

24 February 2016

**BARRATT DEVELOPMENTS PLC**  
**Half Yearly Financial Report for the six months ended 31 December 2015**

**Strong performance in the half**

- Completion volumes<sup>1</sup> increased by 9.4%
- Land market remains attractive with £559m (10,967 plots) of land approved for purchase
- ROCE<sup>2</sup> increased by 3.9 percentage points to 25.5% for the 12 months ended 31 December 2015
- Continued focus on Customer Satisfaction – HBF Five Star Customer Satisfaction Award for the 6<sup>th</sup> consecutive year
- Build Excellence – 81 NHBC Pride in the Job Awards in 2015, more than any other housebuilder for the 11<sup>th</sup> year in a row

	<b>Half year ended 31 December 2015</b>	<b>Half year ended 31 December 2014</b>	<b>Change</b>
Total completions (including JVs) <sup>3</sup>	7,626	6,971	9.4%
Revenue	£1,875.5m	£1,576.3m	19.0%
Gross margin <sup>4</sup>	18.6%	17.4%	1.2 ppts
Profit from operations	£301.8m	£224.1m	34.7%
Operating margin <sup>5</sup>	16.1%	14.2%	1.9 ppts
Profit before tax	£295.0m	£210.2m	40.3%
Basic earnings per share	23.9p	17.0p	40.6%
Interim dividend per share	6.0p	4.8p	25.0%
ROCE	25.5%	21.6%	3.9 ppts

**Current Trading and Outlook**

- Strong start to the second half with 260 (2015: 279) net private reservations per week at a rate of 0.71 (2015: 0.71) net private reservations per active site per week
- Total forward sales including JVs as at 21 February 2016 up by 13.4% to £2,579.5m (22 February 2015: £2,275.3m)
- Group now expected to have a net cash balance in excess of £250m as at 30 June 2016
- Interim dividend payment of 6.0 pence per share (2015: 4.8 pence per share)
- Capital Return Plan expected to return a total of 67.8 pence per share over the two year period to November 2017<sup>6</sup>

**Commenting on the results David Thomas, Chief Executive of Barratt Developments PLC said:**

“In line with our strategy, we have stepped up the number of completions in the first half and we did this in a disciplined way, both financially and operationally, without compromising on the quality of the homes we’re building.

“In the past five years we have increased our annual output by more than 53%, built more than 71,700<sup>1</sup> homes and approved the investment of over £4.4 billion in new land for housing. The market remains strong as a result of improved mortgage availability and Government support for first time buyers and we will continue to grow in a way that delivers for the needs of homebuyers and shareholders alike.”

<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, operating charges relating to the defined benefit pension scheme and operating exceptional items 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> Gross margin is gross profit divided by revenue

<sup>5</sup> Operating margin is profit from operations divided by revenue

<sup>6</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 694 0257

International: +44 (0) 1452 555 566

Conference ID: 31517021#

The Half Yearly Financial Report for the six month period ended 31 December 2015 is available from today, 24 February 2016, 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.

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## Chief Executive's Statement

### Overview

The Group has delivered a strong first half performance, with year on year improvements across our key financial metrics.

Our completion volumes were 7,626 (including JVs), an increase of 9.4% representing a significant step towards rebalancing the business between first and second half delivery.

Profit before tax increased by 40.3% to £295.0m, gross margin improved by 1.2 percentage points to 18.6% and operating margin improved by 1.9 percentage points to 16.1%. ROCE for the 12 months to 31 December 2015 was up by 3.9 percentage points to 25.5% showing in part the results of our actions to improve returns, as well as being boosted by a high level of completions (including JVs) in the calendar year of 17,102 (2014: 15,614), with a strong delivery from the second half of FY15 and the first half of FY16 as we drive for more completions in the first half of each year.

Our performance has been driven by our targeted land buying and effective planning, outstanding design, and construction excellence and efficiency, backed by innovative sales and marketing and industry leading customer experience. The delivery of the HBF 5 Star Customer Satisfaction Award for the 6<sup>th</sup> consecutive year helps to demonstrate this track record of successful execution.

We have achieved this by working as a team and I would like to thank all of our employees for their enthusiasm, outright hard work and determination to succeed. We are continuing to drive for great customer service and outstanding product quality and this is positively differentiating our consumer offer.

Our medium term targets remain a minimum gross margin of 20% and a minimum ROCE of 25% by FY17. We have also strengthened our balance sheet, ending the half year with net cash of £24.2m (31 December 2014: net debt of £134.2m).

The Board is pleased to announce an interim dividend of 6.0 pence per share (2015: 4.8 pence per share). We continue to expect to deliver attractive future cash returns of £678m to shareholders over the two year period to November 2017.

### Housing policy

The UK Government recognises the need to build more homes as evidenced by its policies to improve land availability, planning and support for buyers. We were pleased to see the extension of the Help to Buy (Equity Loan) programme through to 2021 as well as the increase from 1 February 2016 in the Government's Equity Loan to 40% in London. Both changes will be important for our customers, particularly in helping buyers into the market. We remain supportive of the Government's Starter Homes Scheme, which is aimed at providing 200,000 homes for first time buyers by 2020.

### The housing market

The housing market remained positive during the period with housing transactions in the year to December 2015 increasing by 0.5% over the previous twelve month period, albeit this remains well below peak, representing around 76% of the 2007 figure<sup>7</sup>. External indices showed house price inflation moderated in the period, with market house price inflation of around 4.5% in the six months<sup>8</sup> ended 31 December 2015.

The number of first time buyer completions in the housing market has remained high, just 0.5% below the eight year high in 2014<sup>9</sup> supported by favourable economic conditions and ongoing Government support.

Lending to buyers in the new build sector has continued to strengthen as competition amongst lenders remains strong. We continue to work with a wide set of lenders through our approved brokers to ensure that our customers have access to a wide range of mortgage products.

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<sup>7</sup> Source: HMRC seasonally adjusted UK Property Transactions Count, December 2015

<sup>8</sup> Source: Halifax House Price Inflation Index, December 2015 (Issued 4 February 2016)

<sup>9</sup> Source: Halifax First Time Buyer Review, January 2016

## Increasing our housing supply

With housing demand remaining strong, we have continued to invest, in a disciplined way, to increase housing production, with over £4.4bn approved for the purchase of 82,800 plots of land over the last five years. There remains a long term housing shortage of all tenures that can only be addressed through additional supply; we are committed to playing a leading role in addressing this issue without compromising our operational or financial strength.

Additionally, over the last five years we have built more than 71,700 homes (including JVs) of which over 13,400 were affordable homes (including JVs) sold to Registered Providers and we have invested in employees, including 880 new apprentices, trainees, graduates and undergraduates to further expand our skilled workforce, enabling further delivery of supply.

## Our financial results

Total completions (including JVs) were up by 9.4% in the period to 7,626 units (2014: 6,971 units).

