Tuesday 8 September 2015

Redrow plc

Final results for the year to 30 June 2015

REDROW DELIVERS ANOTHER SET OF RECORD RESULTS

Financial Results

	2015	2014	% Change
Revenue	£1,150m	£864m	+33
Operating Profit	£213m	£138m	+54
Profit before tax	£204m	£133m	+53
EPS	44.5p	28.6p	+56
ROE	26.4%	20.5%	+29
Final Dividend	4p	2p	+100

Financial highlights

- Group revenue rose 33% to a record £1.15bn driven by a 12% increase in legal completions and a 13% increase in Average Selling Price to £269,800
- Gross margins rose to 23.8% from 21.7% in 2014
- Record pre-tax profit of £204m, up 53%
- Earnings per share up 56% to 44.5p
- Return on Equity of 26.4% (2014: 20.5%)
- Return on Capital Employed of 22.8% (2014: 18%)
- Net debt reduced to £154m vs £172m in 2014
- On the basis of these strong results, the Board is proposing a final dividend of 4p per share, double that of the final dividend paid in 2014

Operational highlights

- Legal completions up 12% to 4,022 (2014: 3,597) spurred by Help to Buy
- Outlets increased 14% to 117 (2014: 103)
- Number of employees up 23% to 1,650
- Order Book including JV up 13% at £565m (£524m up 9% excluding JV)
- The owned and contracted land bank at the end of June 2015 was 18,216 plots (June 2014: 16,724 plots)

Steve Morgan, Chairman of Redrow, said:

"I am pleased to announce another set of record results. For the first time in our history, we generated turnover in excess of £1bn, up 33% on last year. We built and sold over 4,000 homes across the UK last year, up 12% from the year before and around 42% more than in 2013. Pre-tax profits also reached record levels, up 53% as we saw the benefit from our early site acquisitions post the downturn. This strong performance has led the Board to propose a dividend of 4p per share, double that paid in the last financial year.

Looking ahead, we have a strong pipeline of attractive sites in excellent locations and a high quality industry leading product. We have entered the year with a record order book and reservations to date are running 5% ahead of last year at 0.68 sales per outlet per week. We have secured 820 private reservations in the first 10 weeks, some 28% ahead of last year.

Redrow is in great shape and I am looking forward to another year of significant progress."

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Redrow plc

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There will be an analyst and investor meeting at 9.00 am at The London Stock Exchange, 10 Paternoster Square, London, EC4M 7LS. Coffee will be served from 8.30 am.

A live audio webcast and slide presentation of this event will be available at 9.00 am on www.redrowplc.co.uk. Participants can also dial in to hear the presentation live at 9.00 am on +44 (0) 20 3003 2666 or UK Toll Free on 0808 109 0700; password is Redrow.

Playback will be available by phone for the next 30 days +44 (0) 20 8196 1998 followed by Access Pin 6143505#.

CHAIRMAN'S STATEMENT

At a time when the UK needs a substantial increase in home building, it gives me great pleasure to report strong growth for Redrow. Turnover comfortably exceeded £1bn for the first time and the number of new homes completed rose to 4,022, a 12% increase over last year and 42% increase over 2013.

Financial Results

Group turnover rose 33% to a record £1.15bn (2014: £864m) for the financial year. Whilst this included £65m of turnover from the sale of commercial property, freehold reversions and land, our core housing turnover was itself up 26% at £1,085m (2014: £861m). This was due to a 12% rise in legal completions to 4,022 (2014: 3,597) and a 13% rise in average selling price to £269,800 (2014: £239,500).

Gross margin improved from 21.7% to 23.8%, as 88% of our completions came from sites purchased post downturn with normal margins and as house price inflation exceeded build cost inflation, particularly in the south of England.

Operating profit was 54% higher at £213m (2014: £138m). This equates to an operating margin of 18.5% (2014: 15.9%), exceeding our 2017 target of 18% two years early.

Operating expenses again increased in absolute terms as we continue to invest in growing the business and opening new divisions. However, as a percentage of turnover, they have further reduced from 5.8% in 2014 to 5.3% in 2015. We expect to maintain overheads at between 5% and 5.5% of turnover going forward.

Pre-tax profits were up 53% to a record £204m (2014: £133m).

Net assets increased by 22% to £849m (2014: £696m) and Capital Employed rose 16% to £1,003m (2014: £868m). Return on Capital Employed improved from 18% to 22.8%, again beating our 2017 target of 20% two years early, and Return on Equity rose from 20.5% to 26.4%.

We continue to invest significantly in land and work in progress. We have increasingly negotiated deferred terms on many of our land purchases and have also purchased more land on a subject to planning basis. This, together with our strong operating cash generation, has enabled us to reduce our net debt to £154m at the end of the financial year, giving gearing of 18.1% (2014: 24.8%). We expect net debt to increase in the current year with ongoing investment in inventory.

