BARRATT
DEVELOPMENTS PLC

6 February 2019

BARRATT DEVELOPMENTS PLC

Half year results for the six month period ended 31 December 2018

Strong first half delivery, good progress against medium term targets

£m unless otherwise stated[1,2]	Half year ended 31 December 2018	Half year ended 31 December 2017	Change
Total completions (units)[3]	7,622	7,324	4.1%
Revenue	2,132.0	1,988.0	7.2%
Gross margin (%)[4]	22.6	20.6	200 bps
Profit from operations	409.7	355.2	15.3%
Operating margin (%)[4]	19.2	17.9	130 bps
Profit before tax	408.0	342.7	19.1%
Basic earnings per share (pence)	32.7	27.1	20.7%
Interim dividend per share (pence)	9.6	8.6	11.6%
ROCE (%)[4]	29.5	28.3	120 bps
Tangible net assets per share (pence)[4]	360.8	333.4	8.2%
Net cash[4]	387.7	165.9	133.7%

Highlights

- Britain's largest housebuilder with total completions[3] for the first half at 7,622 homes, up 4.1%
- First half net private reservations of 0.64 (2017: 0.68) per active outlet per week
- Good progress on medium term targets including 200 bps improvement in gross margin to 22.6%
- Continued industry-leading customer satisfaction and build quality
- Our largest single charitable donation, £750,000, to RBLI to support the construction of a Centenary Village to provide crucial housing support to ex-servicemen and women

Current trading

- Net private reservations of 0.74 (2018: 0.78) per active outlet per average week
- Total forward sales[3] up 7.3% to £3,021.0m as at 3 February 2019 (4 February 2018: £2,816.2m)
- Outlook for the full year remains in line with the Board's expectations

Capital Return Plan

- Further extended Capital Return Plan with ongoing commitment to ordinary dividend cover at 2.5 times and intention to pay special returns of £175m in November 2019 and £175m in November 2020

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

"The Group has delivered a strong operational and financial performance across the half year. As Britain's largest housebuilder, we are helping to address the country's housing shortage by building high quality homes, growing volumes, creating jobs and supporting economic growth, whilst continuing to lead the industry in quality and customer service.

'Operating efficiencies are delivering improved margins and our controlled and disciplined business model means we have a high-quality land bank, strong forward sales, excellent financial position and efficient cash flow generation.

'Whilst we continue to monitor market conditions closely, current trading is in line with our expectations and we are confident of delivering a good financial and operational performance in FY19."

1. Refer to Glossary for definition of key financial metrics
2. Unless otherwise stated, all numbers quoted exclude JVs
3. Including JVs in which the Group has an interest
4. In addition to the Group using a variety of statutory performance measures it also measures performance using alternative performance measures (APMs). Definitions of the APMs and reconciliations to the equivalent statutory measures are detailed in the Glossary and Definitions. Net cash definition in Note 5.1

Note on forward looking statements

Certain statements in this document may be forward looking statements. By their nature, forward looking statements involve a number of risks, uncertainties or assumptions that could cause actual results to differ materially from those expressed or implied by those statements. Forward looking statements regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. Accordingly undue reliance should not be placed on forward looking statements.

This announcement contains inside information. The person responsible for arranging for the release of this announcement on behalf of Barratt Developments PLC is Jenny Matthews (Interim Head of Investor Relations).

There will be an analyst and investor meeting at 8:30am today at Deutsche Bank, 1 Great Winchester Street, London, EC2N 2DB. The presentation will be broadcast live on the Barratt Developments corporate website, www.barrattdevelopments.co.uk, from 8:30am today. A playback facility will be available shortly after the presentation has finished.

A listen only function will also be available

Dial in: 0800 376 7922

International dial in: +44 (0) 207 192 8000

Conference ID: 6993905

Further copies of this announcement can be downloaded from the Barratt Developments corporate website www.barrattdevelopments.co.uk or by request 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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Financial reporting calendar

The Group's next scheduled announcement of financial information is the trading update on 9 May 2019.

Chief Executive's Statement

Overview

The Group has delivered a strong operational and financial performance in the first half. We are making good progress against our medium term targets.

Primary operational targets and key financial metrics		
	Medium term targets	**Progress in the half year**
Completions	3-5% growth per annum Present business capacity is 20,000 per annum	4.1% increase in half year total completions[3] to 7,622
Gross margin	New land acquisitions at minimum 23% gross margin	200 bps increase in gross margin to 22.6%, resulting in 130 bps improvement in operating margin to 19.2%
ROCE	Minimum of 25%	Strong ROCE of 29.5% at December 2018

We are very proud to be not only Britain's largest housebuilder, but also to lead the industry in both customer service and build quality. We strive to meet our customers' expectations and we believe that the high quality of our homes and our excellent customer service is fundamental to our ongoing success. We are building the homes the country needs, creating jobs and supporting economic growth whilst also delivering both operationally and financially for our shareholders.

We are the largest housebuilder in Britain by volume, building homes across England, Scotland and Wales through our three brands: Barratt Homes, David Wilson Homes and Barratt London. We have grown volumes[3] by 28.7% over the last five financial years and we remain committed to growing the business whilst maintaining our industry-leading standards of quality and customer service. Total completions[3] for the period were 7,622 homes (2017: 7,324 homes), in line with our expectations of delivering growth in FY19. Our new Cambridgeshire division is now fully operational and delivered completions in the half year and will provide the business with further growth over the medium term.

We have grown margin significantly over the last five years and in this half year the Group has delivered a gross margin of 22.6% (2017: 20.6%). Operating margin increased by 130 bps to 19.2% for the half year with operating profit of £409.7m (2017: £355.2m), driven mainly by sites purchased at higher gross margins and the benefits of the new product range coming through.

We continue to focus on driving further margin improvements through the business. The operational improvements that we have made, including our new product range and our concentration on standardised product, continue to enable us to acquire land at a minimum of 23% gross margin.

ROCE has grown from 14.2% to 29.5% since December 2013, and we expect it to remain at a minimum of 25% over the medium term.

Our balance sheet remains robust, ending the half year with net cash of £387.7m (31 December 2017: £165.9m) and with net tangible assets of £3,659.5m (31 December 2017: £3,375.5m).

This disciplined approach and our financial strength enables us to keep investing in our business and the future of housebuilding.

Strong housing market fundamentals

The housing market fundamentals remain attractive. The Government has set a target of 300,000 homes to be built per year by the mid-2020s to meet existing demand and in July 2018, Ministers released an updated National Planning Policy Framework to ensure that local authorities plan positively for housing and will be held accountable for under-delivery.

The lending environment also remains positive with greater competition in the mortgage market and a broad spread of lenders supporting homebuyers. We continue to see strong Government support for the new build industry and to help people to get onto the housing ladder. In October 2018, the Government announced that Help to Buy will continue in its current form until March 2021, and thereafter will be in place for two further years limited to first-time buyers with some regional price caps. To June 2018 nearly 184,000 homes had been bought using the scheme, 81% by first-time buyers (Source: MHCLG, Help to Buy (equity loan scheme) statistics: April 2013 to June 2018).

The land market remains stable and we continue to see excellent land opportunities that exceed our minimum hurdle rates.

Committed to building more high quality homes

As Britain's largest housebuilder we remain committed to playing our part in addressing the housing shortage. We design attractive developments that meet our high quality standards and will enhance local communities for years to come. We continue to increase volumes whilst maintaining our industry-leading quality, and remain committed to investing in the future of housebuilding.

Leadership in quality and customer service
We believe our industry leadership in quality and customer service is fundamental to business resilience. That quality is recognised through the NHBC Pride in the Job Awards for site management. In June 2018 our site managers were awarded 83 awards, more than any other housebuilder for the 14th consecutive year. We are also the only major housebuilder to be awarded the maximum 5 Star rating by our customers in the HBF customer satisfaction survey for nine consecutive years.

Investing in our people
We are committed to the development of our people in order to drive our success. A shortage of skilled workers in our sector means that attracting and retaining the best people is an important priority for the business. We are building a diverse and inclusive workforce that reflects the communities in which we operate, delivering excellence for our customers by drawing on a broad range of talents, skills and experience.

We are investing for the future and continue to develop award winning schemes including those for graduates, apprentices, former Armed Forces personnel and our own Degree Apprenticeship in Residential Development and Construction, run in conjunction with Sheffield Hallam University. Building on the success of our programme, we have created a fast track bricklaying apprenticeship, which has attracted more interested candidates and reduced the programme duration by six months.

We also continue to collaborate with the wider housebuilding industry. We actively participate in the Home Building Skills Partnership, the aims of which include attracting new entrants to the industry, providing the skills for today and the future, and supporting the supply chain in attracting and developing the skills they need to support our industry.

To support our diversity and inclusion strategy we have reviewed and improved our family friendly policies and enhanced our industry leading maternity and paternity benefits. Over 1,200 managers have now completed our diversity training programme, and all employees will complete our diversity and inclusion e-learning module. We have also launched a career development programme for high potential female employees.

Modern methods of construction
We continue to develop, trial and implement modern methods of construction. In the first half we built and sold over 1,100 homes using timber frame, large format block and light gauge steel frame. We also use offsite manufactured ground floor solutions and roof cassettes. We aim to use modern methods of construction on 20% of homes by 2020.

Our financial performance

Half year results
The Group has delivered a strong first half performance with good customer demand for high quality new homes supported by a stable market backdrop. Overall our net private reservation rate was solid at 0.64 (2017: 0.68) per active outlet per week in the half year period including reservations from two bespoke design and build arrangements.

During the period, we operated from an average of 376 outlets[3] (2017: 376 outlets). We have made good progress on new site openings, launching 90 new outlets[3] (2017: 93 outlets) in the half year. We now expect to see average active outlet numbers for the full year to be similar to last year.