Help to Buy remains highly attractive to customers buying new build homes and 32% (2014: 33%) of our total completions utilised the scheme. Whilst we recognise that there has been some slowing at the top end of the London market, 74% of our London properties, including JVs, reserved in the calendar year were priced at or below £600,000. Overall our net private reservation rate was 0.66 (2014: 0.58) per active site per week in the half year.

<b>Completions (units)</b>	<b>2015</b>	<b>2014</b>	<b>Variance</b>
Private	5,993	5,563	7.7%
Affordable	1,114	1,149	(3.0%)
JV	519	259	100.4%
<b>Total</b>	<b>7,626</b>	<b>6,971</b>	<b>9.4%</b>

We have been working towards a more balanced delivery profile between half years in terms of completion volumes, and given first half completion numbers, we now expect to be around our target of 45% of completions in the first half (2014: 42%). We continue to target 16,750 completions (including 1,000 JV completions) for FY16.

In the half year, we operated from an average of 386 active sites (including JVs) (2014: 384). We have made good progress on new site openings, launching 63 (2014: 96) new developments (including JVs) in the first half.

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 10.9% in the period to £254,200 (2014: £229,200). Private ASP increased by 11.0% in the period to £281,100 (2014: £253,200) predominantly from changes in mix. Affordable housing ASP was £109,200 (2014: £113,000).

Our gross margin was 18.6%, up 1.2 percentage points in the period reflecting amongst other things a higher proportion of completions from newer higher margin land and mix changes. We delivered a gross profit of £348.4m (2014: £274.7m) in the period.

Operating profit increased by £77.7m to £301.8m (2014: £224.1m). Operating margin was up by 1.9 percentage points to 16.1% (2014: 14.2%) reflecting our increased gross margin and a contribution from operational efficiencies, benefiting from volume growth, and increased levels of other income.

Net finance charges were in line with the prior year at £29.8m (2014: £29.7m).

In the half year, the Group's share of JV profit was £22.9m (2014: £15.6m). We continue to make good progress in developing our JV portfolio and continue to expect to deliver JV profit of around £60m for FY16. Profit before tax increased by 40.3% to £295.0m (2014: £210.2m) and the Group recognised £56.1m of corporation tax charges at an effective rate of 19.0% (2014: effective tax rate of 20.4%). Basic earnings per share increased by 40.6% to 23.9 pence per share (2014: 17.0 pence per share).

## Our strategic objectives

Our strategic objectives remain clear – maintain disciplined growth, deliver on our targets for key financial metrics (minimum ROCE of 25% and gross margin of 20% by 2017) and continue to deliver attractive cash returns. We have made good progress against these objectives during the half year.

## Key dimensions of our strategy delivery

In addition to the contribution from favourable market conditions, the increase in our profitability has benefited from our successful land investment strategy and from improvements in margin.

### Land and planning

A key enabler of the growth of our business in recent years has been our land investment strategy. Since 2009 we have approved the investment of £5.3bn in land for new homes and this has boosted profit and led to increased completion volumes.

The land market remains attractive from an investment perspective and we continue to secure excellent opportunities that meet or exceed our minimum hurdle rates of 20% gross margin and 25% ROCE<sup>10</sup>. In the period, we approved the purchase of £558.7m (2014: £373.1m) of land, equating to 54 sites (2014: 53 sites) and 10,967 plots (2014: 7,242 plots). We expect to approve c. 18,000 plots for purchase in FY16.

We continue to target a regionally balanced land portfolio with a supply of owned land of c. 3.5 years and a further c. 1.0 year of controlled land. Our target is for a shorter than sector average land bank reflecting our focus on ROCE and a rapid asset turn. At 31 December 2015 we achieved this target with a 4.5 years land supply (excluding JVs) comprising 3.3 years owned land and 1.2 years controlled land, with the owned land bank including land with both outline and detailed planning consents.

<b>Our land bank</b>	<b>31 December 2015</b>	<b>31 December 2014</b>
Owned and unconditional land bank (plots)	52,007	50,444
Conditionally contracted land bank (plots)	19,949	18,503
<b>Owned and controlled land bank (plots)</b>	<b>71,956</b>	<b>68,947</b>
<b>Number of years' supply</b> based upon completions in the 12 months ended 31 December	<b>4.5 (excluding JVs)</b>	<b>4.6 (excluding JVs)</b>
JVs owned and controlled land bank (plots)	6,124	6,904
Strategic land (acres)	11,492	10,952
Potential delivery from strategic land (plots)	74,600	70,600
Land bank carrying value	£2,860.1m	£2,631.5m

The transformation of our land bank from older, lower margin land to more recently acquired higher margin land is well progressed. As at 31 December 2015, 92% (31 December 2014: 87%) of our owned and controlled land is higher margin, newer land. On the 181 sites that we have acquired and completed since 2009 we have achieved an average gross margin of c. 21%, and an average site ROCE of c. 39%, demonstrating sustained delivery above our hurdle rates on this more recently acquired land.

Whilst maintaining a first class operational land bank, we remain focused on securing a longer term land pipeline through the acquisition of strategic land options. In the half year 1,542 plots (2014: 2,179 plots) were transferred from strategic land to our owned land bank. 22% of our completions (2014: 16%) during the half year were on strategically sourced land, and we remain on track to deliver our target of c. 20% of completions to be delivered from strategic land in FY17.

Reflecting our success with planning over the past 12 months we are very well positioned, with 97% of expected FY17 completions (2014: 97% of FY16 completions) having outline or full planning consent.

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<sup>10</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.

### Improving efficiency and reducing costs

Improving the efficiency of our operations and controlling costs continues to be a high priority for the Group, as it will further enhance margin. We are focused relentlessly on improving efficiency through business simplification including further standardisation of our product range and through driving process efficiency across key aspects of our business, with wide-ranging reviews underway, for example in the areas of commercial, sales and marketing.

We have a robust and carefully managed supply chain with 90% of our house build materials sourced through our centralised procurement function. We have effectively sourced the raw materials required to underpin our controlled volume growth and the cost of all of our centrally procured materials is now fixed until the end of FY16.

Whilst we have seen an increase in the supply of skilled subcontractors over the past year, there remains an industry shortage in the UK, with increases in labour costs remaining the largest driver of overall build cost inflation. We are well placed with the necessary labour to meet our operational and quality requirements. We are also seeking to increase efficiency through the use of timber frame on around 6% of our plots during FY16 and through the use of alternative off-site manufacturing options, including closed panel roof solutions.

We continue to expect that overall build cost inflation for FY16 will be c. 3% to 4%.

### ***Maintaining an appropriate capital structure***

Net cash as at 31 December 2015 was £24.2m (31 December 2014: net debt £134.2m). The cash outflow from our net cash position of £186.5m as at 30 June 2015 reflects normal seasonal trends, ongoing costs of the Group's build programme, and the payment of £203.1m of dividends. We now expect that the Group will have net cash as at 30 June 2016 in excess of £250m following the disposal of the majority of our shared equity available for sale assets in February 2016 for a cash consideration of £82.9m.

