



## Annual Report and Accounts 2011



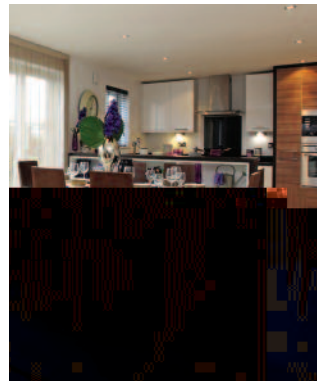
**"It's a pleasure  
to sell something  
I'm so proud of"**

Sara Eccles, Redrow Sales Consultant



**"Working at Redrow,  
it's all about pride in  
a job well done"**

Craig Galley, Redrow Site Manager



**"We saw the Redrow  
showhomes and were  
overwhelmed by them"**

Emma Grey, Redrow Home Owner



OUR PRIDE~YOUR JOY

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# Introduction

Redrow is one of the UK's leading residential property developers. We are a committed and enthusiastic team, working together with pride to deliver distinctive quality homes for our customers and value to our shareholders.



Hollies Farm, Hartford, Cheshire

## Financial Highlights for 2011

Revenue	£452.7m	+£55.8m	↑
Operating Profit	£31.2m	+£18.5m	↑
Profit before tax	£25.3m	+£24.6m	↑
Adjusted earnings per share *	6.0p	+5.8p	↑
Net assets	£458.6m	+£22.7m	↑
Return on capital employed	6.1%	+3.5%	↑

\* excludes deferred tax rate change impact

# Why Redrow

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# Redrow at a Glance

## Our Revenue

### Houses/Apartments

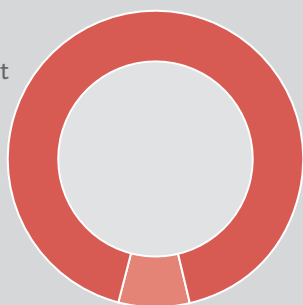
Houses represent 80% of homes sales revenue



Houses	£347.4m
Apartments	£85.4m
Total	£432.8m

### Private/Social

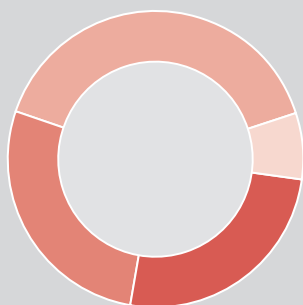
Private homes sales represent 92% of homes sales revenue



Private	£399.9m
Social	£32.9m
Total	£432.8m

### Regional

43% of continuing homes sales revenue is in the South of England

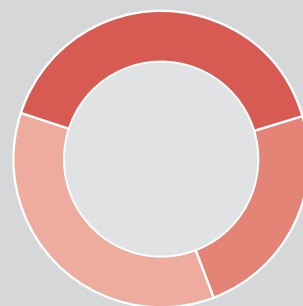


Scotland	£32.4m
North	£111.5m
Central	£117.8m
South	£171.1m
Total	£432.8m

## Our Land

### Current Land

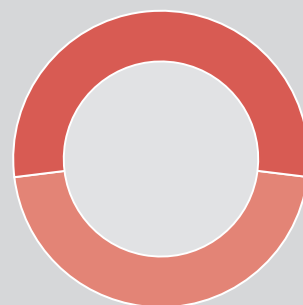
36% of current land is in the South of England and London



North	4,530 plots
Central	2,678 plots
South	3,982 plots
Total	11,190 plots

### Ageing of Current Land

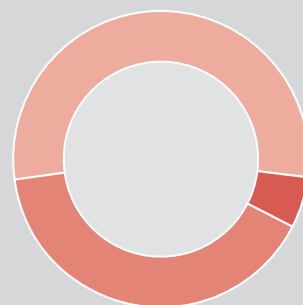
Over 45% of our current land was bought post June 2009



Owned pre 2009	6,046 plots
Owned post 2009	5,144 plots
Total	11,190 plots

### Forward Land

Over 40% of the forward land bank is allocated



Land owned without planning	1,295 plots
Options - allocations	9,065 plots
Options - realistic	11,790 plots
Total	22,150 plots

# Our markets – a year in review

## Overview

### Mortgage availability

The availability of mortgage finance is arguably the single most important demand side factor influencing the fortunes of the UK housing market.

During the last twelve months, the average seasonally adjusted number of monthly mortgage approvals has been c. 47,000. This is significantly lower than the c. 89,000 per month 10 year average. Approvals have been relatively stable around 45,000 to 47,000 per month this calendar year to date.

Redrow is proactively engaged, both directly and via the Home Builders Federation, with Government, lenders and insurers to encourage a return to normal market conditions, particularly for first time buyers.

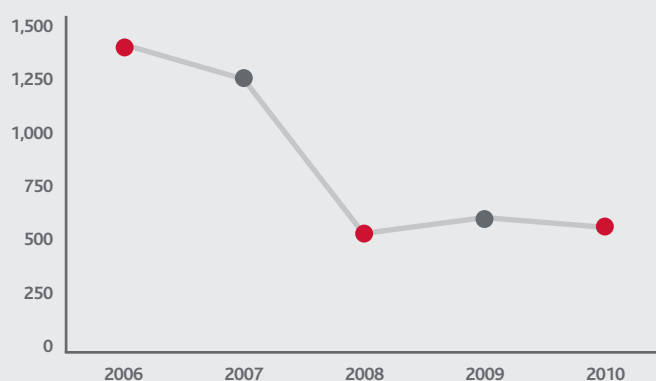
### Planning environment

The significant planning changes announced by the Coalition Government in the past 12 months have had a negative impact on land supply. The initial hiatus created by the abolition of RSS (Regional Spatial Strategy) has reduced the delivery of planning consents and this together with the arrival of the localism agenda has slowed the delivery of outlets across the market.

More recently the progress of the Localism Bill and the publication in July 2011 of the consultation draft of the National Planning Policy Framework have brought some clarity and these together with other planning policy announcements, are intended to speed up the planning process and therefore the supply of land for development, an objective we welcome.

### Mortgage approvals

No. ('000)

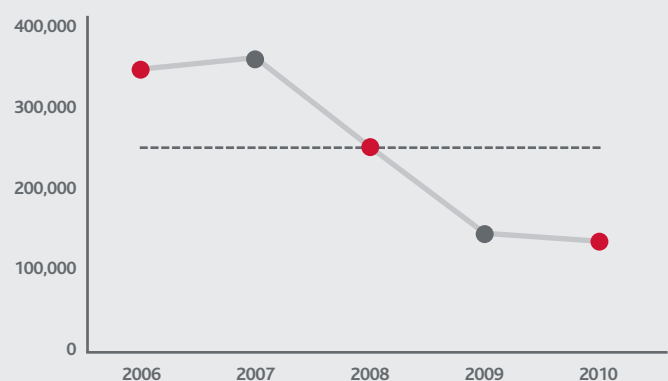


Source: Bank of England

### Gross mortgage lending

£(m)

----- 10 year average



Source: Bank of England

## 2010

November

Office for National Statistics published English Household projections to 2033 based on the 2008 based population projections. This showed household growth of 27% to 27.5m in 2033 or 232,000 per year. Nearly three quarters of household growth is driven by population growth.

December

On 13th December the Government published the Localism Bill with wide ranging general powers and governance for local authorities, community engagement, planning and housing.

Mortgage approvals fell to 43,000 in December.

## 2011

February

Housing Minister, Grant Shapps, announced the New Homes Bonus (effective from April 2011) which will reward local authorities with matched funding to build more houses over the next six years.

Gross mortgage lending was at its lowest in the financial year.

March

The Government presented its 2011 budget. Key measures were set out in the budget concerning planning reform and a Ministerial statement released on 23rd March "Planning for Growth" containing a pro-growth development policy when determining planning applications and preparing plans.

July

The draft National Planning Policy Framework is released which will replace numerous planning policies by one document and containing further detail on the pro-growth agenda, including a presumption in favour of sustainable development.

## House prices

House Price Index Average Price (£'000)



Source: Halifax

## Unemployment

No. Unemployed ('000)



Source: Office of National Statistics





# Chairman's statement

Redrow has demonstrated that despite the challenging conditions we have been able to grow the business substantially.



**Steve Morgan**  
Chairman

## Introduction

In spite of the difficulties facing the home building industry Redrow has delivered a robust performance with pre-tax profits improving from £0.7m to £25.3m. The principal constraint was, once again, the availability of mortgages, particularly for first time buyers. Although Redrow has returned to its traditional position of a middle market home builder, our customers in turn are dependent on the stimulus first time buyers give to the market.

## Financial Results

Group revenue increased by 14% in the year to 30 June 2011. This was largely due to a 10.4% increase in our average selling price from £149,300 to £164,800, together with a 1.5% increase in legal completions from 2,587 to 2,626. The average selling price of private homes – 87.5% of completions – increased by 12.5% from £154,800 to £174,100.

Gross margin rose from 10.5% in 2010 to 14.2% primarily as a result of the change in product mix, tight control of build costs and the growing proportion of newer land at more normal margins.

Operating profit increased 146% to £31.2m, generating an operating margin of 6.9% (2010: 3.2%), in spite of the significant investment and additional overhead of our new London Division, which was set up at the beginning of the financial year.

With a much reduced interest charge following the 2009 Rights Issue, we delivered a pre-tax profit of £25.3m compared to £0.7m in 2010, and earnings per share of 4.4p (2010: 0.2p).

Our balance sheet remains strong, with net debt of £75.4m giving gearing of 16% (2010: 11%).

No dividend is being declared for the year in line with the Board's strategy of only paying a dividend once the Group has an appropriate level of earnings cover and taking into account the need to invest in land for our future development.

## Structure

We have made two major changes to the structure of the Group in 2011.

Firstly, we set up a Division focused on prime London locations. London is a strong market with considerable international as well as domestic demand. In the first year of operating, we have secured five sites with a total of 342 plots and a gross development value of approximately £200m.

Secondly, in April we announced our intention to withdraw from the Scottish market in which we were a relatively small player in order to increase our investment and management focus on the rest of the business and the South East in particular. The disposal was completed at the end of June with the sale of the business at book value to Springfield plc.

## Market and New Heritage

The housing market, which was particularly challenging in the first half of the financial year, improved in the second half with a stronger spring/summer season. Sales rate per outlet increased from 0.47 per week in the first half to 0.60 per week in the second half and the value of private reservations for the same periods increased from £172m to £244m. Overall underlying selling prices remained stable throughout the financial year.

This was the first full financial year since the launch of our New Heritage Collection in February 2010 and its positive impact is clear from the results. The Collection accounted for 36% of our private turnover in 2011. In the second half, it accounted for 41% of private turnover and over 50% of private reservations by value. The average selling price of a New Heritage home increased by 11% to £201,000 as we continue to focus on delivering what Redrow has built its reputation on – good value, traditional family homes. Homes from the New Heritage Collection are achieving an average selling price

around 7% higher than the equivalent size home in the old Signature range.

We have sold virtually all of the remaining plots in our Debut and In the City ranges and have now exited these product lines.

A key priority remains the opening of new sales outlets. On a like for like basis, excluding Scotland, we have increased the number of outlets by 8 to 74 and our end of year private order book increased by 17% to £114m.

### Mortgages

Our cancellation rate for 2011 was 18%, similar to that of 2010. Yet again, the overwhelming cause of cancellations was mortgage issues, particularly the poor availability of high loan to value (LTV) mortgages at competitive rates. Whilst the number of high LTV mortgage products on offer has increased during the year, it is still well below historic levels and the stringency of the credit scoring by the lenders, combined with the high interest rates being charged, make them unattainable for all but the more affluent of first time buyers.

Going forward it is essential to find a balance between the regulatory risk weighting of higher LTV mortgages and the aspirations of first time buyers (FTB) who simply don't have the current average deposit requirement of 25% to purchase their first home. Historically, this gap was filled by the lender transferring the top 15-20% credit risk on its loans to a Mortgage Indemnity Guarantee (MIG) provided by a Local Government or insurance company. Generations of home buyers throughout the 20th Century benefited from this policy, with 90-95% mortgages being the norm.

Now that risk assessment and management are rightly back at the forefront of lending, the reintroduction of up to date MIG policies would ensure a better market balance between affordability for first time buyers and the risk taken by the lenders. Unless initiatives such as MIGs are reintroduced, the current low levels of turnover in the housing market are set to stay for some time.

During the 1930s and the post-war years, the significant home building activity of the time not only provided desperately needed new homes, it also provided a huge stimulus to the UK GDP during what were difficult economic periods. With five new jobs being created for every new home built, it is strongly in our country's interest to resolve the FTB mortgage issue, which would once again enable the housing industry to provide urgently needed new homes and a major stimulus to the economy.

### Land and Planning

Redrow is well on the way to re-establishing itself as a premium mid market quality home builder with high specification, larger than

average family homes. Accordingly, the nature and average plot cost of our land acquisitions has changed to suit this strategy.

During the year we added 2,367 plots which, after legal completions, the disposal of the Scottish business, land sales and replans has resulted in a land bank of 11,190 plots at the end of June 2011. This equates to approximately 4.5 years supply compared to 5 years in June 2010 and our target of c.4 years. The average plot cost has increased from £34,000 to £49,000 to reflect our focus in the marketplace and our investment during the year in prime London locations.

The Group's forward land bank contributed only 200 plots to current land in the year, as planning on many sites stalled due to Local Authorities delaying decisions awaiting new planning guidance from the Government. Now that this guidance is emerging we are hopeful that significant progress will be made in the current year. The forward land bank stands at just over 22,000 plots, little changed from last year.

The Government published the draft National Planning Policy Framework (NPPF) on 25 July for consultation containing 'a presumption in favour of sustainable development' as the golden thread running through the policy. We warmly welcome the objectives of the draft NPPF and fully support its general direction of travel in its attempt to strike a balance into the planning system. Hopefully the NPPF will result in a boost to the number of planning permissions being granted for housing at a time when current permissions are at worryingly low levels.

### People

Redrow has made tremendous progress in the last 12 months despite the market conditions, which is a testament to the efforts of the whole Redrow team. I would like to thank all of them for their support as we continue our goal of re-establishing Redrow as the leading premier homebuilder in the UK.

### Current Trading

The market remains uncertain, with sales rates broadly similar to last year at just over 0.5 sales per outlet per week. We do, however, have 4 more outlets than this time last year, excluding Scotland, which has resulted in reservations in the first nine weeks of the current year being 8% above last year's levels. Terms have been agreed on a number of new significant land opportunities, which in time will result in further increases in our average selling price.

### Outlook

The outlook for the industry remains challenging, with the lack of mortgage supply and general economic incertitude affecting what is undoubtedly a huge demand for new housing. The under-supply of housing in the UK is reaching chronic proportions as many recent reports have testified. The ongoing stability of house prices despite

the economic conditions and the rising cost of renting property, underlines this point.

Redrow has demonstrated over the last two years that we have been able to grow the business substantially by changing Group strategy and particularly the introduction of the New Heritage Collection. The nature of our land acquisitions over recent times will continue to drive the average selling price in an upwards direction. Other than a marked deterioration in the general economy and the housing market in particular, I feel confident that Redrow will make further progress during the current year.

**Steve Morgan**  
Chairman  
7 September 2011







## Our Business Model

This summarises how we create value through our business.

### THE REDROW WAY

Source the right land at the right price



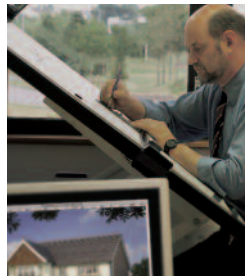
Add value during the planning process



Strategic supplier & subcontractor relationships



Committed and skilled Redrow people



#### Land

Land is a key raw material for our business and the quality of our land bank is a fundamental element in delivering sustainable and profitable growth.

Redrow has a clearly defined strategy encompassing:

- Investment in forward/strategic land opportunities where land can be acquired at a discount to open market value and promoted through the planning process
- Investment in medium term land where we can add value by resolving planning, technical and legal issues for landowners
- Purchase of consented land with short term return opportunities

#### Performance Indicators

- Land bank years
- No. of plots with planning consent
- No. of plots in forward land bank

#### Planning and design

Redrow operates within the constraints of an ever changing planning environment and it is increasingly important to have an understanding and anticipation of planning policy to allow us to plan for the future.

Redrow monitors the planning environment closely at national and local level and has an experienced planning resource based within its Divisional businesses working to support land, technical and design teams to optimise opportunities and returns.

Redrow also has an experienced centrally based technical function responsible for product development and design.

#### Performance Indicators

- Forward land pull through

#### Relationships

The importance of working closely with suppliers and subcontractors and maintaining a strong supply chain are principles that have long been established within Redrow.

Over 80% of materials used in the construction of our homes are procured under a national supply agreement.

Supplier and subcontractor quality and performance is monitored through six monthly assessments.

#### Performance Indicators

- Purchases under central contract
- Standard cost by housetype
- Number of suppliers by material type

#### People

Committed and skilled Redrow people are an important element in the delivery of our business objectives.

Our employees bring a wide spectrum of skill sets and experience and are united by their enthusiasm and commitment to quality.

There are opportunities for employees to progress and fulfil their potential.

Redrow has an in-house training centre which delivers bespoke courses, apprentice, graduate training and industrial placement programmes.

#### Performance Indicators

- Staff turnover rates
- Training days



### Build

Quality of build underpins our ability to deliver a quality home to our customers.

Through our quality control processes and use of experienced subcontractors and site management, we endeavour to ensure our developments are a safe environment for our contractors and employees to work and to deliver well built homes on programme.

A dedicated in-house health and safety team operates across the Group to ensure appropriate health & safety standards are applied and we expect all our subcontractors working on site to hold the relevant Construction Skills Certification Scheme card.

### Performance Indicators

- Average reportable items per NHBC inspection
- Accident incident rate

### Marketing

Our marketing strategy is currently focused on building brand awareness and ensuring our target market understands that we are committed to delivering quality family homes that we are proud to build.

We use a variety of media to deliver our message, including Redrow TV, targeted television advertising campaigns and property portals.

We undertake market research, encourage feedback from our customers and are regularly developing our systems to better measure the effectiveness of our marketing.

### Performance Indicators

- No. of visitors to website and Redrow TV
- Marketing cost per sale
- Visitors per outlet

### Sales

Our sales teams are well informed about the attributes of our homes, the customer option choices available and the facilities in the localities of our developments.

Sales staff undergo regular training and sales conferences are held annually for all sales personnel.

Sales performance by development is monitored weekly as part of our weekly performance reporting process.

### Performance Indicators

- No. of outlets
- Private reservation rate per outlet
- Visitor conversion rate
- Cancellation rate

### Customers

Redrow understands how important their home is to our customers and potential customers.

We aim to deliver a quality home and provide a high standard of customer service throughout the purchase process and beyond.

Homes are demonstrated to customers by our sales consultants and site managers prior to them moving in and post completion feedback and follow up procedures are in place.

### Performance Indicators

- Customer satisfaction rates
- Customer recommendation rates

### Outcome

At Redrow, we take pride in all we do.

All these elements of our business model combine to enable us to deliver value to our customers, shareholders and other stakeholders.

### Performance Indicators

- ROCE
- EPS
- Operating margin
- Operating cash flow
- Capital turn

# Key Performance Indicators (KPIs)

## Non Financial KPIs

### Land & Planning

#### Why this matters

The land bank is the foundation for our future business performance

#### How we measure it

- The number of plots in the current land bank
- No. of years in current land bank
- The number of plots in the forward land bank

#### How we performed

- We reduced the number of years in our current land bank towards our target 4 year level
- We increased our forward land bank overall and also its quality in terms of plots with allocations

2011

11,190 plots



4.6 years



2010

12,030 plots<sup>1</sup>5.0 years<sup>1</sup>

22,150 plots

21,500 plots<sup>1</sup>

### Employees

#### Why this matters

Redrow looks to be regarded as an employer of choice in the industry and therefore we monitor our staff turnover

#### How we measure it

- Number of staff leaving as a proportion of total staff
- No. of training days

#### How we performed

- Slight increase reflects increased mobility in job market
- We increased our training days by over 70%

7.6%



6.1%

2,267 days



1,300 days

### Build

#### Why this matters

We aim to build our homes well and safely and therefore monitor construction quality and accident rates

#### How we measure it

- The average number of reportable items per NHBC inspection
- Accident incident rate

#### How we performed

- There was a small improvement in reportable item performance
- Whilst this rate has increased it remains below the HSE average for the construction industry. Results are being evaluated and new initiatives will be introduced as appropriate

0.25



0.26

685



426

### Outlets

#### Why this matters

Outlets define our potential to reach customers

#### How we measure it

- The average number of developments on which we are actively selling

#### How we performed

- We increased our outlets in the year

79



76

### Customers

#### Why this matters

We aim to provide our customers with a home they are proud of and to deliver improving levels of customer service that enhance our reputation in the marketplace

#### How we measure it

- The percentage of customers who are satisfied with their overall purchase experience including quality of their home
- The percentage of customers who would recommend Redrow to a friend

#### How we performed

- We maintained our high customer satisfaction and recommendation levels in the year

93%



92%

96%



96%



## Financial KPIs

## Earnings per share (EPS)

## Why this matters

Redrow regards growth in Earnings per Share as an important objective for our shareholders

## How we measure it

- Profit attributable to ordinary equity shareholders divided by the weighted average number of ordinary shares in issue during the year
- Adjusted prior to deferred tax rate change

## How we performed

- We improved our performance in the year

2011  
**4.4p**2010  
**0.2p****6.0p****0.2p**

## Return on capital employed (ROCE)

## Why this matters

We monitor how effectively we use our capital base with the objective of delivering ROCE in excess of our comparable cost of capital

## How we measure it

- Operating profit as a percentage of the average of opening and closing capital employed

## How we performed

- We improved our performance in the year

**6.1%****2.6%**

## Operating margin

## Why this matters

We regard this as an important measure of the quality of our financial returns

## How we measure it

- Operating profit as a percentage of revenue

## How we performed

- We improved our performance in the year

**6.9%****3.2%**

## Operating cash flow

## Why this matters

We monitor how effective our operations have been in generating cash

## How we measure it

- Cash generated from operations

## How we performed

- We increased our selected investment in land, notably in London and the South East

**(£26.9m)****£50.0m**

## Private order book

## Why this matters

The order book measures future turnover already recorded as customer orders

## How we measure it

- The value of private homes reserved or exchanged at the end of the period that are due to legally complete in the future

## How we performed

- The value of our order book increased by over 16% year on year

**£114.2m****£97.9m<sup>1</sup>**

## Private reservation rate

## Why this matters

This is a measure of sales efficiency and the appeal of our houses to customers

## How we measure it

- Private reservation value achieved per outlet per week

## How we performed

- We increased our rate per week

**£102,000****£91,000**

<sup>1</sup> Comparator excludes Scotland







# Operating review

Following the major structural changes of the last two years, in 2011 we have made considerable investments in the development of our people and our brand to ensure Redrow remains an innovative, customer focused business with a unique culture and a premium product.

Trading, particularly in the first half, was more challenging than most anticipated. Thankfully, the far-reaching changes we made to the operational side of the business in the previous year meant we were better placed to deal with a more challenging business environment.

Although change featured less in 2011, we did make two notable announcements that will significantly affect the direction and performance of the business in the future: the opening of a new Division in London and the sale of our business in Scotland.

London accounts for a large proportion of the nation's wealth and household growth, demand in the capital has been consistently high and there are plenty of attractive development opportunities to deliver good levels of return. By contrast, despite operating in Scotland for a number of years, we were not making acceptable returns and additionally incurred disproportionate costs in connection with the different planning, building regulation and legal systems. The release of capital from the disposal of the business will support our strategy to grow in London and the South East.

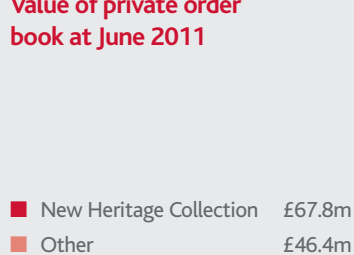
## Sales and Marketing

The market was weak at the start of the financial year and this remained the case throughout the first half. An opening private order book of 597 units was in line with the previous year but was 18% ahead in terms of revenue due to a higher average selling price. In the first half we reserved 985 units and £172m of turnover compared to 1,060 units and £161m in the stronger comparable period the previous year. The sales performance towards the end of

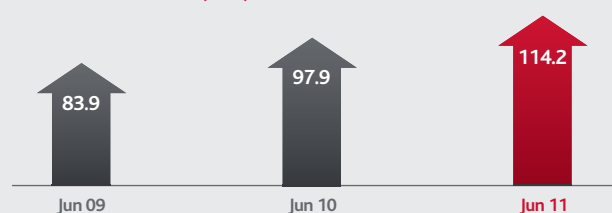


John Tutte  
Group Managing Director

## Value of private order book at June 2011



## Private order book (£m)



Note: comparative order book figures exclude Scotland

"The Group recorded private reservations valuing c. £416m in the year an increase of c.16% on the previous year."

+16%

## 'Our Pride ~ Your Joy' Marketing Campaign



In support of Redrow's return to traditional values, we created a wide range of highly effective messages based around the core theme of 'Our Pride ~ Your Joy'. This activity has shown impressive results, both in customer numbers and public perception of the Redrow brand.

### Our Objectives

The 'Our Pride ~ Your Joy' campaign objective was to reassure the consumer that we understand how important their home is to them and that we have the experience and expertise to not only help them through the home buying process, but deliver them a home they will be proud to call their own.

### Pre and Post Campaign Research

Quantitative (vox-pop) research demonstrated clear changes in how Redrow and its product is viewed. More people now associate Redrow with phrases such as quality, trustworthy, traditional exterior, modern interior, professional and distinctive. (This can be viewed via [tv.redrow.co.uk/ourpride-yourjoy](http://tv.redrow.co.uk/ourpride-yourjoy)).

Analytics revealed a significant uplift in visitors and enquiries to not only our website and Redrow TV but we achieved a 19% increase in visitor levels to our developments during the 'Our Pride ~ Your Joy' marketing campaign period.

### Leading the way

Redrow continues to lead the way in the homebuilding sector with its innovative marketing activity. Thanks to the introduction of the new Microsoft TAGs technology. (This can be viewed via [tv.redrow.co.uk/ourpride-yourjoy](http://tv.redrow.co.uk/ourpride-yourjoy)).

### Awards

We have been proud to have our achievements recognised with several prestigious awards over the last year. We won the top accolade at the Marketing Society Northern Awards 2011 for the 'Our Pride ~ Your Joy' campaign in the property and construction category and also Best Marketing Initiative at the 2010 awards.

the first half was also affected by unusually bad weather. Reservations per outlet per week in the first half averaged 0.47.

The year was very much one of two halves with much stronger trading in the second half. Enquiries to our website increased with the help of a regional TV campaign and site visitor levels improved, this all helped increase reservations per outlet to 0.54 for the full year. The cancellation rate in the year was 18%, broadly in line with the previous year.

Our experience during the year was one of stable prices overall. Our private average selling price increased by 13% to £174,100 due to the continuing shift in mix as a consequence of the roll out of the New Heritage Collection. The largest increases in selling price were achieved in the Midlands, North West and South Wales where we were able to bring on stream more New Heritage Collection sites sooner.

We started the year with 74 outlets. We opened 34 new outlets in the year and also closed 34, including 8 sold as part of the Scotland

disposal, ending the year with 74 outlets. At the year end we were operating from 52 New Heritage outlets, c. 70% of the Group's sites and we expect to see this rise to c. 80% in the coming year.

Houses represented over 70% of legal completions in the year as a result of the switch to the New Heritage Collection and a move away from apartments. The average size of our private product increased from 892 sq ft to 956 sq ft.

We completed our 'In the City' schemes in Birmingham and carried over six plots at our remaining 'In the City' development in Barking. We also made considerable progress in working out our last 'Debut' schemes and we ended the year with only 9 plots to sell on one site. Social housing accounted for just 13% of legal completions and 8% of residential turnover: a reduction on the previous year mainly due to the timing of social housing from new outlets coming on stream.

Part Exchange is an attractive option for many of our customers and we anticipate a higher take up of this incentive as we continue to grow the New Heritage business and raise our average selling price:



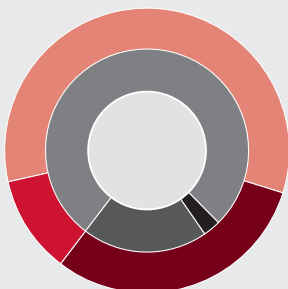
## Private legal completions

## 2011

■ New Heritage Collection	708
■ Debut/In the City	252
■ Other	1337

## 2010

■ New Heritage Collection	67
■ Debut/In the City	439
■ Other	1708



Part Exchange accounted for 13% of private reservations in the financial year. Outside our Partnership scheme in Manchester, we sparingly use easi:buy, our own shared equity scheme. We have however continued to successfully use our remaining allocation of HomeBuy funds and, as a result, shared equity schemes in total were used in one form or another on 17% of private reservations. We were successful in securing an allocation of £5.5m under the FirstBuy scheme announced in the Budget, and we have already taken our first reservations under this initiative that is aimed at helping first time buyers.



Trenchwood Gardens, Telford, Shropshire



Mulberry Grange, Hambleton, Yorkshire

Our website continues to be the predominant source of enquiries to our sites assisted by other mainstream property portals. The website recorded c.1.5m hits in the year, with visitors to the site in the second half almost double those in the first six months. Our award winning Redrow TV channel continues to expand its content and plays a key role in our overall marketing strategy.

## Build Activity

Year on year build output increased as a result of the higher number of operating outlets and the larger average floor areas of those units we constructed.

## HBF 5 Star Home Builder

The HBF National New Home Customer Satisfaction Survey is one of the most respected surveys of its kind. In its most recent survey published in March, Redrow was delighted to become one of only two major housebuilders to be awarded a 5 Star rating. This top standard is reserved for companies where over 90% of customers would recommend them to a friend; and where at least 90% of purchasers are satisfied with the quality of their new home.



Quality alongside Health and Safety, are key measures for our build teams. In terms of quality, we monitor NHBC inspection records and the number of 'Reportable Items': over the past year, the number of items per inspection reduced to 0.25 (2010: 0.26). 13 of our site managers gained NHBC Pride in the Job Awards.

We employ an external independent agency to telephone survey all our customers about six weeks after taking occupation. Over the past year we have maintained our high levels of customer satisfaction; 93% (2010: 92%) are satisfied or very satisfied with their new home and 96% (2010: 96%) would recommend us to a friend. Our leading position on customer satisfaction was also endorsed by a five star award in the most recent HBF National New Home Customer Satisfaction Survey published in March: one of only two major housebuilders to receive the highest award.

The Health and Safety of our customers, employees, contractors and suppliers is a priority for the business. Our internal Health and Safety team ensure we maintain safe working environments through regular site inspections, training and on-the-job 'toolbox talks'. It is very pleasing to report that following receipt of a Gold Award for the sixth year running for our submission to RoSPA's

independent adjudication panel, our hard work in this most important part of our business has been recognised by a second consecutive RoSPA Gold Medal Award for Occupational Health and Safety.

Our Accident Incident Rate (AIR), an industry standard measure of accident occurrence, increased in the year to 685 from 426 the previous year. The rise was largely due to a higher number of minor injuries associated with manual handling and an increase in the number of workers directly employed on site to meet rising levels of output.

