



25 February 2009

BARRATT DEVELOPMENTS PLC
Results for the 6 months ended 31 December 2008

Highlights:

- Completions for the half year were ahead of expectations at 6,905 (2007: 9,056), a decrease of 23.8%. Group revenue decreased by 23.7% to £1,261.8m (2007: £1,652.8m).
- The average selling price decreased by 9.7% to £160,700 (2007: £178,000), reflecting a significant increase in the level of discounting, particularly in the last quarter, but also changes in site and product mix. On an underlying basis, excluding the effect of product mix changes, average selling prices have decreased by approximately 27% since June 2007.
- The operating margin before exceptional costs decreased to 1.3% (2007: 16.6%). Operating profit before exceptional costs was £16.6m (2007: £274.9m). Exceptional costs totalled £512.4m and comprised £494.9m impairment of inventories and restructuring costs of £17.5m (2007: £7.2m).
- The Group made a loss before tax and exceptional costs of £80.0m (2007: £201.8m profit), and a loss before tax after exceptional costs of £592.4m (2007: £194.6m profit).
- Adjusted basic loss per share before exceptional costs was 15.6 pence (2007: 40.2 pence earnings). Basic loss per share was 123.0 pence (2007: 38.8 pence earnings).
- Net debt has reduced by £315.7m since 31 December 2007 and £227.8m since 30 June 2008 to £1,422.8m (2007: £1,738.5m). The Group continues to operate within its banking facilities and debt covenants and has repaid, ahead of schedule, the £200m term loan facility due in April 2009.
- Forward sales at 31 December 2008 were £456m (2007: £1,263m) representing 3,529 plots (2007: 7,498 plots). As at 15 February 2009 forward sales had increased to £633m, which taken with completions to date, means that we have secured around 80% of our full year requirement.
- For the last 6 weeks we have delivered 0.47 private sales per site per week up 20.5% on the first half of the financial year and visitor levels at 1.99 per site per week are currently up 24.4% on the first half. These sales are being achieved at or above our new pricing levels.
- We continue to make good progress in our cost reduction programmes and have identified additional build cost and overhead savings of c.£80m per annum which we will realise in the next financial year.

Mark Clare, Group Chief Executive of Barratt Developments commented:

“This remains an intensely difficult market with little forward visibility. During the last six months we have driven sales, removed costs and cut our debt levels. We’ve reduced our prices and we’re now seeing some signs of increased activity levels in terms of visitor numbers and sales. However, there will be no recovery in the housing market until the availability of mortgage finance improves. So, we are continuing to offer customers every possible assistance to move house, ranging from shared equity products to part exchange on their current home.”

A financial analysts' presentation will be broadcast live on the Barratt Developments corporate website, www.barrattdevelopments.co.uk, from 9.30am today. A playback facility will be available shortly after the presentation has finished.

The financial analysts' presentation slides will be available on the Barratt Developments corporate website, www.barrattdevelopments.co.uk, this morning together with photographic images of Bob Lawson, Mark Clare and a selection of Barratt developments.

Further copies of the announcement can be obtained from the Company Secretary's office at:
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Group Chief Executive's statement

Results

Conditions in the UK housing market during the six-month period became intensely difficult as a result of a sharp contraction in mortgage availability, deterioration of economic conditions and falling confidence levels. The combined impact of these pressures led to an acceleration in the fall in house prices, particularly towards the end of the period.

As a result, the Group made a loss before tax and exceptional costs of £80.0m (2007: £201.8m profit). This reflects the difficult trading conditions in which the Group has been operating and our strategy of reducing stock levels and exiting slow moving sites in order to generate cash to reduce the Group's net debt. Following an impairment of inventories of £494.9m (2007: £nil) and other exceptional costs of £17.5m (2007: £7.2m), the Group made a loss before tax of £592.4m (2007: £194.6m profit).

The Group's adjusted basic loss per share was 15.6p (2007: 40.2p earnings). The Group's loss per share was 123.0p (2007: 38.8p earnings).

The Group's half year net debt was £1,422.8m (2007: £1,738.5m), a reduction of £315.7m since 31 December 2007 and down £227.8m since 30 June 2008.

Given current market conditions and the requirement to strengthen the balance sheet and conserve cash, the Board has decided not to pay an interim dividend.

Responding to market conditions

Against this backdrop, the Group set out a clear set of priorities focusing on driving sales, reducing costs and generating cash with the objective of reducing debt. We have made good progress in all these areas during the period.

The decline in mortgage finance was particularly acute in the higher loan to value segments and, despite cuts in interest rates, typical mortgage products for the new build sector remained severely rationed and highly priced. However, our autumn marketing campaign, together with targeted discounts, increased visitor levels. Shared equity products, part exchange and other innovative offers have helped support sales.

At the end of December it was announced that we had been allocated funding for c.3,000 units under the HomeBuy Direct Scheme with an approximate sales value of £520m. Our pre-registration initiative has already attracted initial interest from around 12,000 potential customers.

We have made considerable progress in our cost reduction programmes. The divisional office structure supporting operations has been reduced to 25 compared with 44 at the time of the Wilson Bowden acquisition. Our number of employees fell by 29% (c.1,900) during the period and are down 38% (c.2,900) since the acquisition of Wilson Bowden. We have continued to target reductions in overheads and build costs, particularly technical specification, and have identified further savings of c.£80m which we will realise in the next financial year.

Tight control of our cash position has continued with a reduction in net debt of £227.8m over the six-month period. We are continuing to invest in land where we are contractually committed to do so and we have been successful in renegotiating a number of potential commitments. Work in progress and stock levels continue to fall and we have discounted where necessary to reduce stock levels and exit sites more quickly. Our cash position during the period has also benefited from the disposal of assets from the Wilson Bowden Developments portfolio.

Sales maximisation utilising our new lower selling prices, cost reduction and cash generation will continue to be the priorities for the business in the current market.

Housebuilding operations

During the first six months we operated across an average of 539 sites, down 8% on the same period last year. We expect total sites to fall to an average of approximately 500 for the financial year. Effective sites, which are defined as those from which we are actively selling, averaged 469 over the half year and we expect these to fall to an average of approximately 439 over the full year.

Total housebuilding completions for the first half decreased by 23.8% to 6,905 (2007: 9,056) at an average selling price of £160,700, down by 9.7% (2007: £178,000). Private completions were 16.4% lower at 5,997 (2007: 7,177) at an average selling price of £170,100 (2007: £200,100). Higher levels of social completions in the first half of the calendar year, coupled with lower levels of new site starts since June, led to a fall in social housing completions, down 51.7% to 908 (2007: 1,879). A change in site and product mix accounted for the rise in the social average selling price of 5.3% to £98,600 (2007: £93,600).

Overall 53.5% of the Group's first half completions were flats (2007: 50.1%). Outside central London flats accounted for 49.6% (2007: 45.9%) of completions. Sales to investors formed 24.0% (2007: 14.9%) of the Group's completions.

The geographical split of our operations is as follows:

	Completions			Average selling price		
	2008	2007*	Movement	2008	2007*	Movement
North*	3,572	4,669	(23.5%)	£143,900	£166,800	(13.7%)
South*	2,777	3,701	(25.0%)	£164,700	£184,500	(10.7%)
Central London	556	686	(19.0%)	£248,800	£218,500	13.9%
Total	6,905	9,056	(23.8%)	£160,700	£178,000	(9.7%)

*Prior year regional split reanalysed following divisional reorganisation.

The number of completions decreased by a similar percentage in the North (23.5%) and South (25.0%) whilst completions in London declined by 19.0%. Average selling prices have fallen by 13.7% in the North and 10.7% in the South reflecting the approximate 27% fall in underlying average selling prices since June 2007 (22% since June 2008) offset by changes in site and product mix. The increased average selling price in London has occurred due to changes in site mix which more than offset the fall in underlying average selling prices.

Housebuild operations delivered an operating margin before exceptional costs of 1.1% (2007: 16.8%). The lower margin is the result of the fall in underlying average sales prices of 27% offset by the impact of inventory impairment, changes in site and product mix and cost savings. After exceptional costs, the operating loss was £433.6m (2007: £263.1m profit).

Wilson Bowden Developments

Wilson Bowden Developments made a profit from operations before exceptional costs of £3.7m (2007: £4.6m) on commercial revenue of £139.5m (2007: £42.5m) during the half year. After an impairment of inventories of £63.4m and other exceptional costs of £2.5m, the loss from operations was £62.2m (2007: £4.6m profit).