Given the excellent financial performance of the business this year, whilst we continue to invest in growth, the Board is proposing an increase in the final dividend to 4p per share (2014: 2p), making 6p per share for the full year. Subject to shareholder approval at the Annual General Meeting, this will be paid on 13 November 2015 to shareholders on the register at the close of business on 25 September 2015.

Market

Demand for new homes has been strong throughout the year, although there were the normal seasonal variations.

The Government's Help to Buy scheme remains a major driver for the industry to increase output and in this financial year 1,374 (40%) of our private legal completions utilised the Help to Buy scheme, up from 1,023 (35%) last year.

Mortgage availability and mortgage rates continue to improve, whilst the Mortgage Market Review rules appear to be delivering more prudent lending.

The sales rate for the last financial year was robust at 0.68 per week, albeit slightly lower than the peak of 0.70 in the 2014 financial year, when Help to Buy had its initial impact. As I have previously stated, we expect growth in the business in the future to come from increasing outlets, rather than sales rate. To that end, I am pleased to report that at the end of June 2015 we were operating from 117 outlets, 14% more than June 2014 when there were 103.

The total value of private reservations secured in the year amounted to £1.1bn, including our Joint Venture (JV) site at Croydon, an increase of 5% over the previous year. All regions performed well and our order book at the end of June was a record £565m (including our JV site), an increase of 13% over last year.

Last year I reported that due to the roll out of the Regent Collection and Abode, together with apartment schemes in and around London, we expected the proportion of turnover accounted for by our primary brand, the Heritage Collection, to reduce over time to 70%. In 2015 the Heritage Collection accounted for 76% (2014: 77%) of private turnover. The successful roll out of the Regent Collection continues and it now represents 4% of private turnover (2014: 1.6%). Around 20% of turnover is derived from bespoke schemes and we now have a number of Abode developments under construction.

Land and Planning

During the year we secured 5,892 new plots, of which 1,975 were converted from our forward land bank. At June 2015 our current land bank totalled 18,216 plots, a 9% increase on the previous year. The average plot cost has increased to £70,000 (2014: £63,000), primarily as a result of a change in geographical mix of the land bank, with over 50% of plots being in the south of England compared to 44% in June 2014. This plot cost equates to 23.5% of our current average selling price, broadly in line with previous years. The percentage of provisioned land in the land bank has now reduced to 2%. By June 2017 it will be zero.

The Local Plan process has noticeably improved since the introduction of the NPPF; however, Local Plans are still taking far too long in many parts of the country. We welcome the Government's 'Fixing the Foundations' initiative aimed at pushing Local Authorities into taking their housing delivery responsibilities seriously.

Converting forward land holdings into new sites remains a key driver for the industry. Last year there was a noticeable increase in the number of outline planning approvals. However, gaining reserved matters and detailed planning consents is still taking far too long. Increasing housing supply in the UK is dependent on increasing the number of outlets; yet, despite the increase in headline planning consents, the number of outlets in the industry has barely grown. This situation will not improve until the burden of red tape associated with needless planning reports and conditions has been removed.

We welcome the principle of the Government's Starter Homes Initiative and eagerly await the details of how this will be delivered. Getting first time buyers and young people onto the housing ladder is fundamental to the health of the owner-occupier market.

People

As the business continues to grow we have again expanded our workforce significantly. In the last year we have added over 300 direct jobs (2014: 232) across all disciplines, an increase of 23%. Indeed, in the six years since I returned to the business in 2009, the number of people directly employed has increased by 999 to 1,651. The number is, of course, very substantially higher when indirect jobs from our subcontractors and suppliers are added. The new homes industry continues to create significant economic growth for the benefit of all our stakeholders and the whole economy.

As has been widely reported, one of the biggest constraints to growth for the housebuilding industry is the shortage of skilled labour. Redrow continues to take a lead role in developing the next generation of workers at all levels. This year we have had a record intake of new recruits; 83 apprentices, 28 graduates and 32 specialist functional trainees. We are constantly creating new ideas to develop skills; for example we have introduced, in partnership with Glyndŵr University, a Higher Apprenticeship scheme for engineers and designers which starts with a BTEC Diploma and can lead to a full degree. In total, 250 direct employees are trainees in various disciplines – at 15% of our workforce, this is the highest ratio in the home building industry.

I am delighted to welcome Sir Michael Lyons as a Non-Executive Director, who joined the Board with effect from 6 January 2015. In 2014 Sir Michael chaired the Lyons Housing Commission to produce a road map for increasing house building in this country. Prior to this, following a long and distinguished career in local government, Sir Michael was Chairman of the BBC.