Build costs remained relatively stable throughout the year although there was growing pressure on the cost of those materials where the manufacturing process consumes high levels of energy. There was also some emerging price pressure on timber and timber related products. Overall the Group has managed to contain any significant increase in its build cost base by largely offsetting any rises with volume related reductions elsewhere. Wider use of the New Heritage Collection assists in expanding the use of Group-wide supplier deals and also allows us to more tightly monitor and control build costs.



Sandy Lane, Chorley, Lancashire





### Land

We focused on buying land for the New Heritage Collection during the year, and bought or acquired under contract 2,367 plots across 31 sites. We disposed of 831 plots through the sale of the Scottish Division and the land bank was further reduced by 890 plots as a consequence of re-planning some sites to more marketable lower density mixes together with a small number of strategic land sales. The net impact was to reduce the land bank to 11,190 plots (2010: 12,030) representing 4.6 years. Whilst the land bank has reduced in terms of plots, the quality has increased as we replace lower value plots with higher value land suitable for the New Heritage Collection product.

Geographically we have increased the weighting of our land bank to the south which now accounts for 36% (2010: 32%) of plots owned or under contract.

Forward land remains an important future source of land for the Group and has considerable potential to deliver a high proportion of the Group's land over the coming years. The emerging changes to the planning system coupled with a pro-growth agenda have identified opportunities to bring forward sites earlier than anticipated. However, pulling land through the planning system and

**Across the year 93% of our customers were satisfied or very satisfied with their new home and 96% would recommend us to a friend.**

finalising land owner negotiations remains a frustrating and lengthy process. At the end of the year, after transferring 207 plots to the current land bank, the forward land bank stood at 22,150 plots (2010: 21,500) of which, over 41% were allocated.

### London

We formed a new division in Central London at the beginning of the financial year to explore opportunities in the Capital. London's global standing makes it a unique market in the UK and strong worldwide demand coupled with high household growth projections, make it an attractive location to expand the Group and increase its weighting in the South East.



Great Park, Rubery, West Midlands



The Walpole Collection, Ealing, London

## Focus on London

Our new Divisional operation in London which opened in August 2010, has firmly established itself in offices in Chancery Lane in the heart of London and has acquired 235 plots on three sites, with a development value of c. £150m.

September will see the official launch of the showhome on our first development at Ealing and a start on site at Kingston. Detailed planning and design work is progressing in respect of our Connaught Place development. In addition, two sites have been exchanged conditionally for 107 plots with a development value of £50m with completion due in the coming year.

The new team was quickly established and consists of specialists with extensive knowledge of developing in London balanced with a number of existing managers transferred from within the Group. The business acquired or contracted 342 high value plots across five sites over the course of the year.

The first site for six large houses at Ealing is well underway and we expect to be commencing construction later this calendar year on a large riverside site in Kingston. We also have planning applications running on sites at Marble Arch and Wapping where we are working jointly with Galliard.

Development in London is by its very nature complex and although the team have made an excellent start and has now relocated to larger offices, the Division is not expected to make a significant contribution to the Group's profits until 2013/14.

### Harrow

Following its acquisition last year, Harrow has made good progress on managing the remediation works at Hauxton, near Cambridge and now anticipate land being released for development in 2012. Planning has been progressed on a number of other schemes and they were notably successful in securing a resolution to grant planning at South Cerney, a site acquired in the Cotswolds in the previous year.

During the year Harrow acquired one site with the development potential for 200 residential units and entered into a joint venture for the promotion and development of smaller brownfield sites in the south of England.

Harrow also manage the Group's remaining commercial interests and have overseen the disposal of £0.7m of commercial property during the year.

### People

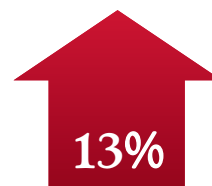
To meet the planned growth of the business we have created many new jobs and increased our directly employed workforce by over 100 to 949. Staff turnover levels remain low at 7.6%, a small increase on the previous year reflecting greater mobility in the job market.

Redrow has a committed and skilled workforce and we are determined to provide them with opportunities to develop their



Kirk's Paddock, Grimsby





careers. We increased our training days by over 70% in the year to 2,267 days. We also recruited 50 apprentices and have a programme to encourage young people into the building trade.

We have reinstated our Graduate programme with an intake of 6 joining us in September. We have also recruited 7 placement students for 12 months replacing the 5 from last year who are returning to university to complete their studies.

**John Tutte**  
Group Managing Director  
7 September 2011

**Apprentices have increased to 13% of site employees following the recruitment of 50 new apprentices in the year, one of the highest percentages in the housebuilding industry.**



Daniel Harris, year 2 Apprentice of the Year



Lorrie Veasey, year 1 Apprentice of the Year pictured with Ryan Price who received a highly commended award

## Investing in the future of housebuilding

During the last 12 months Redrow has recruited 50 new apprentices across the country. This brings the number of apprentices employed at June 2011 to 59, some 13% of site employees.

The Redrow apprenticeship programme combines practical on site work experience with a National Vocational Qualification (NVQ). Apprentices are placed to work alongside experienced and trusted subcontractors from whom they can learn the skills required for their chosen trade whilst working on Redrow developments.

Redrow holds Apprentice of the Year awards to recognise the achievements of its apprentices. This year's winners were Lorrie Veasey and Daniel Harris.







# Financial review

The more than doubling of our operating margin year on year to 6.9% was a significant step towards our target of returning our profitability to pre downturn levels.



**Barbara Richmond**

Group Finance Director

## Profit before tax and earnings per share

The Group generated turnover of £452.7m in the year ended 30 June 2011 (2010: £396.9m). This was mainly the result of a 16% increase in the average selling price of our homes together with a 2% increase in residential legal completions.

Revenue (£m)	2011	2010
Residential	432.8	386.2
Land sales	18.7	8.7
Commercial	1.2	2.0
	452.7	396.9

Land sales revenue increased by £10.0m reflecting the successful completion of a number of strategic land swaps.

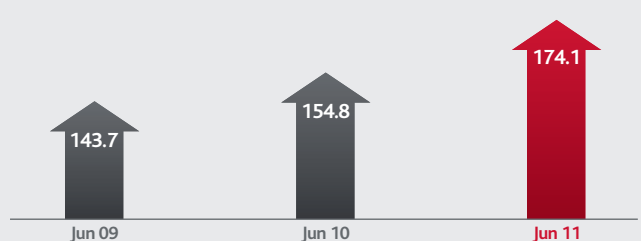
The Group delivered an operating profit of £31.2m (2010: £12.7m) representing a 6.9% operating margin (2010: 3.2%). This is a significant step forward towards returning our operating margin to pre downturn levels.

Net financing costs at £5.9m were £6.1m lower than the previous year reflecting the benefits of the November 2009 Rights Issue for the full year and reduced interest rates.

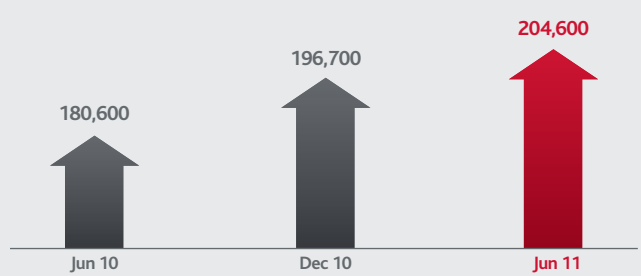
The Group generated a profit before tax of £25.3m (2010: £0.7m). Basic earnings per share were 4.4p (2010: 0.2p). Basic earnings per share excluding the impact of rate changes on our deferred tax asset (see below) were 6.0p.

The Return on Capital Employed for 2011 was 6.1%, a major improvement on the 2.6% achieved in the previous year.

## Private Average Selling Price (£'000)



## New Heritage Collection Private Average Selling Price (£)



## Tax

As a consequence of tax losses brought forward, the Group paid no corporation tax in the year and received a small refund (£0.5m) on an earlier overpayment (2010: £nil paid or received).

The Group's tax rate for the year was 27.5% (2010: 28%) before taking into account the impact of the reduction in the corporation tax rate to 26% on deferred tax assets (£4.8m (2010: £nil)).

A deferred tax asset of £63.8m (2010: £77.2m), primarily in relation to pre tax losses was carried at 26.0% at 30 June 2011 for use against future profits. Following the enactment of the 2011 Finance Bill, the corporation tax rate will fall to 25% from 1 April 2012. The carrying value of the deferred tax asset based on a 25% rate would be £61.3m.

The normalised rate of tax for the year ending 30 June 2012 is 25.75%.



### Dividends

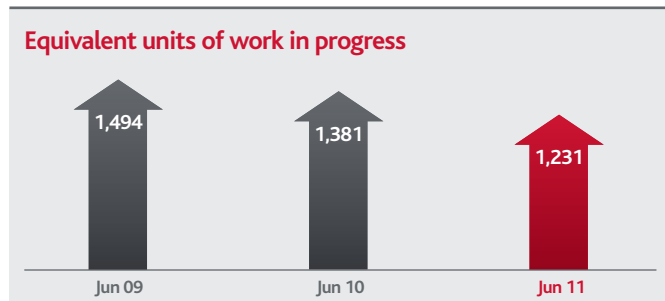
No dividends have been proposed in respect of the financial year ended 30 June 2011 (2010: nil).

### Balance Sheet

Net assets at June 2011 were £458.6m (2010: £435.9m), an increase of c. 5%, as a consequence of the retained profit generated in the year and the improved position of the defined benefit pension scheme under IAS 19: "Employee Benefits"

In June, the Group sold its business in Scotland to Springfield Properties plc for £49.0m. This had the impact of reducing our land holdings by £29.2m and our work in progress by £19.0m. £5.0m of the proceeds were received on completion with the balance to be received as the developments are built out by Springfield and the 831 plots sold. There was no profit or loss on this disposal.

Our investment in work in progress continues to be carefully managed and it is pleasing to report that the number of equivalent units in work in progress reduced by 11% to 1,231 units, of which 685 were unsold (2010: 796).



Trade and other receivables increased by £50.0m during the year to £69.6m. This increase related primarily to the disposal of our Scottish business.

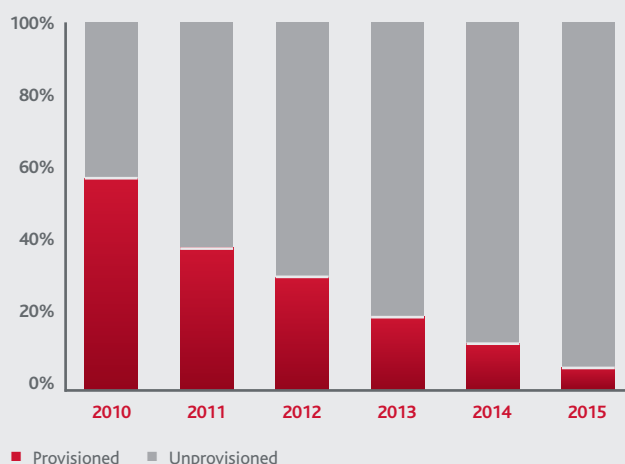
Capital employed increased by £51.0m to £534.0m mainly due to increases in land holdings.

Our net realisable value (NRV) provision reduced by £98.6m in the year, of which £31.0m results from the Scotland disposal with the balance from legal completions and the sale of land.

Plots which have been written down and therefore have a related NRV provision decreased from c. 7,500 plots at June 2010 to c. 4,400 plots at June 2011. Future completion of these plots, relative to ones without a provision, is in the following chart:

### Profile of Provisioned Plots

Provisioned plots in land bank (owned and contracted) at 30 June



Land creditors increased by £7.2m to £44.8m in the year as a result of 50% of land purchases in the year including some element of deferred purchase consideration offset in part by the scheduled settlement of a number of significant land creditors.

### Pensions

Redrow provides both funded defined benefit pension arrangements and funded defined contribution arrangements.

As reported in previous years, the defined benefits section of the pension scheme is closed to new entrants and increases in pensionable salary are limited. 138 current staff are members of the defined benefits section of the scheme.

At 30 June 2011, the Group's financial statements showed a £5.0m surplus (2010: £4.4m deficit) in respect of the defined benefits section of the pension scheme, as calculated in accordance with IAS 19. The £9.4m improvement is due to a £9.0m increase in the market value of scheme assets.

### Cash flow and Net Debt

Net debt increased by £28.3m to £75.4m during the year, with gearing increasing slightly to 16% (2010: 11%) reflecting our investment in land.

In December 2010, the Group signed a new £200m syndicated loan facility which matures in December 2014. This replaced a £250m facility due to mature in September 2011.

### Financing and Treasury Management

Redrow is a UK based housebuilder 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 four 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. During the year the Group's outstanding interest rate swaps matured and the Board decided, taking into account current predicted LIBOR rates and the pricing of interest rate swaps, to retain all its debt at floating rates. This decision is subject to regular review.

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

### Improvements to business processes

During the year a team from across the functions of Finance, Commercial and Construction led the implementation of changes to Redrow's business processes for internal reporting to improve the timeliness and efficiency of the internal financial management reporting cycle. This has enabled the timescale for the production of monthly management accounts to be reduced to 3 days post month end.

**Barbara Richmond**

Group Finance Director

7 September 2011

# Risks

The availability of mortgage finance and the deposit requirements of first time buyers are key issues in the current environment.

Risk	Description	How we manage our risks	Change
■ Availability of mortgage finance	The availability of mortgage finance and the deposit requirements for first time buyers are key issues in the current environment	<ul style="list-style-type: none"> <li>■ Proactively engage with Government, lenders and insurers to encourage a return to normal market conditions, particularly for first time buyers</li> <li>■ Proactive approach to the management of the mortgage valuation process</li> </ul>	↑
■ Housing market conditions	The conditions within the UK housing market are fundamental to Redrow's business performance	<ul style="list-style-type: none"> <li>■ Close monitoring of, and proactive management response to, lead indicators of the housing market</li> <li>■ Regional spread of operations diversifies risk to local markets</li> </ul>	→
■ Land procurement	The ability to purchase land suitable for our products and the timing of future land purchases are fundamental to the Group's future performance	<ul style="list-style-type: none"> <li>■ Clearly defined strategy and long term focus on forward land</li> <li>■ Close monitoring of market conditions by experienced management team</li> <li>■ Strong and knowledgeable land, planning and technical teams with good local knowledge</li> </ul>	→
■ Planning and regulatory environment	The ability to respond and adapt to the changing planning and regulatory environment is key to Redrow's future business performance	<ul style="list-style-type: none"> <li>■ Close monitoring of planning environment by experienced management team</li> <li>■ Local knowledge of Divisional planning and technical teams</li> <li>■ Well prepared, high quality planning submissions addressing local concerns and demonstrating good design</li> </ul>	↑
■ Appropriateness of product	The failure to design and build a desirable product for our customers at the appropriate price may undermine Redrow's ability to fulfil its business objectives	<ul style="list-style-type: none"> <li>■ Our product and product mix on sites is kept under review to ensure it is appropriate for the market</li> <li>■ Design is an integral element of our business</li> <li>■ We proactively seek to understand customer requirements and explain the advantages of new homes</li> </ul>	→

Note: Change arrows reflect movement in underlying risks

Risk	Description	How we manage our risks	Change
<ul style="list-style-type: none"> <li>■ Liquidity and funding</li> </ul>	The Group requires appropriate facilities for its short term liquidity and long term funding needs	<ul style="list-style-type: none"> <li>■ Bank facilities with appropriate covenants and headroom for a range of market conditions</li> <li>■ Regular contact and communication with shareholders and relationship banks</li> <li>■ Regular preparation of strategic plans</li> <li>■ Capital structure regularly reviewed</li> </ul>	↓
<ul style="list-style-type: none"> <li>■ Health and safety/environment</li> </ul>	A significant Health and Safety or environmental incident may put people, the environment and Redrow's reputation at risk	<ul style="list-style-type: none"> <li>■ Dedicated Health and Safety team operates across the Group to ensure appropriate standards are applied</li> <li>■ Regular site inspections and audits</li> <li>■ All staff receive appropriate training through in-house and external programmes</li> <li>■ Close monitoring of environmental regulatory requirements by experienced management</li> </ul>	→
<ul style="list-style-type: none"> <li>■ Attracting and retaining staff</li> </ul>	The loss of key staff and our failure to attract high quality employees may inhibit Redrow's ability to achieve its business objectives	<ul style="list-style-type: none"> <li>■ Structured training programmes</li> <li>■ Remuneration strategy regularly reviewed</li> </ul>	↓
<ul style="list-style-type: none"> <li>■ Key supplier or subcontractor failure</li> </ul>	The failure of a key supplier or subcontractor may disrupt Redrow's ability to manage its production process in an efficient and cost effective way	<ul style="list-style-type: none"> <li>■ Use of suppliers and subcontractors with strong track record and reputation</li> <li>■ Close monitoring of supplier and subcontractor quality and performance through six monthly assessments</li> </ul>	→
<ul style="list-style-type: none"> <li>■ Fraud/uninsured losses</li> </ul>	A significant fraud or uninsured loss could damage the financial performance of the business	<ul style="list-style-type: none"> <li>■ Systems, policies and procedures designed to segregate duties and minimise opportunity for fraud</li> <li>■ New Bribery Act procedures introduced</li> <li>■ Regular management reporting and challenge</li> <li>■ Business process reviews</li> <li>■ Regular review of insurances</li> </ul>	→







# Corporate Responsibility review

Redrow's ethos of "Quality with Responsibility" is always central to our business and this year is no exception. We have continued to demonstrate our commitment to this principle throughout the year with commendable improvements in our performance. This is evident in a number of key areas and in the proactive involvement of senior staff with policy makers and industry bodies active in the increasingly complex framework of regulation within which we have to work.

## Health and Safety

Our emphasis on the prime importance of all Health and Safety matters throughout the business has once again been recognised with the award of our second consecutive RoSPA Gold Medal Award for Occupational Health and Safety, following receipt of a Gold Award for our submission for the sixth year running by RoSPA's independent adjudication panel. This follows Bronze and Silver Awards in 2004 and 2005, respectively.



In awarding Redrow this most prestigious Health and Safety award, David Rawlins, RoSPA's award manager said "RoSPA firmly believes that organisations that have demonstrated their commitment to continuous improvement in accident and ill health prevention deserve recognition.

Redrow has shown that it is committed to striving for such continuous improvement and we are delighted to honour it through the presentation of an award."

As part of the Major Home Builder Group skills initiative with CITB – Construction Skills, Redrow expects all our subcontractors working onsite to hold the relevant CSCS (Construction Skills Certification Scheme) card. Similarly, all appropriate employees within Redrow are required to obtain their job related CSCS card.

We are pleased to report that as of April 2011, 99.9% of persons on Redrow sites including relevant employees have a CSCS card.

## Environmental Commitment

### Waste Management

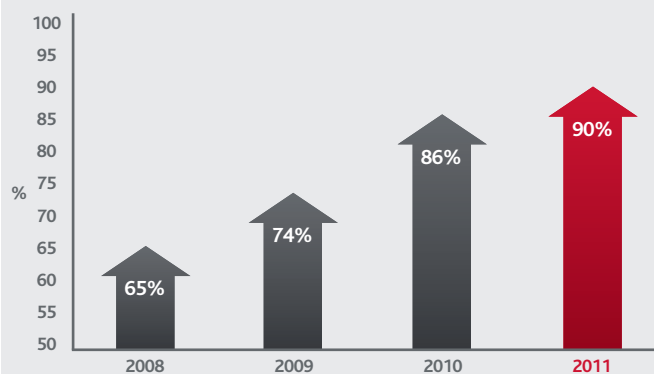
The Government's Strategy for Sustainable Construction (June 2008) and Progress Report (September 2009) set a target of 50% reduction by 2012 of waste sent to landfill by the construction industry, resulting from construction, demolition and excavation waste, compared to 2008.

With the assistance of our waste management partner, Reconomy Solutions, we continue to refine our waste management systems, throughout the construction process and have succeeded in increasing our recycling rate by 25% since 2008. Our emphasis for the future is to focus on improving the efficiency of the worst offending trades and on designing out

## 25% improvement in our waste diverted from landfill since 2008.

waste. We anticipate a further 4% saving is achievable over the next 12 months.

### % Site Waste Diverted from Landfill



Bob Sayers, Redrow's Health & Safety Director with the RoSPA Gold Medal Award

## Harrow's capabilities are highlighted at Hauxton, Cambridge.

### Brownfield Reclamation

In October 2009, Redrow acquired Harrow Estates and a strong management team, expert in the purchasing, remediating and replanning of brownfield sites.

Harrow's capabilities are exemplified by two sites at Hauxton, Cambridge and Horsforth, Leeds where the team are currently co-ordinating extensive remediation works.

The site at Hauxton was formerly occupied by an Agrochemical Manufacturing Plant covering approximately 20 acres within an overall 80 acre landholding.

The site has planning consent for a mixed use scheme of residential and some commercial use and is designated as a Special Site under Part 2A of the Environmental Protection Act 1990 as it is considered to pose a potential significant risk to controlled waters due to the nature of the contamination. Since March 2010 remediation has been taking place which is scheduled to be completed later this year.

The process has required engagement with local residents, the Parish Council, The Local Ward Councillor, South Cambridgeshire

District Council, Cambridgeshire County Council, The Environment Agency, The Health Protection Agency and NHS Cambridgeshire.

Since commencement of the remediation to date, the works have generated some impressive statistics.

- 60,200 Man-Hours have been worked on site
- 86,000 cubic metres of soil has been excavated, processed and put into soil treatment
- 30,000 cubic metres of soil has been treated and stockpiled ready for reinstatement
- 85,000,000 litres of contaminated groundwater (enough to fill 34 Olympic Swimming Pools) has been treated on site at the bespoke treatment facility
- 2,400 soil samples have been analysed
- Environmental Engineers have assessed environmental conditions 630 times taking over 5,000 PID (Photo-Ionisation Device) readings



Hauxton site, Cambridge, undergoing an extensive program of remediation works





Horsforth, Leeds

- 363 twenty four hour air samples have been collected for analysis
- 130 twenty eight day samples have been collected from around the site and within the community for analysis
- The professionalism and sensitivity demonstrated in this project exemplify the strength and depth within Redrow to deal with challenging environmental issues.

Horsforth formerly accommodated a dye and pharmaceutical manufacturing facility and comprises 48 acres. The site is currently in the planning process for residential end use and is nearing the completion of a nine month asbestos removal contract. To date, some 214 tonnes of asbestos and asbestos contaminated material has been removed from the site under fully controlled conditions to a specialist disposal facility.

### Carbon Footprinting

We understand our responsibility to ensure that we play our part in minimising the impact of our business and our products

on the environment and climate, that's why we've committed to voluntarily report our carbon footprint to the Carbon Disclosure Project since 2007.

Our Scope 1 and 2 emissions, generated by the consumption of gas, electricity and fuel oil in the course of our business has reduced by more than 35% since 2005-2006. Although many factors influence this outcome, including the major impact of the recent recession, the result should be read against an increase in production of 22% between 2009-10 and 2008-09 and we did achieve a reduction in Scope 1 emissions of 23% against a target of 10% in that period. The figures therefore do reflect the cumulative effects of a number of initiatives such as the installation of energy saving lighting at St David's Park, our environmentally aware company car fleet policy, which focuses on more fuel efficient models including "Blue Motion" from Volkswagen and "Ecoflex" from Vauxhall and our encouragement to use video conferencing facilities, or if this is not possible, the use of trains.

## WWF Forestry Trade Network – A Case in Point

As a member of WWF's (World Wildlife Fund) Global Forest and Trade Network (WWF GFTN) in the UK since 2003, Redrow is committed to progressively sourcing forest products from well managed sources. To monitor our progress, we collect as much information on our supply chain sources as possible, and categorise this to enable us to identify where any risks of poor sourcing may lie, and to eliminate them systematically from our supply chain into the UK market.

The new EU Regulation to limit the trade in illegal timber, which comes into full effect on 3rd March 2013 provides a baseline of legality as a minimum for forest goods entering the European market and reaching consumers. Our business wants to make sure that we are playing our part in reducing the UK footprint on global forest resources, and to source sustainably. To highlight the change we have achieved so far, to draw attention to the challenges that remain in order to meet the EU regulation, and to exceed the requirements of the regulation by sourcing sustainably and identify our priorities in doing so, we are publishing the status of our supply chain for forest goods as we have established it so far, according to the WWF GFTN categorisation of forest goods.

In 2010, our timber usage by WWF GFTN classification was:-

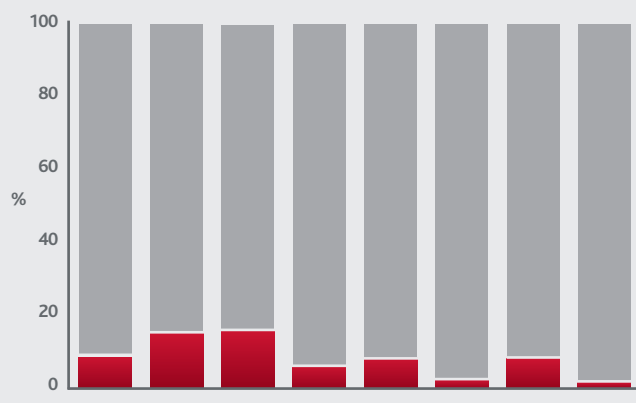
- 0.83% No information on origin
- 0.45% Known origin but no legality verification possible
- 40.13% Legal origin confirmed (including e.g. PEFC purchased with Chain of Custody)
- 0.0% In the process of becoming credibly certified
- 58.36% Credibly Certified (e.g. FSC purchased with Chain of Custody)
- 0.23% Pre-consumer Recycled
- 0.0% Post-consumer Recycled

98.49% of the timber products used on our sites was classified within Category 3 – "Licensed Source", up to Category 5 – "Credibly Certified". Our performance in this specific sector has been previously recognised in the NextGeneration Climate Change Benchmarking analysis as being one of the best in our sector.

The diagram below illustrates our progress from our initial membership in 2003 to 2010.

### Usage of Timber (WWF GFTN categories)

■ Legal origin confirmed or credibly certified



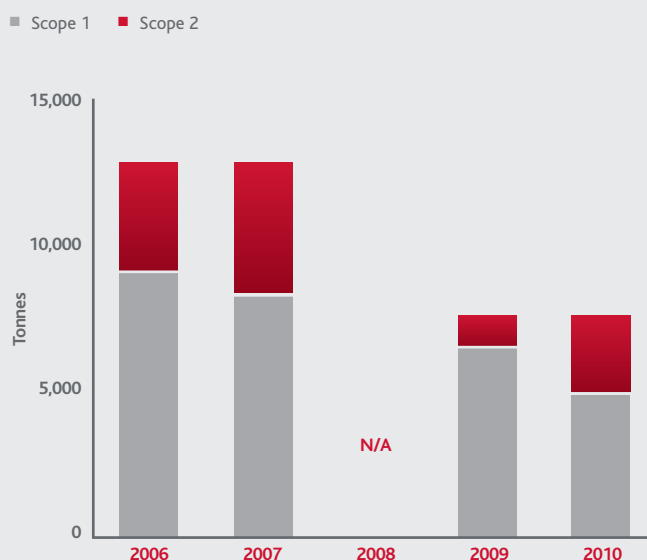
We hope our decision to be transparent about our performance on forest sourcing will prompt others in the sector to do the same, and initiate discussion about how business can overcome the remaining challenges in partnership with other stakeholders, including Government.

We encourage all forest certification systems to continuously improve their performance in delivering responsible forest management. At present, WWF GFTN participants believe FSC represents the gold standard and a credible benchmark for other forest certification schemes to match, and it remains our preference to increasingly source from credibly certified forests or verified recycled sources.



To further reduce our Scope 2 emissions, an initiative has been launched this year to install 100% low energy lighting in all our marketing suites.

#### Scope 1 and Scope 2 Carbon Emissions (Tonnes per annum) (DEFRA Definitions)



Note: no data collated for 2008

#### Sustainable Supply Chain

To ensure ethical and sustainable continuity throughout our business and to maintain quality, we seek to trade only with partners who share our commitment and values. We expect similarly high standards of performance in every aspect of their businesses including health and safety and ethical sourcing of materials and associated transport and delivery.

#### Policy and Regulation

Regulatory policy and legislation impacting upon environmental and sustainability issues has been a fast moving area for several years and is likely to continue to be so against a changing political arena and the backdrop of the Government's climate change policies. Senior Redrow staff engage proactively at high level with a number of industry working parties and organisations involved in shaping and steering the direction of short, medium and long term policies which will affect the homebuilding industry. Involvement includes organisations such as the Home Builders Federation Sustainability Group, NHBC, the NHBC Foundation, the Modern Masonry Alliance Futures Group, the Zero Carbon Hub, NextGeneration and numerous others.

In the calendar year ending 2010, 98.49% of timber products used on our sites was classified "Licensed Source - Credibly Certified" by WWF. A 6.7% improvement over 2009.

#### Customers

The homebuilding industry introduced the Consumer Code for Home Builders in April 2010 to improve effective delivery of service to our customers. The Code is supported by the major warranty providers, such as NHBC who require all their registered builders to adopt and comply with the Code as a condition of their registration.

The Code ensures that Home Buyers:

- are treated fairly;
- know what service levels to expect;
- are given reliable information upon which to make their decisions;
- know how to access speedy, low-cost dispute resolution arrangements if they are dissatisfied.

Redrow has welcomed the Consumer Code which underpins our efforts to deliver a top quality product and top quality service to our customers. We ensure that our customers are fully aware of it's requirements via dvd, hard copy or electronic format.

Our attention to detail and our willingness to listen to our customers has clearly paid off. In this year's sixth HBF national survey of homebuyers, covering the 12 month period from October 2009 to September 2010, Redrow achieved the top rating of five stars from our customers; one of only two major homebuilders to do so.

The five star rating means that over 90% of our customers were satisfied with the quality of their new Redrow home and would recommend us to a friend.

This achievement is a reflection upon our product, the quality of our build and the level of service we provide. Continuing to maintain and improve customer service levels remains a top priority for Redrow.



## Community

Communication with the communities local to our developments and consideration of their needs is an important and continuous process, integral to our philosophy, which extends for the lifetime of a project.

We recognise the importance of minimising the inconvenience we cause to our neighbours during construction and with this in mind, we engage with the Considerate Constructors Scheme, a not for profit organisation which seeks to improve the image of the construction industry.

Compliance with the Scheme's Site Code of Considerate Practice indicates that a site is achieving a standard beyond statutory requirements. In each of the eight sections of the Code, it is possible to score between 1 and 5 points, with 3 indicating compliance. Half points may also be awarded in any of the sections. Sites are not only assessed for compliance with the Scheme's Code, but also to identify any measures being taken by a site which are above and beyond these requirements. Where relevant and practical, the report may indicate where improvements can be made.

We currently have 24 sites registered with the scheme and in 2009-2010 our average site score was 30.9, where 25-30 points represents "a good site that is considerate" and 31 – 35 points represents "a very good site".

## Working with the Community

Redrow plays an active part in charitable enterprises all around the UK. Much of this effort involves under privileged children in the community or those with profound disabilities. Two of many typical examples are presented by our South West and South Wales Divisions.

The South Wales Division has recently been involved in a number of fund raising initiatives in support of The Joshua Foundation (TJF), a Cardiff based national charity, created in September 1998 to provide holidays and experiences all around the world for children aged up to 19 with terminal cancer and their families.

Individual experiences range from family holidays, to opportunities to meet favourite movie, sports and pop stars. TJF also prides itself on the provision of high quality group events which have become a TJF specialty.