During the period we made good progress with the disposal of assets from the Wilson Bowden Development portfolio, including completing the sale of the Eagles Meadow shopping centre in Wrexham and entering into a contract to sell a portfolio of industrial property. Net proceeds from the disposals totalled £171.4m of which we received £120.1m in cash before the end of December and an additional £39.2m in January. The process of disposing of further assets is continuing and we believe we will deliver our £200m cash target.

Land

The Group continues to invest in new land only where it is contractually committed to do so. Total land spend for the six months to 31 December 2008 was £452m lower than last year at £141m (2007: £593m). At 31 December 2008 our owned land bank stood at 60,586 plots (2007: 67,934 plots) with an additional 11,614 plots (2007: 21,466 plots) under conditional contracts, giving a total of 72,200 plots (2007: 89,400 plots), 4.4 years at current completion levels.

The total impairment of land and work in progress, recognised in exceptional costs of sales was £494.9m (2007: £nil), which comprised £431.5m housebuilding and £63.4m commercial developments. The impairment review was carried out on a site-by-site basis using valuations incorporating forecast sales rates and average selling prices that reflect both current and anticipated trading conditions. The impairment reflects the more difficult trading conditions that the Group experienced during the last quarter. The total impairment of inventories recognised by the Group, including those at 30 June 2008, is £588.7m for the housebuilding business and £114.6m for the commercial developments business.

Balance sheet

The net assets of the Group decreased by £498.6m to £2,345.1m between 30 June and 31 December 2008. Significant balance sheet movements include:

- Land holdings reduced by £550.3m, due to the Group's impairment of its land value and the Group investing in new land where it is contractually committed to do so.
- Work in progress has reduced by £385.4m reflecting the Group's strategy of decreasing stock holdings and generating cash to reduce debt and impairments recognised in the period. As at 31 December 2008 stock levels include 1,465 unreserved completed units down 19.6% since June (June 2008: 1,821), at 15 February 2009 this has fallen to 1,106 units.
- Part exchange levels were also down with owned unreserved units of 346 at 31 December 2008 (June 2008: 677) falling to just 186 units at 15 February 2009. We continue to intensely manage this highly effective sales tool.
- Trade and other payables reduced by £225.1m reflecting a £55.9m decrease in land creditors as contracted commitments were fulfilled, a £158.4m decrease in trade creditors reflecting reduced build activity and a £10.8m decrease in accruals and other creditors.
- Group net debt reduced by £227.8m to £1,422.8m.

Other assets and liabilities decreased by £15.8m.

Borrowings and cashflow

During the half year, the Group entered into a new £400m three-year committed revolving credit facility and agreed to extend the maturity date of £350m of the existing £400m revolving credit facility to expire at the same date as the new facility. The Group redeemed £600m of its existing acquisition facility during the half year of which £200m was ahead of schedule due to the Group's strong cash generation. The Group also repaid £36.7m of private placement notes on 12 January 2009.

In August 2008 the Group amended its financial covenants. The interest covenant has been replaced with a cash flow covenant and the gearing and minimum tangible net worth covenants were amended. The new covenant package and revolving credit facility have led to the weighted average cost of borrowings increasing to 9.8% in the half year and an interest cost on borrowings of £96.2m (2007: £64.4m).

Net debt has reduced by £315.7m since 31 December 2007 and £227.8m since 30 June 2008 to £1,422.8m (2007: £1,738.5m). The reduction is due to £120.1m of cash generated from disposals from the Wilson Bowden Developments business and lower land spend and work in progress which offset reduced revenues.

Capital requirements

At 31 December 2008, the Group's liquidity position was strong with committed facilities of £2,308.1m, an average life of 3.5 years (2007: 3.3 years), net debt down over the last twelve months by £315.7m to £1,422.8m, and facility headroom of £800m (2007: £878.5m). The Group remained in full compliance with the financial covenants within all of its facilities.

Looking forward and given the current uncertainty in the financial and housing markets, especially in respect of credit availability for our customers, there could be circumstances where forecast revenues and cashflows are lower than expected or there is a requirement for further land and work in progress write-downs.

In the event that these cannot be covered by the existing covenant headroom, or that created through the further cost reduction initiatives already being prosecuted, the Group would need to revisit its financial covenants with its lenders ahead of its facilities review in 2011.

However, based upon current trading and our detailed forecasts, the Group is expected to continue to comply with its financial covenants.

Quality, service and the environment

During the period we have continued to make solid progress in improving customer service across the Group. 91% of our buyers would recommend us to a friend (2007: 90%), exceeding last year's record performance.

The quality of our construction team continues to be recognised. Following our 2007 success in the National House Building Council 'Pride in The Job Quality Awards', we have again won an industry leading number of awards with 73 (2007: 71). This is 43.1% more than any other developer.

On the environmental agenda, our emphasis has been on providing the lowest cost solution to increasing environmental standards. A planning application has been submitted on the Carbon Challenge site at Hanham Hall, near Bristol.

Outlook

The first six months of the year saw a further decline in mortgage availability and consumer sentiment, which has had a substantial impact on prices. 2009 has opened with satisfactory sales and visitor numbers. For the last 6 weeks we have been making 0.47 private sales per site per week up 20.5% on the first half of the financial year and visitor levels at 1.99 per site per week are currently up 24.4% on the first half. These sales are being achieved at or above our new pricing levels.

However, there is still little visibility of when mortgage availability will improve and we must continue to be concerned with the general economic climate and the fear of unemployment for a number of potential customers. Whilst there still appears to be a strength of demand for new homes, especially against the backdrop of very low production levels, without access to finance this is unlikely to deliver any short term respite to the industry.

Mark Clare
Group Chief Executive
24 February 2009

Principal risks and uncertainties

The Group's financial and operational performance is subject to a number of risks. The Board seeks to ensure that appropriate processes are put in place to manage, monitor and mitigate these risks which are identified in the table below. The Group recognises that the management of risk is fundamental to the achievement of Group targets. As such all tiers of management are involved in this process.

Principal risks of the Group include, but are not limited to:

Risk	Mitigation
Market	
Response to changes in the macroeconomic climate including unemployment, buyer confidence, availability of mortgage finance for our purchasers, interest rates and the impact of competitor pricing	<p>The Executive Directors conduct a weekly meeting which reviews key trading indicators, including sales rates, visitor levels, levels of incentives, competitor activity and cash flow projections.</p> <p>The Executive Directors also monitor on a weekly basis the number and value of reservations and those that require mortgages.</p> <p>The Group provides mortgage providers with complete transparency regarding house purchase prices alongside any discounts or other incentives in order that they have appropriate information upon which to base their lending decision.</p> <p>The Group works with key mortgage lenders to ensure that products are appropriate wherever possible for its customers.</p>
Provision of high quality product and service to maintain brand quality and minimise remedial costs	The Group has a comprehensive approach to quality, service and customer care enshrined in the 'Forward through Quality' initiative and customer care code of practice.
Failure of a key supplier	The Group has a policy of having multiple suppliers for both labour contracts and material supplies and contingency plans should key suppliers fail.
Liquidity	
Availability of sufficient borrowing facilities to enable the servicing of liabilities as they fall due	<p>The Group actively maintains a mixture of long-term and medium-term committed facilities that are designed to ensure that it has sufficient available funds for operations.</p> <p>The Group's borrowings are typically cyclical throughout the financial year and as such the Group maintains sufficient headroom to cover these requirements. On a normal operating basis the Group has a policy of maintaining headroom of £250m of available committed facilities.</p> <p>The Group has in place a comprehensive detailed regular forecasting process encompassing profitability, working capital and cash flow that is fully embedded in the business. These forecasts are further stress tested at a Group level on a regular basis to ensure that adequate headroom within our facilities and banking covenants is maintained.</p>
Inability of the Group to refinance its facilities as they fall due	The Group has a policy that the maturity of its committed facilities and private placement notes is at least two years on average with a target of three years.

