



Thursday 9 September 2010

Redrow plc

Preliminary results for the 12 months ended 30 June 2010

REDROW RETURNS TO PROFITABILITY

Financial results

	2010	2009
Legal Completions	2,587 homes	2,113 homes
Average Selling Price	£149,300	£137,400
Revenue	£396.9m	£301.8m
Operating Profit/(Loss)	£12.7m	(£22.4m)
Profit/(Loss) before tax and exceptional items	£0.7m	(£44.2m)
Net Debt	£47.1m	£214.6m
Net Assets	£435.9m	£293.5m
Gearing	11%	73%

Financial highlights

- Group returned to profitability as a result of the new strategy, including a new management team and significant investment in brand and product innovation
- Average selling price up 9% to £149,300 (2009: £137,400)
- Legal completions up 22% at 2,587 (2009: 2,113)
- Gross margin rose to 10.5% (2009: 1.8%) as a result of both volumes and average selling prices increasing
- Operating profit of £12.7m (2009: loss of £22.4m pre exceptionals) representing a 3.2% operating margin
- Profit before tax of £0.7m (2009: loss from trading operations before exceptionals of £44.2m)
- Net debt decreased from £214.6m during the year to £47.1m, with gearing reducing from 73% at June 2009 to 11% at June 2010

Operational highlights

- Group returned to traditional focus on great product and excellence in land buying with successful launch of The New Heritage Collection
- Average New Heritage selling price during the year was £180,000, 15% higher than previous product range
- Group acquired 3,281 plots in the year across 31 sites
- Year end current land bank closed at 13,170 plots (2009: 13,130)

Steve Morgan, Chairman of Redrow plc, said:

“The past year has been one of considerable change for Redrow – change that has resulted in a return to profitability. We have introduced a great new product which is proving popular with consumers, doubled our build output in response to an improved sales market and embarked on an ambitious land-buying programme. At the same time we have strengthened and restructured our management team, re-opened three regional offices and integrated Harrow Estates into the Group. Our regional teams have coped enthusiastically with the changes and we are now well placed to respond to the demands of growing the business in a challenging environment.

While we remain in a period of tough economic conditions and political uncertainty the work that we have done over the past year means that Redrow is in good shape to continue to make progress. We are financially strong with a streamlined and committed management team, improving margins and an excellent new product in the shape of The New Heritage Collection.”

Enquiries:

Redrow plc

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There will be an analyst and investor meeting at 9.00 am at Merrill Lynch, 2 King Edward Street, London, EC1A 1HQ, The Auditorium (9th floor). Coffee will be served from 8.45 am.

A live audio webcast and slide presentation of this event will be available at 9.00am on www.redrow.co.uk. Participants can also dial in to hear the presentation live at 9.00 am on +44(0) 020 7906 8567 or UK Toll Free 0808 238 7377.

Playback will be available by phone until 23 September 2010 on the following dial-in numbers:

+44 (0) 20 3364 5943
UK Toll Free 0808 238 9699
US Toll Free 1 866 286 6997
Passcode 274744#

CHAIRMAN'S STATEMENT

This is the first full year since my return to Redrow and I am pleased to report that the business has made significant progress and is in the best shape it has been for some time. There have been major changes in the overall direction of the business, including both the management team and structure, product and Group finances, all of which I will comment on below.

Financial Results

In the financial year ended 30 June 2010 Group Revenue increased 31.5% to £396.9m (2009: £301.8m). This was due to both a 22% increase in legal completions to 2,587 homes (2009: 2,113) and an 8.7% increase in our average selling price to £149,300 (2009: £137,400).

Gross margin rose to 10.5% from 1.8% in 2009 as a result of mix changes, increased average selling prices and increased volumes. Operating expenses rose slightly during the year as we selectively invested resources in the expansion of the business.

The operating profit for the year was £12.7m, compared to an operating loss before exceptionals of £22.4m and £119.0m after exceptionals in the prior year. We delivered a pre-tax profit of £0.7m in 2010, compared to the 2009 loss of £140.8m.

Putting the Group's finances back on a sound footing was a fundamental requirement on my return to the business and the successful £150m Rights Issue in October 2009 achieved this. Net debt at the end of June 2010 stood at £47.1m, compared to £214.6m in the prior year, due to both the Rights Issue and tighter control of cash. As a result, the Group's year end gearing stood at 11% compared to 73% in June 2009.

No dividend is being declared for the year in line with the Board's stated policy of only paying a dividend once the Group has an appropriate level of earnings cover.

Structure

There have been a number of management changes during the period which led to much simpler and more direct communications between the regional businesses and the Group. The Regional Chairmen posts, together with their infrastructure, have been scrapped and John Tutte, who has been with Redrow since 2002, was appointed Group Managing Director, responsible for day-to-day operations.

I am also pleased to welcome Barbara Richmond, who joined the Board in January 2010 as Group Finance Director. Under Barbara's direction the costing and reporting procedures are being substantially simplified and modernised.

The new, more streamlined, management team is working well and I believe contains the right balance of skill and experience to steer the successful progression of the Group.