Customer Service levels remain our top priority



Hanson Gardens, Moston. A development registered on the Considerate Constructors Scheme



Sophie Harris prepares breakfast for the workforce at our Three Oaks development, Aberdare

To raise funds for the charity, local beauty queen, Sophie Harris from Aberdare took time out to prepare breakfast for Redrow builders at the Three Oaks site, Aberdare and all the Miss Wales finalists including, Miss Caerphilly, Lauren Williams; Miss Newport, Sophie Smith; Miss Rhonda Cynon Taff, Sophie Moulds; Miss Swansea, Bianca Cridland; Miss Torfaen, Zoe Ryan took part in a pamper party for the children and their mums at Redrow's Cwm Calon development. The boys weren't left out; the families of two of the Foundation's children were treated to slap up meals before going behind the scenes and enjoying VIP seats at Cardiff City FC's fixture with Queen's Park Rangers.

Employees at Redrow's South West Division raised £23,000 through a series of events including a golf day, annual dinner dance, car wash, five a side football tournament, casual clothes days, staff socials and the three peak challenge to save the after school club at St Nicholas School from closure. Redrow staff have pledged continued support for the school for children and young people, aged 4 to 19, who have severe, complex or profound and multiple learning disabilities.

We also work with local schools and Redrow's health and safety mascot, Buster Bear continues to visit schools across the UK to

convey important lessons to children in staying safe near construction sites. During Buster's visits children are taught about the hazards on a building site and about the importance of health and safety equipment in a fun and engaging way.

Primary schools in Altrincham, Selby, Halifax, Grimsby and Cwm Calon were amongst those visited.



21 employees from the South West Division took up the Three Peaks Challenge



Pamper party held for The Joshua Foundation at our Cwm Calon development, South Wales



Children from Broadheath Primary School, Altrincham with Redrow's health and safety mascot Buster Bear



# Board of Directors



**Steve Morgan, 58**  
Chairman

Steve Morgan founded Redrow in 1974 and led the business from a small civil engineering contractor to become one of the UK's leading home builders. He floated the Company in 1994 and eventually stepped down as Chairman in November 2000, returning to the helm in March 2009.

Steve is also Chairman of the Bridgemere Group of Companies, which includes Wolverhampton Wanderers, Carden Leisure and Trinity Aviation. Steve is a Fellow of the Chartered Institute of Building and holds four Honorary Degrees. He was awarded an OBE in 1992.

**A**



**John Tutte, 55**  
Group Managing Director

John Tutte joined the Board of Redrow in July 2002. In September 2009 he was promoted to Group Managing Director. He qualified in civil engineering and has amassed more than 30 years' experience within the industry, having previously held the position as Chief Executive of Wilson Connolly plc.

**A**



**Barbara Richmond, 51**  
Group Finance Director

Barbara joined the Board of Redrow in January 2010. Bringing with her a proven track record, with almost 20 years experience as Group Finance Director at a number of UK listed companies including Inchcape plc, Croda International PLC and Whesoe plc. She has a strong background in both manufacturing and retail as well as having completed a number of major acquisitions and disposals throughout her career. She is a Fellow of the Institute of Chartered Accountants in England and Wales and a graduate of the University of Manchester.

**A**

**Alan Jackson, 68**

Non-Executive Deputy Chairman and Senior Independent Director

Alan Jackson joined the Redrow Board in August 2009. He has a wealth of experience in executive and non-executive roles and is currently the Non-Executive Chairman of The Restaurant Group plc and Charles Wells Limited. He is also a Non-Executive Director of Playtech plc.

Chairman of the Nomination Committee  
Chairman of the Corporate Responsibility Committee

**A B C D E**

**Debbie Hewitt, 48**

Non-Executive Director

Debbie joined the Redrow Board in August 2009. She has a wealth of experience in executive and non-executive roles. She is currently the Non-Executive Chairman of Moss Bros plc and Non-Executive Director of Mouchel plc, HR Owen plc, Luminar plc, NCC plc and Domestic and General. She was awarded the MBE in 2011 for services to business and the public sector.

Chairman of the Remuneration Committee

**A B C E**

**Paul Hampden Smith, 50**

Non-Executive Director

Appointed to the Redrow Board in August 2009. Paul Hampden Smith is a Fellow of the Institute of Chartered Accountants. He has been Group Finance Director of Travis Perkins plc since 1996 and was previously Chairman of the Audit Committee at DX Services plc and Polestar UK Limited.

Chairman of the Audit Committee

**A B C E**

**Graham Cope, 47**

Company Secretary

Graham Cope joined Redrow as Head of Legal in November 2002 and was appointed Company Secretary two months later. He has over 20 years' experience in the housebuilding sector, either working in-house or for clients in private practice. He qualified as a Solicitor in 1989 and is a member of the Law Society.

**Committee members key**

**A** Main Board member  
**B** Member of the Remuneration Committee

**C** Member of the Audit Committee  
**D** Member of the Corporate Responsibility Committee

**E** Member of the Nomination Committee



# Corporate Governance statement

## Governance Framework

The Board is committed to complying with corporate governance guidelines and to maintaining high standards of corporate governance.

The Financial Reporting Council introduced in June 2010 a new governance code entitled 'The UK Corporate Governance Code' ("the Code"). This statement, unless specifically stated, refers to the Code, and the Company sets out details below of how it has applied the principles of good governance as set out in Section 1 of the Code.

The Directors have considered the contents and requirements of the Code and believe that throughout the year ended 30 June 2011 the Company has been compliant.

## The Board

### Composition of the Board

The Board comprises an Executive Chairman, two further Executive Directors and three independent Non-Executive Directors.

There have been no changes to the composition of the Board since the publication of the 2010 Annual Report and Accounts.

A summary of the composition of the Board and its committees during the year is set out in Table 1.

Steve Morgan as Chairman is responsible for leadership of the Board and ensuring its effectiveness on all aspects of its role. The continuing role of John Tutte as Group Managing Director ensures that there is a clear division of responsibilities at the head of the Company between the running of the Board and the operational responsibility for the running of the Company's business as required by the Code.

All Non-Executive Directors holding office during the year ended 30 June 2011 were considered to be independent.

The Company Secretary acts as secretary to the Board and its Committees and his appointment and removal is a matter for the Board as a whole. The Company Secretary is a member of the Group

**Table 1 – List of Directors holding office during the year ended 30 June 2011**

	Position	Number of years on board in most recent appointment	Independent	Audit Committee	Remuneration Committee	Nomination Committee	Corporate Responsibility Committee
<b>Executive Directors</b>							
Steve Morgan	Chairman (i)	2					
John Tutte	Group Managing Director	9					
Barbara Richmond	Group Finance Director	1					
<b>Non-Executive Directors</b>							
Alan Jackson	Non-Executive Deputy Chairman and Senior Independent Director	1	●	●	●	Chairman	Chairman
Debbie Hewitt	Non-Executive Director	1	●	●	Chairman	●	
Paul Hampden Smith	Non-Executive Director	1	●	Chairman	●	●	

(i) Steve Morgan is the founder of Redrow and rejoined the Board on 23 March 2009, after an absence of over 8 years, and became Chairman on 1 July 2009.

Senior Management team and all Directors have access to his advice and services. In certain circumstances, Board Committees and individual Directors may wish to take independent professional advice in connection with their responsibilities and duties and, in this regard, the Company will meet the reasonable costs and expenses incurred.

#### Board responsibilities and processes

The Board meets regularly and frequently, no less than six times during a year. It maintains a close dialogue as appropriate between meetings. Board meetings are held at Head Office and periodically at divisional offices when visits are frequently made to a selection of developments accompanied by the local management team. Board papers are distributed in advance of the meetings to allow adequate time for review and preparation and include key strategic, operational and financial information. Attendance by individual directors at Board and Committee meetings held during the year ended 30 June 2011 is set out in Table 2.

Details of internal control and risk management processes are included in the Audit Committee report on pages 44 to 46.

#### Board balance and independence

The Board considers that it is of a size and has a balance of skills, knowledge, experience and independence that is appropriate for its business. The Executive team provides the Board with an appropriate view of the detail of the business and the benefit of their significant collective experience of the UK house building industry and that enables it and its committees to discharge their respective duties and responsibilities effectively. The Non-Executive Directors bring a depth of experience and understanding from outside the Group which enables them to challenge and help develop proposals on the Group's strategy.

Details of the Directors' respective experience is set out in their profiles on pages 38 to 39.

Under the Code, at least half the Board, excluding a Non-Executive Chairman, should comprise independent Non-Executive Directors. The Board currently comprises three Executive and three independent Non-Executive Directors, in compliance with the Code.

Table 1 on page 40 provides a summary of the Company's assessment of the independence of the Directors.

The Board considers that each Director is able to allocate sufficient time to the Company to discharge their responsibilities effectively.

#### Appointments and re-elections to the Board

The Board has a Nomination Committee whose terms of reference include making recommendations to the Board on the appointment of Executive and Non-Executive Directors. The Nomination Committee report can be found on page 47.

### The Board has a formal schedule of matters reserved specifically for its decision.

The matters reserved include:

- Approval of Redrow's long term objectives and strategy;
- Approval of the Annual Report and Accounts, preliminary and half-yearly financial statements, interim management statements, trading updates and the recommendation of dividends;
- Approval of any significant changes in accounting policies or practices;
- Any changes relating to capital structure;
- Approval of treasury policies;
- Ensuring the maintenance of a sound system of internal control and risk management;
- Approval of corporate acquisitions or disposals, significant land purchases or contracts;
- Changes to the size, structure and composition of the Board;
- Approval of significant policies, including Redrow's health & safety policy; and
- Review of overall corporate governance arrangements, including corporate responsibility.

Under the Company's Articles of Association, all Directors are subject to re-election at their first general meeting after appointment. For those who are not subject to such obligations at this year's AGM the Board decided to comply with the provisions of the Code on re-election and accordingly all Directors will be submitting themselves for re-election. The Board's policy on the term of appointment for a Non-Executive Director is that it is not normally expected that a Non-Executive Director will serve more than six years.

#### Professional development and performance evaluation

The Board recognises that a structured appraisal process and good training are important requirements across the Group. The Board receives regular presentations and briefings from those responsible for key Group disciplines. In addition, the Board maintains close relationships with local management teams.

All Directors undertake a comprehensive induction programme following their first appointment. The programme for Non-Executive Directors is specifically designed to encompass the full breadth of business and includes visits to operating subsidiaries.

**Table 2 - Attendance record of Directors at meetings during the year ended 30 June 2011**

	Board	Audit Committee	Remuneration Committee	Nomination Committee	Corporate Responsibility Committee
<b>Total number of meetings in the year ended 30 June 2011</b>	<b>7</b>	<b>4</b>	<b>4</b>	<b>1</b>	<b>2</b>
<b>Executive Directors</b>					
Steve Morgan	7/7				
John Tutte	7/7				
Barbara Richmond	7/7				
<b>Non-Executive Directors</b>					
Alan Jackson	7/7	3/4	4/4	1/1	2/2
Debbie Hewitt	7/7	4/4	4/4	1/1	
Paul Hampden Smith	7/7	4/4	4/4	1/1	

During the year, formal appraisals of the Group Managing Director and Group Finance Director were undertaken by the Chairman.

All independent Non-Executive Directors had an annual appraisal conducted by the Non-Executive Deputy Chairman.

The Board undertakes a formal annual review of its own effectiveness. For the year ended June 2011, this was undertaken using a formal questionnaire completed by each Director and the responses were considered collectively by the Board.

#### Directors' remuneration

The Board has a Remuneration Committee whose terms of reference include the review of Main Board remuneration policy and agreement of the terms of employment and the granting of bonuses, share options or share incentive plans relating to the Group's Senior Management.

The Remuneration report can be found on pages 49 to 56.

#### Capital Structure

Information on the capital structure of the Company is included in the Directors' report on page 58.

#### Relations with Shareholders

The Group announces its financial results half-yearly and immediately following their publication undertakes formal presentations to equity analysts. These presentations are available on the Company's website. In addition, the Group published an Interim Management Statement in November 2010 and April 2011.

Following the full year and half-yearly results' announcements in September 2010 and February 2011, the Chairman, the Group Managing Director and the Group Finance Director met current or potential significant Shareholders. This embraced visits to London and feedback from these meetings is independently collated and disseminated to the Board.

During the year ended June 2011, the Chairman, the Group Managing Director, and the Group Finance Director together with the Senior Independent Director also held a number of meetings with significant Shareholders.

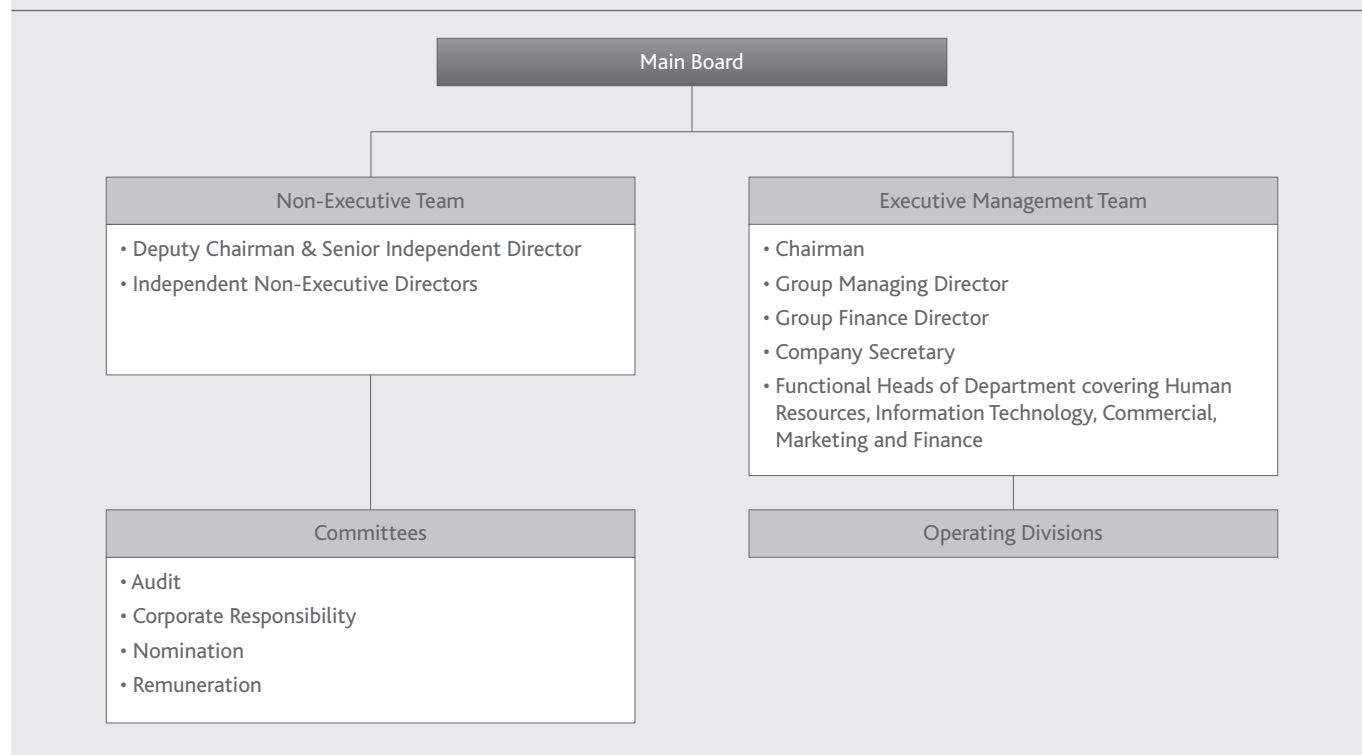
The Annual General Meeting (AGM) takes place at a venue close to the Group's Head Office. All Directors attended the AGM on 4 November 2010. The AGM represents an opportunity for all Shareholders attending to table questions formally during the meeting and informally afterwards to the Company's Directors.

Formal notification of the AGM, through the Annual Report and Accounts, is sent to Shareholders at least 20 working days in advance. It is Company policy to propose a separate resolution at the AGM on each substantive issue including the opportunity to approve the Remuneration report.

Redrow's website, [redrow.co.uk](http://redrow.co.uk), gives access to current financial and corporate information.

**Graham Cope**  
Company Secretary  
7 September 2011

## Corporate Governance structure



# Audit Committee report



## Current Members of the Audit Committee

- Paul Hampden Smith, Chairman of the Audit Committee (pictured)
- Alan Jackson
- Debbie Hewitt

The Audit Committee's principal responsibilities lie in reviewing the Group's financial reporting, overseeing the appointment and work of the external Auditors and reviewing Redrow's internal control processes. The terms of reference of the Committee, which are in compliance with the Combined Code, are kept under review. The terms of reference are available at [redrowplc.co.uk](http://redrowplc.co.uk)

All the members of the Committee are independent and the Board believes the Committee has the appropriate level of expertise to fulfil its terms of reference.

The Committee held four meetings during the financial year ended June 2011 and holds further meetings as appropriate. The Group Finance Director was invited and attended each meeting as did the external Auditors. On each occasion the Committee had the opportunity to meet the external Auditors without any Executive Director being present.

The Committee receives regular updates on changes to accounting standards and best practice in financial reporting and corporate governance. The Committee invites other individuals to attend the meetings to provide technical support and advice as appropriate. In addition, individual members are encouraged to attend external seminars and courses on areas relevant to their membership of the Committee.

The Committee addressed a wide variety of issues in its meetings, including:

## Month

## Principal Activities

September 2010	<ul style="list-style-type: none"> <li>■ A review of the full year 2009/10 results including the Annual Report and Accounts;</li> <li>■ Consideration of the Group risk assessment process and a going concern review; and</li> <li>■ A review of the effectiveness and structure of Business Performance review.</li> </ul>
November 2010	<ul style="list-style-type: none"> <li>■ New external Audit Partner handover;</li> <li>■ Reviews of the results of the 2009/10 external audit;</li> <li>■ Review of the 2010/11 external audit plan and associated fees;</li> <li>■ A review of the effectiveness of the external audit process;</li> <li>■ A review of the independence and objectivity of the external Auditors;</li> <li>■ A review of Business Performance review programmes of work; and</li> <li>■ Review of the Committee's effectiveness.</li> </ul>
February 2011	<ul style="list-style-type: none"> <li>■ A review of the 2010/11 half-yearly accounts;</li> <li>■ A review of the effectiveness of the Disaster Recovery process; and</li> <li>■ A review of the Terms of Reference of the Committee.</li> </ul>
June 2011	<ul style="list-style-type: none"> <li>■ A review of the appropriateness of the Group's accounting policies;</li> <li>■ A review of the impact of the Bribery Act and the related internal controls;</li> <li>■ A review of the Group's Whistleblowing policy; and</li> <li>■ A review of internal controls across the whole business.</li> </ul>
September 2011	<ul style="list-style-type: none"> <li>■ A review of the full year 2010/11 results including the Annual Report and Accounts; and</li> <li>■ Consideration of the Group risk assessment process and a going concern review.</li> </ul>

The Group has a widely publicised whistleblowing policy which enables employees and other stakeholders e.g subcontractors, to raise concerns in confidence. The Committee has arranged to receive reports on all occasions when such issues are raised under this policy.



**Audit Independence**

PricewaterhouseCoopers LLP ("PwC") were appointed Auditors in 2003 having succeeded PricewaterhouseCoopers who were appointed in 1987. Following the expiry of the tenure of the previous external Audit Partner the Committee undertook a review and consequently approved the appointment of the new Audit Partner from PwC who commenced his tenure following the conclusion of the 30 June 2010 audit.

The Committee has a formal policy in respect of the work of the external Auditors. The purpose of this policy is to ensure that the Auditor's objectivity and independence is maintained by ensuring both that the nature of any non-audit work undertaken and the level of fees paid does not compromise the Auditor's position. Appointments in respect of non-audit work require the prior approval of the Committee within an established budget. In addition, no work can be undertaken by the external Auditors in any

area where there is any identifiable risk that the work of an individual within the external audit firm or the external audit firm generally could conflict or compromise the quality, objectivity or independence of any audit or compliance work undertaken for the Group.

The main non-audit work undertaken on an ongoing basis relates to information provided to the Company by PwC in their capacity as Scheme Actuary of the Redrow Staff Pension Scheme. The Company has a separate actuary to provide it with advice on pension matters.

The external Auditors are not indemnified by the Company nor has the Company purchased liability insurance for them.

**Internal Controls**

The Board of Directors recognises its overall responsibility for the Group's system of internal control and for monitoring its

**The key features of the Group's internal controls are as follows:**

- Defined authorisation levels exist over key areas such as land purchase, the placing of orders and contracts and staff recruitment;
- A comprehensive prioritised risk register which is regularly reviewed;
- The Group's management information systems provide weekly updates on key statistics and information in respect of sales and production and the content of these weekly reports is regularly reviewed to ensure it remains appropriate;
- Redrow has an in-house health and safety department and places great emphasis on the importance of health and safety and environmental management. The department works closely with the operating companies to ensure that training is provided to employees and subcontractors, best practice is shared and appropriate actions are taken to comply with health and safety best practice and legislation throughout the organisation;
- The Board requires each Director in its operating Divisions to complete an annual statement on Corporate Governance and related party transactions. The statement is designed to provide assurance that Group policies and procedures are being implemented and complied with in all material respects. In addition, key functional Directors complete a Principal Controls Self Assessment Questionnaire which is reviewed by the Board to assist in improvements in the control framework;
- A weekly business report (WBR) comprising sales funnel information, gross margins and order book is produced for the Group, each Division and each site and circulated across the Group;
- A monthly reporting pack is circulated in advance and reviewed at each of the Main, Executive and subsidiary board meetings. Annual budgets are set, with actual performance compared against the annual budget;
- The financial reporting process includes control and reconciliation processes which ensures there is an audit trail between the Group's underlying financial reporting systems and the Group's financial statements;
- Preparation and regular updates of Strategic Plans;
- A policy and procedures manual which covers all the significant aspects of the Group's operations and describes the systems and controls that are to be applied; and
- Daily statements of a reconciled cash position identifying significant payments are prepared, 13 week rolling cashflow forecasts are prepared and forecast banking covenant compliance is tested.

effectiveness. There is an ongoing process for identifying, evaluating and managing significant risks. However, in reviewing the effectiveness of internal control, such systems can only provide reasonable but not absolute assurance against material misstatement or loss.

Key business activities including finance, land acquisition, product design, procurement and information technology are controlled by the Executive Directors. All activity is organised within a defined structure with formal lines of responsibility, designated authority levels and a structured reporting framework.

A formalised reporting structure is established within Redrow. The Executive Directors, the Company Secretary and functional heads of department meet monthly to discuss the Group's key issues, risks and opportunities. The operating companies hold monthly board meetings which are attended on a rotational basis by the Executive Directors.

The Group formally reviews its prioritised risk register. In addition, the Executive Board, through its regular meetings, reviews key areas of risk on an ongoing basis and considers whether the internal controls identified in relation to those risks remain appropriate.

#### Insurance

The Board has appointed an experienced broker to advise on and co-ordinate all insurance matters across the Group and they liaise closely with appropriate Redrow personnel at Head Office and within the subsidiaries and report directly to the Group Finance Director.

#### Risk Management and Business Process Reviews

At the beginning of the year a thorough review of the risk register commenced, creating a register which defined controls as prevent or detect, identifying owners of each high level risk and reviewing and updating each of the risks listed to ensure they were relevant and accurate. The register is regularly maintained and is reviewed by the Committee annually.

At the end of financial year 2010, the Group had made the decision to bring the internal audit work back in house from the 1st July 2010. A risk based programme was design based on the risk register. The Business Process Review programme looks to provide assurance to the Group, by testing internal controls and reviewing specific risks, as well as seeking out best practice and sharing it across the Group and identifying business process improvements. Committee Members receive an Executive Summary of each Business Process Review report.

The Business Process Review strategy is discussed and agreed with the Committee and PwC. Suggested control improvements and any control weaknesses identified are followed up as appropriate.

#### T+3 Reporting

During the year the Group changed its business processes for internal reporting to ensure management information is available sooner. The timetable for the preparation of the management accounts reduced to 3 days post month end, this required a number of business process changes across a variety of functions within the Group and system enhancements. Results are then subject to appropriate review.

#### Paul Hampden Smith

Chairman of the Audit Committee

7 September 2011

# Nomination Committee report



## Current Members of the Nomination Committee

- Alan Jackson, Chairman of the Nomination Committee (pictured)
- Paul Hampden Smith
- Debbie Hewitt

The Nomination Committee's terms of reference are kept under regular review being last considered in June 2011 and are published on the Group's website.

The Committee has met once during the year ended 30 June 2011 following the publication of the 2010 Annual Report and Accounts and its principal business can be summarised as follows:

1. To consider the proposed re-election of Steve Morgan as Executive Chairman at the AGM on 3 November 2011 in compliance with the 'The UK Corporate Governance Code' ("the Code") introduced in June 2010 and after due consideration to recommend his re-election to the Board;
2. To consider the proposed re-election of John Tutte as an Executive Director at the AGM on 3 November 2011 in compliance with the Code and after due consideration to recommend his re-election to the Board;
3. To consider the proposed re-election of Barbara Richmond as an Executive Director at the AGM on 3 November 2011 in compliance with the Code and after due consideration to recommend her re-election to the Board;
4. To consider the proposed re-election of Alan Jackson as Non-Executive Deputy Chairman and Senior Independent Director at the AGM on 3 November 2011 in compliance with the Code and after due consideration to recommend his re-election to the Board;
5. To consider the proposed re-election of Paul Hampden Smith as Non-Executive Director at the AGM on 3 November 2011 in

compliance with the Code and after due consideration to recommend his re-election to the Board; and

6. To consider the proposed re-election of Debbie Hewitt as Non-Executive Director at the AGM on 3 November 2011 in compliance with the Code and after due consideration to recommend her re-election to the Board.

## Alan Jackson

Chairman of the Nomination Committee  
7 September 2011

# Corporate Responsibility Committee report



## Current Members of the Corporate Responsibility Committee

- Alan Jackson, Chairman of the Corporate Responsibility Committee (pictured)
- Nigel Smith Redrow Research and Sustainability Director

The Corporate Responsibility Committee's terms of reference are kept under regular review being last reviewed in February 2011 and are published on the Group's website.

The Committee met twice during the year ended 30 June 2011 and its principal business can be summarised as follows:

1. A review of the terms of reference of the Committee;
2. A review of the Company's Environmental Standards;
3. Review of external environmental benchmarking reporting and an update on the Next Generation UK Homebuilders Sustainability Rankings for 2009;
4. Update on the Carbon Disclosure Project, the Energy Reduction Scheme ("Carbon Reduction Commitment"), the Feed in Tariff ("FIT") and SMART meters;
5. Update on the Flood and Water Management Act 2010 and its impact;
6. Response to Government on reducing regulatory impacts on homebuilding;
7. Update on the revision to the Code for Sustainable Homes;
8. Update on changes to Part L of the Building Regulations and its impact;

9. Review of site waste management benchmarking and procedures; and

10. Briefing on Government Sustainability Consultations.

The Corporate responsibility review on pages 30 to 37 provides further information on areas of work monitored by the Committee.

## Alan Jackson

Chairman of the Corporate Responsibility Committee  
7 September 2011



# Directors' Remuneration report



## Current Members of the Remuneration Committee

- Debbie Hewitt, Chairman of the Remuneration Committee (pictured)
- Alan Jackson
- Paul Hampden Smith

This report has been prepared in accordance with the requirements of Schedule 8 to the Accounting Regulations under the Companies Act 2006 and The Listing Rules. The Financial Reporting Council introduced in June 2010 a new governance code entitled 'The UK Corporate Governance Code' ("the Code"). This report, unless specifically stated, refers to the Code, and describes how the Board has applied the principles relating to Directors' remuneration in the Code. As required by the Companies Act 2006, a resolution to approve this report will be put to Shareholders for approval at the Annual General Meeting to be held on 3 November 2011.

## Remuneration Committee

The Remuneration Committee is comprised solely of Non-Executive Directors and comprises Debbie Hewitt as Chairman, Alan Jackson and Paul Hampden Smith. Details of Committee attendance has been set out on page 42.

The Committee has agreed terms of reference detailing its authority and responsibilities. The terms of reference of the Committee are kept under regular review and were subject to a comprehensive update in line with best practice in 2011. They are published on the Group's website and include:

- determining and approving the remuneration policy in respect of the Executive Chairman, Steve Morgan the Executive Directors namely John Tutte, the Group Managing Director and Barbara Richmond, the Finance Director and the Company Secretary, Graham Cope ("the Executives"), taking into account the context of the Company's overall approach to remuneration for all employees and within this policy determining the total individual remuneration package of each Executive;

- determining performance targets and the extent of their achievement for both annual and long term incentive awards operated by the Company affecting the Executives; and
- monitoring and approving the level and structure of remuneration of the Managing Directors immediately below the Executives.

The Committee meets as often as is required but at least twice per year. The Committee met four times during the course of the financial year ended 30 June 2011.

During the year the Committee decided that it was an appropriate time to review the overall structure and level of remuneration for the Executives and commissioned Deloitte LLP to undertake an independent review of their terms in relation to competitor businesses and companies of a similar size and complexity and to make recommendations as to any changes that should be considered.

They have also consulted Deloitte LLP on a range of other remuneration matters during the year, relating to historic schemes.

Deloitte LLP also provides the Company with advice on taxation matters but do not have any other connection with the Company.

The Committee addressed a wide variety of matters in its meetings during the year, including:

Month	Principal Activities
September 2010	<ul style="list-style-type: none"> <li>■ Confirmation of 2009/10 Annual Cash Bonus payments and targets for 2010/11;</li> <li>■ The lapsing of the 2007 LTSIP Scheme</li> <li>■ Review of terms of Phantom LTSIP Scheme for the Executive Chairman; and</li> <li>■ Review of Contract of Service of the Executive Chairman to align with the Code.</li> </ul>
December 2010	<ul style="list-style-type: none"> <li>■ Agreeing terms of Phantom LTSIP Scheme for the Executive Chairman;</li> <li>■ Agreeing revisions to the Contract of Service of the Executive Chairman;</li> <li>■ Approval of Targets for 2010 LTSIP grant; and</li> <li>■ Approving the appointment of remuneration consultants.</li> </ul>

April 2011	<ul style="list-style-type: none"> <li>■ Benchmarking Executive salaries;</li> <li>■ Review of Terms of Reference of Committee;</li> <li>■ Committee Self Assessment; and</li> <li>■ Instructing Remuneration Consultants to undertake a review of Executive Incentives and Benefits.</li> </ul>
June 2011	<ul style="list-style-type: none"> <li>■ Remuneration Consultant's Review of Executive Incentives and Benefits;</li> <li>■ Shareholder consultation process; and</li> <li>■ Salary Review of the Executive.</li> </ul>
July 2011	<ul style="list-style-type: none"> <li>■ Review and approve Annual Cash Bonus levels.</li> </ul>

### Executive Remuneration at a Glance

#### Components of reward

Fixed component	Base salary Benefits in kind Pension & retirement benefits
Variable component	Annual bonus Long Term Share Incentive Plan ("LTSIP") Save as You Earn Option Scheme ("SAYE")

#### Remuneration Policy

The Committee considers that in framing its remuneration policy it has given full consideration to the provisions of Section 1 and Schedule A of the Code.

The Committee aims to ensure that the Group provides competitive but cost effective remuneration packages at all levels in order to reward, retain and motivate staff who are expected to meet high levels of performance, as well as ensuring overall remuneration is competitive and that it attracts and retains a high calibre of employee.