Total completions[3] were 7,622 homes (2017: 7,324 homes) and comprised:

Completions (units)	**H1 FY19**	**H1 FY18**	**Change**
Private	6,078	5,715	6.4%
Affordable	1,324	1,229	7.7%
JV	220	380	(42.1%)
Total (including JVs)	**7,622**	**7,324**	**4.1%**

Total ASP remained constant at £282,200 (2017: £281,000). Private ASP was £317,300 (2017: £314,600) as a similar number of homes in Central London year on year completed at higher ASP's, offset by changes in the regional mix. Outside of London, our private ASP reduced by 1.8% to £296,200 (2017: £301,700), driven by an increase in the proportion of two and three bedroom homes offset by some underlying house price inflation. Affordable ASP reduced by 3.0% to £120,900 (2017: £124,700) reflecting changes in mix. We continue to expect FY19 total ASP to reduce from that achieved in the first half due to less Central London product as we continue to trade through our remaining Central London sites. At 31 December 2018, we had 39 private, wholly owned homes remaining to legally complete in Central London.

Our gross margin was 22.6% (2017: 20.6%) mainly reflecting the benefit of our new product ranges and sites that we have purchased at improved margins.

We delivered a 130 bps operating margin improvement for the half year. Delivery from new sites within our regional business accounted for 120 bps of this improvement, mainly driven by sites purchased at higher gross margins and the benefits of our new product ranges coming through. Margin also benefitted by 30 bps from the disposal of a legacy commercial asset and 50 bps from the reversal of inventory impairment. There were small incremental benefits from our Central London business, trading through our legacy sites and from the cessation of the sale of showhomes. Against this both mix and other items, and administrative costs reduced margin. Administrative costs reduced margin by 70 bps, reflecting the timing of certain expenditure and a reduction in sundry income. As a result of our operating margin improvement, Group operating profit increased by £54.5m to £409.7m (2017: £355.2m).

Net finance charges were £8.1m lower than the prior period at £15.1m (2017: £23.2m) and we now expect FY19 net finance costs to be around £40m, comprising £8m of cash and £32m of non-cash.

In the half year, the Group's share of JV profit was £13.4m (2017: £11.3m). We now expect to deliver around 700 JV completions in FY19, and expect JV profit to be around £25m.

Profit before tax increased by 19.1% to £408.0m (2017: £342.7m) and the Group recognised £76.1m of tax charges at an effective rate of 18.7% (2017: 20.3%). The higher prior year rate reflected adjustments arising in that period in relation to earlier years. Basic earnings per share increased by 20.7% to 32.7 pence per share (2017: 27.1 pence per share).

Operating framework and capital structure

We will continue to maintain an appropriate capital structure and a sustainable operating framework, with shareholders' funds and land creditors funding the longer term requirements of the business and with term loans and bank debt funding shorter term requirements for working capital. On 22 November 2018, we amended and extended our £700m Revolving Credit Facility to 22 November 2023.

In order to preserve a resilient balance sheet, we maintain a modest average net cash position over the financial year and are cash positive at year end. As at 31 December 2018, the Group had a net cash balance of £387.7m (31 December 2017: £165.9m), reflecting cash generated from completions and the timing of land investment. We now expect FY19 year-end net cash to be around £600-£650m.

We continue to seek to defer payment for some land purchases to drive a higher ROCE. As at 31 December 2018 the Group had reduced land creditors to 32.1% (31 December 2017: 36.7%) of the owned land bank in line with guidance. At 30 June 2019, we expect this to be 30-35% of the owned land bank, and we expect to continue to reduce this further and target 25-30% of the owned land bank over the medium term.

Our operating framework has remained consistent throughout the half year and is as follows:

	Operating framework	**Progress in the half year**
Land bank	c. 3.5 years owned and c. 1.0 year controlled	31 December 2018: 3.7 years owned and 1.0 year controlled (31 December 2017: 3.8 years owned and 1.2 years controlled)
Land creditors	Reduce usage to 25-30% of the land bank over medium term	Reduced to 32.1% (31 December 2017: 36.7%)
Net cash	Modest average net cash over the financial year	Expect FY19 average net cash of c.£200m
	Year-end net cash	31 December 2018: £387.7m (31 December 2017: £165.9m)
Treasury	Appropriate financing facilities	£700m Revolving Credit Facility extended to 2023
Capital Return Plan	2.5 x dividend cover Ordinary dividend supplemented by special returns when market conditions allow	FY19 interim dividend of 9.6p (2017: 8.6p) per share and Capital Return Plan extended to November 2020

Net tangible assets were £3,659.5m (£3.61 per share) of which land, net of land creditors, and work in progress totalled £3,704.9m (£3.65 per share).

The key dimensions underpinning delivery of our strategy

In addition to stable market conditions during the half year, our successful land investment strategy has helped to drive improvements in operating margin.

Land and planning

A key factor in the growth of our housebuilding business in recent years has been our land investment strategy, which has increased gross profit and led to increased completion volumes.

The land market remained attractive throughout the first half of the year and we secured excellent opportunities that exceeded our minimum hurdle rates. In the period the Group approved £338.2m (2017: £641.2m) of operational land for purchase in the year, which equates to 9,576 plots (2017: 13,263 plots). To support our volume growth aspirations we expect to approve between 18,000-22,000 plots per annum over each of the next three financial years.

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 for a shorter than sector average land bank reflects our focus on ROCE and our fast build and sell model. Reflecting the excellent land opportunities we have seen over the year as well as our growth ambitions, at 31 December 2018 we are slightly above this target with a 4.7 years land supply comprising 3.7 years owned land and 1.0 year of controlled land, with the owned land bank including land with both outline and detailed planning consents.

Our land bank at 31 December comprised:

Our land bank	**31 December 2018**	**31 December 2017**
Owned and unconditional land bank (plots)	63,125	64,542
Conditionally contracted land bank (plots)	17,505	19,075
Total owned and controlled land bank (plots)	**80,630**	**83,617**
Number of years' supply	**4.7**	**5.0**
JVs owned and controlled land bank (plots)	5,426	5,329
Strategic land (acres)	12,192	11,806
Land bank carrying value	£2,994.4m	£3,229.0m

At 31 December 2018, the ASP of plots in our owned land bank was £275k (2017: £266k). During the half year period 26% (2017: 28%) of our completions were from strategically sourced land and we are making good progress in reaching our medium term target of 30% of completions from strategic land, which we believe is an appropriate level for our business.

Following our success with planning over the past 12 months we are very well positioned, with 97% of our expected FY20 completions (2017: 97% of FY19 completions) having outline or detailed planning consent.

Improving efficiency and reducing costs

Improving the efficiency of our operations and controlling costs remains a key focus for the Group, as it will further enhance our margin and improve business resilience. We have launched our new cost effective housetype ranges but we are also seeking ways to improve efficiencies and reduce costs across the business.

In 2016, the Group undertook a full review of its housing ranges. The new ranges maintain our high standards of design whilst being faster to build, help us to reduce build cost and waste and are more suitable for modern methods of construction. We continue to roll out our new housing ranges across the business with the new ranges now identified for 398 sites (February 2018: 304 sites) across the country and we currently have 230 sites (February 2018: 150 sites) under construction. We have made further refinements to our housing range in the half year, in response to the changing costs of certain trades and materials, without affecting our quality or design standards. Our new housing ranges cover all segments of our market, providing us with the flexibility to replan sites to suit market conditions and meet consumer demands should the need arise.

We have a robust and carefully managed supply chain with around 90% of the housebuild materials sourced by our centralised procurement function manufactured or assembled in the UK.

The pricing of 98% of our centrally procured materials are fixed until the end of June 2019 and 40% are fixed until December 2019.

We continue to see some pressure on skilled labour supply with shortages remaining location and trade specific. We are also improving construction efficiency and reducing demand on labour through implementing the new housetype ranges, which are easier and quicker to build, and through the use of modern methods of construction such as timber frames, large format block and light gauge steel frames. We continue to expect that overall build cost inflation for FY19 will be c. 3-4%.

In FY19 we expect to receive both lower management fees from our joint ventures and less sundry income. Accordingly, despite carefully controlling our administrative cost base, with expected underlying inflation of c. 2%, we now expect net administrative expenses for FY19 to be around £170m.

Health and safety

Health and safety is a core priority for the Group and 'Keeping people safe' is a key business principle. We are continually focused on improving our processes and procedures and challenging unsafe attitudes and behaviours. We continue to develop our already established approach to safety and recognise that health requires equal focus, to ensure workers do not suffer long term issues associated with their work activities. We continue to strive for improved standards and the prevention of injury and ill health. In line with the industry we are seeing pressures in this area and we continue to focus on driving improvements. In the 12 months to 31 December 2018, our reportable injury incidence rate was 371 (12 months to December 2017: 403) per 100,000 workers.

Charitable giving

We are committed to creating a positive legacy in the communities in which we live and work and we aim to be industry-leading in our approach to charitable giving and social responsibility. We believe it is important to support charitable causes locally and nationally and we actively promote charitable giving and volunteering amongst our employees.

Each of our divisions and offices support local charities and the Group matches the funds raised by our employees. We have recently announced that we will also start to match the money raised by individuals for the charities close to their hearts. We also encourage all of our employees to take paid time off work to volunteer in their local communities and ask them to consider using the Give As You Earn scheme.

In January 2019, we launched the Barratt & David Wilson Community Fund through which each of our divisions will give £1,000 a month to community groups and charities local to them or their sites.

On a national level we continue to work with the RSPB through our national partnership which aims to improve the sustainability of our developments, enhancing and improving habitats and supporting wildlife.

As part of our 60th Anniversary celebrations we were delighted to announce a new partnership with the Royal British Legion Industries (RBLI) and made the Group’s largest single donation of £750,000 to help them build a Centenary Village to provide crucial housing support to ex-servicemen and women.

Capital Return Plan

We have a well-defined dividend policy with the Group paying an ordinary dividend cover of 2.5 times earnings. We have previously announced that when market conditions allow, ordinary dividends will be supplemented with the payment of special returns. As previously announced the Board intends to pay a special return of £175m in November 2019. Additionally, demonstrating the Board’s confidence in the business going forward it proposes to pay a further special return of £175m in November 2020.

As previously announced in September 2018, the Board has reviewed the mechanism for delivering the £175m cash return to shareholders in November 2019 and any future special returns beyond the current Capital Return Plan. The Board believes that at times there are differences between both underlying market conditions and the strength of our business and market valuation.