Principal risks and uncertainties (continued)

Risk	Mitigation
Land	
Securing sufficient land of appropriate size and quality to provide profitable growth subject to the available borrowing facilities	Each division produces a detailed site-by-site monthly analysis of the amount of land currently owned, committed and identified. These are consolidated upwards for regular review at Board level. In addition, each operating division holds weekly land meetings. Every land acquisition is subject to a formal appraisal procedure and is required to achieve an overall Group defined hurdle rate of return.
Government regulation	
Delays obtaining required planning and technical consents	The Group has considerable in-house technical and planning expertise devoted to achieving implementable planning consents.
Consequence of changes in tax legislation	The Group has adopted a low risk strategy to tax planning and potential and actual changes in tax legislation are monitored by both our industry experienced in-house finance teams and our external tax advisors.
Construction	
Failure to identify and achieve key construction milestones	The Group's weekly reporting identifies the number of properties at key stages of construction. Projected construction rates are evaluated as part of the monthly forecasting cycle.
Excessive investment in work in progress	The build status of all sites is reported weekly and compared to sales taken on each site.
Failure to promptly identify cost overruns	The total costs on every site in progress are evaluated once a quarter and reviewed by the divisional management teams.
Innovative design and construction techniques are not employed	The Group ensures that it is at the forefront of design and construction techniques by a combination of in-house technical departments, the employment of external consultants and an ongoing commitment to building experimental house types.
Health and safety	The Group has a dedicated health and safety audit department which is independent of the management of the operating divisions.
Consideration of the impact of construction schemes upon the environment and social surroundings	The Group regularly monitors a number of environmental impact indicators. The results of this will appear in our Corporate Social Responsibility Report later this year.
People	
Ability of the Group to attract and retain a sufficiently skilled and experienced workforce	The Group has a comprehensive Human Resources policy in place which includes apprentice schemes, a Graduate Recruitment Programme, succession planning, training schemes tailored to each discipline and the Group has set itself the target of having a fully CSCS carded and qualified workforce by 2010.
Adequate succession planning to retain and develop key management skills	
Underfunding of the Group's obligations in respect of the defined benefit pension scheme	An actuarial valuation is conducted every three years. The Group reviews this and considers what additional contributions are necessary to make good this shortfall.

Details of the Group's management of liquidity risk, market risk, credit risk and capital risk in relation to financial instruments is provided in note 14 on pages 26, 27, 28 and 29.

Condensed consolidated income statement
for the half year ended 31 December 2008 (unaudited)

	Note	Half year ended 31 December 2008			Half year ended 31 December 2007			Year ended 30 June 2008 (audited)		
		Before exceptional costs £m	Exceptional costs (note 5) £m	£m	Before exceptional costs £m	Exceptional costs (note 5) £m	£m	Before exceptional costs £m	Exceptional costs (note 5) £m	£m
Continuing operations										
Revenue	4	1,261.8	-	1,261.8	1,652.8	-	1,652.8	3,554.7	-	3,554.7
Cost of sales		(1,191.9)	(494.9)	(1,686.8)	(1,308.5)	-	(1,308.5)	(2,872.5)	(208.4)	(3,080.9)
Gross profit/(loss)		69.9	(494.9)	(425.0)	344.3	-	344.3	682.2	(208.4)	473.8
Administrative expenses		(53.3)	(17.5)	(70.8)	(69.4)	(7.2)	(76.6)	(132.0)	(46.6)	(178.6)
Profit/(loss) from operations	4	16.6	(512.4)	(495.8)	274.9	(7.2)	267.7	550.2	(255.0)	295.2
Finance income	6	14.4	-	14.4	5.6	-	5.6	12.8	-	12.8
Finance costs	6	(109.0)	-	(109.0)	(77.1)	-	(77.1)	(168.1)	-	(168.1)
Net finance costs	6	(94.6)	-	(94.6)	(71.5)	-	(71.5)	(155.3)	-	(155.3)
Share of post-tax loss from joint ventures		(2.0)	-	(2.0)	(1.6)	-	(1.6)	(2.6)	-	(2.6)
(Loss)/profit before tax		(80.0)	(512.4)	(592.4)	201.8	(7.2)	194.6	392.3	(255.0)	137.3
Tax	7	26.1	142.0	168.1	(63.0)	2.2	(60.8)	(117.7)	66.8	(50.9)
(Loss)/profit for the period from continuing operations		(53.9)	(370.4)	(424.3)	138.8	(5.0)	133.8	274.6	(188.2)	86.4
(Loss)/profit for the period attributable to equity shareholders		(53.9)	(370.4)	(424.3)	138.8	(5.0)	133.8	274.6	(188.2)	86.4
Dividends per ordinary share										
Interim				-			12.23p			12.23p
Final										-
Earnings per share from continuing operations										
Basic	9			(123.0)p			38.8p			25.0p
Diluted	9			(121.9)p			38.6p			24.9p

The notes on pages 13 to 32 form an integral part of the condensed consolidated half yearly financial statements.

Condensed consolidated statement of recognised income and expense
for the half year ended 31 December 2008 (unaudited)

	Half year ended 31 December 2008	Half year ended 31 December 2007	Year ended 30 June 2008 (audited)
	£m	£m	£m
(Loss)/profit for the period	(424.3)	133.8	86.4
Revaluation of available for sale financial assets	-	(2.7)	(4.6)
Foreign exchange retranslation on hedged US Dollar debt	(56.8)	-	(1.8)
Net fair value gains on cross currency swaps designated as cash flow hedges	73.8	2.0	7.4
Net fair value losses on interest rate swaps designated as cash flow hedges	(124.2)	(56.4)	(19.1)
Losses on cancelled interest rate swaps deferred in equity	-	-	(3.6)
Amortisation of losses on cancelled interest rate swaps deferred in equity	0.2	-	0.1
Tax on items taken directly to equity	30.0	16.0	3.1
Net loss recognised directly in equity	(77.0)	(41.1)	(18.5)
Total (expense)/income recognised for the period attributable to equity shareholders	(501.3)	92.7	67.9

The notes on pages 13 to 32 form an integral part of the condensed consolidated half yearly financial statements.

Condensed consolidated balance sheet
at 31 December 2008 (unaudited)

		31 December 2008	31 December 2007	30 June 2008 (audited)
	Note	£m	£m	£m
Assets				
Non-current assets				
Other intangible assets		100.0	106.5	100.0
Goodwill	10	792.2	816.7	792.2
Property, plant and equipment		13.0	34.1	15.9
Investments accounted for using the equity method		88.0	26.2	65.5
Available for sale financial assets		68.3	44.7	66.9
Trade and other receivables		2.2	0.8	2.8
Deferred tax assets		109.4	2.0	-
Derivative financial instruments - swaps	13	81.2	2.0	10.1
		1,254.3	1,033.0	1,053.4
Current assets				
Inventories	11	3,823.4	5,171.9	4,830.0
Trade and other receivables		70.4	130.1	100.9
Cash and cash equivalents	12	44.7	8.7	32.8
Current tax assets		54.6	-	20.6
		3,993.1	5,310.7	4,984.3
Total assets	4	5,247.4	6,343.7	6,037.7
Liabilities				
Non-current liabilities				
Loans and borrowings	12	(1,521.5)	(1,734.6)	(1,031.5)
Trade and other payables		(253.7)	(151.7)	(242.1)
Retirement benefit obligations	15	(61.5)	(75.2)	(70.7)
Deferred tax liabilities		-	-	(22.7)
Derivative financial instruments - swaps	13	(131.0)	(44.1)	(9.5)
		(1,967.7)	(2,005.6)	(1,376.5)
Current liabilities				
Loans and borrowings	12	(4.6)	(12.6)	(653.7)
Trade and other payables		(927.1)	(1,367.0)	(1,163.8)
Current tax liabilities		-	(49.5)	-
Derivative financial instruments - swaps	13	(2.9)	-	-
		(934.6)	(1,429.1)	(1,817.5)
Total liabilities	4	(2,902.3)	(3,434.7)	(3,194.0)
Net assets		2,345.1	2,909.0	2,843.7
Equity				
Share capital	16	34.7	34.7	34.7
Share premium		206.6	206.6	206.6
Merger reserve		1,109.0	1,109.0	1,109.0
Hedging reserve		(80.4)	(31.4)	(3.4)
Retained earnings		1,075.2	1,590.1	1,496.8
Total equity	17	2,345.1	2,909.0	2,843.7

The notes on pages 13 to 32 form an integral part of the condensed consolidated half yearly financial statements.