The Remuneration Committee recognises the importance of aligning the interests of shareholders and employees to create maximum levels of shareholder value.

Consistent with this policy, the remuneration packages awarded to Executive Directors are intended to reward them for their current achievements, whilst also encouraging a focus on the medium and long term strategy and performance of the Company. Remuneration packages are designed to ensure that an

appropriate level of performance related remuneration is provided. The performance related elements have clearly defined stretching quantitative and qualitative targets that link rewards to business performance in the short, medium and long term. Those elements which are performance related are set out in further detail below.

#### Elements of the Remuneration Package

The main components of the remuneration package provided to an Executive are as follows:

##### (i) Base salary

Salaries are reviewed as appropriate and at least once per annum.

The Remuneration Committee benchmarked the salaries against external market data provided by Deloitte LLP as part of the review of the Executive Remuneration Framework. They also noted that Finance Director, Barbara Richmond, had not received a salary increase since her appointment to the Board in January 2010 and that Group Managing Director, John Tutte had not received a salary increase since his promotion to Group Managing Director in September 2009.

The Committee agreed to increase Barbara Richmond's salary from 1 July 2011 from £250,000 to £257,000 (2.8%) and John Tutte's salary from 1 July 2011 from £375,00 to £385,000 (2.7%). These increases are in line with the increases awarded at the same time to the general employee population.

The Executive Chairman, Steve Morgan requested that no general review be applied to his fees.

##### (ii) Pension and retirement benefits

John Tutte is a member of the defined benefit section of the Redrow Staff Pension Scheme. The Scheme is a contributory scheme and it provides a pension, lump sum death in service benefit and dependent's pension.

Pensionable earnings in the Scheme have historically been calculated on base salary only. However, from 1 July 2009, pensionable earnings have been calculated on a shadow salary, whereby increases in the shadow salary are restricted to the lower of increases in base salary of inflation or 2.5%. Executive Director Member contributions are 8.3% of shadow salary and Company contributions 12.3% of shadow salary, with pension entitlement for an Executive Director Member accruing at the rate of 1/45th for each year of service. The Scheme has a normal retirement age of 65 which also applies to the Executive Director Members.

Barbara Richmond is not a member of the Redrow Staff Pension Scheme and instead receives a pension allowance supplement equivalent to 20% of salary.

Steve Morgan is a pensioner member of the Redrow Staff Pension Scheme.

John Tutte and Barbara Richmond are also covered by fixed term group income protection.

#### (iii) Benefits in kind

These primarily relate to a fully expensed car or cash equivalent car allowance and private medical insurance.

#### (iv) Annual bonuses

For the financial year ended June 2011, the Executives had the potential to earn a cash bonus equivalent to a maximum of 75% of their base salary, subject to meeting targets relating to performance on and above budget of PBT, ROCE, land bank and forward sales. The Committee feels that this combination of measures represents an appropriate balance between "backward looking" financial performance and "forward looking" measures, which support value creation over the medium to long term. The potential payable was weighted equally across the four measures.

The Executives were awarded 37.5% of base salary for the progress achieved against these targets for the period ended June 2011, which was paid in September 2011.

As part of the review of the Executive Remuneration Framework, the Committee considered the quantum and structure of the annual bonus against a range of market data and against what would be considered emerging best practice in the UK environment. Following this review and after consultation with shareholders the following changes will come into effect for the financial year ending June 2012.

- Firstly, the maximum annual bonus opportunity will increase from 75% to 100% of base salary. The Committee believes that this increase is clearly supported by market data in both the overall UK market of similar sized companies and appropriate peer companies within the housebuilding sector, on the basis of data provided by our remuneration consultants
- Secondly, the Executives will be required to defer 50% of any bonus earned into Redrow shares, half of which will vest after one year and the remaining half after two years. No matching shares will be awarded on the deferred shares. The Committee believes that the introduction of deferral into shares brings our framework into line with best practice and it will help us to increase share ownership throughout the executive team (including at levels below the main board, where a similar scheme will be applied). The Committee will retain discretion to "clawback" deferred amounts in the event of gross misconduct or the material misstatement of accounts. Taking into account this deferral, the maximum annual cash bonus

potential will be 50% of salary, with an equal amount deferred in shares

The Committee has also determined that the annual bonus will continue to be assessed equally using the following four metrics – PBT, ROCE, land bank and forward sales.

The Committee believes that the new annual bonus framework is more closely aligned to market practice and that it is suitably aligned to the delivery of key annual targets which will drive the creation of shareholder value.

#### (v) Long Term Incentives

##### LTSIP 2011 grant

Under the terms of the LTSIP, the Committee may grant awards of nil cost options up to a maximum of 125% of salary each year. However, it has been the Committee's policy to make awards at the level of 100% of salary, using awards of 125% only in exceptional circumstances (as occurred during the year ended June 2011, as discussed below).

Following the review of the Executive Remuneration Framework, and taking into account appropriate market data, the Committee felt that the 100% of salary award level remains appropriate and as a result each Executive, with the exception of Steve Morgan, will be awarded a grant of nil cost options under the LTSIP with a value equivalent to 100% of their 2010 base salary.

However, the Committee felt that the measurement criteria should be reviewed and decided that the award will be based on performance of EPS and ROCE, pre exceptional, with up to 50% of any award relating to performance of each of the criteria. The Committee believes that these two measures are transparent, easy to understand, track and communicate, cost effective to measure and fundamentally aligned to the strategic ambitions that have been communicated to the market:

- EPS ensures that the team delivers strong "bottom line" profitability and growth for shareholders
- ROCE provides balance by requiring that profit is delivered efficiently from a capital perspective

The Committee will therefore remove TSR as a performance measure as it is felt:

- Relative TSR requires a robust group of comparator companies. There are currently only six other FTSE-listed housebuilders which, in the Committee's view, is insufficient to form a robust group
- Given the potential volatility in the housebuilder industry compared to the market as a whole, the Committee feels that the use of a wider, cross-sectoral comparator group (e.g. FTSE 250) would also be inappropriate

The Remuneration Committee does however have complete discretion to adjust the number of any shares vesting from the award if it considers that performance is not sufficiently reflective of the general growth in the housebuilding market.

#### EPS for the year ending June 2014 ("x")

##### Award

Nil	$x < 17p$
10.0% to 20% on sliding scales	$17p \leq x \leq 19p$
+20% to 49.9% on sliding scales	$19p < x < 21p$
50%	$x \geq 21p$

#### ROCE for the year ending June 2014 ("y")

##### Award

Nil	$y < 12\%$
10.0% to 20% on a sliding scale	$12\% \leq y \leq 14\%$
+20% to 49.9% on a sliding scale	$14\% < y < 16\%$
50%	$y \geq 16\%$

#### LTSIP 2011 Phantom Share Scheme

Due to the size of Steve Morgan's shareholding, it is the intention of the Remuneration Committee to grant him a phantom option under the LTSIP. This option will be paid out in cash. The LTSIP has been amended to enable phantom options to be granted but in all other respects Steve Morgan's option mirrors the terms and conditions of the LTSIP awarded to the other Executive Directors.

If for any reason Steve Morgan's shareholding reduces, the Committee reserves the right to terminate the Phantom Scheme and replace it with the LTSIP awarded to the Executives.

#### LTSIP 2010 grant

John Tutte and Barbara Richmond were awarded two grants of nil cost options under the LTSIP with a combined value equivalent to 125% of base salary, as set out in the tables on page 55. The Committee decided to make the awards at 125% of salary to reflect specific and exceptional circumstances around retention. As discussed above, it is intended to return to a level of 100% for awards in 2011. The options will vest three years from the date of grant of the options, subject to the satisfaction of performance conditions. The award was split between ROCE (30%), EPS (30%) and TSR (40%) with the following performance criteria:

#### EPS for the year ending June 2013 ("x")

##### Award

Nil	$x < 17.0p$
10.0% to 29.9% on sliding scales	$17.0p \leq x \leq 21.0p$
30%	$x > 21.0p$

#### ROCE for the year ending June 2013 ("y")

##### Award

Nil	$y < 13.5\%$
10.0% to 29.9% on sliding scales	$13.5\% \leq y \leq 17.5\%$
30%	$y > 17.5\%$

#### TSR for the year ending June 2013 ("z")

##### Award

Nil	$z < \text{index}$
15% to 39.9% on a sliding scale	$\text{index} \leq z \leq \text{index} + 10.0\%$
40%	$z > \text{index} + 10.0\%$

#### LTSIP 2010 Phantom Share Scheme

As above, due to the size of Steve Morgan's shareholding, the Remuneration Committee granted him a phantom option under the LTSIP to be paid out in cash but otherwise mirroring the terms and conditions of the LTSIP awarded to the other Executive Directors.

#### LTSIP 2007 lapsed in September 2010

In accordance with the performance conditions attached to the 2007 LTSIP grant, the performance conditions were not achieved and, the Committee confirmed that all of the 2007 LTSIP options lapsed on 19 September 2010.

#### (vi) The CSOP

Following approval at the AGM on 5 November 2008, the Company granted options over 18,292 shares to each of its then Executive Directors under the approved Company Share Option Plan, which is approved by HM Revenue & Customs for tax purposes. These options become exercisable five years from the date of grant of the option subject to the performance condition being satisfied. The performance condition is the achievement of earnings per share target of 19.25p.

John Tutte is the only Director who participates in this Scheme as all other awardees have left the Company.

#### (vii) SAYE

In addition to their remuneration package, all employees are entitled to participate in the Save As You Earn (SAYE) scheme under which employees are granted options and encouraged to save in order to invest in Company shares.

The Executive Directors are encouraged to participate in the SAYE scheme as a means of increasing their shareholdings.

#### (viii) Share Ownership Guidelines

The importance of encouraging share ownership is recognised by the Committee. Both John Tutte and Barbara Richmond are expected to have a shareholding in the Group equivalent to 100% of base salary and the Company Secretary is encouraged to have a shareholding of 75% of base salary.



Following the review of Executive remuneration the Committee has introduced an additional requirement that the required level of shareholding is expected to be met within five years of appointment to the Board.

#### Directors' Service Agreements

The service agreements of the Executive Directors provide for formal notice to be served to terminate the agreement, by either the Company or the Director. The notice required is six months for Steve Morgan and twelve months for John Tutte. Barbara Richmond is required to give the Company six months notice whilst the Company is required to give Barbara Richmond twelve months notice.

The agreements do not include provision for pre-determined compensation for early termination and mitigation will be applied to any compensation payments where considered justified by the Remuneration Committee. No additional compensation or extended notice period is included within the service agreements in the event of a change of control. The service agreements of the Executive Directors are rolling contracts which were entered into on the following dates and had the following unexpired notice periods as at 30 June 2011:

Name	Contract Date	Notice Period
Steve Morgan	23/03/09	6 months
John Tutte	14/09/09	12 months
Barbara Richmond	18/01/10	12 months

The Non-Executive Directors' terms of appointment, with maturity dates, are detailed in formal letters of appointment with three month notice periods as follows:

Name	Letter of appointment		
	Position	Dated	Matures
Alan Jackson	Deputy Chairman and Senior Independent Director	19/08/09	18/08/12
Debbie Hewitt	Non-Executive	19/08/09	18/08/12
Paul Hampden Smith	Non-Executive	19/08/09	18/08/12

**Directors remuneration for period 2010/11.**

The following tables and notes constitute the audited part of the Directors' Remuneration report.

Directors' detailed emoluments

	Basic salary and fees £000	(ii) Benefits £000	(ii) Car allowance £000	Pension allowance £000	Bonus £000	Total 2011 £000	Total 2010 £000
<b>Executive Directors</b>							
Steve Morgan (i)	15	3	-	-	-	18	16
John Tutte	375	2	15	-	140	532	517
Barbara Richmond	250	13	-	50	94	407	233
<b>Non-Executive Directors</b>							
Alan Jackson	90	-	-	-	-	90	81
Debbie Hewitt	45	-	-	-	-	45	39
Paul Hampden Smith	45	-	-	-	-	45	40
	820	18	15	50	234	1,137	926

- (i) Steve Morgan draws a nominal salary of £15,000 per annum which he donates via Payroll Giving to the Morgan Foundation. The Company also made a donation to the Morgan Foundation, a UK registered charity of which Steve Morgan is a trustee (£564,000 in the year ended 30 June 2011 (2010: 576,000); the donation amount is calculated based upon a notional £425,000 salary and cash bonus percentage consistent with that earned by John Tutte and Barbara Richmond). Further details are given in the Director's report on page 58 and in note 23 to the financial statements.
- (ii) Benefits in kind represent fully expensed cars and private health insurance.

**Pension Scheme**

Details of the Executive Directors' pension entitlements are as follows:

Disclosure required by Schedule 15 to the Companies Act 2006

**Defined Benefit accrued entitlements**

Director	Accrued benefit at 30 June 2011 £	Additional accrued benefits earned in the year £	Transfer value of accrued benefit at 30 June 2010 £	Transfer value of accrued benefit at 30 June 2011 £	Change in transfer value less directors' contributions £
John Tutte	45,030	7,072	462,187	529,673	42,586

Disclosure required under the Listings Regulations

**Defined Benefit accrued entitlements**

Director	Accrued benefit at 30 June 2011 £	Additional accrued benefit over year net of inflation £	Transfer value of change in accrued benefit less directors' contributions £
John Tutte	45,030	5,326	37,747

The accrued pension shown above is the amount of pension entitlement that would be paid each year on retirement at age 65 based on service to the end of the current year. The transfer value shown above has been calculated on the basis of actuarial advice in accordance with relevant legislation, less Directors' contributions. The transfer values represent the present value of future payments from the Scheme rather than remuneration currently due to the individual and cannot be meaningfully aggregated with annual remuneration.

The following table sets out those share options held by Directors under SAYE, CSOP and LTSIP schemes. The options granted in respect of the LTSIP schemes were granted at nil cost to the Directors and were awarded in respect of past performance with future performance conditions attached. All options are in respect of shares in Redrow plc. Once the award has vested the exercise of the share options is unconditional.

### Interests in share options

#### Directors' interests in share options

Scheme	Options held at 1 July 2010	Options granted in year	Options exercised in year	Options lapsed	Options held at 30 June 2011	Exercise price £	From	To
<b>John Tutte</b>								
SAYE 2008	9,025	-	-	-	9,025	1.06	01/01/12	01/07/12
LTSIP 2007	56,194	-	-	(56,194)	-	-	19/09/10	18/09/17
LTSIP 2008 †	359,648	-	-	-	359,648	-	21/11/13	20/11/18
CSOP 2008	23,981	-	-	-	23,981	1.25	21/11/13	20/11/18
LTSIP 2009 ††	229,007	-	-	-	229,007	-	22/12/12	21/12/19
LTSIP 2010 †††	-	365,131	-	-	365,131	-	18/02/14	20/04/24
	677,855	365,131	-	(56,194)	986,792			
<b>Barbara Richmond</b>								
LTSIP 2009 ††	358,423	-	-	-	358,423	-	25/02/13	24/02/20
SAYE 2010	-	9,146	-	-	9,146	0.98	01/01/14	01/07/14
LTSIP 2010 †††	-	243,421	-	-	243,421	-	18/02/14	20/04/24
	358,423	252,567	-	-	610,990			

† The performance conditions attached to the exercise of share options granted under the LTSIP 2008 are ROCE, growth in EPS and generation of Total Shareholder Return. The performance condition end date is 30 June 2013.

†† The performance conditions attached to the exercise of share options granted under the LTSIP 2009 are ROCE, growth in EPS and generation of Total Shareholder Return. The performance condition end date is 30 June 2012.

††† The performance conditions attached to the exercise of share options granted under the LTSIP 2010 are ROCE, growth in EPS and generation of Total Shareholder Return. The performance condition end date is 30 June 2013.

No other Directors have been granted share options in shares of the Company. The mid-market price of Redrow plc shares at 30 June 2011 was 124.3p and the range during the year was 97.5p to 139.0p.

#### Gains made by Directors on share options

No Director exercised share options during the year.

#### Directors' contingent interests in share options

No Director has a contingent interest in share options as at 30 June 2011 or 30 June 2010.

#### Directors' interests in shares (This section does not constitute an auditable part of the Remuneration report)

The Directors' interests in the ordinary shares of the Company were:

Beneficial:	7 September 2011 No.	30 June 2011 No.	30 June 2010 No.
<b>Executive Directors</b>			
Steve Morgan <sup>1</sup>	92,436,874	92,436,874	92,436,874
John Tutte	128,657	128,657	125,430
Barbara Richmond	70,512	70,512	70,512
<b>Non-Executive Directors</b>			
Alan Jackson	19,285	19,285	19,285
Debbie Hewitt	18,787	18,787	18,787
Paul Hampden Smith	46,000	46,000	46,000

<sup>1</sup> includes shares held by Bridgemere.

By order of the Board

#### Debbie Hewitt

Chairman of the Remuneration Committee

7 September 2011



# Directors' report

The Directors have pleasure in presenting to the members their report and the audited financial statements for the 12 months ended 30 June 2011.

## Principal Activities and Business Review

The principal activity of the Group is residential development which includes mixed use development. Redrow plc is a public listed company, listed on the London Stock Exchange and domiciled in the UK.

Revenue and profit on ordinary activities before taxation from continuing operations are stated at £452.7m and £25.3m respectively.

In the current environment, the Board considers that shareholders are best served by retaining cash within the business and therefore does not propose making a final dividend payment.

The information that fulfils the requirements of the business review can be found in the Chairman's statement and the Operating review and Financial review on pages 6 to 29. This includes a review of the key risks facing the business and a review of the key performance indicators of the business and future developments. Details of the financial risk management objectives and policies and associated risk exposure is given in note 14: Financial Risk Management.

## Going Concern

The Directors have acknowledged the guidance on going concern and financial reporting published by the Financial Reporting Council in October 2009.

The current economic conditions and uncertainty in the housing market create uncertainties for the business, and a description of the Group's principal risks and uncertainties and the arrangements to manage these risks are set out on pages 28 to 29. The Group's business activities, together with the factors likely to affect its future performance, are set out in the Business review section on pages 6 to 37. The Group's management of exposure to financial risk, including liquidity, interest rate risk and credit risk, is disclosed in note 14 to the financial statements together with details of the Group's banking facilities and capital management policies and processes.

As explained in the Financial review on pages 24 to 27, the Group maintains adequate committed banking facilities which comprise an unsecured £200m revolving credit facility due to mature in December 2014. As stated in note 14 to the financial statements, at 30 June 2011, the Group had £115m of undrawn committed borrowing facilities available.

The Directors have reviewed the Group's financial forecasts for the period to 30 June 2013 and associated financial covenants and have considered various downside sensitivities reflecting the potential impact of a further reasonably foreseeable deterioration in economic conditions. This review confirmed headroom within both financial covenants and facilities, subject to the business undertaking identified mitigating actions which lie within the Group's control. The principal sensitivity relates to the impact of market conditions on profitability and in turn on the Group's net asset position relative to the covenanted level.

After making appropriate enquiries, the Directors consider they have a reasonable expectation for stating that the Group and the Company have adequate resources to continue trading for the foreseeable future.

Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

## Significant Interests

As at 7 September 2011, the Company has been advised of the following notifiable interests of 3% or more in its ordinary shares:

Name	No. of shares held	% of issued share capital
Bridgemere (incl. Steve Morgan)	92,436,874	29.95%
Toscafund	34,336,212	11.13%
Norges Bank	16,286,648	5.28%
FIL Limited	15,450,460	5.00%
BlackRock Inc	15,277,577	4.95%
Legal & General Investment Management	12,146,138	3.93%

The persons set out in the table above have notified the Company pursuant to Rule 5 of the Disclosure and Transparency Rules of their interests in the ordinary share capital of the Company.

At 7 September 2011, no change in these holdings had been notified nor, according to the registrar of members, did any other shareholder at that date have a notifiable holding of issued share capital.

## Directors

The Directors of the Company during the year and up to the date of signing are listed on page 54 of the Directors' Remuneration report and are also listed together with their biographical details on pages 38 and 39.

Formal appraisals of Executive Directors were undertaken during the financial year. All the Non-Executive Directors underwent an annual appraisal conducted by the Non-Executive Deputy Chairman.

The Board confirms that Steve Morgan, John Tutte and Barbara Richmond, who stand for re-appointment as Executive Directors, and Alan Jackson, Debbie Hewitt and Paul Hampden Smith who stand for re-appointment as Non-Executive Directors, continue to be effective and demonstrate the appropriate commitment to their roles.

The Executive Directors have formal service agreements. Termination of their employment may be effected by 12 months notice given by the Company except for Steve Morgan where the notice period is six months. The Non-Executive Directors have fixed term service agreements outlining their duties and responsibilities.

Details of Directors' service agreements are given in the Directors' Remuneration report on page 53.

### Directors' Interests

Related party transactions are disclosed in note 23 to the financial statements. A summary of remuneration provided to key management personnel is provided in note 7c.

The Directors' interests in the ordinary shares of the Company are given in the Directors' Remuneration report on pages 55 to 56. There has been no change in the Directors' interests between 30 June 2011 and 7 September 2011.

### Charitable and Political Donations

The Group made no political donations but paid £568,000 in charitable donations during the year being £565,000 in respect of National charities and £3,000 in support of local charities. The Group and its employees are actively involved in fundraising activities for specific charities. The Group made a £564,000 donation during the year to the Morgan Foundation, a UK registered charity of which Steve Morgan is a trustee. This is included within the charitable donations in respect of National charities noted above.

### Employees

Redrow places considerable importance on the provision of training and development; training@redrow, a purpose built in-house training facility at Tamworth, completed over 2,200 training days during the year ended 30 June 2011 including those which support the Group induction process.

The Group supports the employment of disabled persons wherever possible through recruitment and by the retention and retraining of those who become disabled during their employment.

The Directors recognise the importance of good communications with employees. Companies within the Group are encouraged to make their employees aware of the financial and economic factors affecting their respective companies and the Group. This is assisted through the medium of regular management meetings, staff publications and the Redrow intranet.

Employee share ownership is encouraged through savings related schemes.

### Creditor Payment Policy

The Group values its relationships with suppliers and subcontractors. It is the policy to agree credit terms prior to commencement of trading. Subject to any items of genuine dispute, it is policy to pay creditors within the terms agreed. At June 2011. The Company had nil days' purchases outstanding in respect of payments to suppliers (2010: nil).

### Research and Development

The Group has a centralised Product Development Team charged with identifying and evaluating new construction techniques and products. Environmental and sustainability issues play a prominent role in its activities. The charge to the income statement in respect of research and development in the year was £0.3m (2010: £0.2m).

### Environment

Redrow recognises its responsibilities to the community as a whole and has adopted an environmental strategy which is a core part of the Group's objectives. Further details are provided in the Corporate responsibility review on pages 30 to 37 and also on our website at redrow.co.uk.

### Significant Agreements

The Company's banking arrangements are terminable upon a change of control of the Company. There are no contractual or other arrangements essential to the business which require disclosure under the Companies Act 2006.

### Independent Auditors

A resolution to re-appoint PricewaterhouseCoopers LLP as external Auditors will be proposed at the Annual General Meeting on 3 November 2011.

Provision of information to auditors:

In the case of each Director in office at the date the Directors' report is approved, confirm that:

- (a) so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- (b) he has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

### Capital Structure

The Company has an authorised share capital of 480,000,000 ordinary shares of 10p each of which 308,607,479 have been issued. The Company has one class of ordinary shares which carry ordinary rights to dividends (subject to the Company's Articles of Association). Each share carries the right to one vote at general meetings of the Company.

No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

Authority was given to the Directors at last year's AGM to allot unissued shares up to an aggregate nominal amount of £10,286,915 equivalent to approximately 33% of the Company's issued share capital. Further authority was given allowing the Company to make market purchases of its own shares up to an aggregate nominal value of £3,086,075 which was equivalent to 10% of the Company's issued ordinary share capital as at 30 June 2010. As these authorities expire at the forthcoming AGM the Directors will be seeking new authorities as set out in the Notice of Meeting and as referred to below.

### Voting and Transfer of Shares

The Company's Articles of Association do not contain any specific restrictions on the size of a shareholder's holding or on the transfer of shares.

The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities and/or voting rights.

The Company's Articles of Association do not contain and the Company is not aware of any restrictions on voting rights including any limitations on voting rights of holders of a given percentage or number of votes, deadlines for exercising voting rights and arrangements by which, with the Company's co-operation, financial rights carried by securities are held by a person other than the holder of the securities.

The voting rights attaching to the shares held by the Company's Employee Benefit Trust are exercisable by Abacus Trust Company (Isle of Man), the trustee of the Trust.

#### **Purchase of the Company's Own Shares**

Resolution 13 set out in the Notice of Annual General Meeting seeks authority from shareholders for the Company to purchase up to 30,860,747 ordinary shares, an aggregate nominal amount of £3,086,075 which is equivalent to approximately 10% of the Company's issued ordinary share capital at 30 June 2011. The authority will expire at the end of next year's Annual General Meeting and the resolution specifies the maximum and minimum prices at which the shares may be bought. Other investment opportunities, appropriate gearing levels and the overall financial position of the Company will be taken into account before deciding upon this course of action.

In addition, the Company will be seeking approval to the waiver granted by the Panel on Takeovers and Mergers such that Steve Morgan will not have to make a general offer to other shareholders for all of their ordinary shares as a result of market purchases by the Company pursuant to the authority to be granted by Resolution 13.

#### **Notice of Annual General Meeting**

Pages 95 to 99 set out the Notice of Annual General Meeting and details the resolutions proposed together with explanatory notes.

To the extent that the Directors' report makes reference to information contained in other sections of the Annual Report, such information will be regarded as forming part of the Directors' report.

By order of the Board  
**Graham Cope**  
Company Secretary  
Redrow plc  
Registered no. 2877315  
7 September 2011

## Statement of Directors' Responsibilities in respect of the Annual Report, the Directors' Remuneration report and the Financial statements

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the Directors' Remuneration report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the Directors, whose names and functions are listed below confirm that, to the best of their knowledge:

- the financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and result of the Group and Company; and
- the Directors' report contained on pages 57 to 59 includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that they face.

The Directors of Redrow plc as at the date of this statement are:

Steve Morgan, Chairman  
 Alan Jackson, Deputy Chairman and Senior Independent Director  
 John Tutte, Group Managing Director  
 Barbara Richmond, Group Finance Director  
 Debbie Hewitt, Non-Executive Director  
 Paul Hampden Smith, Non-Executive Director

By order of the Board  
**Graham Cope**  
 Company Secretary  
 7 September 2011  
 Redrow plc  
 Redrow House  
 St. David's Park  
 Flintshire  
 CH5 3RX



## Independent Auditors' report to the members of Redrow plc

We have audited the financial statements of Redrow plc for the year ended 30 June 2011 which comprise the Consolidated income statement, the Consolidated Group and Company statement of comprehensive income, the Balance sheets, the Statement of changes in equity and the Statement of cash flows, the Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

### Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 60, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 30 June 2011 and of the Group's profit and Group's and parent company's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and

- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

### Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate Governance Statement set out on pages 40 to 46 with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements.

### Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a corporate governance statement has not been prepared by the parent company.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 57, in relation to going concern;
- the parts of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to Shareholders by the Board on Directors' remuneration.

**Ian Morrison (Senior Statutory Auditor)**  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Manchester  
7 September 2011

## Consolidated income statement

12 months ended 30 June

	Note	2011 £m	2010 £m
Revenue		452.7	396.9
Cost of sales		(388.4)	(355.2)
<b>Gross profit</b>		<b>64.3</b>	<b>41.7</b>
Administrative expenses		(33.1)	(29.0)
<b>Operating profit before financing costs</b>	<b>2</b>	<b>31.2</b>	<b>12.7</b>
Financial income	3	2.7	1.8
Financial expenses	3	(8.6)	(13.8)
Net financing costs		(5.9)	(12.0)
Share of loss of joint ventures after interest and taxation	10	-	-
<b>Profit before tax</b>		<b>25.3</b>	<b>0.7</b>
Income tax (expense)	4	(11.8)	(0.2)
<b>Profit for the period</b>		<b>13.5</b>	<b>0.5</b>
<b>Earnings per share - basic</b>	<b>6</b>	<b>4.4p</b>	<b>0.2p</b>
<b>- diluted</b>	<b>6</b>	<b>4.4p</b>	<b>0.2p</b>

## Consolidated Group and Company statement of comprehensive income

12 months ended 30 June

	Note	The Group		The Company	
		2011 £m	2010 £m	2011 £m	2010 £m
Profit/(loss) for the period		13.5	0.5	(5.4)	(8.6)
<b>Other comprehensive income</b>					
Effective portion of changes in fair value of interest rate cash flow hedges		1.1	1.8	1.1	1.8
Deferred tax on change in fair value of interest rate cash flow hedges		(0.3)	(0.5)	(0.3)	(0.5)
Actuarial gains/(losses) on defined benefit pension scheme	7e	9.7	(7.3)	9.7	(7.3)
Deferred tax on actuarial gains/(losses) taken directly to equity		(2.5)	2.1	(2.5)	2.1
<b>Other comprehensive income/(expense) for the period net of tax</b>		<b>8.0</b>	<b>(3.9)</b>	<b>8.0</b>	<b>(3.9)</b>
<b>Total comprehensive income/(expense) for the period</b>	<b>18</b>	<b>21.5</b>	<b>(3.4)</b>	<b>2.6</b>	<b>(12.5)</b>

## Balance sheets

As at 30 June

	Note	The Group		The Company	
		2011 £m	2010 £m	2011 £m	2010 £m
<b>Assets</b>					
Intangible assets	8	1.7	1.8	-	-
Property, plant and equipment	9	12.9	14.6	-	-
Investments	10	2.6	2.2	0.1	0.1
Deferred tax assets	11	63.8	77.2	2.1	4.9
Retirement benefit surplus	7	5.0	-	5.0	-
Trade and other receivables	12	31.4	7.4	-	-
<b>Total non-current assets</b>		<b>117.4</b>	<b>103.2</b>	<b>7.2</b>	<b>5.0</b>
Non-current assets held for sale	9	1.4	2.3	-	-
Inventories	13	562.7	539.7	-	-
Trade and other receivables	12	38.2	12.2	391.8	379.9
Current income tax receivables	4	-	-	6.5	4.5
Cash and cash equivalents	14	32.0	21.9	7.3	20.8
<b>Total current assets</b>		<b>634.3</b>	<b>576.1</b>	<b>405.6</b>	<b>405.2</b>
<b>Total assets</b>		<b>751.7</b>	<b>679.3</b>	<b>412.8</b>	<b>410.2</b>
<b>Equity</b>					
Issued capital	17	30.9	30.9	30.9	30.9
Share premium	18	58.7	58.7	58.6	58.6
Hedge reserve	18	-	(0.8)	-	(0.8)
Other reserves	18	7.9	7.9	7.0	7.0
Retained earnings	18	361.1	339.2	216.2	214.4
<b>Total equity</b>		<b>458.6</b>	<b>435.9</b>	<b>312.7</b>	<b>310.1</b>
<b>Liabilities</b>					
Bank loans	14	85.0	50.0	85.0	50.0
Trade and other payables	15	12.4	17.1	-	-
Deferred tax liabilities	11	1.8	0.6	-	-
Retirement benefit obligations	7	-	4.4	-	4.4
Long-term provisions	16	8.0	8.7	-	-
<b>Total non-current liabilities</b>		<b>107.2</b>	<b>80.8</b>	<b>85.0</b>	<b>54.4</b>
Bank overdrafts and loans	14	22.4	19.0	-	28.4
Trade and other payables	15	159.1	138.6	15.1	16.2
Derivative financial instruments	14	-	1.1	-	1.1
Current income tax liabilities		4.4	3.9	-	-
<b>Total current liabilities</b>		<b>185.9</b>	<b>162.6</b>	<b>15.1</b>	<b>45.7</b>
<b>Total liabilities</b>		<b>293.1</b>	<b>243.4</b>	<b>100.1</b>	<b>100.1</b>
<b>Total equity and liabilities</b>		<b>751.7</b>	<b>679.3</b>	<b>412.8</b>	<b>410.2</b>

The financial statements on pages 62 to 94 were approved by the Board of Directors on 7 September 2011.

