

## **Chief Executive's Review**

*Another year of exceptional results*

### **Continued growth and expansion**

The Group's successful growth strategy continues to deliver exceptional results. Legal completions (including JV) increased by 9% to 5,913 in the year with revenue rising by 16% to £1.92bn and profit before tax up 21% to £380m (2017: £315m).

We have continued to expand our geographical coverage. Our new East Midlands division made its first full year trading contribution and our Southern divisions continue to grow strongly as we target increasing our market share in this area of high demand. Colindale Gardens, our flagship development in North London, also made a significant contribution delivering its first completions.

To underpin our future growth we have announced the launch of a new division in Thames Valley and reorganised our Greater London operations into East and West divisions to focus on growth in the capital. We have also re-structured Harrow Estates to draw on its wealth of experience to help manage and support our group-wide forward land activities.

### **Investing in places**

The land market remained attractive throughout the year, we acquired 7,455 plots and, after taking into account legal completions, land sales and replans, our owned and contracted land holdings with planning increased to 27,630 plots (2017: 26,100 plots) representing 4.8 years of supply. Pull-through from Forward Land was again strong and accounted for 2,727 of the plots acquired.

The average size of site acquired in the year was around 180 plots as we took advantage of being able to secure some larger opportunities. These larger sites were generally acquired on more favourable terms and relieve pressure on future outlet replacement. They also allow us to make full use of our award winning product range to both create great places to live for everyone and to appeal to a wider market.

We have a reputation for designing individual homes that are attractive and meet the modern-day needs of our customers. But of equal importance is their setting. In recent years we have focused on ensuring our developments enhance and make the most of natural features as well as connecting to and sharing amenities with local communities.

Developing thriving communities by valuing people and building responsibly have become the key pillars of our operational strategy. Over the course of the last year these principles have been embedded into the business.

### **Thriving communities**

Redrow 8 is a suite of placemaking design principles we have adopted to ensure our developments include all the key requirements to create great places. It is consistent with Building for Life 12 which is a government-endorsed standard for well-designed homes and neighbourhoods.

We recognise that the quality of the places we create can have a lasting impact upon the health and wellbeing of those who live in our homes. We have recently joined the NHS Healthy Towns Network which is an initiative to improve the health of those living on new housing developments. We are also supporting the Wellcome Trust in their research project to explore how urban development can impact long-term health.

We know our customers are increasingly more concerned about the environment in which they live. Nature for People is our way of increasing biodiversity. We have a long-standing relationship with the Bumblebee Conservation Trust and we have recently established a new partnership with The Wildlife Trusts to help us develop a strategy to achieve a net biodiversity gain across our developments.

As well as building much-needed new homes we make significant contributions to the infrastructure of the wider communities in which we work. Last year we estimate we committed £184m to fund local improvements including new schools, community centres, medical and sporting facilities, footpaths and cycleways and attractive areas of open space.

## **Valuing people**

In response to our continued growth we created around 100 new jobs during the year: we now employ just under 2,300 people directly and many more times this through our supply-chain.

Our annual employee satisfaction survey that achieved a record response, reassured us that overall we are a highly respected employer with 95% of our people saying they are proud to work for Redrow. This said, we continue to look at ways to improve the working environment and we have recently launched a number of initiatives around communication and health and wellbeing.

Training and developing the next generation of housebuilders remains high on our agenda. 15% of the workforce are trainees on structured training programmes and I am delighted that we retained our listing as a Top 100 Apprenticeship Employer. We have a number of strategic partnerships with colleges across the country and the first students will enrol this year on our dedicated housebuilding degree which has been developed in conjunction with Liverpool John Moores University and Coleg Cambria.

We are a Patron of the 5% Club which is a movement of FTSE employer-members working to tackle critical skills challenges. Its members represent the gold standard of training and skills development across all industries.

## **Building responsibly**

Our responsibility to work safely and considerately is a top priority for the business.

During the year we restructured our Health, Safety and Environmental Management teams. Resources have been increased and reorganised into two distinct areas of responsibility: compliance through regular site audits and development to improve overall health, safety and environmental management.

NextGeneration is an independent organisation which benchmarks the UK's top 25 housebuilders on their sustainability performance. During the year we retained our Gold standard and moved-up into third place in the rankings. We are also Gold members of the UK Green Building Council.

Quality and customer service is also a high priority for us. We are currently rolling out a tablet based quality control system to replace traditional out-dated checklists. This system will archive inspections and images and allow direct communication with contractors to better manage standards and quality.

In the annual HBF customer satisfaction survey we retained our four stars rating with a recommendation level of 89.1%. With the improvements we are making in this area of our business, our recommendation level is currently trending above 90%.

We continue to explore opportunities to improve productivity through the use of more offsite manufactured components. On our Padcroft development in West Drayton we are using services pods and in two of our divisions we are trialling modular garages. These innovations not only reduce reliance upon site based skilled workers but also give more certainty over costs. During the year we estimate that build costs increased by around 4% with spikes in some material costs being offset by easing labour cost pressures.

## **The market and outlook**

The new homes market remained fairly stable throughout the financial year despite a continuing weak secondary market that in particular affects sales chains in the upper-end of the price range.

The Group secured just under 4,500 private reservations in the year representing £1.7bn of revenue. With the exception of Central London, where we only have a handful of properties to sell, we continue to see encouraging levels of demand for our homes.

Outlet openings were as predicted weighted towards the second-half. Although the Group opened 53 new outlets in the year, these were more than offset by closures that ran ahead of forecast including a few ongoing temporary closures due to planning and land drawdown delays. We operated from an average of 124 outlets in the year. As our larger sites come on-stream, we expect to open and close fewer outlets in financial year 2019. As a consequence, we are forecasting a small increase in the average number of outlets that will be operating throughout the year.

We live in challenging political and economic times. We can however draw comfort from knowing there remains a strong demand for new homes supported by both a competitive mortgage market and the highly successful Help to Buy scheme.

We are well-placed to meet the challenges ahead. Our focus on design means our homes are desirable and in sought-after places and we have entered the new financial year with a record order book. We have some excellent new sites in the pipeline that will underpin current sales rates as they come on-stream.

I am confident given the talent, dedication and commitment of our team and wider workforce, we remain in a strong position to overcome any political and economic stumbling-blocks to deliver excellent results in 2019 and beyond.

John Tutte  
Group Chief Executive