

Preliminary Results Presentation

Year to 30 June 2011



Agenda



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

Overview



- Strong growth in profits
- New Heritage 41% of private turnover in H2
- Successful disposal of Scottish operation
- 43% of turnover in the South of England and London division progressing well





Financials

Barbara Richmond – Group Finance Director

Financial Highlights



- Private homes revenue up 17% at £399.9m
- Private ASP up 12% to £174,100
- Pre-tax profit of £25.3m (2010: profit £0.7m)
- EPS up from 0.2p to 6.0p (excluding impact of deferred tax rate change)
- Private order book of £114m up 17% on last year (ex Scotland)
- ROCE 6.1% (2010: 2.6%)
- Gearing 16% (2010: 11%)



Income Statement



£m	2011	2010	Variance
Revenue	452.7	396.9	55.8
Gross profit	64.3	41.7	22.6
Operating expenses	(33.1)	(29.0)	(4.1)
Operating profit	31.2	12.7	18.5
Interest	(5.9)	(12.0)	6.1
Profit before tax	25.3	0.7	24.6
Private average plot cost eliminated* (£k)	37.9	32.2	5.7
Plot cost percentage of ASP*	21	19	2

*Excludes Debut, In the City and Partnership

Sales Analysis



- Private revenue up 17% – represents 92% of homes revenue
- Private ASP up 12.5%
- Houses 80% of homes by revenue (2010: 70%)
- Social housing 8% of homes by revenue (2010: 11%)

	Revenue (£m)				Volume				ASP (£k)			
	2011	2010	Var	% Var	2011	2010	Var	% Var	2011	2010	Var	% Var
Private	399.9	342.7	57.2	16.7	2,297	2,214	83	3.7	174.1	154.8	19.3	12.5
Social	32.9	43.5	(10.6)	(24.4)	329	373	(44)	(11.8)	99.8	116.6	(16.8)	(14.4)
Total homes	432.8	386.2	46.6	12.1	2,626	2,587	39	1.5	164.8	149.3	15.5	10.4
Houses	347.4	269.7	77.7	28.8	1,923	1,544	379	24.5	180.7	174.7	6.0	3.4
Apartments	85.4	116.5	(31.1)	(26.7)	703	1,043	(340)	(32.6)	121.5	111.7	9.8	8.8
Total homes	432.8	386.2	46.6	12.1	2,626	2,587	39	1.5	164.8	149.3	15.5	10.4

Sales by Geography



- Broad geographic spread of revenue
- 43% of continuing turnover is in the South of England
- Strong revenue growth in the North and Central where New Heritage Collection was initially launched

	2011	2011	2010	2010
	£m	%	£m	%
Scotland	32.4	7.0	31.5	9.0
North	111.5	26.0	82.6	21.0
Central	117.8	27.0	101.5	26.0
South	171.1	40.0	170.6	44.0
	432.8	100.0	386.2	100.0

Private Sales Analysis



- New Heritage 36% of private turnover in 2011
- New Heritage ASP up 11% to £201,300
- New Heritage margins remain strong
- Debut/In the City now exited
- Plot cost of sales is £37,900 which is 21% of ASP* (2010: 19%)

	Turnover (£m)			Volume			ASP (£k)		
	2011	2010	Var	2011	2010	Var	2011	2010	Var
New Heritage Collection	142.5	12.1	130.4	708	67	641	201.3	180.6	20.7
Debut/In the City	30.0	48.6	(18.6)	252	439	(187)	119.0	110.7	8.3
Partnership	3.7	-	3.7	36	-	36	102.8	-	102.8
Other	223.7	282.0	(58.3)	1,301	1,708	(407)	171.9	165.1	6.8
	399.9	342.7	57.2	2,297	2,214	83	174.1	154.8	19.3
Houses	321.3	239.3	82.0	1,675	1,297	378	191.8	184.5	7.3
Apartments	78.6	103.4	(24.8)	622	917	(295)	126.4	112.8	13.6
	399.9	342.7	57.2	2,297	2,214	83	174.1	154.8	19.3

Private average plot cost eliminated* (£k)

*Excludes Debut/In the City and Partnership

37.9	32.2	5.7
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Cash Flow



Free cash flow	2011 £m	2010 £m	Net debt movement	2011 £m	2010 £m
Operating profit	31.2	12.7	Free cash flow	(33.3)	40.2
Depreciation	1.3	1.4			
(Increase)/Decrease in land	(17.9)	57.2	Sale of Scotland/(Acquisition of Harrow)	5.0	(15.0)
Movement in land creditors	12.7	(15.8)	Rights Issue	-	150.3
Net (investment)/decrease in land	(5.2)	41.4	Other	-	(8.0)
Movement in WIP	14.3	45.3			
Movement in NRV	(67.6)	(62.5)	Net cash flow	(28.3)	167.5
Other working capital movements	(0.9)	11.7			
Operating cash flow	(26.9)	50.0	Opening net debt	(47.1)	(214.6)
Net interest	(6.4)	(9.8)	Closing net debt	(75.4)	(47.1)
Free cash flow	(33.3)	40.2			

