



# Preliminary Results Presentation

Year to 30 June 2010

Thursday 9 September 2010



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# Agenda

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- Chairman's Overview and Outlook      Steve Morgan
- Financial Results      Barbara Richmond
- Review of Operations      John Tutte

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# Overview

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- Return to profitability
- Focus on delivery of shareholder value
- Return to core values
- Successful introduction of the New Heritage Collection



**Barbara Richmond**

Group Finance Director

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# Financial Highlights

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- Revenues up 31.5% at £396.9m
- H2 PBT of £9.4m, full year PBT of £0.7m
- ASP up 8.7% to £149,300
- Completions up 22% to 2,587
- Private order book up 18% at £106m (2009: £90m)
- NAV per share £1.41
- Net debt of £47.1m (2009: £214.6m)



# Income Statement



£m	2010			2009
	H1	H2	Full Year	Full Year
Revenue	<u>187.2</u>	<u>209.7</u>	<u>396.9</u>	<u>301.8</u>
Gross profit	13.5	28.2	41.7	5.4
Operating expenses	<u>(15.1)</u>	<u>(13.9)</u>	<u>(29.0)</u>	<u>(27.8)</u>
Operating profit/(loss)	(1.6)	14.3	12.7	(22.4)
Exceptional items	–	–	–	(96.6)
Interest	(7.1)	(4.9)	(12.0)	(21.6)
Share of JVs after interest and tax	<u>–</u>	<u>–</u>	<u>–</u>	<u>(0.2)</u>
Profit/(loss) before tax	<u>(8.7)</u>	<u>9.4</u>	<u>0.7</u>	<u>(140.8)</u>

# Sales Analysis



	2010			2009			Variance		
	£m	Vol	ASP £000	£m	Vol	ASP £000	£m	Vol	ASP %
Private	342.7	2,214	154.8	244.6	1,702	143.7	+98.1	+512	+7.7
Social	<u>43.5</u>	<u>373</u>	<u>116.6</u>	<u>45.7</u>	<u>411</u>	<u>111.1</u>	<u>-2.2</u>	<u>-38</u>	<u>+5.0</u>
Total Homes	<u>386.2</u>	<u>2,587</u>	<u>149.3</u>	<u>290.3</u>	<u>2,113</u>	<u>137.4</u>	<u>+95.9</u>	<u>+474</u>	<u>+8.7</u>
Houses	269.7	1,544	174.7	170.2	1,046	162.7	+99.5	+498	+7.4
Apartments	<u>116.5</u>	<u>1,043</u>	<u>111.7</u>	<u>120.1</u>	<u>1,067</u>	<u>112.6</u>	<u>-3.6</u>	<u>-24</u>	<u>-0.8</u>
Total Homes	<u>386.2</u>	<u>2,587</u>	<u>149.3</u>	<u>290.3</u>	<u>2,113</u>	<u>137.4</u>	<u>+95.9</u>	<u>+474</u>	<u>+8.7</u>

# Sales by Product Type



	2010			2009			Variance		
	£m	Vol	ASP £k	£m	Vol	ASP £k	£m	Vol	ASP £k
Signature	325.3	2,079	156.5	259.8	1,840	141.2	+65.5	+239	+15.3
Debut/In the City	48.9	441	110.9	30.5	273	111.7	+18.4	+168	-0.8
New Heritage Collection	12.0	67	180.0	–	–	–	+12.0	+67	n/a
<b>Total Homes</b>	<b>386.2</b>	<b>2,587</b>	<b>149.3</b>	<b>290.3</b>	<b>2,113</b>	<b>137.4</b>	<b>+95.9</b>	<b>+474</b>	<b>+11.9</b>

Average plot cost in cost of sales 26.2 \*

30.3 \*

\*Excludes Debut and In the City plots



# Cash Flow



	2010 £m	2009 £m
Operating profit/(loss)	12.7	(119.0)
Decrease in land	57.2	9.9
Decrease in land creditors	(15.8)	(39.2)
Movement in WIP	45.3	119.7
Movement in NRV provision	(62.5)	60.0
Other working capital movements	<u>13.1</u>	<u>(43.5)</u>
Operating cash flow	50.0	(12.1)
Interest	(9.8)	(18.2)
Tax	–	40.4
Acquisition of Harrow Estates	(15.0)	–
Total capital proceeds	<u>–</u>	<u>1.4</u>
Free cash flow	25.2	11.5
Rights Issue	150.3	–
Share purchase	(5.2)	–
Bank loan issue costs amortisation	<u>(2.8)</u>	<u>(2.8)</u>
Movement in net debt	167.5	8.7
Opening net debt	<u>(214.6)</u>	<u>(223.3)</u>
Closing net debt	<u>(47.1)</u>	<u>(214.6)</u>
Gearing	11%	73%