The continued growth and success of the Redrow business has been achieved through the hard work and commitment of our people. I would like to thank them for their efforts and continued support in delivering our strategic objectives.

Current Trading and Outlook

Assisted by Help to Buy, demand for new homes continues to be strong and indeed, this strength in the market is reflected across the country. Redrow is committed to continued growth and to contribute to increasing the number of new homes built.

We have a strong pipeline of attractive sites in excellent locations and a high quality industry leading product. We have entered the year with a record order book and reservations to date are running 5% ahead of last year at 0.68 sales per outlet per week. We have secured 820 (2014: 640) private reservations in the first 10 weeks, some 28% ahead of last year.

Redrow is in great shape and I am looking forward to another year of significant progress.

Steve Morgan
Chairman

OPERATING REVIEW

The Group has reported an excellent financial performance for the year. Total completions exceeded 4,000 with private sales increasing by 16% in the year. Turnover was at record levels with private revenues above £1bn for the first time in the Group's history.

Central to the Group's strategy is the quality of its product, but fundamental to these strong results is the dedication and expertise of the people we employ across the business. A team of people that has grown by over 20% in the past year with a significant proportion of those new recruits being young people taking their first career steps. We now employ over 1,650 people of which 15% are on structured training programmes including 130 apprentices. And it is very reassuring to know that our people rate working for us so highly: in our most recent employee survey, 97% of those that responded said they enjoy the work they do for Redrow and 95% think we are a good employer.

The Market

The early months of the financial year were tougher by comparison to the summer of 2013 that was buoyed by the introduction of the Government's Help to Buy scheme in the Spring of that year. Help to Buy continues to be an attractive incentive for our buyers and accounted for around 40% of reservations in the year with the largest take-up being those buying their first home.

As the year progressed the market improved with both sales rates and prices lifting. Concerns over the impact of the election were largely unfounded and the unequivocal outcome has brought further stability to the market, particularly with the announcement that Help to Buy in England is to be extended to 2020. Sadly the Welsh Assembly has yet to make such a commitment which is affecting the industry's confidence to invest for the future.

Wales aside, the prospects for the housing market elsewhere are encouraging. The underlying improvement in the economy coupled with a competitive mortgage market means more people can afford to buy their first home or trade up, and a more active housing market is also allowing many to trade down as a lifestyle choice. The key to meeting the increase in demand and tackling the severe housing shortage hinges upon bringing more sites through the planning system and addressing the skills shortage.

Managing Increased Demand

The last government did a lot to improve the planning system and the new administration's recently published productivity plan –'Fixing the foundations: creating a more prosperous nation', sets out a clear intention and determination to build more homes that people can afford. Whilst a well communicated policy at government level is essential to building more homes, ultimately delivery is very much in the hands of local authorities where all too often planning is stifled by local politics, a lack of resources and unnecessary bureaucracy. To materially increase output these fundamental issues have to be addressed.

We try hard to overcome these planning obstacles by consulting with local communities and working closely with planning departments. Indeed, at Maidenhead, where Harrow Estates recently achieved planning permission for 271 new homes on a brownfield site released from the greenbelt, we were complimented by the planning committee on our collaborative approach.

Tackling the industry's skills shortage has been a priority for us in recent years. We have annually increased our intake of trainees and apprentices and now employ c.250 young people on structured training programmes across the business. We also continue to develop our people at all levels and last year we completed 3,859 days of training, a 30% increase: much of this was carried out at our dedicated training centre or remotely through e-learning. We have extended our graduate programme and introduced a Higher Apprenticeship scheme for engineers and designers in partnership with Glyndŵr University. For the second year running we have been listed as a Top

100 Apprenticeship Employer in the National Apprenticeship Service awards. It is very satisfying that our training and career development programmes are helping to deliver our future managers and leaders with over half of our annual Director appointments coming from internal promotions.

Notwithstanding our commitment to tackling the skills shortage, we continue to experience trade shortages in some parts of the country and most acutely in new operating areas where we need to establish a base of subcontractors that can meet our demanding standards. As a consequence we have faced build delays that inevitably have a knock-on effect to customer satisfaction. We have also seen build costs increase during the year. Material prices have stabilised but labour costs, particularly for those trades in short supply, have risen substantially: we estimate that overall build costs have increased by in excess of 5% over the past year and we anticipate this trend will continue for some time to come. We do however expect any build cost increases will be more than offset by modest house price inflation.

It was very pleasing to once again achieve a five star rating in the annual HBF Customer Satisfaction Awards. However balancing the need to deliver on time against rising customer expectations means that maintaining a 90% or better rating is becoming more challenging. To address this we have invested heavily in customer service over the past year increasing both the size and quality of our teams in readiness to launch our *Customer First* initiative. *Customer First* is being rolled-out across the business throughout financial year 2016. It more closely engages with customers at an early stage with managers dedicated to providing a high level of service supported by the latest hand-held technology. *Customer First* will complement Redrow's reputation for delivering well designed quality homes with industry leading customer service.

