

Prelim Results Presentation

Year to 30 June 2012



Agenda



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

Overview



- Pre-tax profits up 70% to £43m
- ROCE up 6.1% to 8.7%
- Balance sheet strengthened
- Private ASP up 17% to £204,100
- 4,100 plots added of which c2,000 transferred from forward land bank



Financials

Barbara Richmond – Group Finance Director

Financial Highlights



- Private homes revenue up 8.5% to £434m
- Operating margin 10%
(9% excluding one off sales)
- EPS up 80% to 10.8p
(excluding deferred tax rate impact)
- ROCE up from 6.1% to 8.7%
- NAV per share up 5% to £1.52 adjusted
for the £78m share issue
- Gearing 2% (June 2011: 16%)
- Private order book of £152m up 33%

Income Statement



£m	FY 2012 £m	FY 2011 Ex Scotland £m	FY 2011 Reported £m
Revenue	478.9	420.3	452.7
Gross profit	82.8	62.1	64.3
Operating expenses	(34.8)	(30.6)	(33.1)
Operating profit	48.0	31.5	31.2
Interest	(5.0)	(5.9)	(5.9)
Profit before tax	43.0	25.6	25.3

Analysis of private plots in Cost of Sales



	FY 2012	FY 2011
Average plot cost eliminated* (£k)	45.4	37.9
Average plot cost as percentage of ASP*	22	21
Percentage of eliminated plots with NRV provision	54	74

*Excludes Debut, In the City and Partnership

Sales Analysis



- Private revenue up 8.5%
- Private ASP up 17%
- First Buy Partnership and Shared Equity c19% of private volumes (2011: 17%)
- Social housing 7% of homes revenue (2011: 8%)

	Revenue (£m)				Volume				ASP (£k)			
	FY 12	FY 11	Var	% Var	FY 12	FY 11	Var	% Var	FY 12	FY 11	Var	% Var
Private Regional	430.1	367.5	62.6	17.0	2,124	2,095	29	1.4	202.5	175.4	27.1	15.5
London	3.9	-	3.9	-	2	-	2	-	1,950.0	-	1,950.0	-
Total Ongoing	434.0	367.5	66.5	18.1	2,126	2,095	31	1.5	204.1	175.4	28.7	16.4
Scotland	-	32.4	(32.4)	-	-	202	(202)	-	-	160.4	(160.4)	-
Total Private	434.0	399.9	34.1	8.5	2,126	2,297	(171)	(7.4)	204.1	174.1	30.0	17.2
Social	32.7	32.9	(0.2)	(0.6)	332	329	3	0.9	98.7	100.0	(1.3)	(1.3)
Total Homes	466.7	432.8	33.9	7.8	2,458	2,626	(168)	(6.4)	189.9	164.8	25.1	15.2

Sales by Type



- Revenue from houses up 23% and now comprise over 90% of Homes turnover (2011: 80%)
- ASP of both homes and apartments rose in 2012

	Revenue (£m)				Volume				ASP (£k)			
	FY 12	FY 11	Var	% Var	FY 12	FY 11	Var	% Var	FY 12	FY 11	Var	% Var
Houses	425.8	347.4	78.4	22.6	2,147	1,923	224	11.6	198.3	180.7	17.6	9.7
Apartments	40.9	85.4	(44.5)	(52.1)	311	703	(392)	(55.8)	131.5	121.5	10.0	8.2
Total Homes	466.7	432.8	33.9	7.8	2,458	2,626	(168)	(6.4)	189.9	164.8	25.1	15.2

	Revenue (£m)				Volume				ASP (£k)			
	FY 12	FY 11	Var	% Var	FY 12	FY 11	Var	% Var	FY 12	FY 11	Var	% Var
Private Houses	396.7	321.3	75.4	23.5	1,864	1,675	189	11.3	212.8	191.8	21.0	10.9
Private Apartments	37.3	78.6	(41.3)	(52.5)	262	622	(360)	(57.9)	142.4	126.4	16.0	12.7
Total Private Homes	434.0	399.9	34.1	8.5	2,126	2,297	(171)	(7.4)	204.1	174.1	30.0	17.2

