approach to land acquisition continues and as at 31 December 2014 we had a land bank of 4.6 years (2013: 4.4 years) based on 12 months completions to 31 December 2014, totalling 68,947 plots (2013: 62,644 plots). We also held 4,439 plots (2013: 6,488 plots) of approved land and control c. 11,000 acres (2013: c. 10,500 acres) of strategic land. At 31 December 2014, our JVs had an owned and controlled land bank in which the Group had an interest of 6,904 plots (2013: 5,492 plots), of which 4,254 plots (2013: 4,699 plots) are in London.

The land market remains attractive across all regions and our strategy is to acquire high quality land in strong market locations, and to bring that land through to planning and into production. We continue to target a regionally balanced portfolio with a c. 4.5 year owned and conditionally contracted land bank. As such, we expect to approve a total of c. 16,000 plots in the full financial year (FY14: 21,478 plots). In the last six months we have agreed to purchase £373.1m (2013: £538.9m) of land totalling 7,242 plots (2013: 11,394 plots).

## Group Chief Executive's statement (continued)

We are focused on securing our future land pipeline through the acquisition of strategic land options. We have increased our rate of approval on strategic land and expect to convert c. 20,000 plots from strategic land into the owned land bank over the next three years. We are targeting 20% of our annual completions to be from strategic land by 2017 and are making good progress, achieving 16% (2013: 9%) of total completions from strategic land during the first half.

We have strict land investment criteria. All land approvals are required to meet or exceed our minimum hurdle rates of 20% gross margin and a 25% ROCE<sup>12</sup> without building in assumptions of price inflation.

On the 108 sites that we have acquired and completed since 2009 we have achieved an average gross margin of 21%, and an average site ROCE of 38%.

Reflecting our success with planning over the past 12 months we are very well positioned, with 97% of expected FY16 completions (2013: 92% of FY15 completions) having outline or full planning consent.

### ***Driving value***

We are continuing to use the outstanding quality and the location of our homes to ensure that we maximise value. Private ASP on completions increased by 12.4% during the six month period to £253,200 (2013: £225,300).

We have successfully increased the proportion of larger family homes we sell in higher value locations and the proportion of apartments outside London fell to 11.4% (2013: 14.7%) of our private completions.

### ***Costs and efficiency***

The well publicised materials shortages, in particular of bricks and blocks, has eased and has had only a limited effect on the Group's costs and supplies.

A shortage of skilled labour, particularly bricklayers, continues to affect the industry, and has resulted in increased costs. In recent months we believe the effect has moderated as more labour has returned to the industry and better production management has reduced our peaks of activity.

Our operating model of building a high proportion of standardised products, strong supplier relationships and centralised procurement has served us well. 85% of material costs for standard housing projects from floor slab up continue to be covered under centralised procurement contracts ensuring the lowest possible cost and consistency of quality and delivery from our supply chain to our 27 divisions. We source 75% of our materials within the UK with a further 15% sourced from the EU being assembled in the UK. We currently support around 5,800 suppliers and c. 6,600 subcontractor companies.

Overall build cost inflation has been limited to low single digits and we continue to expect it to be c. 3 to 4% for FY15.

Improving efficiency remains our priority and we continue to focus on mitigating, as much as possible, any future material or labour cost increases. We have commenced work on a number of process reviews in key areas of the business including commercial, sales and marketing, and construction. Over the next three years, we expect these to increase further the efficiency of our operations, in part through a greater use of technology, reduce operating cost and deliver quality and service improvements to our customers.

### ***Our priorities***

To deliver a leading financial and operational performance we have put in place a clear set of priorities - Customer First, Great Places, Leading Construction and Investing in our People. Each of these priorities is supported by underlying business principles and has a clear work plan that will drive improvements across the business. By innovating in these areas and consistently applying best practice across the Group we will maximise sustainable returns.

---

<sup>12</sup> Site 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, work in progress and equity share.

## **Group Chief Executive's statement (continued)**

### ***Customer First***

An important part of our strategy is to maximise customer preference by building high quality homes backed by outstanding service. We have retained our Home Builders Federation ('HBF') five star quality ranking. Over 90% of customers would recommend us to a friend.

We are closely matching developments with local demand and during the period following careful research we have introduced a new downsizer housing range that caters specifically for this growing market segment. We have also refreshed the David Wilson brand following our recent rebranding of both Barratt Homes and Barratt London.

We continue to maximise our online marketing capability and the majority of our leads are generated through this channel. We have reviewed our contact centre support services to enhance our ability to manage and process customer enquiries.

### ***Great Places***

Building great places requires the ability to secure the right land and deliver quality designs. Achieving a strong reputation for creating great places will create competitive advantages in terms of the land we secure and our ability to achieve the right planning consents.

Our operational land bank remains strong and during the year we made good progress in increasing our strategic land bank which now stands at c. 70,600 plots (2013: c. 60,950 plots).

Our reputation as a public sector partner with the ability to handle complex sites continues to be a competitive advantage for the Group. During the period, 27% (2013: 14%) our land approvals were from this source.

In terms of design, we continue to use the Building for Life process, the HBF/Design Council Standard, to drive good design on all our new developments. During the period we received confirmation of 16 Building for Life Awards, bringing our total awards to date under the scheme to 23. We have more Building for Life accredited sites than all of the other housebuilding companies combined.

### ***Leading Construction***

Our building processes are essential to the efficiency of the organisation and underpin the quality of the homes we build. We are investing to ensure that our build processes continue to innovate - driving up quality and reducing costs.

We are particularly pleased that 90 of our site managers won NHBC 'Pride in the Job' awards, an industry leading performance for the tenth consecutive year, and that 25 of them went on to win 'Pride in the Job' seals of excellence, with five winning regional awards.

With growing labour shortages and demands for higher environmental standards we are continuing to explore the use of alternative building techniques described as Modern Methods of Construction. In the short term we are increasing the number of components that are manufactured offsite including roofing, joists and cavity wall systems. We are also trialing factory constructed interior pods and panels.

### ***Investing in our People***

Attracting and retaining a high quality labour force is now one of the largest constraints on the industry. During the period we made substantial progress in terms of our apprentice and graduate recruitment. In 2013 we set a target to recruit 1,100 graduates, apprentices and interns over three years. Thus far we have recruited 452 graduates, apprentices and interns since September 2013 and in addition we currently have 60 students on our Foundation Degree course in conjunction with Sheffield Hallam University with a further 20 starting during 2015.

During 2014 our graduate scheme was voted the best in the UK (all sectors) in the Job Crowd's 'Top Large Companies for Graduates to Work For' awards, and first in Property and Housebuilding. We were named a Top 100 Apprenticeship Employer for the third time.

## Group Chief Executive's statement (continued)

We are currently piloting a Regional Academy within our East Region; the main aim being to increase the skills of existing workers, attract apprentices and outside sector recruits, and re-skill former construction workers to help address current and future skills shortages, as well as increasing diversity more generally within the sector.