On the subject of quality, for the second time in the last three years, a Redrow Site Manager was the supreme winner for the large builder category in the NHBC Pride in the Job Awards. Rob Summers, our Site Manager at Cwm Calon in South Wales, was the eventual winner with Paul Greenaway our Site Manager at The Harringtons in Exeter also reaching the final. This year we have been awarded a record 18 Pride in the Job Awards.

Building Responsibly and Sustainably

As well as ensuring we deliver homes built to high standards, we are also conscious of the need to build responsibly and sustainably.

Last year we increased build output by over 20% but despite this, we managed to reduce our notifiable accidents per site from 0.37 in 2014 to 0.23 in 2015. We were also successful in the annual NHBC Safety Awards with three of our Site Managers, from a total of 29 across the country, being highly commended.

Our developments continue to reduce their impact upon the environment and make increasing contributions to local communities. Our carbon emissions are down and 56% of the homes we built last year contained recycling facilities and 57% were on 'brownfield' sites. We almost doubled the amount of public open space we created to 209 hectares and committed £128m of funds to local communities.

Product at the Centre of Divisional Growth

Our product differentiates us from our major competitors. Throughout our developments we focus on delivering homes that are both attractive and functional. We have an unwavering attention to detail and a programme of continuous improvement that ensures our designs respond to changing trends and customer demands. My Redrow is also reinforcing our commitment to provide customers with greater choice to tailor their homes to meet their needs: last year we sold £10m of extras to customers.

The Heritage Collection accounts for around 80% of private volumes and underpins the Group's enviable reputation for designing and building high quality well-planned homes. We have extended the range during the year to include more house types aimed at those looking to trade down.

The Regent Collection with its traditional elevations and modern interiors is proving popular amongst buyers looking to live in higher density housing in urban environments. Abode is our contemporary version of Regent sharing similar footprints but with simple modern elevations and open plan living space. The number of Regent and Abode outlets is expected to steadily increase.

We are able to apply the same attention to detail we have on our standard ranges to bespoke solutions. Most of these developments are apartment schemes, particularly in London, although in places such as South Cerney in the Cotswolds, we have created one-off designs for lakeside living.

The number of private apartments completed during the year increased by 24% and represented 14.8% of private sales compared to 13.9% last year. Social housing, as a consequence of the timing of delivery, reduced from 17.6% in 2014 to 14.2% in 2015. Although moving forward this position will be reversed and social housing is set to be a larger proportion of output, the Government's announcement regarding year-on-year reductions in social rents for the duration of this parliament, has created a hiatus that will affect the delivery of social housing in the short term.

Our nationwide reputation for designing and building quality homes on well-planned sites has supported our divisional growth. The Heritage Collection in particular has been the bedrock for growth in our new regional divisions. We continue to expand and open a new division each year – in 2014 we established a West Country division based in Exeter that has made a significant contribution in the year and we recently split our business in the East to create divisions north and south of the Thames. We have also recently announced a reorganisation of our London operation to meet our planned growth in the fastest growing area in the country.

London

London will now operate as a region in its own right. The new region will cover all London boroughs. It will bring together the expertise and skills we have amassed developing sites in the Capital and allow us to undertake more of our own construction with less reliance upon main contractors. Initially there will be two divisions with capacity to add a third at some point in the future.

The Colindale Gardens division will focus entirely on delivering this highly important development for the Group. We recently received a resolution to grant planning for 2,900 new homes and up to 100,000 sq.ft. of commercial space. Under the planning agreement we will be providing healthcare and nursery facilities, land for a new school, a significant contribution to upgrade Colindale tube station and 4 hectares of public open space and gardens. Colindale Gardens has a gross development value of over £1bn and is expected to take ten years to build.

The Greater London division will oversee our other sites across the Capital including our Joint Venture in Croydon.

The new region will have a number of centralised functions including land buying, sales and marketing, customer service and finance.

The Central London market softened during the year in response to the threat of mansion tax, increases in Stamp Duty Land Tax and uncertainties in the wider global economy. As a consequence, we curtailed our land buying in the so called 'super prime' areas and focused more on sites in the outer London boroughs where demand is strong and selling prices remain affordable for those that work in the Capital.

Investing to Grow Outlets

As our sales rates and average selling prices reach optimal levels, our future growth will rely largely on increasing the number of outlets from which we operate and expanding our divisional structure.