Private Sales Analysis



- New Heritage 67% of private turnover in 2012 (2011: 35%)
- New Heritage ASP up 7% to £215,100

	Turnover (£m)			Volume			ASP (£k)		
	FY 12	FY 11	Var	FY 12	FY 11	Var	FY 12	FY 11	Var
New Heritage Collection	291.4	138.7	152.7	1,355	687	668	215.1	201.9	13.2
Other	138.7	228.8	(90.1)	769	1,408	(639)	180.4	162.5	17.9
Private Regional	430.1	367.5	62.6	2,124	2,095	29	202.5	175.4	27.1
London	3.9	-	3.9	2	-	2	1,950.0	-	1,950.0
Total Ongoing	434.0	367.5	66.5	2,126	2,095	31	204.1	175.4	28.7
Scotland	-	32.4	(32.4)	-	202	(202)	-	160.4	(160.4)
Private Total	434.0	399.9	34.1	2,126	2,297	(171)	204.1	174.1	30.0

Sales by Geography



- Total Group revenue up 14% ex Scotland
- South continues to be the largest region at 42% of turnover
- Strong revenue growth in all Regions

	FY 2012		FY 2011	
	£m	%	£m	%
North	145.5	30	119.6	26
Central	134.3	28	118.8	26
South	199.1	42	181.9	40
Scotland	-	-	32.4	8
	478.9	100	452.7	100



Cash Flow



	FY 2012 £m	FY 2011 £m		FY 2012 £m	FY 2011 £m
Operating cash flow			Net debt movement		
Operating profit	48.0	31.2	Operating cash flow	(17.6)	(26.9)
Depreciation	1.3	1.3	Interest	(3.6)	(6.4)
(Increase) in land	(91.3)	(17.9)	Free cash flow	(21.2)	(33.3)
Movement in land creditors	63.5	12.7	Disposals	12.3	5.0
Net (investment) in land	(27.8)	(5.2)	Share Issue and Others	70.3	
Movement in WIP	(7.4)	14.3	Net cash flow	61.4	(28.3)
Movement in NRV	(46.8)	(67.6)	Opening net debt	(75.4)	(47.1)
Other working capital movements	15.1	(0.9)	Closing net debt	(14.0)	(75.4)
Operating cash flow	(17.6)	(26.9)			

Gearing

2%

16%

Balance Sheet



- NAV per share increased 5% to £1.52 adjusted for the £78m share issue
- Inventory of Part Exchanged properties £9.7m (June 2011: £7.2m)
- Net shared equity exposure £15.2m (June 2011: £10.7m)
- Gearing of 2% at 30 June 2012 (c10% in September 2012)

