

**25 February 2009** 







# Market backdrop

- Deteriorating economic background
- Unprecedented housing market conditions
- Credit availability key
- Government measures supportive



## **Business performance**

- H1 focus on cash generation
- Strategic priorities unchanged
- De-leveraging
  - Maximise revenues
  - Minimise costs
  - De-leverage
- Short term trading tough fundamentals in place







## **Financial review**

- Overview
- P&L
- Cashflow
- Balance sheet
- Summary



#### **Overview**

6 months ending 31 December	2008/09	2007/08	Change
£m (unless otherwise stated)	H1	H1	£m / %
Revenue	1,261.8	1,652.8	(23.7%)
Operating profit*	16.6	274.9	(258.3)
(Loss) / Profit before tax*	(80.0)	201.8	(281.8)
Exceptional items	(512.4)	(7.2)	-
(Loss) / Profit before tax	(592.4)	194.6	-
EPS	(123.0p)	38.8p	-
DPS	0р	12.23p	-
Tangible net assets per share	419p	573p	(26.9%)
Loan to Value**	49%	47%	(2%)
Net Debt	1,422.8	1,738.5	315.7



<sup>\*</sup> Pre exceptional costs of £512.4m (2007/08: £7.2m)
\*\* Calculated as: Net debt / Tangible net assets plus net debt

#### **P&L** - revenues

6 months ending 31 December	2008/09	2007/08	Change
Completions (number)	H1	H1	
•	E 007	7 177	(14 40/)
Private	5,997	7,177	(16.4%)
Social	908	1,879	(51.7%)
Total	6,905	9,056	(23.8%)
% Social	13.1%	20.7%	
ASP (£'000)			
Private	170.1	200.1	(15.0%)
Social	98.6	93.6	5.3%
Total	160.7	178.0	(9.7%)
Revenue (£m)			
Housing *	1,109.6	1,611.7	(31.2%)
Other *	152.2	41.1	270.3%
Total	1,261.8	1,652.8	(23.7%)



<sup>\*</sup> Management accounts format

## P&L

6 months ending 31 December	2008/09	2007/08
£m (unless otherwise stated)	H1	H1
Revenue	1,261.8	1,652.8
Cost of sales**	(1,191.9)	(1,308.5)
Gross profit**	69.9	344.3
Operating expenses	(53.3)	(69.4)
Operating profit before exceptional items	16.6	274.9
Exceptional items	(512.4)	(7.2)
Operating (loss) / profit	(495.8)	267.7
Gross margin**	5.5%	20.8%
Operating profit margin*	1.3%	16.6%



<sup>\*</sup> Pre exceptional costs of £512.4m (2007/08: £7.2m)

\*\* Before exceptional costs of £494.9m (2007/08: £nil)

Exceptional items	2008/09 H1	2007/08 H1	2007/08 FY
Impairment of inventories			
- Housebuilding	431.5	-	151.2
- Commercial developments	63.4	-	51.2
<ul> <li>Historic Barratt and Wilson Bowden acquisition fair value adjustments</li> </ul>	- 	-	6.0
Total impairment of inventories	494.9	-	208.4
Impairment of goodwill and intangible assets			
- Commercial Developments goodwill	-	-	24.5
- Wilson Bowden Developments brand	-	-	6.2
Total impairment of goodwill and intangible assets	-	-	30.7
Restructuring & reorganisation costs	17.5	7.2	15.9
Total	512.4	7.2	255.0



# **P&L** continued

6 months ending 31 December	2008/09	2007/08
£m (unless otherwise stated)	H1	H1
Operating (loss) / profit	(495.8)	267.7
Net finance charge	(94.6)	(71.5)
Share of JV loss	(2.0)	(1.6)
(Loss) / Profit before tax	(592.4)	194.6
Tax	168.1	(60.8)
Attributable (loss) / profit	(424.3)	133.8



Cashflow			
	2008/09	2007/08	2007/08
£m (unless otherwise stated)	H1	H1	FY
(Loss) / Profit from operations	(495.8)	267.7	295.2
Dec / (inc) in land	550.3	(83.1)	217.4
Dec / (inc) in land creditors	(55.9)	(95.1)	(109.2)
Net investment in land	494.4	(178.2)	108.2
Dec / (inc) in WIP	385.4	(334.8)	(200.8)
Other working capital movements and non cash items	(66.7)	0.8	(111.2)
Operating cash flow	317.3	(244.5)	91.4
Net interest & tax	(62.5)	(105.7)	(251.9)
Free cashflow	254.8	(350.2)	(160.5)
Dividends paid	-	(83.8)	(126.0)
Acquisitions and investments	(27.0)	(3.8)	(61.3)
Financing activities	<u> </u>	0.5	(3.4)
Movement in net debt	227.8	(437.3)	(351.2)



