BARRATT
DEVELOPMENTS PLC

8 February 2023

BARRATT DEVELOPMENTS PLC

Half year results for the six month period ended 31 December 2022

Strong operating performance, well positioned for an uncertain trading backdrop in 2023

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

"We have delivered a strong operating performance for the six months to 31 December 2022. This was possible because of our significant forward order book at 30 June 2022 and the tremendous efforts of our employees, sub-contractors and supply chain partners.

However, the economic backdrop has clearly been challenging and consumer confidence weakened significantly during the half, which meant we saw lower reservation rates for future sales – particularly in the second quarter. Whilst we have seen some early signs of improvement in current trading during January, we will need to see continued momentum over the coming months before we can be confident that these challenging trading conditions are easing.

Our business remains fundamentally strong, both operationally and financially, with an experienced leadership team, a strong net cash position and a resilient and flexible business model. We are well-placed to navigate the challenges ahead and are focused on driving revenue whilst taking a decisive and disciplined approach to costs. As always, our priority is delivering excellent quality and service for our customers."

£m unless otherwise stated[1,2]	Half year ended 31 December 2022	Half year ended 31 December 2021	Change
Total completions (homes)[3]	8,626	8,067	6.9%
Revenue	2,783.9	2,247.1	23.9%
Alternative performance measures:[4]			
Adjusted gross profit	647.9	562.4	15.2%
Adjusted gross margin	23.3%	25.0%	(170 bps)
Adjusted profit from operations	511.8	449.9	13.8%
Adjusted operating margin	18.4%	20.0%	(160 bps)
Adjusted profit before tax	521.5	450.0	15.9%
Adjusted basic earnings per share (pence)	39.2	35.9	9.2%
ROCE[5]	29.6%	26.2%	340 bps
Net cash	969.1	1,131.7	(14.4%)
Statutory basis:			
Gross margin	22.6%	24.3%	(170 bps)
Profit from operations	494.2	434.0	13.9%
Operating margin	17.8%	19.3%	(150 bps)
Profit before tax	501.5	432.6	15.9%
Basic earnings per share (pence)	37.7	34.5	9.3%
Interim dividend per share (pence)	10.2	11.2	(8.9%)
Tangible net asset value per share (pence)	462	458	0.9%

Highlights

- Strong operational performance in the first half, delivering 6.9% growth in total home completions[3] to 8,626 with adjusted profit before tax up 15.9% at £521.5m and reported profit before tax also advancing 15.9% to £501.5m.
- Continuing focus on build quality, health and safety and customer service recognised as the Group was named 'Large Housebuilder of the Year' for the third time in four years.
- Industry leadership on Sustainability recognised with the Group joining the CDP's Climate Change 'A' List for Leadership, one of just 283 companies worldwide and the top-rated UK housebuilder.
- Strong balance sheet with net cash of £969.1m (HY22: £1,131.7m) after dividend payment of £259.8m and £100.5m of share repurchases.
- Our full year out-turn remains dependent on how the market evolves through the Spring selling season, but assuming we continue to see the improved reservation activity we have experienced since the start of calendar 2023, we expect to deliver total home completions of between 16,500 to 17,000 in FY23 (including c. 750 JV completions).
- Interim ordinary dividend of 10.2p (HY22: 11.2p) reflecting the planned reduction in dividend cover to 2.0 times for the full financial year (2.25 times cover in HY22).
- Buyback programme to recommence following today's interim results announcement.

Current trading

- Net private reservations per active outlet per average week from 1 January 2023 through to 29 January 2023 were 0.49, 45.6% below the 0.90 in the equivalent period in 2022, reflecting the more tentative demand seen in the calendar year to date, but an uplift on the level of activity seen from our AGM announcement through to 31 December 2022.
- Forward sales[3] as at 29 January 2023 were 10,854 homes (30 January 2022: 15,736) at a value of £2,665.0m (30 January 2022: £4,109.7m) with 8,719 homes of these total forward sales either exchanged or contracted (30 January 2022: 11,362 exchanged or contracted).

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 APMs and reconciliations to the equivalent statutory measures are detailed in the Glossary and Definitions. Net cash definition in Note 11
5 ROCE for the 12 months to 31 December 2021 has been restated to exclude provisions in relation to legacy properties from capital employed

Note on forward looking statements

Certain statements in this announcement 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. Unless otherwise required by applicable law, regulation or accounting standards, the Group does not undertake to update or revise any forward looking statements, whether as a result of new information, future developments or otherwise.

There will be a results meeting at the Chartered Accountants' Hall, 1 Moorgate Place, London, EC2R 6EA at 8.30am today.

A conference call and webcast will accompany the meeting starting at 8.30am. Details for the conference call are included below. We would advise calling in to the conference call at 8.15am to ensure you are registered ahead of the start of the meeting.

Standard International: +44 (0) 33 0551 0200
UK Toll Free: 0808 109 0700
USA Local: +1 786 697 3501
USA Toll Free: +1 866 580 3963

The presentation will also be webcast live with the Q&A. Please register and access the webcast using the following link:

https://broadcaster-audience.mediaplatform.com/#/event/63bc003eb389f42c6f386631

An archived version of the webcast will also be available on our website later this afternoon and further copies of this announcement can be downloaded from the Barratt Developments PLC corporate website at 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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Barratt Developments PLC LEI: 2138006R85VEOF5YNK29

Financial reporting calendar

The Group's next scheduled announcement of financial information is the Q3 trading update on 3 May 2023.

Chief Executive's Statement

Overview

We have delivered a strong operating performance for the six months to 31 December 2022. This has been supported by our significant forward order book at 30 June 2022 and the tremendous efforts of our employees, sub-contractors and supply chain partners.

However, the first half of the financial year saw a marked slowdown in the UK housing market. Political and economic uncertainty impacted the first quarter; this was then compounded by rapid and significant changes in mortgage rates which reduced affordability, homebuyer confidence and reservation activity through the second quarter.

Our business remains fundamentally strong, both operationally and financially, with an experienced leadership team, a strong net cash position and a resilient and flexible business model. We are focused on successfully navigating the challenges ahead and continuing to deliver both excellent quality and service for our customers and the energy-efficient homes needed across the country.

	Progress in the half year	**Area of focus in second half**
Home completions	8,626 total home completions (HY22: 8,067) including 362 JV completions (HY22: 395) reflecting order book strength carried into the new financial year	Expect to deliver between 16,500 to 17,000 total home completions including c. 750 JV completions in FY23
Gross margin	170 bps decrease in adjusted gross margin to 23.3% (HY22: 25.0%) 170 bps decrease in gross margin to 22.6% (HY22: 24.3%)	Managing build cost inflation Adjusting our cost base to reflect market activity
ROCE	340 bps increase in ROCE[5] to 29.6% (12 months to 31 December 2021: 26.2%)	Disciplined investment in work in progress to support activity matching market demand

We delivered total completions[3] of 8,626 homes, 6.9% ahead of the 8,067 delivered in the first half of FY22. HY23 total completions were supported by the strength of the Group forward order book entering FY23 and an excellent performance from our site teams in delivering homes ready for our customers.

The benefit of underlying house price inflation, estimated at around 8.8% was largely offset by total build cost inflation at around 10% which, when combined with an adverse mix effect on gross margin from a greater proportion of completions in London, resulted in a 170 bps decrease in adjusted gross margin to 23.3% (HY22: 25.0%). Administrative expenses increased, in line with previous guidance, but the operational gearing impact of this increase on operating margin was moderated by strong revenue growth, resulting in a 160 bps reduction in the adjusted operating margin to 18.4% (HY22: 20.0%).

During the period, we incurred £20.0m of net costs associated with legacy properties in relation to the reinforced concrete frame remediation works, which are recognised outside adjusted gross and operating profit. Of these costs, £2.4m were incurred by joint ventures (HY22: £1.5m). As a result, we delivered a reported gross margin of 22.6% (HY22: 24.3%) and a reported operating margin of 17.8% (HY22: 19.3%). Profit from operations for the half year was £494.2m (HY22: £434.0m).

Our ROCE at 29.6% remained ahead of our 25% medium term target and increased by 340 bps on the 26.2% reported to 31 December 2021. The ROCE improvement was driven predominantly by the strong operating performance of the Group, which delivered a higher level of profit than in the prior year.

Our balance sheet remains strong and we ended the half year with net cash of £969.1m (31 December 2021: £1,131.7m). The reduced level of net cash reflects committed land spend with respect to approvals secured in FY22, working capital investment, the payment of the final dividend for FY22 of £259.8m (HY22: £223.0m) and £100.5m with respect to the share buyback programme.

The current trading outlook remains uncertain with only four weeks' trading since the start of 2023. Reservations have shown a modest uplift since the start of January, helped by the tempering in both future interest rate and energy cost expectations, as well as the introduction of more competitive mortgage rates. The sustainability of this recovery however remains uncertain, notably with respect to the challenges still faced by first time buyers.

Our full year out-turn remains dependent on how the market evolves through the Spring selling season, but assuming we continue to see the improved reservation activity we have experienced since the start of calendar 2023, we expect to deliver total home completions of between 16,500 to 17,000 in FY23 (including c. 750 JV completions).

Keeping people safe

Our fundamental priority is to provide a safe working environment for all of our employees and sub-contractors and we are committed to achieving the highest industry health and safety standards.

In the 12 months to 31 December 2022, reflecting increased levels of building activity on our sites across the country, our IIR increased slightly to 301 (2021: 295) per 100,000 workers and our SHE audit compliance was 96% (2021: 97%).

We remain focussed on improvement of our site-based processes and procedures, challenging unsafe behaviours and looking at ways we can further improve and, as detailed later, we have also engaged with our employees, group-wide, seeking their views on how we can further enhance our safety, health and environmental performance with additional future targeted actions.

Building sustainably

Our Building Sustainably Framework is built around three core pillars – Nature, Places and People. These pillars cover the material issues for our business and are informed by industry understanding, as well as the opinions and challenges offered by all our stakeholders. We are determined to maintain our position as the leading national sustainable housebuilder. Sustainability presents opportunities for business growth, encourages innovation and improves our homes for customers.

The Group's Sustainability Committee, chaired by our Chief Executive David Thomas and attended by three other members of the Board, is responsible for ensuring our Building Sustainably Framework is embedded and acted upon across the Group's operations, to deliver our short, medium and long term targets.

Key areas of focus for the Committee in the financial year to date have included our emissions performance and action plans to drive continued waste reduction; plans to further reduce our emissions from operations, notably diesel consumption, with ongoing hydro-treated vegetable oil trials and the continued shift to renewable electricity tariffs across all our operations.

A further milestone has been the completion of the 'Energy House 2.0' where we have partnered with Saint-Gobain and the University of Salford to build a concept home 'eHome2' that will test the effects of climate change and look at ways new houses can cope with more extreme weather conditions whilst cutting energy and water usage. The three-bedroom family home has been built to test innovative building products designed to meet the Future Homes Standard. The house builds on our knowledge and understanding gained from the Zed-House, and was constructed using an advanced timber frame solution with pre-insulated walls installed at the factory and lightweight render-based bricks, whilst being built in less than 14 weeks – half the time it takes to build a traditional home.

The eHome2 will also test zero carbon performance in different temperatures and weather conditions to replicate extreme changes in the climate and the long term expected increase in temperatures faced in the UK. The data collected will help to inform how both Barratt and the wider housebuilding sector can design homes that are future-proof, whilst cutting bills for consumers.

We were delighted that our sustainability performance has been recognised in the 2022 CDP annual results with Barratt Developments joining the CDP's 'Climate Change A List for Leadership', one of just 283 companies worldwide and the top-rated UK housebuilder. We also achieved Management level status, grade B in the "Forests" category and we maintained our Management level status, grade B in the "Water" category. These scores, across the three key areas of Climate Change, Water and Forests, reflect our leading position in the UK housebuilding sector.

In the industry specific NextGeneration awards, we once again maintained our position as the 'Leading National Sustainable Housebuilder', receiving the "Gold Award" for the seventh consecutive year, as well as the "Crystal Award", for Transparency, for a third year. We also received the "Innovation Award" for the Zed House.

We became a signatory to the United Nations Global Compact back in July 2021, signalling our continued support for the Ten Principles of the UN Global Compact and our intention to implement them. We were therefore pleased that the submission of our FY22 Annual Report and Accounts, as our annual "Communication on Progress", has been assessed as 'Advanced' by the Global Compact Office. We are the only UK company in the 'Household Goods and Home Construction' sector to achieve 'Advanced' status.

Customer first

Our customers are at the heart of everything we do. We believe our industry leadership in customer service is fundamental to our success and we are the only major housebuilder to have been awarded the maximum 5 Star rating by our customers in the HBF customer satisfaction survey for 13 consecutive years, with a customer satisfaction rating above 90%.

Following investment and training during 2022, we successfully activated the New Homes Quality Code in the half year. We welcome the Code, which is centred on fairness, not simply achieving technical standards, and covers the period from initial enquiry through to completion and then two years post-occupation of the new home.

We are continually striving to improve the energy efficiency and sustainability of our homes and are adapting our home designs in response to both changing homebuyer demands, as well as the Future Homes Standard and other changes to Building Regulations. We aim to build high quality homes that optimise internal space, deliver excellent energy efficiency and, as a result, unlock lower lifetime costs for our customers.

Our sales outlets actively promote the lower energy cost and environmental advantages of our homes, an increasingly important purchasing consideration for our customers. A typical Barratt or David Wilson home can unlock energy savings of up to £2,600 annually when compared to an average existing home. In FY22 99% of our home completions were EPC rated 'B' or above, a level of energy efficiency shared by just 3.1% of the existing housing stock.