The Group continues to maintain a balanced capital structure with land and long-term work in progress funded by shareholders' funds and land creditors. The selective use of land creditors improves ROCE and at 31 December 2015 represented 36% (2014: 35%) 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 around one-third at 30 June 2016.

### ***Dividend***

The Board is pleased to announce an interim dividend of 6.0 pence per share (2015: 4.8 pence per share). This dividend represents one-third of the expected dividend for the financial year, based upon the full year dividend being covered three times by current consensus earnings in line with our three times dividend cover policy. It will be paid on Friday 20 May 2016 to all shareholders on the register on Friday 29 April 2016.

Our 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 £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 £678m of cash through ordinary dividends and special cash payments to our shareholders over the two years to November 2017, which equates to a total of 67.8 pence per share.

<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>Proposed payment</b>				
Year to November 2016	180 <sup>B, C</sup>	125	305	30.5 <sup>C</sup>
Year to November 2017	198 <sup>B, C</sup>	175	373	37.3 <sup>C</sup>
<b>Total proposed payment</b>	<b>378<sup>B, C</sup></b>	<b>300</b>	<b>678</b>	<b>67.8<sup>C</sup></b>

A All final dividends and the special cash payment programme are subject to shareholder approval.

B Based on Reuters consensus estimates of earnings per share of 54.1p for FY16 and 59.5p for FY17 as at 19 February 2016 and applying a three times dividend cover in line with previously announced policy.

C Based upon 31 December 2015 share capital of 1,002,277,333 shares for proposed payments.

## **Our priorities**

We believe that a strongly performing business benefits from a focus on its wider priorities: Customer First, Great Places, Leading Construction and Investing in our People.

Each of these priorities has a work plan to drive improvements across the business and they are supported by a set of principles and financial discipline which underpins all of our operations.

### ***Customer First***

We place customers at the heart of our business by building outstanding homes and anticipating the changing needs of home buyers.

We are the only major national housebuilder to achieve the HBF 5 Star Customer Satisfaction rating for six consecutive years, with over 90% of customers being prepared to recommend us to a friend.

We are continuing to improve the quality and efficiency of the way in which we deal with customers through the sales process. During the period we have invested in our customer service systems to speed up and improve the efficiency of our service.

We worked with suppliers, customers and industry experts to produce the 'Future Home Report' to inform design direction in terms of customer trends and preferences. As well as carefully defining customer segments and their design preferences, our project with The Architects' Journal to select new house design features to meet these requirements concluded in the period.

### ***Great Places***

A key focus of the organisation continues to be building relationships with landowners to ensure that we can acquire the right land and then create outstanding places to live. Our objective is to be the partner of choice for landowners by demonstrating our ability to achieve planning permission and create value.

During the period we made significant progress in terms of securing the right operational land, continued to successfully deliver completions from public sector land, and increased investment in longer term strategic sites.

We are now using the Design Council/CABE Building for Life process extensively and are winning more design awards than any other major housebuilder. We have now achieved Building for Life awards on 31 sites.

### ***Leading Construction***

We continue to be focused on a 'right first time' approach as the most efficient way of operating across all aspects of our building processes with a continuous focus on improving build quality which will reduce remedial costs and improve customer satisfaction.

We are implementing a number of key initiatives in terms of increasing efficiency, for example we expect to build over a thousand timber frame homes in FY16.

Our site managers continue to lead the industry and in 2015 we won 81 NHBC Pride in the Job awards. This was the 11th year in succession that our site managers have won more of these awards than any other housebuilder.

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

The building and construction industry continues to face a shortage of skilled workers and attracting and retaining the best people is an important priority for the business. We aim to have a diverse workforce that reflects the communities in which we operate, delivering excellence for our customers and business by drawing on a broad range of talents, skills and experience.

We have continued with our graduate and apprentice programmes and our largest ever intake of future talent has started with the business. In addition, we are training 79 employees through our Foundation Degree Programme with Sheffield Hallam University.

We continue to support the wider industry focus on addressing the skills shortage.

### **Health and safety**

Increased activity levels across the industry in terms of site openings and production volumes combined with shortages of skilled staff has contributed to an increased risk of accidents on sites. However, in the twelve months to 31 December 2015 our reportable incident rate has reduced with 331 (2014: 428) reportable incidents per 100,000 employees. We remain focused on continuing to enhance health and safety performance across our business.

### **Post balance sheet event**

On 5 February 2015, we sold available for sale financial assets arising from equity share programmes for home buyers held on the balance sheet at a fair value of £85.4m for a cash consideration of £82.9m. These proceeds will be used to reduce borrowing levels in the first instance. This leaves the Group holding around £5.0m of available for sale financial assets at current fair values.

### **Board changes**

After eight years' service, Mark Rolfe has notified the Board of his intention to step down from his positions as a Non-Executive Director, Senior Independent Director and Chairman of the Audit Committee with effect from the conclusion of the Company's forthcoming Annual General Meeting in November 2016.

The Board is pleased to announce that it has agreed to appoint Jock Lennox as a Non-Executive Director with effect from 1 July 2016. Jock will also become a member of the Audit, Remuneration and Nomination Committees on the same date and will succeed Mark as the Chairman of the Audit Committee in November 2016.

Details of who will succeed Mark as the Senior Independent Director of the Company will be announced in due course.



## Current trading and outlook

The sales performance across the Group in the second half to date has been strong, with net private reservations per week of 260 (2015: 279), resulting in average net private reservations per active site per week of 0.71 (2015: 0.71).

Our total forward sales (including JVs) as at 21 February 2016 were up 13.4% on the strong prior year.

	21 February 2016		22 February 2015		Variance (£m)
	£m	Plots	£m	Plots	%
Private	1,564.1	5,169	1,377.5	5,239	13.5
Affordable	523.4	4,448	439.6	3,914	19.1
<b>Sub total</b>	<b>2,087.5</b>	<b>9,617</b>	<b>1,817.1</b>	<b>9,153</b>	<b>14.9</b>
JV	492.0	1,369	458.2	1,587	7.4
<b>Total</b>	<b>2,579.5</b>	<b>10,986</b>	<b>2,275.3</b>	<b>10,740</b>	<b>13.4</b>

We remain confident in our outlook for the full year as we continue to execute our strategies: aimed at ensuring disciplined growth, improving key financial metrics through a focus on efficiency and the continued delivery of attractive cash returns.

**David Thomas**  
Chief Executive  
23 February 2016

## 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 2015. A detailed explanation of the relevance to the Group's strategy and mitigation of the risks outlined below can be found on pages 40 to 45 of the Annual Report and Accounts for the year ended 30 June 2015, 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 but not limited to unemployment, flat or negative economic growth, buyer confidence, availability of mortgage finance particularly for higher loan to values including Government backed schemes, the ability of purchasers to repay equity share loans, interest rates, competitor pricing, 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 and strategic land options 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 or increased costs, reputational damage, criminal prosecution and civil litigation.