As a consequence, the Board has introduced the flexibility to this policy such that the £175m cash returns proposed in November 2019 and November 2020, and any future special returns, can be made through a combination of share buybacks and special dividends, as opposed to solely special dividends. Whilst the payment of special dividends represents the Board’s preferred method of returning excess capital to shareholders, this recognises that at certain share price points, share buybacks will be in the best interest of shareholders.

For the five years to November 2020 total dividend payments are expected to be around £2.1bn based on current analyst estimates.

Capital Return Plan[A]	Ordinary dividend £m	Special dividend £m	Total £m	Total pence per share
Total paid[B]	**697.6**	**474.3**	**1,171.9**	**116.2**
Year to November 2019	271.9 [C, D]	175.0	446.9	44.2[D]
Year to November 2020	276.9 [C, D]	175.0	451.9	44.7[D]
Total proposed payment	**548.8**[C, D]	**350.0**	**898.8**	**88.9**[D]
Total	**1,246.4**	**824.3**	**2,070.7**	**205.1**

A. All future ordinary and special dividends are subject to shareholder approval
B. Comprises total dividend payments for FY16-FY18
C. Based on Reuters consensus estimates of earnings per share of 67.3p for FY19 and 68.6p for FY20 as at 1 February 2019 and applying a 2.5 times dividend cover in-line with announced policy. This consensus estimate is provided for illustration purposes. No member of the Group nor any of their respective directors, officers or employees: (i) has commented on the consensus estimate, (ii) endorses the consensus estimate, or (iii) accepts any responsibility whatsoever for the accuracy of the consensus estimate and shall accordingly have no liability whatsoever in respect of the consensus estimate
D. Based upon 31 December 2018 share capital of 1,010,761,958 shares for proposed payments

In accordance with this policy, the Board is pleased to announce an interim dividend of 9.6 pence per share (2018: 8.6 pence per share). This dividend represents one third of the expected ordinary dividend for the financial year, based on the full year dividend being covered 2.5 times by the total of the earnings for both the six months to 30 June 2018 and the six months to 31 December 2018.

The interim dividend will be paid on Tuesday 7 May 2019 to all shareholders on the register on Friday 12 April 2019.

Current trading and outlook

Whilst the imminent departure of the UK from the EU has created increased levels of economic and political uncertainty, the Group is in a strong position, with a substantial net cash balance, strong balance sheet, healthy forward sales position and an experienced management team. The Board will continue to monitor the market and economy. Our strong financial foundation provides us flexibility to take appropriate action where necessary. Given the uncertainties arising from the way in which the UK will depart from the EU, we have worked with our suppliers on continuity of supply of non-UK manufactured components, including product specification reviews, their holding additional inventories and review of logistic routes to seek to mitigate the potential for disruption.

The sales performance across the Group in the second half to date has been encouraging, with net private reservations per average week of 284 (2018: 294), resulting in net private reservations per active outlet per average week of 0.74 (2018: 0.78).

Our total forward sales[3] as at 3 February 2019 were £3,021.0m against a strong prior year of £2,816.2m.

	3 February 2019		4 February 2018		Variance %	
	£m	Units	£m	Units	£m	Units
Private	1,473.8	4,874	1,790.3	5,302	(17.7)	(8.1)
Affordable	1,164.2	7,496	778.7	6,224	49.5	20.4
Wholly owned	**2,638.0**	**12,370**	**2,569.0**	**11,526**	**2.7**	**7.3**
JV	383.0	824	247.2	828	54.9	(0.5)
Total	**3,021.0**	**13,194**	**2,816.2**	**12,354**	**7.3**	**6.8**

Based on current market conditions, we expect to grow volume towards the lower end of our medium term target range in FY19, in line with current market expectations, whilst ensuring we maintain our industry leading standards of quality and service. The housing market fundamentals remain attractive, with a long term undersupply of new homes, strong Government support to the sector and a positive lending environment.

The Group has had a strong start to our financial year and the outlook for the full year is in line with the Board's expectations. We remain focused on delivering our medium term targets of volume growth of 3-5% over the medium term, land acquisition at a minimum 23% gross margin, and a minimum 25% ROCE.

Our strong, well-capitalised balance sheet and robust order book gives us the resilience and flexibility to react to potential changes in the operating environment in 2019 and beyond.

The Board's confidence in the Group's operational and financial performance is reflected by the proposed FY19 and FY20 special dividend.

David Thomas
Chief Executive
5 February 2019

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, either separately or in combination, have a material impact on the Group's performance over the remaining six months of the financial year and could cause actual results and shareholder returns to differ materially from expected and historical results.

The process by which the UK will depart the EU is currently uncertain and poses heightened risk on three of the Group's principal risks being i) the economic environment; ii) the ability to attract and retain high calibre employees; and iii) the availability of raw materials, sub-contractors and suppliers. A no-deal exit would further increase these risks. The Board continues to monitor changes in these risks and to take appropriate action where necessary. Given the uncertainties arising from the way in which the UK will depart from the EU, we have worked with our suppliers on continuity of supply of non-UK manufactured components, including product specification reviews, their holding additional inventories and review of logistic routes to seek to mitigate the potential for disruption.

Reputational risk could potentially arise from a number of sources including external and internal influences relating to the housebuilding sector which when combined or over a period of time could create a new principal risk. The Group actively manages the impact of reputational risk by carefully assessing the potential impact of all the principal risks and implementing mitigation actions to minimise those risks.

The Group is committed to safeguarding the environment in which it operates and assesses climate change risks as set out in our Climate Change Policy online and our annual submission to the Carbon Disclosure Project.

Save as set out above, the Directors do not consider the process of risk management and the principal risks and uncertainties to have changed since the publication of the Annual Report and Accounts for the year ended 30 June 2018.

Further details of the Group's principal risks and mitigation of the risks outlined below can be found on pages 51 to 56 of the Annual Report and Accounts for the year ended 30 June 2018, which is available at www.barrattdevelopments.co.uk.

Economic environment, including housing demand and mortgage availability
Changes in the UK and European macroeconomic environments, including but not limited to: flat or negative economic growth, inflation, interest rates, buyer confidence, mortgage availability, Government backed schemes, competitor pricing, falls in house prices or land values.

Land availability
The inability to secure sufficient consented land and strategic land options at appropriate cost and quality.

Availability of finance and working capital
Unavailability of sufficient borrowing facilities and the inability to refinance facilities as they fall due, obtain surety bonds, or comply with borrowing covenants. Furthermore, there are risks from 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
The ability to recruit and/or retain employees with the appropriate skills 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.

Government regulation and planning policy
Changing complex regulatory environment which affects planning, technical requirements and the time taken to obtain planning approval.

Construction
Failure to identify and achieve key construction milestones (due to factors including the impact of adverse weather conditions), failure to identify cost overruns promptly, design and construction defects, and exposure to environmental liabilities. 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 consortia arrangements and/or commercial developments, are complex and capital intensive.

Safety, health and environmental
Health and safety or environmental breaches can result in incidents affecting employees, sub-contractors and site visitors.

IT
Failure of any of the Group's IT systems in particular those relating to customer information, surveying and valuation. The Group could suffer significant financial and reputational damage due to the loss, theft or corruption of data either inadvertently or via a targeted cyber attack.

Condensed Consolidated Income Statement
for the half year ended 31 December 2018 (unaudited)

Continuing operations	Notes	**Half year ended 31 December 2018 £m**	Half year ended 31 December 2017* £m	Year ended 30 June 2018 (audited)* £m
Revenue	2.1	**2,132.0**	1,988.0	4,874.8
Cost of sales		**(1,649.8)**	(1,577.8)	(3,865.9)
Gross profit		**482.2**	410.2	1,008.9
Analysed as:				
Adjusted gross profit		**478.5**	413.2	1,015.9
Credit/(cost) associated with legacy properties	2.1	**3.7**	(3.0)	(7.0)
Administrative expenses		**(74.0)**	(55.0)	(146.3)
Part-exchange income*		**140.5**	-	-
Part-exchange expenses*		**(139.0)**	-	-
Profit from operations	2.1	**409.7**	355.2	862.6
Analysed as:				
Adjusted operating profit		**406.0**	358.2	869.6
Credit/(cost) associated with legacy properties	2.1	**3.7**	(3.0)	(7.0)
Finance income	5.2	**3.7**	1.7	3.5
Finance costs	5.2	**(18.8)**	(24.9)	(48.6)
Net finance costs	5.2	**(15.1)**	(23.2)	(45.1)
Share of post-tax profit from joint ventures		**13.4**	11.3	18.6
Share of post-tax loss from associates		**-**	(0.6)	(0.6)
Profit before tax		**408.0**	342.7	835.5
Analysed as:				
Adjusted profit before tax		**404.3**	345.7	842.5
Credit/(cost) associated with legacy properties	2.1	**3.7**	(3.0)	(7.0)
Tax	2.4	**(76.1)**	(69.5)	(164.0)
Profit for the period		**331.9**	273.2	671.5
Profit for the period attributable to the owners of the Company		**330.7**	273.3	671.7
Profit/(loss) for the period attributable to non-controlling interests		**1.2**	(0.1)	(0.2)
Earnings per share from continuing operations				
Basic	2.2	**32.7p**	27.1p	66.5p
Diluted	2.2	**32.3p**	26.8p	65.9p

*The Group has initially applied IFRS 15 using the cumulative effect method. Comparatives have not been restated in respect of the adoption of IFRS 15 or IFRS 9. Further details and the impact of adoption are included in notes 1.4 and 1.5.

The notes in sections 1 to 6 form an integral part of these Condensed Consolidated Half Yearly Financial Statements.