### Health and Safety

The recovery in housebuilding with increased site openings, gearing up of production and shortages of skilled workers has placed increased pressure on site managers and workers, and increased the risk of accidents on sites. To help to address these challenges, we have enhanced our Safety, Health and Environment system and launched a series of initiatives to remind workers of the need for constant vigilance and compliance with our procedures. We have also had our safety system independently reviewed to ensure that it remains industry leading. We continue to seek to improve site safety and ensure that there is a 'safety first' culture across our sites.

### Dividend

The Board is pleased to announce an interim dividend of 4.8 pence per share (2013: 3.2 pence per share) which is the second payment of our Capital Return Plan. This dividend, represents one third of the expected dividend for the financial year, based upon the full year dividend being covered three times by consensus earnings. It will be paid on 20 May 2015 to all shareholders on the register on 24 April 2015.

Our medium term Capital Return Plan combines the ordinary dividend together with a special cash payment programme. Under the special cash payment programme we anticipate proposing a special cash payment of £100m with our FY15 results payable in November 2015, followed by a special cash payment of £125m proposed with our FY16 results payable in November 2016, and a special cash payment of £175m proposed with our FY17 results payable in November 2017.

We therefore expect to return around £962m of cash through ordinary dividends and special cash payments to our shareholders between November 2014 and November 2017, which equates to a total of 97.0 pence per share, based upon 31 December 2014 share capital for future payments.

<b>Capital Return Plan<sup>A</sup></b>	<b>Ordinary dividend £m</b>	<b>Special cash payment £m</b>	<b>Total £m</b>	<b>Total pence per share</b>
<b>Paid</b>				
November 2014	70	-	70	7.1
<b>Proposed payment</b>				
Year to November 2015	142 <sup>B, C</sup>	100	242	24.4 <sup>C</sup>
Year to November 2016	169 <sup>B, C</sup>	125	294	29.6 <sup>C</sup>
Year to November 2017	181 <sup>B, C</sup>	175	356	35.9 <sup>C</sup>
<b>Total proposed payment</b>	<b>492<sup>B, C</sup></b>	<b>400</b>	<b>892</b>	<b>89.9<sup>C</sup></b>
<b>Total Capital Return Plan</b>	<b>562</b>	<b>400</b>	<b>962</b>	<b>97.0<sup>C</sup></b>

A All final dividends and the special cash payment programme are subject to shareholder approval. The first special cash payment will be subject to shareholder approval at the Annual General Meeting in November 2015 and subsequent special cash payments will be subject to shareholder approval.

B Based on Reuters consensus estimates of earnings per share of 43.0p for FY15, 50.9p for FY16 and 54.8p for FY17 as at 23 February 2015 and applying a three times dividend cover in line with previously announced policy.

C Based upon 31 December 2014 share capital of 991,943,159 shares for proposed payments.



## Group Chief Executive's statement (continued)

### Current trading and outlook

The sales performance across the Group has been strong for the first eight weeks of 2015, with net private reservations per week of 279 (2014: 285), resulting in average net private reservations per active site per week of 0.71 (2014: 0.76).

Our total forward sales (including JVs) as at 22 February 2015 were up 17.5% on the strong prior year figures at a value of £2,275.3m (23 February 2014: £1,936.1m), equating to 10,740 plots (2014: 9,408 plots).

	2015		2014		Variance (£m)
	£m	Plots	£m	Plots	%
Private	1,377.5	5,239	1,323.2	5,139	4.1
Affordable	439.6	3,914	424.9	3,923	3.5
<b>Sub total</b>	<b>1,817.1</b>	<b>9,153</b>	<b>1,748.1</b>	<b>9,062</b>	<b>3.9</b>
JV	458.2	1,587	188.0	346	143.7
<b>Total</b>	<b>2,275.3</b>	<b>10,740</b>	<b>1,936.1</b>	<b>9,408</b>	<b>17.5</b>

We expect full year completion volumes for the Group to be around 15,000, plus around 700 completions delivered through our JV portfolio.

We are confident in the outlook for the Group and expect to deliver a strong performance for the full financial year and make further significant progress towards achieving our medium term targets.

### Mark Clare

Group Chief Executive  
24 February 2015

## 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 process of risk management and the principal risks and uncertainties have changed since the publication of the Annual Report and Accounts for the year ended 30 June 2014. A detailed explanation of the relevance to the Group's strategy and mitigation of the risks outlined below can be found on pages 38 to 41 of the Annual Report and Accounts for the year ended 30 June 2014, which is available at [www.barrattdevelopments.co.uk](http://www.barrattdevelopments.co.uk).

### *Economic environment, including housing demand and mortgage availability*

Changes in the UK and European macroeconomic environments, including unemployment, flat economic growth, buyer confidence, availability of mortgage finance particularly for higher loan to values including Government backed schemes, the ability of purchasers to repay shared equity loans, interest rates, competitor pricing, or falls in house prices or land values, 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.

### *Land purchasing*

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

### *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.

### *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. There are also 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 consortia*

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 2014 on pages 137 to 142.

Details of contingent liabilities including litigation are provided in note 19 of the condensed consolidated half yearly financial statements.

**Condensed consolidated income statement**  
for the half year ended 31 December 2014 (unaudited)

		Half year ended 31 December 2014	Half year ended 31 December 2013	Year ended 30 June 2014 (audited)
	Note	£m	£m	£m
<b>Continuing operations</b>				
Revenue	4	1,576.3	1,264.9	3,157.0
Cost of sales		(1,301.6)	(1,088.1)	(2,627.6)
<b>Gross profit</b>		<b>274.7</b>	<b>176.8</b>	<b>529.4</b>
Administrative expenses		(50.6)	(37.3)	(119.6)
<b>Profit from operations</b>	4	<b>224.1</b>	<b>139.5</b>	<b>409.8</b>
Finance income	5	4.1	4.7	9.1
Finance costs	5	(33.8)	(33.9)	(68.8)
Net finance costs	5	(29.7)	(29.2)	(59.7)
Share of post-tax profit from joint ventures		15.6	10.1	40.6
Share of post-tax profit/(loss) from associates		0.2	-	(0.1)
<b>Profit before tax</b>		<b>210.2</b>	<b>120.4</b>	<b>390.6</b>
Tax	6	(42.9)	(27.8)	(85.2)
<b>Profit for the period from continuing operations</b>		<b>167.3</b>	<b>92.6</b>	<b>305.4</b>
<b>Profit for the period attributable to:</b>				
Equity shareholders		167.0	92.6	305.4
Non-controlling interests		0.3	-	-
<b>Earnings per share from continuing operations</b>				
Basic	8	17.0p	9.5p	31.2p
Diluted	8	16.6p	9.2p	30.4p

Notes 1 to 21 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 2014 (unaudited)