### *Information technology ('IT')*

Failure of the Group's IT systems, (whether due to cyber attacks or other causes) in particular those relating to surveying and valuation, could adversely impact the performance of the Group.

*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 2015 on pages 142 to 146.

Details of contingent liabilities including litigation are provided in note 16 of the condensed consolidated half yearly financial statements.

**Condensed consolidated income statement**  
for the half year ended 31 December 2015 (unaudited)

		Half year ended 31 December 2015	Half year ended 31 December 2014	Year ended 30 June 2015 (audited)
	Note	£m	£m	£m
<b>Continuing operations</b>				
Revenue	4	1,875.5	1,576.3	3,759.5
Cost of sales		(1,527.1)	(1,301.6)	(3,045.2)
<b>Gross profit</b>		<b>348.4</b>	<b>274.7</b>	<b>714.3</b>
Administrative expenses		(46.6)	(50.6)	(137.5)
<b>Profit from operations</b>	4	<b>301.8</b>	<b>224.1</b>	<b>576.8</b>
Finance income	5	3.3	4.1	7.6
Finance costs	5	(33.1)	(33.8)	(64.6)
Net finance costs	5	(29.8)	(29.7)	(57.0)
Share of post-tax profit from joint ventures		22.9	15.6	45.4
Share of post-tax profit from associates		0.1	0.2	0.3
<b>Profit before tax</b>		<b>295.0</b>	<b>210.2</b>	<b>565.5</b>
Tax	6	(56.1)	(42.9)	(115.2)
<b>Profit for the period from continuing operations</b>		<b>238.9</b>	<b>167.3</b>	<b>450.3</b>
<b>Profit for the period attributable to:</b>				
Equity shareholders		238.6	167.0	449.4
Non-controlling interests		0.3	0.3	0.9
<b>Earnings per share from continuing operations</b>				
Basic	8	23.9p	17.0p	45.5p
Diluted	8	23.6p	16.6p	44.6p

Notes 1 to 19 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 2015 (unaudited)

		Half year ended 31 December 2015	Half year ended 31 December 2014	Year ended 30 June 2015 (audited)
	Note	£m	£m	£m
<b>Profit for the period</b>		<b>238.9</b>	167.3	450.3
<b>Other comprehensive income/(expense):</b>				
<b>Items that will not be reclassified to profit or loss</b>				
Actuarial gains/(losses) on defined benefit pension schemes		7.5	(3.2)	(11.5)
Fair value adjustment on available for sale financial assets	10	0.5	0.9	5.1
Tax (charge)/credit relating to items not reclassified		(1.6)	0.5	1.3
<b>Total items that will not be reclassified to profit or loss</b>		<b>6.4</b>	(1.8)	(5.1)
<b>Items that may be reclassified subsequently to profit or loss</b>				
Amounts deferred in respect of effective cash flow hedges		2.3	(0.2)	(0.5)
Amounts reclassified to the income statement in respect of hedged cash flows	5	0.2	(0.9)	2.9
Tax (charge)/credit relating to items that may be reclassified		(0.7)	0.2	(0.5)
<b>Total items that may be reclassified subsequently to profit or loss</b>		<b>1.8</b>	(0.9)	1.9
<b>Total comprehensive income recognised for the period</b>		<b>247.1</b>	164.6	447.1
<b>Total comprehensive income attributable to:</b>				
<b>Equity shareholders</b>		<b>246.8</b>	164.3	446.2
<b>Non-controlling interests</b>		<b>0.3</b>	0.3	0.9
		<b>247.1</b>	164.6	447.1

Notes 1 to 19 form an integral part of the condensed consolidated half yearly financial statements.

## Condensed consolidated statement of changes in shareholders' equity at 31 December 2015 (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 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 income/(expense) 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
Profit for the period	-	-	-	-	-	-	282.4	282.4	0.6	283.0
Amounts deferred in respect of effective cash flow hedges	-	-	-	(0.3)	-	-	-	-	-	(0.3)
Amounts reclassified to the income statement in respect of hedged cash flows	-	-	-	3.8	-	-	-	-	-	3.8
Fair value adjustments on available for sale financial assets	-	-	-	-	-	-	4.2	4.2	-	4.2
Actuarial losses on pension scheme	-	-	-	-	-	-	(8.3)	(8.3)	-	(8.3)
Tax on items taken directly to equity	-	-	-	(0.7)	-	-	0.8	0.8	-	0.1
<b>Total comprehensive income recognised for the period ended 30 June 2015</b>	-	-	-	2.8	-	-	279.1	279.1	0.6	282.5
Dividend payments	-	-	-	-	-	-	(47.5)	(47.5)	-	(47.5)
Share-based payments	-	-	-	-	-	6.3	-	6.3	-	6.3
Issue of shares	0.3	3.9	-	-	-	-	-	-	-	4.2
Disposal of own shares	-	-	-	-	0.2	-	-	0.2	-	0.2
Tax on share-based payments	-	-	-	-	-	2.2	4.0	6.2	-	6.2
<b>Balance at 30 June 2015</b>	99.5	219.1	1,109.0	(13.7)	(2.7)	34.0	2,257.2	2,288.5	8.9	3,711.3
Profit for the period	-	-	-	-	-	-	238.6	238.6	0.3	238.9
Amounts deferred in respect of effective cash flow hedges	-	-	-	2.3	-	-	-	-	-	2.3
Amounts reclassified to the income statement in respect of hedged cash flows	-	-	-	0.2	-	-	-	-	-	0.2
Fair value adjustments on available for sale financial assets	-	-	-	-	-	-	0.5	0.5	-	0.5
Actuarial gains on pension scheme	-	-	-	-	-	-	7.5	7.5	-	7.5
Tax on items taken directly to equity	-	-	-	(0.7)	-	-	(1.6)	(1.6)	-	(2.3)
<b>Total comprehensive income recognised for the period ended 31 December 2015</b>	-	-	-	1.8	-	-	245.0	245.0	0.3	247.1
Dividend payments	-	-	-	-	-	-	(103.1)	(103.1)	-	(103.1)
Special Cash payments	-	-	-	-	-	-	(100.0)	(100.0)	-	(100.0)
Share-based payments	-	-	-	-	-	6.2	-	6.2	-	6.2
Issue of shares	0.7	1.0	-	-	-	-	(0.6)	(0.6)	-	1.1
Net purchase of own shares	-	-	-	-	(0.9)	-	-	(0.9)	-	(0.9)
Transfer of share-based payment charge for exercised/lapsed options	-	-	-	-	-	(10.7)	10.7	-	-	-
Tax on share-based payments	-	-	-	-	-	(4.7)	6.7	2.0	-	2.0
<b>Balance at 31 December 2015</b>	100.2	220.1	1,109.0	(11.9)	(3.6)	24.8	2,315.9	2,337.1	9.2	3,763.7

Notes 1 to 19 form an integral part of the condensed consolidated half yearly financial statements.