## **Balance sheet - assets**

£m (unless otherwise stated)	31 Dec 2008	31 Dec 2007	30 June 2008
Goodwill and intangibles	892.2	923.2	892.2
Other non-current	280.9	107.8	151.1
Gross landbank	2,567.2	3,350.0	3,117.5
Land creditors	(496.4)	(566.4)	(552.3)
Net landbank	2,070.8	2,783.6	2,565.2
Work in progress	1,183.9	1,703.3	1,569.3
Other current	197.3	248.7	264.7



# **Balance sheet - landbank**

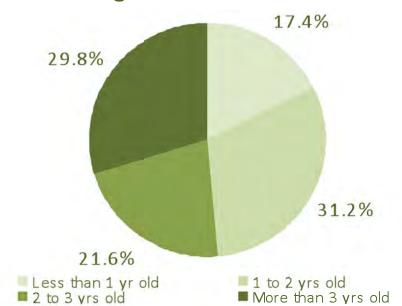
	31 Dec 2008	31 Dec 2007	30 June 2008
Landbank plots			
Owned / unconditional contracts	60,586	67,934	67,714
Conditional contracts	11,614	21,466	10,986
Total	72,200	89,400	78,700
Landbank pricing (£'000)			
Cost of plots acquired	46.0	47.1	51.3
Cost of plots in P&L	32.9	43.5	44.5
Cost of plots in balance sheet	41.0	47.2	44.4
Years supply*	4.4	4.5	4.2



<sup>\*</sup> Based on calendar years

# **Balance sheet – landbank profile**





#### Regional breakdown

9	Owned plots	Average age	Balance Sheet £'000
North	33,363	2.9	38.2
South	19,429	2.3	47.9
London*	7,794	1.5	35.8
Total	60,586	2.6	41.0



<sup>\*</sup> Central London region

## **Balance sheet - Land and WIP value write-downs**

	2008 / 09 H1	2007/08 FY
£m	Total	Total
North	230	79
South	192	64
London*	10	3
WB City Homes	-	5
Total	432	151
Flats	51% of total	69% of total
Houses	49% of total	31% of total
Wilson Bowden Developments	£63m	£51m
Fair value adjustments	-	£6m



<sup>\*</sup> Central London region

# **Balance sheet - work in progress**

		Feb 2009	31 Dec 2	800	30 June 2	2008
		Units	Units	£bn*	Units	£bn*
Stock	<b>Total Units</b>	2,029	1,951	0.3	2,430	0.4
	Unreserved	(1,106)	(1,465)		(1,821)	
	Showhomes	(306)	(298)		(296)	
Roof to	<b>Total Units</b>	5,187	5,207	0.5	7,241	0.7
Complete						
	Unreserved	(3,271)	(3,822)		(5,157)	
Other				0.4		0.5
WIP Total				1.2		1.6
<b>Unsold Part Ex</b>	Units	186	346		677	
	£m	25	47		93	



## **Balance sheet - liabilities**

£m (unless otherwise stated)	31 December 2008	31 December 2007	30 June 2008
Loans & borrowings	(1,526.1)	(1,747.2)	(1,685.2)
Cash	44.7	8.7	32.8
Foreign exchange swap	58.6	-	1.8
Net Debt	(1,422.8)	(1,738.5)	(1,650.6)
Trade & other payables (excluding land creditors)	(684.4)	(952.3)	(853.6)
Pension obligations	(61.5)	(75.2)	(70.7)
Net swaps	(111.3)	(42.1)	(1.2)
Tax	-	(49.5)	(22.7)



#### Balance sheet - debt structure

Loan / facility	Amount	Maturity	
Term loans A B	Cancelled £484m	April 2012	<ul> <li>Group operated v facilities and cove</li> </ul>
RCF Old facility New facility Facility C	£400m £400m £750m	July 2011 <sup>(1)</sup> July 2011 April 2012	<ul> <li>Strong cashflow grepayment of renterm loan facility</li> <li>extended management</li> <li>no near-term</li> </ul>
Private placements	£250m	2-12 years <sup>(2)</sup>	<ul> <li>Total committed fat 25 February (£</li> </ul>
Total at 25 Feb	£2,284m	3.5 years average	Dec)