Condensed Consolidated Statement of Comprehensive Income
for the half year ended 31 December 2018 (unaudited)

	Notes	**Half year ended 31 December 2018 £m**	Half year ended 31 December 2017* £m	Year ended 30 June 2018 (audited)* £m
Profit for the period		**331.9**	273.2	671.5
Other comprehensive (expense)/income:				
Items that will not be reclassified to profit or loss				
Actuarial (loss)/gain on defined benefit pension scheme		**(12.0)**	12.8	29.2
Tax credit/(charge) relating to items not reclassified		**2.3**	(2.5)	(5.5)
Total items that will not be reclassified to profit or loss		**(9.7)**	10.3	23.7
Items that may be reclassified subsequently to profit or loss				
Amounts deferred in respect of effective cash flow hedges		**-**	0.8	0.8
Amounts reclassified to the Income Statement in respect of hedged cash flows	5.2	**-**	(0.8)	(0.8)
Tax charge relating to items that may be reclassified		**-**	-	-
Total items that may be reclassified subsequently to profit or loss		**-**	-	-
Total comprehensive income recognised for the period		**322.2**	283.5	695.2
Total comprehensive income recognised for the period attributable to the owners of the Company		**321.0**	283.6	695.4
Total comprehensive income/(expense) recognised for the period attributable to non-controlling interests		**1.2**	(0.1)	(0.2)

* The Group has initially applied IFRS 15 using the cumulative effect method. Comparatives have not been restated in respect of the adoption of IFRS 15 or IFRS 9. Further details and the impact of adoption are included in notes 1.4 and 1.5.

The notes in sections 1 to 6 form an integral part of these Condensed Consolidated Half Yearly Financial Statements.

Condensed Consolidated Statement of Changes in Shareholders' Equity
at 31 December 2018 (unaudited)

	Share capital (note 5.4) £m	Share premium £m	Merger reserve £m	Hedging reserve £m	Own shares £m	Share-based payments £m	Retained earnings £m	Total retained earnings £m	Non-controlling interests £m	Total equity £m
At 1 July 2017 (audited)	100.8	224.7	1,109.0	-	(1.3)	22.9	2,857.0	2,878.6	9.1	4,322.2
Profit/(loss) for the period	-	-	-	-	-	-	273.3	273.3	(0.1)	273.2
Amounts deferred in respect of effective cash flow hedges	-	-	-	0.8	-	-	-	-	-	0.8
Amounts reclassified to the Income Statement in respect of hedged cash flows	-	-	-	(0.8)	-	-	-	-	-	(0.8)
Actuarial gains on pension scheme	-	-	-	-	-	-	12.8	12.8	-	12.8
Tax on items above taken directly to equity	-	-	-	-	-	-	(2.5)	(2.5)	-	(2.5)
Total comprehensive income/(expense) recognised for the period ended 31 December 2017	-	-	-	-	-	-	283.6	283.6	(0.1)	283.5
Dividend payments	-	-	-	-	-	-	(347.9)	(347.9)	(1.4)	(349.3)
Issue of shares	0.4	7.4	-	-	-	-	-	-	-	7.8
Share-based payments	-	-	-	-	-	5.4	-	5.4	-	5.4
Purchase of own shares	-	-	-	-	(3.3)	-	-	(3.3)	-	(3.3)
Transfers in respect of dividends accruing to share options	-	-	-	-	-	(0.6)	0.6	-	-	-
Transfers in respect of exercised/lapsed options	-	-	-	-	3.2	(12.3)	9.1	-	-	-
Tax on share-based payments	-	-	-	-	-	(1.6)	3.0	1.4	-	1.4
At 31 December 2017	101.2	232.1	1,109.0	-	(1.4)	13.8	2,805.4	2,817.8	7.6	4,267.7
Profit for the period	-	-	-	-	-	-	398.4	398.4	(0.1)	398.3
Amounts deferred in respect of effective cash flow hedges	-	-	-	-	-	-	-	-	-	-
Amounts reclassified to the Income Statement in respect of hedged cash flows	-	-	-	-	-	-	-	-	-	-
Actuarial gains on pension scheme	-	-	-	-	-	-	16.4	16.4	-	16.4
Tax on items above taken directly to equity	-	-	-	-	-	-	(3.0)	(3.0)	-	(3.0)
Total comprehensive income/(expense) recognised for the period ended 30 June 2018	-	-	-	-	-	-	411.8	411.8	(0.1)	411.7
Dividend payments	-	-	-	-	-	-	(87.0)	(87.0)	-	(87.0)
Issue of shares	0.1	0.5	-	-	-	-	-	-	-	0.6
Share-based payments	-	-	-	-	-	5.6	-	5.6	-	5.6
Purchase of own shares	-	-	-	-	-	-	-	-	-	-
Transfers in respect of dividends accruing to share options	-	-	-	-	-	(0.7)	0.7	-	-	-
Transfers in respect of exercised/lapsed options	-	-	-	-	0.2	-	(0.1)	0.1	-	0.1
Tax on share-based payments	-	-	-	-	-	(0.7)	(0.3)	(1.0)	-	(1.0)
At 30 June 2018 as previously reported (audited)	101.3	232.6	1,109.0	-	(1.2)	18.0	3,130.5	3,147.3	7.5	4,597.7
Effect of changes in accounting policies*	**-**	**-**	**-**	**-**	**-**	**-**	**(4.5)**	**(4.5)**	**-**	**(4.5)**
At 1 July 2018 as adjusted for changes in accounting policies	**101.3**	**232.6**	**1,109.0**	**-**	**(1.2)**	**18.0**	**3,126.0**	**3,142.8**	**7.5**	**4,593.2**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**330.7**	**330.7**	**1.2**	**331.9**
Actuarial loss on pension scheme	**-**	**-**	**-**	**-**	**-**	**-**	**(12.0)**	**(12.0)**	**-**	**(12.0)**
Tax on items above taken directly to equity	**-**	**-**	**-**	**-**	**-**	**-**	**2.3**	**2.3**	**-**	**2.3**
Total comprehensive income recognised for the period ended 31 December 2018	**-**	**-**	**-**	**-**	**-**	**-**	**321.0**	**321.0**	**1.2**	**322.2**
Dividend payments	**-**	**-**	**-**	**-**	**-**	**-**	**(355.2)**	**(355.2)**	**-**	**(355.2)**
Issue of shares	**0.1**	**6.6**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**6.7**
Share-based payments	**-**	**-**	**-**	**-**	**-**	**6.3**	**-**	**6.3**	**-**	**6.3**
Purchase of own shares	**-**	**-**	**-**	**-**	**(21.4)**	**-**	**-**	**(21.4)**	**-**	**(21.4)**
Transfers in respect of share options	**-**	**-**	**-**	**-**	**7.6**	**(11.2)**	**3.5**	**(0.1)**	**-**	**(0.1)**
Tax on share-based payments	**-**	**-**	**-**	**-**	**-**	**(0.1)**	**0.1**	**-**	**-**	**-**
At 31 December 2018	**101.4**	**239.2**	**1,109.0**	**-**	**(15.0)**	**13.0**	**3,095.4**	**3,093.4**	**8.7**	**4,551.7**

* The Group has initially applied IFRS 15 using the cumulative effect method. Comparatives have not been restated in respect of the adoption of IFRS 15 or IFRS 9. Further details and the impact of adoption are included in notes 1.4 and 1.5.

The notes in sections 1 to 6 form an integral part of these Condensed Consolidated Half Yearly Financial Statements.

Condensed Consolidated Balance Sheet
at 31 December 2018 (unaudited)

	Notes	**31 December 2018** £m	31 December 2017* £m	30 June 2018* (audited) £m
Assets				
Non-current assets				
Other intangible assets		**100.0**	100.0	100.0
Goodwill		**792.2**	792.2	792.2
Property, plant and equipment		**13.7**	9.7	11.6
Investments in joint ventures and associates		**246.4**	228.3	234.1
Retirement benefit assets		**53.1**	34.8	58.7
Secured loans	3.3	**3.0**	3.3	3.1
Trade and other receivables		**2.1**	2.3	3.1
		1,210.5	1,170.6	1,202.8
Current assets				
Inventories	3.1	**4,761.4**	4,994.9	4,516.7
Secured loans	3.3	**0.2**	0.2	0.3
Trade and other receivables		**156.4**	143.6	226.8
Cash and cash equivalents	5.1	**579.1**	378.0	982.4
		5,497.1	5,516.7	5,726.2
Total assets		**6,707.6**	6,687.3	6,929.0
Liabilities				
Non-current liabilities				
Loans and borrowings	5.1	**(200.0)**	(191.7)	(191.1)
Trade and other payables	3.2	**(485.5)**	(688.0)	(566.7)
Deferred tax liabilities		**(21.5)**	(20.1)	(25.3)
		(707.0)	(899.8)	(783.1)
Current liabilities				
Loans and borrowings	5.1	**-**	(20.4)	-
Trade and other payables	3.2	**(1,364.6)**	(1,437.6)	(1,462.4)
Current tax liabilities		**(84.3)**	(61.8)	(85.8)
		(1,448.9)	(1,519.8)	(1,548.2)
Total liabilities		**(2,155.9)**	(2,419.6)	(2,331.3)
Net assets		**4,551.7**	4,267.7	4,597.7
Equity				
Share capital	5.4	**101.4**	101.2	101.3
Share premium		**239.2**	232.1	232.6
Merger reserve		**1,109.0**	1,109.0	1,109.0
Retained earnings		**3,093.4**	2,817.8	3,147.3
Equity attributable to the owners of the Company		**4,543.0**	4,260.1	4,590.2
Non-controlling interests		**8.7**	7.6	7.5
Total equity		**4,551.7**	4,267.7	4,597.7

* The Group has initially applied IFRS 15 using the cumulative effect method. Comparatives have not been restated in respect of the adoption of IFRS 15 or IFRS 9. Further details and the impact of adoption are included in notes 1.4 and 1.5.

The notes in sections 1 to 6 form an integral part of these Condensed Consolidated Half Yearly Financial Statements.