Condensed consolidated cash flow statement
for the half year ended 31 December 2008 (unaudited)

	Note	Half year ended 31 December 2008 £m	Half year ended 31 December 2007 £m	Year ended 30 June 2008 (audited) £m
Net cash inflow/(outflow) from operating activities	18	249.7	(354.9)	(168.6)
Cash flows from investing activities				
Purchase of property, plant and equipment		(1.0)	(3.7)	(5.4)
Proceeds from sale of property, plant and equipment		2.4	5.7	22.3
Acquisition of subsidiaries net of cash acquired		(3.9)	1.1	(31.0)
Investments accounted for using the equity method		(24.5)	(6.9)	(47.2)
Interest received		5.1	4.7	9.9
Net cash (outflow)/inflow from investing activities		(21.9)	0.9	(51.4)
Cash flows from financing activities				
Proceeds from issue of share capital		-	0.5	0.5
Dividends paid		-	(83.8)	(126.0)
Cancelled swaps		-	-	(3.6)
Purchase of shares for LTPP awards		-	-	(0.3)
Loan (repayments)/drawdowns		(215.9)	263.9	200.1
Net cash (outflow)/inflow from financing activities		(215.9)	180.6	70.7
Net increase/(decrease) in cash and cash equivalents		11.9	(173.4)	(149.3)
Cash and cash equivalents at the beginning of period		32.8	182.1	182.1
Cash and cash equivalents at the end of period		44.7	8.7	32.8

The notes on pages 13 to 32 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 2008 (unaudited)

1. Cautionary statement

The Chief Executive's statement contained in this Interim Management Report ('IMR'), including the principal risks and uncertainties set out on pages 6 and 7 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 IMR 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 2008 is an extract from the published Annual Report for that year and does not constitute statutory accounts as defined in s240 of the Companies Act 1985. A copy of the statutory accounts for the year ended 30 June 2008, 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 s237(2) or s237(3) of the Companies Act 1985, 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 on pages 2 to 5. In addition, the material financial and operational risks and uncertainties that impact upon the Group's performance and their mitigation are outlined on pages 6 and 7 and financial risks including liquidity risk, market risk, credit risk and capital risk and are outlined in note 14 to the condensed consolidated half yearly financial statements.

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' on page 6 factors that particularly impact upon the performance of the Group include changes in the macroeconomic climate including buyer confidence, availability of mortgage finance for our purchasers, and interest rates.

At 31 December 2008, the net debt position of the Group as shown in note 12 to the condensed consolidated half yearly financial statements was £1,422.8m, with loans and borrowings of £1,526.1m with headroom of £800.0m to the Group's committed facilities. The Group is in compliance with its loan covenants and at the date of approval of the half yearly financial statements the Group's internal forecasts indicate that it will remain in compliance with these covenants for the foreseeable future. However, the ability of the Group to continue to comply with these covenants is dependent upon the continued generation of revenues and cash from the sale of completed properties.

If conditions in the wider UK economy, as they relate to the housebuilding sector, were to decline below that which has been assumed in the Group's current forecasts (and notwithstanding further management action) then there is a risk that the Group might generate lower than anticipated revenues, or cash, or require further write-downs in the value of the Group's assets. This risk represents a material uncertainty, which may require the Group to revisit its covenants with its lenders and, if necessary, re-set its covenant package. In this instance, a failure to agree a revision, or to obtain other funding, may cast significant doubt about the entity's ability to continue as a going concern such that the Group could be unable to realise its assets and discharge its liabilities in the normal course of business.

Nevertheless, based upon the Group's current trading, forecasts and the actions described within the Group Chief Executive's statement, the Directors believe that the Group will continue to comply with its loan covenants and accordingly have formed a judgement that it is appropriate to prepare the condensed consolidated half yearly financial statements upon a going concern basis.

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 IAS34 'Interim Financial Reporting' ('IAS34') as adopted by the EU.

The 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 for the year ended 30 June 2008.

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 primary segment information on the basis of these operating segments. As the Group operates in a single geographic market, the United Kingdom, no secondary segmentation is provided.

	Half year ended 31 December 2008		Half year ended 31 December 2007		Year ended 30 June 2008 (audited)	
	Units	Units	Units	Units	Units	Units
Residential completions						
Housebuilding	6,905		9,056		18,588	
Commercial development	-		-		-	
		6,905		9,056		18,588
Revenue	£m	£m	£m	£m	£m	£m
Housebuilding	1,122.3		1,610.3		3,414.2	
Commercial development	139.5		42.5		140.5	
		1,261.8		1,652.8		3,554.7
Result						
Profit from operations before restructuring costs and pension curtailment and impairment of goodwill, intangible assets and inventories						
Housebuilding	12.9		270.3		530.0	
Commercial development	3.7		4.6		20.2	
		16.6		274.9		550.2
Impairment of goodwill and intangible assets						
Housebuilding	-		-		-	
Commercial development	-		-		(30.7)	
		-		-		(30.7)
Impairment of inventories						
Housebuilding	(431.5)		-		(157.2)	
Commercial development	(63.4)		-		(51.2)	
		(494.9)		-		(208.4)
Restructuring costs and pension curtailment						
Housebuilding	(15.0)		(7.2)		(15.9)	
Commercial development	(2.5)		-		-	
		(17.5)		(7.2)		(15.9)
(Loss)/profit from operations						
Housebuilding	(433.6)		263.1		356.9	
Commercial development	(62.2)		4.6		(61.7)	
		(495.8)		267.7		295.2
Share of post-tax loss from joint ventures						
Housebuilding	(2.0)		(1.3)		(2.2)	
Commercial development	-		(0.3)		(0.4)	
		(2.0)		(1.6)		(2.6)
(Loss)/profit from operations including share of post-tax loss from joint ventures						
Housebuilding	(435.6)		261.8		354.7	
Commercial development	(62.2)		4.3		(62.1)	
		(497.8)		266.1		292.6
Finance income		14.4		5.6		12.8
Finance costs		(109.0)		(77.1)		(168.1)
(Loss)/profit before tax		(592.4)		194.6		137.3
Tax		168.1		(60.8)		(50.9)
(Loss)/profit for the period from continuing operations		(424.3)		133.8		86.4

5. Exceptional costs

Impairment of inventories

During the half year ended 31 December 2008, in light of deteriorations in market conditions upon certain commercial and housebuilding sites that the Group had specifically targeted for sale and realised in the period, a net present realisable value write-down of £62.6m was recognised against the land and work in progress value. In addition, the Group also conducted a review of the net realisable value of its land and work in progress carrying values of its sites during the period in the light of the continued deterioration in the UK housing market. Where the estimated future net present realisable value of the site was less than its carrying value within the balance sheet, the Group impaired the land and work in progress value. This has resulted in an impairment of £432.3m (2007: £nil). The total impairment of inventories recognised as an exceptional cost during the half year was £494.9m (2007: £nil). Further details on these impairments are provided in note 11.

Restructuring costs

During the half year ended 31 December 2008, the Group incurred £19.9m (2007: £7.2m) of costs in relation to reorganising and restructuring the business, including redundancy costs of £11.0m (2007: £3.5m).

Pension curtailment

Following the redundancies made during the half year, the Group has recognised a curtailment credit of £2.4m (2007: £nil) related to the Group's defined benefit pension scheme. Further details upon this are provided in note 15.

6. Net finance costs

	Half year ended 31 December 2008	Half year ended 31 December 2007	Year ended 30 June 2008 (audited)
	£m	£m	£m
Finance income on short-term bank deposits	(0.6)	(1.4)	(2.3)
Imputed interest on available for sale financial assets	(9.3)	(0.9)	(2.9)
Interest received on swaps	-	(1.5)	(3.3)
Other interest received	(4.5)	(1.8)	(4.3)
Finance income	(14.4)	(5.6)	(12.8)
Interest on bank overdrafts and loans	96.0	67.3	142.3
Amortisation of losses on cancelled interest rate swaps	0.2	-	0.1
Imputed interest on deferred term land payables	6.9	8.9	20.7
Finance costs related to employee benefits	0.1	0.9	1.7
Basis rate swaps	2.9	-	-
Interest paid on swaps	0.8	-	-
Other interest payable	2.1	-	3.3
Finance costs	109.0	77.1	168.1
Net finance costs	94.6	71.5	155.3

7. Tax

The effective corporation tax for the half year (including exceptional costs) is 28.4% (half year ended 31 December 2007: 31.2%, year ended 30 June 2008: 37.1%). This is comprised of the best estimate of the average annual effective corporation tax rate expected, applied to the half year loss before exceptional costs, and the tax effect of exceptional costs, which is not included in the best estimate of the average annual effective rate but instead recognised in the same period in which the exceptional costs arise.