Balance Sheet



- NAV per share up 6% to £1.49 (2010: £1.41)
- Gearing of 16% will rise with further investment in land and WIP particularly in London
- Inventory of Part Exchanged properties £7.2m (2010: £4.3m)
- Net shared equity exposure £10.7m (2010: £7.1m)



Net Assets



£m	2011	2010	Variance	Variance Ex Scotland*
Land (Gross)	512.8	555.1	(42.3)	17.9
WIP (Gross)	208.2	241.5	(33.3)	(14.3)
NRV Provision	(158.3)	(256.9)	98.6	67.6
Land creditors	(44.8)	(37.6)	(7.2)	(12.7)
Net investment in inventory	517.9	502.1	15.8	58.5
Tax	57.6	72.7	(15.1)	(15.1)
Fixed Assets	17.2	18.6	(1.4)	(0.4)
Payables, Receivables and other	(58.7)	(110.4)	51.7	8.0
Capital Employed	534.0	483.0	51.0	51.0
Net debt	(75.4)	(47.1)	(28.3)	(28.3)
Net Assets	458.6	435.9	22.7	22.7

* Variance excluding the impact of Scotland disposal on 30 June 2011 Capital Employed

NRV Provision on Land



- NRV provision on land at 30 June 2011 £135.0m (2010: £233.6m) representing c.4,400 plots (2010: c.7,500 plots)
- Movement in provisioned plots

