

## **CHIEF EXECUTIVE'S REVIEW**

### **Group Performance**

The Group has once again delivered record results. Turnover increased by 20% to £1.38bn and pre-tax profits were up 23% to £250m. Our growth in recent years has been exceptional. Over the past three years legal completions have grown by 67%, turnover by 128% and profit before tax by 262% and our strategy is to continue to grow, albeit we expect the pace to moderate. Our divisions in the South grew most strongly in the year and it is pleasing to report that the new South East division made a valuable contribution to the Group's results in its first year of trading.

### **Market**

The market throughout the year was stronger than the previous year which resulted in our average sales per outlet per week increasing by 6% to 0.72 with a seasonally stronger performance in the second-half. The top-end of the market however suffered from the impact of successive SDLT increases and this was particularly notable in London.

In response to the weaker top-end of the market we have focused our land buying and development programmes more towards our mid-range homes that have proven to be so popular with buyers – with many also being able to take advantage of Help to Buy. In London we announced some time ago that our strategy was to concentrate on more affordable apartments in the outer boroughs and it is within these areas we have acquired new sites. We have made good progress working through our legacy of prime London apartments, including Connaught Place, and now have very little exposure to this sector of the market.

### **Delivering more Homes**

To deliver more homes the industry needs more outlets. Increasing outlets is essential, but is a huge challenge: it requires talented and determined teams to close land deals and progress sites through what is a long-winded, under-resourced planning system. Despite the frustrations of the system we have a good track record of growing outlets year-on-year. Over the past three years we have increased outlets by nearly 40% from 92 to 128 and we expect the number of outlets to rise in 2017.

To grow outlets you need land. 2016 was a very successful year for land acquisition across the Group. We took advantage of a benign market and benefitted from an exceptional pull-through from the forward land portfolio that included 2,900 plots at Colindale, North London.

### **Placemaking**

Our product distinguishes us from our major competitors. Heritage is and will remain our core collection. We make continuous but subtle changes to the range to ensure it maintains its leading and award winning position in the new homes market.

But creating great places to live is not just about individual homes; it's about much more. It's about Placemaking: designing developments that are sympathetic to the surroundings where our customers can enhance their wellbeing and feel part of a community. It's about creating a Better Way to Live which we adopted as a new strap-line during the year.

We have also worked hard to make our developments more sustainable from an environmental perspective. We are working towards ISO14001 certification for our environmental management systems and became the first major housebuilder to score a maximum rating of 'three trees' in the WWF's Timber Scorecard.

## **Customers**

We are a customer focused business and we recognised some time ago that our customers' expectations were rising at a faster rate than we could support. We responded by making a significant investment to raise our game in this area: we expanded our customer service teams, introduced new technology and most recently obtained accreditation from the Institute of Customer Service. It is comforting to know that in a fast growing business such as ours, close to 90% of our discerning customers continue to recommend us.

## **People**

It is pleasing to report that a record 24 of our site managers received NHBC Pride in the Job awards in this year's competition. This is a great achievement at a time when the industry has a shortage of skilled trades, managers and technicians: a shortage that we recognised a number of years ago and have been doing more than our share to address ever since.

The wider industry needs to do more to address the skills crisis and I was delighted to accept the opportunity to Chair the Homebuilding Skills Partnership (HSP). The HSP is an HBF initiative and has secured four years of funding from the CITB to help tackle the country's skills shortage. The HSP will be looking to broaden the industry's appeal to attract a more diverse workforce as well as looking at ways to raise standards and productivity.

As we grow we have a responsibility for the welfare of an increasing number of people and we have to ensure our sites are safe places to live and work. We have expanded our Health and Safety teams during the year and despite a significant increase in build output, reduced the number of notifiable accidents per site.

## **Looking to the future**

In summary, 2016 was an excellent year for the Group. We are an innovative organisation and our initiatives are aimed at both improving shareholder value and supporting our brand purpose – to create a better way for people to live. We produced a very strong set of record results but of equal importance made significant progress across those parts of the business that are essential to our strategy for sustainable growth. We have an excellent product with a strong brand, we have an operational structure with capacity to grow and expand and a land bank with which to do so. We have talented, dedicated and loyal teams of people that share the same values. The Group is in good shape and well-positioned for the future. I am confident 2017 will be another excellent year for the business.

John Tutte  
Group Chief Executive