As at 31 December 2008 the Group recognised a deferred tax asset of £109.4m mainly relating to trading losses which arose during the period which are to be carried forward and relieved against profits arising in future periods.

In the Pre-Budget Report announced on 24 November 2008 the Government stated its intention to implement a package of reforms to the taxation of foreign profits in the Finance Bill 2009. Amongst other matters, these rules seek to restrict the interest deduction on intra-group loans for corporation tax purposes even for a Group located wholly in the UK. The final legislation has not yet been published and the date that these rules will be effective from has not yet been confirmed, therefore it is unclear what impact, if any, this legislation may have on the Group, however there is the potential that they might restrict the recoverability of a portion of the provided losses in future periods.

8. Dividends

	Half year ended 31 December 2008	Half year ended 31 December 2007	Year ended 30 June 2008 (audited)
	£m	£m	£m
Dividends paid			
Final dividend for the year ended 30 June 2008 of nil per share (2007: 24.30p)	-	83.8	83.8
Interim dividend for the half year ended 31 December 2007 of 12.23p per share (2006: 11.38p)	-	-	42.2
	-	83.8	126.0
Dividends proposed			
Interim dividend for the half year ended 31 December 2008 of nil per share (2007: 12.23p)	-	42.2	

9. Earnings per share

Basic earnings per share is calculated by dividing the loss for the half year attributable to ordinary shareholders of £424.3m (2007: £133.8m profit) 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, giving a figure of 345.0m (2007: 344.9m).

Diluted earnings per share is calculated by dividing the loss for the half year attributable to ordinary shareholders of £424.3m (2007: £133.8m profit) by the weighted average number of ordinary shares in issue, adjusted to assume conversion of all potentially dilutive ordinary shares from the start of the year, giving a figure of 348.1m (2007: 346.6m).

The earnings per share from continuing operations were as follows:

	Half year ended 31 December 2008	Half year ended 31 December 2007	Year ended 30 June 2008 (audited)
	pence	pence	pence
Basic earnings per share	(123.0)	38.8	25.0
Adjusted basic earnings per share	(15.6)	40.2	79.6
Diluted earnings per share	(121.9)	38.6	24.9
Adjusted diluted earnings per share	(15.5)	40.0	79.2

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

	Half year ended 31 December 2008		Half year ended 31 December 2007		Year ended 30 June 2008 (audited)	
	£m	pence per basic share	£m	pence per basic share	£m	pence per basic share
Earnings for basic and diluted earnings per share	(424.3)	(123.0)	133.8	38.8	86.4	25.0
Add: restructuring costs and pension curtailment	17.5	5.1	7.2	2.1	15.9	4.6
Add: impairment of goodwill and intangible assets	-	-	-	-	30.7	8.9
Add: impairment of inventories	494.9	143.5	-	-	208.4	60.4
Less: tax effect of above items	(142.0)	(41.2)	(2.2)	(0.7)	(66.8)	(19.3)
Earnings for adjusted basic and adjusted diluted earnings per share	(53.9)	(15.6)	138.8	40.2	274.6	79.6

Earnings are adjusted, removing restructuring costs, pension curtailment, impairment of goodwill, intangible assets and inventories and the related tax to reflect the Group's underlying profits.

10. Goodwill

	Half year ended 31 December 2008	Half year ended 31 December 2007	Year ended 30 June 2008 (audited)
	£m	£m	£m
Opening net book value	792.2	816.7	816.7
Impairment losses for the period	-	-	(24.5)
Closing net book value	792.2	816.7	792.2

The Group's goodwill had a carrying value of £816.7m of which £792.2m related to the housebuilding segment and £24.5m related to the commercial development segment. The goodwill related to the commercial development segment was fully impaired in the year ended 30 June 2008.

10. Goodwill (continued)

The Group conducts its annual goodwill impairment review at 30 June each year. However, due to the deterioration in the UK housing market since 30 June 2008, when the Group conducted its annual impairment review of goodwill and intangible assets, the Group has conducted a further impairment review of its goodwill and intangible assets together at 31 December 2008. This impairment review compared the value-in-use of the housebuilding segment with the carrying value of its tangible and intangible assets and allocated goodwill. The Group allocates any identified impairment first to goodwill and then to assets on a pro-rata basis, which in the case of the Group is its intangible assets.

The value-in-use was determined by discounting the expected future cash flows of the housebuilding segment. The first three years of cashflows were determined using the Group's approved detailed site-by-site business plan. The cashflows for the fourth and fifth years were determined using Group level internal forecasted cashflows based upon expected volumes, selling prices and margins, considering available land and required land purchases and work in progress levels. The cashflows for year six onwards were extrapolated in perpetuity using an estimated growth rate of 2.5%, which was based upon the expected long-term growth rate of the UK economy.

The key assumptions for the value-in-use calculations were:

- **Discount rate:** This is a pre-tax rate reflecting current market assessments of the time value of money and risks appropriate to the Group's housebuilding business. Accordingly the rate of 10.3% is considered by the Directors to be the appropriate pre-tax risk adjusted discount rate being the Group's estimated pre-tax weighted average cost of capital.
- **Expected changes in selling prices for completed houses:** These are determined on a site-by-site basis for the first three years dependent upon local market conditions and product type. For years four and five these have been estimated at a Group level based upon past experience and expectations of future changes in the market taking into account external market forecasts.
- **Sales volumes:** These are determined on a site-by-site basis for the first three years dependent upon local market conditions, land availability and planning permissions. For years four and five these have been estimated at a Group level based upon past experience and expectations of future changes in the market taking into account external market forecasts.
- **Expected changes in site costs to complete:** These are determined on a site-by-site basis for the first three years dependent upon the expected costs of completing all aspects of each individual development, including any additional costs that are expected to occur due to the business being on an individual development site for longer due to current market conditions. For years four and five these have been estimated at a Group level based upon past experience and expectations of future changes in the market taking into account external market forecasts.

The conclusion of this impairment review was that the Group's goodwill was not impaired.

The impairment review of goodwill and intangible assets at 31 December 2008 was based upon current expectations regarding sales volumes, expected changes in selling prices, site costs to complete and expected cost savings in the difficult conditions within the UK housing market and used a discount rate appropriate to the position and risks of the Group. The result of the impairment review was that the recoverable value of Goodwill and intangible assets exceeded its carrying value by £487m. If the UK housing market and expectations regarding its future were to deteriorate further with either operating margins reducing by 1.3% per annum or the appropriate discount rate were to increase by 0.9% or the long term growth rate of the UK economy were to decline by 1.3% and all other variables were held constant then the recoverable value of goodwill and intangible assets would equal its carrying value.

11. Inventories

	31 December 2008	31 December 2007	30 June 2008 (audited)
	£m	£m	£m
Land held for development	2,567.2	3,350.0	3,117.5
Construction work in progress	1,183.9	1,703.3	1,569.3
Part exchange properties	70.8	110.7	137.9
Other inventories	1.5	7.9	5.3
	3,823.4	5,171.9	4,830.0

At 30 June 2008, the Group conducted a net realisable value review of its land and work in progress which resulted in an impairment of £208.4m.

During the half year ended 31 December 2008, the Group provided £62.6m for a reduction in net realisable value upon certain commercial and housebuilding sites that it had specifically targeted for sale and realised.

The Group also conducted a further review of the net realisable value of its land and work in progress portfolio during the period. This review compared the estimated future net present realisable value of each of the Group's development sites with its balance sheet carrying value and where the estimated future net present realisable value of an individual site was less than its carrying value within the balance sheet, the Group impaired the land and work in progress value of the site. The result of this further site-by-site net realisable value review was an exceptional impairment of £432.3m.

The total impairment of land and work in progress recognised during the half year was £494.9m.

The key judgement in estimating the future net present realisable value of a site was the estimation of likely sales prices. Sales prices were estimated on a site-by-site basis based upon local market conditions and considered the current prices being achieved upon each site for each product type.

Although the impairment of land and work in progress was based upon the current prices being achieved by the Group in the difficult conditions within the UK housing market, if the UK housing market were to deteriorate beyond management expectations in the future then further adjustments to the carrying value of land and work in progress may be required.

Following these impairments £1,521.8m (2007: £nil) of inventories are valued at fair value less costs to sell rather than at historical cost.