## Condensed consolidated balance sheet at 31 December 2015 (unaudited)

		31 December 2015	31 December 2014	30 June 2015 (audited)
	Note	£m	£m	£m
<b>Assets</b>				
<b>Non-current assets</b>				
Other intangible assets		100.0	100.0	100.0
Goodwill		792.2	792.2	792.2
Property, plant and equipment		10.0	7.3	8.2
Investments accounted for using the equity method	9	223.3	213.7	200.0
Retirement benefit assets		19.6	6.8	5.3
Available for sale financial assets	10	3.0	106.8	96.8
Trade and other receivables		2.4	5.1	3.3
Deferred tax assets	6	-	9.3	-
Derivative financial instruments – swaps		5.5	2.5	2.3
		<b>1,156.0</b>	<b>1,243.7</b>	<b>1,208.1</b>
<b>Current assets</b>				
Inventories	11	4,355.0	3,999.2	4,173.6
Available for sale financial assets	10	89.3	10.1	10.2
Trade and other receivables		95.2	87.2	158.8
Cash and cash equivalents	12	195.6	41.6	360.4
		<b>4,735.1</b>	<b>4,138.1</b>	<b>4,703.0</b>
<b>Total assets</b>		<b>5,891.1</b>	<b>5,381.8</b>	<b>5,911.1</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Loans and borrowings	12	(170.0)	(168.7)	(163.3)
Trade and other payables		(634.7)	(495.6)	(605.9)
Deferred tax liabilities	6	(6.6)	-	(1.2)
Derivative financial instruments – swaps		(14.3)	(6.1)	(17.0)
		<b>(825.6)</b>	<b>(670.4)</b>	<b>(787.4)</b>
<b>Current liabilities</b>				
Loans and borrowings	12	(7.4)	(10.1)	(13.2)
Trade and other payables		(1,241.2)	(1,195.8)	(1,349.8)
Derivative financial instruments – swaps		-	(14.2)	-
Current tax liabilities		(53.2)	(31.9)	(49.4)
		<b>(1,301.8)</b>	<b>(1,252.0)</b>	<b>(1,412.4)</b>
<b>Total liabilities</b>		<b>(2,127.4)</b>	<b>(1,922.4)</b>	<b>(2,199.8)</b>
<b>Net assets</b>		<b>3,763.7</b>	<b>3,459.4</b>	<b>3,711.3</b>
<b>Equity</b>				
Share capital	14	100.2	99.2	99.5
Share premium		220.1	215.2	219.1
Merger reserve		1,109.0	1,109.0	1,109.0
Hedging reserve		(11.9)	(16.5)	(13.7)
Retained earnings		2,337.1	2,044.2	2,288.5
<b>Equity attributable to the owners of the Company</b>		<b>3,754.5</b>	<b>3,451.1</b>	<b>3,702.4</b>
<b>Non-controlling interests</b>		<b>9.2</b>	<b>8.3</b>	<b>8.9</b>
<b>Total equity</b>		<b>3,763.7</b>	<b>3,459.4</b>	<b>3,711.3</b>

Notes 1 to 19 form an integral part of the condensed consolidated half yearly financial statements.

**Condensed consolidated cash flow statement**  
for the half year ended 31 December 2015 (unaudited)

	Note	Half year ended 31 December 2015 £m	Half year ended 31 December 2014 £m	Year ended 30 June 2015 (audited) £m
<b>Net cash inflow/(outflow) from operating activities</b>	15	<b>43.2</b>	(138.3)	184.0
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment		(3.6)	(2.6)	(5.4)
(Increase)/decrease in investments accounted for using the equity method		(18.6)	(10.3)	18.3
Dividends received from investments accounted for using the equity method		18.3	12.0	27.0
Interest received		1.3	1.4	2.3
<b>Net cash (outflow)/inflow from investing activities</b>		<b>(2.6)</b>	0.5	42.2
<b>Cash flows from financing activities</b>				
Dividends paid	7	(103.1)	(70.2)	(117.7)
Special dividend paid	7	(100.0)	-	-
Net (purchase)/disposal of own shares		(0.9)	0.3	0.5
Proceeds from issue of share capital		1.1	0.4	4.6
Loan repayments and other movements in borrowings		(2.5)	(25.8)	(27.9)
<b>Net cash outflow from financing activities</b>		<b>(205.4)</b>	(95.3)	(140.5)
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(164.8)</b>	(233.1)	85.7
Cash and cash equivalents at the beginning of the period		360.4	274.7	274.7
<b>Cash and cash equivalents at the end of the period</b>		<b>195.6</b>	41.6	360.4

Notes 1 to 19 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 2015 (unaudited)**

#### **1. Cautionary statement**

The 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 2015 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 2015, 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 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 42 to 45 and on pages 142 to 146 of the Group's Annual Report and Accounts for the year ended 30 June 2015, 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. In forming their conclusion, the Directors have considered all currently available information about the potential future outcomes of events and changes in conditions that are reasonably possible at the time of making this statement. In doing this we have concluded that no material uncertainties exist.

The Group has total committed facilities and private placement notes of £848.3m. The maturity of these facilities range from August 2017 to July 2021, with £150.0m of the revolving credit facility maturing in December 2017 and £550.0m of the revolving credit facility maturing in December 2019. The committed facilities and private placement notes provide sufficient headroom above our current forecast debt requirements. In addition to these committed borrowing facilities the Group has secured £28.0m of financing from the Government's 'Get Britain Building' and 'Growing Places Fund' schemes. These funds are repayable between 31 March 2016 and 31 March 2018. Further committed loan facilities of £4.5m are available under agreements with local government which are due to be repaid between March 2018 and March 2020.

Accordingly, after making enquiries and having considered forecasts and appropriate sensitivities, the Directors have formed a judgement, at the time of approving the condensed consolidated half yearly financial statements, that it is appropriate to adopt the going concern basis of accounting 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 2015.

### 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 2015 and later periods are disclosed on page 118 of the Annual Report and Accounts for the year ended 30 June 2015. 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, Great Britain, no geographical segmentation is provided.

	Half year ended 31 December 2015		Half year ended 31 December 2014		Year ended 30 June 2015 (audited)	
	£m	£m	£m	£m	£m	£m
<b>Income statement</b>						
<b>Revenue</b>						
Housebuilding	1,824.8		1,563.8		3,702.3	
Commercial development	50.7		12.5		57.2	
		<u>1,875.5</u>		<u>1,576.3</u>		<u>3,759.5</u>
<b>Profit from operations</b>						
Housebuilding	296.3		222.5		570.7	
Commercial development	5.5		1.6		6.1	
		<u>301.8</u>		<u>224.1</u>		<u>576.8</u>
<b>Profit from operations including share of post-tax profit/(loss) from joint ventures and associates</b>						
Housebuilding	319.5		238.4		616.6	
Commercial development	5.3		1.5		5.9	
		<u>324.8</u>		<u>239.9</u>		<u>622.5</u>
<b>Finance income</b>		3.3		4.1		7.6
<b>Finance costs</b>		(33.1)		(33.8)		(64.6)
<b>Profit before tax</b>		295.0		210.2		565.5
<b>Tax</b>		(56.1)		(42.9)		(115.2)
<b>Profit for the period from continuing operations</b>		<u>238.9</u>		<u>167.3</u>		<u>450.3</u>
<b>Profit for the period attributable to:</b>						
<b>Equity shareholders</b>		238.6		167.0		449.4
<b>Non-controlling interests</b>		0.3		0.3		0.9

Profit from operations includes £0.2m (31 December 2014: £0.3m; 30 June 2015: £0.9m) relating to forfeited deposits and £19.8m (31 December 2014: £16.1m; 30 June 2015 £34.7m) of other income.

