Interim Results

Released : 30 Mar 2011 07:00

RNS Number : 8445D
Bellway PLC
30 March 2011

NATIONAL HOUSEBUILDER BELLWAY p.l.c. TODAY, WEDNESDAY 30 MARCH, ANNOUNCE THEIR INTERIM RESULTS FOR THE HALF YEAR ENDED 31 JANUARY 2011.

HIGHLIGHTS

- Completed sales of 2,332 homes (2010 - 2,247)
- Average price achieved £168,428 (2010 - £155,871)
- Total Group turnover of £407.9m (2010 - £360.8m)
- Profit before taxation £24.0m (2010 - £19.0m)
- Interim dividend 3.7p (2010 - 3.3p)
- Net asset value per ordinary share 866p (31 July 2010 - 856p)
- Earnings per share 15.3p (2010 - 11.6p)
- Forward order book at 13 March of £479.2m (14 March 2010 - £435.4m)

Chairman Howard Dawe said "Bellway has exceeded its targets for the six months ended 31 January 2011" as "the Group legally completed 2,332 homes, an increase of almost 4%" and "resulted in profit before tax of £24.0 million, an increase of 26.3%".

Furthermore "I am delighted to announce that the interim dividend will be increased by 12.1%."

He continued "Last week's budget announcements regarding our industry are to be welcomed" and "our appetite for land purchase continues."

He concluded "visitors and reservations have returned to the pattern of a traditional spring market" but "consumer confidence remains fragile" however "Bellway is……currently well positioned to deliver increasing returns."

FOR FURTHER INFORMATION, PLEASE CONTACT JOHN WATSON, CHIEF EXECUTIVE OR ALISTAIR LEITCH, FINANCE DIRECTOR.

WEDNESDAY 30 MARCH - THURSDAY 31 MARCH
J WATSON: 07855 337007
A LEITCH: 07855 337001
THEREAFTER: 0191 217 0717

CHAIRMAN'S STATEMENT

Results
I am pleased to report that Bellway has exceeded its targets for the six months ended 31 January 2011.

In the period, the Group legally completed 2,332 homes, an increase of almost 4%, at an average sales price of £168,428, which is 8.1% higher than the previous year's figure of £155,871. Turnover was supplemented by a land sale in Essex of £10.7 million which, combined with other income of £4.4 million, resulted in total turnover for the Group of £407.9 million (2010 - £360.8 million), a healthy increase of 13.1%. Operating margin recovered by 80 basis points compared with the same period last year to 6.9% primarily driven by a changing product mix, with operating profit increasing to £28.1 million (2010 - £22.1 million). The net finance expense of £4.1 million (2010 - £3.1 million) resulted in profit before tax of £24.0 million, an increase of 26.3% against the same period last year. A positive outcome on previous years' tax claims has also contributed to earnings per share increasing by almost 32% to 15.3 pence.

The Group has been active in the land market and commenced a programme of opening 30 new sites in late 2010/early 2011, hence net bank debt has reappeared on the balance sheet which, at £6.7 million, gives very modest gearing of less than 1%. The net asset value per ordinary share has grown from 856 pence at 31 July 2010 to 866 pence at 31 January 2011.

Dividend

I am delighted to announce that the interim dividend will be increased by 12.1% from 3.3 pence to 3.7 pence per ordinary share. This dividend, which is covered 4.1 times, will be paid on Friday 1 July 2011 to all ordinary shareholders on the Register of Members on Friday 20 May 2011. The ex-dividend date will be Wednesday 18 May 2011.

Trading

During the period, our divisions completed 1,784 (2010 - 1,766) private sales with a further 548 (2010 - 481) sales to housing associations. Sales of apartments fell from 45% of output in 2010 to 36% in the first half and are set to fall further towards 30% beyond July 2011. Apartment developments are, in the main, situated within the M25 and Bellway currently has around 2,500 plots with London postal codes in its landbank for future development.