12. Loans and borrowings

a) Net debt

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

	31 December 2008	31 December 2007	30 June 2008 (audited)
	£m	£m	£m
Cash and cash equivalents	44.7	8.7	32.8
Non-current borrowings			
Bank loans	(1,194.5)	(1,453.1)	(755.5)
Loan notes	-	(101.4)	-
Private placement notes	(327.0)	(180.1)	(276.0)
Total non-current borrowings	(1,521.5)	(1,734.6)	(1,031.5)
Current borrowings			
Bank overdrafts	(3.2)	(12.6)	(7.5)
Loan notes	(1.4)	-	(46.4)
Bank loans	-	-	(599.8)
Total current borrowings	(4.6)	(12.6)	(653.7)
Total borrowings	(1,526.1)	(1,747.2)	(1,685.2)
Derivative financial instruments			
Foreign exchange swaps	58.6	-	1.8
Net debt	(1,422.8)	(1,738.5)	(1,650.6)

Cash and cash equivalents comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less.

Net debt is defined as cash and cash equivalents, bank overdrafts, interest bearing borrowings and foreign exchange swaps. The Group includes foreign exchange swaps within net debt as these swaps were entered into to hedge the foreign exchange exposure upon 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 and only the exchange rate element on the notional amount of the swap is included within the net debt note above. The Group's derivative financial instruments at the period end are shown below:

	31 December 2008	31 December 2007	30 June 2008 (audited)
	£m	£m	£m
Foreign exchange swap – exchange rate element	58.6	-	1.8
Foreign exchange swap – interest rate element	22.6	2.0	5.6
	81.2	2.0	7.4
Basis rate swaps	(2.9)	-	-
Interest rate swaps	(131.0)	(44.1)	(6.8)
Net derivative financial instruments	(52.7)	(42.1)	0.6

12. Loans and borrowings (continued)

Movement in net debt is analysed as follows:

	Half year ended 31 December 2008	Half year ended 31 December 2007	Year ended 30 June 2008 (audited)
	£m	£m	£m
Net increase/(decrease) in cash and cash equivalents	11.9	(173.4)	(149.3)
Repayment/(drawdown) of borrowings	215.9	(263.9)	(200.1)
Movement in net debt in the period	227.8	(437.3)	(349.4)
Opening net debt	(1,650.6)	(1,301.2)	(1,301.2)
Closing net debt	(1,422.8)	(1,738.5)	(1,650.6)

b) Developments related to committed facilities and private placement notes

On 9 July 2008, the Company entered into a £400.0m three-year committed revolving credit facility. In addition, £350.0m of the existing £400.0m five-year revolving credit facility (effective from 2 February 2005) was extended on 6 August 2008 to match the maturity period of the new three-year £400.0m revolving credit facility. The remaining £50.0m of this facility expires on 1 February 2010.

On 9 July 2008, the Company agreed with its bankers and private placement investors to amend the financial covenants to support the Group through the current intensely difficult economic climate. The amendments were signed on 5 August 2008 and all conditions precedent were satisfied on 6 August 2008. From 6 August 2008 the weighted average interest rate paid by the Group increased as shown in section c).

On 29 December 2008, the Company repaid the remaining £200.0m of its term facility that was effective on 26 April 2007 and this facility has been cancelled.

On 31 December 2008, the Company repaid £45.0m of loan notes issued on the acquisition of Wilson Bowden and the relevant proportion of the facility has been cancelled.

On 12 January 2009, the Company repaid £36.7m of fixed rate sterling and US dollar private placement notes. At this date, £13.3m of additional private placement notes were issued due to the make-whole clause within the facility agreements.

c) Weighted average interest rate

The weighted average interest rates paid, including fees, were as follows:

	Half year ended 31 December 2008	Half year ended 31 December 2007	Year ended 30 June 2008 (audited)
	%	%	%
Bank loans net of swap interest	9.3	7.2	7.0
Loan notes	7.8	6.0	6.1
Private placement notes	11.1	6.7	6.7

12. Loans and borrowings (continued)

d) Drawn debt facilities

The principal features of the Group's drawn debt facilities at 31 December 2008 were as follows:

i) Committed facilities

- A committed £484.4m five-year term facility, of which £483.0m was drawn at 31 December 2008 and £1.4m was utilised by way of a bank guarantee to support the loan notes, which was effective from 26 April 2007 and amended on 6 August 2008. At 30 June 2008, the facility was £529.4m but on 31 December 2008 £45.0m of the loan notes were repaid and the relevant proportion of the facility cancelled.
- A committed £750.0m five-year revolving credit facility of which £750.0m was drawn at 31 December 2008, effective from 26 April 2007 and amended on 6 August 2008.
- A committed £400.0m revolving credit facility of which £nil was drawn at 31 December 2008, effective from 2 February 2005 and amended on 6 August 2008. £350.0m of this facility was extended on 6 August 2008 to match the maturity period of the new three-year £400.0m revolving credit facility. The remaining £50.0m of this facility expires on 1 February 2010.
- A committed £400.0m three-year revolving credit facility of which £nil was drawn at 31 December 2008, effective from 6 August 2008.

ii) Fixed rate sterling private placement notes

The Group has £125.4m of sterling fixed rate private placement notes. £20.4m of these are carried at their fair value as at the date of acquisition of Wilson Bowden and expire on 15 October 2010. The remaining £105.0m of fixed rate sterling private placement notes expire between 23 April 2018 and 23 April 2020. On 12 January 2009, the Company repaid £16.6m of fixed rate sterling private placement notes. At this date, £5.5m of sterling private placement notes were issued due to the make-whole clause within these agreements.

d) Drawn debt facilities (continued)

iii) Fixed rate US Dollar private placement notes

- US Dollar ten-year private placement notes of \$65.0m and five-year private placement notes of \$35.0m, a total of \$100.0m effective from 23 April 2008 and as amended on 6 August 2008.
- A US Dollar ten-year private placement note of \$200.0m effective from 23 August 2007 and as amended on 6 August 2008.

On 12 January 2009, the Company repaid \$40.5m of fixed rate US Dollar private placement notes. At this date, \$12.0m of US Dollar private placement notes were issued due to the make-whole clause within these agreements.

iv) Floating rate sterling loan notes

The Group had £1.4m (2007: £101.6m) sterling loan notes at 31 December 2008 having repaid £45.0m at that date and £55.2m on 30 June 2008. These loan notes are repayable at 30 June or 31 December each year at the option of the note holder or are due in December 2012, and are subject to floating rates of interest linked to LIBOR.

v) Bank overdrafts and uncommitted money market facilities

The Group also uses various bank overdrafts arranged through its cash pooling structures and uncommitted borrowing facilities that are subject to floating interest rates linked to bank rate, LIBOR and money market rates as applicable.

All debt is unsecured.

12. Loans and borrowings (continued)

e) Post balance sheet event

On 12 January 2009, the Company repaid £36.7m of fixed rate sterling and US Dollar private placement notes. At this date, £13.3m of additional private placement notes were issued due to the make-whole clause within the facility agreements.

13. Derivative financial instruments - swaps

The Group has entered into derivative financial instruments to manage interest rate and foreign exchange risks as explained in note 14. The Group does not enter into any derivatives for speculative purposes.

	31 December 2008		31 December 2007		30 June 2008 (audited)	
	Asset £m	Liability £m	Asset £m	Liability £m	Asset £m	Liability £m
Held for trading						
Current						
Basis rate swaps	-	(2.9)	-	-	-	-
Designated as cash flow hedges						
Non-current						
Interest rate swaps	-	(131.0)	-	(44.1)	2.4	(9.2)
Foreign exchange swaps	81.2	-	2.0	-	7.7	(0.3)
	81.2	(131.0)	2.0	(44.1)	10.1	(9.5)
Total derivative financial instruments	81.2	(133.9)	2.0	(44.1)	10.1	(9.5)

a) Interest rate swaps

The Group enters into derivative transactions in the form of swap arrangements to manage the cash flow risks, related to interest rates, arising from the Group's sources of finance. All of the Group's interest rate swap arrangements contain a clause that allows the Group or the issuer to cancel the swap in May 2012 at fair value.

As at 31 December 2008 the Group had outstanding floating rate sterling debt and overdrafts of £1,199.1m (2007: £1,567.1m). In obtaining this funding the Group sought to achieve certainty as to both the availability of, and income statement charge related to, a designated proportion of anticipated future debt requirements.