Group operated well within banking facilities and covenants

- Strong cashflow generation enabled repayment of remaining £200m term loan facility A (due in April 09)
  - extended maturity profile
  - no near-term re-financing
- Total committed facilities of £2.3bn at 25 February (£1.5bn drawn at 31 Dec)



<sup>(1) £50</sup>m of £400m total is due in February 2010

<sup>(2)</sup> USD300 Private placements converted at hedged exchange rate

## **Covenant Compliance**

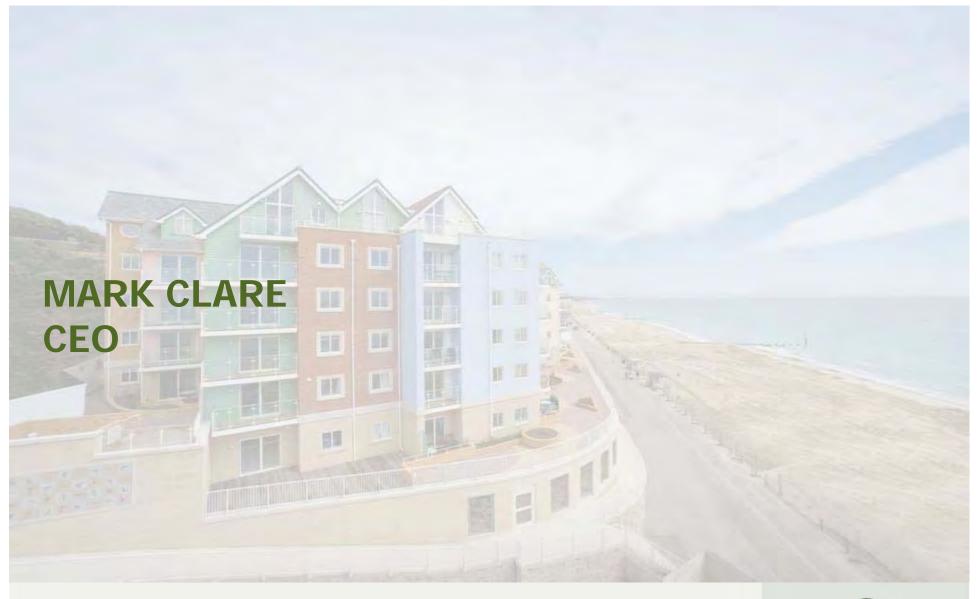
- Three covenants in place
  - Free cashflow cover
  - Gearing
  - Min. tangible net worth
- De-leveraging ahead of target
- Inside covenants at end December
- Trading above plan
- Plans take us through future covenant tests
- Building additional flexibility



# **Summary**

- Sales machine outperforming
- Debt down £316m over 12 months
- Operating inside covenants
- Delivering plan to operate within covenants
- Building additional headroom





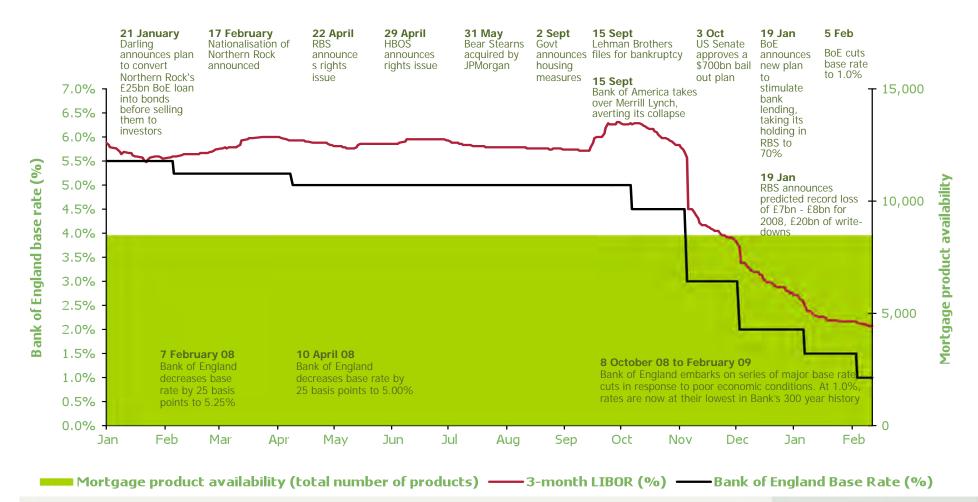


# **Operational review**

- Sales analysis
- Current trading
- Key priorities
  - Revenue maximisation
  - Cost reduction
  - Capital management
  - Cash generation
- Outlook