There has been a strong increase in output from our northern divisions where volumes grew by almost 28% and average sales prices increased by just over 6% to £145,174. Volumes in the south were affected by the timing of build completions being weighted towards the second half of the financial year resulting in a reduction in output of 174 to 1,146. Average sales price growth in this area of the country however was greater at almost 14%. The average sales price increase in both of these regions was a result of a stabilised market and a conscious move by Bellway towards a different mix of output, with family housing being more prevalent. This is evidenced by the average size of homes sold in the period expanding by almost 12% to 948 square feet per home. The change in mix lends itself to part exchange as a positive selling tool and at 31 January the Group owned 176 properties with a holding cost of £24.6 million (31 July 2010 - £15.0 million). This stock is turned quickly which provides our divisions with an efficient method of selling.

Reservations from 1 August 2010 to 31 January 2011 averaged 80 per week (2010 - 85) from an average of 185 sites (2010 - 180). From 1 February up until 13 March, reservations have averaged 119 per week (2010 - 111), and cancellation rates remain around historic norms. At present the Group is operating from 200 sites and expects to bring a further 10 new sites to the market in the coming weeks. The order book at 13 March stood at £479.2 million, an increase of 10% on last year, and represents 2,763 homes (2010 - 2,705) of which some 2,000 are scheduled to complete by 31 July. Against this backdrop, the Board has decided to revert to its original target of incremental volume growth for the twelve month period and now hopes to increase unit completions by around 5%. Notwithstanding this, the market still remains fragile and there is continued concern regarding mortgage availability, particularly for first time buyers. Last week's budget announcements regarding our industry are to be welcomed but full details will need to be examined before fully ascertaining the effects of these changes.

In the six months from 1 August, £130 million has been spent on land and land creditors, resulting in the landbank with planning permission growing to 18,683 plots at 31 January 2011 (31 July 2010 - 17,602) with a value of £690.7 million (31 July 2010 - £619.5 million). Our greater emphasis on two storey family homes will result in the average plot cost of land held by the Group rising further. The Board, however, is comfortable with this intended rise as land acquisition hurdle rates have not been and will not be compromised. Notable purchases in the six month period include the former training ground of Everton Football Club, a redundant cinema just off Fulham Broadway and a former car assembly factory in Coventry. Our appetite for land purchase continues and this, combined with our ongoing site opening programme, is likely to result in gearing increasing modestly by 31 July.

Outlook

There is no doubt that the housing market stuttered through the autumn of 2010 and that the inclement weather prior to Christmas had a negative effect on reservation levels. Since the start of 2011, however, visitors and reservations have returned to the pattern of a traditional spring market, despite a media backdrop of negativity. Consumer confidence remains fragile and could still be adversely affected by any one of a multitude of factors outside the Group's control. Bellway is, nevertheless, currently well positioned to deliver increasing returns through a combination of rising volumes, growing average sales prices and improving margins.

Howard C Dawe
Chairman

29 March 2011

CONDENSED GROUP INCOME STATEMENT

		Notes	**Half year ended 31 January 2011 £m**	Half year ended 31 January 2010 £m	Year ended 31 July 2010 £m
Revenue			**407.9**	360.8	768.3
Cost of sales			**(357.5)**	(320.8)	(678.5)
Gross profit			**50.4**	40.0	89.8
Administrative expenses			**(22.3)**	(17.9)	(38.5)
Operating profit			**28.1**	22.1	51.3
Finance income			**1.3**	1.4	2.2
Finance expenses			**(5.4)**	(4.5)	(9.1)
Profit before taxation			**24.0**	19.0	44.4
Income tax expense		3	**(5.5)**	(5.0)	(8.6)
Profit for the period *			**18.5**	14.0	35.8

* All attributable to equity holders of the parent.

		Notes			
Earnings per ordinary share	**- Basic**		**15.3p**	11.6p	29.7p
	- Diluted		**15.3p**	11.6p	29.6p
Dividend per ordinary share		5	**3.7p**	3.3p	10.0p

CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME

	Notes	**Half year ended 31 January 2011 £m**	Half year ended 31 January 2010 £m	Year ended 31 July 2010 £m
Profit for the period		**18.5**	14.0	35.8
Other comprehensive income				
Actuarial gains on defined benefit pension plans		**2.0**	1.6	1.9
Income tax on other comprehensive income	3	**(0.5)**	(0.4)	(0.6)
Other comprehensive income for the period, net of income tax		**1.5**	1.2	1.3
Total comprehensive income for the period *		**20.0**	15.2	37.1

* All attributable to equity holders of the parent.

CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY

	Issued capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total £m	Non-controlling interest £m	Total equity £m
Half year ended 31 January 2011							
Balance at 1 August 2010	15.1	160.6	1.5	857.7	1,034.9	(0.1)	1,034.8
Total comprehensive income for the period							
Profit for the period	-	-	-	18.5	18.5	-	18.5
Other comprehensive income *	-	-	-	1.5	1.5	-	1.5
Total comprehensive income for the period	-	-	-	20.0	20.0	-	20.0
Transactions with shareholders recorded directly in equity:							
Dividends on equity shares	-	-	-	(8.1)	(8.1)	-	(8.1)
Credit in relation to share options and tax thereon	-	-	-	0.6	0.6	-	0.6
Purchase of own shares	-	-	-	(0.6)	(0.6)	-	(0.6)
Total contributions by and distributions to shareholders	-	-	-	(8.1)	(8.1)	-	(8.1)
Balance at 31 January 2011	**15.1**	**160.6**	**1.5**	**869.6**	**1,046.8**	**(0.1)**	**1,046.7**
Half year ended 31 January 2010							
Balance at 1 August 2009	14.4	117.2	1.5	832.0	965.1	(0.1)	965.0
Total comprehensive income for the period							
Profit for the period	-	-	-	14.0	14.0	-	14.0
Other comprehensive income *	-	-	-	1.2	1.2	-	1.2
Total comprehensive income for the period	-	-	-	15.2	15.2	-	15.2
Transactions with shareholders recorded directly in equity:							
Dividends on equity shares	-	-	-	(7.2)	(7.2)	-	(7.2)
Shares issued	0.7	43.2	-	-	43.9	-	43.9
Credit in relation to share options and tax thereon	-	-	-	1.8	1.8	-	1.8
Purchase of own shares	-	-	-	(1.3)	(1.3)	-	(1.3)
Total contributions by and distributions to shareholders	0.7	43.2	-	(6.7)	37.2	-	37.2
Balance at 31 January 2010	15.1	160.4	1.5	840.5	1,017.5	(0.1)	1,017.4
Year ended 31 July 2010							
Balance at 1 August 2009	14.4	117.2	1.5	832.0	965.1	(0.1)	965.0
Total comprehensive income for the period							
Profit for the period	-	-	-	35.8	35.8	-	35.8
Other comprehensive income *	-	-	-	1.3	1.3	-	1.3
Total comprehensive income for the period	-	-	-	37.1	37.1	-	37.1
Transactions with shareholders recorded directly in equity:							
Dividends on equity shares	-	-	-	(11.2)	(11.2)	-	(11.2)
Shares issued	0.7	43.4	-	-	44.1	-	44.1
Credit in relation to share options and tax thereon	-	-	-	1.6	1.6	-	1.6
Purchase of own shares	-	-	-	(1.8)	(1.8)	-	(1.8)
Total contributions by and distributions to shareholders	0.7	43.4	-	(11.4)	32.7	-	32.7
Balance at 31 July 2010	15.1	160.6	1.5	857.7	1,034.9	(0.1)	1,034.8

* Additional breakdown is provided in the Condensed Group Statement of Comprehensive Income.