The Group has entered into swap arrangements to swap £765.0m (2007: £860.0m) of this debt into fixed rate sterling debt in accordance with the Group treasury policy outlined in note 14. After taking into account swap arrangements the fixed interest rates applicable to the debt were as follows:

Amount £m	Fixed rate payable %	Maturity
142.5	5.79	2012
50.0	5.80	2012
60.0	5.94	2017
60.0	5.99	2017
40.0	5.93	2017
40.0	5.96	2017
32.5	5.64	2017
120.0	5.75	2022
75.0	5.44	2022
65.0	5.43	2022
40.0	5.72	2022
40.0	5.76	2022
765.0		

13. Derivative financial instruments – 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 2008, which is based on third party valuations, was a liability of £131.0m (2007: £44.1m) with a loss of £124.2m (2007: £56.4m) 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.

Swaps with a notional amount of £95.0m were cancelled during the prior year on the refinancing of part of the Group's sterling borrowings. Cumulative losses on these swaps of £3.6m were deferred in equity as the forecast transaction specified in the hedge relationship is still expected to occur. These losses will be recognised in the income statement over the period the forecast transaction occurs; £0.2m of the loss was recognised in the income statement in the half year, and a balance of £3.3m remains deferred in equity.

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 2008 the Group had outstanding fixed rate US Dollar loan notes of \$300.0m (2007: \$200.0m).

The Group has entered into swap arrangements to swap all of this debt into fixed rate sterling debt in accordance with the Group treasury policy outlined in note 14. After taking into account swap arrangements the fixed interest rates applicable to the debt were as follows:

Amount	Fixed rate payable	Maturity
\$m	%	
35.0	8.98	2013
200.0	6.61	2017
65.0	9.24	2018
300.0		

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 as a result of refinancing on 9 July 2008 match 70% of the interest payments. The fair value of the swap arrangements as at 31 December 2008, which is based on third party valuations, was an asset of £81.2m (2007: £2.0m) with a profit of £73.8m (2007: £2.0m) credited 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.

c) Basis rate swaps

During the half year, the Group entered into £400.0m of six-month basis rate swaps to swap the interest receivable upon some of the Group's borrowings from six-month LIBOR to one-month LIBOR plus a premium. These swaps will reduce the cash interest payable by the Group by £1.4m over their six-month life.

These swaps are accounted for as a held for trading item and are included in the balance sheet at fair value with all charges being taken to the income statement. The fair value of the swap arrangements as at 31 December 2008, which is based on third party valuations, was a liability of £2.9m (2007: £nil) with a loss of £2.9m (2007: £nil) charged directly to the income statement in the half year.

14. Financial risk management

The Group's operations and debt financing expose it to a variety of financial risks that include the effects of changes in debt market prices, credit risks, liquidity risks and interest rates. The most significant of these to the Group is liquidity risk and as such there is a regular, detailed system for the reporting and forecasting of cash flows from the operations to Group management so as to ensure that risks are promptly identified and appropriate actions taken by the central Treasury Department. In addition, the Group has in place a risk management programme that seeks to limit the adverse effects of the other risks on its financial performance in particular by using financial instruments, including debt and derivatives, to fix interest rates and currency rates. The Group does not use derivative financial instruments for speculative purposes.

14. Financial risk management (continued)

a) Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its liabilities as they fall due. The Group actively maintains a mixture of long-term and medium-term committed facilities that are designed to ensure that the Group has sufficient available funds for operations. The Group's borrowings are typically cyclical throughout the financial year and as such the Group maintains sufficient headroom to cover these requirements. On a normal operating basis the Group has a policy of maintaining headroom of £250.0m of available committed facilities and identifies and takes appropriate actions based upon its regular, detailed system for the reporting and forecasting of cash flows from its operations. At 31 December 2008, the Group had committed facilities of £2,159.4m (2007: £2,514.4m) and \$300.0m (2007: \$200.0m) with a total of £2,308.1m (2007: £2,613.0m) and total facilities of £2,399.3m (2007: £2,769.3m). The Group's drawn debt was £1,526.1m (2007: £1,747.2m). This represents 66.1% (2007: 66.9%) of available committed facilities.

The Group complied with its borrowing facility covenants at 31 December 2008. The Group monitors compliance with its covenants as explained in the table of principal risks and uncertainties on pages 6 and 7. Compliance with covenants is also considered in note 2.

The Group's objective is to minimise refinancing risk. The Group therefore has a policy that the maturity of its committed facilities and private placement notes is at least two years on average with a target of three years. At 31 December 2008, the average maturity of the Group's facilities was 3.5 years (2007: 3.3 years).

The Group maintains certain committed floating rate facilities with banks to ensure sufficient liquidity for its operations. The undrawn committed facilities available to the Group, in respect of which all conditions precedent had been met, were as follows:

	31 December 2008	31 December 2007	30 June 2008 (audited)
	£m	£m	£m
In more than one year but not more than two years	50.0	-	190.0
In more than two years but not more than five years	750.0	878.5	680.0
	800.0	878.5	870.0

In addition, the Group had £88.0m of undrawn uncommitted facilities available at 31 December 2008 (2007: £143.7m).

b) Market risk (price risk)

i) Interest rate risk

The Group has both interest bearing assets and interest bearing liabilities. Floating rate borrowings expose the Group to cash flow interest rate risk and fixed rate borrowings expose the Group to fair value interest rate risk.

The Group has a policy of maintaining both long-term fixed rate funding and medium-term floating rate funding so as to ensure that there is appropriate flexibility for the Group's operational requirements. In order to achieve this the Group has entered into swap arrangements to hedge cash flow risks relating to interest rate movements on a proportion of its debt and has entered into fixed rate debt in the form of sterling and US Dollar private placements.

14. Financial risk management (continued)

The exposure of the Group's financial liabilities to interest rate risk is as follows:

	Floating rate financial liabilities £m	Fixed rate financial liabilities £m	Non- interest bearing financial liabilities £m	Total £m
31 December 2008				
Financial liabilities (excluding derivatives)	1,199.1	327.0	1,083.2	2,609.3
Impact of interest rate swaps	(765.0)	765.0	-	-
Financial liability exposure to interest rate risk	434.1	1,092.0	1,083.2	2,609.3
31 December 2007				
Financial liabilities (excluding derivatives)	1,567.1	180.1	1,323.2	3,070.4
Impact of interest rate swaps	(860.0)	860.0	-	-
Financial liability exposure to interest rate risk	707.1	1,040.1	1,323.2	3,070.4
30 June 2008 (audited)				
Financial liabilities (excluding derivatives)	1,409.2	276.0	1,155.9	2,841.1
Impact of interest rate swaps	(765.0)	765.0	-	-
Financial liability exposure to interest rate risk	644.2	1,041.0	1,155.9	2,841.1

ii) Foreign exchange rate risk

The Group has fixed rate US Dollar private placement notes of \$300.0m (2007: \$200.0m). In order to mitigate risks associated with the movement in the foreign exchange rate, the Group has a policy of fully hedging the principal of its US Dollar denominated debt. The Group therefore entered into foreign exchange swap arrangements on the issue of its US Dollar denominated debt, all of which are designated as cash flow hedges. Accordingly, the Group has no net exposure to foreign currency risk on the principal of its US Dollar debt.

c) Credit risk

The UK housing market is structured so that in the majority of cases the Group receives cash upon legal completion for private sales and receives advance stage payments from Registered Social Landlords. As such, the Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

The Group manages credit risk in the following ways:

- The Group has a credit policy that is limited to financial institutions with high credit ratings as set by international credit rating agencies and has a policy determining the maximum permissible exposure to any counterparty.
- The Group only contracts derivative financial instruments with counterparties with which the Group has an ISDA Master Agreement in place. These agreements permit net settlement thereby reducing the Group's credit exposure to individual counterparties.

The maximum exposure to any counterparty at 31 December 2008 was £30.0m (2007: £4.4m). The carrying amount of financial assets recorded in the financial statements, net of any allowance for losses, represents the Group's maximum exposure to credit risk.

14. Financial risk management (continued)

d) Capital risk management (cash flow risk)

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and meet its liabilities as they fall due whilst maintaining an appropriate capital structure to reduce the cost of capital.