Mortgage lenders, driven by their own sustainability initiatives, are increasingly engaging with the housebuilding industry about green mortgages. We are continuing to work with mortgage lenders to see how we can help create more competitive and attractive mortgage products for our customers, reflecting the energy efficiency and emissions advantages created by our homes.

We have continued to drive improvements to the customer journey and have adapted our processes to help our customers through the volatility in the mortgage market over recent months and we will continue to work with lenders to ensure our customers have access to the most attractive and suitable mortgage products available. We continue to promote our part-exchange offer to customers, we were the first housebuilder to introduce part-exchange and we have a long record of helping existing homeowners in their purchase of a Barratt or David Wilson home.

Finally, in November 2022, we were named 'Large Housebuilder of the Year' at "The Housebuilder Awards 2022" for the third time in the last four years.

Great places

We build homes in locations where our customers want to live, with good access to open space and amenities, transport connections, schools and workplaces. Our specialised divisional land teams, as well as the Gladman team, possess extensive local knowledge and strong relationships with landowners. This, combined with detailed research into local market conditions, means we can secure land in locations of strong customer demand.

With our national rollout programme to embed biodiversity best practice across all regions completed in FY22, all development designs now being submitted for planning will identify a minimum bio-diversity net gain (BNG) of 10% and we remain ahead of legislation, which makes BNG of 10% mandatory from November 2023.

Leading construction

Our long-standing commitment to excellent build quality is embedded throughout our business. Throughout calendar 2022, Barratt has maintained its industry leadership amongst the major housebuilders, with the Group once again registering the lowest Reportable Items (RIs) per NHBC inspection[6].

Our build quality also continues to be recognised through the NHBC Pride in the Job Awards for site management. Our site teams' success was initially recognised in June 2022, where our site managers secured 98 awards, more than any other housebuilder for the 18th consecutive year. At the subsequent Regional NHBC Pride in the Job Awards 34 site managers went on to win 'Seals of Excellence' and our site managers secured five out of the nine awards in regions where we operate in the 'Large Builder' category. Finally, at the NHBC Pride in the Job Supreme Awards on 20 January 2023, Kirk Raine, site manager at Doseley Park in our Mercia Division, was named Supreme Winner in the 'Large Builder' category. No other major housebuilder has achieved this level of success and consistency, in terms of the recognition for site standards and build quality.

With the release of the Government's SAP calculator in Autumn 2022, our Group Design and Technical (GD&T) team have continued to develop and fine-tune solutions to ensure our housetypes meet the requirements of new Building Regulations. The new standards became effective on new development sites in June 2022 and will be applicable to all development sites from June 2023.

The Zed House, now in occupation, is creating invaluable performance data to help the GD&T team in determining the most suitable changes to our housetypes to meet the Future Homes Standard in 2025 and the legislative requirements in England, as well as the different requirements in Scotland and Wales, while also providing the best possible homes for our customers.

We continue to grow the number of homes we build using Modern Methods of Construction (MMC). The adoption of MMC increases construction efficiency, reduces waste and helps to mitigate the long term challenges posed by the shortage of skilled workers within the industry. In the first half year we legally completed 25.8% of our homes using timber frame or large format block (HY22: 22.3%) and we remain on track with our target to use MMC to build 30% of our homes by FY25.

Investing in our people

Our 2022 employee engagement survey was completed in October 2022. This year's survey delivered an engagement score of 84.4% (2021 survey: 79.4%). The improvement in the 2022 engagement score was welcomed and highlighted:

- The benefits of the Group's proactive policy changes in FY22 around the provision of private medical insurance for all employees; an additional day's holiday for all employees; and, enhanced time for employee volunteering.
- The positive impact on our employees of the Group's decision to award a cost of living salary supplement of £1,000 to all employees below senior management for the period from 1 July 2022 through 31 December 2022.
- The introduction of enhanced family friendly policies including extended maternity, paternity and carer leave, effective from October 2022.

Following the 2022 engagement survey and reflecting our desire to positively respond and engage with our workforce, a number of new initiatives were agreed in the period. These included:

- A Group-wide survey on health and safety seeking employee views on how we can further improve our safety, health and environmental performance with future targeted actions.
- A further cost of living salary supplement of £1,000 to all employees below senior management for the period 1 January 2023 through 30 June 2023.

We also continue to operate as an accredited Living Wage Employer and we promote the payment of the Living Wage within our UK supply chain through our standard sub-contractor terms and conditions.

As our industry continues to face a skills shortage, it is important to attract and retain the best people. We invest for the future through our numerous award-winning schemes including those for graduates, apprentices and former Armed Forces personnel. We now have three Degree Apprenticeships delivered in partnership with Sheffield Hallam University, encompassing Construction, Quantity Surveying and Technical Design and Management. We are the first house builder delivering Degree Apprenticeships across the three main build functions. Our development programmes included 580 participants at 31 December 2022 (31 December 2021: 456).

We are seeking to build 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 life experience. This is embedded within our Building Sustainably Framework delivering our Diversity and Inclusion Strategy, focusing on gender and ethnicity, where we aim to build on the improvements in representation we have seen over the last year.

October 2022 saw the launch of our ethnic minority community (EMC) support programme, “Spotlight”. This is an eight-month externally facilitated programme, which includes feedback from the participants on actions needed, as well as a Group-wide EMC employee network. We are delighted to have been part of the 30% Club’s “Leaders for Race Equity” inaugural programme, alongside nine other organisations seeking to share best practice and establish tangible actions for change.

As well as a successful support programme for high potential female employees, “Catalyst”, we are also working with the Home Builders Federation and Women in Construction to launch a nationwide employment programme for women, helping address the gender imbalance in the construction workforce, which currently sees just 16% female representation.

Responsible development

On 30 January 2023 the Department for Levelling Up, Housing and Communities (DLUHC) published the Self-Remediation Terms and Deed of Bilateral Contract to incorporate the commitments made by housebuilders under the Building Safety Pledge, to which the Group became a signatory in April 2022, into a contractual arrangement.

The Group continues to work closely with DLUHC to ensure that leaseholders do not have to pay for necessary remediation work caused by the design, construction or refurbishment of buildings. Following a detailed legal review of the contractual terms and further Board discussion, the Board will make its decision to sign before the Government’s deadline of Monday 13 March 2023.

Our dedicated Building Safety Unit is managing our ongoing building safety remediation programme, which we anticipate will be delivered over the next three to five years, with building safety considerations paramount in the prioritisation and scheduling of works.

During the half year, thirteen buildings on six developments were brought into the portfolio under review and eight buildings either remediated or confirmed to require no remediation after detailed review.

The Group remains of the view that the current provision of £427.2m as at 31 December 2022 (30 June 2022: £434.6m) reflects our current best estimate of the extent and future costs of remediation work required. However, we will continue to review these estimates as we have further experience of completing the remediation of the buildings within our portfolio.

Further details on our approach to building safety can be viewed on our website at: https://www.barrattdevelopments.co.uk/about-us/our-approach-to-building-safety.

Charitable giving

We recognise that we have a really important and positive role to play in supporting the communities in which we operate and we are passionate about making a difference. The Barratt Foundation is delivering our approach to charitable giving and social responsibility. We believe it is important to bring together, not only our financial resources, but also the commitment and enthusiasm of our employees to support charitable causes both locally and at a national level. To this end, we continue to actively promote both charitable giving and volunteering amongst our employees. In FY22, we raised and donated £5.1m (FY21 £4.3m) for charitable causes through the Barratt Foundation and Group donations.

In HY23, the Barratt Foundation has:

- Pledged £1m in grants to five new national charity partners. The five charities receiving grants were: Whizz-Kidz (£500,000), Place2Be (£300,000), Refuge (£100,000), Bookmark (£100,000) and the Lighthouse Club (£50,000). Each of these charities was carefully selected by the Barratt Foundation Trustees, reflecting their alignment with the Foundation’s key priorities centred around promoting social inclusion, mental health and education.
- Donated £50,000 to The Scouts Association and £50,000 to Girl Guiding UK, in memory of Her Majesty The Queen. Both organisations help the development of future generations and put civic duty at the heart of what they do. The Foundation also made a £50,000 donation to support the DEC’s Pakistan Floods Appeal.
- Provided an additional £5,000 to each of the Group’s 29 divisions and two Group offices to support local charities in need during the Christmas and New Year period, with donations going to 48 small local charities including hospices, foodbanks and homelessness charities throughout the UK.

Board changes and succession planning

On 27 October 2022, the Group announced the appointment of Jasi Halai as an Independent Non-Executive Director. Jasi joined the Board on 1 January 2023 and has also taken up positions on the Audit, Nomination, Remuneration and Sustainability Committees. Jasi is Chief Operating Officer at 3i and was appointed to the Board of 3i Group plc on 12 May 2022.

Jasi is a Chartered Management Accountant, holds an MSc in investment management from the CASS Business School and brings a wealth of financial and business skills and experience to the Board.

On 11 January 2023, the Group announced the appointment of Caroline Silver as a Non-Executive Director and Chair designate, with effect from 1 June 2023. Caroline will succeed John Allan as Non-Executive Chair on 6 September 2023. Caroline will also join the Remuneration and Nomination Committees on 1 June 2023. Caroline will become the Non-Executive Chair of the Nomination Committee on 6 September 2023.

Caroline brings a wealth of knowledge and experience to the Board across a number of commercial, financial, investment banking, governance and Board leadership roles.

Under the planned succession process, led by Jock Lennox, our Senior Independent Director, John Allan will retire from the Board on 6 September 2023, having completed nine years of service.

On 11 January 2023, the Group also announced, that in order to reduce her non-executive commitments, Sharon White had decided to step down as a Non-Executive Director by 30 June 2023, after nearly five years on the Barratt Developments PLC Board. A further announcement will be made in due course, once the date of Sharon's departure is confirmed.

The Board will continue to assess its own composition and that of its Committees. It will also consider, and continue to meet, the requirements of the Hampton Alexander and the Parker and McGregor-Smith reviews throughout this process.

Our financial performance

Half year results

The Group delivered a strong operational first half performance, completing 8,626 homes across the country. However, trading conditions deteriorated throughout the half, which resulted in a progressive slowing of our private reservation rate.

Overall, our private reservation rate in the period was 44.3% below the same period last year at 0.44 (HY22: 0.79) net private reservations per active outlet per week. Political and economic uncertainty impacted the first quarter which was then compounded by the rapid and significant changes in mortgage rates which reduced affordability, homebuyer confidence and reservation activity through the second quarter. As a result, our reservation rate declined sequentially throughout the half year period.

Net private reservation rate per active outlet per average week	HY23	HY22	Change
1 July to FY results announcement [1]	0.60	0.82	(26.8%)
FY results announcement to AGM [2]	0.48	0.90	(46.7%)
AGM announcement to 31 December [3]	0.30	0.69	(56.5%)
1 July to 31 December [4]	**0.44**	**0.79**	**(44.3%)**

Note 1: Trading period through to 28 August 2022 and 29 August 2021, the cut-offs on current trading for the FY22 and FY21 results announcement.
Note 2: Sequential trading period through to 9 October 2022 and 10 October 2021, the cut-offs on current trading for the FY22 and FY21 AGM.
Note 3: Sequential trading period to 31 December 2022 and 2021.
Note 4: Private reservation rate throughout the half-year trading period.

In the half year, 8% of our private reservations used the Government's Help to Buy scheme ("HTB"), a significant decline from the 22% using HTB in HY22 as reservations under HTB ceased on 31 October 2022 with almost all of the HTB reservations secured in the first quarter.

In the half year, we operated from an average of 360 (HY22: 337) active outlets (including 8 JVs (HY22: 8)), an increase of 6.8% on the prior year. The growth in active outlets was driven by two factors. Firstly, we successfully launched 52 (HY22: 46) new outlets (including 1 JV). Secondly, the significantly lower private reservation rate naturally extended the life of our average sale outlet. As a result, at 31 December 2022, we were operating from 378 active sales outlets (31 December 2021: 335), including 9 JV outlets (31 December 2021: 7).

Reflecting the weaker than expected sales rate in the period, and new outlet launches in the second half, we now expect average active outlets, including JVs, for the full year will be c. 8% ahead of the 332 average outlets in FY22.

Reflecting the sequential weakening in reservations and the growth in HY23 completions to meet customer expectations, total forward sales (including JVs) as at 31 December 2022 have reduced by 29.1% to 10,511 homes (31 December 2021: 14,818). The value of the total order book (including JVs) as at 31 December 2022 has reduced by 32.9% to £2,544.4m (31 December 2021: £3,794.3m).

We delivered 8,626 (HY22: 8,067) home completions (including JVs of 362 (HY22: 395)), representing growth of 6.9%. The growth in home completions in the period resulted from our particularly strong forward sales position, the increased level of work in progress carried into the new financial year, as well as a strong construction performance in the period, and in particular in the first quarter.

The Group's completion mix was:

Completions (Homes)	HY23	HY22	Change
Private	6,549	5,896	11.1%
Affordable	1,715	1,776	(3.4%)
Wholly owned	**8,264**	**7,672**	**7.7%**
JV	362	395	(8.4%)
Total[3]	**8,626**	**8,067**	**6.9%**

Our private ASP grew by 13.6% to £372,000 (HY21: £327,400). The growth in ASP reflected underlying house price inflation of c. 8.8%, augmented by a higher proportional delivery of completions from London and a slight movement towards larger family homes completed outside London in the period.

The affordable ASP increased by 8.5% to £170,400 (HY22: £157,100). This too reflected a higher proportional delivery from London and modest changes in product mix. As a result, the Group's total ASP was 14.6% ahead at £330,100 (HY22: £288,000).

We experienced a 170 bps decline in adjusted gross margin in the half year. This reflected the fact that the majority of the impact of underlying house price inflation was offset by increasing build cost inflation, as well as an adverse mix effect from London. Each home completion delivered a contribution of c. 33% after land and build costs (HY22: c. 34%). When combined with inflation and additional costs within our site and divisional operating costs, our adjusted gross margin was 23.3% (HY22: 25.0%).