CONDENSED GROUP BALANCE SHEET

	At 31 January 2011	At 31 January 2010	At 31 July 2010

	£m	£m	£m
ASSETS			
Non-current assets			
Property, plant and equipment	**8.7**	7.4	8.2
Investment property	**7.8**	7.7	7.7
Other financial assets	**36.2**	29.0	32.7
Deferred tax assets	**3.7**	6.5	3.7
	56.4	50.6	52.3
Current assets			
Inventories	**1,190.5**	1,158.0	1,148.7
Trade and other receivables	**50.6**	49.9	45.8
Cash and cash equivalents	**93.3**	140.9	145.7
	1,334.4	1,348.8	1,340.2
Total assets	**1,390.8**	1,399.4	1,392.5
LIABILITIES			
Non-current liabilities			
Interest bearing loans and borrowings	**(100.0)**	(100.0)	(100.0)
Retirement benefit obligations	**(6.9)**	(9.0)	(8.7)
Land and other payables	**(18.2)**	(30.5)	(20.3)
Deferred tax liabilities	**(0.5)**	-	(0.2)
	(125.6)	(139.5)	(129.2)
Current liabilities			
Interest bearing loans and borrowings	**(20.0)**	-	-
Corporation tax payable	**(9.6)**	(5.5)	(2.8)
Trade and other payables	**(188.9)**	(237.0)	(225.7)
	(218.5)	(242.5)	(228.5)
Total liabilities	**(344.1)**	(382.0)	(357.7)
Net assets	**1,046.7**	1,017.4	1,034.8
EQUITY			
Issued capital	**15.1**	15.1	15.1
Share premium	**160.6**	160.4	160.6
Other reserves	**1.5**	1.5	1.5
Retained earnings	**869.6**	840.5	857.7
Total equity attributable to equity holders of the parent	**1,046.8**	1,017.5	1,034.9
Non-controlling interest	**(0.1)**	(0.1)	(0.1)
Total equity	**1,046.7**	1,017.4	1,034.8

CONDENSED GROUP CASH FLOW STATEMENT

	Note	Half year ended 31 January 2011 £m	Half year ended 31 January 2010 £m	Year ended 31 July 2010 £m
Cash flows from operating activities				
Profit for the period		**18.5**	14.0	35.8
Depreciation charge		**0.8**	1.0	1.7
Profit on sale of property, plant and equipment		**(0.1)**	(0.1)	(0.2)
Finance income		**(1.3)**	(1.4)	(2.2)
Finance expenses		**5.4**	4.5	9.1
Share-based payment charge		**0.5**	1.8	1.4
Income tax expense	3	**5.5**	5.0	8.6

(Increase) / decrease in inventories		**(41.8)**	53.4	62.6
Increase in trade and other receivables		**(10.1)**	(16.4)	(15.9)
Decrease in trade and other payables		**(41.0)**	(9.1)	(33.6)
Cash (outflow) / inflow from operations		**(63.6)**	52.7	67.3
Interest paid		**(2.1)**	(1.8)	(2.5)
Income tax refunded		**1.1**	10.6	7.4
Net cash (outflow) / inflow from operating activities		**(64.6)**	61.5	72.2
Cash flows from investing activities				
Acquisition of property, plant and equipment		**(1.4)**	(0.1)	(1.7)
Acquisition of investment property		**(0.1)**	(0.5)	(0.7)
Proceeds from sale of property, plant and equipment		**0.2**	0.1	0.3
Proceeds from the sale of investment property		**0.1**	0.2	0.3
Interest received		**2.1**	1.1	1.0
Net cash inflow / (outflow) from investing activities		**0.9**	0.8	(0.8)
Cash flows from financing activities				
Increase in bank borrowings		**20.0**	-	-
Proceeds from the issue of share capital on share placing		**-**	43.7	43.7
Proceeds from the issue of share capital on exercise of share options		**-**	0.2	0.4
Purchase of own shares by employee share option plans		**(0.6)**	(1.3)	(1.8)
Dividends paid	5	**(8.1)**	(7.2)	(11.2)
Net cash inflow from financing activities		**11.3**	35.4	31.1
Net (decrease) / increase in cash and cash equivalents		**(52.4)**	97.7	102.5
Cash and cash equivalents at beginning of period		**145.7**	43.2	43.2
Cash and cash equivalents at end of period		**93.3**	140.9	145.7

NOTES

1. Basis of preparation and accounting policies

These condensed financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU. They do not include all of the information required for full annual financial statements and should be read in conjunction with the Group's Annual Report and Accounts for the year ended 31 July 2010.

These condensed financial statements are unaudited and were approved by the Board of Directors on 29 March 2011.

The comparative figures for the financial year ended 31 July 2010 are not the Group's statutory financial statements for that year. Those financial statements have been reported on by the Group's auditors and delivered to the Registrar of Companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The accounting polices applied by the Group in these condensed financial statements are not materially different to those applied by the Group in its Annual Report and Accounts for the year ended 31 July 2010. The Group adopted Annual Improvements 2009 during the current financial period. The adoption of Annual Improvements 2009 has not had a material effect on the Group's profit for the period or equity. Further details on Annual Improvements 2009 are included on page 51 of the Annual Report and Accounts for the year ended 31 July 2010.