Condensed Consolidated Cash Flow Statement
for the half year ended 31 December 2018 (unaudited)

	Notes	**Half year ended 31 December 2018 £m**	Half year ended 31 December 2017* £m	Year ended 30 June 2018 (audited)* £m
Profit from operations		**409.7**	355.2	862.6
Depreciation		**1.9**	1.9	5.4
(Reversal)/impairment of inventories		**(6.9)**	5.1	3.3
Profit on redemption of secured loans		**(0.6)**	(1.3)	(1.9)
Impairment of investment in entities accounted for using the equity method		**-**	2.1	2.1
Share-based payments charge		**6.3**	5.4	11.0
Imputed interest on deferred term payables**	5.2	**(11.3)**	(17.7)	(34.3)
Amortisation of facility fees	5.2	**(1.5)**	(1.1)	(2.1)
Finance income related to employee benefits	5.2	**0.9**	0.3	0.6
Total non-cash items		**(11.2)**	(5.3)	(15.9)
Increase in inventories		**(237.8)**	(524.6)	(44.6)
Decrease/(increase) in trade and other receivables		**72.4**	52.5	(39.4)
Decrease in trade and other payables		**(182.1)**	(5.6)	(102.3)
Decrease in secured loans		**0.8**	1.7	2.4
Total movements in working capital		**(346.7)**	(476.0)	(183.9)
Interest paid		**(6.0)**	(5.9)	(11.8)
Tax paid		**(79.1)**	(67.8)	(136.7)
Net cash (outflow)/inflow from operating activities		**(33.3)**	(199.8)	514.3
Investing activities:				
Purchase of property, plant and equipment		**(4.0)**	(2.1)	(7.5)
Increase in investments accounted for using the equity method		**(15.3)**	(16.6)	(58.6)
Repayment of amounts invested in entities accounted for using the equity method		**7.6**	5.5	11.7
Dividends received from investments accounted for using the equity method		**8.8**	4.5	41.8
Interest received		**2.8**	1.4	2.9
Net cash outflow from investing activities		**(0.1)**	(7.3)	(9.7)
Financing activities:				
Dividends paid to equity holders of the Company	2.3	**(355.2)**	(347.9)	(434.9)
Distribution made to non-controlling partner		**-**	(1.4)	(1.4)
Purchase of own shares		**(21.4)**	(3.3)	(3.3)
Proceeds from disposal of own shares		**-**	-	0.1
Proceeds from issue of share capital		**6.7**	7.8	8.4
Loan repayments		**-**	(49.2)	(69.6)
Drawdown of loans including issue of sterling USPP		**-**	200.6	200.0
Cancellation of swaps		**-**	(5.9)	(5.9)
Net cash outflow from financing activities		**(369.9)**	(199.3)	(306.6)
Net (decrease)/increase in cash and cash equivalents		**(403.3)**	(406.4)	198.0
Cash and cash equivalents at the beginning of the period		**982.4**	784.4	784.4
Cash and cash equivalents at the end of the period	5.1	**579.1**	378.0	982.4

* The Group has initially applied IFRS 15 using the cumulative effect method. Comparatives have not been restated in respect of the adoption of IFRS 15 or IFRS 9. Further details and the impact of adoption are included in notes 1.4 and 1.5.

** The balance sheet movements in land and certain interest free loans include non-cash movements due to imputed interest. Imputed interest is therefore included within non-cash items in the statement above.

The notes in sections 1 to 6 form an integral part of these Condensed Consolidated Half Yearly Financial Statements.

Section 1 – Basis of preparation

1.1 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.

1.2 Basis of preparation

The condensed financial information for the year ended 30 June 2018 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 2018, prepared under International Financial Reporting Standards ('IFRS') as adopted by the EU, on which the auditors gave an unmodified 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.

1.3 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 48 to 56 and on pages 158 to 161 of the Group's Annual Report and Accounts for the year ended 30 June 2018 which is available at www.barrattdevelopments.co.uk.

The financial performance of the Group is dependent upon the wider economic environment in which the Group operates. As explained in the principal risks and uncertainties, factors that particularly impact upon the performance of the Group include changes in the macroeconomic environment including buyer confidence, availability of mortgage finance for the Group's customers and interest rates. 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 they have concluded that no material uncertainties exist.

The Group has total committed facilities and private placement notes of £900.0m. The £700.0m revolving credit facility matures in November 2023 and the £200.0m sterling US private placement notes mature in August 2027. The committed facilities and private placement notes provide sufficient headroom above our current forecast debt requirements.

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.

1.4 Accounting policies

The unaudited Condensed Consolidated Half Yearly Financial Statements have been prepared using accounting policies consistent with IFRS as adopted by the 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 2018, except as amended by the adoption of new standards as disclosed below.

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 2018 and later periods are disclosed on page 131 of the Annual Report and Accounts for the year ended 30 June 2018. During the period the Group has adopted the following new and revised standards and interpretations:

- IFRS 15 'Revenue from Contracts with Customers':

  This standard was applicable to the Group from 1 July 2018. The standard sets out requirements for revenue recognition from contracts with customers. The standard uses a five-step model to apportion revenue to the individual promises, or performance obligations within a contract on the basis of standalone selling prices.

  The Group has applied IFRS 15 using the cumulative effect method and therefore the comparative information has not been restated.

  The Group previously offered a five-year warranty on private house sales. Under previous standards, no adjustment was made to revenue to reflect this warranty when the property was sold, although an allowance for future costs associated to the warranty was held within the Balance Sheet. An element of this warranty represents a separate performance obligation. On transition to IFRS 15, an element of the sales price of units previously sold with this warranty has been deferred and will be recognised over the warranty period in the Income Statement, with the majority of this revenue and cost of sales recognised by the end of FY20. Opening reserves have been reduced by £3.4m on transition as a result of this adjustment, and an additional £5.5m of turnover offset by £4.4m cost of sales has been recognised in the half year.

  The standard has also required presentational changes to our Income Statement to show part-exchange income and expenses separately below gross margin. Previously the income and costs were recognised on a net basis within cost of sales. Gross profit in the half year has been reduced by £1.5m as a result of this adjustment.

  Under the new standard introductory fees are recognised in cost of sales, previously these were deducted from revenue, and management fees on commercial projects are recognised in turnover rather than other income. As a result, an extra £1.1m of turnover has been recognised in the half year, offset in cost of sales and administration costs.

  The impact of these changes on revenue and profits is shown below, and a summary of the impact of the adoption of IFRS 15 on the financial statements is included in note 1.5.

Impact on Consolidated Income Statement	Adjustments in respect of warranty arrangements £m	Adjustments in respect of part-exchange transactions £m	Adjustments in respect of introductory fees £m	Adjustments in respect of contract management fees £m	Total adjustments in respect of the adoption of IFRS 15 £m
Revenue	5.5	-	0.2	0.9	6.6
Cost of sales	(4.4)	(1.5)	(0.2)	(0.2)	(6.3)
Gross profit	1.1	(1.5)	-	0.7	0.3
Administrative expenses	-	-	-	(0.7)	(0.7)
Part-exchange income	-	140.5	-	-	140.5
Part-exchange expenses	-	(139.0)	-	-	(139.0)
Profit from operations	1.1	-	-	-	1.1

- IFRS 9 'Financial Instruments':

  This standard was applicable to the Group from 1 July 2018.

  Under IFRS 9 the Group's remaining secured loans, previously classified as "available for sale assets" under IAS 39 'Financial Instruments: Recognition and Measurement', were reclassified as Fair Value through Profit and Loss and as a result future changes in fair value will be posted to the Income Statement rather than in other comprehensive income. No adjustments were required in respect of amounts previously dealt with in other comprehensive income since following the sale of the majority of the Group's available for sale assets in February 2016 fair value adjustments previously held in equity were realised and transferred to the Income Statement.

  The impairment requirements of the standard have required the Group to consider the expected credit losses on all financial assets, and in the full year financial statements disclosures will be amended to show impairment by asset category.

  Under IFRS 9 a renegotiated land creditor arrangement has been deemed a modification resulting in a reduction in opening reserves of £1.1m and a reduction in finance costs of £0.1m in the current year.

  The impact of these changes on the financial statements is summarised in note 1.5.

- Amendments to IFRS 2 'Classification and Measurement of Share-based Payment Transactions' which has had no impact on the Condensed Consolidated Half Yearly Financial Statements.
- Amendments to IAS 40 'Transfers of Investment Property' which has had no impact on the Condensed Consolidated Half Yearly Financial Statements.
- IFRIC Interpretation 22 'Foreign Currency Transactions and Advance Consideration' which has had no impact on the Condensed Consolidated Half Yearly Financial Statements.
- Annual Improvements to IFRS Standards 2014-2016 Cycle which has had no impact on the Condensed Consolidated Half Yearly Financial Statements.

1.5 Impact of changes in accounting policies

The Group has initially applied IFRS 15 using the cumulative effect method. Comparatives have not been restated in respect of the adoption of IFRS 15 or IFRS 9. The tables below summarise the impact of the changes in accounting policies on the Income Statement, Balance Sheet and Cash Flow Statement of the Group.

Impact on Consolidated Income Statement	**Half year ended 31 December 2018 as reported £m**	Adjustments in respect of the adoption of IFRS 15 £m	Adjustments in respect of the adoption of IFRS 9 £m	Results before adjustments for the adoption of new accounting policies £m
Revenue	**2,132.0**	6.6	-	2,125.4
Cost of sales	**(1,649.8)**	(6.3)	-	(1,643.5)
Gross profit	**482.2**	0.3	-	481.9
Administrative expenses	**(74.0)**	(0.7)	-	(73.3)
Part-exchange income	**140.5**	140.5	-	-
Part-exchange expenses	**(139.0)**	(139.0)	-	-
Profit from operations	**409.7**	1.1	-	408.6
Finance income	**3.7**	-	-	3.7
Finance costs	**(18.8)**	-	0.1	(18.9)
Net finance costs	**(15.1)**	-	0.1	(15.2)
Share of post-tax profit from joint ventures	**13.4**	-	-	13.4
Share of post-tax profit from associates	**-**	-	-	-
Profit before tax	**408.0**	1.1	0.1	406.8
Tax	**(76.1)**	(0.2)	-	(75.9)

Profit for the period	**331.9**	0.9	0.1	330.9
Earnings per share from continuing operations				
Basic	**32.7p**	(0.1)p	-	32.6p
Diluted	**32.3p**	(0.1)p	-	32.2p