		Half year ended 31 December 2014	Half year ended 31 December 2013	Year ended 30 June 2014 (audited)
	Note	£m	£m	£m
<b>Profit for the period</b>		<b>167.3</b>	92.6	305.4
<b>Other comprehensive income/(expense):</b>				
<b>Items that will not be reclassified to profit or loss</b>				
Actuarial (losses)/gains on defined benefit pension schemes	16	(3.2)	2.5	3.5
Fair value adjustment on available for sale financial assets – greater than one year	12	0.9	0.7	0.7
Tax credit/(charge) relating to items not reclassified		0.5	(1.2)	(1.2)
<b>Total items that will not be reclassified to profit or loss</b>		<b>(1.8)</b>	2.0	3.0
<b>Items that may be reclassified subsequently to profit or loss</b>				
Amounts deferred in respect of effective cash flow hedges		(0.2)	(4.2)	(5.4)
Amounts reclassified to the income statement in respect of hedged cash flows	5	(0.9)	8.0	11.7
Tax credit/(charge) relating to items that may be reclassified		0.2	(1.6)	(2.0)
<b>Total items that may be reclassified subsequently to profit or loss</b>		<b>(0.9)</b>	2.2	4.3
<b>Total comprehensive income recognised for the period</b>		<b>164.6</b>	96.8	312.7
<b>Total comprehensive income attributable to:</b>				
Equity shareholders		164.3	96.8	312.7
Non-controlling interests		0.3	-	-
		<b>164.6</b>	96.8	312.7

Notes 1 to 21 form an integral part of the condensed consolidated half yearly financial statements.

## Condensed consolidated statement of changes in shareholders' equity at 31 December 2014 (unaudited)

	Share Capital	Share Premium	Merger Reserve	Hedging Reserve	Own shares	Share-based payment	Retained earnings	Total retained earnings	Non- controlling interest	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
<b>Balance at 1 July 2013</b>	98.0	213.4	1,109.0	(19.9)	(3.6)	21.7	1,654.6	1,672.7	-	3,073.2
Profit for the period	-	-	-	-	-	-	92.6	92.6	-	92.6
Amounts deferred in respect of effective cash flow hedges	-	-	-	(4.2)	-	-	-	-	-	(4.2)
Amounts reclassified to the income statement in respect of hedged cash flows	-	-	-	8.0	-	-	-	-	-	8.0
Fair value adjustments on available for sale financial assets	-	-	-	-	-	-	0.7	0.7	-	0.7
Actuarial gains on pension scheme	-	-	-	-	-	-	2.5	2.5	-	2.5
Tax on items taken directly to equity	-	-	-	(1.6)	-	-	(1.2)	(1.2)	-	(2.8)
<b>Total comprehensive income recognised for the period ended 31 December 2013</b>	-	-	-	2.2	-	-	94.6	94.6	-	96.8
Dividend payments	-	-	-	-	-	-	(24.5)	(24.5)	-	(24.5)
Share-based payments	-	-	-	-	-	4.2	-	4.2	-	4.2
Issue of shares	0.4	0.3	-	-	-	-	(0.4)	(0.4)	-	0.3
Disposal of own shares	-	-	-	-	0.1	-	-	0.1	-	0.1
Transfer of share-based payment charge for exercised/lapsed options	-	-	-	-	-	(6.3)	6.3	-	-	-
Tax on share-based payments	-	-	-	-	-	(0.3)	2.3	2.0	-	2.0
<b>Balance at 31 December 2013</b>	98.4	213.7	1,109.0	(17.7)	(3.5)	19.3	1,732.9	1,748.7	-	3,152.1
Profit for the period	-	-	-	-	-	-	212.8	212.8	-	212.8
Amounts deferred in respect of effective cash flow hedges	-	-	-	(1.2)	-	-	-	-	-	(1.2)
Amounts reclassified to the income statement in respect of hedged cash flows	-	-	-	3.7	-	-	-	-	-	3.7
Amounts reclassified to the income statement in respect of hedged cash flows no longer expected to occur - exceptional	-	-	-	-	-	-	-	-	-	-
Fair value adjustments on available for sale financial assets	-	-	-	-	-	-	-	-	-	-
Actuarial gains on pension scheme	-	-	-	-	-	-	1.0	1.0	-	1.0
Tax on items taken directly to equity	-	-	-	(0.4)	-	-	-	-	-	(0.4)
<b>Total comprehensive income recognised for the period ended 30 June 2014</b>	-	-	-	2.1	-	-	213.8	213.8	-	215.9
Dividend payments	-	-	-	-	-	-	(31.4)	(31.4)	-	(31.4)
Share-based payments	-	-	-	-	-	4.8	-	4.8	-	4.8
Issue of shares	0.1	1.1	-	-	-	-	-	-	-	1.2
Disposal of own shares	-	-	-	-	0.3	-	-	0.3	-	0.3
Transfer of share-based payment charge for exercised/lapsed options	-	-	-	-	-	(1.5)	1.5	-	-	-
Non-controlling interest arising on acquisition of land in a non-wholly owned subsidiary	-	-	-	-	-	-	-	-	8.0	8.0
Tax on share-based payments	-	-	-	-	-	2.0	1.1	3.1	-	3.1
<b>Balance at 30 June 2014</b>	98.5	214.8	1,109.0	(15.6)	(3.2)	24.6	1,917.9	1,939.3	8.0	3,354.0
Profit for the period	-	-	-	-	-	-	167.0	167.0	0.3	167.3
Amounts deferred in respect of effective cash flow hedges	-	-	-	(0.2)	-	-	-	-	-	(0.2)
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	-	-	-	-	-	-	0.9	0.9	-	0.9
Actuarial losses on pension scheme	-	-	-	-	-	-	(3.2)	(3.2)	-	(3.2)
Tax on items taken directly to equity	-	-	-	0.2	-	-	0.5	0.5	-	0.7
<b>Total comprehensive (expense)/income recognised for the period ended 31 December 2014</b>	-	-	-	(0.9)	-	-	165.2	165.2	0.3	164.6
Dividend payments	-	-	-	-	-	-	(70.2)	(70.2)	-	(70.2)
Share-based payments	-	-	-	-	-	5.3	-	5.3	-	5.3
Issue of shares	0.7	0.4	-	-	-	-	(0.7)	(0.7)	-	0.4
Disposal of own shares	-	-	-	-	0.3	-	-	0.3	-	0.3
Transfer of share-based payment charge for exercised/lapsed options	-	-	-	-	-	(3.6)	3.6	-	-	-
Tax on share-based payments	-	-	-	-	-	(0.8)	5.8	5.0	-	5.0
<b>Balance at 31 December 2014</b>	99.2	215.2	1,109.0	(16.5)	(2.9)	25.5	2,021.6	2,044.2	8.3	3,459.4

Notes 1 to 21 form an integral part of the condensed consolidated half yearly financial statements.