Legal Completions

Scotland

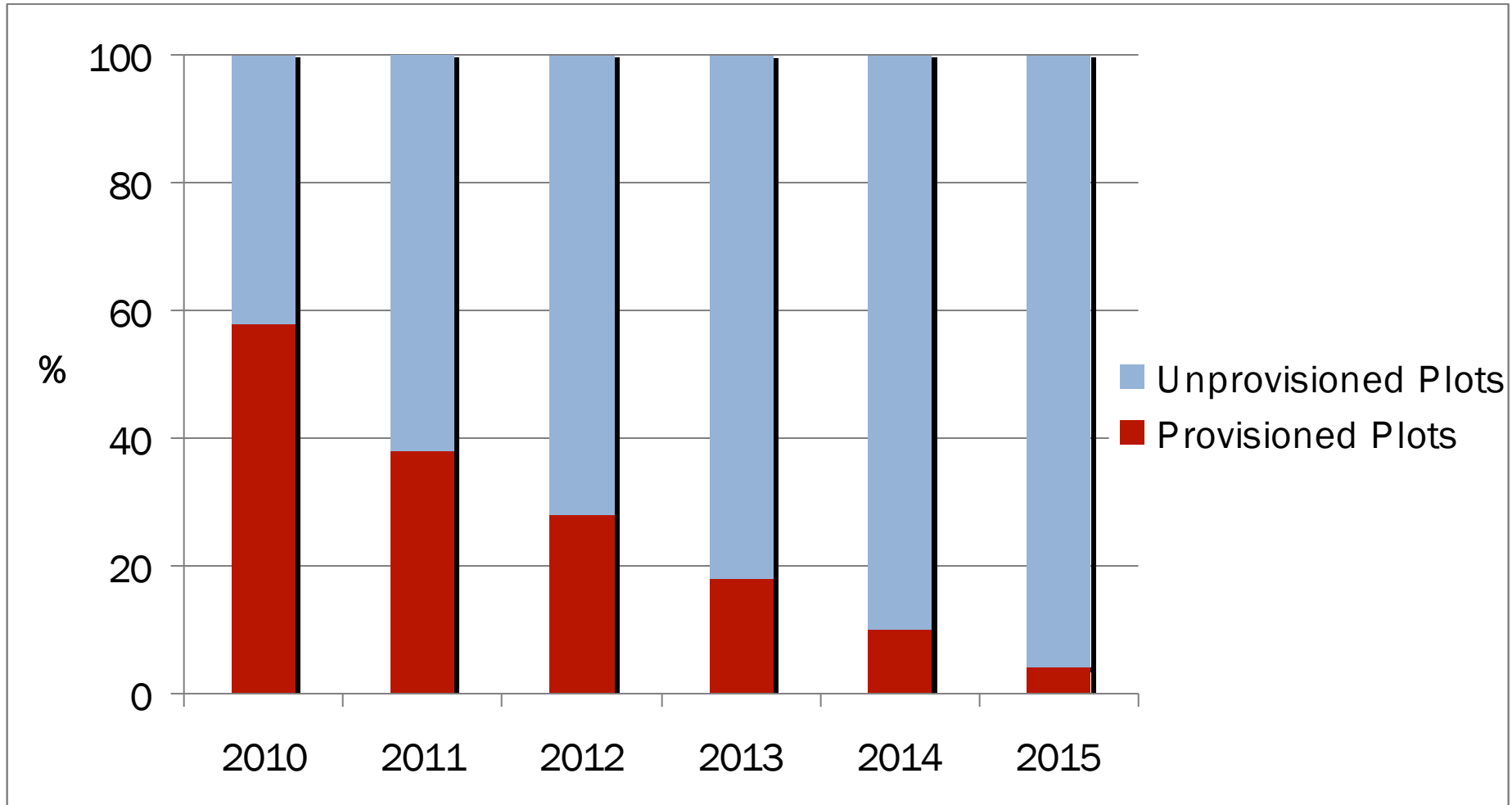
Land Sales and Replans

1,700
800
600
3,100

Profile of Provisioned Plots in Landbank



Provisioned plots in landbank (owned and contracted) at 30 June



Plot Costs Carried Forward



- Owned and contracted plot cost is up £9k excluding London
- Owned and contracted plot cost is up £15k including London

£k	2011	2010
Owned		
Excluding London	39	31
Including London	45	31
Owned and contracted		
Excluding London	43	34
Including London	49	34



Review of Operations

John Tutte – Group Managing Director

Operational Highlights



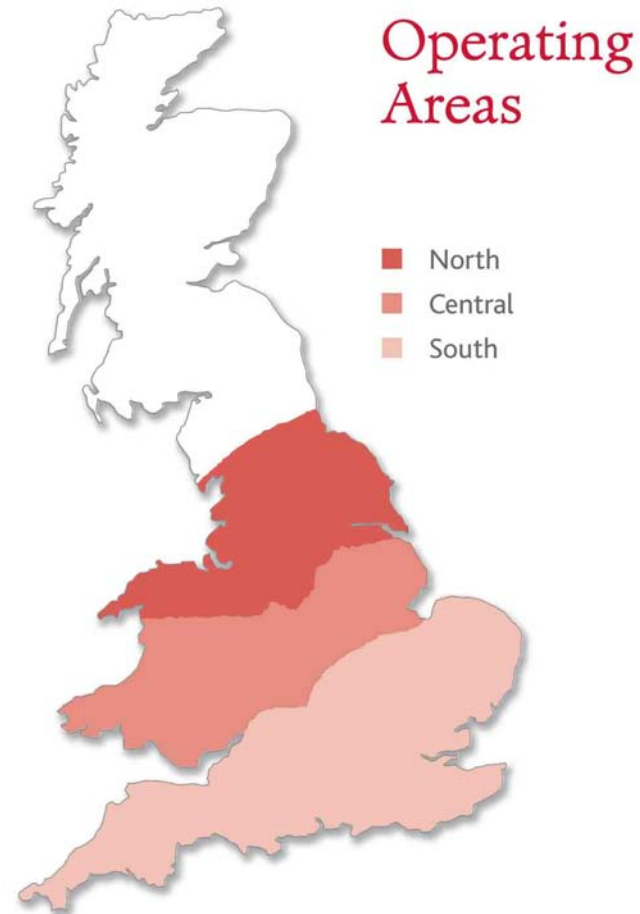
- Development update
- London
- Harrow Estates
- Landbank
- Current market



Regional Coverage



- 9 Homes Divisions
 - Yorkshire
 - Lancashire
 - N West/N Wales (NW)
 - Midlands
 - South Midlands
 - Eastern
 - London
 - South West
 - South Wales
- Harrow Estates



Development Update



- **Outlets**
 - Average outlets for 2011 was 79
 - 74 outlets at end June 2011 (following sale of Scotland)
 - Plan to open 35 and close 24 in 2012
 - Expect to have c.85 outlets end June 2012
- **New Heritage Collection**
 - 52 outlets at end June 2011
 - Plan to open 33 and close 12 in 2012
 - Expect to have c.70 New Heritage Collection outlets at end June 2012
 - 41% of 2011 H2 private sales revenue
 - 51% of 2011 private H2 reservations by value