Impact on Consolidated Balance Sheet	**As at 31 December 2018 as reported** £m	Adjustments in respect of the adoption of IFRS 15 £m	Adjustments in respect of the adoption of IFRS 9 £m	As at 31 December 2018 before adjustments for the adoption of new accounting policies £m
Assets				
Non-current assets				
Non-current assets per balance sheet	**1,210.5**	-	-	1,210.5
Prepayment	**-**	-	(1.1)	1.1
	1,210.5	-	(1.1)	1,211.6
Current assets				
Trade and other receivables	**156.4**	-	(0.3)	156.7
Other current assets	**5,340.7**	-	-	5,340.7
	5,497.1	-	(0.3)	5,497.4
Total assets	**6,707.6**	-	(1.4)	6,709.0
Liabilities				
Non-current liabilities				
Trade and other payables	**(485.5)**	-	0.4	(485.9)
Other non-current liabilities	**(221.5)**	-	-	(221.5)
	(707.0)	-	0.4	(707.4)
Current liabilities				
Trade and other payables	**(1,364.6)**	(2.3)	-	(1,362.3)
Current tax liabilities	**(84.3)**	(0.2)	-	(84.1)
	(1,448.9)	(2.5)	-	(1,446.4)
Total liabilities	**(2,155.9)**	(2.5)	0.4	(2,153.8)
Net assets	**4,551.7**	(2.5)	(1.0)	4,555.2
Equity				
Retained earnings	**3,093.4**	(2.5)	(1.0)	3,096.9
Other reserves and capital	**1,449.6**	-	-	1,449.6
Non-controlling interests	**8.7**	-	-	8.7
Total equity	**4,551.7**	(2.5)	(1.0)	4,555.2

Impact on Consolidated Cash Flow Statement	**Half year ended 31 December 2018 as reported £m**	Adjustments in respect of the adoption of IFRS 15 £m	Adjustments in respect of the adoption of IFRS 9 £m	Half year ended 31 December 2018 before adjustments for the adoption of new accounting policies £m
Profit from operations	**409.7**	1.1	-	408.6
Imputed interest on deferred term payables	**(11.3)**	-	0.1	(11.4)
Other non-cash items	**0.1**	-	-	0.1
Total non-cash items	**(11.2)**	-	0.1	(11.3)
Increase in inventories	**(237.8)**	-	-	(237.8)
Decrease/(increase) in trade and other receivables	**72.4**	-	(0.1)	72.5
Decrease in trade and other payables	**(182.1)**	(1.1)	-	(181.0)
Decrease in secured loans	**0.8**	-	-	0.8
Total movements in working capital	**(346.7)**	(1.1)	(0.1)	(345.5)
Interest paid	**(6.0)**	-	-	(6.0)
Tax paid	**(79.1)**	-	-	(79.1)
Net cash outflow from operating activities	**(33.3)**	-	-	(33.3)
Net cash outflow from investing activities	**(0.1)**	-	-	(0.1)
Net cash outflow from financing activities	**(369.9)**	-	-	(369.9)
Net decrease in cash and cash equivalents	**(403.3)**	-	-	(403.3)
Cash and cash equivalents at the beginning of the period	**982.4**	-	-	982.4
Cash and cash equivalents at the end of the period	**579.1**	-	-	579.1

Section 2 – Results for the year and utilisation of profits

2.1 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.

During the period the Group has adopted IFRS 15 ‘Revenue from Contracts with Customers’ and IFRS 9 ‘Financial Instruments’. The Group has initially applied IFRS 15 using the cumulative effect method. Comparatives have not been restated in respect of the adoption of IFRS 15 or IFRS 9. Further details and the impact of adoption are included in notes 1.4 and 1.5.

	Half year ended 31 December 2018			Half year ended 31 December 2017			Year ended 31 June 2018 (audited)		
	House-building £m	**Commercial development £m**	**Total £m**	House-building £m	Commercial development £m	Total £m	House-building £m	Commercial development £m	Total £m
Consolidated Income Statement:									
Revenue	**2,115.3**	**16.7**	**2,132.0**	1,951.7	36.3	1,988.0	4,827.0	47.8	4,874.8
Profit from operations before adjusted items	**402.2**	**3.8**	**406.0**	352.4	5.8	358.2	861.6	8.0	869.6
Adjusted item*	**-**	**3.7**	**3.7**	-	(3.0)	(3.0)	(4.0)	(3.0)	(7.0)
Profit from operations	**402.2**	**7.5**	**409.7**	352.4	2.8	355.2	857.6	5.0	862.6
Profit from operations including post-tax profit/(loss) from joint ventures and associates	**415.9**	**7.2**	**423.1**	363.3	2.6	365.9	876.1	4.5	880.6
Finance income			**3.7**			1.7			3.5
Finance costs			**(18.8)**			(24.9)			(48.6)
Profit before tax			**408.0**			342.7			835.5
Tax			**(76.1)**			(69.5)			(164.0)
Profit for the period			**331.9**			273.2			671.5

* During the period provisions of £3.7m were released following the disposal of a legacy property (31 December 2017: £3.0m provided; 30 June 2018: £7.0m provided in respect of costs associated with legacy properties). These amounts have been disclosed as adjusted in the Condensed Consolidated Income Statement.

Profit from operations includes £1.0m (31 December 2017: £0.2m; 30 June 2018: £0.8m) relating to forfeited deposits and £13.8m (31 December 2017: £21.3m; 30 June 2018: £54.2m) of other income and a charge of £1.7m (31 December 2017: £nil; 30 June 2018 £nil) relating to GMP pension equalisation. Other income principally comprises management fees receivable from joint ventures and the sale of freehold reversions.

	31 December 2018			31 December 2017			30 June 2018 (audited)		
	House-building £m	**Commercial development £m**	**Total £m**	House-building £m	Commercial development £m	Total £m	House-building £m	Commercial development £m	Total £m
Balance Sheet:									
Segment assets	**6,144.6**	**14.3**	**6,158.9**	6,298.3	29.3	6,327.6	5,959.9	16.9	5,976.8
Elimination of intercompany balances			**(30.4)**			(18.3)			(30.2)
			6,128.5			6,309.3			5,946.6
Cash and cash equivalents			**579.1**			378.0			982.4
Consolidated total assets			**6,707.6**			6,687.3			6,929.0
Segment liabilities	**(1,824.0)**	**(56.5)**	**(1,880.5)**	(2,071.6)	(72.3)	(2,143.9)	(1,995.8)	(63.5)	(2,059.3)
Elimination of intercompany balances			**30.4**			18.3			30.2
			(1,850.1)			(2,125.6)			(2,029.1)
Loans and borrowings			**(200.0)**			(212.1)			(191.1)
Deferred tax liabilities			**(21.5)**			(20.1)			(25.3)
Current tax liabilities			**(84.3)**			(61.8)			(85.8)
Consolidated total liabilities			**(2,155.9)**			(2,419.6)			(2,331.3)

2.2 Earnings per share

Basic earnings per share is calculated by dividing the profit for the half year attributable to ordinary shareholders of £330.7m (31 December 2017: £273.3m; 30 June 2018: £671.7m) by the weighted average number of ordinary shares in issue during the half year, excluding those held by the EBT which were treated as cancelled, which was 1,010.0m (31 December 2017: 1,009.5m; 30 June 2018: 1,010.7m) shares.

Diluted earnings per share is calculated by dividing the profit for the half year attributable to ordinary shareholders of £330.7m (31 December 2017: £273.3m; 30 June 2018: £671.7m) 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 1,022.5m (31 December 2017: 1,020.2m; 30 June 2018: 1,020.0m) shares.

During the period the Group has adopted IFRS 15 'Revenue from Contracts with Customers'. The Group has initially applied IFRS 15 using the cumulative effect method therefore comparatives have not been restated. Further details and the impact of adoption are included in notes 1.4 and 1.5.

The earnings per share from continuing operations were as follows:

	Half year ended 31 December 2018 pence	Half year ended 31 December 2017 pence	Year ended 30 June 2018 (audited) pence
Basic earnings per share	**32.7**	27.1	66.5
Diluted earnings per share	**32.3**	26.8	65.9

2.3 Dividends

	Half year ended 31 December 2018 £m	Half year ended 31 December 2017 £m	Year ended 30 June 2018 (audited) £m
Amounts recognised as distributions to equity shareholders:			
Final dividend for the year ended 30 June 2018 of 17.9p per share	**180.6**	-	-
Special dividend for the year ended 30 June 2018 of 17.3p per share	**174.6**	-	-
Interim dividend for the year ended 30 June 2018 of 8.6p per share	**-**	-	87.0
Final dividend for the year ended 30 June 2017 of 17.1p per share	**-**	172.9	172.9
Special dividend for the year ended 30 June 2017 of 17.3p per share	**-**	175.0	175.0
Total dividends distributed to equity shareholders in the period	**355.2**	347.9	434.9
Proposed interim dividend for the year ending 30 June 2019 of 9.6p per share (year ended 30 June 2018: 8.6p per share)	**97.2**	87.0	-

The interim dividend of 9.6 pence per share was approved by the Board on 5 February 2019 and has not been included as a liability as at 31 December 2018.

2.4 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 2018	Half year ended 31 December 2017	Year ended 30 June 2018 (audited)
Effective rate of corporation tax for the period	**18.7%**	20.3%	19.6%
Effective rate of corporation tax for the period excluding the impact of rate changes and prior year adjustments	**18.7%**	18.7%	19.1%

As at 31 December 2018 the Group recognised a net deferred tax liability of £21.5m (31 December 2017: £20.1m; 30 June 2018: £25.3m).

Section 3 – Working capital

3.1 Inventories

	31 December 2018 £m	31 December 2017 £m	30 June 2018 (audited) £m
Land held for development	**2,994.4**	3,229.0	2,963.4
Construction work in progress	**1,672.3**	1,704.4	1,463.1
Part-exchange properties and other inventories	**94.7**	61.5	90.2
	4,761.4	4,994.9	4,516.7

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 £1.6m and gross impairment reversals of £8.5m resulting in a net impairment reversal of £6.9m (31 December 2017: £5.1m charge; 30 June 2018: £3.3m charge) included within profit from operations.

The value of inventories expensed in the half year ended 31 December 2018 and included in cost of sales was £1,564.7m (31 December 2017: £1,453.9m; 30 June 2018: £3,619.7m).