Our forward sales at the start of the second half incorporate underlying sales price inflation of c. 7%. During the first half, total build cost inflation was around 10%. Whilst we anticipate some marginal easing in total build cost inflation in the second half, our full year guidance remains unchanged with total build cost inflation anticipated at around 9 to 10%. We expect that the overall effect on margin will be negative for the second half of FY23.

In line with our commitment to put customers first, we incurred further legacy property costs in relation to reinforced concrete frame remediation in the first half, recording adjusted item costs of £20.0m, of which £2.4m was incurred in our joint ventures (HY22: £1.5m). Accordingly, £17.6m (HY22: £15.9m) was recorded through cost of sales in the period. This resulted in a reported gross margin of 22.6% (HY22: 24.3%).

Administrative costs have increased, reflecting the incremental effect of Gladman, acquired in January 2022, an increase in the building safety unit operating costs and our two new divisions in Sheffield and Anglia. Alongside this, employee related costs have increased, encompassing both annual payroll inflation and the cost of living supplement. Administrative costs in the half year were £136.9m (HY22: £114.5m). We expect net administrative expenses for FY23 will now be approximately £285m, approximately £15m below our previous guidance of c. £300m.

Adjusted operating profit increased by £61.9m to £511.8m (HY22: £449.9m) reflecting both wholly owned completion volume growth, as well as a significant step-up in the average selling price. Our adjusted operating margin reduced by 160 bps to 18.4% (HY22: 20.0%).

The change in the adjusted operating margin in the half year reflected a number of factors:

- **Completion volumes**: the growth in wholly owned completions of 7.7%, or 592 homes, created a 40 bps positive impact;
- **Net inflation**: sales price inflation, relative to underlying build cost inflation produced a 40 bps positive impact;
- **London**: a significant increase in the share of completions from our London operations, 12% for the half year (HY22: 3%), where margins are lower than the regional business, resulted in a 70 bps negative margin impact;
- **Mix and other items:** changes in sales mix, increased selling costs, abortive costs as we made proactive decisions in land buying given the market, and other smaller items created a 80 bps negative impact; and
- **Administrative expenses**: the change in administrative expenses resulted in a 90 bps negative margin impact.

Adjusted items of £17.6m (HY22: £15.9m) were also recognised in arriving at operating profit in the half year, reflecting legacy property costs associated with reinforced concrete frame remediation projects. After adjusted items, the reported operating margin for the half year was 17.8% (HY22: 19.3%).

Net finance charges were significantly lower than the prior period at £8.7m (HY22: £15.0m). This reflected an increasing benefit from interest received on cash on deposit, with finance income increasing to £8.8m (HY22: £0.5m). The cash finance income was £3.5m (HY22: £5.2m charge) in the half year, with non-cash charges of £12.2m (HY22: £9.8m). We now expect FY23 net finance costs will be around £20m, comprising £5m of cash finance income and £25m of non-cash finance charges.

In the half year, the Group's reported share of JV profit was £16.0m (HY22: £13.6m). The adjusted share of JV profit was £18.4m (HY22: £15.1m) before an adjusting charge of £2.4m (HY22: £1.5m charge) associated with legacy properties. We continue to expect to deliver around 750 JV home completions in FY23.

Adjusted profit before tax increased by 15.9% to £521.5m (HY22: £450.0m) and, after adjusted items, profit before tax increased by 15.9% to £501.5m (HY22: £432.6m). The Group recognised £121.0m of total tax charges (HY22: £81.6m) at an effective rate of 24.1% (HY22: 18.9%).

The anticipated effective tax rate for FY23 of 24.1% reflects the full year impact of the RPDT, at an effective rate of 3.8%, along with the one-quarter impact of the scheduled increase in corporation tax to 25% from 1 April 2023, an effective rate of 20.3%. In FY24, the full year impact of the increase in corporation tax rate to 25% and the RPDT will result in an expected effective tax rate of c. 29.0%.

Adjusted basic earnings per share increased by 9.2% to 39.2 pence per share (HY22: 35.9 pence per share). Increased pre-tax profitability, notwithstanding the impact of the increased effective tax rate in the half year, created the solid increase in adjusted earnings per share.

Basic earnings per share also increased by 9.3% to 37.7 pence per share (HY22: 34.5 pence per share). The share buyback, which reduced the average share count by 8.0m shares in HY23, was responsible for 0.8% of both the adjusted and basic earnings per share growth in the period.

Capital structure and operating framework

We continue to maintain an appropriate capital structure reflecting our disciplined operating framework to ensure our balance sheet strength and resilience through the cycle. Our capital structure remains centred on shareholders' funds and land creditors funding the longer-term requirements of the business with term loans and bank debt funding shorter-term requirements for working capital.

The net cash balance of £969.1m (31 December 2021: £1,131.7m), including cash and cash equivalents of £1,166.5m (31 December 2021: £1,336.3m), reflected the strength of underlying operating cash generation, notwithstanding a £190.4m increase in working capital in the period, as well as the payment of the final dividend of £259.8m with respect to FY22 and £100.5m with respect to the share buyback programme announced on 7 September 2022.

We now anticipate year-end net cash of between £0.8bn and £0.9bn with lower activity in the second half, relative to the first half, counterbalanced by reduced land and working capital investment, as our construction output moves to realign with reservation activity during the second half of FY22.

Whilst we continue to defer payment for some land purchases to optimise ROCE, the pause in land buying has seen land creditors reduce but remain within our operating framework range. As at 31 December 2022 land creditors totalled £622.3m (31 December 2021: £682.3m) and equated to 19.1% (31 December 2021: 22.4%) of the owned land bank. Land creditors falling due within the next 12 months totalled £433.5m at 31 December 2022 (31 December 2021: £412.5m). After deducting land creditor obligations from our net cash balance, we recorded a total net cash surplus of £346.8m at 31 December 2022 (31 December 2021: surplus of £449.4m).

During the half, we extended our £700m revolving credit facility to November 2027 with two further one-year extension periods through to November 2029, if agreed between the Group and its lenders. The extended revolving credit facility has also been amended to include three sustainability linked performance measures to be assessed and verified annually. The three performance measures are: (1) science-based target aligned scope 1 & 2 emissions reductions; (2) waste intensity reduction; and, (3) improving the sustainability of our homes, aligned with our Building Sustainably Framework.

Our operating framework remains unchanged. Progress over both the last six and twelve-month periods are shown below:

	Operating framework	**Position at 31 December 2022 vs 30 June 2022**	**Position at 31 December 2021**
Land bank[A]	c. 3.5 years owned and c. 1.0 year controlled	3.6 years owned and 0.8 years controlled (FY22: 3.9 years owned and 0.8 year controlled)	4.3 years owned and 0.8 years controlled
Land creditors	Maintain at 15 - 25% of the land bank over medium term	19.1% (FY22: 22.0%)	22.4%
Net cash	Modest average net cash over the financial year	£856.9m over six months ending 31 December 2022 (£957.4m over twelve months ending 30 June 2022)	£1,144m over six months ending 31 December 2021
	Year end net cash	£969.1m net cash (FY22: £1,138.6m net cash)	£1,131.7m net cash
Total indebtedness (net cash and land creditors)	Minimal year end total indebtedness in the medium term	Total net surplus of £346.8m (FY22: Total net surplus of £405.0m)	Total net surplus of £449.4m
Treasury	Appropriate financing facilities	£700m RCF extended to November 2027 £200m USPP maturing 2027	£700m RCF extended to November 2025 £200m USPP maturing 2027
Dividend policy	Phased reduction to 2.0x for FY23	FY23 proposed interim dividend of 10.2p (FY22: total dividend of 36.9p)	FY22 interim dividend of 11.2p

A. 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.

Net tangible assets were £4,603.6m and £4.62 per share at 31 December 2022, (31 December 2021: £4,683.8m and £4.58 per share) of which land, net of land creditors, and work in progress, totalled £4,595.6m and £4.61 per share (31 December 2021: £4,230.4m and £4.14 per share).

The key dimensions underpinning delivery of our strategy

Land and planning

Our land bank is the foundation of our future operational and financial performance. Throughout the period we have been very selective with respect to the land opportunities on which we have been prepared to bid, reflecting the increased uncertainty on the outlook for both the UK economy and the housing market. As a result of our rigorous application of minimum investment hurdles to new land approvals, as well as the cancellation of some previous land approvals which are no longer proceeding, net land approvals in the period have been negative.

In the period, we approved 16 new sites but these were more than offset by 22 previously approved sites which will no longer proceed, resulting in a net cancellation of 6 sites in the half (HY22: net approval of 48 sites). The approved sites added 3,003 plots, at a cost of £246.2m, with 3,293 plots removed with respect to the sites no longer proceeding, at a previously agreed cost of £241.0m. The result was a net cancellation of 290 plots in the half year (HY22: net addition of 8,869 plots) and a net increase in approvals of £5.2m (HY22: net increase in approvals of £673.4m).

Reflecting the strength of our existing land bank and the uncertainty in the sales market, we anticipate that land approvals in FY23 will be minimal, based on current market conditions. We invested around £440m (HY22: £410m) on land acquisitions and the settlement of land creditors during the half year and we now expect to invest around £0.9bn to £1.0bn on land and land creditors in FY23, below the £1,036m invested in FY22.

We continue to target a geographically balanced land portfolio with a supply of owned land of c. 3.5 years and a further c. 1.0 year of controlled land. Reflecting land buying actions due to the slowing market, we are now broadly in line with this target at 4.4 years (31 December 2021: 5.1 years).

Our land bank comprised of 3.6 years of owned land (31 December 2021: 4.3 years) and 0.8 years of controlled land at 31 December 2022 (31 December 2021: 0.8 years). Our land bank at 31 December comprised:

Our land bank	**31 December 2022**	**31 December 2021**
Plots with detailed planning consent	47,641	49,622
Plots with outline planning consent	15,773	16,373
Plots with resolution to grant and other	658	560
Owned and unconditional land bank (plots)	**64,072**	**66,555**
Conditionally contracted land bank (plots)	13,322	11,909
Total owned and controlled land bank (plots)	**77,394**	**78,464**
Number of years' supply (A)	**4.4**	**5.1**
JVs owned and controlled land bank (plots)	4,186	4,418
Total land bank including JVs (plots)	**81,580**	**82,882**
Strategic land bank (acres)	16,221	14,172
Strategic land bank (plots)	93,600	83,000
Promotional land bank (plots)	93,903	n/a
Land bank carrying value	£3,253.7m	£3,046.1m

A. 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.

At 31 December 2022, the ASP of plots in our owned land bank was £321,000 (31 December 2021: £303,000) and the estimated gross margin in our land bank, based on the current ASP and estimated build costs, is 23.5%.

During the half year we delivered 2,004 (HY22: 2,104) completions from strategically sourced land, and we converted 565 (HY22: 1,272) plots of strategic land into our owned and controlled land bank. We continue to target 30% of completions from strategic land in the medium term and approximately 28% of our strategic land is allocated or included in draft local plans.

Gladman Developments Limited

During the half year, Gladman continued to operate on a stand-alone basis within the Group and secured a net 2,664 plots, through new promotional agreements with landowners. Following several planning successes, the business received planning consents on 1,298 plots across 9 sites and, reflecting strong demand for land with planning consent at the start of the year, Gladman secured land sale transactions to third parties equating to 1,248 plots along with a further 500 plots sold to the Group's housebuilding operations.

Through its share of land transaction proceeds and associated fees, Gladman generated sales of £18.5m and an adjusted operating profit, before amortisation of intangible assets, of £5.4m during the period.

With reduced appetite amongst housebuilders for consented land, against the current uncertain market backdrop, Gladman is now expected to deliver reduced sales and profitability in FY23. The business is however focused on both growing its promotional land bank and securing planning consents to build a portfolio of attractive sites and plots with planning consent, to bring to market once demand begins to recover.

Managing our site based construction activity

Our site teams across the country successfully grew construction activity in the first quarter of FY23 with construction output equating to 365 equivalent homes per week, 10.3% ahead of the 331 equivalent homes built in the first quarter of FY22. Following the dramatic change in mortgage rates in late September 2022, as our reservation rate started to fall, our site teams began a managed reduction in construction output, ensuring homes were progressed to meet our order book obligations whilst tempering new home and new site start construction, to manage and control our work in progress. As a result, construction activity slowed in the second quarter with construction output equating to 302 equivalent homes per week, some 13.7% below the 350 equivalent homes per week built in the second quarter of FY22. Reflecting this quarterly volatility, our site based construction activity in the first half, at 333 equivalent homes per week, was 2.3% below the 341 equivalent homes built each week in HY22.

During the second half of FY23, we anticipate our construction activity will reduce further as we manage our site based construction activity towards alignment with sales reservation activity and ensure efficient deployment of working capital across both our sites and build stages.

Improving efficiency and controlling costs

Improving the efficiency of our operations and controlling costs, whilst maintaining our focus on quality and customer satisfaction, remains a key focus for the Group, as we seek to optimise our margin and improve our operational and financial resilience.

Our continuously evolving standard housetype ranges maintain our high standards of design whilst being faster to build and more suitable for MMC, helping us to reduce build cost and waste.

Through our sales teams and regular homebuyer surveys we continue to monitor changing homebuyer priorities and requirements, particularly with respect to working from home, lifestyle changes and more recently, mortgage costs and affordability, which may have an enduring impact on home buyer preferences looking forward.