Directors

S P Morgan B M Richmond

Redrow plc Registered No. 2877315

## Statement of changes in equity

	The Group		The Company	
	2011 £m	2010 £m	2011 £m	2010 £m
Profit/(loss) for the period	13.5	0.5	(5.4)	(8.6)
Other comprehensive income/(expense) relating to the period (net)	8.0	(3.9)	8.0	(3.9)
Shares issued	-	150.3	-	150.3
Share-based payment	0.3	0.2	-	-
Movement in LTSIP/SAYE	0.9	(4.7)	-	-
Net increase in equity	22.7	142.4	2.6	137.8
Opening equity	435.9	293.5	310.1	172.3
Closing equity	458.6	435.9	312.7	310.1

As permitted by section 408 of the Companies Act 2006, the income statement of Redrow plc is not presented as a part of these financial statements.

The consolidated profit/(loss) on ordinary activities after taxation for the financial year, excluding intra-Group dividends, is made up as follows:

	2011 £m	2010 £m
Holding company	(5.4)	(8.6)
Subsidiary companies	18.9	9.1
	13.5	0.5



## The statement of cash flows

12 months ended 30 June

	Note	The Group		The Company	
		2011 £m	2010 £m	2011 £m	2010 £m
<b>Cash flow from operating activities</b>					
Operating profit/(loss) before financing costs		31.2	12.7	(0.4)	(0.6)
Depreciation and amortisation		1.3	1.4	-	-
Adjustment for non-cash items		6.9	(8.3)	10.0	(7.3)
<b>Operating profit/(loss) before changes in working capital and provisions</b>		<b>39.4</b>	<b>5.8</b>	<b>9.6</b>	<b>(7.9)</b>
(Increase)/decrease in trade and other receivables		(10.2)	2.0	(11.9)	(17.6)
(Increase)/decrease in inventories		(71.1)	40.0	-	-
Increase/(decrease) in trade and other payables		25.1	(4.8)	0.2	0.1
(Decrease)/increase in employee benefits and provisions		(10.1)	7.0	(9.4)	7.2
<b>Cash (outflow)/inflow generated from operations</b>		<b>(26.9)</b>	<b>50.0</b>	<b>(11.5)</b>	<b>(18.2)</b>
Interest paid		(4.9)	(9.8)	(6.1)	(9.8)
Tax received		0.5	-	-	-
<b>Net cash from operating activities</b>		<b>(31.3)</b>	<b>40.2</b>	<b>(17.6)</b>	<b>(28.0)</b>
<b>Cash flows from investing activities</b>					
Sale of business/(acquisition of business)		5.0	(15.0)	-	-
Sale of subsidiary to other Group company		-	-	-	30.6
Acquisition of property, plant and equipment		(0.7)	(1.4)	-	-
Proceeds from sale of property, plant and equipment		0.6	1.4	-	-
Interest received		1.0	-	-	-
Payments to joint ventures - continuing operations		(0.4)	-	-	-
<b>Net cash inflow/(outflow) from investing activities</b>		<b>5.5</b>	<b>(15.0)</b>	<b>-</b>	<b>30.6</b>
<b>Cash flows from financing activities</b>					
Issue of bank borrowings		85.0	50.0	85.0	50.0
Repayment of bank borrowings		(50.0)	(218.0)	(50.0)	(218.0)
Issue costs of bank borrowings		(2.5)	-	(2.5)	-
Purchase of own shares		-	(5.2)	-	-
Proceeds from issue of share capital		-	150.3	-	150.3
<b>Net cash inflow/(outflow) from financing activities</b>		<b>32.5</b>	<b>(22.9)</b>	<b>32.5</b>	<b>(17.7)</b>
<b>Increase/(decrease) in net cash and cash equivalents</b>		<b>6.7</b>	<b>2.3</b>	<b>14.9</b>	<b>(15.1)</b>
Net cash and cash equivalents at the beginning of the period		2.9	0.6	(7.6)	7.5
<b>Net cash and cash equivalents at the end of the period</b>	<b>19</b>	<b>9.6</b>	<b>2.9</b>	<b>7.3</b>	<b>(7.6)</b>

## Accounting policies

Both the consolidated and Company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and effective at 30 June 2011, and in accordance with IFRIC interpretations and the Companies Act 2006 as it applies to companies reporting under IFRS and Article 4 of the IAS Regulation and in accordance with the historical cost convention as modified by the revaluation of derivative financial instruments and retirement benefit obligations.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the balance sheet date and the reported amounts of revenue and expenses during the reporting period. Whilst these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates (refer to note 1).

The financial statements have been prepared on a going concern basis.

The principal accounting policies have been applied consistently in the periods presented and are outlined below:

### Basis of Consolidation

The consolidated financial statements incorporate the financial statements of Redrow plc and all its subsidiaries, together with the Group's share of the results and share of net assets of jointly controlled entities i.e. the financial statements of Redrow plc and entities controlled by Redrow plc (and its subsidiaries). Control is achieved where Redrow plc has the power to govern the financial and operating policies of an entity. Redrow plc's accounting reference date is 30 June. Consistent with the normal monthly reporting process, the actual date to which the balance sheet has been drawn up is to 3 July 2011 (2010: 27 June 2010). For ease of reference all references to the year or 12 months and financial position are for the year ended 30 June and as at 30 June.

The Group has taken advantage of the exemption provided under Section 408 of the Companies Act 2006 not to present Redrow plc's Company Income Statement. The profit / loss for the financial year is dealt with in the Statement of Changes in Equity.

### a) Subsidiaries

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair value at the date of acquisition. Any excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets represents goodwill. Goodwill is subject to an annual impairment review, with any reduction in value being taken straight to the income statement.

Adjustments are made as necessary to the financial statements of subsidiaries to ensure consistency with the policies adopted by the Group.

All inter-company transactions and balances between Group companies are eliminated on consolidation.

### b) Interests in Joint Ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control. Joint venture arrangements which involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

The Group reports its interests in jointly controlled entities using the equity method of accounting - the Group's share of profit after tax is shown separately on the face of the income statement and its share of net assets is included within non-current assets in the balance sheet as an investment.

When the Group transacts with its jointly controlled entities, unrealised profits and losses are eliminated to the extent of the Group's interest in the joint venture, except where unrealised losses provide evidence of impairment of the asset transferred. Where joint venture arrangements are undertaken directly, the Group's share of jointly controlled assets and liabilities are recognised in the relevant subsidiary company and classified according to their nature.

### Revenue and Profit Recognition

Revenue represents the fair value received and receivable in respect of the sale of residential housing and land and of commercial land and developments net of value added tax and discounts. This is recognised on legal completion.

Profit is recognised on legal completion.

### Segmental reporting

The main operation of the Group is focused on housebuilding. As it operates entirely within the United Kingdom, the Group has only one business and geographic segment. This is consistent with the information provided for internal reporting purposes to the Chief Operating decision maker (the Board). The Group has no key customers.

### Exceptional Items

Exceptional items are those which in the opinion of the Board, are material by size or nature, non-recurring and of such significance that they require separate disclosure.

### Net Finance Costs

Interest income is recognised on a time apportioned basis by reference to the principal outstanding and the effective interest rate. Borrowing costs are recognised in the income statement on an accruals basis in the period in which they are incurred.

### Income and Deferred Tax

Income tax comprises current tax and deferred tax.

Current tax is based on taxable profits for the year and any appropriate adjustment to tax payable in respect of prior years. Taxable profit differs from profit before tax as shown in the income statement as it excludes income or expenditure items which are never chargeable or allowable for tax or which are chargeable or deductible in other accounting periods. Deferred tax is provided in full, using the balance sheet liability method, on temporary differences arising between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the calculation of taxable profit.

Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax liabilities are recognised for all temporary differences. Deferred tax is calculated at the rates enacted at the balance sheet date.

Deferred tax is credited or charged in the income statement, statement of consolidated statement of comprehensive income, or retained earnings as appropriate.

#### Intangible Assets – Computer Software

Acquired computer software licences are capitalised on the basis of costs incurred to bring to use the specific software and are amortised over their estimated useful lives of three years. These are reviewed for impairment whenever events or changes in circumstances indicate that the carrying values may not be recoverable.

#### Property, Plant and Equipment

Freehold property comprises offices or other buildings held for administrative purposes. Freehold property is shown at cost less the subsequent depreciation of buildings.

All other property, plant and equipment is stated at historic cost less depreciation. Historic cost includes any costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by management.

Land is not depreciated. Depreciation on other assets, is charged so as to write off the cost of assets to their residual values over their estimated useful lives, on a straight line basis as follows:

Buildings	50 years
Plant & machinery	5 – 10 years
Fixtures & fittings	3 – 5 years

The assets useful lives are reviewed and adjusted if appropriate at each balance sheet date.

These are reviewed for impairment whenever events or changes in circumstances indicate that the carrying values may not be recoverable.

The gain or loss arising on the disposal of an asset represents the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

#### Non-current assets held for sale

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at management's best estimate of realisable value less estimated costs necessary to make the sale.

#### Investment in Subsidiary Companies

In the parent company books, the investment in its subsidiaries is held at cost less any impairment.

#### Leases

Leases in which substantially all of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Rentals payable

under operating leases are charged to work in progress or income on a straight line basis over the term of the relevant lease. Leases classified as finance leases are those where substantially all of the risks and rewards of ownership pass to the lessee.

The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

#### Inventories

Inventories are stated at the lower of cost and net realisable value less cash on account.

Cost comprises land and associated acquisition costs, direct materials and subcontract work, other direct costs and those overheads (based on normal operating capacity) that have been incurred in bringing the inventories to their present location and condition, excluding borrowing costs.

The Group differentiates its inventories into two categories:

- Type 1: land where generally the construction of homes had commenced at the year end and which was generally short to medium term in its development horizon. This category also includes undeveloped land on which housebuild had not commenced at 30 June 2011 but which the Group believes it is more likely to develop than to sell undeveloped.
- Type 2: land where housebuild had not commenced and land could be identified as a distinct parcel. This land is more generally medium to long term in time horizon and the Group believes it is more likely to be sold undeveloped.

Net realisable value for land where construction of homes had commenced at the year end (Type 1) was assessed by estimating selling prices and cost (including sales and marketing expenses), taking into account current market conditions.

The net realisable value of land where housebuild had not commenced (Type 2) and is more likely to be sold undeveloped was assessed by re-appraising the land using current selling prices and costs for the proposed development and assuming an appropriate financial return to reflect the current housing market conditions and the prevailing financing environment. This net realisable value represents valuing the land at the amount the Group estimates it could be sold for at the balance sheet date less estimated costs necessary to make the sale.

This net realisable value provision will be closely monitored for adequacy and appropriateness as regards under and over provision to reflect circumstances at future balance sheet dates. This will include consideration of the continued appropriateness of the allocation of sites between Type 1 and Type 2. Any material change to the underlying provision will be reflected through cost of sales as an exceptional item.

#### Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand, forming an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

## Accounting policies

### Borrowings and Trade Payables

Interest bearing borrowings and trade payables are recorded at the proceeds received, net of transaction costs incurred and subsequently at amortised cost. Any difference between the proceeds, net of transaction costs and the redemption value is recognised in the income statement over the period of the borrowings.

### Forward Land

Expenditure relating to forward land excluding owned sites without residential planning consent but including options, fees etc is provided for when incurred. After exercise of an option and acquisition of land following the securing of planning permission, the provisions relating to that land are released. Expenditure incurred on owned sites without residential planning consent is included in inventories and is subject to a regular impairment review.

### Employee Benefits

#### a) Pension obligation

The Group operates a contributory pension scheme for all its staff. The scheme is externally invested and comprises two sections: a defined benefit section and a defined contribution section. A defined benefit plan is a pension plan which defines an amount of pension benefit that an employee will receive on retirement. It is funded through payments to trustee administered funds, determined by actuarial valuations carried out on at least a triennial basis. A defined contribution plan is a pension plan under which the Group pays agreed contributions into a separate fund for each employee and any subsequent pension payable to a specific employee is determined by the amount accumulated in their individual fund.

The asset/(liability) recognised in the balance sheet in respect of the defined benefit section of the scheme is the present value of the defined benefit obligation at the balance sheet date, less the fair value of plan assets. The defined benefit obligation is determined using the projected unit credit method on an annual basis by an independent scheme actuary.

Under IAS 19, revised December 2004, the Group has taken the option to allow actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions to be charged or credited to equity as they arise in full via the statement of comprehensive income.

Scheme service costs are charged to gross contribution and administrative expenses as appropriate and scheme finance costs are included in net financing costs. Past service costs are recognised immediately to the extent that the benefits are already vested, or otherwise amortised on a straight line basis over the vesting period, if they are conditional on the employees remaining in service for a further period.

In respect of the defined contribution section of the scheme, contributions are recognised as an employee benefit expense when they are due. The Group has no further payment obligations in respect of the defined contribution section of the Scheme once the contributions have been paid.

#### b) Bonus plans

The Group recognises a liability and an expense for bonuses where contractually obliged.

#### c) Share-based payments

The Group has applied the requirements of IFRS 2 'Share-based payments'. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002, which had not vested as of 1 July 2004. Equity settled share-based payments are measured at fair value on the date of grant and expensed on a straight line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

#### d) Termination benefits

Termination benefits are payable when employment is terminated by the Group before normal retirement date by redundancy. These benefits are recognised by the Group in the period in which it becomes demonstrably committed to terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal.

### Financial Instruments

#### a) Land creditors

Deferred payments arising from land creditors are held at discounted present value using the effective interest method, in accordance with IAS 39. The difference between the fair value and the nominal value is amortised over the deferment period via financing costs.

The interest rate applied is an equivalent loan rate available on the date of the land purchase.

#### b) Derivative financial instruments and hedge accounting

Derivative financial instruments are initially recorded at fair value and the fair value is remeasured to fair value at each reporting date.

The Group's use of financial derivatives is governed by an interest rate risk management framework adopted by the Board which sets parameters to ensure an appropriate level of hedging is maintained to manage interest rate risk in respect of borrowings.

The policy prohibits any trading in derivative financial instruments or their use for speculative purposes.

The effective portion of changes in the fair value of derivative financial instruments which are designated and which qualify as cash flow hedges are recognised directly in equity in a hedge reserve. The gains or losses relating to the ineffective portion are recognised in the income statement immediately they arise.

#### c) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are classified as 'trade receivables' and 'other receivables' in the balance sheet note 12.

Trade receivables are held at discounted present value less any impairment. The amount is then increased to settlement value over the settlement period via financing income.



**Onerous Contracts**

Onerous contracts are contracts in which the unavoidable costs in meeting the obligations under the contract exceed the economic benefits expected to be received under it. Provision is made to reflect management's best current estimate of the least net cost of either fulfilling or exiting the contract.

**Share Capital**

Ordinary shares are classed as equity.

**Dividend Distribution**

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are declared and paid.

**Impact Of New Standards And Interpretation****a) New Standards**

Annual Improvements 2010: This set of amendments includes changes to six standards and one IFRIC. One such amendment is to IAS 1 'Presentation of Financial Statements' relating to the statement of changes in equity. This clarifies that entities may present the required reconciliations for each component of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements. The Group have opted to present the reconciliations for each component in the notes.

**b) New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 July 2010 but not currently relevant to the group**

Annual Improvements 2009: This is a collection of amendments to 12 standards as part of the IASB program of annual improvements. The latest amendments were included in exposure drafts published in October 2007, August 2008 and January 2009. Most of the amendments are effective for annual periods beginning on or after 1 January 2010. The impact is insignificant.

Amendment to IFRS 2, 'share based payments – group cash settled share based payment transactions'. These amendments provide a clear basis to determine the classification of share based payment awards in both consolidated and separate financial statements. Effective for annual periods beginning on or after 1 January 2010. This is not relevant to the Group as there are no cash settled share based payments.

Amendments to IFRS 1 for additional exemptions. These amendments exempt entities using the full cost method from retrospective application of IFRSs for oil and gas assets and exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with IFRIC 4. This is not relevant to the Group.

Amendments to IAS 32 Financial Instruments: presentation on classification of rights issues. The amendment addresses the accounting for rights issues (rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer. Effective for annual periods beginning on or after 1 February 2010. This is not relevant to the Group.

Amendment to IFRS 1, first time adoption on financial instrument disclosures. This amendment provides first-time adopters with the same

transition provisions as included in the amendment to IFRS 7 regarding comparative information for the new three level classification disclosures. This is not relevant to the Group.

IFRIC 15, 'arrangements for construction of real estates'. This interpretation clarifies which standard (IAS 18, Revenue, or IAS 11, 'Construction contracts') should be applied to particular transactions and is likely to mean that IAS 18 will be applied to a wider range of transactions. Effective for annual periods beginning on or after 1 January 2009. Not relevant for the Group as no use of construction contracts.

IFRIC 19, 'Extinguishing financial liabilities with equity instruments'. This interpretation clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished through the debtor issuing its own equity instruments to the creditor. Not relevant for the Group.

**c. New standards, amendments and interpretations issued but not effective for the financial year beginning 1 July 2010 and not early adopted**

IAS 19 (revised 2011) 'Employee benefits'. This amendment makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. The changes will affect most entities that apply IAS 19. They could significantly change a number of performance indicators and might also significantly increase the volume of disclosures. This is effective for annual periods beginning on or after 1 January 2013. The Group have not assessed the full impact of this standard, and will adopt this for the first time for the year beginning 1 July 2013, subject to endorsement by the EU.

Amendment to IAS 1 'Financial Statement presentation' on other comprehensive income. This amendment changes the disclosure of items presented in other comprehensive income (OCI) in the statement of comprehensive income. The IASB originally proposed that all entities should present profit or loss and OCI together in a single statement of comprehensive income. The proposal has been withdrawn and IAS 1 will still permit profit or loss and OCI to be presented in either a single statement or in two consecutive statements. Effective for annual periods beginning on or after 1 July 2012. The Group have not assessed the full impact of this standard, and will adopt this for the first time for the year beginning 1 July 2012, subject to endorsement by the EU.

IFRS 9 'Financial instruments' on classification and measurement of financial assets. This is the first part of a new standard on classification and measurement of financial assets that will replace IAS 39. IFRS 9 has two measurement categories: amortised cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit or loss. Effective for periods beginning on or after 1 January 2013. The Group have not assessed the full impact of this standard, and will adopt this for the first time for the year beginning 1 July 2013, subject to endorsement by the EU.

IFRS 10 'consolidated financial statements'. This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial

## Accounting policies

statements. The standard provides additional guidance to assist in determining control where this is difficult to assess. This new standard might impact the entities that a group consolidates as its subsidiaries. Effective for periods beginning on or after 1 January 2013. The Group have not assessed the full impact of this standard, and will adopt this for the first time for the year beginning 1 July 2013, subject to endorsement by the EU.

IFRS 27 (revised), 'Separate financial statements'. This standard includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10. Effective for periods beginning on or after 1 January 2013. The Group will adopt this for the first time for the year beginning 1 July 2013, subject to endorsement by the EU.

IFRS 11 'Joint arrangements'. This standard provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. Effective for periods beginning on or after 1 January 2013. The Group have not assessed the full impact of this standard, and will adopt this for the first time for the year beginning 1 July 2013, subject to endorsement by the EU.

IAS 28 (revised), 'Investments in associates and joint ventures'. This standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11. Effective for periods beginning on or after 1 January 2013. The Group will adopt this for the first time for the year beginning 1 July 2013, subject to endorsement by the EU.

IFRS 13 'Fair value measurement'. This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. Effective for periods beginning on or after 1 January 2013. The Group have not assessed the full impact of this standard, and will adopt this for the first time for the year beginning 1 July 2013, subject to endorsement by the EU.

IAS 24 (revised), 'related party disclosures'. This amendment removes the requirement for government related entities to disclose details of all transactions with the government and other government-related entities and it clarifies and simplifies the definition of a related party. Not expected to be relevant to the Group.

Amendments to IFRS 7 on derecognition. These amendments are part of the IASBs comprehensive review of off balance sheet activities. The amendments will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial asset. Not expected to be relevant to the Group.

Amendments to IFRS 1 'first time adoption' on hyperinflationary and fixed dates. Not expected to be relevant to the Group.

Amendment to IAS 12 'Income taxes' on deferred tax. Currently IAS 12, 'Income taxes', requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 Investment Property. Not expected to be relevant to the Group.

IFRS 9 'Financial instruments' on classification and measurement of financial liabilities. These are further addition of IFRS 9 dealing with financial liabilities. The additions, which are part of the IASB's plan to replace IAS 39, retain most of the IAS 39 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change in the additions is that in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. This change will mainly affect financial institutions. Not expected to be relevant to the Group.

IFRS 12 'Disclosure of interests in other entities'. This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. Not expected to be relevant to the Group.

Amendment to IFRIC 14 'Prepayments of a minimum funding requirement'. This amendment will have a limited impact as it applies only to companies that are required to make minimum funding contributions to a defined benefit pension plan. Not expected to be relevant to the Group.

IFRIC 18. 'Transfer of assets from customers'. This interpretation clarifies the accounting for arrangements where an item of property, plant and equipment, which is provided by the customer, is used to provide an ongoing service. Not expected to be relevant to the Group.

## Notes to the financial statements

### Note 1. Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management consider the key sources of estimation uncertainty and critical accounting judgements relate to:

#### Carrying value of inventories

The Group carries inventories at the lower of cost and net realisable value less cash on account.

Due to the nature of development timescales, it is routinely necessary to estimate costs to complete and future revenues and to allocate non-unit specific development costs between units legally completing in the current financial year and in future periods.

A full review of the net realisable value of inventories was undertaken by the Group as at 30 June 2011.

In respect of land where the construction of homes had commenced or undeveloped land that the Group believes it is more likely to develop than sell undeveloped (Type 1 land), the Group estimated selling prices and costs of its homes under construction. These estimates were based on a combination of experience to date, local market research and management experience.

In respect of land where housebuild had not commenced, land could be identified as a distinct parcel and the Group believes it is more likely to be sold undeveloped (Type 2 land), the Group judged it appropriate to assess the net realisable value of the undeveloped land. It prepared estimates using a land appraisal methodology reflecting land as a residual value and used an appropriate financial return to take into account the current housing market conditions and the prevailing financing environment. The estimates reflected management's estimate at the balance sheet date of home selling prices and costs and current estimate of the market required rate of return.

The categorisation of undeveloped land between land the Group believes it is more likely to develop (Type 1 land) and land the Group believes it is more likely to sell undeveloped (Type 2 land) is based on the Group's current judgement of its medium term land requirements and prevailing market conditions. The Directors regularly consider which element of the Group's land bank they intend to develop and that which they do not. Land which is not intended for development is generally considered as available to swap or sell.

#### Pensions

The Group has utilised assumptions including a rate of return on assets, mortality assumptions and a discount rate having been advised by its actuary. To the extent that such assumed rates are different from what actually transpires, the retirement benefit obligations of the Group would change.

## Notes to the financial statements

### Note 2. Operating Profit Before Financing Costs

	Note	2011 £m	2010 £m
<b>Operating profit before financing costs is stated</b>			
<b>After crediting:</b>			
Rental income		0.1	0.1
Profit on disposal of property, plant and equipment		-	0.1
<b>After charging:</b>			
Inventories expensed in the year	13	415.4	335.9
Depreciation	9	1.2	1.0
Amortisation	8	0.1	0.1
Loss on disposal of property, plant and equipment		-	0.2
Operating leases - plant and machinery		1.3	1.1
- other		0.2	0.1
Research and development expenditure		0.3	0.2
Auditors' remuneration - fees payable to Company's auditor for audit services		0.2	0.2
- fees payable to Company's auditor for other services		-	0.3

Fees payable to Company's auditor for audit services comprise:

- (i) Fees payable for the audit of parent company and consolidated financial statements £30,000 (2010: £30,000) and
- (ii) Fees payable for the audit of the Company's subsidiaries pursuant to legislation £120,000 (2010: £120,000).

Auditors' remuneration for non-audit services comprised £nil (2010: £6,000) in respect of pensions advice to the Company on actuarial and accounts pension scheme disclosure matters and £20,000 (2010: £20,000) in respect of an independent review of the half-yearly financial statements. In 2010, Auditors' remuneration for non-audit services also included £305,000 in respect of the preparation of a working capital report in conjunction with the Rights Issue.



**Note 3. Net Financing Costs**

	2011 £m	2010 £m
Interest payable on other bank loans	(6.1)	(11.9)
	(6.1)	(11.9)
Net interest paid on pension scheme	(0.1)	-
Imputed interest on deferred land creditors	(2.4)	(1.9)
Financial expense	(8.6)	(13.8)
Net interest received on pension scheme	-	0.4
Other interest receivable	2.7	1.4
Financial income	2.7	1.8
Net financing costs	(5.9)	(12.0)

Interest expense includes £2.5m in respect of the amortisation of the issue costs of bank borrowings (2010: £2.8m).

**Note 4. Income Tax Expense**

	2011 £m	2010 £m
<b>Current tax charge</b>		
UK Corporation Tax at 27.5% (2010: 28.0%)	-	-
(Over) provision in respect of prior year	-	-
	-	-
<b>Deferred tax</b>		
Origination and reversal of temporary differences	7.0	0.2
Impact of changes in deferred tax rate	4.8	-
Total income tax charge in income statement	11.8	0.2
<b>Reconciliation of tax charge for the year</b>		
Profit before tax	25.3	0.7
Tax calculated at UK corporation tax rate of 27.5% (2010: 28.0%)	7.0	0.2
Impact of changes in deferred tax rate	4.8	-
Tax effect of share of losses in joint ventures	-	-
Expenses not deductible for tax purposes net of rolled over capital gains	-	-
Short term temporary differences	-	-
Tax charge for the year	11.8	0.2
<b>Deferred tax recognised directly in equity</b>		
Relating to pension scheme	(2.5)	2.1
Relating to fair value adjustment on interest rate swaps	(0.3)	(0.5)
	(2.8)	1.6

Current income tax receivable in the Company is £6.5m (2010: £4.5m).

## Notes to the financial statements

### Note 5. Dividends

No dividend was paid in the year ended 30 June 2011 (2010: £nil).

### Note 6. Earnings Per Ordinary Share

The basic earnings per share calculation for the year ended 30 June 2011 is based on the weighted number of shares in issue during the period of 304.3m (2010: 275.6m) excluding those held in trust under the Redrow Long Term Incentive Plan, 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 2011

	Earnings £m	No. of shares millions	Per share pence
Basic earnings per share	13.5	304.3	4.4p
Effect of share options and SAYE	-	0.3	-
Diluted earnings per share	13.5	304.6	4.4p

	Earnings £m	No. of shares millions	Per share pence
Basic earnings per share	13.5	304.3	4.4p
Adjustment to deferred tax rate change	4.8	-	1.6p
Adjusted earnings per share	18.3	304.3	6.0p

Adjusted diluted earnings per share are 6.0p (2010: 0.2p).

#### 12 months ended 30 June 2010

	Earnings £m	No. of shares millions	Per share pence
Basic earnings per share	0.5	275.6	0.2p
Effect of share options and SAYE	-	2.1	-
Diluted earnings per share	0.5	277.7	0.2p

For the 12 months ended 30 June 2010, basic and adjusted earnings per share were identical.

**Note 7. Employees****a. Cost (including Directors)**

	2011 £m	2010 £m
Salaries and wages	32.3	28.0
Social security	3.7	3.1
Pensions	2.8	2.2
Share-based payments	1.4	1.1
	40.2	34.4

Included in salaries and wages are £0.1m of redundancy and termination payment costs (2010: £1.1m).

**b. Number**

	2011 No.	2010 No.
The average number of persons employed by the Group was:		
Directors and administrative staff	361	322
Other personnel	572	457
	933	779

**c. Key Management remuneration**

Key management personnel, as defined under IAS 24 (Related Party Disclosures), are identified as the Main Board together with Group Senior Management.

Summary key management remuneration is as follows:

	2011 £m	2010 £m
Salaries and short term employee benefits	1.4	1.7
Post-employment benefits	-	0.1
Share-based payments	0.6	0.4
	2.0	2.2

In addition, the Redrow Staff Pension scheme paid £10,000 to Steve Morgan in his capacity as an active Scheme pensioner.

Detailed disclosure of Directors' emoluments and interests in shares are included in the Directors' Remuneration report on pages 49 to 56, which form part of these financial statements.

**d. Share-based payments****Save As You Earn Share Option Scheme**

The Redrow plc Save As You Earn scheme is open to all employees and share options can be exercised either 3 or 5 years after the date of grant, depending on the length of the savings contract. The Save As You Earn schemes are not subject to performance conditions.

The Save As You Earn schemes have been valued using the Black-Scholes pricing model.

	2011	2010
Options granted during the year	1,054,055	405,821
Date of grant	1 January 2011	1 January 2010
Fair value at measurement date	£0.48/£0.55	£0.61/£0.75
Share price	£1.23	£1.58
Exercise price	£0.98	£1.42
Expected volatility	47.0%	68.1%/68.1%
Option life (contract length)	3/5 years	3/5 years
Expected dividend	1.7%	0.0%
Risk free interest rate	1.43%/1.43%	1.7%/1.7%

The expected volatility on Save As You Earn schemes is based on the historic volatility of the Group's share price over periods equal to the length of the savings contract.

## Notes to the financial statements

### Long Term Share Incentive Scheme

Except in specified circumstances, options granted under the scheme are exercisable between 3 and 10 years after the date of grant.

Options granted under the LTSIP on the 20 April 2011 were granted to a limited number of Senior Executives. The scheme is discussed in greater detail within the Remuneration report.

The Long Term Share Incentive schemes have been valued using the Black-Scholes pricing model, with the exception of the TSR element of the options granted on 20 April 2011, 25 February 2010, 22 December 2009 and 21 November 2008, for which a simulation model provided by external consultants has been used.

	2011	2010
Options granted during the year	637,649 and 175,377	389,312 358,423
Date of grant	18 February 2011 & 20 April 2011	22 December 2009 25 February 2010
Fair value at measurement date	£0.62/£1.21	£0.97/£1.31 £0.89/£1.34
Share price	£1.26	£1.32 £1.34
Exercise price	£0.00	£0.00 £0.00
Expected volatility	47.0%	68.1% 69.3%
Option life	3 years	3 years 3 years
Expected dividend	1.7%	0.0% 0.0%
Risk free interest rate	1.43%	1.7% 1.6%

The fair value at measurement date of the LTSIP granted on 18 February 2011 & 20 April 2011 comprises £0.62 in respect of the TSR element and £1.21 in respect of non-market based performance conditions (22 December 2009 and 25 February 2010 comprises £0.97/£0.89 in respect of the TSR element, and £1.31/£1.34 in respect of non-market based performance conditions).

