

CHAIRMAN'S STATEMENT

I am delighted to report that for the third consecutive year Redrow has delivered a record set of results. Pre-tax profits were £250m, achieved as a result of completing over 4,700 much needed new homes, a 17% increase over last year.

Financial Results

Group turnover rose by 20% to a record £1.38bn (2015: £1.15bn). Revenue from residential legal completions increased by 26% to £1.36bn (2015: £1.08bn). This was due to a 17% rise in legal completions to 4,716 (2015: 4,022), combined with a 7% rise in average selling price to £288,600 (2015: £269,800).

Gross margin improved by 40 basis points to 24.2% mainly due to 94% of our completions coming from sites purchased post downturn with normal margins.

Operating expenses remained stable at 5.3% of turnover, despite the additional overheads of opening two new divisions (Colindale and South East) at the beginning of the financial year.

Operating profit was £48m higher at £261m (2015: £213m), with the operating margin equating to 18.9% (2015: 18.5%).

Pre-tax profits increased by 23% to a record £250m (2015: £204m) and earnings per share rose 24% to 55.4 pence (2015: 44.5p).

This strong trading performance, together with increasing the level of deferred payments on our land purchases, has enabled us to reduce our net debt to £139m at the end of the financial year, giving gearing of 14% (2015: 18%).

Two key measures of our performance, Return on Capital Employed and Return on Equity, improved to 24.2% (2015: 22.8%) and 26.8% (2015: 26.4%) respectively.

As a result of this excellent performance, and as I reported in my Interim Statement in February, the Board is proposing a final dividend of 6p per share (2015: 4p) making 10p in total for the year, an increase of 67% on 2015. Subject to shareholder approval at the Annual General Meeting, this will be paid on 11 November 2016 to shareholders on the register at the close of business on 23 September.

Last year we updated our medium term guidance, targeting turnover of £1.6bn, earnings per share of 62p and Return on Equity of 25%. We remain comfortably on schedule to deliver these objectives.

Market

Demand for new homes was strong throughout the year. Our growth in output has benefitted from the Government's Help to Buy scheme which has continued to be a major support, not only to Redrow, but to the industry as a whole.

I reported in my Interim Statement in February that the higher end of the market, and in particular Central London, had slowed down, principally as a result of the Stamp Duty

changes that came into effect last year and further hikes that came into effect in April this year. Activity in this section of the market remains sluggish; however, Redrow's exposure is very limited and all other areas in which we operate, including Outer London, have shown strong growth. We have seen very little impact as a result of the Brexit vote.

Land and Planning

Redrow has had a very successful year in acquiring land and obtaining planning permission on our forward land holdings, with the owned and contracted land bank increasing to 26,000 plots. This gives the Group a significant platform for increasing the number of new homes built going forward and to maintain our expansion plans; however obtaining planning through Local Authorities remains tortuous.

People

As a result of the continuing growth of the business, we have also expanded our workforce in the last 12 months from just over 1,600 people to just under 2,000 adding over 300 direct jobs, an increase of 19%. We continue our commitment to training and development and at the end of June employed 297 trainees across all disciplines, up 22% on 2015.

The record performances we have achieved in recent years have only been made possible by the hard work and commitment of our people and I would like to thank them for all their efforts in support of the business.

Current Trading and Outlook

Redrow entered the new financial year with a record private forward order book of £807m, up 54% on the previous year; including Social Housing, the total forward order book is £897m, up 51%. Sales in the first 10 weeks are very encouraging and up 8% on a strong comparator last year.

We have recently launched a number of significant new sites and have a strong pipeline in the planning process. Our strategy is to continue to grow the business, increasing the number of outlets and hence the number of homes we build. This process is on track and as such I am confident that this will be another year of significant progress for Redrow.

Steve Morgan
Chairman