We delivered 5,973 completions (HY22: 4,920 completions) from our standard house type ranges across the country in the half year. Of our outlets, 94% (HY22: 88%) have the standard housetype ranges. The increase over our previous guidance, that c. 90% of our outlets will be suitable for our standard housetype ranges, reflects the move towards standard house types outside of London. We continue to expect that the new ranges will equate to approximately 85% of our completions. Our continually refined house type ranges cover all segments of our market and provide us with the flexibility to re-plan sites to suit market conditions as well as meet changing 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 being manufactured or assembled in the UK. We have pricing agreements in place for almost all of these materials to June 2023.

We have taken a number of actions to respond to current market conditions. We have paused recruitment of new employees and introduced further controls for new site openings to manage our working capital deployment. We have also developed action plans to manage our operating costs, but reservation activity over the coming months will determine any further actions which will be required.

Share buyback programme

During HY23, we completed the first and second tranches of the share buyback programme announced on 7 September 2022 acquiring 26.3m shares for cancellation at a total cost of £100.5m. We intend to recommence the remaining £100m of the buyback programme following today's interim results announcement and complete the programme no later than 30 June 2023.

Over the medium term, the Board recognises that the Group should operate with a strong and resilient but also a capital efficient balance sheet, aligned with our operating framework. Where excess capital exists, beyond the requirement for future land bank replacement or other growth opportunities, it will be the Board's intention to return this capital to shareholders.

The Board will provide an update on the timing and method of any such additional returns of capital when it is appropriate to do so, recognising that it will be important to retain flexibility to invest in land and WIP when market conditions and activity levels recover.

Interim ordinary dividend

The Board has declared an interim dividend of 10.2 pence per share (2022: 11.2 pence per share). The interim dividend will be paid on Thursday 18 May 2023 to all shareholders on the register on Tuesday 11 April 2023. Shareholders who wish to elect for the Dividend Reinvestment Plan should do so by 25 April 2023. The Board, in line with its existing dividend policy, continues to target a full year ordinary dividend based on an ordinary dividend cover of 2.0x adjusted earnings per share.

Guidance for FY23

Looking to the balance of the current financial year our guidance is summarised in the following table. Where guidance has been amended, this is highlighted and previous guidance is included in italics.

Completions	**c. 16,500 - 17,000 total home completions, including 750 JV completions** **c. 24% affordable, c. 76% private mix** *(previously 21% affordable and 79% private mix)*
Average sales outlet growth	**Average sales outlets c. 8% growth** *(previously c. 3% growth)*
Build cost inflation range	c. 9 - 10%
Administrative expenses	**c. £285m (including amortisation of intangible asset charges of c. £10m)** *(previously c. £300m)*
Interest cost	**c. £20m (c. £5m cash credit, c. £25m non-cash charge)** *(previously c. £38m with c. £10m cash charges and c. £28m non-cash charges)*
Land approvals	**Minimal land approvals based on current market conditions** *(previously significantly below replacement)*
Land cash spend	**c. £0.9bn - £1.0bn** *(previously c. £1.2bn)*
Year end net cash	**c. £0.8bn - £0.9bn** *(previously c. £0.8bn)*
Taxation	Effective tax rate of 24.1% reflecting full year impact of RPDT and scheduled CT rate changes
Capital returns	The remaining £100m of the £200m share buyback programme to complete by 30 June 2023

Current trading and outlook

We have had a reasonable start to our second half with 182 net private reservations per average week (2022: 291) and we operated from an average of 373 outlets (2022: 325). This has resulted in a net private reservation rate per active outlet per average week of 0.49 (2022: 0.90).

Our total forward sales[3] as at 29 January 2023 were 10,854 homes (30 January 2022: 15,736) at a value of £2,665.0m (30 January 2022: £4,109.7m).

We are now 86% forward sold with respect to private wholly owned home completions for FY23 (FY22: 92%).

The composition of our forward sales on 29 January 2023 and the order book movement since 31 December 2022 are included in the following tables:

	29 January 2023		30 January 2022		Variance %	
	£m	**Homes**	**£m**	**Homes**	**£m**	**Homes**
Private	1,462.4	3,961	2,625.9	7,382	(44.3%)	(46.3%)
Affordable	993.3	6,213	1,219.2	7,534	(18.5%)	(17.5%)
Wholly owned	**2,455.7**	**10,174**	**3,845.1**	**14,916**	**(36.1%)**	**(31.8%)**
JV	209.3	680	264.6	820	(20.9%)	(17.1%)
Total	**2,665.0**	**10,854**	**4,109.7**	**15,736**	**(35.2%)**	**(31.0%)**

	Current Year		Prior Year		Variance %	
	Private	**Total[3]**	**Private**	**Total[3]**	**Private**	**Total[3]**
31 December	3,576	10,511	6,557	14,818	(45.5%)	(29.1%)
Reservations	753	779	1,248	1,439	(39.7%)	(45.9%)
Completions	(368)	(436)	(423)	(521)	(13.0%)	(16.3%)
29 Jan / 30 Jan	**3,961**	**10,854**	**7,382**	**15,736**	**(46.3%)**	**(31.0%)**

The outlook for the second half of FY23 remains uncertain with homebuyer confidence and the availability and competitive pricing of mortgages critical to the health of the UK housing market in the coming months.

We have, to date, taken several actions to respond to current market conditions, including significantly reducing land approvals, pausing recruitment of new employees and introducing further controls for new site openings to manage our working capital deployment. Reservation activity in February and March 2023 will determine whether any further planned actions will be required.

The Group is in a very strong position. We have substantial net cash and a solid forward sales position. This provides a robust platform and creates flexibility to continue to respond to market conditions as they evolve throughout the coming year.

Our full year out-turn remains dependent on how the market evolves through the Spring selling season. However, based on the improved reservation activity we have experienced since the start of calendar 2023, we expect to deliver total home completions of between 16,500 to 17,000, including c. 750 completions from our joint ventures.

With our excellent land bank and highly experienced operational teams throughout our business, we remain well placed to continue to deliver much-needed, high quality and energy-efficient, sustainable homes across the country.

David Thomas
Chief Executive
7 February 2023

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 APMs and reconciliations to the equivalent statutory measures are detailed in the Glossary and Definitions. Net cash definition in Note 11
5 ROCE for the 12 months to 31 December 2021 has been restated to exclude provisions in relation to legacy properties from capital employed
6 Measured by the NHBC amongst the 14 major housebuilders constructing more than 1,000 homes annually

Principal risks and uncertainties

In pursuing our strategic priorities to create value for stakeholders, we experience risk. The Board is responsible for risk management and ensuring the Group maintains the appropriate level of risk to achieve its objectives.

The risks facing the Group could have a material adverse effect on the implementation of the Group strategy, our business, financial performance, shareholder value and returns, and reputation. Changes in the economic or trading environment can affect the likelihood and potential impact of risks, and may create new risks.

Risk management controls are integrated into all levels of our business and across all operations, including at site, divisional, regional and Group level. The Risk Committee met during the period to review the Group's risk profile, identify and assess any new or emerging risks and monitor the risk management activities of the Group.

Reputational risk could potentially arise from a number of sources including external and internal influences relating to the housebuilding sector that, 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 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 2022.

Since our Annual Report and Accounts were published in September 2022, the housing market has experienced a marked slowdown. Political and economic uncertainty has been compounded by rapid and significant changes in mortgage rates, affecting affordability, homebuyer confidence and reservation activity. These changes impact a number of the Group's principal risks, including the economic environment, land availability and the availability of finance and working capital, all of which now have an increased likelihood of occurring, albeit the Group has in place systems and controls to mitigate each of these risks as they arise.

Further details of the Group's principal risks and mitigation of the risks outlined below can be found on pages 52 to 57 of the Annual Report and Accounts for the year ended 30 June 2022, which is available at www.barrattdevelopments.co.uk.

Principal Risks

Economic environment, including housing demand and mortgage availability

Changes in the UK and European macroeconomic environments may lead to falling demand or tightened mortgage availability, on which the majority of our customers are reliant, reducing the affordability of our homes.

Land availability

An inability to secure sufficient consented land and strategic land options at appropriate cost and quality in the right locations which enhance communities.

Government regulation and planning policy

Changes in the regulatory environment may affect the conditions and time taken to obtain planning approval and technical requirements including changes to Building Regulations or environmental regulations such as nutrient neutrality, increasing the challenge of providing quality homes where they are most needed.

Construction

Failure to achieve excellence in construction, such as design and construction defects, deviation from environmental standards, or through an inability to develop and implement new and innovative construction methods.

Availability of raw materials, sub-contractors and suppliers

Not adequately responding to shortages or increased costs of materials and skilled labour or the failure of a key supplier, may lead to increased costs and delays in construction.

Legacy properties

In April 2022, we signed the Industry Building Safety Pledge, to support leaseholders by funding or remediating life-critical fire safety works in buildings of over 11 metres which we have played a role in developing over the last 30 years. The amounts provided in the Financial Statements reflect the best estimate of the extent and costs of work required; however, these will be updated as work progresses or as government legislation or regulations develop.

Safety, health and environment

Health and safety or environmental breaches can affect employees, sub-contractors and site visitors, and undermine the creation of a great place to work.

Attracting and retaining high calibre employees

Increasing competition for skills may mean we are unable to recruit and/or retain the best people. Having sufficient skilled employees is critical to delivery of the Group’s strategy of volume growth whilst maintaining excellence in all of our other strategic priorities.

Availability of finance and working capital

Lack of sufficient borrowing and surety facilities to settle liabilities and/or an ability to manage working capital, may mean we are unable to respond to changes in the economic environment, and take advantage of appropriate land buying and operational opportunities to deliver strategic priorities.

IT

A successful cyberattack on, or failure of, any of the Group’s key systems, particularly those for customer information, surveying and valuation, could restrict operations and disrupt progress in strategic priorities. Any breaches that lead to noncompliance with data regulations could incur significant financial penalties and reputational damage.

Climate change

In the short to medium term, if the Group does not further enhance its sustainable business practices to meet government regulations and customer and investor expectations, it may incur significant extra costs or build homes that are not seen as fit for purpose.

Significant nationwide unexpected event affecting multiple locations

A significant unexpected event, such as a pandemic or the failure of national infrastructure, could have a material impact on our business.

Condensed Consolidated Income Statement
for the half year ended 31 December 2022 (unaudited)

Continuing operations	Notes	**Half year ended 31 December 2022 £m**	Half year ended 31 December 2021 £m	Year ended 30 June 2022 (audited) £m
Revenue	2	**2,783.9**	2,247.1	5,267.9
Cost of sales		**(2,153.6)**	(1,700.6)	(4,368.0)
Gross profit		**630.3**	546.5	899.9
Administrative expenses	3	**(136.9)**	(114.5)	(256.4)
Part-exchange income		**36.7**	47.2	84.4
Part-exchange expenses		**(35.9)**	(45.2)	(81.3)
Profit from operations	3	**494.2**	434.0	646.6
Finance income	5	**8.8**	0.5	2.5
Finance costs	5	**(17.5)**	(15.5)	(30.1)
Net finance costs	5	**(8.7)**	(15.0)	(27.6)
Share of post-tax profit from joint ventures		**16.0**	13.6	23.3
Profit before tax		**501.5**	432.6	642.3
Tax	6	**(121.0)**	(81.6)	(127.1)
Profit for the period		**380.5**	351.0	515.2
Profit for the period attributable to the owners of the Company		**380.5**	351.0	515.1
Profit for the period attributable to non-controlling interests		**-**	-	0.1
Earnings per share from continuing operations:				
Basic	7	**37.7p**	34.5p	50.6p
Diluted	7	**37.1p**	33.9p	49.8p

Notes 1 to 18 form an integral part of these Condensed Consolidated Half Yearly Financial Statements.

Adjusted items: See note 4 for further details	Reported profit £m	Cost associated with legacy properties £m	Legacy property recoveries £m	Adjusted profit £m
Half year ended 31 December 2022:			**-**	
Gross profit	**630.3**	**17.6**	**-**	**647.9**
Profit from operations	**494.2**	**17.6**	**-**	**511.8**
Share of post tax profit from JVs	**16.0**	**2.4**	**-**	**18.4**
Profit before tax	**501.5**	**20.0**	**-**	**521.5**
Half year ended 31 December 2021:				
Gross profit	546.5	15.9	-	562.4
Profit from operations	434.0	15.9	-	449.9
Share of post tax profit from JVs	13.6	1.5	-	15.1
Profit before tax	432.6	17.4	-	450.0
Year ended 30 June 2022:				
Gross profit	899.9	433.2	(25.0)	1,308.1
Profit from operations	646.6	433.2	(25.0)	1,054.8
Share of post tax profit from JVs	23.3	4.3	-	27.6
Profit before tax	642.3	437.5	(25.0)	1,054.8

Condensed Consolidated Statement of Comprehensive Income

for the half year ended 31 December 2022 (unaudited)

	Half year ended 31 December 2022 £m	Half year ended 31 December 2021 £m	Year ended 30 June 2021 (audited) £m
Profit for the period	**380.5**	351.0	515.2
Total comprehensive income recognised for the period	**380.5**	351.0	515.2
Total comprehensive income recognised for the period attributable to the owners of the Company	**380.5**	351.0	515.1
Total comprehensive income recognised for the period attributable to non-controlling interests	**-**	-	0.1

Notes 1 to 18 form an integral part of these Condensed Consolidated Half Yearly Financial Statements.