The expected volatility of the Long Term Share Incentive scheme is based on the historic volatility of the Group's share price over a period equivalent to that of the options' vesting. The expected volatility of the TSR element of the options granted on 20 April 2011 is based on the historic volatility of Redrow and its peer group companies (being the comparator group as defined in the Directors' Remuneration report).

### Company Share Option Plan

Grants under the CSOP were limited to Senior Management. Except in specified circumstances, options granted to those other than the Executive Directors are exercisable between 3 and 10 years after the date of grant and are not subject to performance conditions. Except in specified circumstances, options granted to the Executive Directors are exercisable between 5 and 10 years after the date of grant and are subject to performance conditions.

The CSOP scheme has been valued using a simulation model provided by external consultants. No CSOP options were granted in 2011 or 2010.

A dividend yield of 1.7% has been used in the SAYE, LTSIP and CSOP valuations.



**Share Options Outstanding**

The following share options were outstanding at 30 June 2011:

Type of scheme	Date of Grant	Number of options 2011	Number of options 2010	Exercise price
Long Term Share Incentive	30 June 2000	-	4,974	-
Long Term Share Incentive	30 June 2001	-	1,321	-
Long Term Share Incentive	28 September 2001	1,552	1,552	-
Long Term Share Incentive	30 June 2002	-	1,078	-
Long Term Share Incentive	23 September 2002	541	541	-
Long Term Share Incentive	30 June 2003	161	1,119	-
Long Term Share Incentive	25 June 2004	145	145	-
Long Term Share Incentive	28 September 2004	1,552	1,552	-
Long Term Share Incentive	24 June 2005	120	120	-
Long Term Share Incentive	19 September 2007	-	93,657	-
Long Term Share Incentive	21 November 2008	611,401	611,401	-
Long Term Share Incentive	22 December 2009	389,312	389,312	-
Long Term Share Incentive	25 February 2010	358,423	358,423	-
Long Term Share Incentive	18 February 2011	637,649	-	-
Long Term Share Incentive	20 April 2011	175,377	-	-
Company Share Option Plan	21 November 2008	963,204	1,033,147	£1.25
Save As You Earn	1 January 2005	-	5,449	£2.06
Save As You Earn	2 January 2006	8,077	16,887	£2.63
Save As You Earn	2 January 2007	4,285	23,701	£3.82
Save As You Earn	2 January 2008	40,667	85,793	£2.26
Save As You Earn	1 January 2009	853,445	1,082,586	£1.06
Save As You Earn	1 January 2010	204,307	380,959	£1.42
Save As You Earn	1 January 2011	974,655	-	£0.98

The total share options outstanding at 30 June 2011 under the Long Term Share Incentive Plan, Company Share Option Plan and the Save As You Earn schemes represent 1.7% of the issued share capital (2010: 1.3%).

## Notes to the financial statements

### Movements In The Year

The number and weighted average exercise prices of share options is as follows:

	Weighted average exercise price 2011	Number of options 2011	Weighted average exercise price 2010	Number of options 2010
<b>Long Term Share Incentive scheme:</b>				
Outstanding at the beginning of the year	-	1,465,195	-	2,079,139
Forfeited during the year	-	(101,988)	-	(1,344,790)
Exercised during the year	-	-	-	(16,889)
Granted during the year	-	813,026	-	747,735
Outstanding at the end of the year	-	2,176,233	-	1,465,195
Exercisable at the end of the year	-	4,071	-	11,435
<b>Company Share Option Plan:</b>				
Outstanding at the beginning of the year	£1.25	1,033,147	£1.64	896,310
Forfeited during the year pre Rights Issue	-	-	£1.64	(45,730)
Rights Issue adjustment	-	-	-	264,501
Forfeited post Rights Issue	£1.25	(69,943)	£1.25	(81,934)
Granted during the year	-	-	-	-
Outstanding at the end of the year	£1.25	963,204	£1.25	1,033,147
Exercisable at the end of the year	-	-	-	-
<b>Save As You Earn scheme:</b>				
Outstanding at the beginning of the year	£1.27	1,595,375	£1.65	1,122,062
Forfeited during the year pre Rights Issue	-	-	£1.88	(91,777)
Exercised during the year pre Rights Issue	-	-	£1.40	(5,607)
Rights Issue adjustment	-	-	-	323,464
Forfeited post Rights Issue	£1.38	(552,397)	£1.37	(155,759)
Exercised during the year post Rights Issue	£1.26	(11,597)	£1.06	(2,829)
Granted during the year	£0.98	1,054,055	£1.42	405,821
Outstanding at the end of the year	£1.09	2,085,436	£1.27	1,595,375
Exercisable at the end of the year	-	-	£2.52	39,265

The weighted average share price at the date of exercise of share options exercised during the year was £1.26 (2010: £1.54).

The options outstanding at 30 June 2011 had a range of exercise prices of £nil to £3.82 (2010: £nil to £3.82) and a weighted average remaining contractual life of 5.5 years (2010: 6.3 years).

The expected life used in the models has been adjusted, based on best estimates, to reflect exercise restrictions and behavioural considerations.

The charge to income in relation to equity settled share-based payments in the year is £1.4m (2010: charge: £1.1m).

**e. Retirement benefit schemes**

The Redrow Staff Pension Scheme (the "Scheme") comprises two sections: a funded, self-administered, defined benefit section and a funded defined contribution section, the former of which is contracted out of the State Earnings Related Pensions Scheme. The defined benefit section was closed to all new entrants from July 2006, having been closed to all but a limited number of agreed new entrants from October 2001.

The total pension credit for the year was £6.9m (2010: charge of £9.5m). A credit of £8.7m related to the defined benefit section of the scheme (2010: charge of £8.0m), with £1.0m being charged to the income statement (2010: charge of £0.7m) and a credit of £9.7m to the statement of comprehensive income (2010: charge of £7.3m). The charge arising from the defined contribution section was £1.8m (2010: £1.5m).

**Triennial Valuation**

A full independent triennial actuarial valuation of the defined benefit section of the Scheme was undertaken at 1 July 2008. The method used was the Projected Unit Method. The main assumptions were an investment return of 6.42% per annum compound, salary increase of 2.4% per annum compound, and mortality in accordance with the PA92 series of tables with allowance for the cohort effect (medium cohort protection) with a 1% pa minimum improvement. In the opinion of the Actuary, there was a surplus of £9.9m in the defined benefit section of the Scheme, with the value of the Scheme's assets representing 116% of the Scheme's liabilities. As at 1 July 2008 the value of the defined benefit section of the Scheme's assets was £70.6m. The previous triennial valuation was undertaken as at 1 July 2005 and reported a deficit of £11.5m.

**Defined Benefit Scheme – IAS 19 Valuation**

Redrow has a policy of recognising all actuarial gains and losses for its defined benefit plan in the period in which they occur, outside the income statement, in the statement of comprehensive income.

This disclosure relates to the defined benefit section of the Scheme. The Scheme's assets are held separately from the assets of Redrow and are administered by the trustees and managed professionally.

The latest formal actuarial valuation of the defined benefit section was carried out at 1 July 2008. This valuation has been updated to 30 June 2011 by a qualified actuary for the purposes of these accounts.

The Company and the Trustees have agreed the following contribution rates for the year ending 30 June 2012:

	Company	Employee
Executive members	12.3%	8.3%
Other members	9.0%	6.2%

## Notes to the financial statements

The major financial assumptions used in arriving at the IAS 19 valuation were:

	2011	2010
Long term rate of increase in pensionable salaries <sup>1</sup>	2.4%	2.4%
Rate of increase of benefits in payment (lesser of 5% per annum and RPI) <sup>2</sup>	3.8%	3.3%
Rate of increase of benefits in payment (lesser of 2.5% per annum and RPI) <sup>3</sup>	2.4%	2.3%
Discount rate	5.8%	5.4%
Inflation assumption - RPI	3.9%	3.4%
- CPI	2.9%	-
Expected return on assets	6.1%	6.0%

<sup>1</sup> Allowing for the change in definition of pensionable salary where increases are limited to maximum of (i) each member's actual salary increase, (ii) the annual change in RPI (measured at the previous 1 April) and (iii) 2.5% per annum.

<sup>2</sup> In respect of pensions in excess of the guaranteed minimum pension earned prior to 30 June 2006.

<sup>3</sup> In respect of pensions in excess of the guaranteed minimum pension earned after 30 June 2006. Other pension increases are valued in a consistent manner.

The expected return on assets assumption has been derived by considering the appropriate return for each of the main asset classes listed on page 81. The yields assumed on bond type investments are based on published redemption yields at the balance sheet date. The assumed return on equities and property reflects an assumed allowance for the out-performance of these asset classes over UK Government bonds in the long term. The rates of return are shown net of investment manager expenses.

The mortality tables used in the actuarial valuation were as follows (which make allowance for projected further improvements in mortality):

For male members:	PMA92	(with a medium cohort projection and an allowance for 1% minimum improvements year on year mortality rates)
For female members:	PFA92	(with a medium cohort projection and an allowance for 1% minimum improvements year on year mortality rates)

The life expectancies implied by these tables for typical members are:

Pensioner currently aged 65:	Male 22.9 years	Female 26.2 years
Future pensioner when aged 65:	Male 24.3 years	Female 27.7 years

It has been assumed that the majority of members will commute part of their pension in return for a tax free cash sum on retirement.



The total assets, the split between the major asset classes in the Scheme, the present value of the Schemes' liabilities, and the amounts recognised in the balance sheet are shown below:

	The Group and Company	
	2011	2010
	£m	£m
Equities	21.2	24.2
Property	6.0	5.7
Gilts	17.4	20.4
Corporate bonds	16.0	15.3
High yield bonds	6.7	9.0
Diversified growth funds	16.4	-
Cash	0.1	0.1
Insurance policies	1.9	2.0
<b>Total market value of assets</b>	<b>85.7</b>	<b>76.7</b>
<b>Present value of obligations</b>	<b>(80.7)</b>	<b>(81.1)</b>
<b>Surplus/(deficit) in the Scheme</b>	<b>5.0</b>	<b>(4.4)</b>

The total amounts credited/(charged) against income in the year were as follows:

	The Group and Company	
	2011	2010
	£m	£m
<b>Amounts included within the income statement:</b>		
<b>Periodic administrative expenses</b>		
Current service cost	(0.9)	(1.1)
<b>Financing costs</b>		
Expected return on assets	4.3	4.3
Interest cost	(4.4)	(3.9)
	(1.0)	(0.7)
<b>Amounts recognised in the statement of comprehensive income:</b>		
Actuarial gains/(losses)	9.7	(7.3)
	8.7	(8.0)
Cumulative amount of (losses) recognised in the statement of comprehensive income since 1 July 2004	(14.1)	(23.8)

## Notes to the financial statements

The amount included in the balance sheet arising from the surplus/(deficit) in respect of the Group's defined benefit section is as follows:

	The Group and Company	
	2011 £m	2010 £m
Balance sheet (deficit)/surplus		
At start of year	(4.4)	2.8
Amounts (charged)/credited against statement of comprehensive income	8.7	(8.0)
Employer contributions paid	0.7	0.8
<b>At end of year</b>	<b>5.0</b>	<b>(4.4)</b>
Changes in the present value of the defined benefit obligation:		
At start of year	81.1	63.2
Current service cost	0.9	1.1
Interest cost	4.4	3.9
Member contributions	0.5	0.5
Benefit payments, group life insurance death in service premiums and administration costs	(1.7)	(1.6)
Actuarial (gains)/losses on liabilities	(4.5)	14.0
<b>At end of year</b>	<b>80.7</b>	<b>81.1</b>
Changes in the fair value of the Scheme's assets:		
At start of year	76.7	66.0
Normal employer contributions	0.7	0.8
Member contributions	0.5	0.5
Expected return on assets	4.3	4.3
Benefit payments, group life insurance death in service premiums and administration costs	(1.7)	(1.6)
Actuarial gain on assets	5.2	6.7
<b>At end of year</b>	<b>85.7</b>	<b>76.7</b>

The actual return on the plan assets was a profit of £9.5m (2010: profit of £11.0m).

A five year history of experience adjustments is set out below:

	2011	2010	2009	2008	2007
Present value of defined benefit obligation (£m)	80.7	81.1	63.2	72.4	66.2
Present value of Scheme assets (£m)	85.7	76.7	66.0	72.2	72.3
Scheme surplus/(deficit) (£m)	5.0	(4.4)	2.8	(0.2)	6.1
Experience adjustments on Scheme liabilities over the year (£m)					
excluding change in assumptions	-	0.4	(0.2)	0.4	-
Percentage of Scheme liabilities	-	0.5%	(0.3%)	0.6%	-
Experience gain/(loss) on Scheme assets over the year (£m)	5.2	6.7	(12.8)	(7.7)	2.2
Percentage of Scheme assets	6.1%	8.7%	(19.4%)	(10.7%)	3.0%

**Note 8. Intangible Assets**

Group	Goodwill £m	Software £m	Total £m
<b>Cost</b>			
At 1 July 2009	-	1.0	1.0
Additions	1.5	0.1	1.6
At 30 June 2010	1.5	1.1	2.6
Additions	-	-	-
<b>At 30 June 2011</b>	<b>1.5</b>	<b>1.1</b>	<b>2.6</b>
<b>Accumulated amortisation</b>			
At 1 July 2009	-	0.7	0.7
Charge	-	0.1	0.1
At 30 June 2010	-	0.8	0.8
Charge	-	0.1	0.1
<b>At 30 June 2011</b>	<b>-</b>	<b>0.9</b>	<b>0.9</b>
<b>Net book value</b>			
<b>At 30 June 2011</b>	<b>1.5</b>	<b>0.2</b>	<b>1.7</b>
At 30 June 2010	1.5	0.3	1.8

**Note 9. Property, Plant and Equipment**

Group	Freehold property £m	Plant & machinery £m	Fixtures & fittings £m	Total £m
<b>Cost</b>				
At 1 July 2009	13.8	4.0	5.1	22.9
Additions	0.6	0.2	0.5	1.3
Disposals	-	(0.3)	(0.3)	(0.6)
At 30 June 2010	14.4	3.9	5.3	23.6
Additions	0.1	0.1	0.5	0.7
Disposals	(1.2)	(0.3)	(0.8)	(2.3)
<b>At 30 June 2011</b>	<b>13.3</b>	<b>3.7</b>	<b>5.0</b>	<b>22.0</b>
<b>Accumulated depreciation</b>				
At 1 July 2009	2.1	2.2	4.1	8.4
Charge	0.3	0.4	0.3	1.0
Disposals	-	(0.1)	(0.3)	(0.4)
At 30 June 2010	2.4	2.5	4.1	9.0
Charge	0.5	0.3	0.4	1.2
Disposals	(0.2)	(0.1)	(0.8)	(1.1)
<b>At 30 June 2011</b>	<b>2.7</b>	<b>2.7</b>	<b>3.7</b>	<b>9.1</b>
<b>Net book value</b>				
<b>At 30 June 2011</b>	<b>10.6</b>	<b>1.0</b>	<b>1.3</b>	<b>12.9</b>
At 30 June 2010	12.0	1.4	1.2	14.6

There was £nil of capital expenditure contracted at 30 June 2011 (2010: £0.1m).

The net £3.9m reclassification during the year ended 30 June 2009 related to four surplus office properties which the Group is actively marketing which have been reclassified as non-current assets held for sale. One of these properties was sold during the year ended 30 June 2010 and a tenant was found during the year for a further property. A further property was sold during the year ended 30 June 2011. The carrying value at 30 June 2011 was £1.4m (2010: £2.3m).

## Notes to the financial statements

### Note 10. Investments

#### a. Investments

	The Group		The Company	
	2011 £m	2010 £m	2011 £m	2010 £m
Joint ventures	2.6	2.2	-	-
Subsidiary companies	-	-	0.1	0.1
	2.6	2.2	0.1	0.1

#### b. Investments in joint ventures

	The Group		The Company	
	2011 £m	2010 £m	2011 £m	2010 £m
Share of joint venture net assets:				
Current assets	4.1	3.7	-	-
Current liabilities	(3.4)	(3.0)	-	-
Non-current liabilities	(1.7)	(1.7)	-	-
Net (liabilities)	(1.0)	(1.0)	-	-
Loans from Group companies	3.6	3.2	-	-
	2.6	2.2	-	-
Share of post-tax losses from joint ventures:				
Revenue	-	-	-	-
Cost of sales	-	0.1	-	-
Gross loss	-	0.1	-	-
Administrative expenses	-	-	-	-
Operating profit/(loss)	-	0.1	-	-
Finance costs	-	(0.1)	-	-
Result before tax	-	-	-	-
Taxation	-	-	-	-
	-	-	-	-

The Group's principal joint venture investment is its 50% shareholding in the ordinary share capital of The Waterford Park Company Limited, a company incorporated in Great Britain with a 30 June year end. The remaining shares are held by Denrock Associates Limited. The Waterford Park Company Limited was formed to pursue the potential redevelopment of Watford Junction railway station.

#### c. Investments in subsidiary undertakings

	The Company £m
At 1 July 2010 and 30 June 2011	0.1

The principal subsidiary company is Redrow Homes Limited. All subsidiary companies are incorporated in Great Britain except Redrow Homes (Park Heights) Limited which is incorporated in Jersey. A full list of subsidiary undertakings as at 30 June 2011 will be appended to the Company's next annual return. The capital of all the subsidiary companies, consisting of ordinary shares, is wholly owned. HB (HDG) Limited is directly owned by Redrow plc.

In the opinion of the Directors the carrying value of the Company's investment in subsidiary undertakings is supported by their underlying net assets.

**Note 11. Deferred Tax Assets And Liabilities**

The following are the deferred tax assets and liabilities recognised by the Group and the movements thereon during the current and prior year:

	Employee benefits £m	Imputed interest £m	Hedge reserve £m	Share-based payment £m	Short term temporary differences £m	Losses carried forward £m	Total £m
<b>Deferred tax assets</b>							
At 1 July 2009	0.2	2.4	0.8	0.3	0.7	72.3	76.7
(Charge) to income	(0.8)	-	-	-	-	(0.2)	(1.0)
Credit/(charge) to equity	2.0	-	(0.5)	-	-	-	1.5
At 1 July 2010	1.4	2.4	0.3	0.3	0.7	72.1	77.2
(Charge) to income	-	(0.2)	-	(0.2)	-	(11.5)	(11.9)
(Charge) to equity	(1.2)	-	(0.3)	-	-	-	(1.5)
<b>At 30 June 2011</b>	<b>0.2</b>	<b>2.2</b>	<b>-</b>	<b>0.1</b>	<b>0.7</b>	<b>60.6</b>	<b>63.8</b>
	Employee benefits £m	Imputed interest £m	Hedge reserve £m	Share-based payment £m	Short term temporary differences £m	Losses carried forward £m	Total £m
<b>Deferred tax liabilities</b>							
At 1 July 2009	(0.8)	-	-	-	(0.6)	-	(1.4)
Credit to income	0.8	-	-	-	-	-	0.8
Credit to equity	-	-	-	-	-	-	-
At 1 July 2010	-	-	-	-	(0.6)	-	(0.6)
Credit to income	-	-	-	-	0.1	-	0.1
(Charge) to equity	(1.3)	-	-	-	-	-	(1.3)
<b>At 30 June 2011</b>	<b>(1.3)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(0.5)</b>	<b>-</b>	<b>(1.8)</b>

The Group has no material unrecognised deferred tax assets.

The deferred tax balances in the Company relate to a deferred tax asset arising on retirement benefit obligations of £2.1m (2010: £4.9m).

The Group has considered carefully the extent to which it is probable that future taxable profit will be available resulting in taxable amounts against which the carried forward tax losses could be utilised. The basis for supporting the recognition of the deferred tax asset is as follows:

(i) Historic profitability

The Group floated in May 1994 and, prior to the financial year ended June 2008, had never made a loss before tax since flotation or during the five years prior to flotation provides evidence of historic profitability.

(ii) Identifiable causes of the losses and likelihood of reoccurrence

The carried forward tax losses arise primarily from the exceptional net realisable value provisions created in 2008 and 2009 and to a lesser extent the trading losses in 2009 arising from the challenging housing market conditions. The provisions principally arise from the reductions in house prices and the reduced rate of sales which have reduced land values. Whilst the housing market remains uncertain, short of a collapse of market conditions from those experienced to date during 2012, material provisioning is not anticipated to reoccur regularly into the future.

(iii) Financial forecasts demonstrating a return to profitability

The Group's medium term financial forecasting model has been reviewed. This forecasts increased profitability building on the profitable performance in 2011 and the deferred tax asset being utilised in the medium term.

The Finance Bill 2011, which was substantially enacted on 5 July 2011 includes legislation reducing the rate of corporation tax from 26.0% to 25.0% from 1 April 2012. The carrying value of the £63.8m deferred tax asset at June 2011 at 25.0% would be £61.3m.



## Notes to the financial statements

### Note 12. Trade And Other Receivables

	The Group		The Company	
	2011 £m	2010 £m	2011 £m	2010 £m
Non-current assets				
Trade receivables (net)	31.1	7.1	-	-
Other receivables	0.3	0.3	-	-
	31.4	7.4	-	-
Current assets				
Trade receivables (net)	27.2	2.9	-	-
Amounts due from subsidiary companies	-	-	391.8	379.9
Other receivables	7.2	5.8	-	-
Prepayments and accrued income	3.8	3.5	-	-
	38.2	12.2	391.8	379.9

Trade receivables due after more than one year are stated after an allowance of £6.0m has been made (2010: £4.5m) in respect of estimated irrecoverable amounts. This allowance is based on an estimate of default rates. £1.6m provision was made during the year (2010: £2.0m). £0.1m was utilised (2010: £0.1m). It is not considered that a material amount of current asset trade receivables are overdue for payment.

Trade and other receivables due in 1 to 2 years are £9.8m (2010: £nil), due between 2 and 5 years are £11.1m (2010: £0.3m) and due in more than 5 years are £10.2m (2010: £7.1m). The Group holds a charge over the underlying assets. Trade receivables include £38.8m re the Scotland disposal (see note 22). At the balance sheet date, there is no material difference between the fair value of trade and other receivables and their carrying values as shown in the balance sheet.

### Note 13. Inventories

	The Group		The Company	
	2011 £m	2010 £m	2011 £m	2010 £m
Land for development	377.8	321.5	-	-
Work in progress	170.0	211.6	-	-
Stock of showhomes	23.3	15.9	-	-
	571.1	549.0	-	-
Payments on account	(8.4)	(9.3)	-	-
	562.7	539.7	-	-

Inventories of £415.4m net of £95.5m net realisable value provision utilisation, were expensed in the year (2010: £335.9m net of £62.4m net realisable value provision). Work in progress includes £7.2m (2010: £4.3m) in respect of part exchange properties. Land held for development in the sum of £35.7m is subject to a legal charge as security in respect of deferred consideration (2010: £23.8m).

The carrying value of undeveloped land where net realisable value has been determined on the basis of a sale of land in its current state is £5.9m (2010: £8.8m). Of the net realisable value provision of £158.3m (2010: £256.9m), £135.0m (2010: £233.6m) is attributed to land and £23.3m (2010: £23.3m) is attributed to work in progress. The allocation of land between Type 1 and Type 2 is described in the Inventories accounting policy.

As discussed in note 1, the Group considers the carrying value of inventories to be a critical accounting judgement.

The net realisable value provision movement is analysed below:

	Type 1 £m	Type 2 £m	Total £m
As at 1 July 2010	192.9	64.0	256.9
Utilised during the year	(56.3)	(39.2)	(95.5)
Created during the year	32.9	16.3	49.2
Reclassified during the year	6.1	(6.1)	-
Released during the year	(43.5)	(8.8)	(52.3)
<b>As at 30 June 2011</b>	<b>132.1</b>	<b>26.2</b>	<b>158.3</b>

The net realisable value provisions of £49.2m and £52.3m 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 i.e. a reallocation of the quantum of provision amongst sites where provisions already exist.

**Note 14: Financial Risk Management**

The Group's financial instruments comprise cash and cash equivalents, bank loans and overdrafts, derivative financial instruments and various items included within trade receivables and trade payables which arise during the normal course of business.

The tables below provide a summary of financial assets and liabilities by category.

The accounting policies for financial instruments have been applied to the following items:

The Group

	2011 Loans & receivables £m	2010 Loans & receivables £m
<b>Assets per the balance sheet</b>		
Non current trade and other receivables	31.4	7.4
Current trade and other receivables	34.4	8.7
Cash and cash equivalents	32.0	21.9
	<b>97.8</b>	<b>38.0</b>

	2011 Liabilities at fair value through the income statement £m	2011 Other financial liabilities £m	2011 Total £m	2010 Liabilities at fair value through the income statement £m	2010 Derivatives used for hedging £m	2010 Other financial liabilities £m	2010 Total £m
<b>Liabilities per the balance sheet</b>							
Bank loans & overdrafts	-	107.4	107.4	-	-	69.0	69.0
Derivative financial instruments	-	-	-	-	1.1	-	1.1
Trade payables and other payables	-	93.8	93.8	-	-	95.6	95.6
Land creditors	44.8	-	44.8	37.6	-	-	37.6
	<b>44.8</b>	<b>201.2</b>	<b>246.0</b>	<b>37.6</b>	<b>1.1</b>	<b>164.6</b>	<b>203.3</b>

The Company

	2011 Loans & receivables £m	2010 Loans & receivables £m
<b>Assets per the balance sheet</b>		
Cash and cash equivalents	7.3	20.8
Amounts due from subsidiary companies	391.8	379.9
	<b>399.1</b>	<b>400.7</b>

	2011 Other financial liabilities £m	2011 Total £m	2010 Derivatives used for hedging £m	2010 Other financial liabilities £m	2010 Total £m
<b>Liabilities per the balance sheet</b>					
Bank loans & overdrafts	85.0	85.0	-	78.4	78.4
Derivative financial instruments	-	-	1.1	-	1.1
Amounts due to subsidiary companies	13.1	13.1	-	13.3	13.3
	<b>98.1</b>	<b>98.1</b>	<b>1.1</b>	<b>91.7</b>	<b>92.8</b>

## Notes to the financial statements

Fair values of financial assets and liabilities are determined by reference to the rates at which they could be exchanged between knowledgeable and willing parties. Where no such price is readily available then fair value is determined by discounting net forward cash flows at a risk adjusted rate.

All financial assets and liabilities are categorised at level 2 with the hierarchical classification of IFRS 7 Revised.

The Group's activities expose it to a variety of financial risks.

Financial risk management is conducted centrally using policies approved by the Board. Market risk is negligible due to the Group's limited exposure to equity securities (some limited exposure arises through the Pension Scheme's investment portfolio) and the associated price risk. Its foreign exchange exposure is negligible given the nature of the Group's business and its exclusive UK activities.

### a. Liquidity risk and interest rate risk

Liquidity risk is the risk that the Group does not have sufficient financial resources to meet its obligations as they fall due. Liquidity risks are managed through the regular review of cash forecasts and by maintaining adequate committed banking facilities to ensure appropriate headroom.

At 30 June 2011, the Group had total unsecured bank borrowing facilities of £215.0m, representing £200.0m committed facilities and £15.0m uncommitted facilities.

The Group's cash surpluses arise from the short term timing differences. As a consequence the Group does not consider it bears significant risk of changes to income and cashflows as a result of movements on interest rates on its interest bearing assets.

The Group is exposed to interest rate risk as it borrows money at floating rates. The Group's interest rate risk arises primarily from long term borrowings. In order to manage its interest rate risk, the Group enters into simple risk management products, almost exclusively interest rate swaps. All interest rate swaps are sterling denominated. The swaps are arranged so as to match with those of the underlying borrowings to which they relate. There was no ineffectiveness to be recorded in respect of these cashflow hedges in 2011 or 2010. As noted in the Financial review on page 27 during the year the Board decided, taking into account the current predicted LIBOR rates and the pricing of interest rate swaps, to retain all its debt at floating rates. The decision is subject to regular review.

The following table shows the profile of interest bearing debt together with its effective interest rates, after taking account of interest rate swaps as at the balance sheet date and the periods in which they will reprice:

	Effective interest rate %	Total £m	2011			Effective interest rate %	Total £m	2010		
			0-1 year £m	1-2 years £m	2-5 years £m			0-1 year £m	1-2 years £m	2-5 years £m
Bank overdraft	2.5	22.4	22.4	-	-	2.8	(19.0)	(19.0)	-	-
Bank loans - fixed rate	-	-	-	-	-	6.6	(50.0)	-	(50.0)	-
Bank loans - floating rate	5.4	85.0	-	-	85.0	-	-	-	-	-
		107.4	22.4	-	85.0		(69.0)	(19.0)	(50.0)	-

The notional principal amounts in respect of the interest rate swaps together with their maturities are given in the table below.

	Balance at 30 June £m	0-1 year £m
2011	-	-
2010	50.0	50.0

At 30 June 2010, the fixed interest rates varied from 3.43% to 4.93% excluding borrowing margin and the floating rates were 3 month LIBOR.

For the year ended 30 June 2011, it is estimated that a general increase of 1% in interest rates applying for the full year would decrease the Group's profit before tax by £0.5m (2010: £0.4m).

**b. Maturity of bank loans and borrowings**

The maturity of bank loans and borrowings is as below:

The Group	Bank overdraft 2011 £m	Bank loans 2011 £m	Bank overdraft 2010 £m	Bank loans 2010 £m
Due within one year	22.4	-	19.0	-
Due between one and two years	-	-	-	50.0
Due between two and five years	-	85.0	-	-
	22.4	85.0	19.0	50.0

The Company	Bank overdraft 2011 £m	Bank loans 2011 £m	Bank overdraft 2010 £m	Bank loans 2010 £m
Due within one year	-	-	28.4	-
Due between one and two years	-	-	-	50.0
Due between two and five years	-	85.0	-	-
	-	85.0	28.4	50.0

The Company was fully compliant with its banking covenants as at 30 June 2011.

At the year end, the Group and Company had £115.0m (2010: £200.0m) of undrawn committed bank facilities available.

There is no material difference between the fair value of the bank overdrafts and bank loans and their carrying values as shown in the balance sheet.

**c. Amounts due in respect of development land**

The Group's policy permits land purchases to be made on deferred payment terms. In accordance with IAS 39, the deferred creditor is recorded at fair value and nominal value is amortised over the deferment period via financing costs, increasing the land creditor to its full cash settlement value on the payment date.

The interest rate used for each deferred payment is an equivalent loan rate available on the date of land purchase, as applicable to a loan lasting for a comparable period of time to that deferment.

The maturity profile of the total contracted cash payments in respect of amounts due in respect of land creditors at the balance sheet date is as follows:

	Balance at 30 June £m	Total contracted cash payment £m	Due less than one year £m	Due between 1 and 2 years £m	Due between 2 and 5 years £m
2011	44.8	48.3	32.5	4.5	11.3
2010	37.6	40.0	20.5	13.5	6.0

**d. Maturity of Trade and other payables**

These represent current liabilities due within one year.

**e. Credit risk**

Credit risk arises from cash and cash equivalents, including call deposits with banks and financial institutions, derivative financial instruments and trade receivables. It represents the risk of financial loss where counterparties are unable to meet their obligations.