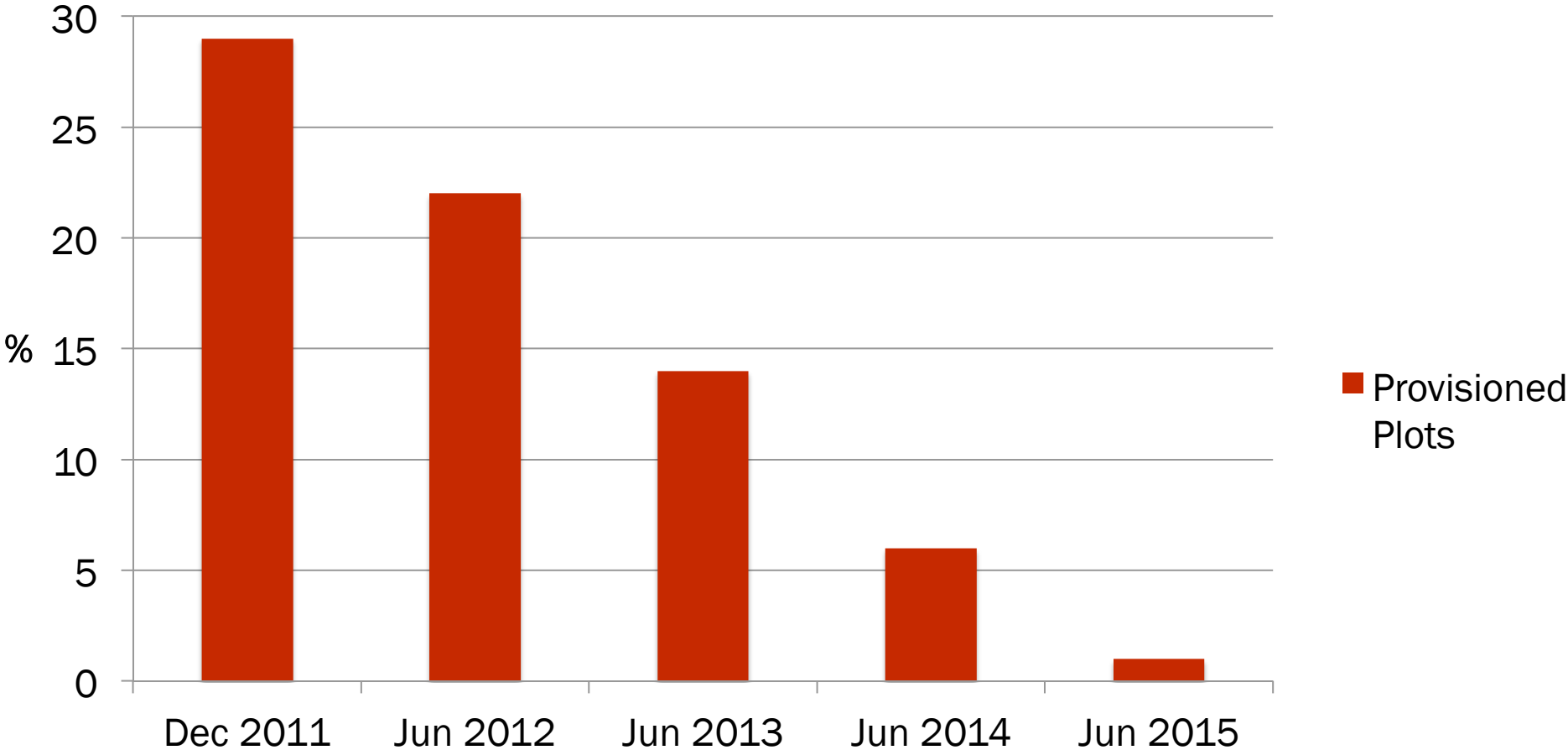


Net Assets



£m	Jun 12	Jun 11	Movement
Land (Gross)	604.1	512.8	91.3
WIP (Gross)	215.6	208.2	7.4
NRV Provision	(111.5)	(158.3)	46.8
Land creditors	(108.3)	(44.8)	(63.5)
Net investment in inventory	599.9	517.9	82.0
Payables, Receivables and other	(98.7)	(63.1)	(35.6)
Tax	51.1	62.0	(10.9)
Fixed Assets	23.2	17.2	6.0
Capital Employed	575.5	534.0	41.5
Net debt	(14.0)	(75.4)	61.4
Net Assets	561.5	458.6	102.9

Profile of Provisioned Plots in Landbank



Plot Cost Carried Forward



£k	2012	2011
Owned Regions*	42	39
Group	49	45
Owned and contracted Regions*	44	43
Group	50	49

*Regions excludes London

Review of Operations

John Tutte – Group Managing Director



Outlet Programme

	2012 Actual		2013 Planned	
	H1	H2	H1	H2
Open	5	24	12	21
Close	6	15	9	15
Active outlets	73	82	85	91

- 29 new outlets for 2013 New Heritage Collection
- New Heritage Collection 74% of private revenue in 2012 H2

Outlet Programme

	2012 Actual		2013 Planned	
	H1	H2	H1	H2
Open	5	24	12	21
Close	6	15	9	15
Active outlets	73	82	85	91

- 29 new outlets for 2013 New Heritage Collection
- New Heritage Collection 74% of private revenue in 2012 H2