Condensed Consolidated Statement of Changes in Shareholders' Equity (unaudited)

	Share capital (note 14) £m	Share premium £m	Merger reserve £m	Capital redemption reserve £m	Own shares (note 15) £m	Share-based payments £m	Retained earnings £m	Total retained earnings £m	Non-controlling interests £m	Total equity £m
At 30 June 2021	101.8	245.3	1,109.0	-	(4.7)	27.6	3,972.0	3,994.9	1.1	5,452.1
Profit for the period being total comprehensive income recognised for the period ended 31 December 2021	-	-	-	-	-	-	351.0	351.0	-	351.0
Dividends paid (note 8)	-	-	-	-	-	-	(223.0)	(223.0)	-	(223.0)
Distribution made to non-controlling party	-	-	-	-	-	-	-	-	(0.4)	(0.4)
Issue of shares	0.4	8.0	-	-	-	-	-	-	-	8.4
Share-based payments	-	-	-	-	-	10.7	-	10.7	-	10.7
Transfers in respect of share options	-	-	-	-	(1.5)	(17.8)	9.7	(9.6)	-	(9.6)
Tax on share-based payments	-	-	-	-	-	(0.9)	1.4	0.5	-	0.5
At 31 December 2021	102.2	253.3	1,109.0	-	(6.2)	19.6	4,111.1	4,124.5	0.7	5,589.7
Profit for the period being total comprehensive income recognised for the period ended 30 June 2022	-	-	-	-	-	-	164.1	164.1	0.1	164.2
Dividends paid (note 8)	-	-	-	-	-	-	(114.0)	(114.0)	-	(114.0)
Issue of shares	-	0.1	-	-	-	-	-	-	-	0.1
Share-based payments	-	-	-	-	-	13.5	-	13.5	-	13.5
Purchase of own shares	-	-	-	-	(28.5)	-	-	(28.5)	-	(28.5)
Transfers in respect of share options	-	-	-	-	7.7	(2.3)	2.3	7.7	-	7.7
Tax on share-based payments	-	-	-	-	-	(1.8)	0.4	(1.4)	-	(1.4)
At 30 June 2022	102.2	253.4	1,109.0	-	(27.0)	29.0	4,163.9	4,165.9	0.8	5,631.3
Profit for the period being total comprehensive income recognised for the period ended 31 December 2022	**-**	**-**	**-**	**-**	**-**	**-**	**380.5**	**380.5**	**-**	**380.5**
Dividends paid (note 8)	**-**	**-**	**-**	**-**	**-**	**-**	**(259.8)**	**(259.8)**	**-**	**(259.8)**
Distribution made to non-controlling party	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(0.3)**	**(0.3)**
Buyback and cancellation of shares	**(2.6)**	**-**	**-**	**2.6**	**-**	**-**	**(100.5)**	**(100.5)**	**-**	**(100.5)**
Share-based payments	**-**	**-**	**-**	**-**	**-**	**5.4**	**-**	**5.4**	**-**	**5.4**
Transfers in respect of share options	**-**	**-**	**-**	**-**	**17.6**	**(17.4)**	**(1.4)**	**(1.2)**	**-**	**(1.2)**
Tax on share-based payments	**-**	**-**	**-**	**-**	**-**	**(0.2)**	**1.4**	**1.2**	**-**	**1.2**
At 31 December 2022	**99.6**	**253.4**	**1,109.0**	**2.6**	**(9.4)**	**16.8**	**4,184.1**	**4,191.5**	**0.5**	**5,656.6**

Notes 1 to 18 form an integral part of these Condensed Consolidated Half Yearly Financial Statements.

Condensed Consolidated Balance Sheet
at 31 December 2022 (unaudited)

	Notes	**31 December 2022** £m	31 December 2021 (re-presented[1]) £m	30 June 2022 (audited) £m
Assets				
Non-current assets				
Other intangible assets		**200.1**	100.0	205.4
Goodwill	9	**852.9**	805.9	852.9
Investments in joint ventures and associates		**188.0**	160.4	177.9
Property, plant and equipment		**51.2**	22.5	41.2
Right-of-use assets		**38.0**	35.2	35.6
Trade and other receivables		**2.8**	1.4	6.5
		1,333.0	1,125.4	1,319.5
Current assets				
Inventories	10	**5,349.7**	4,932.0	5,291.6
Trade and other receivables		**174.1**	138.6	237.0
Current tax assets		**0.1**	13.7	9.9
Cash and cash equivalents	11	**1,166.5**	1,336.3	1,352.7
		6,690.4	6,420.6	6,891.2
Total assets		**8,023.4**	7,546.0	8,210.7
Liabilities				
Non-current liabilities				
Loans and borrowings	11	**(200.0)**	(200.0)	(200.0)
Trade and other payables		**(194.4)**	(275.9)	(240.5)
Lease liabilities		**(32.9)**	(26.9)	(26.6)
Deferred tax liabilities	6	**(44.0)**	(9.9)	(45.1)
Provisions	12	**(350.1)**	-	(359.6)
		(821.4)	(512.7)	(871.8)
Current liabilities				
Loans and borrowings	11	**(2.0)**	(8.7)	(17.3)
Trade and other payables[1]		**(1,259.4)**	(1,216.5)	(1,414.4)
Lease liabilities		**(7.0)**	(9.6)	(10.5)
Provisions[1]	12	**(277.0)**	(208.8)	(265.4)
		(1,545.4)	(1,443.6)	(1,707.6)
Total liabilities		**(2,366.8)**	(1,956.3)	(2,579.4)
Net assets		**5,656.6**	5,589.7	5,631.3
Equity				
Share capital	14	**99.6**	102.2	102.2
Share premium		**253.4**	253.3	253.4
Merger reserve		**1,109.0**	1,109.0	1,109.0
Capital redemption reserve		**2.6**	-	-
Retained earnings		**4,191.5**	4,124.5	4,165.9
Equity attributable to the owners of the Company		**5,656.1**	5,589.0	5,630.5
Non-controlling interests		**0.5**	0.7	0.8
Total equity		**5,656.6**	5,589.7	5,631.3

[1] Costs in relation to completed developments, previously included in trade and other payables, were reclassified as provisions at June 2022. Costs in relation to completed developments at 31 December 2021 of £135.2m have been re-presented to ensure comparability.

Notes 1 to 18 form an integral part of these Condensed Consolidated Half Yearly Financial Statements.

Condensed Consolidated Cash Flow Statement
for the half year ended 31 December 2022 (unaudited)

	Notes	**Half year ended 31 December 2022 £m**	Half year ended 31 December 2021 £m	Year ended 30 June 2022 (audited) £m
Net cash inflow from operating activities		**197.4**	38.9	417.6
Investing activities:				
Purchase of property, plant and equipment		**(13.0)**	(9.5)	(29.9)
Proceeds from disposal of fixed assets		**-**	0.1	1.0
Consideration, net of cash acquired, paid on acquisition of subsidiaries		**-**	-	(205.6)
Increase in investments in joint ventures and associates accounted for using the equity method		**(26.9)**	(6.0)	(17.9)
Repayment of amounts invested in entities accounted for using the equity method		**13.9**	18.3	9.9
Dividends received from investments accounted for using the equity method		**18.9**	4.0	16.5
Proceeds from the disposal of other investments		**-**	-	1.4
Interest received		**7.2**	0.2	2.2
Net cash inflow/(outflow) from investing activities		**0.1**	7.1	(222.4)
Financing activities:				
Dividends paid to equity holders of the Company	8	**(259.8)**	(223.0)	(337.0)
Distribution made to non-controlling partner		**(0.3)**	(0.4)	(0.4)
Purchase of own shares		**(100.5)**	(7.7)	(28.5)
Proceeds from issue of share capital		**-**	8.4	8.5
Payment of dividend equivalents		**(1.2)**	(1.9)	(1.9)
Loans and borrowings repayments/(drawdowns)		**-**	3.4	(5.3)
Repayment of lease liabilities		**(6.6)**	(7.1)	(13.8)
Net cash outflow from financing activities		**(368.4)**	(228.3)	(378.4)
Net decrease in cash, cash equivalents and bank overdrafts		**(170.9)**	(182.3)	(183.2)
Cash, cash equivalents and bank overdrafts at the beginning of the period		**1,335.4**	1,518.6	1,518.6
Cash, cash equivalents and bank overdrafts at the end of the period	11	**1,164.5**	1,336.3	1,335.4

Notes 1 to 18 form an integral part of these Condensed Consolidated Half Yearly Financial Statements.

Reconciliation of profit from operations to net cash inflow from operating activities

for the half year ended 31 December 2022 (unaudited)

	Notes	**Half year ended 31 December 2022 £m**	Half year ended 31 December 2021[2] £m	Year ended 30 June 2022 (audited) £m
Profit from operations		**494.2**	434.0	646.6
Depreciation of property plant and equipment		**3.0**	3.6	6.2
Loss on disposal of property, plant and equipment		**-**	3.7	3.2
Depreciation of right-of-use assets		**6.4**	6.6	13.0
Amortisation of intangible assets		**5.3**	-	4.3
Impairment/(reversal of impairment) of inventories	10	**2.1**	1.0	(2.2)
Share-based payments charge		**5.4**	10.7	24.2
Imputed interest on long-term liabilities[1]	5	**(10.7)**	(8.1)	(14.4)
Imputed interest on lease arrangements[1]	5	**(0.6)**	(0.6)	(0.9)
Amortisation of facility fees	5	**(0.9)**	(1.1)	(4.0)
Total non-cash items		**10.0**	15.8	29.4
Increase in inventories		**(60.2)**	(287.5)	(543.4)
Decrease in receivables		**68.2**	40.9	20.8
Decrease in payables[2]		**(200.5)**	(62.7)	(10.7)
Increase/(decrease) in provisions[2]	12	**2.1**	(1.1)	415.1
Total movements in working capital[2]		**(190.4)**	(310.4)	(118.2)
Interest paid		**(5.3)**	(5.7)	(10.7)
Tax paid		**(111.1)**	(94.8)	(129.5)
Net cash inflow from operating activities		**197.4**	38.9	417.6

[1] The balance sheet movements in land, lease liabilities and provisions include non-cash movements shown within movements in working capital due to imputed interest. Imputed interest is therefore included within non-cash items in the statement above.

[2] Costs in relation to completed developments, previously included in trade and other payables, were reclassified as provisions at June 2022. The comparatives for December 2021 have been re-presented to ensure comparability.

Notes 1 to 18 form an integral part of these Condensed Consolidated Half Yearly Financial Statements.

1. Basis of preparation

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.

Basis of preparation

The condensed financial information for the year ended 30 June 2022 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 2022, prepared under International Financial Reporting Standards ('IFRS') as endorsed by the UK Endorsement Board and in conformity with the requirements of the Companies Act 2006, 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.

Going concern

In determining the appropriate basis of preparation of the Financial Statements, the Directors are required to consider whether the Group and Company can continue to meet their liabilities and other obligations for the foreseeable future.

The Group's business activities, together with factors which the Directors consider are likely to affect its development, financial performance and financial position are set out in the Chief Executive's Statement. The material financial and operational risks and uncertainties that may have an impact on the Group's performance and their mitigation are outlined in the principal risks section of this Half Yearly Financial Report and financial risks including liquidity risk, market risk, credit risk and capital risk are outlined on pages 181 to 184 of the Group's Annual Report and Accounts for the year ended 30 June 2022 which is available at www.barrattdevelopments.co.uk.

At 31 December 2022, the Group was financially strong with cash of £1,166.5m and total loans and borrowings of £202.0m, consisting of £2.0m of overdrafts repayable on demand and £200.0m sterling USPP notes maturing in August 2027. These balances, set against pre-paid facility fees, comprise the Group's net cash of £969.1m presented in note 11.

Should further funding be required, the Group has a committed £700m revolving credit facility, subject to compliance with certain financial covenants, which matures in November 2027, with two further one-year extension periods through to November 2029, if agreed between the Group and its lenders.

As such, in consideration of its net current assets of £5,145.0m, the Directors are satisfied that the Group has sufficient liquidity to meet its current liabilities and working capital requirements.

Nonetheless, the first half of the financial year saw a marked slowdown in the UK housing market. Political and economic uncertainty in the first quarter was compounded by rapid and significant changes in mortgage rates which reduced affordability, homebuyer confidence and reservation activity. Confidence may return as the economic and political situation steadies and mortgage availability remains reasonable. Reservation activity has also improved since the start of the calendar year. However, flat or negative economic growth may persist, causing prolonged reduced demand and potential falls in house prices. Inflation, disruption to supply chains and labour shortages may also increase costs associated with raw materials, suppliers, subcontractors and employees.

The Group's financial forecasts reflect the outcomes that the Directors consider most likely, based on the information available at the date of signing of these Condensed Consolidated Half Yearly Financial Statements ('Interim Financial Statements'), including the current and forecast trading performance and anticipated build and wage cost inflation. They reflect the effects of actions already taken to respond to current market conditions, including the reduction of land approvals, pausing of recruitment of new employees and focused management of our working capital deployment.

On 30 January 2023, the Department for Levelling Up, Housing and Communities published the Self-Remediation Terms and Deed of Bilateral Contract to incorporate the commitments made by housebuilders under the Building Safety Pledge, to which the Group became a signatory in April 2022, into a contractual arrangement. Management have reviewed the Group's potential obligations under the proposed contract and do not consider that any additional liabilities, over those recognised as a constructive obligation under the Building Safety Pledge and included in the Group's forecasts, would arise from signing the contract.

To assess the Group's resilience to more adverse outcomes, its forecast performance in the 16-month period to 30 June 2024 was sensitised to reflect a series of scenarios based on the Group's high-level principal risks and the downside prospects for the UK economy and housing market presented in the latest available external economic forecasts.

This exercise included a reasonable worst-case scenario in which the Group's principal risks manifest in aggregate to a severe but plausible level. This assumed that reservation rates to the end of June 2023 persist at the level experienced in the second quarter, followed by a fall in volumes of 30% in the year to 30 June 2024 from levels in the year to 30 June 2022. In addition, in the year to 30 June 2024, sales price deflation was assumed to be 10%, against cost inflation of 6.5%.