## Condensed consolidated balance sheet at 31 December 2014 (unaudited)

		31 December 2014	31 December 2013	30 June 2014 (audited)
	Note	£m	£m	£m
<b>Assets</b>				
<b>Non-current assets</b>				
Other intangible assets		100.0	100.0	100.0
Goodwill	9	792.2	792.2	792.2
Property, plant and equipment		7.3	5.7	6.1
Investments accounted for using the equity method		213.7	149.7	199.6
Retirement benefit assets	16	6.8	-	3.1
Available for sale financial assets	12	106.8	127.1	121.6
Trade and other receivables		5.1	4.2	6.2
Deferred tax assets	6	9.3	64.5	19.6
Derivative financial instruments – swaps	15	2.5	-	-
		<b>1,243.7</b>	<b>1,243.4</b>	<b>1,248.4</b>
<b>Current assets</b>				
Inventories	10	3,999.2	3,435.3	3,508.6
Available for sale financial assets	12	10.1	-	0.8
Trade and other receivables		87.2	83.8	111.8
Cash and cash equivalents	13	41.6	160.5	274.7
		<b>4,138.1</b>	<b>3,679.6</b>	<b>3,895.9</b>
<b>Total assets</b>	4	<b>5,381.8</b>	<b>4,923.0</b>	<b>5,144.3</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Loans and borrowings	13	(168.7)	(313.7)	(161.7)
Trade and other payables		(495.6)	(409.1)	(447.3)
Retirement benefit obligations	16	-	(4.4)	-
Derivative financial instruments – swaps	15	(6.1)	(22.2)	(21.2)
		<b>(670.4)</b>	<b>(749.4)</b>	<b>(630.2)</b>
<b>Current liabilities</b>				
Loans and borrowings	13	(10.1)	(1.8)	(38.4)
Trade and other payables		(1,195.8)	(1,019.1)	(1,112.0)
Derivative financial instruments – swaps	15	(14.2)	-	-
Current tax liabilities		(31.9)	(0.6)	(9.7)
		<b>(1,252.0)</b>	<b>(1,021.5)</b>	<b>(1,160.1)</b>
<b>Total liabilities</b>	4	<b>(1,922.4)</b>	<b>(1,770.9)</b>	<b>(1,790.3)</b>
<b>Net assets</b>		<b>3,459.4</b>	<b>3,152.1</b>	<b>3,354.0</b>
<b>Equity</b>				
Share capital	17	99.2	98.4	98.5
Share premium		215.2	213.7	214.8
Merger reserve		1,109.0	1,109.0	1,109.0
Hedging reserve		(16.5)	(17.7)	(15.6)
Retained earnings		2,044.2	1,748.7	1,939.3
<b>Equity attributable to the owners of the Company</b>		<b>3,451.1</b>	<b>3,152.1</b>	<b>3,346.0</b>
<b>Non-controlling interests</b>		<b>8.3</b>	<b>-</b>	<b>8.0</b>
<b>Total equity</b>		<b>3,459.4</b>	<b>3,152.1</b>	<b>3,354.0</b>

Notes 1 to 21 form an integral part of the condensed consolidated half yearly financial statements.

**Condensed consolidated cash flow statement**  
for the half year ended 31 December 2014 (unaudited)

		<b>Half year ended 31 December 2014</b>	Half year ended 31 December 2013	Year ended 30 June 2014 (audited)
	Note	£m	£m	£m
<b>Net cash (outflow)/inflow from operating activities</b>	18	<b>(138.3)</b>	(34.1)	242.3
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment		<b>(2.6)</b>	(3.2)	(4.7)
Cash outflow arising on acquisition of land in a non-wholly controlled subsidiary		-	-	(0.9)
Increase in investments accounted for using the equity method		<b>(10.3)</b>	(16.1)	(59.2)
Dividends received from investments accounted for using the equity method		<b>12.0</b>	-	23.6
Disposal of property fund		-	1.3	1.3
Interest received		<b>1.4</b>	0.1	3.7
<b>Net cash inflow/(outflow) from investing activities</b>		<b>0.5</b>	(17.9)	(36.2)
<b>Cash flows from financing activities</b>				
Dividends paid	7	<b>(70.2)</b>	(24.5)	(55.9)
Disposal of own shares		<b>0.3</b>	0.1	0.4
Proceeds from issue of share capital		<b>0.4</b>	0.3	1.5
Make-whole fee on redemption of private placement notes		-	(53.0)	(53.0)
Loan repayments and other movements in borrowings		<b>(25.8)</b>	(4.8)	(118.8)
<b>Net cash outflow from financing activities</b>		<b>(95.3)</b>	(81.9)	(225.8)
<b>Net decrease in cash and cash equivalents</b>		<b>(233.1)</b>	(133.9)	(19.7)
Cash and cash equivalents at the beginning of the period		<b>274.7</b>	294.4	294.4
<b>Cash and cash equivalents at the end of the period</b>		<b>41.6</b>	160.5	274.7

Notes 1 to 21 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 2014 (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 2014 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 2014, 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 38 to 41 and on pages 137 to 142 of the Group's Annual Report and Accounts for the year ended 30 June 2014, which is available at [www.barrattdevelopments.co.uk](http://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 £881m. The maturity dates of these facilities range from September 2015 to July 2021, with £150m of the revolving credit facility maturing in December 2017 and £550m of the revolving credit facility maturing in December 2019. 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 2014.

## Notes to the condensed consolidated half yearly financial statements for the half year ended 31 December 2014 (unaudited)

### 3. Accounting policies (continued)

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 2014 and later periods are disclosed on page 110 of the Annual Report and Accounts for the year ended 30 June 2014. None of the amendments and interpretations adopted in the period have had any impact on the profit and loss and net assets or required any additional disclosure in these condensed consolidated half yearly financial statements.

### 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 2014		Half year ended 31 December 2013		Year ended 30 June 2014 (audited)	
	£m	£m	£m	£m	£m	£m
<b>Income statement</b>						
<b>Revenue</b>						
Housebuilding	1,563.8		1,262.7		3,142.6	
Commercial development	12.5		2.2		14.4	
		<u>1,576.3</u>		<u>1,264.9</u>		<u>3,157.0</u>
<b>Profit/(loss) from operations</b>						
Housebuilding	222.5		140.2		410.8	
Commercial development	1.6		(0.7)		(1.0)	
		<u>224.1</u>		<u>139.5</u>		<u>409.8</u>
<b>Profit from operations including share of post-tax profit/(loss) from joint ventures and associates</b>						
Housebuilding	238.4		150.4		451.5	
Commercial development	1.5		(0.8)		(1.2)	
		<u>239.9</u>		<u>149.6</u>		<u>450.3</u>
<b>Finance income</b>		<u>4.1</u>		<u>4.7</u>		<u>9.1</u>
<b>Finance costs</b>		<u>(33.8)</u>		<u>(33.9)</u>		<u>(68.8)</u>
<b>Profit before tax</b>		<u>210.2</u>		<u>120.4</u>		<u>390.6</u>
<b>Tax</b>		<u>(42.9)</u>		<u>(27.8)</u>		<u>(85.2)</u>
<b>Profit for the period from continuing operations</b>		<u>167.3</u>		<u>92.6</u>		<u>305.4</u>
Profit for the period attributable to:						
Equity shareholders		<u>167.0</u>		<u>92.6</u>		<u>305.4</u>
Non-controlling interests		<u>0.3</u>		<u>-</u>		<u>-</u>

Profit from operations includes £0.3m (31 December 2013: £0.2m; 30 June 2014: £0.5m) relating to forfeited deposits and £16.1m (31 December 2013: £13.9m; 30 June 2014: £35.1m) of other income.