3.2 Trade and other payables

	31 December 2018 £m	31 December 2017 £m	30 June 2018 (audited) £m
Non-current liabilities			
Land payables	**463.3**	639.4	520.0
Other payables	**22.2**	48.6	46.7
	485.5	688.0	566.7
Current liabilities			
Trade payables	**296.6**	328.2	361.1
Land payables	**498.5**	546.0	476.7
Accruals and deferred income	**459.2**	400.5	511.6
Other tax and social security	**13.3**	12.6	14.1
Other payables	**97.0**	150.3	98.9
	1,364.6	1,437.6	1,462.4

3.3 Secured loans

Secured loans comprise interest free loans that were granted as part of sales transactions and for which the cashflows 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 charge). These secured loans were previously classified as "available for sale assets" but have been reclassified under IFRS 9 as described in note 1.4.

Section 4 – Business combinations and other investing activities

4.1 Investments accounted for using the equity method

No new joint venture arrangements were entered into during the period.

Section 5 – Capital structure and financing

5.1 Net cash

Net cash is defined as cash and cash equivalents, bank overdrafts, interest bearing borrowings, prepaid fees and foreign exchange swaps.

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

	31 December 2018 £m	31 December 2017 £m	30 June 2018 (audited) £m
Cash and cash equivalents	**579.1**	378.0	982.4
Drawn debt			
Borrowings			
Government loans	**-**	(21.8)	-
Sterling US private placement notes	**(200.0)**	(200.0)	(200.0)
Bank overdrafts	**-**	(0.2)	-
Prepaid fees*	**-**	9.9	8.9
Total borrowings being total drawn debt	**(200.0)**	(212.1)	(191.1)
Prepaid fees*	**8.6**	-	-
Net cash	**387.7**	165.9	791.3
Total borrowings at the period end are analysed as:			
Non-current borrowings	**(200.0)**	(191.7)	(191.1)
Current borrowings	**-**	(20.4)	-
Total borrowings being drawn debt	**(200.0)**	(212.1)	(191.1)

*Prepaid fees included in net cash were presented within total borrowings in prior periods. In the current period these are included within prepayments on the Balance Sheet. Prior year balances have not been restated for this presentation change.

On 22 November 2018 the Group's £700.0m revolving credit facility was amended and extended from December 2022 to November 2023.

Movement in net cash, including a reconciliation of liabilities arising from financing activities, is as follows:

	Half year ended 31 December 2018 £m	Half year ended 31 December 2017 £m	Year ended 30 June 2018 (audited) £m
Net (decrease)/increase in cash and cash equivalents	**(403.3)**	(406.4)	198.0
Repayment/(drawdown) of borrowings:			
Loan drawdowns	**-**	(0.6)	-
Loan repayments	**-**	-	21.4

Repayment of US Dollar private placement notes	**-**	48.4	48.4
Issue of sterling US private placement notes	**-**	(200.0)	(200.0)
Other movements in net cash:			
Movement in prepaid fees	**(0.3)**	0.8	(0.2)
Foreign exchange loss on US Dollar private placement notes	**-**	(0.8)	(0.8)
Foreign exchange gain on swaps	**-**	0.8	0.8
Movement in net cash in the period	**(403.6)**	(557.8)	67.6
Opening net cash	**791.3**	723.7	723.7
Closing net cash	**387.7**	165.9	791.3

5.2 Net finance costs

	Half year ended 31 December 2018 £m	Half year ended 31 December 2017 £m	Year ended 30 June 2018 (audited) £m
Recognised in the Income Statement:			
Finance income			
Finance income on short term bank deposits	**(1.7)**	(0.7)	(1.1)
Finance income related to employee benefits	**(0.9)**	(0.3)	(0.6)
Other interest receivable	**(1.1)**	(0.7)	(1.8)
	(3.7)	(1.7)	(3.5)
Finance costs			
Interest on loans and borrowings	**5.1**	4.7	9.8
Imputed interest on deferred term payables	**11.3**	17.7	34.3
Amounts reclassified to the Income Statement in respect of hedged cash flows	**-**	(0.8)	(0.8)
Foreign exchange losses on US Dollar debt	**-**	0.8	0.8
Amortisation of facility fees	**1.5**	1.1	2.1
Other interest payable	**0.9**	1.4	2.4
	18.8	24.9	48.6
Net finance costs	**15.1**	23.2	45.1

The weighted average interest rates (excluding amortised fees and non-utilisation fees) were as follows:

	31 December 2018 %	31 December 2017 %	30 June 2018 (audited) %
Government loans	**-**	1.8	1.7
Private placement notes	**2.8**	3.2	3.0

5.3 Financial instruments’ fair value disclosures

The fair values of financial assets and liabilities are determined as follows:
The fair value of the secured loan portfolio has been calculated on a loan by loan basis using the present value of the expected future cash flows of each loan. The fair values of other non-derivative financial assets and liabilities are determined based on discounted cash flow analysis using current market rates for similar instruments. Other financial liabilities are subsequently measured at amortised cost using the ‘effective interest rate’ method.

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

	Half year ended 31 December 2018 £m		Half year ended 31 December 2017 £m		Year ended 30 June 2018 (audited) £m	
	Fair value	Carrying value	Fair value	Carrying value	Fair value	Carrying value
Financial assets						
Cash and cash equivalents	**579.1**	**579.1**	378.0	378.0	982.4	982.4
Trade and other receivables	**112.6**	**112.6**	93.2	93.2	188.3	188.3
Non-current secured loans	**3.0**	**3.0**	3.3	3.3	3.1	3.1
Current secured loans	**0.2**	**0.2**	0.2	0.2	0.3	0.3
Total financial assets	**694.9**	**694.9**	474.7	474.7	1,174.1	1,174.1
Financial liabilities						
Bank overdrafts	**-**	**-**	0.2	0.2	-	-
Trade and other payables	**1,548.1**	**1,547.9**	1,853.0	1,845.7	1,682.7	1,692.2
Loans and borrowings	**183.3**	**200.0**	211.9	211.9	192.8	200.0
Total financial liabilities	**1,731.4**	**1,747.9**	2,065.1	2,057.8	1,875.5	1,892.2

Financial assets and liabilities that are measured subsequent to initial recognition at fair value comprise secured loans which are measured according to level 3 of the fair value hierarchy, and there have been no transfers between levels during the half year.

5.4 Share capital

	31 December 2018	31 December 2017	30 June 2018 (audited)
Allotted and issued ordinary shares (£m):			
10p each fully paid	**101.4**	101.2	101.3
Allotted and issued ordinary shares (number):			
10p each fully paid	**1,014,256,706**	1,012,494,276	1,012,722,682

	Half year ended 31 December 2018 number	Half year ended 31 December 2017 number	Year ended 30 June 2018 (audited) number
Options over the Company's shares granted during the period:			
Long Term Performance Plan (LTPP)	**2,940,565**	2,220,531	2,223,717
Savings-Related Share Option Scheme (Sharesave)	**-**	-	2,755,257
Deferred Bonus Plan (DBP)	**644,386**	567,557	567,557
	3,584,951	2,788,088	5,546,531

	Half year ended 31 December 2018 **number**	Half year ended 31 December 2017 number	Year ended 30 June 2018 (audited) number
Allotment of shares during the period:			
At the beginning of the period	**1,012,722,682**	1,007,899,274	1,007,899,274
Issued to satisfy early exercises under Sharesave schemes	**20,078**	25,779	50,846
Issued to satisfy exercises under matured Sharesave schemes	**1,513,946**	2,364,657	2,567,996
Issued to satisfy vesting of LTPP awards	**-**	1,711,888	1,711,888
Issued to satisfy exercises under the DBP	**-**	477,912	477,912
Issued to the Employee Benefit Trust to satisfy future exercises	**-**	14,766	14,766
	1,014,256,706	1,012,494,276	1,012,722,682

Own shares reserve

The own shares reserve represents the cost of shares in Barratt Developments PLC purchased in the market and held by the Barratt Developments PLC Employee Benefit Trust (the 'EBT') on behalf of the Company in order to satisfy options and awards that have been granted under the Barratt Developments PLC Executive, Employee, and Senior Management share option plans, the LTPP and the DBP schemes.

	31 December 2018	31 December 2017	30 June 2018 (audited)
Ordinary shares in the Company held in the EBT (number)	3,494,748	962,153	931,605
Market value of shares held in the EBT at 462.8p (31 December 2017: 647.5p; 30 June 2018: 515.4p) per share	£16,173,694	£6,229,941	£4,801,492

During the period the EBT purchased 4,000,000 (31 December 2017: 483,379; 30 June 2018: 483,379) shares in the market and disposed of 36,308 (31 December 2017: 706,225; 30 June 2018: 736,773) shares in settlement of exercises under the Senior Management Share Option Plan 2009/10 and the Senior Management Incentive Scheme, and 1,400,549 (31 December 2017: 2,189,800; 30 June 2018: 2,189,800) were used to satisfy the vesting of the LTPP and the DBP schemes. No shares (31 December 2017: 2,204,566; 30 June 2018: 2,204,566) were issued to the EBT at par.

Section 6 – Contingencies and related parties

6.1 Contingent liabilities

6.1.1 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 £467.3m (31 December 2017: £471.6m; 30 June 2018: £452.7m), and confirm that at the date of these Condensed Consolidated Financial Statements the possibility of cash outflow is considered remote and no provision is required.

As previously disclosed in the Group's Annual Report and Accounts for 30 June 2018, following correspondence with an industry wide final salary pension scheme, there is a risk of an obligation arising in respect of pension scheme funding, pursuant to section 75 of the Pensions Act 1995, for employees of a subsidiary who left the Group following disposal of its business and assets.

The Group received notification in January 2018 that no liability exists in respect of certain employees under the scheme, however previous correspondence received in November 2017 stated that the scheme actuary was not in a position to calculate any remaining section 75 debts due to the complexities of applying the relevant legislation to the scheme. In July 2018, the Trustees issued their consultation response confirming a proposed methodology for calculating the section 75 obligation and that debt notices would be issued by June 2019. Disclosure on this matter is therefore made in accordance with note 6.1.3.

The Directors consider that whilst it is probable that a liability could result in the future, at present there remain uncertainties underlying any such calculation. Given the most recent communications with the Trustees a provision was recognised in relation to this matter during the year ended 30 June 2018.