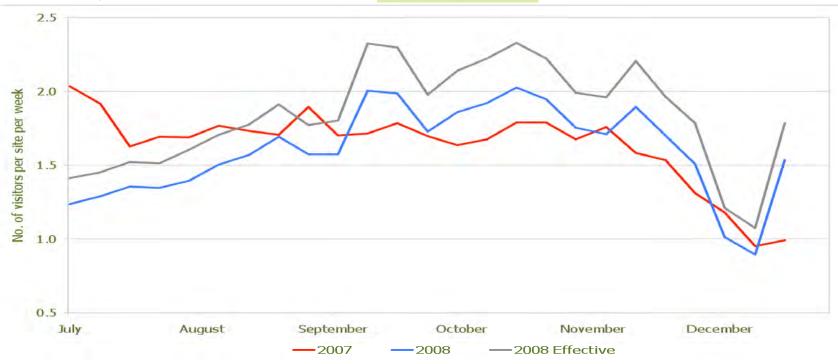
## Market backdrop



Source: Bank of England, Bloomberg. Mortgage product availability sourced from Moneyfacts as at 13 February 2009

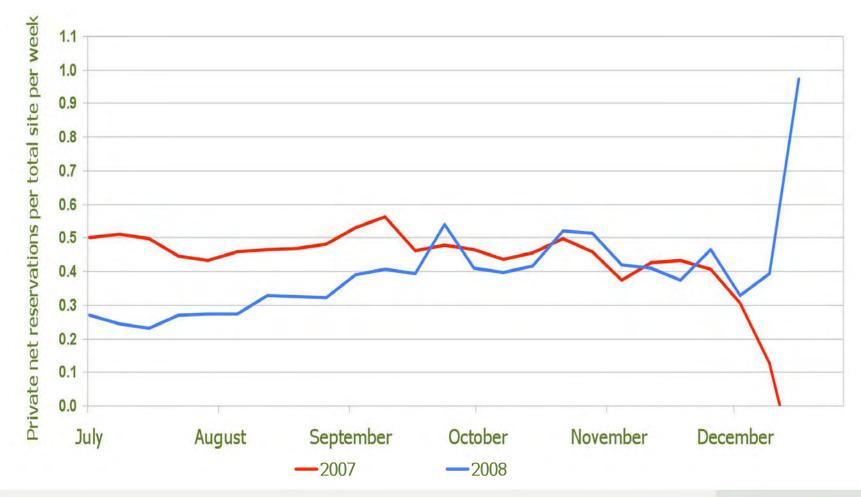


Visitor levels	2008/09	2007/08	2007/08	
Visitor numbers	H1	H1	FY	
Total	21,529	23,896	53,218	
-Per week per total site	1.60	1.63	1.76	
-Per week per total site (key sales period)	1.69	1.55	-	
-Per week per effective site	1.84	-	-	





#### **Private reservations**





# Conversion rates and completions – versus prior year

	2008/09	2007/08	2007/08
	H1	H1	FY
Net total reservations -Total -Per week per total site -Per week per effective site	5,860 0.43 0.50	7,960 0.54	14,578 0.48
Conversion rate	27.2%	33.3%	27.4%
Cancellation rate*	27.8%	29.8%	33.6%
Total completions -Total -Per week per total site	6,905 0.51	9,056 0.62	18,588 0.61
Sites -Total -Effective	539 469	586 -	594 -



<sup>\*</sup>Cancellation rate represents private sales only

# **Completions analysis by region**

6 months ending 31 December	2008/09 H1	2007/08 H1	Change
North	3,572	4,669	(23.5%)
South	2,777	3,701	(25.0%)
London	556	686	(19.0%)
Total	6,905	9,056	(23.8%)

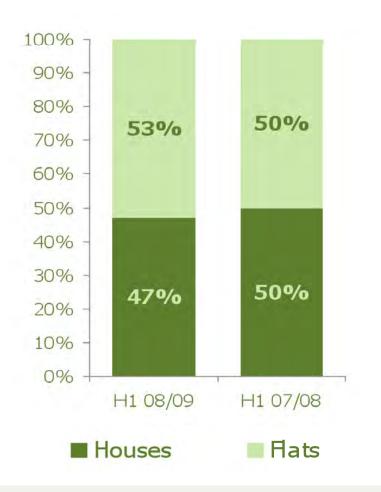


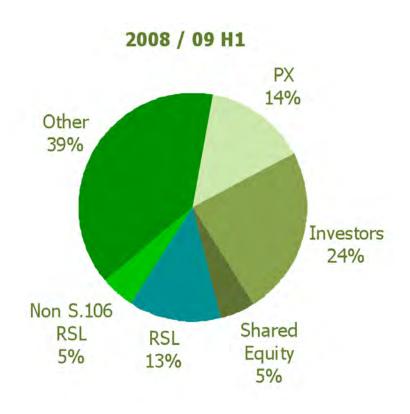
# **Completions analysis by buyer type**

