

Our Strategy



Mike Farley, Group Chief Executive

Introduction

Our strategy is to be a leading national housebuilder, building homes ranging from small affordable starter homes to large premium family homes and selling to both the private market and housing associations.

This strategy has now been complimented by a stronger focus on cash generation in order to strengthen our balance sheet. We continue to improve our business processes to control costs and we have repositioned each of our operating businesses to gain market share in our core housing markets that offer the best growth opportunities for the future.

Cash Generation

The decline in mortgage availability and housing demand throughout the country has necessitated a review of our business strategy in the construction and sale of new homes in the UK market. As a consequence our main strategy is now the generation of cash to reduce our debt, maintain liquidity and manage our balance sheet.

Land

Our current landbank represents a c. 6.8 year supply. Our strategy is to reduce our landbank to an equivalent of c. 5 years' supply so as to align our landbank with the expected future consumer demand for our homes.

We continue to control a substantial amount of land both owned and through option agreements which we promote through the planning process as part of our long term strategy for replacing land at below open market value.

Development

Our business requires in depth knowledge of local markets in order to engage subcontractors, plan sites in accordance with local demand, to anticipate customer taste in specific markets and to assess the regulatory environment. Our divisional structure is designed to utilise our local market expertise.

We ensure we are not dependent on a single supplier or subcontractor for the construction of our new homes and maintain efficient operations by utilising standardised materials available from a variety of sources.

Sales

We continue to follow our strategy of reducing exposure to local market volatility by maintaining operations across geographically and economically diverse markets throughout the UK to enhance our sales potential.

We monitor our sales, maintain realistic pricing and then closely match our build programmes with our customer orders. We ensure a strong focus on quality and customer satisfaction.

Corporate Responsibility

Our key responsibilities are to build sustainable homes and communities, to operate efficiently and to minimise our impact on the environment, to work with local communities, to promote the skills of our employees, to provide a safe and healthy working environment for our workforce and to care for our customers.

Our strategy is to integrate these complex social and environmental issues into our management processes from the start of our developments.

Principal Risks

The Group's financial and operational performance is subject to a significant number of risks, which are subject to continual assessment by management to mitigate and minimise these risks. There are also many risks which are outside of our control which can affect our business. Our principal risks are:

Risk	Impact	Mitigation
National and regional economic conditions	The housebuilding industry is sensitive to changes in job growth, interest rates and consumer confidence. Further deterioration in economic conditions may significantly decrease demand and pricing for new homes, which could have a material effect on our business revenues, margins and profits.	We minimise the level of speculative build undertaken by closely controlling our work in progress levels.
Capital requirements	Our ability to continue to manage our business depends on our ability to access capital on favourable terms. We could be adversely affected by a change in our credit rating or disruption in the capital markets resulting in credit facilities not being available. We also require access to bonding facilities to secure planning, road and sewer agreements for our developments.	The Group actively maintains a mixture of medium and long term debt and bonding lines to ensure sufficient funds and bonding are available to support operations.
Mortgage availability	Any further restrictions in the market availability of mortgages for our customers could reduce demand for our homes and affect revenues, margins and profits.	We ensure construction is matched to our level of sales.
Competitive markets	We operate in a market with many other national, regional and local housebuilders. Increasing levels of competition for a reduced number of buyers could reduce the number of homes we sell and affect revenues, margins and profits.	We constantly review our prices and sales incentives offered to customers to maintain appropriate sales volumes. We plan our developments to provide the right house styles and specification to suit the local market.
Regulatory compliance	Our business is subject to extensive and complex laws and regulations principally relating to planning, the environment and health and safety. Our obligations to comply with legislation can result in delays in land development and housebuilding activity causing us to incur substantial costs and prohibit or restrict land development and construction.	We hold a landbank sufficient to provide security of supply for short term requirements. We operate comprehensive management systems to ensure regulatory compliance and reduction in reputational risk.