Reasonable mitigation that the Group would expect to undertake in such circumstances was also modelled, being a reduction in working capital in line with the fall in expected sales and a reduction in headcount. In all scenarios, including the reasonable worst case, the Group is able to comply with its financial covenants, operate within its current facilities, and meet its liabilities as they fall due.

Furthermore, a reverse stress test was performed to determine the market conditions in which the Group, without mitigating action, would cease to be able to operate under its current facilities. The Group's strong net cash position and its available facilities mean that the Group's primary sensitivity in this circumstance would be compliance with its financial covenants. Based on past experience and current economic forecasts, the Directors consider the possibility of the conditions required to result in non-compliance to be remote and have identified mitigation that would be adopted in such circumstances.

Accordingly, the Directors consider there to be no material uncertainties that may cast significant doubt on the Group's ability to continue to operate as a going concern. They have formed a judgement that there is a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future, being at least 16 months from the date of signing of these Interim Financial Statements. For this reason, they continue to adopt the going concern basis in the preparation of these Interim Financial Statements.

Accounting policies

The unaudited Interim Financial Statements have been prepared using accounting policies consistent with UK adopted IFRS and in accordance with IAS 34 'Interim Financial Reporting' as adopted by the UK, and 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 2022 except as disclosed below:

During the period the Group has adopted the following new and revised standards and interpretations which have had no impact on the Interim Financial Statements:

- Annual improvements 2018 – 2020: Amendments to IFRS 1 permitting a subsidiary as a first time adopter to apply cumulative translation differences; amendment to IFRS 9 clarifying fees to include when applying the 10% test in assessing derecognition of financial liabilities and the amendment to IFRS 16 to resolve confusion over the treatment of leasehold incentives;
- Amendment to IAS 37: Specifying which costs to include in calculating the liability;
- Amendments to IFRS 3: Updating a reference to the Conceptual Framework for Financial Reporting; and
- Amendment to IAS 16: Prohibiting deduction of sales proceeds from the cost of fixed assets.

2. Revenue

The Group's revenue derives principally from the sale of the homes we build and from the sale of commercial property. These activities are carried out alongside each other and considered together for management reporting and control purposes.

An analysis of the Group's continuing revenue is as follows:

	Half year ended 31 December 2022	Half year ended 31 December 2021	Year ended 30 June 2022 (audited)
	£m	£m	£m
Revenue from private residential sales	**2,436.0**	1,930.4	4,541.3
Revenue from affordable residential sales	**292.2**	279.0	611.4
Revenue from commercial sales	**39.7**	35.0	87.6
Revenue from planning promotion agreements	**14.6**	-	23.3
Other revenue	**1.4**	2.7	4.3
	2,783.9	2,247.1	5,267.9

Included within Group revenue is £74.9m (31 December 2021: £48.8m; 30 June 2022: £75.0m) of revenue from construction contracts on which revenue is recognised over time by reference to the stage of completion of the contracts. Of this revenue, £3.8m (31 December 2021: £5.5m; 30 June 2022: £5.3m) was included in the contract liability balance at the beginning of the period.

3. Profit from operations

Cost of sales

The value of inventories expensed in the half year ended 31 December 2022 and included in cost of sales was £1,990.7m (31 December 2021: £1,601.0m; 30 June 2022: £3,761.9m).

Administrative expenses

Administrative expenses of £136.9m (31 December 2021: £114.5m; 30 June 2022: £256.4m) include sundry income of £7.6m (31 December 2021: £8.7m; 30 June 2022: £21.2m) which principally comprises management fees receivable from joint ventures, the sale of freehold reversions, forfeit deposits and ground rent receivable.

4. Adjusted items

Cost associated with legacy properties

	Half year ended 31 December 2022	Half year ended 31 December 2021	Year ended 30 June 2022 (audited)
	£m	£m	£m
Costs incurred in respect of legacy properties	**17.6**	15.9	433.2
Amounts in respect of legacy properties recovered from third parties	**-**	-	(25.0)
Adjusted items in cost of sales	**17.6**	15.9	408.2
Costs incurred in respect of legacy properties by JVs	**2.4**	1.5	4.3
Adjusted items in share of profit/loss from JVs	**2.4**	1.5	4.3
Total adjusted items	**20.0**	17.4	412.5

The adjusted costs included in cost of sales, in the period, associated with legacy properties, comprise additions to provisions of £38.6m, (31 December 2021: £26.3m; 30 June 2022: £448.0m), provision releases of £21.0m, (31 December 2021: £11.4m; 30 June 2022: £15.8m), costs expensed directly to the Income Statement of £nil (31 December 2021: £1.0m; 30 June 2022: £1.0m) and reimbursements recognised directly in the Income Statement of £nil (31 December 2021: £nil; 30 June 2022: £25.0m). Further details of provisions movements are provided in note 12.

5. Net finance costs

Recognised in the Income Statement:	**Half year ended 31 December 2022 £m**	Half year ended 31 December 2021 £m	Year ended 30 June 2022 (audited) £m
Finance income			
Finance income on short term bank deposits	**(8.1)**	(0.3)	(1.9)
Other interest receivable	**(0.7)**	(0.2)	(0.6)
	(8.8)	(0.5)	(2.5)
Finance costs			
Interest on loans and borrowings	**4.8**	4.9	9.5
Imputed interest on long-term liabilities	**10.7**	8.1	14.4
Finance charge on leased assets	**0.6**	0.6	0.9
Amortisation of facility fees	**0.9**	1.1	4.0
Other interest payable	**0.5**	0.8	1.3
	17.5	15.5	30.1
Net finance costs	**8.7**	15.0	27.6

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

	31 December 2022 %	31 December 2021 %	30 June 2022 (audited) %
USPP notes	**2.8**	2.8	2.8

6. Tax

The corporation tax charge presented is inclusive of RPDT and comprises of the best estimate of the expected annual effective corporation tax rate and RPDT applied to the half year profit before tax plus the impact of rate changes and prior year adjustments.

The effective rate of corporation tax, including RPDT, for the period was 24.2% (31 December 2021: 18.9%; 30 June 2022: 19.8%).

As at 31 December 2022 the Group recognised a net deferred tax liability of £44.0m (31 December 2021: £9.9m liability; 30 June 2022: £45.1m liability).

The UK corporation tax rate will increase from 19% to 25% with effect from 1 April 2023. Legislation to increase the corporation tax rate was enacted during the 30 June 2021 accounting period and the impact on deferred tax was included in the Balance Sheet at 30 June 2021.

RPDT came into effect on 1 April 2022 and taxes residential property development profits at 4% to the extent that such profits exceed an annual allowance of £25m.

The effect of the above tax changes is to increase the effective rate of tax by:

- 5.2% (corporation tax 1.4% and RPDT 3.8%) compared to the Half year ended 31 December 2021; and
- 4.3% (corporation tax 1.5% and RPDT 2.8%) compared to the Year ended 30 June 2022.

7. Earnings per share

Earnings per share from continuing operations were as follows:

	Half year ended 31 December 2022 pence	Half year ended 31 December 2021 pence	Year ended 30 June 2022 (audited) pence
Basic earnings per share	**37.7**	34.5	50.6
Diluted earnings per share	**37.1**	33.9	49.8
Adjusted basic earnings per share	**39.2**	35.9	83.0
Adjusted diluted earnings per share	**38.6**	35.3	81.7

Basic earnings per share is calculated by dividing the profit for the half year attributable to ordinary shareholders of the Parent Company by the weighted average number of ordinary shares in issue during the half year, excluding those held by the Employee Benefit Trust that do not attract dividend equivalents, which were treated as cancelled.

Diluted earnings per share is calculated by dividing the profit for the half year attributable to ordinary shareholders of the Parent Company 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.

Adjusted basic and adjusted diluted earnings per share exclude the impact of adjusted items and any associated net tax amounts.

	Half year ended 31 December 2022	Half year ended 31 December 2021	Year ended 30 June 2022 (audited)
Profit attributable to ordinary shareholders of the Parent Company (£m)	**380.5**	351.0	515.1
Adjusted items (£m)	**20.0**	17.4	412.5
Tax on adjusted items (£m)	**(4.9)**	(3.3)	(82.5)
Adjusted profit attributable to ordinary shareholders of the Parent Company (£m)	**395.6**	365.1	845.1
Weighted average number of shares in issue (million)	**1,013.2**	1,021.2	1,021.9
Weighted average number of shares in EBT (million)	**(4.4)**	(3.0)	(3.2)
Weighted average number of shares for basic earnings per share (million)	**1,008.8**	1,018.2	1,018.7
Weighted average number of shares in issue (million)	**1,013.2**	1,021.2	1,021.9
Adjustment to assume conversion of all potentially dilutive shares (million)	**11.3**	13.7	12.4
Weighted average number of shares for diluted earnings per share (million)	**1,024.5**	1,034.9	1,034.3

8. Dividends

	Half year ended 31 December 2022 £m	Half year ended 31 December 2021 £m	Year ended 30 June 2022 (audited) £m
Amounts recognised as distributions to equity shareholders:			
Final dividend for the year ended 30 June 2021 of 21.9p per share	-	223.0	223.0
Final dividend for the year ended 30 June 2022 of 25.7p per share	**259.8**	-	-
Interim dividend for the year ended 30 June 2022 of 11.2p per share	-	-	114.0
Total dividends distributed to equity shareholders in the period	**259.8**	223.0	337.0

The interim dividend of 10.2 pence per share was approved by the Board on 7 February 2023 and has not been included as a liability as at 31 December 2022.

9. Goodwill and other intangible assets

Goodwill

	31 December 2022 **£m**	31 December 2021 £m	30 June 2022 (audited) £m
Cost			
At 1 July	**877.4**	830.4	830.4
Arising on acquisition during the year	**-**	-	47.0
At 30 June	**877.4**	830.4	877.4
Accumulated impairment losses			
At 1 July and 30 June	**24.5**	24.5	24.5
Carrying amount			
At 30 June	**852.9**	805.9	852.9

The Group holds goodwill with a carrying value of £805.9m attributed to the housebuilding business, of which £792.2m relates to the acquisition of Wilson Bowden Limited in 2007 and £13.7m relates to the acquisition of Oregon Timber Frame Limited in 2019.

During the prior year, the Group acquired all of the share capital of Gladman Developments Limited. Goodwill of £47.0m arising on the acquisition has been capitalised and allocated to the Group's acquired land promotion business.

Other intangible assets

The Group holds £200.1m of other intangible assets (31 December 2021: £100.0m; 30 June 2022: £205.4m), of which £100.0m relates to housebuilding brand acquired with Wilson Bowden, being David Wilson Homes (31 December 2021 and 30 June 2022: £100.0m). The Directors consider that this brand has an indefinite useful economic life due to the Group intending to hold and support the brand for an indefinite period, and there being no factors that would prevent it from doing so, and therefore it is not amortised. The other intangible assets held relate to brands and customer contracts recognised on the acquisition of Gladman Developments Limited that are amortised over their estimated useful lives.

Impairment of goodwill and indefinite life brands

The Group tests goodwill and its indefinite life brand, David Wilson Homes, annually. At 31 December 2022, slowing reservation rates and increases in interest rates together indicate that these assets may be impaired, therefore the Group has reassessed their recoverable amounts and compared to their carrying values. For both, the recoverable amounts were determined to be the value-in-use, determined by discounting its expected future cash flows.

Goodwill and indefinite life brands allocated to housebuilding

For the housebuilding business, the first three years of cash flows were determined using the Group’s approved detailed business plan, adjusted to reflect current trading conditions. The cash flows for the fourth and fifth years were determined using Group-level internal forecast cash flows based upon expected volumes, selling prices and margins, taking into account available land purchases and work in progress levels. The cash flows for year six onwards were extrapolated in perpetuity using an estimated growth rate of 1%, based upon the historical long-term growth rate of the UK economy.

The key assumptions for the value-in-use calculation for the housebuilding business were expected selling prices for completed houses, future sales volumes, site costs to complete, and the discount rate of 15.6% (30 June 2022: 14.9%), being a pre-tax rate reflecting the risks appropriate to the housebuilding business and current market assessments of the time value of money.

The result of the value-in-use exercise concluded that the recoverable value of goodwill and intangible assets allocated to the housebuilding business exceeded its carrying value by £788.6m (30 June 2022: £1,780.4m) and there has been no impairment.

Goodwill allocated to land promotion

For the land promotion business, the first five years of cash flows were determined using the business’s approved detailed business plan. The cash flows for year six onwards were extrapolated in perpetuity using an estimated growth rate of 1%, based upon the historical long-term growth rate of the UK economy.

The key assumptions for the value-in-use calculation were the expected sales values achieved under land promotion agreements, based on current market values for similar land, costs required to fulfil customer contracts, and the discount rate of 15.4% (30 June 2022: 15.0%), being a pre-tax rate reflecting the risks appropriate to the land promotion business and current market assessments of the time value of money.

The result of the value-in-use exercise concluded that the recoverable value of goodwill allocated to the land promotion business exceeded its carrying value by £0.5m (30 June 2022: £9.6m) and there has been no impairment. A 5% fall in expected sales values would result in an impairment of £27.7m and a 1% increase in the discount rate would result in an impairment of £16.5m.

10. Inventories

	31 December 2022 **£m**	31 December 2021 £m	30 June 2022 (audited) £m
Land held for development	**3,253.7**	3,046.1	3,339.9
Construction work in progress	**1,964.2**	1,866.6	1,837.8
Promotion agreements work in progress	**91.8**	-	91.1
Part-exchange properties and other inventories	**40.0**	19.3	22.8
	5,349.7	4,932.0	5,291.6

Nature and carrying value of inventories

The Group's principal activities are housebuilding and commercial development. The majority of development activity is not contracted prior to a development commencing. Accordingly, the Group has in its Balance Sheet at 31 December 2022 current assets that are not covered by a forward sale. The Group's internal controls are designed to identify any developments where the balance sheet value of land and work in progress is more than either the projected net realisable value of the development or, if lower, its cost. The Group has conducted six-monthly reviews of the net realisable value of specific sites identified as at high risk of impairment, based upon a number of criteria including low site profit margins and sites with no forecast completions. Where the estimated net realisable value of a site was less than its current carrying value the Group has impaired the land and work in progress value to its net realisable value.