Last year we opened 54 new outlets, and after taking into account the closure of 40, we ended the year on 117 active outlets: a net increase of 14. In financial year 2016 we expect to open around 55 new outlets, after taking into account a higher number of closures weighted to the second-half, we are forecasting to end the year on 128 outlets and maintain our strong track record of increasing outlets year-on-year: by the end of this financial year our outlets will have grown by over 50% since 2012.

To preserve our growth, last year we acquired just under 6,000 plots across 52 sites and, after taking into account legal completions, land sales and replans, our owned and contracted land bank increased by nearly 1,500 plots to 18,216.

The Forward Land portfolio continues to make an important contribution to the owned land bank. Last year we pulled-through 1,975 plots across 22 sites and we expect 2016 will be particularly strong with over 3,800 plots at Colindale and Woodford in Stockport on-track to contribute. We also added over 1,300 plots to the Forward Land bank in the year after taking into account transfers and adjustments as a result of our regular strategic review. With some uncertainty over emerging local planning policies, we have taken a particularly cautious view on sites within the 'greenbelt'.

The geographical spread of the land bank is trending towards the south as we focus on opening more outlets and divisions in this part of the country: over half the owned and contracted land bank is now in the South and Greater London and this is expected to increase further with sites such as Colindale coming through.

Despite a strengthening housing market, we have found plenty of land opportunities within the areas we operate that can be acquired on terms that meet our hurdle rates and we expect this to continue to be the case.

Well Positioned for Future Growth

The outlook for the market is encouraging. We have an improving economy, a competitive mortgage market and an underlying strong demand for more homes.

Whilst there is still much to do to improve and speed-up the planning system, more consents are being granted and this is helping to ensure the land market remains benign and attractive. Our biggest challenge will be to overcome the planning and technical obstacles we face to close land deals and bring outlets on-stream sooner.

Last year for the first time we set three year targets. We have now updated those targets for 2018 and expect turnover to increase by 40% to £1.6bn, operating margins to improve to 19% and return on capital employed to be in excess of 21% despite our ongoing investment in land and inventory to grow our outlets. We have also set a target of 25% for return on equity.

As we continue to grow the number of outlets from which we operate we will inevitably increase the pressure on our teams and contractors to deliver. We can however draw comfort from our track record of recruiting, retaining and developing our people. We have a team of people that are proud to work for Redrow and understand and share our values to build a great product and deliver excellent customer service.

John Tutte
Group Chief Executive

FINANCIAL REVIEW

Profitability

This year the Group again delivered record results with revenue of £1,150m (2014: £864m), exceeding the £1bn turnover milestone for the first time and profit before tax of £204m (2014: £133m), exceeding the £200m milestone for the first time.

Total Group revenue rose 33% to £1.15bn. Private homes revenue increased by 29% to £1,026m (2014: £798m) as a result of a 16% increase in private homes legal completions and a 10% increase in average selling price. Social homes revenue reduced by 6% to £59m as a result of timing differences on legal completions. In addition there was £65m of other revenue. This comprised £47m from the sale of all the commercial units and revisionary interest in our development at One Commercial Street, London, £8m from the sale of a number of freeholds of London developments and £10m from sundry land sales.

Gross profit increased by £86m in the year to £274m (2014: £188m) giving a gross margin of 23.8% (2014: 21.7%). In addition to increased revenues this is due to the decrease in the proportion of our homes legal completions from provisioned land acquired before the downturn from 20% to 12% and house price inflation net of build cost inflation. We expect the proportion of provisioned plots in cost of sales to be zero by 2018.

As a consequence of this strong growth the Group generated an operating profit in the year of £213m (2014: £138m), a 54% increase. This represents an operating margin of 18.5% (2014: 15.9%) and means we have exceeded our 2017 target operating margin of 18%. We are now targeting an operating margin of 19% by 2018.

Net financing costs at £9m were £1m higher than the prior year due to increased imputed interest payable on deferred land creditors as we continue to invest in land opportunities and successfully negotiate deferred terms.

The record profit before tax of £204m (2014: £133m) delivered in the year produced a basic earnings per share up 57% at 44.5p (2014: 28.3p).

Tax

The corporation tax charge for the year was £42m. The Group's tax rate for 2015 was 20.75% (2014: 22.50%). The normalised rate of tax for the year ending 30 June 2016 is projected to be 20% based on rates which are substantively enacted.

The Group paid £22m of corporation tax in the year (2014: £nil) in the normal quarterly pattern having now fully utilised the tax losses generated by downturn losses. Payments in the normal quarterly pattern will continue going forward.

Dividends

The Board has proposed a 2015 final dividend double that of last year at 4.0p per share which will be paid on 13 November 2015.

A final dividend of 2.0p per share in respect of the year ended June 2014 was paid in November 2014 (November 2013: 1.0p), and an interim dividend of 2.0p per share in respect of the year ended June 2015 was paid in May 2015 (May 2014: 1.0p), totalling £15m.