The Group ensures that there are appropriate controls over the purchase of land and levels of work in progress in the business in order to appropriately manage its capital. These controls are discussed in the principal risks and uncertainties table on pages 6 and 7. In addition, the other methods by which the Group can manage its short-term and long-term capital structure include the level of ordinary dividends paid to shareholders, arranging debt to meet liability payments, seeking alternative sources of funding and selling non-core assets to reduce debt.

15. Defined benefit pension schemes

The amounts recognised in the income statement were as follows:

	Half year ended 31 December 2008	Half year ended 31 December 2007	Year ended 30 June 2008 (audited)
	£m	£m	£m
Current service cost	1.4	2.5	5.1
Amortisation of unrecognised actuarial gains and losses	(0.6)	-	-
Exceptional curtailment gain	(2.4)	-	-
Total pension (credit)/cost recognised in operating expenses in the consolidated income statement	(1.6)	2.5	5.1
Interest cost	6.4	6.7	13.4
Expected return on scheme assets	(6.3)	(5.8)	(11.7)
Total pension cost recognised in finance costs in the consolidated income statement	0.1	0.9	1.7
Total pension (credit)/cost recognised in the consolidated income statement	(1.5)	3.4	6.8

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

	31 December 2008	31 December 2007	30 June 2008 (audited)
	£m	£m	£m
Net liability recognised in the balance sheet	61.5	75.2	70.7

Cash flow movements in scheme assets were as follows:

	Half year ended 31 December 2008	Half year ended 31 December 2007	Year ended 30 June 2008 (audited)
	£m	£m	£m
Employer contributions	7.7	6.5	14.4
Member contributions	0.9	0.9	1.8
Benefits paid from scheme	(4.3)	(2.3)	(6.7)
Premiums paid	(0.1)	(0.1)	(0.2)

The exceptional curtailment gain of £2.4m is in respect of the Barratt Group Pension and Life Assurance Scheme and arose in respect of redundancies made during the half year. Of this curtailment gain, £0.9m was a reduction in the assessed value of benefits promised to former employees, and £1.5m was attributable to the recognition of previously unrecognised gains.

16. Share capital

	31 December 2008	31 December 2007	30 June 2008 (audited)
	Number	Number	Number
Authorised ordinary shares of 10p each	439,460,000	439,460,000	439,460,000
Allotted and issued ordinary shares of 10p each – fully paid	346,718,019	346,717,019	346,718,019
	£m	£m	£m
Authorised ordinary shares of 10p each	43.9	43.9	43.9
Allotted and issued ordinary shares of 10p each – fully paid	34.7	34.7	34.7

During the six months, 7,250,000 options over the Company's shares were granted under the Company's Executive Share Option Scheme. No shares were issued during the period.

On 3 February 2009, 9,737,829 options over the Company's shares were granted under the Company's Save As You Earn Scheme.

17. Reconciliation of movements in consolidated equity

	Half year ended 31 December 2008	Half year ended 31 December 2007	Year ended 30 June 2008 (audited)
	£m	£m	£m
(Loss)/profit for the period	(424.3)	133.8	86.4
Revaluation of available for sale financial assets	-	(2.7)	(4.6)
Foreign exchange retranslation on hedged US Dollar debt	(56.8)	-	(1.8)
Net fair value gains on cross currency swaps designated as cash flow hedges	73.8	2.0	7.4
Net fair value losses on interest rate swaps designated as cash flow hedges	(124.2)	(56.4)	(19.1)
Losses on cancelled interest rate swaps deferred in equity	-	-	(3.6)
Amortisation of losses on cancelled interest rate swaps deferred in equity	0.2	-	0.1
Tax on items taken directly to equity	30.0	16.0	3.1
Total (expense)/income recognised for the period attributable to equity shareholders	(501.3)	92.7	67.9
Dividends	-	(83.8)	(126.0)
Issue of share capital	-	1.8	1.8
Share-based payments	2.7	2.7	2.3
Purchase of shares to satisfy LTTPs	-	-	(0.3)
Tax on share-based payments charged to equity	-	(2.4)	-
Net (decrease)/increase in equity	(498.6)	11.0	(54.3)
Opening equity	2,843.7	2,898.0	2,898.0
Closing equity	2,345.1	2,909.0	2,843.7

18. Cash flows from operating activities

	Half year ended 31 December 2008	Half year ended 31 December 2007	Year ended 30 June 2008 (audited)
	£m	£m	£m
(Loss)/profit for the period from continuing operations	(424.3)	133.8	86.4
Tax	(168.1)	60.8	50.9
Finance income	(14.4)	(5.6)	(12.8)
Finance costs	109.0	77.1	168.1
Share of post-tax loss from joint ventures	2.0	1.6	2.6
(Loss)/profit from operations	(495.8)	267.7	295.2
Amortisation of deferred loss on swaps	0.2	-	0.1
Basis rate swaps	2.9	-	-
Amortisation of intangible assets	-	0.5	0.8
Impairment of intangible assets	-	-	6.2
Depreciation	1.7	4.1	6.7
Impairment of goodwill	-	-	24.5
Impairment of inventories	494.9	-	208.4
Share-based payments	2.7	2.7	2.3
Imputed interest on deferred term land payables	(6.9)	(8.9)	(20.7)
Imputed interest on available for sale financial assets	9.3	0.9	2.9
Finance costs related to employee benefits	(0.1)	(0.9)	(1.7)
Revaluation of available for sale financial assets	-	(2.7)	(4.6)
Profit on disposal of property, plant and equipment	(0.2)	(2.8)	(2.1)
Total non-cash items	504.5	(7.1)	222.8
Decrease/(Increase) in inventories	516.3	(432.0)	(230.5)
Decrease in trade and other receivables	31.1	15.8	43.0
Decrease in trade and other payables	(237.4)	(81.5)	(207.7)
Increase in available for sale financial assets	(1.4)	(7.4)	(29.6)
Total movements in working capital	308.6	(505.1)	(424.8)
Interest paid	(98.9)	(55.0)	(147.0)
Tax received/(paid)	31.3	(55.4)	(114.8)
Net cash inflow/(outflow) from operating activities	249.7	(354.9)	(168.6)

19. Contingent liabilities

The Company has guaranteed certain bank borrowings of its subsidiary undertakings, amounting to £0.7m at 31 December 2008 (2007: £3.3m). This guarantee relates to a loss making subsidiary. The liability of the Group, which is equal to the net liabilities of the subsidiary has been provided within the consolidated financial statements.

The Group has entered into counter indemnities in the normal course of business in respect of performance bonds. Certain subsidiary undertakings have commitments for the purchase of trading stock entered into in the normal course of business.

20. Seasonality

The Group, in common with the rest of the housebuilding industry, is subject to the two main spring and autumn house selling seasons, 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 significant seasonal variations.

Responsibility statement

The Directors confirm that to the best of their knowledge this condensed consolidated set of half yearly financial statements has been prepared in accordance with IAS34 and 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 therein).

The Directors of Barratt Developments PLC during the half year were:

R A Lawson, Chairman

M S Clare, Group Chief Executive

S J Boyes, Group Board Executive Director

C Fenton, Group Board Executive Director

M A Pain, Group Finance Director

R J Davies, Senior Independent Director

R MacEachrane, Non-Executive Director

M E Rolfe, Non-Executive Director

W Shannon, Non-Executive Director

These condensed consolidated half yearly financial statements were approved by the Board on 24 February 2009.

M S Clare

Group Chief Executive

M A Pain

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 2008 which comprises the condensed consolidated income statement, the condensed consolidated statement of recognised income and expense, the condensed consolidated balance sheet, the condensed consolidated cash flow statement and related notes 1 to 20. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements 2410 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 them 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 2008 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.

Emphasis of matter – going concern

Without qualifying our conclusion, we draw attention to note 2 to the condensed consolidated half yearly financial statements which indicates the risk of conditions in the wider UK economy and their impact on the housebuilding sector, declining beyond that assumed in the Group's forecasts. These conditions indicate, along with all other matters as set forth in note 2, the existence of a material uncertainty, which may require the Group to revisit its covenants. In this instance, the failure to agree a revision, or to obtain other funding may cast significant doubt upon the Group's ability to continue as a going concern. The condensed consolidated half yearly financial statements do not include any adjustments that would result if the Group were unable to continue as a going concern, which would include additional write-downs of the carrying value of assets, including land and work in progress, and providing for any further liabilities that might arise.

Deloitte LLP

Chartered Accountants and Statutory Auditors
London, United Kingdom
24 February 2009

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Company information

Registered in England and Wales. Company number 604574