## GROUP CHIEF EXECUTIVE'S REVIEW

Despite continuing political and economic headwinds, I'm pleased to report that the Group has delivered another strong set of results. During the year under review, we have taken several important strategic decisions to maximise sustainable value for our stakeholders, while delivering 5,436 completions (2022: 5,715).

Our Heritage Collection remains at the centre of our strategy, differentiating us from both new-build competitors and the much larger second-hand market. We continue to offer a unique proposition to homebuyers: the character of older homes combined with quality, energy efficiency and modern open plan interiors. These selling points appeal to those moving to larger homes as well as those who are downsizing. Once again, we saw the evidence of this with cash buyers representing 35.7% (2022: 33%) of all private reservations.

In January 2023, we became the first large housebuilder to announce that we would be installing air source heat pumps into all our homes on upcoming developments. Having listened to customers, we saw the opportunity to give our homes a significant further advantage over others on the market. Combining the heat pump with underfloor heating as standard across the ground floor of all our detached homes further enhanced the desirability and lifestyle benefits of our houses for customers.

Cost of living and mortgage affordability continue to have a negative impact on the market. Where appropriate, we've used targeted sales incentives to convert buyer interest into reservations. Following several consecutive Bank of England base rate increases, we remain hopeful that, as inflation eases, we will see some stability in mortgage rates. The reduction in mortgage volatility will enable potential customers to progress the purchase of their home with financial certainty. Reflecting the macro-economic picture and the tougher sales market, our average private reservation rate per week for the year was 0.46 compared to 0.68 in 2022 (excluding bulk deals 0.45 and 0.66).

Given housebuilders' strong forward order books during the financial year under review, both materials and sub-contract labour were stretched, with build cost inflation of up to 8% in some instances. These pressures have since eased as the macro-economic picture has become more uncertain, with build cost inflation beginning to return to more sensible levels. Going forward, in the new financial year, we expect build cost inflation to be circa 4%.

We ended the financial year with a total order book of £0.85bn (2022: £1.44bn) of which 65% (2022: 76%) was exchanged. We are continuing to be very selective on land buying and focused on bringing forward strategic land. This was demonstrated by the purchase of only 1,906 plots of current land. This is against the backdrop of our substantial land investment in 2021 when we added over £3bn of Gross Development Value (GDV) to our land holdings with planning at good margins. This activity secured the medium-term land bank.

As a result of our land investment in 2021 we increased the number of average outlets over the financial year to 117 and we expect to maintain this position during the 2024 financial year. We remain in a strong positive cash position, ending the financial year with £235m net cash excluding lease liabilities (2022: £288m). This is despite the fact we have returned £100m to shareholders in the form of a share buyback programme during the period from July 2022 to January 2023.

Sustainability is fundamental to our purpose, our business model, our culture, and strategy. We've made good progress across our operational KPI's and environmental, social and governance (ESG) metrics. We also exceeded industry averages for sustainability in the FTSE4Good Index and sustained high customer satisfaction ratings from the National House Building Council (NHBC) surveys and Trustpilot.

In order to embed this integrated approach throughout our business, we've refreshed our operational framework which is built around our long-standing sustainable business pillars: Building Responsibly, Thriving Communities and Valuing People. This strengthens Redrow's resilience in the face of evolving ESG risks, including regulation and industry standards, such as the Future Homes Standard, National Model Design Code and the New Homes Quality Board Code of Practice, as well as upcoming Biodiversity Net Gain legislation and the Nutrient Mitigation Scheme. It also leaves us well placed to take competitive advantage of sustainable opportunities, such as delivering energy and water-efficient homes for customers. Across the framework, we highlight how these activities contribute to the UN Sustainable Development Goals (SDG's).

Thriving Communities is about more than building homes. We apply our audited Redrow 8 placemaking principals to all our developments to ensure we deliver beautiful, nature rich, sustainable places for communities to enjoy. We bring extensive and lasting socio-economic value for local communities by investing in infrastructure like schools, health centres, shops, parks and green spaces, as well as affordable homes. These Redrow 8 placemaking principles and our Nature for People commitments ensure that our developments stand the test of time. Our research shows they're at the heart of community cohesion many years down the line.

Building Responsibly affirms our commitment to upholding the highest standards of health, safety and environmental responsibility. I'm pleased to report positive progress against targets in this area. Our 2030 net zero carbon targets have been validated by the Science-Based Targets Initiative and we're also establishing a science-based roadmap to 2050 that covers the entire value chain, where the majority of our emissions arise. Quality remains one of the top material issues for our stakeholders and we've earned our reputation for consistently delivering homes to a superior standard, as evidenced in 'Excellent' Trustpilot ratings and five-star HBF ratings for five years' running.

We invested further in people and systems to uphold quality and service standards, ensuring we rapidly rectified and learned from any defect reports. Our investments in apprenticeships, work placements, graduate programmes and university and schools' partnerships have been more important than ever, along with prioritising the work/life balance, professional growth, and physical and mental wellbeing of our colleagues.

Operating in an environment where there is a complete absence of any coherent housing policy from central government, is very challenging for all parts of the sector. The housing market invests for the long-term, yet the government is not providing the framework for this level of financial commitment. There is a fundamental disparity between the country's population growth and the number of homes built.

We continue to call for a long-term plan that enables the industry to invest and build the homes the country so desperately needs. The introduction of a national, independent body that could identify housing need and accelerate development in those areas would be a significant positive step. It would also generate a positive direct and indirect economic benefit across areas such as education, health, and infrastructure.

We have made positive progress in tackling issues of legacy fire safety. We signed the UK Government's Self Remediation Contract Long Form Agreement (LFA) and the Welsh Government's Pledge Deed of Bilateral Contract regarding the remediation of life critical fire safety issues in buildings over 11m that we developed in the past 30 years. And we believe we were the first large house builder to sign the Government's Responsible Actors Scheme.

We are actively progressing 46 of the 51 buildings with known or likely external works. All 18m plus buildings are in progress, which aligns with the Government's prioritisation advice. We are on-site at 18 of these buildings, with 14 at pre-contract stage.

The industry now has an additional requirement to consider the internal common parts. We are in the process of assessing the 109 buildings expected to require works, however we don't expect this to result in a change to our overall provision.

**Outlook**

The impact of a record number of consecutive interest rate increases in a short space of time and the general rise in the cost of living, continues to make this a challenging housing market.

As a result of this operating environment, we took the difficult decision in July 2023 to reshape the business, closing two of our smaller divisional offices: Thames Valley and Southern. Our outlets were unaffected by this change, and they are now managed by other local divisions. We also reduced a number of roles across our wider teams to reflect market conditions. We have worked closely with affected colleagues to support them throughout this time.

There are signs of economic stability, particularly with mortgage rates, following a sharp and painful period of adjustment for the country.

The strong fundamentals underpinning the new homes market remain the same. There is a chronic shortage of new homes to keep pace with the country's current and future needs.

In the first ten weeks of trading for the current financial year the reservation per outlet per week was 0.34 (2023: 0.61).

Despite these difficult market conditions our strategy remains the right one, and this was clearly demonstrated during the financial year under review. Our Heritage Collection serves different parts of the market: from downsizers who want character with energy efficiency, to aspirational home movers who desire quality and space.

I'd like to close by placing on record my thanks to all Redrow colleagues and our partners in the wider supply chain for their hard work and dedication this past year. We have once again provided high quality homes and places for thousands of families across the country. We look forward to carrying on this proud track record as we head into our 50th anniversary year in 2024.

Matthew Pratt
Group Chief Executive