**Notes to the condensed consolidated half yearly financial statements**  
for the half year ended 31 December 2014 (unaudited)

**4. Segmental analysis (continued)**

	<b>31 December 2014</b>		<b>31 December 2013</b>		<b>30 June 2014</b> (audited)	
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Balance sheet</b>						
<b>Segment assets</b>						
Housebuilding	<b>5,314.1</b>		4,679.3		4,833.4	
Commercial development	<b>51.9</b>		59.3		51.0	
	<b>5,366.0</b>		4,738.6		4,884.4	
	<b>(35.1)</b>		(40.6)		(34.4)	
Elimination of intercompany balances						
<b>Total segmental assets</b>	<b>5,330.9</b>		4,698.0		4,850.0	
Deferred tax assets	<b>9.3</b>		64.5		19.6	
Cash and cash equivalents	<b>41.6</b>		160.5		274.7	
<b>Consolidated total assets</b>	<b>5,381.8</b>		4,923.0		5,144.3	
<b>Segment liabilities</b>						
Housebuilding	<b>(1,702.1)</b>		(1,464.3)		(1,561.5)	
Commercial development	<b>(44.7)</b>		(31.1)		(53.4)	
	<b>(1,746.8)</b>		(1,495.4)		(1,614.9)	
	<b>35.1</b>		40.6		34.4	
Elimination of intercompany balances						
<b>Total segmental liabilities</b>	<b>(1,711.7)</b>		(1,454.8)		(1,580.5)	
Loans and borrowings	<b>(178.8)</b>		(315.5)		(200.1)	
Current tax liabilities	<b>(31.9)</b>		(0.6)		(9.7)	
<b>Consolidated total liabilities</b>	<b>(1,922.4)</b>		(1,770.9)		(1,790.3)	

**Notes to the condensed consolidated half yearly financial statements**  
for the half year ended 31 December 2014 (unaudited)

**5. Net finance costs**

	Half year ended 31 December 2014	Half year ended 31 December 2013	Year ended 30 June 2014 (audited)
	£m	£m	£m
<b>Recognised in income statement</b>			
Finance income on short-term bank deposits	(0.1)	(0.1)	(0.2)
Imputed interest on available for sale financial assets	(2.5)	(2.8)	(5.8)
Interest related to employee benefits	(0.2)	-	-
Other interest receivable	(1.3)	(1.8)	(3.1)
<b>Finance income</b>	<b>(4.1)</b>	<b>(4.7)</b>	<b>(9.1)</b>
Interest on bank overdrafts and loans	9.6	10.1	21.3
Imputed interest on deferred term payables	17.2	16.2	35.0
Finance costs related to employee benefits	-	0.2	0.3
Amounts reclassified to the income statement in respect of hedged cash flows	(0.9)	8.0	11.7
Foreign exchange loss/(gain) on US Dollar debt	4.5	(4.4)	(5.9)
Amortisation of facility fees	1.6	1.4	3.5
Other interest payable	1.8	2.4	2.9
<b>Finance costs</b>	<b>33.8</b>	<b>33.9</b>	<b>68.8</b>
<b>Net finance costs</b>	<b>29.7</b>	<b>29.2</b>	<b>59.7</b>

The Group's approach to foreign exchange rate risk management is detailed in note 15(b).

**6. Tax**

The corporation tax charge comprises of the best estimate of the expected annual effective corporation tax rate applied to the half year profit before tax plus the impact of rate changes and prior year adjustments. The effective rates are as follows:

	Half year ended 31 December 2014	Half year ended 31 December 2013	Year ended 30 June 2014 (audited)
Effective rate of corporation tax for the period	20.4%	23.1%	21.8%
Effective rate of corporation tax for the period excluding the impact of rate changes and prior year adjustments	20.4%	21.8%	21.4%

As at 31 December 2014 the Group recognised a deferred tax asset of £9.3m (31 December 2013: £64.5m; 30 June 2014: £19.6m) including amounts relating to prior year losses, which are to be carried forward and relieved against profits arising in future periods, share options and brands.

**Notes to the condensed consolidated half yearly financial statements**  
for the half year ended 31 December 2014 (unaudited)

**7. Dividends**

	Half year ended 31 December 2014	Half year ended 31 December 2013	Year ended 30 June 2014 (audited)
	£m	£m	£m
<b>Amounts recognised as distributions to equity holders in the period</b>			
Final dividend for the year ended 30 June 2014	<b>70.2</b>	-	-
Interim dividend for the year ended 30 June 2014	-	-	31.4
Final dividend for the year ended 30 June 2013	-	24.5	24.5
	<hr/>	<hr/>	<hr/>
Interim dividend for the year ended 30 June 2015	<b>47.6</b>	-	-
	<hr/>	<hr/>	<hr/>

The interim dividend of 4.8 pence per share was approved by the Board on 24 February 2015 and has not been included as a liability as at 31 December 2014.

**8. Earnings per share**

Basic earnings per share is calculated by dividing the profit for the half year attributable to ordinary shareholders of £167.0m (31 December 2013: £92.6m; 30 June 2014: £305.4m) 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 984.3m (31 December 2013: 977.6m; 30 June 2014: 979.1m) shares.

Diluted earnings per share is calculated by dividing the profit for the half year attributable to ordinary shareholders of £167.0m (31 December 2013: £92.6m; 30 June 2014: £305.4m) 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 1,008.1m (31 December 2013: 1,006.1m; 30 June 2014: 1,004.7m) shares.

The earnings per share from continuing operations were as follows:

	Half year ended 31 December 2014	Half year ended 31 December 2013	Year ended 30 June 2014 (audited)
	pence	pence	pence
Basic earnings per share	<b>17.0</b>	9.5	31.2
Diluted earnings per share	<b>16.6</b>	9.2	30.4
	<hr/>	<hr/>	<hr/>

## Notes to the condensed consolidated half yearly financial statements for the half year ended 31 December 2014 (unaudited)

### 9. Goodwill

	<b>31 December 2014</b>	31 December 2013	30 June 2014 (audited)
	<b>£m</b>	£m	£m
Opening and closing net book value	<b>792.2</b>	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 for the housebuilding segment. The impairment review was performed at 30 June 2014 and the results of this review are disclosed in note 12 of the 2014 Annual Report and Accounts.

### 10. Inventories

	<b>31 December 2014</b>	31 December 2013	30 June 2014 (audited)
	<b>£m</b>	£m	£m
Land held for development	<b>2,631.5</b>	2,257.7	2,348.4
Construction work in progress	<b>1,319.9</b>	1,134.6	1,118.2
Part exchange properties	<b>46.8</b>	41.9	40.9
Other inventories	<b>1.0</b>	1.1	1.1
	<b>3,999.2</b>	3,435.3	3,508.6

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.