#### 4. Segmental analysis (continued)

	31 December 2015		31 December 2014		30 June 2015 (audited)	
	£m	£m	£m	£m	£m	£m
<b>Balance sheet</b>						
<b>Segment assets</b>						
Housebuilding	5,698.2		5,314.1		5,511.5	
Commercial development	37.2		51.9		50.1	
		<u>5,735.4</u>		<u>5,366.0</u>		<u>5,561.6</u>
Elimination of intercompany balances		(39.9)		(35.1)		(10.9)
<b>Total segmental assets</b>		<u>5,695.5</u>		<u>5,330.9</u>		<u>5,550.7</u>
Deferred tax assets		-		9.3		-
Cash and cash equivalents		195.6		41.6		360.4
<b>Consolidated total assets</b>		<u>5,891.1</u>		<u>5,381.8</u>		<u>5,911.1</u>
<b>Segment liabilities</b>						
Housebuilding	(1,854.4)		(1,702.1)		(1,916.2)	
Commercial development	(75.7)		(44.7)		(67.4)	
		<u>(1,930.1)</u>		<u>(1,746.8)</u>		<u>(1,983.6)</u>
Elimination of intercompany balances		39.9		35.1		10.9
<b>Total segmental liabilities</b>		<u>(1,890.2)</u>		<u>(1,711.7)</u>		<u>(1,972.7)</u>
Loans and borrowings		(177.4)		(178.8)		(176.5)
Deferred tax liabilities		(6.6)		-		(1.2)
Current tax liabilities		(53.2)		(31.9)		(49.4)
<b>Consolidated total liabilities</b>		<u>(2,127.4)</u>		<u>(1,922.4)</u>		<u>(2,199.8)</u>

## 5. Net finance costs

	Half year ended 31 December 2015	Half year ended 31 December 2014	Year ended 30 June 2015 (audited)
Recognised in income statement	£m	£m	£m
Finance income on short-term bank deposits	(0.2)	(0.1)	(0.1)
Imputed interest on available for sale financial assets	(1.8)	(2.5)	(4.6)
Interest related to employee benefits	(0.2)	(0.2)	(0.4)
Other interest receivable	(1.1)	(1.3)	(2.5)
<b>Finance income</b>	<b>(3.3)</b>	<b>(4.1)</b>	<b>(7.6)</b>
Interest on bank overdrafts and loans	6.8	9.6	19.1
Imputed interest on deferred term payables	18.7	17.2	31.6
Amounts reclassified to the income statement in respect of hedged cash flows	0.2	(0.9)	2.9
Foreign exchange loss on US Dollar debt	3.4	4.5	4.1
Amortisation of facility fees	1.5	1.6	3.0
Other interest payable	2.5	1.8	3.9
<b>Finance costs</b>	<b>33.1</b>	<b>33.8</b>	<b>64.6</b>
<b>Net finance costs</b>	<b>29.8</b>	<b>29.7</b>	<b>57.0</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 2015	Half year ended 31 December 2014	Year ended 30 June 2015 (audited)
Effective rate of corporation tax for the period	19.0%	20.4%	20.4%
Effective rate of corporation tax for the period excluding the impact of rate changes and prior year adjustments	19.7%	20.4%	20.5%

As at 31 December 2015 the Group recognised a deferred tax liability of £6.6m (31 December 2014: £9.3m asset; 30 June 2015: £1.2m liability).

## 7. Dividends

	Half year ended 31 December 2015	Half year ended 31 December 2014	Year ended 30 June 2015 (audited)
	£m	£m	£m
<b>Amounts recognised as distributions to equity holders in the period</b>			
Special dividend for the year ended 30 June 2015	100.0	-	-
Final dividend for the year ended 30 June 2015	103.1	-	-
Interim dividend for the year ended 30 June 2015	-	-	47.5
Final dividend for the year ended 30 June 2014	-	70.2	70.2
<b>Total distributions to equity holders in the period</b>	<b>203.1</b>	<b>70.2</b>	<b>117.7</b>
Interim dividend for the year ended 30 June 2016	<b>60.1</b>		

The interim dividend of 6.0 pence per share was approved by the Board on 23 February 2016 and has not been included as a liability as at 31 December 2015.

## 8. Earnings per share

Basic earnings per share is calculated by dividing the profit for the half year attributable to ordinary shareholders of £238.6m (31 December 2014: £167.0m; 30 June 2015: £449.4m) 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 996.3m (31 December 2014: 984.3m; 30 June 2015: 987.2m) shares.

Diluted earnings per share is calculated by dividing the profit for the half year attributable to ordinary shareholders of £238.6m (31 December 2014: £167.0m; 30 June 2015: £449.4m) 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 1,012.3m (31 December 2014: 1,008.1m; 30 June 2015: 1,008.4m) shares.

The earnings per share from continuing operations were as follows:

	Half year ended 31 December 2015	Half year ended 31 December 2014	Year ended 30 June 2015 (audited)
	pence	pence	pence
Basic earnings per share	23.9	17.0	45.5
Diluted earnings per share	23.6	16.6	44.6

## 9. Investments accounted for using the equity method

On 23 December 2015 the Group entered into a joint venture, 51 College Road LLP, with Hyde Vale Limited to develop a site in Harrow on the Hill, London.

## 10. Available for sale financial assets

	31 December 2015	31 December 2014	30 June 2015 (audited)
	£m	£m	£m
Opening balance 1 July	107.0	122.4	122.4
Additions	0.5	0.2	1.2
Disposals	(14.3)	(11.9)	(29.6)
Imputed interest	1.8	2.5	4.6
Other provision movements	(3.2)	2.8	3.3
Fair value adjustment taken through other comprehensive income	0.5	0.9	5.1
	<b>92.3</b>	<b>116.9</b>	<b>107.0</b>
<b>Analysed as:</b>			
Amounts due within 1 year	89.3	10.1	10.2
Amounts due after more than 1 year	3.0	106.8	96.8
	<b>92.3</b>	<b>116.9</b>	<b>107.0</b>

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 valued as explained in note 13.

The average discount rate used for the period ended 31 December 2015 was 7.5% (31 December 2014: 8.0%; 30 June 2015: 7.5%).

