

## CHIEF EXECUTIVE'S REVIEW

### Delivering Growth

I am delighted to report that the Group has again delivered outstanding results for the year. We have continued to grow the business and for the first time in our history we completed over 5,000 new homes in a financial year. Our success is attributable to a robust business model implemented by a talented team of people across a well-structured divisional organisation.

These exceptional results were achieved against an uncertain political and economic backdrop as a result of *Brexit* and also an ongoing requirement to manage an industry-wide shortage of skills to meet our build programmes.

In the year we delivered 5,416 new homes (including JV's), an increase of 15% on the previous year. Turnover grew by 20% to £1.66 billion and pre-tax profits were up 26% to £315m.

During the year we acquired Radleigh Homes, a small Derby-based homebuilder. The acquisition allowed us to accelerate the opening of a new East Midlands division and has given us a pipeline of excellent sites from which to expand. We now have 14 operational divisions across the Group including Colindale Gardens – our major regeneration project in North London.

The strategic decision we took in 2015 to focus our London operation on the outer boroughs was timely. We have now substantially completed our high-end Central London developments. Significant volumes of completions are now coming through from our Outer London sites and these are set to increase materially as Colindale completions begin to come on-stream later in 2017.

Overall our compound rate of growth has been exceptional in recent years. However, whilst our strategy is to continue to grow the business, the rate of growth is expected to moderate over time as divisions reach optimal scale and our scope for divisional expansion reduces.

### Creating Great Places to Live

Long before the recent resurgence of interest in Garden Towns and Villages, Redrow was leading the way: in the nineties we masterplanned and developed Kingsmead in Cheshire – a thriving community of around 2,000 homes. The development has stood the test of time and continues to be a sought-after location to live. Many of the design principles that made Kingsmead such a success are being applied to the Garden Villages we are developing today.

Our major Garden Village developments at Woodford in Cheshire, Ebbsfleet in Kent, Tamworth in the Midlands and Plasdwr in Cardiff are designed to create attractive and great places to live. They are well-located to take advantage of excellent transport links but more importantly, are set in landscaped environments where families can live and enjoy a healthy lifestyle. We have also applied the same principles to our Colindale Gardens development in North London. This high density new Urban Village development is just a short walk from the tube and will eventually consist of over 3,000 homes set in generous areas of open space and formal gardens.

This careful approach to designing great places to live is equally applied to our smaller sites that made up a large proportion of the land we acquired in 2017.

In the year we added 5,419 plots with planning and marginally increased our owned and contracted land bank to 26,100 plots. In the first half of the year, immediately following *Brexit*, there were fewer opportunities in the land market and we also adopted a more

cautious approach – in the second half momentum returned to our land buying and we added 3,703 plots. Our forward land pull-through was particularly strong and accounted for 3,356 plots representing over 60% of the plots acquired in the year.

Our Central divisions had an excellent year due to both the Radleigh acquisition and a sizeable contribution from forward land. They now account for 25% of the owned and contracted land bank compared to 22% last year. Over half (54%) of the Group's land bank is in the South and Greater London with the balance of 21% located in the North.

Notwithstanding the strong forward land pull-through, we increased the forward land bank to 26,400 plots by adding 4,000 new plots.

At a strategic level we saw planning improve following the introduction of the National Planning Policy Framework in 2012. There are now signs this improvement has stalled as local authorities fail to get Adopted Local Plans in place. This is adding to the delays that continue to frustrate the detailed planning and technical approval process. We have also seen timescales for appeals extend which unfortunately reduces the pressure on local authorities to make timely decisions.

Our caution in the land market in the first-half combined with planning delays will inevitably have some impact on the timing of new outlets coming on-stream. As a consequence, outlets are only expected to marginally increase over the course of the next year. However, with our strong land bank and output per outlet continuing to steadily increase, we remain firmly on-track to meet our growth plans.

### **Building Responsibly**

Ensuring our sites are safe places to work, visit and live is central to our build operations. We are also conscious of our responsibilities to protect the environment and to be considerate to those affected by our building works.

We continually strive to improve our build operations and we have recently achieved ISO14001 certification for our environmental management systems. We also retained our Gold rating in the annual NextGeneration Sustainability Benchmark and our 'Three Trees' status from the World Wildlife Fund.

We were also recognised in the year for our standards of Health and Safety winning one Commended and four Highly Commended Awards in the coveted NHBC Health and Safety Awards – one of the best performances amongst the major homebuilders.

Our success in the NHBC Pride in the Job Awards continued – a record 27 of our site managers received awards in this year's competition. We also won two LABC (Local Authority Building Control) awards for the quality of our site management on our high-rise apartment blocks at Colindale Gardens.

Growing output and maintaining high levels of quality and productivity remains a challenge. However, we are working hard to overcome and manage skills and a few isolated materials shortages as the industry, and its supply chain, adapts and invests to increase resources to meet the ongoing demand to build more new homes. We need the Government to continue to support training initiatives and in particular reach an early agreement as part of the *Brexit* negotiations on the status of EU workers who make such a valuable contribution to our industry.

Against these challenges and rising customer expectations, it is pleasing to report we maintained a customer recommendation score of close to 90% last year.

## **Valuing our People**

Much of what we have achieved is attributable to the quality of land we have acquired, our award winning homes and the places we create, but fundamentally, it's about the talented people we employ and their dedication to making our business successful. It is pleasing that when industry-wide talent is in short supply so many of our people remain loyal and committed. In our most recent Employee Satisfaction Survey, 96% of colleagues said they were proud to work for Redrow.

By ensuring we create a rewarding and enjoyable place to work we are able to both retain and expand our workforce. Last year we created over 200 new jobs and increased the directly employed workforce to 2,200 people. We are seeing gratifying returns from our investment in people – in particular, it is pleasing to see so many young people building their careers with us. To support our career development programmes we have expanded our training facilities across the country opening new centres in the North West and at our Colindale Gardens development in London.

## **Looking Ahead**

The longer-term prospects for the housing market remain encouraging: unemployment is low, mortgage rates are attractive and there is robust underlying demand for new homes. However, aside from the short-term risk of political and economic uncertainty, there are key issues that need to be addressed by Government to support future growth: in particular the status of EU workers, the future for Help to Buy and the need to revitalise stalled planning reforms.

Notwithstanding the need to address these issues, we are in a strong position to both deliver another set of record results in 2018 and to meet the ambitious targets we have set for 2020. We have a very strong order book, an excellent land bank, a sought-after product range and, above all, a talented team of people. I am confident we can overcome the challenges we face and maintain our track-record of meeting or exceeding our targets.

John Tutte  
Group Chief Executive