The value of inventories expensed in the half year ended 31 December 2014 and included in cost of sales was £1,225.3m (31 December 2013: £1,011.1m; 30 June 2014: £2,500.7m).

### 11. Investments accounted for using the equity method

On 15 September 2014 the Group entered into a joint venture, Infinity Park Derby LLP, with Cedar House (Infinity Park) Limited.

**Notes to the condensed consolidated half yearly financial statements**  
for the half year ended 31 December 2014 (unaudited)

**12. Available for sale financial assets**

	<b>31 December 2014</b>	31 December 2013	30 June 2014 (audited)
	£m	£m	£m
Opening balance 1 July	<b>122.4</b>	128.4	128.4
Additions	<b>0.2</b>	0.9	1.2
Disposals	<b>(11.9)</b>	(7.9)	(16.5)
Imputed interest	<b>2.5</b>	2.8	5.8
Net reversal of impairment taken through income statement	<b>2.8</b>	2.2	2.8
Fair value adjustment taken through other comprehensive income	<b>0.9</b>	0.7	0.7
	<b>116.9</b>	127.1	122.4
<b>Analysed as:</b>			
Amounts due within 1 year	<b>10.1</b>	-	0.8
Amounts due after more than 1 year	<b>106.8</b>	127.1	121.6
	<b>116.9</b>	127.1	122.4

Available for sale financial assets principally comprise interest free loans, which are granted as part of sales transactions and for which the cash flows receivable are based on the value of the property at redemption. These loans are secured by way of a second legal charge on the respective property (after the first mortgage). These loans are held at the present value of expected future cash flows, taking into account the estimated market value of the property at the estimated time of repayment as explained in note 17 of the Group's Annual Report and Accounts for the year ended 30 June 2014.

The average discount rate used for the period ended 31 December 2014 was 8.0% (31 December 2013: 8.0%; 30 June 2014: 8.0%).

Further disclosures relating to financial assets are set out in note 14.

**Notes to the condensed consolidated half yearly financial statements**  
for the half year ended 31 December 2014 (unaudited)

**13. Loans and borrowings**

**a) Net (debt)/cash**

Drawn debt and net (debt)/cash at the period end are shown below:

	<b>31 December 2014</b>	31 December 2013	30 June 2014 (audited)
	<b>£m</b>	£m	£m
<b>Cash and cash equivalents</b>	<b>41.6</b>	160.5	274.7
<b>Non-current borrowings</b>			
Bank loans	-	(100.0)	-
Term loans	<b>(89.3)</b>	(136.3)	(88.3)
Government loans	<b>(28.7)</b>	(29.8)	(27.3)
Private placement notes	<b>(50.7)</b>	(47.6)	(46.1)
<b>Total non-current borrowings</b>	<b>(168.7)</b>	(313.7)	(161.7)
<b>Current borrowings</b>			
Bank overdrafts	<b>(0.8)</b>	-	(33.3)
Government loans	<b>(9.3)</b>	(0.5)	(5.1)
Kickstart equity funding	-	(1.3)	-
<b>Total current borrowings</b>	<b>(10.1)</b>	(1.8)	(38.4)
<b>Total borrowings</b>	<b>(178.8)</b>	(315.5)	(200.1)
<b>Derivative financial instruments</b>			
Foreign exchange swaps	<b>3.0</b>	-	(1.5)
<b>Net (debt)/cash</b>	<b>(134.2)</b>	(155.0)	73.1

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)/cash is defined as cash and cash equivalents, bank overdrafts, interest bearing borrowings and foreign exchange swaps. Included within term loans in non-current borrowings are prepaid facility arrangement fees of £11.4m (31 December 2013: £14.4m; 30 June 2014: £12.5m). The Group includes foreign exchange swaps within net (debt)/cash 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)/cash note. The Group's derivative financial instruments at the period end are shown below:

	<b>31 December 2014</b>	31 December 2013	30 June 2014 (audited)
	<b>£m</b>	£m	£m
Foreign exchange swap – exchange rate element	<b>3.0</b>	-	(1.5)
Foreign exchange swap – interest rate element	<b>(0.5)</b>	(0.2)	(0.3)
	<b>2.5</b>	(0.2)	(1.8)
Interest rate swaps	<b>(20.3)</b>	(22.0)	(19.4)
<b>Net derivative financial instruments</b>	<b>(17.8)</b>	(22.2)	(21.2)



## Notes to the condensed consolidated half yearly financial statements for the half year ended 31 December 2014 (unaudited)

### 13. Loans and borrowings (continued)

#### a) Net (debt)/cash (continued)

Movement in net (debt)/cash is analysed as follows:

	Half year ended 31 December 2014	Half year ended 31 December 2013	Year ended 30 June 2014 (audited)
	£m	£m	£m
Net decrease in cash and cash equivalents	(233.1)	(133.9)	(19.7)
Net loan repayments	22.4	34.4	151.7
Cancellation of foreign exchange swaps	-	(23.7)	(23.7)
Foreign exchange loss/(gain)	4.5	(4.4)	(5.9)
Other fees related to amendment of financing arrangements	(1.1)	(1.5)	(3.4)
Movement in net (debt)/cash in the period	(207.3)	(129.1)	99.0
Opening net cash/(debt)	73.1	(25.9)	(25.9)
<b>Closing net (debt)/cash</b>	<b>(134.2)</b>	<b>(155.0)</b>	<b>73.1</b>

#### 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 2014	Half year ended 31 December 2013	Year ended 30 June 2014 (audited)
	%	%	%
Bank loans excluding swap interest	2.8	2.8	2.9
Net swaps payment	5.2	5.2	5.2
Government loans	2.0	2.0	2.0
Term loans	5.0	4.7	4.5
Private placement notes	8.1	8.1	8.2

#### c) Drawn debt facilities

The changes to the Group's drawn debt facilities since 30 June 2014 are as follows:

- On 17 December 2014 the Group entered into amendment agreements relating to the Barratt Developments PLC £700m revolving credit facility ('RCF'), £100m term loan and \$80m private placement notes. The amendment agreements reflect similar or better commercial terms than in the original agreements dated 14 May 2013. The RCF amendment agreement extends the date of the reduction in the facility to £550m to 29 December 2017 and the termination date of the facility to 17 December 2019.
- Committed loan facilities of £8.4m were made available under agreements with local government. These are due to be repaid between September 2014 and March 2020. At 31 December 2014 a total of £5.4m was drawn on these facilities.

## Notes to the condensed consolidated half yearly financial statements for the half year ended 31 December 2014 (unaudited)

### 14. Financial instruments' fair value disclosures

The following table provides an analysis of financial assets and financial liabilities that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset that are not based on observable market data (unobservable inputs).