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# Financing



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- £250m of facilities not expiring until 30/9/2011
  - Purchase of 4.22m shares at cost of £5.26m to fund option schemes to avoid dilution of existing shareholders
  - Authority sought for buyback of up to 10% shares at forthcoming AGM

# Capital Employed



	June 2010 £m	June 2009 £m	Variance %
Fixed Assets and Investments	18.6	16.9	+ 10
Land (Gross)	555.1	598.9	- 7
WIP (Gross)	241.5	286.8	- 16
NRV Provision	(256.9)	(319.4)	- 20
Land Creditors	(37.6)	(53.4)	- 30
Tax	72.7	71.4	+ 2
Pensions	(4.4)	2.8	
Payables and Other	<u>(106.0)</u>	<u>(95.9)</u>	<u>+ 10</u>
Capital Employed	<u>483.0</u>	<u>508.1</u>	<u>- 5</u>

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# NRV Provision on land

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	2010	2009
NRV Provision against owned land	<u>£233.6m</u>	<u>£278.5m</u>
No. of plots with provision	<u>7,470</u>	<u>11,150</u>

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# Costing (2011 onwards)

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## Changes

- Land acquired allocated only to private plots on a site (not social)
- Land allocated on the basis of plot footprint
- Build cost calculated on house type for private and social plots (standard cost plus variations)

## Benefits

- Plot profitability measured on actual plot cost (no margin equalisation) and therefore on a meaningful basis
- Accurate management information on house type, plot, and phase profitability
- Profit measurement matches land appraisal build up
- Focus on maximising private plots and evaluating S106 impacts
- Focus build on profit generation

# Plot costs at 30 June\*



	2010 £	2009 £
<u>Owned plots</u>		
New basis (excludes social plots)	31,200	29,300
Old basis (includes social plots)	27,600	26,000
<u>Owned and contracted plots</u>		
New basis (excludes social plots)	34,000	30,900
Old basis (includes social plots)	30,100	27,400

\*Plot costs exclude Debut and In the City plots and Partnership plots

**John Tutte**

Group Managing Director

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# Operational Highlights

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- New Heritage Collection launched
- Land bank growing
- Management structure changes
- Harrow Estates business integrated
- Sales market





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# The New Heritage Collection

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- Launched 11 February
- 30 New Heritage Collection sites in production
- Excellent response from customers
- New Heritage Collection 5% of H2 legal completions in 2010
- 25% of Private Order Book at 30 June 2010 was New Heritage Collection
- Expect circa 40% of sales in 2011 to be New Heritage Collection
- ASP in 2010 of £180,000



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# New Heritage

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# Land



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- Greater availability of land
  - Competitive land market particularly in the South East
  - Land teams fully resourced during H1 2010 and active H2 2010
  - 3,281 plots added – mainly in H2
  - 13,170 plots owned or contracted at 30 June 2010 representing over 5 years supply

# Land holdings at 30 June 2010



	June 2010	Dec 2009	June 2009
Current Land			
Plots owned	11,600	12,000	12,500
Contracted plots	<u>1,570</u>	<u>570</u>	<u>630</u>
Total	<u>13,170</u>	<u>12,570</u>	<u>13,130</u>
Forward land			
Land owned without planning	300	260	400
Options - allocations	8,600	8,000	9,000
- realistic prospect	<u>13,000</u>	<u>12,100</u>	<u>13,400</u>
	<u>21,900</u>	<u>20,360</u>	<u>22,800</u>

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## Movement in Land Holdings – Current Land

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	Plots Owned	Contracted Plots	Total
Current Land			
At 1 July 2009	12,500	630	13,130
Legal completions	(2,587)	–	(2,587)
Harrow acquisition	584	–	584
Additions	1,169	1,528	2,697
Transfers	142	(142)	–
Other	<u>(208)</u>	<u>(446)</u>	<u>(654)</u>
At 30 June 2010	<u>11,600</u>	<u>1,570</u>	<u>13,170</u>

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## Movement in Land Holdings – Forward Land