Returns

Net assets at 30 June 2015 were £849m (2014: £696m), a 22% increase. Capital employed at the same date was £1,003m (2014: £868m) an increase of 16%. Our return on capital employed increased in the year from 18.0% to 22.8%, again exceeding our 2017 target. Due to our judicious use of debt as well as equity to fund our growth, we were able to increase our return on equity 29% from 20.5% to 26.4%, one of the highest returns in the sector. Whilst we will need to increase our investment in inventory to achieve our growth targets we aim to deliver ROCE of at least 21% and ROE of 25% in 2018.

Inventories

Our investment in land increased by 27% in the year to £1,020m (2014: £802m). This produced an 8% increase in our land bank of plots owned with planning permission and also reflected investment in strategic sites, notably Colindale, London, Ebbsfleet in Kent and Woodford, South Manchester.

The land market remains stable with good quality opportunities available. Our owned plot cost has increased by £8,000 per plot to £68,000 at June 2015, 23% of the average selling price of private legal completions in the year (2014: 22%).

Our investment in work in progress increased by 35% in the year to £480m (2014: £355m). This reflected a continued increase in active outlets and further investment in newly acquired substantial developments and large apartment schemes in the South of England.

Our net realisable value provision on land and work in progress reduced by £20m to £28m in the year. Provisioned plots represented a minimal 2% of our owned land bank at June 2015 (2014: 6%).

Land creditors increased by £108m to £266m at June 2015 as we continue to be successful in negotiating deferred terms with land vendors.

Receivables

Trade receivables decreased by £7m during the year to £29m (2014: £36m) with the receipt of £9m of deferred consideration from the disposal of our Scotland business which took place in June 2011. Other receivables increased by £2m to £23m due mainly to the timing of the recovery of VAT paid on land purchases.

Trade payables and accruals increased by £84m to £281m reflecting increased levels of production activity.

Cash flow and Net Debt

Net debt decreased by £18m to £154m at June 2015 (2014: £172m) giving gearing of 18.1% at the year-end (2014: 24.8%). The small decrease in net debt reflects our success in delivering operating cash flow receipts capable of funding the growth in the business, supporting an increase in dividend payments and a return to corporation tax payments in the year.

On 18 March 2015 we extended our Revolving Credit Facility of £350m and a £15m bilateral facility previously maturing in March 2018 to March 2020 on better financial terms.

Financing and Treasury Management

Financial management at Redrow is conducted centrally using policies approved by the Board.

Redrow is a UK based house builder and therefore the main focus of its financial risk management surrounds the management of liquidity and interest rate risk.

(i) Liquidity

The Group regularly prepares and reviews its cash flow forecasts which are used to manage liquidity risks in conjunction with the maintenance of appropriate committed banking facilities to ensure adequate headroom.

Facilities are kept under regular review and the Group maintains regular contact with its banks and other financial institutions; this ensures Redrow remains attuned to new developments and opportunities and that our facilities remain aligned to our strategic and operational objectives and market conditions.

Our current banking syndicate comprises five banks and in addition to our committed facilities, Redrow also has further uncommitted bank facilities which are used to assist day to day cash management.

(ii) Interest rate risk

The Group is exposed to interest rate risk as it borrows money at floating rates. Redrow uses simple risk management products, notably sterling denominated interest rate swaps, as appropriate to manage this risk. Such products are not used for speculative or trading purposes.

Redrow regularly reviews its hedging requirements. No hedging was undertaken in the year.

Pensions

As at June 2015, the Group’s financial statements showed a £3m deficit (2014: £11m deficit) in respect of the defined benefits section of The Redrow Staff Pension Scheme (which closed to future accrual with effect from 1 March 2012). The £8m decrease in the deficit is mainly due to improved returns on scheme assets in the year. Pension benefits are now provided via the Redrow Group Personal Pension Plan which is a type of defined contribution plan.

Barbara Richmond
Group Finance Director

Consolidated Income Statement

12 months ended 30 June	Note	**2015**	2014
		£m	£m
Revenue		**1,150**	864
Cost of sales		**(876)**	(676)
Gross profit		**274**	188
Administrative expenses		**(61)**	(50)
Operating profit before financing costs		**213**	138
Financial income		**3**	3
Financial costs		**(12)**	(11)
Net financing costs		**(9)**	(8)
Share of profit of joint ventures after interest and taxation		**-**	3
Profit before tax		**204**	133
Income tax expense	2	**(42)**	(30)
Profit for the year		**162**	103
Earnings per share - basic	4	**44.5p**	28.3p
- diluted	4	**44.4p**	28.2p