## Notes to the financial statements

Credit risk is managed centrally in respect of cash and cash equivalents and derivative financial instruments. In respect of placing deposits with banks and financial institutions and funds, individual risk limits are approved by the Board. The table below shows the cash and cash equivalents as at the balance sheet date:

	The Group		The Company	
	2011 £m	2010 £m	2011 £m	2010 £m
AA -	32.0	21.9	7.3	20.8
	32.0	21.9	7.3	20.8

No credit limits were exceeded during the reporting period or subsequently and the Group does not anticipate any losses from non-performance by these counterparties.

There is no specific concentration of credit risk in respect of home sales as the exposure is spread over a number of customers. In respect of trade receivables, the amounts presented in the balance sheet are stated after adjusting for any doubtful receivables, based on the judgement of the Group's management through using both previous experience and knowledge of the current position of any more substantial debtors.

### f. Capital management

The Group defines total capital as equity plus net debt where net debt is calculated as total borrowings less cash and cash equivalents.

The Group monitors capital on the basis of the level of returns achieved on its capital base and, with respect to its financing structure, the gearing ratio. This is defined as net debt divided by equity.

The Group's objective in managing capital is to safeguard its ability to continue as a going concern in order to deliver value to its shareholders and other stakeholders. The Group operates within policies outlined by the Board in order to maintain an appropriate funding structure. The Board keeps the Group's capital structure under review.

No dividends were paid in the year. The Board has a policy of only paying a dividend once the Group has an appropriate level of earnings cover.

The total capital levels and gearing ratios as at 30 June 2011 and 30 June 2010 are as follows:

	2011 £m	2010 £m
Total borrowings	107.4	69.0
Less cash and cash equivalents	(32.0)	(21.9)
Net debt	75.4	47.1
Equity	458.6	435.9
Total capital	534.0	483.0
Gearing ratio	16%	11%

### g. Fair values

At 30 June 2011 there is no material difference between the fair value of financial instruments and their carrying values in the balance sheet.



**Note 15: Trade And Other Payables**

	The Group		The Company	
	2011 £m	2010 £m	2011 £m	2010 £m
<b>Non-current liabilities</b>				
Amounts due in respect of development land	12.4	17.1	-	-
	12.4	17.1	-	-
<b>Current liabilities</b>				
Trade payables	88.4	90.1	-	-
Amounts due in respect of development land	32.4	20.5	-	-
Amounts owed to subsidiary companies	-	-	13.1	13.3
Other payables	5.4	5.5	-	-
Other taxation and social security	1.3	1.2	-	-
Accruals and deferred income	31.6	21.3	2.0	2.9
	159.1	138.6	15.1	16.2

**Note 16. Long Term Provisions**

The Group	Onerous contracts £m	Other £m	Total £m
At 1 July 2010	6.7	2.0	8.7
Provisions created during the year	-	1.3	1.3
Provisions released during the year	-	(1.8)	(1.8)
Provisions utilised during the year	-	(0.2)	(0.2)
<b>At 30 June 2011</b>	<b>6.7</b>	<b>1.3</b>	<b>8.0</b>

Provisions relate to onerous contracts (in place at June 2009 and viewed as onerous) and maintenance and sundry remedial costs in respect of development activities, which it is assessed will be utilised within four years.

**Note 17. Share Capital**

	2011 £m	2010 £m
Authorised		
480,000,000 ordinary shares of 10p each (2010: 480,000,000)	48.0	48.0
Allotted, called up and fully paid	30.9	30.9
	Number of ordinary shares of 10p each	
<b>At 30 June 2010 and 30 June 2011</b>	<b>308,607,479</b>	

Options granted to Directors and employees under the LTSIP, the CSOP and the SAYE schemes are set out in Note 7d.

## Notes to the financial statements

### Note 18. Share Capital, Share Premium Account And Reserves

The Group	Share capital £m	Share premium account £m	Hedge reserve £m	Other reserves £m	Retained earnings £m
At 1 July 2009	16.0	58.7	(2.1)	7.9	213.0
Total comprehensive income	-	-	1.3	-	(4.7)
Shares issued	14.9	-	-	-	135.4
Dividends paid	-	-	-	-	-
Share-based payment	-	-	-	-	0.2
Credit in respect of LTSIP/SAYE	-	-	-	-	(4.7)
Contribution to QUEST	-	-	-	-	-
At 30 June 2010	30.9	58.7	(0.8)	7.9	339.2
Total comprehensive income	-	-	0.8	-	20.7
Shares issued	-	-	-	-	-
Dividends paid	-	-	-	-	-
Share-based payment	-	-	-	-	0.3
Movement in respect of LTSIP/SAYE	-	-	-	-	0.9
<b>At 30 June 2011</b>	<b>30.9</b>	<b>58.7</b>	<b>-</b>	<b>7.9</b>	<b>361.1</b>

#### Hedge Reserve

The hedge reserve comprises the effective portion of the gain or loss arising from the fair value of cash flow hedging transactions entered into by the Group that have not yet crystallised.

#### Other Reserves

Other reserves consists of a £7.0m Capital Redemption reserve (2010: £7.0m) and a £0.9m Consolidation reserve (2010: £0.9m).

#### Undistributable Reserves

The hedge reserve and other reserves are not available for distribution.

The Company	Share capital £m	Share premium account £m	Hedge reserve £m	Other reserves £m	Retained earnings £m
At 1 July 2009	16.0	58.6	(2.1)	7.0	92.8
Total comprehensive income	-	-	1.3	-	(13.8)
Shares issued	14.9	-	-	-	135.4
Dividends paid	-	-	-	-	-
Dividends received from subsidiary companies	-	-	-	-	-
At 30 June 2010	30.9	58.6	(0.8)	7.0	214.4
Total comprehensive income	-	-	0.8	-	1.8
Shares issued	-	-	-	-	-
Dividends paid	-	-	-	-	-
Dividends received from subsidiary companies	-	-	-	-	-
<b>At 30 June 2011</b>	<b>30.9</b>	<b>58.6</b>	<b>-</b>	<b>7.0</b>	<b>216.2</b>

#### Hedge Reserve

The hedge reserve comprises the effective portion of the gain or loss arising from the fair value of cash flow hedging transactions entered into by the Company that have not yet crystallised.

#### Other Reserves

Other reserves consists of a £7.0m Capital Redemption reserve (2010: £7.0m).

#### Undistributable Reserves

The hedge reserve and other reserves are not available for distribution.

**Note 19. Movement In Net (Debt)/Cash**

	At 1 July 2010 £m	Cash flow £m	Other movements £m	Net movement in the year £m	At 30 June 2011 £m
The Group					
Cash and cash equivalents	21.9	2.9	7.2	10.1	32.0
Bank overdrafts	(19.0)	(3.4)	-	(3.4)	(22.4)
	2.9	(0.5)	7.2	6.7	9.6
Bank loans	(50.0)	(35.0)	-	(35.0)	(85.0)
Issue costs	-	-	-	-	-
	(47.1)	(35.5)	7.2	(28.3)	(75.4)
	At 1 July 2010 £m	Cash flow £m	Other movements £m	Net movement in the year £m	At 30 June 2011 £m
The Company					
Cash and cash equivalents	20.8	(23.5)	10.0	(13.5)	7.3
Bank overdrafts	(28.4)	28.4	-	28.4	-
	(7.6)	4.9	10.0	14.9	7.3
Bank loans	(50.0)	(35.0)	-	(35.0)	(85.0)
Issue costs	-	-	-	-	-
	(57.6)	(30.1)	10.0	(20.1)	(77.7)

**Note 20. Operating Lease Total Commitments**

	2011 £m	2010 £m
Within one year	1.4	1.0
Within one to five years	1.9	1.7
Later than 5 years	0.4	0.5

**Note 21. Contingent Liabilities**

The Company has guaranteed the bank borrowings of its subsidiaries. Performance bonds, financial guarantees in respect of certain deferred land creditors and other building or performance guarantees have been entered into in the normal course of business.

## Notes to the financial statements

### Note 22. Disposal of Scotland interests

In June 2011, the Group sold the majority of its interests in Scotland to Springfield Properties plc for £49.0m. £5.0m of proceeds were received prior to the year end with £38.8m net of land creditors included in trade receivables at 30 June 2011, £21.0m of which is due after more than one year. All proceeds are due to be received within three years of the disposal date and are secured. There was no profit or loss on this disposal.

### Note 23. Related Party Transactions

Within the definition of IAS 24 (Related Party Disclosures), the Board and key management personnel are related parties. Detailed disclosure of the remuneration of the Board is given in the Directors' Remuneration report on pages 49 to 56. A summary of remuneration provided to key management personnel is provided in note 7c.

In addition, related party transactions were carried out with parties related to Steve Morgan during the year totalling £1.1m (Company £0.6m), primarily relating to the donation to the Morgan Foundation as described in the Directors' Remuneration report on page 54 and in respect of the Group, in addition relating to services provided by Harrow Estates plc on an arm's length basis under promotional agreements forming part of the acquisition of the Harrow business.

As at 30 June 2011, an amount of £0.5m was due to Harrow Estates plc under normal trading terms.

During the year, the Group made purchases of £3.7m (2010: £4.1m) (£nil (2010: £nil) for the Company) from Travis Perkins plc, a company in which Paul Hampden Smith is an Executive Director. As at 30 June 2011 an amount of £0.2m (2010: £0.3m) was due to Travis Perkins plc in respect of those purchases.

There have been no other material transactions with key management personnel. There is no other difference between transactions with key management personnel of the Company and the Group.

The Company funds the operating companies through both equity investment and loans at commercial rates of interest. In addition, the Company provides its subsidiaries with the services of Senior Management, for which a recharge is made to those subsidiary companies based upon utilisation of services.

The amount outstanding from subsidiary undertakings at 30 June 2011 was £391.8m (2010: £379.9m). The amount owed to subsidiary undertakings at 30 June 2011 was £13.1m (2010: £13.3m).

The Company provides the Group's defined benefit pension scheme, as detailed in note 7e. Expected service costs are charged to the operating businesses at cost. There is no contractual arrangement or stated policy relating to the charge. Experience and actuarial gains are recognised in the Company, via the statement of recognised income and expense.

The Group did not undertake any transactions with The Waterford Park Company Limited joint venture. The Group's loans to its joint ventures are disclosed in note 10.

## Notice of annual general meeting

Notice is hereby given that the Annual General Meeting of Redrow plc will be held at Village St. David's Park, Ewloe, Nr Chester, Flintshire, CH5 3YB on Thursday 3 November 2011 at 12 noon for the following purposes. All resolutions will be proposed as ordinary resolutions except numbers 12, 13 and 14 which will be proposed as special resolutions.

### Resolution 1 - Annual Report & Accounts

To receive and adopt the Directors' report and the financial statements for the year ended 30 June 2011, together with the Auditors' report.

### Resolution 2 - Re-appointment of Director

To re-appoint Steve Morgan as a Director.

### Resolution 3 - Re-appointment of Director

To re-appoint John Tutte as a Director.

### Resolution 4 - Re-appointment of Director

To re-appoint Barbara Richmond as a Director.

### Resolution 5 - Re-appointment of Director

To re-appoint Alan Jackson as a Director.

### Resolution 6 - Re-appointment of Director

To re-appoint Debbie Hewitt as a Director.

### Resolution 7 - Re-appointment of Director

To re-appoint Paul Hampden Smith as a Director.

### Resolution 8 - Re-appointment of Auditors

To re-appoint PricewaterhouseCoopers LLP as external Auditors to the Company, to hold office until the end of the next general meeting at which financial statements are laid before the Company and to authorise the Directors to fix their remuneration.

### Resolution 9 - Directors' Remuneration report

To approve the Directors' Remuneration report for the year ended 30 June 2011.

### Resolution 10 - Authority to allot shares

That the directors, in place of any existing authority conferred upon them for the purpose of section 549/551 of the Companies Act 2006, be generally and unconditionally authorised pursuant to and in accordance with section 551 of the Companies Act 2006 to exercise all powers of the Company to allot and to make offers or agreements to allot shares or convert any securities into shares:

- (i) up to an aggregate nominal amount of £10,286,915;
- (ii) up to a further aggregate nominal amount of £10,286,915 in connection with an offer by way of a rights issue.

Provided that this authority shall (unless previously revoked or renewed) expire on the date of the next Annual General Meeting of the Company (or 31 December 2012 whichever may be the earlier) but so that the Company may, before such expiry, make an offer or agreement which would or might require shares to be allotted or rights to subscribe for or to convert any security into shares to be granted after such expiry and the Directors may allot shares or grant rights to

subscribe for or convert securities into shares in pursuance of such offer or agreement as if the authority had not expired.

### Resolution 11 - Approval of Rule 9 waiver

To resolve that the waiver granted by the Panel of the obligation which may otherwise arise, pursuant to Rule 9 of the Code, for Steve Morgan (or any person with whom Mr Morgan is acting in concert) to make a general offer to the other Shareholders for all of their Ordinary Shares as a result of market purchases of Ordinary Shares by the Company pursuant to the authority granted under Resolution 13 below, that could potentially increase Mr Morgan's shareholding from approximately 29.95 per cent. of issued share capital to a maximum of approximately 33.3 per cent. of issued share capital, be and is hereby approved.

### Resolution 12 - Authority to disapply pre-emption rights

That, subject to the passing of Resolution 10 as set out above, the Directors be given power pursuant to Resolution 10 to make allotments of equity securities (as defined in section 560(1) of the Companies Act 2006) pursuant to the authority contained in the said Resolution 10 and to sell shares which are held in treasury wholly for cash as if section 561(1) of the said Act did not apply to such allotments or sale provided that this power shall be limited to:

- (i) allotments of equity securities in connection with a rights issue, being an offer of equity securities by way of rights to ordinary shareholders of the Company in proportion (as nearly as may be) to their holdings subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of or the requirements of any recognised regulatory body or stock exchange in any territory; and
- (ii) any other allotments for cash or equity securities or sale of shares held in treasury up to a maximum nominal amount of £1,543,037;

and shall (unless previously revoked or renewed) expire on the date which is the earlier of the next Annual General Meeting of the Company or 31 December 2012 save that the said power shall permit the Company to make an offer or enter into an agreement before the expiry of such power which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if such power conferred had not expired. For the purposes of this Resolution, the nominal amount of any securities shall be taken to be, in the case of rights to subscribe for or convert any securities into shares of the Company, the nominal amount of such shares which may be allotted pursuant to such rights.

### Resolution 13 - Authority to purchase own shares

That the Company be and is hereby generally and unconditionally authorised, in accordance with section 701 of the Companies Act 2006, to make market purchases (within the meaning of section 693 of the said Act) of ordinary shares of 10p each in the capital of the Company ("ordinary shares") provided that:



## Notice of annual general meeting

- (a) the maximum number of ordinary shares authorised to be purchased is 30,860,747;
- (b) the minimum price which may be paid for an ordinary share is 10p exclusive of expenses payable by the Company;
- (c) the maximum price which may be paid for an ordinary share is an amount equal to the higher of (i) 105% of the average of the middle market quotations for an ordinary share derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the ordinary share is purchased (exclusive of expenses payable by the Company); and (ii) that stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation (EC 2273/2003); and
- (d) the authority conferred shall expire at the conclusion of the next Annual General Meeting of the Company (or 31 December 2012 whichever may be the earlier) except that the Company may before such expiry make a contract to purchase its own shares which will or may be completed or executed wholly or partly after such expiry.

### Resolution 14 – Calling of a general meeting other than an AGM

That a general meeting other than the Annual General Meeting may be called on not less than 14 clear days' notice.

7 September 2011  
Registered office:  
Redrow House  
St. David's Park  
Flintshire  
CH5 3RX  
Registered in England No. 2877315

By order of the Board  
**Graham Cope**  
Company Secretary

### Notes:

- (i) A shareholder entitled to attend and vote may appoint a proxy or proxies to attend, speak and vote instead of him. A proxy need not be a member of the Company. A member may appoint more than one proxy, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by him.
- (ii) A form of proxy is enclosed which, if required, should be completed in accordance with the instructions set out therein and returned so as to reach the Company's Registrars not later than 48 hours before the time of the meeting or any adjourned meeting. Completion of a form of proxy will not preclude a shareholder from attending and voting at the meeting in person if they so wish.
- (iii) All shareholders on the Register at 6pm on 1 November 2011 (or if the meeting is adjourned 48 hours before the time fixed for the meeting) and only those shareholders are entitled to attend and vote at the Annual General Meeting in respect of the number of shares registered in their respective names at that time. Changes to entries on the Register after that time will be disregarded in determining the rights of any person to attend or vote at the meeting.
- (iv) The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communications from the Company in accordance with Section 146 of the Companies Act 2006 ("nominated persons"). Nominated persons may have a right under an agreement with the member who holds the shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights.
- (v) Holders of ordinary shares are entitled to attend and vote at general meetings of the Company. The total number of issued ordinary shares in the Company on 7 September 2011 is 308,607,479, carrying one vote each on a poll. Therefore, the total number of votes exercisable as at 7 September 2011 are 308,607,479.
- (vi) Shareholders should note that, under Section 527 of the Companies Act 2006, members meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditors' report and the conduct of the audit) that are to be laid before the Annual General Meeting for the financial year beginning 1 July 2010; or (ii) any circumstance connected with an auditor of the Company appointed for the financial year beginning 1 July 2010 ceasing to hold office since the previous meeting at which annual accounts and reports were laid. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with Sections 527 or 528 (requirements as to website availability) of the Companies Act 2006. Where the Company is required to place a statement on a website under Section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting for the relevant financial year includes any statement that the Company has been required under Section 527 of the Companies Act 2006 to publish on a website.
- (vii) Any member attending the meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

- (viii) A copy of this notice and other information required by Section 311A of the Companies Act 2006 can be found at [redrow.co.uk](http://redrow.co.uk).
- (ix) Under Section 338 and Section 338A of the Companies Act 2006, members meeting the threshold requirements in those sections have the right to require the Company (i) to give, to members of the Company entitled to receive notice of the meeting, notice of a resolution which may properly be moved and is intended to be moved at the meeting and/or (ii) to include in the business to be dealt with at the meeting any matter (other than a proposed resolution) which may be properly included in the business. A resolution may properly be moved or a matter may properly be included in the business unless (a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise), (b) it is defamatory of any person, or (c) it is frivolous or vexatious. Such a request may be in hard copy form or in electronic form, must identify the resolution of which notice is to be given or the matter to be included in the business, must be authorised by the person or persons making it, must be received by the Company not later than 22 September 2011, being the date six clear weeks before the meeting, and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.
- (x) Copies of the Directors' service contracts will be available for inspection at the registered office during normal business hours on any business day and at the place of the Annual General Meeting for at least 15 minutes before the meeting is held until its conclusion.
- (xi) The register of Directors' interests in the share capital of the Company will be available for inspection at the place of the meeting from 12 noon on 3 November 2011 until the conclusion of the meeting. None of the Directors has a service contract which cannot be terminated within one year without payment of compensation.
- (xii) CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting (and any adjournment of the meeting) by following the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members (and those CREST members who have appointed a voting service provider) should refer to their CREST sponsor or voting service provider, who will be able to take the appropriate action on their behalf.
- (xiii) In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instructions, as described in the CREST Manual (available via [www.euroclear.com/CREST](http://www.euroclear.com/CREST)). The message (regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy) must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID 3RA50) by the latest time(s) for receipt of proxy appointments specified in Note (ii) above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to a proxy appointed through CREST should be communicated to him by other means.
- (xiv) CREST members (and, where applicable, their CREST sponsors or voting service providers) should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider takes) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members (and, where applicable, their CREST sponsors or voting service providers) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
- (xv) The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
- (xvi) If you have any questions about the meeting or need any special assistance at the meeting, please contact the Company Secretary at the registered office or telephone 01244 520044 during normal business hours.

#### Explanatory Notes To Annual General Meeting Resolutions: Resolutions 2-7 - Re-appointment of directors

As required by the new UK Corporate Governance Code, annual re-election of all directors is now required.

#### Resolution 8 - Re-appointment of Auditors

The Company is required to appoint Auditors at every general meeting at which the accounts are presented to shareholders.

PricewaterhouseCoopers LLP were appointed at last year's Annual General Meeting and are willing to seek re-appointment this year. It is normal practice for a Company's Directors to be authorised to agree the Auditors' fees. If this resolution is passed, the Audit Committee will approve the fees for recommendation to the Board.

#### Resolution 9 - Directors' Remuneration report

Under the Companies Act 2006 companies are required to ask shareholders to vote on the Directors' Remuneration report. The report is contained on pages 49 to 56 of the Annual Report & Accounts.

## Notice of annual general meeting

### Resolution 10 - Authority to allot shares

Shareholders are being invited to renew the authority given to Directors in previous years to allot new shares. If passed, Resolution 10 would renew this authority by authorising the Directors to allot shares up to an aggregate nominal amount of £10,286,915 or an additional £10,286,915 in respect of a Rights Issue (or 66% in the context of a rights issue). This represents 102,869,150 ordinary shares of 10p each and is equivalent to approximately 33% of the Company's current issued ordinary share capital (excluding shares held in treasury). The authority will expire on the date of the next Annual General Meeting of the Company or, if earlier, 31 December 2012.

The Company does not, as of 7 September 2011 hold any shares in treasury.

The Directors will exercise the authority to allot only when satisfied that it is in the interests of the Company to do so. They have no present intention of exercising the authority, except in connection with the issue of shares under the Company's share option schemes.

### Resolution 11 - Approval of Rule 9 Waiver

Pursuant to Rule 9 of the code and the Waiver granted by the panel, which is conditional upon Independent Shareholder approval, we are asking the Independent Shareholders to approve the terms of the Waiver in favour of Steve Morgan for the reasons set out on pages 100 to 109 of the document.

### Resolution 12 - Authority to disapply pre-emption rights

The Directors may only allot shares for cash to persons who are not already shareholders in the Company if authorised to do so by the shareholders in a general meeting. This resolution renews authority for the Directors to allot shares for cash without first offering them to existing members up to an aggregate nominal amount of £1,543,037. This sum represents 15,430,374 ordinary shares of 10p each, being equivalent to approximately 5% of the Company's current issued share capital. The resolution also enables the Directors to modify the strict requirements for a rights issue in circumstances where they consider it necessary or expedient.

In addition, if the Company has purchased its own shares and holds them in treasury, this resolution would give the Directors power to sell these shares for cash to persons other than existing shareholders, subject to the same limit that would apply to issues of shares for cash to these persons.

The authority will expire on whichever is the earlier of the conclusion of the next Annual General Meeting or 31 December 2012.

### Resolution 13 – Authority to purchase own shares

The Directors are seeking authority, as in previous years, to make market purchases of the Company's shares. The proposed authority would be limited by the terms of the special resolution to the purchases of 30,860,747 shares, an aggregate nominal value of £3,086,075 which is equivalent to 10% of the Company's issued share capital at 7 September 2011.

Shares purchased by the Company could be held as treasury shares, which could then be subsequently cancelled, sold for cash or used pursuant to the Company's employee share schemes.

The ability to hold in treasury shares that the Company purchases pursuant to the authority conferred by this resolution would give the Company the ability to re-issue treasury shares quickly and cost-effectively, and would provide the Company with additional flexibility in the management of its capital base. If any shares were used in this way, the Company would take them into account when calculating the share issuing limits in the schemes, as long as required under the Guidelines of the Association of British Insurers.

Details of any shares purchased pursuant to the proposed authority would be notified to the London Stock Exchange by 7.30am on the business day following the purchase and to the Registrar of Companies within 28 days. Details would also be included in the Company's Annual Report & Accounts in respect of the financial period in which any such purchases take place. The authority set out in the special resolution will expire on whichever is the earlier of the end of the next Annual General Meeting or 31 December 2012 and the resolution specifies the maximum and minimum prices at which the shares may be bought. Other investment opportunities, appropriate gearing levels and the overall financial position of the Company will be taken into account before deciding upon the course of action.

The Company's current intention is to hold any shares purchased as treasury shares but it retains the flexibility to cancel them or sell them for cash if it considers this to be in the best interests of the Company.

The Directors would exercise this authority only if they felt it would be in the best economic interests of the Company to do so. At 7 September 2011 there were options outstanding over 5,224,873 shares, (representing 1.7% of the Company's current issued ordinary share capital (excluding shares held in treasury)). If the authority given by this resolution were to be fully used, these would represent 1.9% of the Company issued ordinary share capital (excluding shares held in treasury). There are no warrants outstanding.

In addition, if Resolution 11 is approved and the authority granted by this resolution were to be fully used, Steve Morgan's shareholding would increase from 29.95% to approximately 33.3% of the Company's issued ordinary share capital.

### Resolution 14 – Calling of a general meeting other than an AGM

Changes made to the Companies Act 2006 by the Shareholders' Rights Regulations increase the notice period required for general meetings of the Company to 21 days unless shareholders approve a shorter notice period, which cannot, however, be less than 14 clear days. AGMs of the Company will continue to be held on at least 21 clear days' notice.

### Documents available for your inspection

Copies of the following documents will be available for inspection during normal business hours on Monday to Friday each week (public holiday excepted) at the company's registered office and at the office of Linklaters LLP at One Silk Street, London EC2Y 8HQ from the date of this document up to and including the date of the Annual General

Meeting and at the place of the Annual General Meeting from 11.45am until the close of the meeting.

- a copy of the Annual Report and Accounts of the Company for each of the years ended 30 June 2009, 2010 and 2011;
- the letters of consent from BofA Merrill Lynch and J.P. Morgan Cazenove to the Company referred to in paragraph 10 on page 106 of this document;
- the Articles of Association and Memorandum of the Company;
- a copy of the material contracts i.e. the Syndicated Facility Agreement and the Scotland Sale Agreement;
- the service agreements of the Directors; and
- the register of the Directors interests.

## Approval of Rule 9 Waiver

**THIS SECTION OF THE DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the proposal set out in this section of the document you should consult an independent financial adviser authorised under the FSMA.**

### Letter from the Senior Independent Director

Redrow plc  
(incorporated and registered in England and Wales under number 2877315)  
Registered Office:  
Redrow House  
St. David's Park  
Flintshire  
CH5 3RX  
7 September 2011

To Independent Shareholders

Dear Shareholder

### Rule 9 Waiver granted by the Panel in favour of Steve Morgan

In 2010, the Panel granted a Rule 9 waiver which was approved by Independent Shareholders at our 2010 AGM and gave the Company the flexibility to buy back shares without Steve Morgan incurring an obligation to make a mandatory offer. Although the Board over the last year has not sought to buy back any shares, your Board considers that it is appropriate for the Company to continue to be in a position to buy back shares if it would be in the best economic interests of the Company to do so, and accordingly is seeking a renewal of the Rule 9 waiver.

As at the Latest Practicable Date, Steve Morgan (the Chairman of the Company) held 92,436,874 Ordinary Shares representing approximately 29.95 per cent. of the issued share capital of the Company.

The authority to repurchase shares proposed by Resolution 13 at the AGM provides the Company with the flexibility to manage its capital base in line with other listed companies that include this standard resolution at their AGM each year. However, if the Company undertakes a share repurchase in accordance with the authority granted by Resolution 13 at the AGM, Mr Morgan's interest in Ordinary Shares could increase beyond 30 per cent., of the issued share capital of the Company, in which case he could be required under Rule 9 of the Code to make a mandatory offer for the remainder of the share capital of the Company. The maximum interest in Ordinary Shares which Mr Morgan could hold as a result of a share repurchase in accordance with Resolution 13 is approximately 33.3 per cent.

We are therefore asking the Independent Shareholders to approve the terms of a waiver of this requirement granted by the Panel to Mr Morgan, as was done at the AGM last year. An explanation of the reasons for this request, and the background to the obligation arising from Rule 9 of the Code, follow this letter.

In any event, and as stated above, the Directors would only exercise the authority to buy back under Resolution 13 if it would be in the best economic interests of the Company to do so. The final decision relating to any buy-back would be taken by the Independent Directors and

would be conducted within the pricing and size parameters agreed by the Independent Directors but in compliance with the limits set out in Resolution 13.

The Waiver, if granted, would only apply for as long as Resolution 13 remains in force. Accordingly, whether or not the authority given under Resolution 13 is used in the coming year, the Independent Directors will (again, in consultation with major shareholders) consider whether to seek a renewal of the Waiver by the Panel at the time of the 2012 annual general meeting. Any such renewal of the Waiver would again be subject to Independent Shareholder approval at next year's AGM.

The Company has consulted privately with a number of its major institutional shareholders and with their representative bodies on the proposed Waiver. It has gained sufficient comfort from these discussions both on the economic rationale for the buy-back and on the grant of a Waiver to proceed with the proposed Waiver Resolution at the AGM. The Independent Directors having been so advised by BofA Merrill Lynch and J.P. Morgan Cazenove, consider the Waiver to be fair and reasonable as far as the Independent Shareholders and the Company as a whole are concerned. In providing advice to the Independent Directors, BofA Merrill Lynch and J.P. Morgan Cazenove have taken into account the Independent Directors' commercial assessments. Accordingly, the Independent Directors, who consider the Waiver Resolution to be in the best interests of the Independent Shareholders and the Company as a whole, unanimously recommend that the Independent Shareholders vote in favour of the Waiver Resolution at the AGM, as they intend to do in respect of their own beneficial shareholdings (representing approximately 0.09 per cent., of issued share capital).

In accordance with the requirements of the Code, Mr Morgan will not be voting his interest in 92,436,874 Ordinary Shares in the Company, representing approximately 29.95 per cent. of issued share capital on the Waiver Resolution. The vote in respect of the Waiver Resolution will be held by means of a poll vote.

Yours faithfully,

**Alan Jackson**  
Senior Independent Director

### Section I — Background

#### 1 Background

1.1 Steve Morgan (the Chairman of the Company) held 92,436,874 Ordinary Shares (representing approximately 29.95 per cent., of the issued share capital) at the Latest Practicable Date. Should his interest in Ordinary Shares increase beyond its current level such that he holds 30 per cent. or more of the issued share capital, he may be required under Rule 9 of the Code to make a mandatory offer for the remainder of the share capital of the Company.

1.2 If Resolution 13 (authority to purchase own shares) is approved, Mr Morgan would be in a position where, were he not to participate pro rata to his interests in any further re-purchase by the Company of its own shares, his percentage interest in the



Ordinary Shares would increase beyond its current level, thereby potentially triggering a mandatory offer under Rule 9 of the Code. The approval of the Independent Shareholders is therefore being sought, by means of the Waiver Resolution (to be taken on a poll at the AGM), for the Waiver which the Panel has granted (subject to such approval). The Waiver will not permit Mr Morgan's interest to reach or exceed 33.3 per cent., (see further paragraph 4 below).

1.3 In seeking authority to buy back shares, the Company wishes to maintain flexibility in the management of its capital structure. In so doing, the Company brings itself into line with the majority of listed companies who seek a re-purchase authority on an annual basis and, more narrowly, into line with its house-building peers.

1.4 Whilst the Company will continue to devote the bulk of its cash flow to the purchase of land or to the development of plots to create value, it is also clear that the economic benefit to the Company from buying back shares at a discount to net asset value may be value-enhancing.

## 2 Reasons for the Waiver

### *Rule 9 Mandatory Offer Obligation*

2.1 Under Rule 9 of the Code, when any person, together with persons acting in concert with him, is interested in shares which in aggregate carry not less than 30 per cent., of the voting rights but does not hold shares carrying more than 50 per cent., of the voting rights of such a company, a general offer will normally be required if any further interests in shares are acquired by any such person. Such an offer would have to be made in cash at a price not less than the highest price paid by him, or by any member of the group of persons acting in concert with him, for any interest in shares in the company during the 12 months prior to the announcement of the offer.