Further disclosures relating to available for sale financial assets are set out in note 18.

## 11. Inventories

	31 December 2015	31 December 2014	30 June 2015 (audited)
	£m	£m	£m
Land held for development	2,860.1	2,631.5	2,826.1
Construction work in progress	1,448.8	1,319.9	1,287.4
Part exchange properties and other inventories	46.1	47.8	60.1
	<b>4,355.0</b>	<b>3,999.2</b>	<b>4,173.6</b>

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 achievement of planning permissions.

During the half year, the Group conducted a review of the net realisable value of specific sites identified as at high risk of impairment. Due to performance variations and changes to viability on individual sites, there were gross impairment charges of £2.7m and gross impairment reversals of £1.8m resulting in a net impairment charge of £0.9m (31 December 2014: £7.6m, 30 June 2015: £11.7m) included within profit from operations.

The value of inventories expensed in the half year ended 31 December 2015 and included in cost of sales was £1,430.2m (31 December 2014: £1,225.3m; 30 June 2015: £2,903.5m).

## 12. Loans and borrowings

### a) Net cash/(debt)

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

	<b>31 December 2015</b>	31 December 2014	30 June 2015 (audited)
	<b>£m</b>	£m	£m
<b>Cash and cash equivalents</b>	<b>195.6</b>	41.6	360.4
<b>Non-current borrowings</b>			
Term loans	<b>(89.5)</b>	(89.3)	(88.2)
Government loans	<b>(26.6)</b>	(28.7)	(24.7)
Private placement notes	<b>(53.9)</b>	(50.7)	(50.4)
<b>Total non-current borrowings</b>	<b>(170.0)</b>	(168.7)	(163.3)
<b>Current borrowings</b>			
Bank overdrafts	<b>(1.5)</b>	(0.8)	-
Government loans	<b>(5.9)</b>	(9.3)	(13.2)
<b>Total current borrowings</b>	<b>(7.4)</b>	(10.1)	(13.2)
<b>Total borrowings</b>	<b>(177.4)</b>	(178.8)	(176.5)
<b>Derivative financial instruments</b>			
Foreign exchange swaps	<b>6.0</b>	3.0	2.6
<b>Net cash/(debt)</b>	<b>24.2</b>	(134.2)	186.5

Included within non-current borrowings are prepaid facility arrangement fees of £10.9m (31 December 2014: £11.4m; 30 June 2015: £12.3m). The Group includes foreign exchange swaps within net cash/(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 cash/(debt) note. The Group's derivative financial instruments at the period end are shown below:

	<b>31 December 2015</b>	31 December 2014	30 June 2015 (audited)
	<b>£m</b>	£m	£m
Foreign exchange swap – exchange rate element	<b>6.0</b>	3.0	2.6
Foreign exchange swap – interest rate element	<b>(0.5)</b>	(0.5)	(0.3)
	<b>5.5</b>	2.5	2.3
Interest rate swaps	<b>(14.3)</b>	(20.3)	(17.0)
<b>Net derivative financial instruments</b>	<b>(8.8)</b>	(17.8)	(14.7)

## 12. Loans and borrowings (continued)

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

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

	Half year ended 31 December 2015	Half year ended 31 December 2014	Year ended 30 June 2015 (audited)
	£m	£m	£m
Net (decrease)/increase in cash and cash equivalents	(164.8)	(233.1)	85.7
Net loan repayments	0.5	22.4	23.7
Foreign exchange loss	3.4	4.5	4.1
Other fees related to amendment of financing arrangements	(1.4)	(1.1)	(0.1)
Movement in net cash/(debt) in the period	(162.3)	(207.3)	113.4
Opening net cash	186.5	73.1	73.1
<b>Closing net cash/(debt)</b>	<b>24.2</b>	<b>(134.2)</b>	<b>186.5</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 2015	Half year ended 31 December 2014	Year ended 30 June 2015 (audited)
	%	%	%
Bank loans excluding swap interest	2.1	2.8	2.4
Net swaps payment	5.2	5.2	5.1
Government loans	2.2	2.0	2.4
Term loans	4.7	5.0	4.9
Private placement notes	8.1	8.1	8.1



### 13. 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 2015 using:	
	2015 £m	Level 2 £m	Level 3 £m
<b>Financial assets:</b>			
Non-current available for sale financial assets	3.0	-	3.0
Current available for sale financial assets	89.3	-	89.3
Derivative financial instruments	5.5	5.5	-
<b>Total</b>	<b>97.8</b>	<b>5.5</b>	<b>92.3</b>
<b>Financial liabilities:</b>			
Non-current derivative financial instruments	14.3	14.3	-
<b>Total</b>	<b>14.3</b>	<b>14.3</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 as at 31 December 2015 have been calculated as follows:
  - a) For the portfolio disposed in February 2016 as set out in note 18 the valuation was based upon the price expected to be achieved at disposal.
  - b) The fair value of the remaining portfolio has been 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 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 2015, 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 £4.8m 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.

### 13. 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 2015 £m	Half year ended 31 December 2014 £m	Year ended 30 June 2015 (audited) £m	Half year ended 31 December 2015 £m	Half year ended 31 December 2014 £m	Year ended 30 June 2015 (audited) £m
<b>Financial liabilities</b>						
Trade and other payables	1,664.7	1,517.1	1,707.8	1,687.1	1,519.9	1,717.9
Loans and borrowings	177.4	178.0	176.5	178.8	178.0	178.4

### 14. Share capital

	31 December 2015 Number	31 December 2014 Number	30 June 2015 (audited) Number
Allotted and issued ordinary shares of 10p each – fully paid	1,002,277,333	991,943,159	995,452,663
	£m	£m	£m
Allotted and issued ordinary shares of 10p each – fully paid	100.2	99.2	99.5

During the half year, 1,228,542 (31 December 2014: 2,176,347; 30 June 2015: 2,176,347) awards over the Company's shares were granted under the Company's Executive Long-Term Performance Plan, 305,468 (31 December 2014: 813,663; 30 June 2015: 813,663) awards over the Company's shares were granted under the Company's Co-Investment Plan and awards of 652,320 (31 December 2014: 639,148; 30 June 2015: 639,148) were granted over the Company's shares under the Senior Management Incentive Scheme. In addition, Neil Cooper was awarded options to acquire 121,880 (31 December 2014: nil; 30 June 2015: nil) ordinary shares in the Company at an exercise price of 10p per share. These have been structured to, amongst other things, replace those awards Mr Cooper has left behind at his previous employer and are in accordance with the Company's remuneration policy.