	Half year ended 31 December	Fair value measurements at 31 December 2014 using:	
	2014	Level 2	Level 3
	£m	£m	£m
<b>Financial assets:</b>			
Non-current available for sale financial assets	106.8	-	106.8
Current available for sale financial assets	10.1	-	10.1
Derivative financial instruments	2.5	2.5	-
<b>Total</b>	<b>119.4</b>	<b>2.5</b>	<b>116.9</b>
<b>Financial liabilities:</b>			
Non-current derivative financial instruments	6.1	6.1	-
Current derivative financial instruments	14.2	14.2	-
<b>Total</b>	<b>20.3</b>	<b>20.3</b>	<b>-</b>

There have been no transfers between levels during the half year.

The fair values of financial assets and liabilities are determined as follows:

- The fair values of available for sale financial assets are calculated using an internal valuation model. The model calculates the fair value on a loan by loan basis using the present value of expected future cash flows of each loan. The future value of each loan is based on original selling prices adjusted for regional house price inflation, which in turn is based upon independent valuation specialists and official published valuation data. Each loan includes an allowance for future low single-digit house price inflation in line with Group expectations and a repayment profile based on historical data for first-time buyers selling their property. In addition, the Group includes an allowance for borrower default, including an estimate made for losses incurred that have not yet been reported to the Group by the home owner or the first charge provider.
- Derivative financial instruments are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

#### *Sensitivity analysis*

The value of the Group's house price linked financial assets, which are solely available for sale financial assets, is sensitive to UK house prices since the amount repayable is dependent upon the market price of the property to which the loan is linked. At 31 December 2014, if UK house prices had been 5% lower and all other variables were held constant, the Group's house price linked financial assets, would decrease in value, excluding the effects of tax, by £6.2m with a corresponding reduction in both the result for the period and equity.

In addition the value of the asset is affected by mortgage rates, the availability of finance and UK economic conditions since all of these affect the risk of default.

## Notes to the condensed consolidated half yearly financial statements for the half year ended 31 December 2014 (unaudited)

### 14. Financial instruments' fair value disclosures (continued)

#### Carrying values

Except as detailed in the following table, the Directors consider that the carrying value amounts of the financial assets and financial liabilities recorded at amortised cost in the financial statements are approximately equal to their fair values:

	Carrying amount			Fair value		
	Half year ended 31 December 2014 £m	Half year ended 31 December 2013 £m	Year ended 30 June 2014 (audited) £m	Half year ended 31 December 2014 £m	Half year ended 31 December 2013 £m	Year ended 30 June 2014 (audited) £m
<b>Financial liabilities</b>						
Trade and other payables	1,517.1	1,275.7	1,317.4	1,519.9	1,275.7	1,320.8
Loans and borrowings	178.0	315.5	166.8	178.0	315.5	168.9

### 15. 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 2014		31 December 2013		30 June 2014 (audited)	
	Asset £m	Liability £m	Asset £m	Liability £m	Asset £m	Liability £m
<b>Designated as cash flow hedges</b>						
<b>Non-current:</b>						
Interest rate swaps	-	(6.1)	-	(22.0)	-	(19.4)
Foreign exchange swaps	2.5	-	-	(0.2)	-	(1.8)
<b>Current:</b>						
Interest rate swaps	-	(14.2)	-	-	-	-
<b>Total derivative financial instruments</b>	<b>2.5</b>	<b>(20.3)</b>	<b>-</b>	<b>(22.2)</b>	<b>-</b>	<b>(21.2)</b>

#### 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. The Group's £60.0m 2017 and £25.0m 2022 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 2014 the Group had outstanding net floating rate Sterling debt and overdrafts of £121.4m (2013: £264.9m). 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 £137.0m (2013: £137.0m) 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 2014. After taking into account swap arrangements, the fixed interest rates (excluding margin) applicable to the debt were as follows:

31 December 2014 £m	Fixed rate payable %	Maturity	31 December 2013 £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
25.0	5.63	*2022	25.0	5.63	2022
<b>137.0</b>			<b>137.0</b>		

\* These swap arrangements contain a clause that allows the group or the counterparty to cancel the swap in May 2015 at fair value and accordingly they are disclosed as current within these condensed consolidated half yearly financial statements.

## Notes to the condensed consolidated half yearly financial statements for the half year ended 31 December 2014 (unaudited)

### 15. Derivative financial instruments – swaps (continued)

#### a) Interest rate swaps (continued)

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 2014, which is based on third party valuations, was a liability of £20.3m (2013: £22.0m) with a loss of £0.9m (2013: gain £5.1m) 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 2014 the Group had outstanding fixed rate US Dollar private placement notes of \$80.0m (2013: \$80.0m).

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 2014 \$m	Fixed rate payable %	Maturity	31 December 2013 \$m	Fixed rate payable %	Maturity
80.0	8.14	2017	80.0	8.14	2017
<b>80.0</b>			<b>80.0</b>		

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 100% (2013: 100%) of the interest payments. The fair value of the swap arrangements as at 31 December 2014, which is based on third party valuations, was an asset of £2.5m (2013: liability of £0.2m) with a gain of £4.3m (2013: £5.7m loss) 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.

### 16. Defined benefit pension scheme

The defined benefit obligation as at 31 December 2014 is calculated on a year-to-date basis, using the latest actuarial valuation as at 31 December 2014. There have not been any significant fluctuations or one-time events since the 30 June 2014 valuation that would require adjustment to the actuarial assumptions made at 31 December 2014. In addition, there have been no changes to the pension assumptions used in the 30 June 2014 annual report and accounts other than decreases in the discount rate and inflation factor used to determine the benefit obligations from 4.3% to 3.7% and from 3.3% to 3.1% respectively.

The defined benefit plan assets have been updated to reflect their market values at 31 December 2014.

**Notes to the condensed consolidated half yearly financial statements**  
for the half year ended 31 December 2014 (unaudited)

**17. Share capital**

	<b>31 December 2014</b>	31 December 2013	30 June 2014 (audited)
	<b>Number</b>	Number	Number
Allotted and issued ordinary shares of 10p each – fully paid	<b>991,943,159</b>	984,085,288	984,983,475
	<b>£m</b>	£m	£m
Allotted and issued ordinary shares of 10p each – fully paid	<b>99.2</b>	98.4	98.5

During the half year, 2,176,347 (31 December 2013: 2,407,303; 30 June 2014: 2,407,303) awards over the Company's shares were granted under the Company's Executive Long-Term Performance Plan, 813,663 (31 December 2013: 785,897; 30 June 2014: 785,879) awards over the Company's shares were granted under the Company's Co-Investment Plan and awards of 639,148 (31 December 2013: 709,644; 30 June 2014: 709,644) were granted over the Company's shares under the Senior Management Incentive Scheme.

