CHAIRMAN'S STATEMENT

I am delighted to report that for the fourth consecutive year Redrow has delivered record financial results, and it has done so by completing 5,416 new homes (including our Croydon Joint Venture), an increase of 15% on the prior year.

Financial Results

Group turnover rose by 20% to £1.66bn (2016: £1.38bn) due to the combination of the increase in legal completions to 5,416 combined with a 7% rise in average selling price to £309,800 (2016: £288,600). The increase in average selling price was mainly due to the continued growth of our southern businesses.

Gross margin improved by 20 basis points to 24.4% and is now at close to normal levels as we have completed construction on almost all the sites purchased before the downturn.

Operating expenses increased by £10m to £83m as we continue to invest in the expansion of the business. For the first time these include the operating expenses of the new East Midlands division from February 2017, created from the acquisition of Radleigh Homes. Due to the overall growth of the business, operating expenses reduced as a percentage of turnover from 5.3% in 2016 to 5% in 2017.

Operating profit was £61m higher at £322m (2016: £261m), with an operating margin of 19.4% (2016: 18.9%).

Pre-tax profits were £315m, up 26% (2016: £250m) including a £1m after tax contribution from our Croydon Joint Venture. Earnings per share increased by 27% to 70.2p (2016: 55.4p).

This strong trading performance, along with continued control of working capital, enabled us to reduce our net debt to £73m (2016: £139m) at the end of the financial year, representing a gearing ratio of 6% (2016: 13%).

The improvement in profitability and control of working capital has resulted in Return on Capital Employed and Return on Equity of the business increasing to 26.0% (2016: 23.7%) and 27.7% (2016: 26.1%) respectively.

In March 2017 we announced our intention to increase our dividend payout ratio to 33% over the medium term. In line with this, the Board is proposing a final dividend of 11p per share (2016: 6p) making 17p in total for the year, an increase of 70% on 2016. Subject to shareholder approval at the Annual General Meeting, this will be paid on 10 November 2017 to shareholders on the register at the close of business on 22 September 2017.

We are also taking the opportunity to update our medium term guidance. Subject to market conditions remaining unchanged we expect our turnover in 2020 to be c£2.2bn and our pre tax profit to be c£430m giving fully diluted earnings per share of 95p. With our projected 33% dividend payout, the dividend in 2020 will rise to 32p per share.

Market

Overall housing transactions in the UK have reduced as a consequence of the political uncertainty and increasing cost of moving home, particularly Stamp Duty which, over the last seven years, has increasingly become a tax on mobility. Nevertheless, demand in the new homes market remains robust and we have not seen any impact from recent domestic and international political events.

Mortgage availability is good and interest rates on mortgages have again improved. The Government's Help to Buy scheme continues to support both home buyers and the new homes industry. In this financial year 1,882 of our private reservations utilised Help to Buy, up from 1,521 in 2016. Help to Buy has boosted housing supply and we look forward to working with government to consider the future of the scheme beyond 2021.

Land and Planning

Redrow entered the 2017 financial year with a very strong land bank. As a consequence, when the land market slowed in the first half following the Brexit vote we were not adversely impacted. The land market has since picked up and we remain active but disciplined in pursuing the right opportunities to further our growth.

As announced at the Half Year, in February 2017 we acquired Radleigh Homes, a Derby based regional housebuilder. Now re-named Redrow East Midlands, I am pleased to say that it has been fully integrated into the Group and made a positive contribution in the second half.

People

Eight years after returning to Redrow, I have decided to ease back from a full time Executive role towards a Non-Executive role; the transition is to take place during the current financial year. It is my intention to continue to focus with the Board on the strategic development of the business and I will retain my keen involvement with the product and key important projects.

On 3 July we announced the change in non-executive directors with the appointment of Vanda Murray OBE and the retirement of Liz Peace from the Board. I would like to welcome Vanda to Redrow; I am sure that she will add considerable value and experience to the business. I also thank Liz for her valuable contribution during her tenure on the Board and wish her well in her new roles.

The continued growth of the business has meant we have again expanded our workforce adding 228 new direct jobs, a 12% increase in the year. We now employ 2,200 people directly with over 30,000 jobs supported in total through our subcontractors and suppliers.

We continue to meet our commitment to having 15% of our workforce in training and development. A record number of 150 apprentices, trainees and graduates will join the Group at the start of this new training year.

Our outstanding growth performance over recent years is down to the hard work and effort of my colleagues here at Redrow together with our loyal subcontractors and suppliers. I would like to thank them all for their continued support.

Current Trading and Outlook

Redrow began the current financial year with a record order book of £1.1bn (including our Croydon Joint Venture), up 14% on last year. Sales in the first 9 weeks are very encouraging and up 8% on a strong comparator last year. Our strategy of continued growth for the business is on track and I am confident this will be another year of significant progress for the business.

Steve Morgan
Chairman