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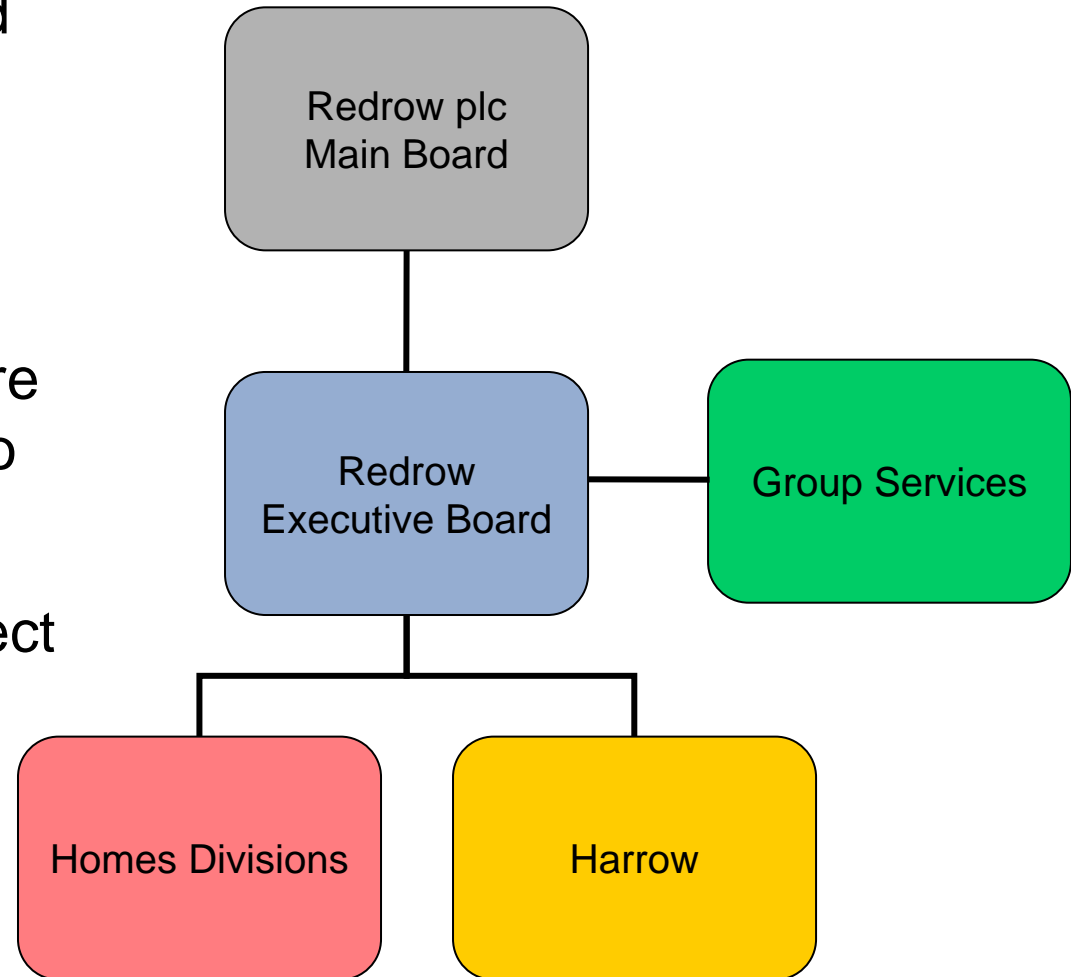


	Total
Forward Land	
At 1 July 2009	22,800
Harrow acquisition	1,100
Additions	1,995
Transfers to current land	(338)
Strategic review/refocus	<u>(3,657)</u>
At 30 June 2010	<u>21,900</u>

# Management Structure



- Management restructured in September 2009
- Regional tier of management removed
- Flat management structure gives greater autonomy to divisions
- Communication more direct and responsive



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# Harrow

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- Fully integrated into Redrow
- Sites acquired from Harrow now in production
- Two sites purchased since acquisition
- Continuing to promote option sites
- Responsible for all commercial property activity
- Sold four commercial properties since acquisition



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# Current Sales Market

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	2010	2009
• Private reservations per outlet per week	0.58	0.40
• Reservation statistics YTD to 5/9/2010		
– Private reservations volume	389	
– Average number of outlets	76	
– Private reservations per outlet per week	0.51	
• Revenues marginally ahead		
• Cancellation rates remain at c.17%		

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# Summary and Outlook

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Showhome opening at Tipton, West Midlands on 4<sup>th</sup> September 2010