During the period, due to performance variations, changes in assumptions and changes to viability on individual sites, there were gross impairment charges of £12.1m and gross impairment reversals of £10.0m, resulting in a net impairment of £2.1m (31 December 2021: £1.0m impairment; 30 June 2022: £2.2m reversal of impairment) included within profit from operations.

The key estimates in these reviews are those used to estimate the realisable value of a site, which is determined by forecast sales rates, expected sales prices and estimated costs to complete. A fall in forecast sales prices of 5% would result in an additional impairment charge of £16.3m.

The Directors consider all inventories to be current in nature although the Group's operational cycle is such that a proportion of inventories will not be realised within 12 months. It is not possible to determine with accuracy when specific inventory will be realised as this will be subject to a number of variables such as consumer demand and the timing of achievement of planning permissions.

11. Net cash

Net cash is defined as cash and cash equivalents, bank overdrafts, interest bearing borrowing and prepaid fees. Net cash at the period end is shown below:

	31 December 2022 **£m**	31 December 2021 £m	30 June 2022 (audited) £m
Cash and cash equivalents	**1,166.5**	1,336.3	1,352.7
Drawn debt			
Borrowings			
Sterling USPP notes	**(200.0)**	(200.0)	(200.0)
Bank overdrafts	**(2.0)**	(8.7)	(17.3)
Total borrowings being total drawn debt	**(202.0)**	(208.7)	(217.3)
Prepaid fees	**4.6**	4.1	3.2
Net cash	**969.1**	1,131.7	1,138.6
Total borrowings at the period end are analysed as:			
Non-current borrowings	**(200.0)**	(200.0)	(200.0)
Current borrowings	**(2.0)**	(8.7)	(17.3)
Total borrowings being drawn debt	**(202.0)**	(208.7)	(217.3)

On 18 November 2022 the Group's £700.0m RCF was extended to November 2027 with two further one-year extension periods through to November 2029, if agreed between the Group and its lenders. The RCF was also amended to include sustainability linked performance measures.

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

	Half year ended 31 December 2022 £m	Half year ended 31 December 2021 £m	Year ended 30 June 2022 (audited) £m
Net decrease in cash and cash equivalents	**(186.2)**	(182.3)	(165.9)
Repayment/(drawdown) of borrowings:			
Loan and borrowings drawdowns	**-**	(3.4)	(17.3)
Loan and borrowings repayments	**15.3**	-	5.3
Other movements in borrowings:			
Movement in prepaid fees	**1.4**	-	(0.9)
Movement in net cash in the period	**(169.5)**	(185.7)	(178.8)
Opening net cash	**1,138.6**	1,317.4	1,317.4
Closing net cash	**969.1**	1,131.7	1,138.6

Cash, cash equivalents and bank overdrafts, as presented in the Condensed Consolidated Cash Flow Statement, is analysed as follows:

	31 December 2022 £m	31 December 2021 £m	30 June 2022 (audited) £m
Cash and cash equivalents	**1,166.5**	1,336.3	1,352.7
Bank overdrafts included in loans and borrowings	**(2.0)**	-	(17.3)
Cash, cash equivalents and bank overdrafts	**1,164.5**	1,336.3	1,335.4

12. Provisions

	Costs in relation to completed developments £m	**Legacy properties – EWS and associated review £m**	**Legacy properties - Citiscape and associated review £m**	**Total £m**
At 1 July 2022 (audited)	145.5	434.6	44.9	625.0
Additions	**22.7**	**21.0**	**17.6**	**61.3**
Sites transferred to completed developments	**9.6**	**-**	**-**	**9.6**
Releases	**(8.3)**	**(20.4)**	**(0.6)**	**(29.3)**
Imputed interest on long-term provisions	**-**	**3.7**	**-**	**3.7**
Utilisation	**(27.7)**	**(11.7)**	**(3.8)**	**(43.2)**
At 31 December 2022	**141.8**	**427.2**	**58.1**	**627.1**

	31 December 2022 £m	31 December 2021[1] £m	30 June 2022 (audited) £m
Current	**277.0**	208.8	265.4
Non-current	**350.1**	-	359.6
	627.1	208.8	625.0

[1] Costs in relation to completed developments, previously included in trade and other payables, were reclassified as provisions at June 2022. Costs in relation to completed developments at 31 December 2021 of £135.2m have been re-presented to ensure comparability.

Costs associated with legacy properties

External wall systems and associated review

The Group is undertaking a review of all of its current and legacy buildings where it has used EWS or cladding solutions and continues to assess the action required in line with the latest updates to Government guidance, as it applies, to multi-storey and multi-occupied residential buildings. All of our buildings, including those incorporating EWS or cladding solutions, were signed off by approved inspectors as compliant with the relevant Building Regulations at the time of completion.

On 6 April 2022, the Group signed an industry pledge on building safety (the "Pledge") aligned to its belief that leaseholders should not have to pay for necessary remediation work caused by the design, construction or refurbishment of buildings. The Pledge committed the Group to address life-critical fire safety issues on all buildings of 11 metres and above that it has developed or refurbished over the past 30 years and to withdraw buildings from, and/or reimburse, the Government's Building Safety Fund and ACM Fund. On 30 January 2023, the Department for Levelling Up, Housing and Communities (DLUHC) published the Self-Remediation Terms and Deed of Bilateral Contract to incorporate the commitments made by housebuilders under the Pledge into a contractual arrangement. Management have reviewed the Group's potential obligations should it sign the proposed contract and do not consider there to be any additional liabilities over those recognised under the Pledge.

The Group has provided for the cost of fulfilling the Pledge, as well as assisting with remedial work identified at a limited number of other legacy properties where it has a legal liability to do so, where relevant build issues have been identified, or it is considered probable that such build issues exist.

	30 June 2022	Identified for review	Review confirmed no remediation, or remediation completed	31 December 2022
Under review:				
Buildings above 18m	**140**	**5**	**(6)**	**139**
Buildings under 18m	**83**	**8**	**(2)**	**89**
Total buildings	**223**	**13**	**(8)**	**228**
Developments	**69**	**6**	**-**	**75**

At 31 December 2022, the total number of buildings on which remediation has been completed was 38 (30 June 2022: 30).

This is a complex area requiring significant judgement with respect to both the individual remediation requirements of each building and the costs associated with that remediation (see also note 16). Management's estimate of the remediation cost of the relevant buildings was based on recent industry experience of the average remediation cost per plot of c. £21,000 plus an estimate of future cost price inflation over the period until the remediation is completed. An additional contingency was also allowed to reflect further buildings being identified as within the scope of the Pledge and for unforeseen remediation costs beyond management's current knowledge.

In relation to the timing of remediation spend, it has been assumed that the majority of the work will be completed over the next five years. The amount provided has been discounted accordingly. This depends on a number of factors, including the completion of legal documentation with the Government, timely engagement by building owners and remediation work being completed in line with our estimated timings.

The investigation of the works required at many of the buildings is at an early stage and therefore it is possible that these estimates will change over time or if government legislation and regulation further evolves.

The estimates are based on key assumptions that will be updated as work and time progresses. The sensitivity of the provision held at the balance sheet date to the following possible movements in those assumptions is shown below:

	Increase/(decrease) in provisions at 31 December 2022 £m
10% increase in estimated cost per plot	27.6
100 bps increase in discount rate	(11.4)
10% of all cash flows delayed by one year	1.2

Citiscape and associated review

As announced in July 2020, we took the decision to pay for required remedial action on the reinforced concrete frame at the Citiscape development in Croydon and undertook an associated review of 27 other developments where reinforced concrete frames were designed for us by either the same original engineering firm or by other companies within the group of companies that has since acquired it. This review is substantially complete and has not identified any other buildings with issues as severe as those present at Citiscape. In line with our commitment to put our customers first, we will ensure that the costs associated with any remedial works from these reviews are not borne by leaseholders. Remediation is ongoing and the estimated cost may be updated as work progresses. During the period, an additional £17.0m was recognised in respect of increases in the estimated remediation costs on certain properties.

Management have made estimates as to the future costs, to the extent of the remedial works required and the costs of providing alternative accommodation to those affected. The Interim Financial Statements have been prepared based on currently available information, including known costs and quotations where possible. However, the extent, cost and timing of remedial work may change as work progresses.

13. Financial instruments – fair value disclosures

The fair values of 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 2022 £m		Half year ended 31 December 2021 £m		Year ended 30 June 2022 (audited) £m	
	Fair value	Carrying value	Fair value	Carrying value	Fair value	Carrying value
Financial assets						
Cash and cash equivalents	**1,166.5**	**1,166.5**	1,336.3	1,336.3	1,352.7	1,352.7
Trade and other receivables[1]	**112.7**	**112.7**	84.2	84.2	168.1	168.1
Total financial assets	**1,279.2**	**1,279.2**	1,420.5	1,420.5	1,520.8	1,520.8
Financial liabilities						
Trade and other payables[2]	**1,197.8**	**1,219.5**	1,169.8	1,165.8	1,380.4	1,387.9
Lease liabilities	**39.9**	**39.9**	36.5	36.5	37.1	37.1
Bank overdrafts	**2.0**	**2.0**	8.7	8.7	17.3	17.3
Loans and borrowings	**179.1**	**200.0**	199.1	200.0	187.6	200.0
Total financial liabilities	**1,418.8**	**1,461.4**	1,414.1	1,411.0	1,622.4	1,642.3

[1] Excludes amounts recoverable on contracts, prepayments and accrued income, and tax and social security.
[2] Excludes deferred income, payments received in excess of amounts recoverable on contracts, tax and social security and other non-financial liabilities.

14. Share capital

	31 December 2022	31 December 2021	30 June 2022 (audited)
Allotted, issued and fully paid 10p ordinary shares:			
£m	**99.6**	102.2	102.2
Number	**996,260,881**	1,022,535,412	1,022,562,819

Options over the Company's shares granted during the period:	**Half year ended 31 December 2022 number**	Half year ended 31 December 2021 number	Year ended 30 June 2022 (audited) number
LTPP	**4,027,937**	2,543,778	2,774,294
Sharesave	**-**	-	4,117,231
DBP	**920,887**	674,051	674,051
ELTIP	**1,792,966**	1,080,733	1,080,733
	6,741,790	4,298,562	8,646,309

Cancellation/allotment of shares during the period:	**Half year ended 31 December 2022 number**	Half year ended 31 December 2021 number	Year ended 30 June 2022 (audited) number
At the beginning of the period	**1,022,562,819**	1,018,331,741	1,018,331,741
Buyback and cancellation of shares	**(26,302,739)**	-	-
Issued to satisfy early exercises under Sharesave schemes	**-**	16,258	28,023
Issued to satisfy exercises under matured Sharesave schemes	**801**	1,801,214	1,816,856
Issued to the EBT to satisfy exercises through the EBT	**-**	2,386,199	2,386,199
	996,260,881	1,022,535,412	1,022,562,819

15. Own shares reserve

The own shares reserve represents the cost of shares in Barratt Developments PLC purchased in the market or issued by the Company and held by the EBT on behalf of the Company in order to satisfy options and awards that have been granted by the Company.

The EBT has agreed to waive all or any future right to dividend payments on shares held within the EBT and these shares do not count in the calculation of the weighted average number of shares used to calculate EPS until such time as they are vested to the relevant employee.

	31 December 2022	31 December 2021	30 June 2022 (audited)
Ordinary shares in the Company held in the EBT (number)	**2,088,659**	1,380,595	5,320,168
Cost of shares held in the EBT	**£9.4m**	£6.2m	£27.0m
Market value of shares held in the EBT at 396.8p (31 December 2021: 748.0p; 30 June 2022: 457.4p) per share	**£8.3m**	£10.3m	£24.3m

During the period no shares were allotted to the EBT (31 December 2021: 2,386,199; 30 June 2022: 2,386,199) and the EBT purchased no shares in the market (31 December 2021: 1,050,000; 30 June 2022: 4,989,573). The EBT disposed of 3,213,408 shares which were used to satisfy the vesting of the ELTIP 500,000th House Award, the LTPP and the DBP schemes (31 December 2021: 3,355,729; 30 June 2022: 3,355,729 shares which were used to satisfy the vesting of the HBF 5 Star Award, the LTPP and the DBP schemes). A further 18,101 shares were used in the period in settlement of exercises under Sharesave schemes (31 December 2021: none, 30 June 2022: none).

16. Contingent liabilities

External wall systems and associated review

As disclosed in note 12, the Group has signed an industry pledge (the ‘Pledge’) to undertake or fund remediation or mitigation works on all buildings of 11 metres or above that it has developed or refurbished in the 30 years from the date of the Pledge, being April 2022, and to reimburse the Government’s Building Safety fund and ACM fund wherever they have contributed to such activities.

The Group is currently undertaking a review of all of its current and legacy buildings where it has used EWS or cladding solutions and continues to assess the action required in line with the latest updates to government guidance, as it applies, to multi-storey and multi-occupied residential buildings. Approved inspectors signed off all of our buildings, including the EWS or cladding used, as compliant with the relevant building regulations at the time of completion.

At 31 December 2022, the Group held provisions of £427.2m (31 December 2021: £40.1m; 30 June 2022: £434.6m) in relation to EWS and associated reviews, including liabilities arising from commitments made under the Pledge based on management’s best estimate of the cost and timing of remediation of in-scope buildings. It is possible that as remediation work proceeds, additional remedial works are required which do not relate to EWS or cladding solutions. Such works may not have been identified from the reviews and physical inspections undertaken to date and may only be identified when detailed remediation work is in progress. Therefore the nature, timing and extent of any such costs was unknown at the balance sheet date.