Development Update



- **Product**
 - New Heritage Collection
 - Regent Collection
 - Tailor-made solutions
- **Build**
 - Material and labour costs stable
 - RoSPA Gold Medal for Health and Safety
 - Record 14 NHBC 'Pride in the Job' Awards
- **Customer Satisfaction**
 - 94% (93% 2011) of customers satisfied or very satisfied
 - 97% (96% 2011) of customers would recommend
 - 5 Star Award in HBF 2012 Customer Satisfaction Survey



Development Update



- **Product**
 - New Heritage Collection
 - Regent Collection
 - Tailor-made solutions
- **Build**
 - Material and labour costs stable
 - RoSPA Gold Medal for Health and Safety
 - Record 14 NHBC 'Pride in the Job' Awards
- **Customer Satisfaction**
 - 94% (93% 2011) of customers satisfied or very satisfied
 - 97% (96% 2011) of customers would recommend
 - 5 Star Award in HBF 2012 Customer Satisfaction Survey



Development Update



- **Product**
 - New Heritage Collection
 - Regent Collection
 - Tailor-made solutions
- **Build**
 - Material and labour costs stable
 - RoSPA Gold Medal for Health and Safety
 - Record 14 NHBC 'Pride in the Job' Awards
- **Customer Satisfaction**
 - 94% (93% 2011) of customers satisfied or very satisfied
 - 97% (96% 2011) of customers would recommend
 - 5 Star Award in HBF 2012 Customer Satisfaction Survey



London



- **First completions**
 - Ealing
- **Key sites**
 - One Commercial Street
 - Kingston Riverside
 - Connaught Place W2
- **New opportunities**



London



- **First completions**
 - Ealing
- **Key sites**
 - One Commercial Street
 - Kingston Riverside
 - Connaught Place W2
- **New opportunities**



Harrow



- **Highlights**

- South Cerney remediated and transferred to the Homes' Division
- Horsforth Planning achieved c.350 plots
- Hauxton remediation completed

- **Site Acquisitions**

- Woodford 550 plots, Phase 1 – Garden Village planned
- Exeter, Elmswell and Lydney 450 plots



Movement in Land Holdings

Current Land



	Plots owned	Contracted plots	Total
At 1 July 2011	9,520	1,670	11,190
Legal completions	(2,458)	–	(2,458)
Additions	2,801	1,327	4,128
Transfers	1,162	(1,162)	–
Other (land sales and replans)	(321)	(183)	(504)
At 30 June 2012	<u>10,704</u>	<u>1,652</u>	<u>12,356</u>
Regions	10,276	1,572	11,848
London	<u>428</u>	<u>80</u>	<u>508</u>
	<u>10,704</u>	<u>1,652</u>	<u>12,356</u>
GDV (@ 2012 ASP)			c.£2.3bn

Forward Land



	Total Plots	
At 1 July 2011	22,150	
Additions	4,079	
Transfers to current land	(1,991)	
Strategic review	(1,448)	
At 30 June 2012	22,790	
Analysis	Jun 12	Jun 11
Land owned without planning	2,465	1,295
Options – allocations	8,682	9,065
– realistic prospect	11,643	11,790
	22,790	22,150

Landbank by Geography



	Jun 12			
	Current Land	%	Forward Land	%
North	3,948	32	10,226	45
Central	3,131	25	5,567	24
South	4,769	39	6,997	31
London	508	4	–	–
	12,356	100	22,790	100

	Jun 11			
	Current Land	%	Forward Land	%
	4,530	40	8,068	36
	2,678	24	5,803	26
	3,640	33	8,279	38
	342	3	–	–
	11,190	100	22,150	100

Current Sales Market



FY	2012	2011
Value of private reservations	£472m	£416m
Private reservations per outlet per week	0.58	0.54
Closing private order book	£152m	£114m
Cancellation rate	18%	18%
Private Reservation statistics from 1/7 to 14/9	2012	2011
Volume of net reservations	507	438
Reservations per outlet per week	0.55	0.54
Average number of outlets	84	73

Summary and Outlook



- Market stable
- Planning policy more favourable – uncertainty remains
- Outlook – more of the same