Following the Grenfell Tower tragedy, amendments to the Building Regulations have been approved to implement a ban on the use of combustible materials in the external wall systems of buildings. The ban will apply to new high-rise residential buildings 18 metres or more in height and includes material alterations such as the replacement of cladding. The regulations came into force on 21 December 2018. The Group has undertaken a review of all of its current and legacy buildings where it has used cladding. Approved Inspectors signed off all of our buildings, including the cladding used, as compliant with the relevant Building Regulations during construction and on completion. While we are satisfied that we currently have no liability in respect of cladding, we have made a provision for the work we have undertaken to carry out to remove and replace cladding in line with our commitment to put our customers first. The Financial Statements have been prepared based on currently available information, however, future changes to Building Regulations and Fire Safety Regulations may occur as a result of the Government's technical review of Approved Document B of Building Regulations due 1st March 2019, the impact of which is currently unknown.

6.1.2 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 £13.3m (31 December 2017: £34.6m; 30 June 2018: £33.2m). The Group has also provided principal guarantees of £9.0m (31 December 2017: £9.0m; 30 June 2018: £9.0m), and cost and interest overrun guarantees in relation to the borrowings of a number of the Group's London joint ventures. At 31 December 2018, no cost or interest overruns had been incurred (31 December 2017: £nil; 30 June 2018: £nil). The Group's maximum exposure under these cost and interest overrun guarantees is estimated at £11.7m as at 31 December 2018 (31 December 2017: £18.6m; 30 June 2018: £18.8m).

At 31 December 2018, the Group has an obligation to repay £0.9m (31 December 2017: £0.9m; 30 June 2018: £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.

6.1.3 Contingent liabilities related to legal claims

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.

There was no contingent liability in respect of such claims at 31 December 2018.

6.2 Related party transactions

Related party transactions for the period to 31 December 2018 are detailed below:

6.2.1 Transactions between the Group and its joint ventures

The Group has principally entered into transactions with its joint ventures in respect of development management/other services (with charges made based on the utilisation of these services) and funding. These transactions totalled £3.8m (31 December 2017: £4.5m; 30 June 2018: £16.0m) and £1.0m (31 December 2017: £0.7m; 30 June 2018: £1.6m) 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.

During the year the Group received profit distributions from its joint ventures totalling £8.8m (31 December 2017: £4.5m; 30 June 2018: £41.8m). The total amount of LLP capital, outstanding loans and interest due to the Group from its joint ventures at 31 December 2018 was £255.7m (31 December 2017: £212.5m; 30 June 2018: £248.0m). The amounts outstanding are unsecured and will be settled in cash. The amount of other outstanding payables to the Group from its joint ventures at 31 December 2018 was £27.4m (31 December 2017: £9.7m; 30 June 2018: £29.5m).

Loans of £1.1m (31 December 2017: £2.1m; 30 June 2018: £2.2m) were owed by the Group to its joint ventures.

The Group's contingent liabilities relating to its joint ventures are disclosed in note 6.1.2.

6.2.2 Transactions between the Group and its associates

There were no outstanding loans or other balances due to the Group from its associates at 31 December 2018 or during either comparative period. The Group's contingent liabilities relating to its associates are disclosed in note 6.1.2.

6.2.3 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.

Transactions between the Group and key management personnel in the first half of the year ending 30 June 2019 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 2018. Options granted to senior management are disclosed in aggregate in note 5.4. There have been no other material changes to the arrangements between the Group and key management personnel.

There have been no related party transactions as defined in Listing Rule 11.1.5R for the period ended 31 December 2018.

Statement of Directors' Responsibilities

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 are:

J M Allan, Chairman
D F Thomas, Chief Executive
S J Boyes, Chief Operating Officer and Deputy Chief Executive
J E White, Chief Financial Officer
R J Akers, Senior Independent Director
N S Bibby, Non-Executive Director
J F Lennox, Non-Executive Director
S M White, Non-Executive Director

The Half Yearly Financial Report was approved by the Board on 5 February 2019, and signed on its behalf by

D F Thomas
Chief Executive

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 2018 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 6.2. 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 1.4, 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 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 2018 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

Statutory Auditor
London, United Kingdom
5 February 2019

Glossary & Definitions

Active outlet	A site with at least one plot for sale
ASP	Average selling price
DBP	Deferred Bonus Plan
DTR	Disclosure Guidance and Transparency Rules
EBT	Barratt Developments Employee Benefit Trust
EPS	Earnings per share as defined by IAS 33
EU	European Union
FY	Refers to the financial year ended 30 June
GMP	Guaranteed Minimum Pension
HBF	Home Builders Federation
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
JVs	Joint ventures
Land supply	Land supply is calculated as total owned (owned land and land subject to unconditional contracts) and controlled (land subject to conditional contracts) land bank plots divided by wholly owned completions in the last 12 months
LLP	Limited Liability Partnership
LTPP	Long Term Performance Plan
Ordinary dividend cover	Calculated as the ratio of the Group's profit or loss for the period attributable to the owners of the Company to total ordinary dividend
Net cash	Net cash / debt is defined as cash and cash equivalents, bank overdrafts, interest bearing borrowings, prepaid fees and foreign exchange swaps
NHBC	National House Building Council
RBLI	Royal British Legion Industries
Regional	Includes all regions except London
RSPB	Royal Society for the Protection of Birds
Sharesave	Savings-Related Share Option Scheme
The Company	Barratt Developments PLC
The Group	Barratt Developments PLC and its subsidiary undertakings
Total completions	Unless otherwise stated total completions quoted include JV completions

Definitions of alternative performance measures and reconciliation to IFRS

Further information on the use of APMs and why the Group believes they are a good measure of performance alongside IFRS metrics is provided in the Annual Report and Accounts for the year ended 30 June 2018.

Gross margin is defined as gross profit divided by revenue:

	Half year ended 31 December 2018	Half year ended 31 December 2017	Year ended 30 June 2018 (audited)
Revenue per Condensed Consolidated Income Statement (£m)	**2,132.0**	1,988.0	4,874.8
Gross profit per Condensed Consolidated Income Statement (£m)	**482.2**	410.2	1,008.9
Gross margin	**22.6%**	20.6%	20.7%

Operating margin is defined as profit from operations divided by revenue:

	Half year ended 31 December 2018	Half year ended 31 December 2017	Year ended 30 June 2018 (audited)
Revenue per Condensed Consolidated Income Statement (£m)	**2,132.0**	1,988.0	4,874.8
Profit from operations per Condensed Consolidated Income Statement (£m)	**409.7**	355.2	862.6
Operating margin	**19.2%**	17.9%	17.7%

Net tangible assets, used in calculating net tangible assets per share, are defined as Group net assets less other intangible assets and goodwill:

	31 December 2018 £m	31 December 2017 £m	30 June 2018 (audited) £m
Group net assets per Condensed Consolidated Balance Sheet	**4,551.7**	4,267.7	4,597.7
Less:			
Other intangible assets per Condensed Consolidated Balance Sheet	**(100.0)**	(100.0)	(100.0)
Goodwill per Condensed Consolidated Balance Sheet	**(792.2)**	(792.2)	(792.2)
Net tangible assets	**3,659.5**	3,375.5	3,705.5
	31 December 2018	31 December 2017	30 June 2018 (audited)
Number of ordinary shares (no.)	**1,014,256,706**	1,012,494,276	1,012,722,682
Net tangible assets per share (pence)	**360.8**	333.4	365.9

Return on Capital Employed ("ROCE") is calculated as earnings before interest, tax, operating charges relating to the defined benefit pension scheme and operating adjusting or exceptional items for the 12 months to December, divided by average net assets adjusted for goodwill and intangibles, tax, net cash, retirement benefit assets/obligations and derivative financial instruments:

	Half year ended 31 December 2018 £m	Half year ended 31 December 2017 £m	Year ended 30 June 2018 (audited) £m	Year calculated to 31 December 2018 £m	Half year ended 31 December 2016 £m	Year ended 30 June 2017 (audited) £m	Year calculated to 31 December 2017 £m
Profit from operations	**409.7**	355.2	862.6	917.1	324.0	799.2	830.4
(Credit)/cost associated with legacy properties	**(3.7)**	3.0	7.0	0.3	-	8.8	11.8
GMP pension equalisation	1.7	-	-	1.7	-		
Share of post-tax profit from joint ventures and associates	13.4	10.7	18.0	20.7	26.4	25.6	9.9
Annualised earnings before interest, tax, adjusted items and defined benefit scheme charges			887.6	939.8		833.6	852.1

	31 December 2018 £m	31 December 2017 £m	30 June 2018 (audited) £m	31 December 2016 £m	30 June 2017 (audited) £m
Group net assets per Condensed Consolidated Balance Sheet	**4,551.7**	4,267.7	4,597.7	4,010.3	4,322.2
Less:					
Other intangible assets per Condensed Consolidated Balance Sheet	**(100.0)**	(100.0)	(100.0)	(100.0)	(100.0)
Goodwill per Condensed Consolidated Balance Sheet	**(792.2)**	(792.2)	(792.2)	(792.2)	(792.2)
Current tax liabilities	**84.3**	61.8	85.8	62.7	71.1
Deferred tax liabilities	**21.5**	20.1	25.3	6.2	8.0
Derivative financial instruments - swaps	-	-	-	(7.9)	(7.4)
Retirement benefit (assets) / obligations	**(53.1)**	(34.8)	(58.7)	10.2	(13.6)
Cash and cash equivalents	**(579.1)**	(378.0)	(982.4)	(361.7)	(784.4)
Loans and borrowings	**200.0**	212.1	191.1	181.4	73.9
Prepaid fees	**(8.6)**	-	-	-	
Capital employed	**3,324.5**	3,256.7	2,966.6	3,009.0	2,777.6
Three point average capital employed	**3,182.6**	3,014.4	3,000.3		

	31 December 2018	31 December 2017	30 June 2018 (audited)
Annualised earnings before interest, tax, adjusted items and defined benefit scheme charges (from table above) (£m)	**939.8**	852.1	887.6
Three point average capital employed (from table above) (£m)	**3,182.6**	3,014.4	3,000.3
ROCE	**29.5%**	28.3%	29.6%