Consolidated Statement of Comprehensive Income

12 months ended 30 June	**2015 £m**	2014 £m
Profit for the year	**162**	103
Other comprehensive income/(expense)		
Items that will not be reclassified to profit or loss		
Remeasurements of post-employment benefit obligations	**8**	(7)
Deferred tax on actuarial (gains)/losses taken directly to equity	**(2)**	1
Other comprehensive income/(expense) for the year net of tax	**6**	(6)
Total comprehensive income for the year	**168**	97

Balance Sheet

	Note	As at 30 June **2015** **£m**	2014 £m
Assets			
Intangible assets		**2**	2
Property, plant and equipment		**12**	11
Investments		**17**	11
Deferred tax assets		**5**	8
Trade and other receivables		**13**	15
Total non-current assets		**49**	47
Non-current assets held for sale		**-**	1
Inventories	5	**1,500**	1,157
Trade and other receivables		**39**	42
Cash and cash equivalents	8	**56**	55
Total current assets		**1,595**	1,255
Total assets		**1,644**	1,302
Equity			
Share capital	9	**37**	37
Share premium account		**59**	59
Other reserves		**8**	8
Retained earnings		**745**	592
Total equity		**849**	696
Liabilities			
Bank loans	8	**150**	175
Trade and other payables	6	**84**	54
Deferred tax liabilities		**1**	1
Retirement benefit obligations		**3**	11
Long-term provisions		**7**	6
Total non-current liabilities		**245**	247
Bank overdrafts and loans	8	**60**	52
Trade and other payables	6	**471**	307
Current income tax liabilities		**19**	-
Total current liabilities		**550**	359
Total liabilities		**795**	606
Total equity and liabilities		**1,644**	1,302

Statement of Changes in Equity

	2015 **£m**	2014 £m
12 months ended 30 June		
Profit for the year	**162**	103
Other comprehensive income/(expense) for the year	**6**	(6)
Total comprehensive income relating to the year (net)	**168**	97
Dividend paid	**(15)**	(7)
Movement in LTSIP/SAYE	**-**	(3)
Net increase in equity	**153**	87
Opening equity	**696**	609
Closing equity	**849**	696

The Statement of Cash Flows

	Note	12 months ended 30 June 2015 £m	2014 £m
Cash flows from operating activities			
Operating profit before financing costs		**213**	138
Depreciation and amortisation		**1**	1
Adjustment for non-cash items		**(5)**	(4)
Operating profit before changes in working capital and provisions		**209**	135
Increase in trade and other receivables		**(2)**	(12)
Increase in inventories		**(343)**	(262)
Increase in trade and other payables		**196**	67
Increase/(decrease) in provisions		**1**	(1)
Cash inflow/(outflow) generated from operations		**61**	(73)
Interest paid		**(6)**	(9)
Tax paid		**(22)**	-
Net cash inflow/(outflow) from operating activities		**33**	(82)
Cash flows from investing activities			
Sale of business		**9**	10
Acquisition of software, property, plant and equipment		**(1)**	(1)
Net (payments to)/receipts from joint ventures - continuing operations		**(6)**	5
Net cash inflow from investing activities		**2**	14
Cash flows from financing activities			
Issue of bank borrowings	7	**150**	175
Repayment of bank borrowings	7	**(175)**	(95)
Purchase of own shares		**(2)**	(6)
Dividend paid		**(15)**	(7)
Net cash (outflow)/inflow from financing activities		**(42)**	67
Decrease in net cash and cash equivalents		**(7)**	(1)
Net cash and cash equivalents at the beginning of the year		**3**	4
Net cash and cash equivalents at the end of the year	8	**(4)**	3

NOTES

1. Basis of preparation

The above results and the accompanying notes do not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006.

The Auditors have reported on the Group's statutory accounts for the year ended 30 June 2015 under s495 of the Companies Act 2006, which do not contain a statement under s498 (2) or s498 (3) of the Companies Act 2006 and are unqualified. The statutory accounts for the year ended 30 June 2014 have been delivered to the Registrar of Companies and the statutory accounts for the year ended 30 June 2015 will be filed with the Registrar in due course.

The audited consolidated financial statements from which these results are extracted have been prepared under the historical cost convention and in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, IFRIC interpretations and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The principal accounting policies have been applied consistently to all the periods presented.