**Allotment of shares during the period**

During the half year, a total of 315,521 shares (31 December 2013: 325,678; 30 June 2014: 1,090,558) were issued to satisfy all exercises under the 2011 grants of the Savings-Related Share Option Scheme ('SRSOS') (31 December 2013 and 30 June 2014: 2010 and 2011 grants of the SRSOS schemes) and 6,590,688 shares (31 December 2013: 4,021,515; 30 June 2014: 4,021,515) were issued to satisfy all exercises under the 2010 Long-Term Performance Plan.

During the half year to 31 December 2014, 53,475 shares (31 December 2013: 23,003; 30 June 2014: 71,331) were issued to satisfy early exercises under the 2012, 2013 and 2014 grants of the SRSOS scheme.

**Employee Benefit Trust**

The Barratt Developments PLC Employee Benefit Trust (the 'EBT') holds 2,676,422 (31 December 2013: 3,760,920; 30 June 2014: 3,392,355) ordinary shares in the Company. During the half year the EBT disposed of 715,933 shares in settlement of exercises under the Senior Management Incentive Plan and the Co-Investment Plan. The market value of the shares held by the EBT at 31 December 2014 at 471.0 pence per share (31 December 2013: 349.0 pence per share; 30 June 2014: 373.7 pence per share) was £12,605,948 (31 December 2013: £13,125,611; 30 June 2014: £12,677,231). 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 2014 (unaudited)

**18. Cash flows from operating activities**

	Half year ended 31 December 2014	Half year ended 31 December 2013	Year ended 30 June 2014 (audited)
	£m	£m	£m
Profit for the period from continuing operations	167.3	92.6	305.4
Tax	42.9	27.8	85.2
Finance income	(4.1)	(4.7)	(9.1)
Finance costs	33.8	33.9	68.8
Share of post-tax profit from joint ventures	(15.6)	(10.1)	(40.6)
Share of post-tax (profit)/loss from associates	(0.2)	-	0.1
<b>Profit from operations</b>	<b>224.1</b>	<b>139.5</b>	<b>409.8</b>
Depreciation	1.4	0.9	2.0
Profit on disposal of property, plant and equipment	-	-	-
Impairment of inventories	7.6	11.1	8.9
Reversal of impairment of available for sale financial assets	(2.8)	(2.2)	(2.8)
Share-based payments charge	5.3	4.2	9.0
Imputed interest on deferred term payables	(17.2)	(16.2)	(35.0)
Imputed interest on available for sale financial assets	2.5	2.8	5.8
Amortisation of facility fees	(1.6)	(1.4)	(3.5)
Finance credit/(costs) related to employee benefits	0.2	(0.2)	(0.3)
<b>Total non-cash items</b>	<b>(4.6)</b>	<b>(1.0)</b>	<b>(15.9)</b>
Increase in inventories	(498.2)	(236.6)	(235.0)
Decrease/(increase) in trade and other receivables	18.8	(7.0)	(39.2)
Increase in trade and other payables	128.4	84.4	147.0
Decrease in available for sale financial assets	9.2	4.2	9.5
<b>Total movements in working capital</b>	<b>(341.8)</b>	<b>(155.0)</b>	<b>(117.7)</b>
<b>Interest paid</b>	<b>(11.3)</b>	<b>(17.6)</b>	<b>(33.2)</b>
<b>Tax paid</b>	<b>(4.7)</b>	<b>-</b>	<b>(0.7)</b>
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(138.3)</b>	<b>(34.1)</b>	<b>242.3</b>

The balance sheet movement in deferred 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 2014 (unaudited)**

#### **19. 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 £607.0m (31 December 2013: £503.1m; 30 June 2014: £490.5m), 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 given counter indemnities in respect of performance bonds and financial guarantees to its joint ventures totalling £41.0m (31 December 2013: £5.1m; 30 June 2014: £30.2m). The Group has also provided principal guarantees of £12.0m and cost and interest overrun guarantees in relation to the borrowings of a number of the Group's London joint ventures (31 December 2013: £12.0m; 30 June 2014: £12.0m). At 31 December 2014, no cost or interest overruns had been incurred. The Group's maximum exposure under these cost and interest overrun guarantees is estimated at £8.4m as at 31 December 2014.

At 31 December 2014, the Group has an obligation to repay £0.9m (31 December 2013: £0.9m; 30 June 2014: £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.

#### **20. Related party transactions**

Related party transactions for the period to 31 December 2014 are detailed below:

##### **a) Transactions between the Group and its joint ventures**

The Group has principally entered into transactions with its joint ventures in respect of development management and other services (with charges made based on the utilisation of these services) and funding. These transactions totalled £5.5m (31 December 2013: £3.0m; 30 June 2014: £8.6m) and £1.1m (31 December 2013: £1.3m; 30 June 2014: £2.5m) respectively. 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.

## **Notes to the condensed consolidated half yearly financial statements**

for the half year ended 31 December 2014 (unaudited)

### **20. Related party transactions (continued)**

#### **a) Transactions between the Group and its joint ventures (continued)**

The total amount of LLP capital, outstanding loans and interest due to the Group from its joint ventures at 31 December 2014 was £201.8m (31 December 2013: £140.5m; 30 June 2014: £164.6m). The amounts outstanding are unsecured and will be settled in cash.

There were no other amounts outstanding to the Group from its joint ventures at 31 December 2014 (31 December 2013: none; 30 June 2014: none).

The Group's contingent liabilities relating to its joint ventures are disclosed in note 19.

#### **b) Transactions between the Group and its associates**

There were no outstanding loans or other amounts due to the Group from its associates at 31 December 2014 or during either comparative period. The Group's contingent liabilities relating to its associates are disclosed in note 19.

#### **c) Property purchases by a Director**

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 year ended 30 June 2014, the Group entered into the following transaction which, for the purposes of IAS 24 is considered to be a 'related party transaction'.

In August 2014, Mark Clare, Group Chief Executive, reserved an apartment (including a car parking space) from Fulham Wharf LLP, a joint venture partnership between BDW Trading Limited (the Group's main trading subsidiary) and London and Quadrant Housing Trust (L&Q), at a purchase price of £1,692,350. This purchase was conducted at a fair and reasonable market price based on four independent market valuations and similar comparable transactions at that time. An amount of £2,500 was paid on reservation and a deposit of £166,735 was paid on 13 October 2014. The remaining balance will become payable on legal completion, which is scheduled to be in December 2015, in accordance with the Group's normal terms of trading.

Fulham Wharf LLP is not controlled by and is not a 'subsidiary undertaking' of the Group.

### **21. 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.



## 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:

J M Allan, Chairman (appointed Non-Executive Director 1 August 2014, appointed Chairman 12 November 2014)

M S Clare, Group Chief Executive

D F Thomas, Group Finance Director

S J Boyes, Group Chief Operating Officer

M E Rolfe, Senior Independent Director

R J Akers, Non-Executive Director

T E Bamford, Non-Executive Director

N Bibby, Non-Executive Director

R A Lawson, Chairman (resigned 12 November 2014)

The Half Yearly Financial Report was approved by the Board on 24 February 2015.

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 2014 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 21. 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 2014 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  
24 February 2015