#### Allotment of shares during the period

During the half year, a total of 693,820 shares (31 December 2014: 315,521; 30 June 2015: 3,622,372) were issued to satisfy all exercises on maturity of the 2012 3 year grants of the Savings-Related Share Option Scheme ('SRSOS') (31 December 2013 and 30 June 2015: 2011 and 2012 grants of the SRSOS schemes) and 4,620,159 shares (31 December 2014: 6,590,688; 30 June 2015: 6,590,688) were issued to satisfy all exercises under the 2012 Long-Term Performance Plan (31 December 2013 and 30 June 2015: 2011 Long-Term Performance Plan). 1,457,188 (31 December 2014: nil; 30 June 2015: nil) shares were issued to satisfy all exercises under the Co-Investment Plan.

During the half year to 31 December 2015, 53,503 shares (31 December 2014: 53,475; 30 June 2015: 218,051) were issued to satisfy early exercises under the 2012, 2013, 2014 and 2015 grants of the SRSOS scheme.

#### Employee Benefit Trust

The Barratt Developments PLC Employee Benefit Trust (the 'EBT') holds 1,486,849 (31 December 2014: 2,676,422; 30 June 2015: 1,860,071) ordinary shares in the Company. During the half year the EBT disposed of 373,222 shares in settlement of exercises under the Senior Management Incentive Scheme and the Senior Management Share Option Plan. The market value of the shares held by the EBT at 31 December 2015 at 626.0 pence per share (31 December 2014: 471.0 pence per share; 30 June 2015: 614.5 pence per share) was £9,307,675 (31 December 2014: £12,605,948; 30 June 2015: £11,430,136). 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.

# 15. Cash flows from operating activities

	Half year ended 31 December 2015	Half year ended 31 December 2014	Year ended 30 June 2015 (audited)
	£m	£m	£m
Profit for the period from continuing operations	238.9	167.3	450.3
Tax	56.1	42.9	115.2
Finance income	(3.3)	(4.1)	(7.6)
Finance costs	33.1	33.8	64.6
Share of post-tax profit from joint ventures	(22.9)	(15.6)	(45.4)
Share of post-tax profit from associates	(0.1)	(0.2)	(0.3)
<b>Profit from operations</b>	<b>301.8</b>	<b>224.1</b>	<b>576.8</b>
Depreciation	1.8	1.4	3.3
Impairment of inventories	0.9	7.6	11.7
Impairment/(reversal of impairment) of available for sale financial assets	3.0	(2.8)	(1.4)
Share-based payments charge	6.2	5.3	11.6
Imputed interest on deferred term payables	(18.7)	(17.2)	(31.6)
Imputed interest on available for sale financial assets	1.8	2.5	4.6
Amortisation of facility fees	(1.5)	(1.6)	(3.0)
Finance income related to employee benefits	0.2	0.2	0.4
<b>Total non-cash items</b>	<b>(6.3)</b>	<b>(4.6)</b>	<b>(4.4)</b>
Increase in inventories	(182.3)	(498.2)	(676.7)
Decrease/(increase) in trade and other receivables	58.2	18.8	(57.5)
(Decrease)/increase in trade and other payables	(83.2)	128.4	394.7
Decrease in available for sale financial assets	12.2	9.2	21.9
<b>Total movements in working capital</b>	<b>(195.1)</b>	<b>(341.8)</b>	<b>(317.6)</b>
<b>Interest paid</b>	<b>(10.0)</b>	<b>(11.3)</b>	<b>(28.1)</b>
<b>Tax paid</b>	<b>(47.2)</b>	<b>(4.7)</b>	<b>(42.7)</b>
<b>Net cash inflow/(outflow) from operating activities</b>	<b>43.2</b>	<b>(138.3)</b>	<b>184.0</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.

## **16. 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 £601.1m (31 December 2014: £607.0m; 30 June 2015: £588.6m), 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 £56.7m (31 December 2014: £41.0m; 30 June 2015: £39.8m). The Group has also provided principal guarantees of £9.0m (31 December 2014: £12.0m; 30 June 2015: £12.0m), and cost and interest overrun guarantees in relation to the borrowings of a number of the Group's London joint ventures. At 31 December 2015, no cost or interest overruns had been incurred. The Group's maximum exposure under these cost and interest overrun guarantees is estimated at £17.7m as at 31 December 2015.

At 31 December 2015, the Group has an obligation to repay £0.9m (31 December 2014: £0.9m; 30 June 2015: £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.

## **17. Related party transactions**

Related party transactions for the period to 31 December 2015 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 £7.2m (31 December 2014: £5.5m; 30 June 2015: £11.1m) and £0.7m (31 December 2014: £1.1m; 30 June 2015: £2.2m) 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.

The total amount of LLP capital, outstanding loans and interest due to the Group from its joint ventures at 31 December 2015 was £189.7m (31 December 2014: £201.8m; 30 June 2015: £168.7m). The amounts outstanding are unsecured and will be settled in cash. In addition loans of £9.2m (31 December 2014: £nil; 30 June 2015: £nil) were owed by the Group to its joint ventures.

There was £0.9m outstanding to the Group from its joint ventures at 31 December 2015 (31 December 2014: £nil; 30 June 2015: £6.9m).

The Group's contingent liabilities relating to its joint ventures are disclosed in note 16.

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

There were no outstanding loans due to the Group from its associates at 31 December 2015 or during either comparative period. Other amounts due to the Group from its associates amounted to £0.6m (31 December 2014: £nil; 30 June 2015: £nil). The Group's contingent liabilities relating to its associates are disclosed in note 16.

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

### **c) Transactions between the Group and its Directors**

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.

Other than as described below transactions between the Group and key management personnel in the first half of the year ending 30 June 2016 were limited to those relating to remuneration, previously disclosed as part of the Director's Remuneration report within the Group's Annual Report and Accounts for 30 June 2015 and as outlined in note 14 above. Options granted to senior management are disclosed in aggregate in note 14. There have been no other material changes to the arrangements between the Group and key management personnel.

### **d) Property purchases by related parties**

During the year ended 30 June 2015, 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, at the time 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, 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.

On notification by Mark Clare of the above transaction, the Board sought advice from its legal advisers and corporate brokers in respect of the application of Chapter 11 of the Listing Rules and section 190 of the Companies Act 2006. Chapter 11 and section 190 does not extend to LLPs and consequently no shareholder approval was required for this transaction.

## **18. Post balance sheet event**

On the 5 February 2016, the Group disposed of the majority of its available for sale financial assets to funds managed by PMM Advisers for cash of £82.9m, the fair value of these assets at disposal was £85.4m generating a loss on disposal of £2.5m.

## **19. 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  
D F Thomas, Chief Executive  
N Cooper, Chief Financial Officer (appointed 23 November 2015)  
S J Boyes, Deputy Chief Executive  
M S Clare, Executive Director (resigned 31 July 2015)  
M E Rolfe, Senior Independent Director  
R J Akers, Non-Executive Director  
T E Bamford, Non-Executive Director  
N Bibby, Non-Executive Director

The Half Yearly Financial Report was approved by the Board on 23 February 2016.

D F Thomas  
**Chief Executive**

N Cooper  
**Chief Financial Officer**

## **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 2015 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 19. 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 2015 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  
23 February 2016