2. Income Tax expense

	12 months ended 30 June	
	2015	2014
	£m	£m
Current year		
UK Corporation Tax at 20.75% (2014: 22.50%)	**41**	-
	41	-
Deferred tax		
Origination and reversal of temporary differences	**1**	29
Impact of change in deferred tax rate	**-**	1
Total income tax charge in income statement	**42**	30
Reconciliation of tax charge for the year		
Profit before tax	**204**	133
Tax on total profit at 20.75% (2014: 22.50%)	**42**	30
Impact of change in deferred tax rate	**-**	1
Short term temporary differences	**-**	(1)
Tax charge for the year	**42**	30

3. Dividends

The following dividends were paid by the Group:

	2015	2014
	£m	£m
Prior year final dividend per share of 2.0p (2014: 1.0p); current year interim dividend per share of 2.0p (2014: 1.0p)	**15**	7
	15	7

The Board decided to propose a final dividend of 4.0p per share in respect of 2015 (£15m (2014: £7m)). The dividend has not been provided for and there are no income tax consequences.

4. Earnings per share

The basic earnings per share calculation for the year ended 30 June 2015 is based on the weighted number of shares in issue during the period of 364m (2014: 363m) excluding those held in trust under the Redrow Long Term Incentive Plan (6m shares (2014: 7m shares)), which are treated as cancelled.

Diluted earnings per share has been calculated after adjusting the weighted average number of shares in issue for all potentially dilutive shares held under unexercised options.

12 months ended 30 June 2015

	Earnings £m	**No. of shares millions**	**Per share pence**
Basic earnings per share	**162**	**364**	**44.5**
Effect of share options and SAYE	**-**	**1**	**(0.1)**
Diluted earnings per share	**162**	**365**	**44.4**

	Earnings £m	**No. of shares millions**	**Per share pence**
Basic earnings per share	**162**	**364**	**44.5**
Adjustment to deferred tax rate change	**-**	**-**	**-**
Adjusted earnings per share	**162**	**364**	**44.5**

Adjusted diluted earnings per share are 44.4p (2014: 28.5p)

12 months ended 30 June 2014

	Earnings £m	No. of shares millions	Per share pence
Basic earnings per share	103	363	28.3
Effect of share options and SAYE	-	2	(0.1)
Diluted earnings per share	103	365	28.2

	Earnings £m	No. of shares millions	Per share pence
Basic earnings per share	103	363	28.3
Adjustment to deferred tax rate change	1	-	0.3
Adjusted earnings per share	104	363	28.6

5. Inventories

	As at 30 June **2015** **£m**	2014 £m
Land for development	**1,020**	802
Work in progress	**426**	325
Stock of showhomes	**54**	30
	1,500	1,157

Inventories of £826m net of £20m net realisable value provision utilisation, were expensed in the year (2014: £633m net of £21m net realisable value provision utilisation). Work in progress includes £3m (2014: £3m) in respect of part exchange properties.

Of the net realisable value provision of £28m (2014: £48m), £17m (2014: £34m) is attributed to land and £11m (2014: £14m) is attributed to work in progress.

The net realisable value provision movement is analysed below:

	Total
	£m
As at 1 July 2014	48
Utilised during the year	(20)
Created during the year	3
Released during the year	(3)
As at 30 June 2015	**28**

The net realisable value provisions of £3m and £3m created and released in the year are the result of our review at the balance sheet date in the context of prevailing market conditions and the re-assessment of selling prices and costs. They represent the creation of additional provisions against sites acquired pre June 2009 and the reduction of provisions already in place against such sites as required.

6. Land Creditors (included in trade and other payables)

	As at 30 June	
	2015	2014
	£m	£m
Due within one year	**182**	104
Due in more than one year	**84**	54
	266	158

7. Borrowings and loans

	12 months ended 30 June	
	2015	2014
	£m	£m
Opening net book amount	**175**	95
Issue of bank borrowings	**150**	175
Repayment of bank borrowings	**(175)**	(95)
Closing net book amount	**150**	175

At 30 June 2015 the Group had total unsecured bank borrowing facilities of £368m, representing £365m committed facilities and £3m uncommitted facilities.

8. Analysis of net debt

	As at 30 June	
	2015	2014
	£m	£m
Cash and cash equivalents	**56**	55
Bank overdrafts	**(60)**	(52)
Net cash and cash equivalents	**(4)**	3
Bank loans	**(150)**	(175)
	(154)	(172)

9. Share capital

	As at 30 June **2015** **£m**	2014 £m
Authorised		
480,000,000 ordinary shares of 10p each	**48**	48
Issued and fully paid	**37**	37

	Number of ordinary shares of 10p each
As at 1 July 2014 and 30 June 2015	**369,799,938**

10. Shareholder Enquiries

The Registrar is Computershare Investor Services PLC. Shareholder enquiries should be addressed to the Registrar at the following address:

Registrars Department
The Pavilions
Bridgwater Road
Bristol
BS99 6ZZ

11. Annual General Meeting

The Annual General Meeting of Redrow plc will be held at Village Urban Resort St Davids, St. David's Park, Flintshire on 10 November 2015, commencing at 12.00 noon. A copy of this statement is available for inspection at the registered office.