2. Revenue/segmental analysis

The Board regularly reviews the Group's performance and balance sheet position for its entire operations, which are based in the UK, and receives financial information for the UK as a whole. As a consequence the Group has one reportable segment which is UK house building.

As there continues to be only one reportable segment whose revenue, profits, expenses, assets, liabilities and cash flows are measured and reported on a basis consistent with the Group financial statements, no additional numerical disclosures are necessary.

3. Taxation

The taxation expense for the half years ended 31 January 2011 and 31 January 2010 is calculated by applying the Directors' best estimate of the annual effective tax rate to the profit for the period. The taxation expense also includes adjustments in respect of prior years and in the period to 31 January 2011 benefits from the finalisation of prior year land remediation claims.

4. Exceptional items

Exceptional items are those which, in the opinion of the Board, are material by size or nature, non-recurring, and of such significance that they require separate disclosure on the face of the income statement.

A full review of inventories was performed at 31 January 2011 and the carrying value of land was compared to the net realisable value. Net realisable value represents the estimated selling price (in the ordinary course of business) less all estimated costs of completion and overheads. Estimated selling prices were reviewed on a site by site basis and selling prices were amended based on local management and the Board's assessment of current market conditions. No further exceptional land write downs or land write backs were required as a result of this review.

There were no exceptional items in the six months ended 31 January 2010 or in the year ended 31 July 2010.

NOTES (continued)

5. Dividends

	Half year ended 31 January 2011 £m	Half year ended 31 January 2010 £m	Year ended 31 July 2010 £m
Final dividend paid for the year ended 31 July 2010 of 6.7p per share (2009 - 6.0p)	**8.1**	7.2	7.2
Interim dividend paid for the year ended 31 July 2010 of 3.3p per share (2009 - 3.0p)	**-**	-	4.0
	8.1	7.2	11.2
Proposed interim dividend for the year ending 31 July 2011 of 3.7p per share (2010 - 3.3p)	**4.5**	4.0	-

The proposed interim dividend was approved by the Board of Directors on 29 March 2011 and has not been included as a liability at the balance sheet date.

6. Related party transactions

There have been no related party transactions in the first six months of the current financial year which have materially affected the financial position or performance of the Group.

Related parties are consistent with those disclosed in the Group's Annual Report and Accounts for the year ended 31 July 2010.

7. Half year report

The condensed financial statements were approved by the Board of Directors on 29 March 2011 and copies are being posted to all shareholders. Further copies are available on application to the Company Secretary, Bellway p.l.c., Seaton Burn House, Dudley Lane, Seaton Burn, Newcastle upon Tyne, NE13 6BE and are also available on our website at www.bellway.co.uk.

Principal risks and uncertainties

The directors consider that the principal risks and uncertainties which could have a material impact on the Group's performance in the remaining six months of the financial year remain the same as those stated on pages 22 and 23 of our Annual Report and Accounts for the year ended 31 July 2010 which is available on our website at www.bellway.co.uk.

NOTES (continued)

Statement of directors' responsibilities

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU;
- the Half Year Report 2011 includes a fair review of the information required by:

  a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

  b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the Group during that period; and any changes in the related party transactions described in the last annual report that could do so.

The Directors of Bellway p.l.c. are listed in the Annual Report and Accounts for the year ended 31 July 2010. Peter Stoker, the Commercial Director, will retire from the Board on 31 July 2011. Our Southern Regional Chairman, Edward (Ted) Ayres, will join the Board on 1 August 2011.

For and on behalf of the Board

John K Watson
Chief Executive
29 March 2011

Certain statements in this announcement are forward-looking statements which are based on Bellway p.l.c.'s expectations, intentions and projections regarding its future performance, anticipated events or trends and other matters that are not historical facts. Such forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements sometimes use words such as "aim", "anticipate", "target", "expect", "estimate", "intend", "plan", "goal", "believe", or other words of similar meaning. These statements are not guarantees of future performance and are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements. Given these risks and uncertainties, prospective investors are cautioned not to place undue reliance on forward-looking statements. Forward-looking statements speak only as of the date of such statements and, except as required by applicable law, Bellway p.l.c. undertakes no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

END

IR BSGDXSDDBGBC