6 months ending 31 December	2008/09 H1	2007/08 H1	Change
Private	4,337	5,829	(25.6%)
Investor	1,660	1,348	23.1%
Social	908	1,879	(51.7%)
Total	6,905	9,056	(23.8%)



# Completions analysis by product and sales type







# **Completions analysis – price effect**

	Units	ASP £000's		
North				
Private	3,265	149.2	(17.7%)	1.1%
Social	307	87.7	2.0%	(1.3)%
Total	3,572	143.9	(13.7%)	2.5%
South				
Private	2,349	176.4	(17.8%)	(6.8)%
Social	428	100.3	(0.3%)	9.8%
Total	2,777	164.7	(10.7%)	(2.8%)
London				
Private	383	309.8	13.7%	5.7%
Social	173	113.6	32.6%	(1.4)%
Total	556	248.8	13.9%	3.4%

Prior year regional split reanalysed due to divisional restructure



# Forward sales analysis

	Feb 2009	31 December 2008	31 December 2007	30 June 2008
Value	£633.0m	£455.8m	£1,262.7m	£697.6m
- of which contracted	£415.7m	£360.2m	£920.1m	£538.7m
- due in H2	£460.2m	£301.7m	£913.8m	£421.1m
- due after H2	£172.8m	£154.1m	£348.9m	£276.5m
Plots	4,638	3,529	7,498	4,586
- of which % contracted	72%	84%	77%	84%
Private:social mix	50% / 50%	35%:65%	54%:46%	43%:57%
Trading margin	9%	9%	24%	19%



# **Current trading**

	Last 6 weeks 2008/09	Last 6 weeks 2007/08	H1 2008/09
Visitors per total site per wk Visitors per effective site per wk	1.99 2.27	2.26	1.60 1.84
Net private reservations per total site per wk Net private reservations per effective site per wk	0.47 0.53	0.55	0.39 0.45
Cancellation rate	12.4%	21.0%	27.8%
Average Total Sites Average Effective Sites	482 423	602	539 469



# **Key priorities**

- Revenue maximisation
- Cost reduction
- De-leverage



Maximising the revenue potential

- On-line and new technology
  - 4,000 leads per week
  - Target channel
- Campaigns
  - Part exchange
  - Shared equity
  - Cash investors
- Lower prices
- Training our people





# Build cost reduction – Target additional £50m p.a.



Basic build costs of standard house type



## Cost reduction – overhead analysis

12 Months to June 2007 (proforma)

12 Months to June 2009 (forecast)



Total £233m Total £164m



# Working Capital Management – minimising WIP

- Finished stock at no more than 2 per outlet
- WIP to be no more than 45% of forward cost of sales
- Dispose of non London high rise on targeted sites
- Replan out apartments where practical
- Restrict all new heavy infrastructure investment



# Working capital management – maximising land bank value

	Houses	Flats
In production		
Total inc London	49%	51%
Total exc London	52%	48%
New production (post replans)		
Total inc London	60%	40%
Total exc London	72%	28%
Overall (post replans)		
Total inc London	58%	42%
Total exc London	68%	32%



# Working Capital Management – minimising land spend

	2007/08 FY	2008/09 H1	2008/09 H2	2008/09 FY	2009/10 FY
Payment of land creditors *	568	114	125	239	176
Other Land Spend	480	27	94	121	174
Total land spend	1,048	141	219	360	350



<sup>\*</sup> Total land creditors balance as at 31 December 2008 was £496m.

# Wilson Bowden Developments

- Very difficult market to deliver these transactions
- Sales to date £171m with £159m cash received
- Balance of portfolio
  - Atlantic Quay 5 Sell
  - Regeneration / retail opportunities Hold for value
- Deliver £200m target



#### **Government Actions**

- Banking bailout too early to tell
- Interest rates
- HomeBuy Direct
- Infrastructure funding
- Other stimulus for market sectors



#### **Outlook**

- Forward visibility limited
- Affordability improved, stock levels down
- H2 has started well
- HomeBuy Direct to come
- Credit constrained, unemployment fears growing
- Debt down, cost down, prices reduced
- Medium term prospects good