In addition, we recognise that the retrospective review of building materials and fire-safety matters continues to evolve. The Interim Financial Statements have been prepared based on currently available information and regulatory guidance. However, these estimates may be updated if government legislation and regulation further evolves.

Citiscape and associated review

As disclosed in note 12, following the issues identified at Citiscape, the Group is conducting a review of developments where reinforced concrete frames have been designed by either the same original engineering firm which designed Citiscape, or by other companies within the group of companies which has since acquired it.

The Interim Financial Statements have been prepared based on currently available information; however, remediation is ongoing and the estimated cost may be updated as work progresses. While in most cases we have no legal liability, in line with our commitment to put our customers first we will ensure that the costs associated with remedial works from these reviews are not borne by leaseholders.

We are actively seeking to recover costs from third parties in respect of EWS, Citiscape and the associated reviews; however, there is no certainty regarding the extent of any financial recovery.

Contingent liabilities related to subsidiaries

The Group has commitments for the purchase of trading stock entered into in the normal course of business, for which no liability is recognised until the goods are received.

Also 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 £428.0m (31 December 2021: £428.8m; 30 June 2022: £420.7m), and confirm that at the date of these Interim Financial Statements the possibility of cash outflow is considered minimal.

Contingent liabilities related to joint ventures

The Group has given counter-indemnities in respect of performance bonds and financial guarantees to its joint ventures totalling £9.9m (31 December 2021: £2.2m; 30 June 2022: £2.2m).

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. At 31 December 2022 the probability of any loss to the Group resulting from these guarantees is considered to be remote.

Contingent liabilities related to legal claims

Provision is made for the Directors' best estimate of all known material 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 (other than for legal costs) where the Directors consider, based on such advice, that claims or actions are unlikely to succeed, or a sufficiently reliable estimate of the potential obligations cannot be made.

There were no contingent liabilities in respect of such claims at 31 December 2022, 31 December 2021 or 30 June 2022.

17. Related party transactions

Related party transactions for the period to 31 December 2022 are detailed below:

Transactions between the Group and its joint ventures

The Group has entered into transactions with its joint ventures as follows:

	31 December 2022 **£m**	31 December 2021 £m	30 June 2022 (audited) £m
Transactions between the Group and its JVs during the period:			
Charges in respect of development management and other services provided to JVs	**3.0**	2.6	9.2
Interest charges in respect of funding provided to JVs	**0.6**	0.2	0.5
Profit distributions received from JVs	**18.9**	4.0	16.5
Balances at the period end:			
Capital due from JVs	**92.8**	81.0	86.1
Net funding loans and interest due from JVs	**100.3**	78.8	94.0
Other amounts due from JVs	**29.5**	29.9	39.3
Loans and other amounts due to JVs	**(1.6)**	(6.2)	(1.3)

In addition, one of the Group's subsidiaries, BDW Trading Limited, contracts with a number of the Group's joint ventures to provide construction services.

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

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 2023 were limited to those relating to remuneration, previously disclosed as part of the Remuneration report within the Group's Annual Report and Accounts for the year ended 30 June 2022. Options granted to executives and senior management under the LTPP and DBP schemes are disclosed in aggregate in note 14. 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 2022.

18. Post balance sheet events

On 30 January 2023 the Department for Levelling Up, Housing and Communities (DLUHC) published the Self-Remediation Terms and Deed of Bilateral Contract (the 'Contract') to incorporate the commitments made by housebuilders under the Building Safety Pledge, described in note 12, into a contractual arrangement.

The Group continues to work closely with DLUHC to ensure that leaseholders do not have to pay for necessary remediation work caused by the design, construction or refurbishment of buildings. Following a detailed review of the contractual terms, a determination of any additional approvals which may be required, as well as discussions with our shareholders, we currently intend to sign the final contract in due course and before the Government's deadline of Monday 13 March 2023.

The Contract formalises the Group's previous commitments and therefore it is not considered that there will be additional liabilities over those under the Building Safety Pledge. The uncertainty regarding the final amounts payable under the Pledge is disclosed in notes 12 and 16.

Statement of Directors’ Responsibilities

The Directors confirm that to the best of their knowledge these Interim 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, Non-Executive Chairman
D F Thomas, Chief Executive
S J Boyes, Deputy Chief Executive and Chief Operating Officer
M I Scott, Chief Financial Officer
J F Lennox, Senior Independent Director
K Bickerstaffe, Non-Executive Director
J H Halai, Non-Executive Director
C P A Weston, Non-Executive Director
S M White, Non-Executive Director

The Half Yearly Financial Report was approved by the Board on 7 February 2023 and signed on its behalf by

D F Thomas
Chief Executive

Independent review report to Barratt Developments PLC

Conclusion

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 2022 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 18. 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.

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 2022 is not prepared, in all material respects, in accordance with United Kingdom adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council for use in the United Kingdom (ISRE (UK) 2410). 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.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with United Kingdom adopted international accounting standards. The condensed set of financial statements included in this Half Yearly Financial Report has been prepared in accordance with United Kingdom adopted International Accounting Standard 34, "Interim Financial Reporting".

Conclusion relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for Conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed.

This Conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410; however future events or conditions may cause the entity to cease to continue as a going concern.

Responsibilities of the directors

The directors are responsible for preparing the Half Yearly Financial Report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

In preparing the Half Yearly Financial Report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the review of the financial information

In reviewing the Half Yearly Financial Report, we are responsible for expressing to the company a conclusion on the condensed set of financial statements in the Half Yearly Financial Report. Our Conclusion, including our Conclusion relating to going concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion paragraph of this report.

Use of our report

This report is made solely to the company in accordance with ISRE (UK) 2410. 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.

Deloitte LLP
Statutory Auditor
London, United Kingdom
7 February 2023

Glossary & Definitions

Active outlet	A site with at least one plot for sale
APMs	Alternative performance measures
ASP	Average selling price
BNG	Biodiversity Net Gain
CJRS	Coronavirus Job Retention Scheme
DBP	Deferred Bonus Plan
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
DLUHC	Department for Levelling Up, Housing and Communities
DTR	Disclosure Guidance and Transparency Rules
EBT	Barratt Developments Employee Benefit Trust
ELTIP	Employee Long Term Incentive Plan
EPS	Earnings per share
EWS	External Wall System
FY	Refers to the financial year ended 30 June
GD&T	Group Design & Technology
HBF	Home Builders Federation
HTB	Help to Buy
HVO	Hydro-treated Vegetable Oil
HY	Refers to the half year ended 31 December
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
IIR	Injury Incident Rate
JVs	Joint ventures
KPI	Key performance indicator
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
Legacy property	A property constructed by the Group or one of its joint ventures for which the sale was completed in a prior period
LTPP	Long Term Performance Plan
MMC	Modern methods of construction
Net cash	Net cash / debt is defined as cash and cash equivalents, bank overdrafts, interest bearing borrowings, prepaid fees and foreign exchange swaps
Net tangible assets	Group net assets less other intangible assets and goodwill
NHBC	National House Building Council
RCF	Revolving Credit Facility
RI	Reportable Items
ROCE	Return on capital employed calculated as earnings before amortisation, interest, tax, operating charges relating to the defined benefit pension scheme and operating adjusting or exceptional items, divided by average net assets adjusted for goodwill and intangibles, tax, cash, loans and borrowings, retirement benefit assets/obligations, derivative financial instruments and provisions in relation to legacy properties
RPDT	Residential Property Developer Tax
Sharesave	Savings-Related Share Option Scheme
SAP	Standard Assessment Procedure, being the methodology used by the UK Government to assess and compare the energy and environmental performance of dwellings
SHE	Safety, Health and the Environment
TCFD	Task force on Climate related Financial Disclosures
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
UN	United Nations
USPP	US Private Placement

Definitions of alternative performance measures ('APMs') 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 on pages 5 to 7 in the Group's Annual Report and Accounts for the year ended 30 June 2022.

Gross margin is defined as gross profit divided by revenue:

	Half year ended 31 December 2022	Half year ended 31 December 2021	Year ended 30 June 2022 (audited)
Revenue per Income Statement (£m)	**2,783.9**	2,247.1	5,267.9
Gross profit per Income Statement (£m)	**630.3**	546.5	899.9
Gross margin	**22.6%**	24.3%	17.1%

Adjusted gross margin is defined as adjusted gross profit divided by revenue:

	Half year ended 31 December 2022	Half year ended 31 December 2021	Year ended 30 June 2022 (audited)
Revenue per Income Statement (£m)	**2,783.9**	2,247.1	5,267.9
Adjusted gross profit per table below Income Statement (£m)	**647.9**	562.4	1,308.1
Adjusted gross margin	**23.3%**	25.0%	24.8%

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

	Half year ended 31 December 2022	Half year ended 31 December 2021	Year ended 30 June 2022 (audited)
Revenue per Income Statement (£m)	**2,783.9**	2,247.1	5,267.9
Profit from operations per Income Statement (£m)	**494.2**	434.0	646.6
Operating margin	**17.8%**	19.3%	12.3%

Adjusted operating margin is defined as adjusted operating profit divided by revenue:

	Half year ended 31 December 2022	Half year ended 31 December 2021	Year ended 30 June 2022 (audited)
Revenue per Income Statement (£m)	**2,783.9**	2,247.1	5,267.9
Adjusted operating profit per table below Income Statement (£m)	**511.8**	449.9	1,054.8
Adjusted operating margin	**18.4%**	20.0%	20.0%

Adjusted earnings for **adjusted basic earnings per share** and **adjusted diluted earnings per share** are calculated by excluding adjusted items and any associated net tax amounts from profit attributable to ordinary shareholders of the Company.

	Half year ended 31 December 2022 £m	Half year ended 31 December 2021 £m	Year ended 30 June 2022 (audited) £m
Profit attributable to ordinary shareholders of the Company	**380.5**	351.0	515.1
Costs associated with legacy properties (note 4)	**17.6**	15.9	408.2
Costs associated with JV legacy properties (note 4)	**2.4**	1.5	4.3
Tax on adjusted items	**(4.9)**	(3.3)	(82.5)
Adjusted earnings	**395.6**	365.1	845.1

Net cash is defined in note 11.

ROCE is calculated as earnings before amortisation, 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, derivative financial instruments and provisions in relation to legacy properties:

	Half year ended 31 December 2022	Half year ended 31 December 2021	Year ended 30 June 2022 (audited)	**Year calculated to 31 December 2022**	Half year ended 31 December 2020	Year ended 30 June 2021 (audited)	Year calculated to 31 December 2021
	£m	£m	£m	**£m**	£m	£m	£m
Profit from operations	**494.2**	434.0	646.6	**706.8**	422.9	811.1	822.2
Amortisation of intangible assets	**5.3**	-	4.3	**9.6**	0.5	1.1	0.6
Adjusted cost associated with legacy properties	**17.6**	15.9	408.2	**409.9**	56.3	81.9	41.5
CJRS grant repayment	**-**	-	-	**-**	26.0	26.0	-
Defined benefit past service cost and other operating charges	**-**	-	-	**-**	1.2	2.3	1.1
Share of post-tax profit from joint ventures and associates	**16.0**	13.6	23.3	**25.7**	22.1	27.7	19.2
Adjusted cost/(credit) related to JV legacy properties	**2.4**	1.5	4.3	**5.2**	(5.3)	(0.4)	6.4
Annualised earnings before amortisation, interest, tax, adjusted items and defined benefit scheme charges			1,086.7	**1,157.2**		949.7	891.0

	31 December 2022	31 December 2021	30 June 2022 (audited)	31 December 2020	30 June 2021 (audited)
	£m	£m	£m	£m	£m
Group net assets per Balance Sheet	**5,656.6**	5,589.7	5,631.3	5,204.7	5,452.1
Less:					
Other intangible assets Balance Sheet	**(200.1)**	(100.0)	(205.4)	(100.6)	(100.0)
Goodwill per Balance Sheet	**(852.9)**	(805.9)	(852.9)	(805.9)	(805.9)
Current tax (assets)/liabilities	**(0.1)**	(13.7)	(9.9)	16.0	1.0
Deferred tax liabilities/(assets)	**44.0**	9.9	45.1	(4.9)	8.9
Retirement benefit assets	**-**	-	-	(2.1)	-
Cash and cash equivalents	**(1,166.5)**	(1,336.3)	(1,352.7)	(1,302.7)	(1,518.6)
Loans and borrowings	**202.0**	208.7	217.3	201.1	205.3
Provisions in relation to legacy properties	**485.3**	73.6	479.5	81.8	67.6
Prepaid fees	**(4.6)**	(4.1)	(3.2)	(5.1)	(4.1)
Capital employed	**4,163.7**	3,621.9	3,949.1	3,282.3	3,306.3
Three point average capital employed	**3,911.6**	3,403.5	3,625.8		

	31 December 2022	31 December 2021	30 June 2022 (audited)
Annualised earnings before amortisation, interest, tax, adjusted items and defined benefit scheme charges (from table above) (£m)	**1,157.2**	891.0	1,086.7
Three point average capital employed (from table above) (£m)	**3,911.6**	3,403.5	3,625.8
ROCE	**29.6%**	26.2%	30.0%

Total indebtedness is defined as net (cash)/debt and land payables:

	31 December 2022	31 December 2021	30 June 2022 (audited)
Net cash (£m)	**(969.1)**	(1,131.7)	(1,138.6)
Land payables (£m)	**622.3**	682.3	733.6
Total indebtedness (£m)	**(346.8)**	(449.4)	(405.0)