Development Update



- **New Heritage Collection**
 - Total of 45 house types
 - Premium house types launched with further enhanced specification
- **Build Costs**
 - Labour and material costs stable
- **Partnership**
 - Manchester
 - HBD/FirstBuy



London Update



- 5 sites acquired by June 2011
- 342 plots
- 1 site on sales release
- Diversity of development types
- Experienced team
- Significant contribution to revenue and profits from 2013/14
- Expected average ASP of c.£400k from 2013/14



Harrow



- Option sites progressing through planning/remediation
- Resolution to grant residential planning permission on Cotswolds site ahead of budgeted timescale
- Purchase of development opportunity in South Wales
- Joint venture for the purchase of South East sites
- Disposal of £0.7m of commercial property during the year

Movement in Land Holdings

Current Land



	Plots owned	Contracted plots	Total
At 1 July 2010	11,600	1,570	13,170
Legal completions	(2,626)	-	(2,626)
Additions	793	1,574	2,367
Transfers	1,151	(1,151)	-
Scotland disposal	(831)	-	(831)
Other (land sales, recisions and replans)	(567)	(323)	(890)
At 30 June 2011	<u>9,520</u>	<u>1,670</u>	<u>11,190</u>

Forward Land



	Total Plots	
At 1 July 2010	21,900	
Additions	2,453	
Transfers to current land	(207)	
Strategic review/disposal	(1,996)	
At 30 June 2011	22,150	
Analysis	June 11	June 10
Land owned without planning	1,295	1,165
Options – allocations	9,065	8,600
– realistic prospect	11,790	12,135
	22,150	21,900

Landbank by Geography



	June 11			
	Current Land	Forward Land	Total	%
Scotland	–	–	–	–
North	4,530	8,068	12,598	38
Central	2,678	5,803	8,481	25
South	3,982	8,279	12,261	37
	<u>11,190</u>	<u>22,150</u>	<u>33,340</u>	<u>100</u>

	June 10			
	Current Land	Forward Land	Total	%
	1,142	400	1,542	4
	4,742	7,175	11,917	34
	3,102	6,251	9,353	27
	4,184	8,074	12,258	35
	<u>13,170</u>	<u>21,900</u>	<u>35,070</u>	<u>100</u>

Current Sales Market



- Private Net Reservations
- Private reservations per outlet per week
- Closing private order book*

2011	2010
£416m	£356m
0.54	0.58
£114m	£98m

Reservation statistics 1/7 - 4/9*

- Private reservations per outlet per week
- Cancellation rate

2012	2011
0.52	0.52
18%	18%

* Comparatives exclude Scotland

Summary and Outlook



- Market
- Planning
- Strategy
- Outlook





Appendix

Sales Analysis – Excluding Scotland



	Revenue (£m)				Volume				ASP (£k)			
	2011	2010	Var	% Var	2011	2010	Var	% Var	2011	2010	Var	% Var
Private	367.5	311.0	56.5	18.2	2,095	2,029	66	3.3	175.4	153.3	22.1	14.4
Social	32.9	43.7	(10.8)	(24.7)	329	373	(44)	(11.8)	99.8	116.6	(16.8)	(14.4)
Total homes	400.4	354.7	45.7	12.9	2,424	2,402	22	0.9	165.2	147.7	17.5	11.9
Houses	323.4	244.2	79.2	32.4	1,792	1,412	380	26.9	180.5	172.9	7.5	4.3
Apartments	77.0	110.5	(33.5)	(30.3)	632	990	(358)	(36.2)	121.8	111.6	10.2	9.2
Total homes	400.4	354.7	45.7	12.9	2,424	2,402	22	0.9	165.2	147.7	17.5	11.9

Private Sales Analysis – Excluding Scotland

	Turnover (£m)			Volume			ASP (£k)		
	2011	2010	Var	2011	2010	Var	2011	2010	Var
New Heritage Collection	138.7	12.0	126.7	687	66	621	201.9	181.8	20.1
Debut/In the City	30.0	48.6	(18.6)	252	439	(187)	119.0	110.7	8.3
Partnership	3.7	–	3.7	36	–	36	102.8	–	102.8
Other	195.1	250.4	(55.3)	1,120	1,524	(404)	174.2	164.4	9.8
	367.5	311.0	56.5	2,095	2,029	66	175.4	153.3	22.1
Houses	297.3	213.7	83.6	1,544	1,165	379	192.6	183.4	9.2
Apartments	70.2	97.3	(27.1)	551	864	(313)	127.4	112.7	14.7
	367.5	311.0	56.5	2,095	2,029	66	175.4	153.3	22.1