### *Share Purchases*

2.2 Under Rule 37 of the Code, any increase in the percentage holding of a shareholder which results from a company purchasing its own shares will also be treated as an acquisition for the purposes of Rule 9 of the Code.

2.3 If Mr Morgan does not participate pro rata to his interest in the Ordinary Shares in any future repurchases by the Company of its own shares pursuant to the authority to be granted under Resolution 13, he will become interested in a greater percentage of Ordinary Shares representing between 30 and 33.3 per cent. of the Company's voting share capital and will therefore be subject to the provisions of Rule 9 of the Code. As a result, the Independent Directors consulted with the Panel which agreed, subject to a poll vote of the Independent Shareholders on the Waiver Resolution, that it would waive any obligation that would otherwise arise under Rule 9 as a result of market purchases of Ordinary Shares by the Company, pursuant to the authority to be granted under Resolution 13, that would take Mr Morgan's interest in Ordinary Shares to a level above his current interest (being 29.95 per cent., of issued share capital as at the date of this document) up to a potential maximum of approximately 33.3 per cent. of issued share capital.

## 3 Independent advice

3.1 BofA Merrill Lynch and J.P. Morgan Cazenove have provided advice to the Independent Directors, in accordance with the requirements of paragraph 4(a) of Appendix 1 to the Code, in relation to the granting of the Waiver.

3.2 This advice was provided by BofA Merrill Lynch and J.P. Morgan Cazenove to the Independent Directors of the Company only and in providing such advice BofA Merrill Lynch and J.P. Morgan Cazenove have taken into account the Independent Directors' commercial assessments as well as the confirmations of Mr Morgan's future intentions that he has provided to the Company as set out in paragraph 6 of this Section I.

## 4 Maximum potential holding

4.1 Pursuant to the Code, it is necessary to provide an illustration of Mr Morgan's maximum potential interest in Ordinary Shares based on certain assumptions.

4.2 Assuming (i) full use by the Company of the authority granted under Resolution 13; (ii) no pro rata participation or other sales of interests in Ordinary Shares by Mr Morgan in connection with any share re-purchases or otherwise; and (iii) no other person exercising any options or any other rights to subscribe for Ordinary Shares, Mr Morgan's maximum potential interest in the Ordinary Shares if the Waiver is approved would be as set out in the following table:

Steve Morgan's current interest in Ordinary shares	Number of Ordinary Shares in issue as at the Latest Practicable Date	Steve Morgan's maximum potential interest in Ordinary Shares
92,436,874 (29.95%)	308,607,479	92,436,874 (33.28%)

## 5 Further explanation of the Waiver and the Resolution

### *Share Purchases under Resolution 13 or any other buyback resolution*

5.1 The Waiver will apply, provided the Waiver Resolution is approved by the Independent Shareholders, only in respect of increases in Mr Morgan's percentage interest in Ordinary Shares resulting from re-purchases of Ordinary Shares under Resolution 13. It will not apply in respect of other increases in Mr Morgan's percentage interest in Ordinary Shares (arising, for example, from market purchases of Ordinary Shares by or on behalf of Mr Morgan or from other re-purchases of Ordinary Shares by the Company that are not pursuant to the authority granted by Resolution 13). As explained above, if there are any re-purchases of Ordinary Shares by the Company pursuant to Resolution 13 in which Mr Morgan does not participate pro rata to his interests in Ordinary Shares, Mr Morgan may become interested in Ordinary Shares carrying 30 per cent., or more of the Company's voting share capital but will not hold Ordinary Shares carrying more than 33.3 per cent., of such voting rights and any further increase in that interest in Ordinary Shares (other than pursuant to the proposals set out in this section of the document and as approved by the Waiver Resolution) will be subject to the provisions of Rule 9 of the Code.

## Approval of Rule 9 Waiver

- 5.2 The authority under Resolution 13 and the Waiver Resolution will (unless varied, revoked or renewed) both expire at the conclusion of the next Annual General Meeting of the Company. It has been the Company's regular practice to seek Shareholders' approval at each Annual General Meeting for the Company to be authorised to purchase its own shares. No re-purchases of Ordinary Shares were made under the authority granted by Shareholders at the Annual General Meeting in 2010 and the Directors have no present intention of exercising the authority sought at the AGM this year to make market purchases. However, the renewal of the authority provides the flexibility to allow the Directors to do so in the future.
- 5.3 The Directors envisage that Shareholder approval for a further re-purchase authority may be sought at the annual general meeting of the Company in 2012. At that time, the Independent Directors will (in consultation with major shareholders) consider whether to seek a further waiver by the Panel of any obligation of Mr Morgan under Rule 9 of the Code to make a general offer to the Shareholders of the Company to purchase their shares as a result of an increase in his percentage interest in Ordinary Shares arising from the purchase by the Company of its own shares pursuant to such further authority. Any further waiver granted by the Panel would again be conditional upon Independent Shareholder approval at that time.
- 5.4 If the Independent Shareholders do not approve the Waiver Resolution but Resolution 13 is passed, the Board will not make use of the authority to be granted under Resolution 13 unless arrangements can be put in place to ensure that Mr Morgan's percentage interest in the Ordinary Shares will not increase as a result of any future purchases by the Company of its own shares or a further waiver is sought from the Panel in respect of such increases (and Independent Shareholder approval is granted), since, based on the issued share capital of the Company and Mr Morgan's percentage interest in the Ordinary Shares as at the Latest Practicable Date, any purchases by the Company of its own shares from Shareholders other than Mr Morgan could result in Mr Morgan having to make a mandatory offer to all Shareholders under Rule 9 of the Code.

### *Poll vote of Independent Shareholders*

- 5.5 As required by the Code, voting on the Waiver Resolution at the AGM will be by means of a poll of Independent Shareholders.

### **6 Steve Morgan's intentions**

- 6.1 Mr Morgan has confirmed to the Company that he is not proposing, as a result of any increase in his percentage interest in Ordinary Shares following any re-purchases by the Company of its own shares, to seek any change in the composition of the Board or to the general nature or any other aspect of the Company's business.
- 6.2 As required by the Code, Mr Morgan has also confirmed that his intentions regarding the future of the Company's (and its subsidiaries') businesses, his intentions regarding the locations of the Company's (and its subsidiaries') places of business and his intentions regarding the continued employment of their

employees and management, including any material change in conditions of employment, will not be altered as a result of the proposals set out in this section of the document, nor will there be any redeployment of the fixed assets of the Company (or any of its subsidiaries) as a result of such proposals.

- 6.3 Mr Morgan has not taken part in any decision of the Independent Directors relating to the Waiver, since it is his interest in Ordinary Shares which is the subject of the Waiver. Mr Morgan has confirmed he will not vote on the Waiver Resolution.

## Section II — Additional Information

### **1 Responsibility**

- 1.1 The Directors accept responsibility for the information contained in this section of the document, save that:
- Steve Morgan, who has not participated in the Board's consideration of the Waiver, takes no responsibility for the recommendation by the Independent Directors on page 100; and
  - the only responsibility accepted by the Independent Directors in respect of the information in this section of the document relating to Steve Morgan has been to ensure that such information has been correctly and fairly reproduced or presented (and no steps have been taken by the Independent Directors to verify this information). To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this section of the document for which they accept responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information.
- 1.2 Steve Morgan accepts responsibility for the information contained in this section of the document which relates to him. To the best of his knowledge and belief (having taken all reasonable care to ensure that such is the case), the information contained in this section of the document for which he is responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.

### **2 Directors**

The Directors of the Company and their functions are as follows:

Name	Function
Steve Morgan	Chairman
John Tutte	Group Managing Director
Barbara Richmond	Group Finance Director
Alan Jackson	Non-Executive Deputy Chairman and Senior Independent Director
Paul Hampden Smith	Non-Executive Director
Debbie Hewitt	Non-Executive Director

**3 Interests and dealings**

- 3.1 As at the close of business on the Latest Practicable Date, the interests, rights to subscribe and short positions of the Directors, their immediate families and persons connected with them (within the meaning of Part 22 of the Act) in Ordinary Shares (all of which are beneficial unless stated) required to be notified pursuant to Part 22 of the Act and related regulations, or which are required to be entered in the register maintained under Part 22 of the Act, were as set out below:

Director	Number of Ordinary Shares	Percentage of current issued Ordinary Shares
Steve Morgan	92,436,874	29.95%
John Tutte	128,657	0.04%
Barbara Richmond	70,512	0.02%
Alan Jackson	19,285	0.01%
Paul Hampden Smith	46,000	0.01%
Debbie Hewitt	18,787	0.01%

- 3.2 As at the close of business on the Latest Practicable Date, details of options over Ordinary Shares granted to the Directors under the SAYE were as set out below:

Director	Options held at 1 July 2010	Options granted in year	Options exercised in year	Options lapsed	Options held at 30 June 2011	Exercise price £	From	To
<b>John Tutte</b>								
SAYE 2008	9,025	-	-	-	9,025	1.06	01/01/12	01/07/12
<b>Barbara Richmond</b>								
SAYE 2010	-	9,146	-	-	9,146	0.98	01/01/14	01/07/14

- 3.3 As at the close of business on the Latest Practicable Date, the beneficial interests of the Directors in options over Ordinary Shares granted under the LTSIP, were as set out below:

Director	Options held at 1 July 2010	Options granted in year	Options exercised in year	Options lapsed	Options held at 30 June 2011	Exercise price £	From	To
<b>John Tutte</b>								
LTSIP 2007	56,194	-	-	(56,194)	-	-	19/09/10	18/09/17
LTSIP 2008	359,648	-	-	-	359,648	-	21/11/13	20/11/18
LTSIP 2009	229,007	-	-	-	229,007	-	22/12/12	21/12/19
LTSIP 2010	-	365,131	-	-	365,131	-	18/02/14	20/04/24
<b>Barbara Richmond</b>								
LTSIP 2009	358,423	-	-	-	358,423	-	25/02/13	24/02/20
LTSIP 2010	-	243,421	-	-	243,421	-	18/02/14	20/04/24

- 3.4 As at the close of business on the Latest Practicable Date, details of options over Ordinary Shares granted to the Directors under the CSOP were as set out below:

Director	Options held at 1 July 2010	Options granted in year	Options exercised in year	Options lapsed	Options held at 30 June 2011	Exercise price £	From	To
<b>John Tutte</b>								
CSOP 2008	23,981	-	-	-	23,981	1.25	21/11/13	20/11/18

## Approval of Rule 9 Waiver

- 3.5 As at the close of business on the Latest Practicable Date, none of Mr Morgan, his immediate family, persons connected to him (within the meaning of Part 22 of the Act and related regulations) or any person acting in concert with him had any interests, rights to subscribe or short positions (whether conditional or absolute and whether in the money or otherwise), including any short position under a derivative, any agreement to sell or any delivery obligation or right to require another person to purchase or take delivery in any relevant Redrow securities, save as disclosed in paragraphs 3.1 above and 3.6 below.
- 3.6 As at the close of business on the Latest Practicable Date, none of Mr Morgan, his immediate family, persons connected with him (within the meaning of Part 22 of the Act) or any person acting in concert with him had any dealings (including borrowing or lending) in relevant Redrow securities which took place during the period beginning 12 months preceding the date of this document and ending on the Latest Practicable Date.
- 3.7 As at the close of business on the Latest Practicable Date, no relevant Redrow securities had been borrowed or lent by Mr Morgan or any person acting in concert with him or by the Directors or any persons acting in concert with them.
- 3.8 As at the close of business on the Latest Practicable Date, none of the Directors, their immediate families, persons connected with them (within the meaning of Part 22 of the Act) or any person acting in concert with him had any interests, rights to subscribe or short positions (whether conditional or absolute and whether in the money or otherwise), including any short position under a derivative, any agreement to sell or any delivery obligation or right to require another person to purchase or take delivery in any relevant Redrow securities, save as disclosed in paragraphs 3.1 to 3.4 and 3.6 above.
- 3.9 As at the close of business on the Latest Practicable Date, none of the Directors, their immediate family or persons connected with him (within the meaning of Part 22 of the Act) had any dealings (including borrowing or lending) in relevant Redrow securities which took place during the period beginning 12 months preceding the date of this document and ending on the Latest Practicable Date, save as disclosed in paragraph 3.6 above.
- 3.10 As at the close of business on the Latest Practicable Date:
- the Redrow Employee Benefit Trust held 4,271,886 Ordinary Shares, having subsequently divested 1,067 shares on 9 August 2011 to satisfy an exercise of an SAYE option by an employee;
  - save as set out in paragraph 3.10(a) above, no pension fund or employee benefit trust of the Company nor any person acting in concert with Mr Morgan had any interests, rights to subscribe or short positions (whether conditional or absolute and whether in the money or otherwise), including any short position under a derivative, any agreement to sell or any delivery obligation or right to require another person to purchase or take delivery in relevant Redrow securities;
  - no pension fund or employee benefit trust of the Company nor any person acting in concert with Mr Morgan had any dealings (including borrowing or lending) in relevant Redrow securities which took place during the period beginning 12 months preceding the date of this document and ending on the Latest Practicable Date; and
  - neither BofA Merrill Lynch, J.P. Morgan Cazenove nor any other connected adviser of the Company (including any person controlling, controlled by or under the same control as it) had any interests, rights to subscribe or short positions in relevant Redrow securities, save that:
    - Bank of America Corporation (the ultimate parent company of BofA Merrill Lynch) and its subsidiaries have an aggregate holding of 0.24 per cent. of the Ordinary Shares;
    - BofA Merrill Lynch has a short equity position in respect of 0.24 per cent. of the Ordinary Shares; and
    - J. P. Morgan Securities Ltd. has an aggregate holding of 0.018 per cent. of the Ordinary Shares.
- 3.11 In this paragraph 3, references to "relevant Redrow securities" are to Ordinary Shares and securities convertible into, rights to subscribe for, derivatives referable to and agreements to sell or any delivery obligations in respect of, or rights to require another person to purchase or take delivery of Ordinary Shares.
- 4 Arrangements in connection with the proposal**
- Mr Morgan has not entered into any agreement, arrangement or understanding (i) with any of the Independent Directors (or their close relatives and related trusts) which has any connection with or dependence upon the proposals set out in this Part III; or (ii) for the transfer of any Ordinary Shares acquired by Mr Morgan.
- In addition, the Independent Directors are not aware of any agreement, arrangement or understanding having any connection with or dependence upon the proposals set out in this section of the document between Mr Morgan and any person interested or recently interested in Ordinary Shares, any other recent Director of the Company or BofA Merrill Lynch or J.P. Morgan Cazenove (or any person who is, or is presumed to be, acting in concert with BofA Merrill Lynch or J.P. Morgan Cazenove).

## 5 Directors' service contracts

5.1 Details of the service agreements currently in place between the Company and the Executive Directors are set out below:

Executive Director	Effective date of contract	Notice period
Steve Morgan	23 March 2009	6 months
John Tutte	14 September 2009	12 months
Barbara Richmond	18 January 2010	12 months

5.2 Details of the appointment agreements currently in place between the Company and the Non-Executive Directors are set out below:

Non-Executive Director	Effective date of contract	Notice period
Alan Jackson	19 August 2009	3 months
Paul Hampden Smith	19 August 2009	3 months
Debbie Hewitt	19 August 2009	3 months

5.3 The aggregate emoluments, excluding pensions, of the Directors for the year ended 30 June 2010 are set out below:

Executive	Base salary and Non-Executive Directors' fees £'000	Benefits in kind £'000	Bonus £'000	2011 Total Remuneration £'000
Steve Morgan (i)	15	3	-	18
John Tutte	375	17	140	532
Barbara Richmond	250	63	94	407
<b>Non-Executive</b>				
Alan Jackson	90	-	-	90
Paul Hampden Smith	45	-	-	45
Debbie Hewitt	45	-	-	45

- (i) Steve Morgan draws a nominal salary of £15,000 per annum which he donates via Payroll Giving to the Morgan Foundation. The Company also made a donation to the Morgan Foundation (£564,000 in the year ended 30 June 2011), a UK registered charity of which Steve Morgan is a trustee.

## 6 Information on Steve Morgan

Steve Morgan founded the Redrow group in 1974 and led the business from a small civil engineering contractor to become one of the UK's leading home builders. He floated the Company in 1994 and eventually stepped down as Chairman in November 2000. He returned to the helm in March 2009 and was re-appointed Chairman, on 30 June 2009. Mr Morgan is also Chairman of the Bridgemere Group of Companies, which includes Wolverhampton Wanderers, Carden Leisure and Trinity Aviation. He was awarded an OBE in 1992.

7.2 As set out in Section III below, this document incorporates by reference the audited consolidated financial statements of the Group, and the related auditor's report of PricewaterhouseCoopers LLP thereon, for the years ended 30 June 2009, 2010 and 2011. Please refer to Section III below for a list of cross references to the relevant sections of these reports and accounts, and for how to access this information.

## 7 Financial and other information on the Company

7.1 Redrow is one of the UK's leading residential and mixed use property developers. For the year to 30 June 2011, the Group delivered revenues of £452.7m, operating profit of £31.2m, basic earnings per share of 4.4 pence and ended the year with a net debt position of £75.4m.



## Approval of Rule 9 Waiver

7.3 For the three years ended 30 June 2009, 30 June 2010 and 30 June 2011, the Company reported the following dividend per share information:

	Dividend (£m)	Dividend per share (pence)	Basic earnings per share (pence)
2009 <sup>†</sup>	-	-	(47.9p)
2010	-	-	0.2p
2011	-	-	4.4p

<sup>†</sup> restated in 2010 to reflect the Rights Issue

7.4 Save as described in the Annual Report and Accounts accompanying this Notice of AGM, there have been no material changes in the financial or trading position of the Company since 30 June 2011 (the date of its most recent published accounts).

### 8 Material contracts

During the period beginning two years preceding the date of this document and ending on the Latest Practicable Date, the Company and its subsidiaries have not entered into any material contracts otherwise than in the ordinary course of business except as set out below:

#### 8.1 Syndicated Facility Agreement

The Company entered into a Credit Facility Agreement dated 13 December 2010 between the Company as the original

borrower and original guarantor, certain subsidiaries of the Company as original guarantors, the lenders named therein and Barclays Bank PLC as Agent. The Credit Facility Agreement was a £200,000,000 term and revolving credit facility expiring on 12 December 2014.

#### 8.2 Scotland Sale Agreement

The Company entered into the Scotland Sale Agreement dated 30 June 2011 between the Company as seller and Springfield Properties plc as purchaser, to dispose of its operations in Scotland for a total consideration of £49 million, comprising £5 million cash paid on completion and deferred cash consideration of £38.8m net of land creditors.

### 9 Middle market quotations

Set out below are the middle market quotations for an Ordinary Share, as derived from the Daily Official List of the London Stock Exchange plc, for the first business day of each of the six months set out below and for the Latest Practicable Date:

Date	Price per Ordinary Share (pence)
1 April 2011	125.6
3 May 2011	131.4
1 June 2011	122.9
1 July 2011	125.3
1 August 2011	130.0
1 September 2011	120.2
5 September 2011	116.0

### 10 Consent

BofA Merrill Lynch and J.P. Morgan Cazenove have given and have not withdrawn their written consent to the issue of this document with the references to it in the form and context in which they appear.

### 11 Documents on display

The documents required by the Code to be put on display are described on pages 98 to 99 of this document.

**Section III — Information Incorporated by Reference**

The table below sets out the various sections of those documents which are incorporated by reference into this document, so as to provide the information required pursuant to the Code. These documents will also be available at the Company's website, [redrow.co.uk](http://redrow.co.uk), from the date of this document and available for inspection as set out on pages 98 to 99 of this document.

Document	Section	Page number(s) in such document
<b>2011 Group Financial Statements *</b>	Consolidated income statement	62
	Consolidated balance sheet	63
	Statement of changes in equity	64
	The statement of cash flows	65
	Accounting policies	66 to 70
	Notes to the consolidated financial statements	71 to 94
	Independent auditor's report	61
<b>2010 Group Financial Statements *</b>	Consolidated income statement	50
	Consolidated balance sheet	51
	Reconciliation of movements in equity	52
	Consolidated cash flow statement	53
	Accounting policies	54 to 57
	Notes to the consolidated financial statements	58 to 81
	Independent auditor's report	49
<b>2009 Group Financial Statements *</b>	Consolidated income statement	58
	Consolidated balance sheet	59
	Consolidated cash flow statement	60
	Accounting policies	62 to 65
	Notes to the consolidated financial statements	66 to 89
	Independent auditor's report	57

\* which are available at [www.redrowplc.co.uk](http://www.redrowplc.co.uk)

Any Shareholder, person with information rights or other person to whom this document is sent may request a copy of each of the documents set out above in hard copy form. Hard copies will only be sent where valid requests are received from such persons. Requests for hard copies are to be submitted to our Registrar, Computershare, either by calling 0870 707 1257 (calls to this number are charged at national rate from a BT landline. Other telephony provider costs may vary). From overseas, please call +44 870 707 1257 or write to Computershare Investor Services plc, PO Box 82, The Pavilions, Bridgwater Road, Bristol BS99 7NH. All valid requests will be dealt with as soon as possible and hard copies mailed by no later than two business days following such request.

The documents incorporated by reference into this document have been incorporated in compliance with Rule 24.14 of the Code. Except as set forth above, no other portion of these documents is incorporated by reference into this document.

## Approval of Rule 9 Waiver

### Section IV - Definitions

**"Act"** - means the Companies Act 2006;

**"acting in concert"** - has the meaning attributed to it in the Code;

**"AGM"** - means the Annual General Meeting of the Company to be held on 3 November 2011 at De Vere, St. David's Park Hotel, St. David's Park, Flintshire at 12 noon;

**"arrangement"** - includes any indemnity or option arrangements, and any agreement or understanding, formal or informal, of whatever nature, relating to relevant securities which may be an inducement to deal or refrain from dealing;

**"BofA Merrill Lynch"** - means Merrill Lynch International, a company registered in England, with its registered address at 2 King Edward Street, London EC1A 1HQ;

**"Code"** - means the UK City Code on Takeovers and Mergers;

**"Company"** - means Redrow plc, a company incorporated under the laws of England and Wales (registered number 2877315), with its registered office at Redrow House, St David's Park, Flintshire CH5 3RX;

**"Computershare"** - means Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZZ;

**"control"** - means an interest or interests, in shares carrying an aggregate 30 per cent., or more of the voting rights (as defined in the Code) irrespective of whether the holding or aggregate holding gives de facto control;

**"CSOP"** - means the Company's company share option plan;

**"dealing" or "dealt"** - includes the following:

- (i) the acquisition or disposal of relevant securities, or the right (whether conditional or absolute) to exercise or direct the exercise of voting rights attached to relevant securities, or of general control of relevant securities;
- (ii) the taking, granting, acquisition, disposal, entering into, closing out, termination, exercise (by either party) or variation of an option (including a traded option contract) in respect of any relevant securities;
- (iii) subscribing or agreeing to subscribe for relevant securities;
- (iv) the exercise or conversion of any relevant securities carrying conversion or subscription rights;
- (v) the acquisition of, disposal of, entering into, closing out, exercise (by either party) of any rights under, or variation of, a derivative referenced, directly or indirectly, to relevant securities;
- (vi) entering into, terminating or varying the terms of any agreement to purchase or sell relevant securities; and
- (vii) any other action resulting, or which may result, in an increase or decrease in the number of relevant securities in which a person is interested or in respect of which he has a short position;

**"Directors" or "Board"** - means the Executive Directors and the Non-Executive Directors;

**"derivative"** - includes any financial product whose value in whole or in part is determined directly or indirectly by reference to the price of an underlying security but which does not include the possibility of delivery of such an underlying security;

**"Executive Directors"** - means Steve Morgan, John Tutte and Barbara Richmond;

**"Form of Proxy"** - means the enclosed proxy form for completion by those Shareholders who wish to vote in the resolutions set out in this document but are unable to attend the AGM;

**"Group" or "Redrow Group"** - means the Company together with its subsidiaries and subsidiary undertakings;

**"J.P. Morgan Cazenove"** - means J.P. Morgan Limited, a company registered in England with its registered address at 125 London Wall, London EC2Y 5AJ;

**"Independent Directors"** - means the Directors other than Steve Morgan;

**"Independent Shareholders"** - means the Shareholders other than Steve Morgan (or any other persons presumed to be acting in concert with Steve Morgan);

**"issued share capital"** - means, except where stated to the contrary, the issued share capital of the Company excluding treasury shares;

**being "interested" in relevant securities** - includes where a person:

- (i) owns relevant securities;
- (ii) has the right (whether conditional or absolute) to exercise or direct the exercise of the voting rights attaching to relevant securities or has general control of them;
- (iii) by virtue of any agreement to purchase, option or derivative, has the right or option to acquire relevant securities or call for their delivery or is under an obligation to take delivery of them, whether the right, option or obligation is conditional or absolute and whether it is in the money or otherwise; or
- (iv) is party to any derivative whose value is determined by reference to its price and which results, or may result, in his having a long position in it;

**"Latest Practicable Date"** - means 6 September 2011, being the latest practicable date prior to the publication of this document;

**"LTSIP"** - means the Company's long term share incentive scheme;

**"Non-Executive Directors"** - means Alan Jackson, Paul Hampden Smith and Debbie Hewitt;

**Ordinary Shares** - means the ordinary shares of 10p each in the capital of the Company;

**"Panel"** - means The Panel on Takeovers and Mergers;

**"relevant securities"** - means Ordinary Shares (or derivatives referenced thereto) and securities convertible into, rights to subscribe for and options (including traded options) in respect thereof;

**"SAVE"** - means the Company's save as you earn share scheme;

**"Shareholders"** - means the holders of Ordinary Shares from time to time;

**"short position"** - means any short position (whether conditional or absolute and whether in the money or otherwise) including any short position under a derivative, any agreement to sell or any delivery obligation or right to require another person to purchase or take delivery;

**"Steve Morgan" or "Mr Morgan"** - shall be taken to mean both Steve Morgan and where the context requires, members of his immediate family holding Ordinary Shares and each of Bridgemere Securities Limited and Durcan Investments Limited, being companies holding Ordinary Shares and which are ultimately controlled by Steve Morgan;

**"Waiver"** - means the waiver by the Panel of the obligation which would otherwise arise under Rule 9 of the Code requiring Steve Morgan (or an entity through which Mr Morgan may hold shares in the Company) to make an offer for the issued share capital of the Company following re-purchases of Ordinary Shares by the Company pursuant to Resolution 13 that could potentially increase Mr Morgan's shareholding from approximately 29.95 per cent. of issued share capital to a maximum of approximately 33.3 per cent. of issued share capital; and

**"Waiver Resolution"** - means Resolution 11 set out at page 95 of this document.

## Corporate & shareholder information

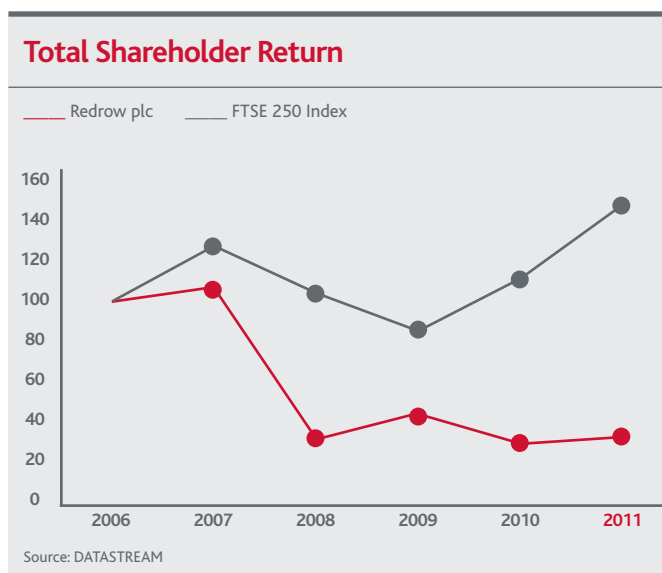
### Shareholder Discounts

The Company offers a discount of 1% to shareholders off the purchase price of a new Redrow home. In order to qualify for the discount a purchaser must hold a minimum of 2,500 ordinary shares in Redrow plc for a minimum of 12 months prior to the date of reservation, subject to a cap of £5,000.

Details of our current developments are available on our website:  
[redrow.co.uk](http://redrow.co.uk)

### Total Shareholder Return

The graph shows the Total Shareholder Return on the Company's shares over a five year period plotted against the total shareholder return of the FTSE 250 share index which the Company considers to be a representative comparative indicator.



### Group contacts

#### Officers and Advisers

#### Company Secretary

Graham A Cope

#### Registered Office

Redrow House  
St. David's Park  
Flintshire  
CH5 3RX  
Registered No. 2877315

#### Registrars

Computershare Investor Services PLC  
The Pavilions  
Bridgwater Road  
Bristol  
BS99 6ZZ

#### Stockbrokers

J. P. Morgan Cazenove  
10 Aldermanbury  
London  
EC2V 7RF

BofA Merrill Lynch  
2 King Edward Street  
London  
EC1A 1HQ

#### Independent Auditors

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
101 Barbirolli Square  
Lower Mosley Street  
Manchester  
M2 3PW

#### Solicitors

Linklaters LLP  
One Silk Street  
London  
EC2Y 8HQ



## 5 year summary

12 months ended 30 June

	IFRS 2011 £m	IFRS 2010 £m	IFRS 2009 £m	IFRS 2008 £m	IFRS 2007 £m †
Revenue	452.7	396.9	301.8	650.1	834.3
Operating profit/(loss) before financing costs pre-exceptional item	31.2	12.7	(22.4)	84.5	136.6
Operating profit/(loss) before financing costs pre-exceptional item as a percentage of turnover	6.9%	3.2%	(7.4%)	13.0%	16.4%
Operating profit/(loss) before financing costs	31.2	12.7	(119.0)	(174.9)	136.6
Profit/(loss) for the period	13.5	0.5	(100.4)	(139.9)	84.4
Net assets	458.6	435.9	293.5	404.6	577.8
Net (debt)	(75.4)	(47.1)	(214.6)	(223.3)	(177.6)
Gearing – net (debt) as a percentage of capital and reserves	16.4%	10.8%	73.1%	55.2%	30.7%
Return on capital employed – operating profit as a percentage of opening and closing capital employed	6.1%	2.6%	(21.0%)	(25.3%)	19.4%
Number of legal completions	2,626	2,587	2,113	3,925	4,823
Earnings per ordinary share ††	4.4p	0.2p	(47.9p)	(66.7p)	40.3p
Dividends per ordinary share	-	-	-	9.3p	15.6p
Net assets per ordinary share	148.6p	141.3p	183.4p	252.9p	361.5p

† Restated in 2008 for change of Revenue recognition policy

†† Restated in 2010 to reflect the Rights Issue

## Notes

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<http://gettag.mobi>



Redrow plc

Redrow House, St David's Park, Flintshire CH5 3RX

Telephone: 01244 520044 Facsimile: 01244 520720

Email: [groupservices@redrow.co.uk](mailto:groupservices@redrow.co.uk)



**“I only build  
homes I'd feel proud  
to call my own”**

Austin Mount, Redrow Site Manager



**“A nice balance of  
a traditional exterior  
combined with  
a modern interior”**

Charlotte Dewhurst, Redrow Home Owner



**“I take pride in the  
satisfaction of knowing  
customers are getting  
a quality home”**

Sue Dobson, Sales Consultant



OUR PRIDE~YOUR JOY