During the year, three regional offices in the North West, Yorkshire and South Midlands were re-opened following their closure in 2008. In total Redrow now has nine operational businesses which will provide the infrastructure for substantial further growth.

New Heritage Collection

One of the principle highlights of the year was the successful launch of the New Heritage Collection in February 2010. The New Heritage Collection of predominantly family homes draws its inspiration from the Arts & Crafts movement and re-introduces real character and "kerb appeal" back into our product.

The New Heritage Collection now features in over 30% of our outlets and it will be incorporated in the vast majority of newly acquired sites. The average selling price for the new range during the year was £180,000, 15% higher than the previous product range.

The New Heritage Collection is proving to be extremely popular, both increasing market share in the localities where it has been introduced and margins on the sites where it is incorporated. However it had little financial impact during the year as there were only 67 legal completions. This is set to change significantly during the current year when around 40% of legal completions will be the new product.

Sales and Market Conditions

The housing market continued its recovery during the first half of the financial year and remained steady during the second half. As a result of both the improved market conditions and the change in strategy, we increased our legal completions by 22% year-on-year to 2,587 homes (2009: 2,113).

Weekly sales rates have also grown, averaging 0.58 per outlet in the year, compared to 0.4 in 2009. We do however continue to be constrained by a low number of sales outlets, primarily caused by persistent planning delays. It is a key objective of the current financial year to increase the number of outlets, which stood at 74 at the end of June.

Like for like selling prices increased by 3% during the first half of the financial year. Sales prices in the second half and indeed the calendar year to date, have been stable. Sales per outlet in the second half were comfortably ahead of the previous year. We entered the current period with like for like private sales 18% ahead at £106m.

At the beginning of the financial year we still had significant capital tied up in completed properties from the old Debut and In the City ranges, mainly large apartment schemes. It was important to increase sales momentum on these developments, at appropriate prices, in order to re-employ the capital on new sites. We legally completed 441 of these homes in the 2010 financial year and as I write around 160 remain for sale.

The cancellation rate remained fairly consistent through the year at 17%. Once again the overwhelming cause of cancellations was the chronic shortage of suitable mortgage product, combined with the persistent and ongoing issue of down valuations by valuers acting for the mortgage lenders. Although there has been a marginal improvement in recent months, the issues remain.

I am particularly concerned with the plight of first time buyers, who, unless assisted by their parents, are forced into saving upwards of 20% of the value of their first home by way of deposit, which compares to an historic first time buyer deposit of around 6%. Until this issue is resolved it will remain the major constraint to the full recovery of the UK housing market with overall transactions set to continue at the current historically low levels.

A healthy housing market is necessary for the UK economy as it generates substantial economic activity, helps mobility of labour and increases Government revenues through taxes and stamp duty. Market improvement cannot be achieved without the first time buyer stimulating the chain and I strongly urge the Government to intervene, possibly by way of an insurance indemnity scheme to enable lenders to provide up to 90-95% mortgages once again to first time buyers, or at the very least, provide a first time buyer tax break.

Young people need help to get onto the housing ladder one way or another and it is a sad reflection of our society that the average age of an unassisted first time buyer is now 37 years old, with the latest report from the National Housing Federation suggesting that this will increase to 43 for today's 21 year olds.

Land and Planning

A total of 3,281 plots were acquired during the year, which was heavily weighted towards second half purchases following the re-engagement of land teams in our regional businesses. As a result of legal completions, replans and the sale of a site which no longer met our corporate objectives, the current land bank stands at 13,170 plots, little change from last year, with the forward land bank standing at circa 22,000 plots.

The length of time taken to obtain planning permission has become the principal obstacle to the adequate supply of new homes in the UK. I have long been critical of the unwieldy and grossly over-bureaucratic planning system, which has become surrounded by so much red tape that the sheer volume of paper accompanying planning applications often requires submission by delivery van.

It has now become the norm that more people are involved in the preparation of the countless reports required to accompany planning applications than are employed on site building the houses. Indeed Redrow, as the fifth largest house builder in the UK by volume, last year spent more money on planning and planning related fees than it did on bricks.

One of the first acts of the new Coalition Government was to abolish Regional Housing Targets in preparation for its 'Localism' agenda and what is trailed to be a period of radical change to the planning system. If the proposed changes bring a speedier process and reduced bureaucracy they will be welcomed by all.

Unfortunately at a time when the industry is crying out for certainty and is desperate for more outlets, the Government has yet to announce the details. As there has been little in the way of transitional guidance, planning is currently in a state of limbo, with many local authorities using this vacuum to slow down even further, often refusing to process applications.

Harrow Estates

The acquisition of the Harrow business in October 2009 brought with it a strong management team, expert in the purchasing, remediating and replanning of brownfield sites. Since the acquisition Harrow has purchased two additional sites and the business is actively pursuing further land opportunities.

The five sites Harrow owned when it was acquired by Redrow are all now in production and progress is being made on a pipeline of option sites.

Redrow Commercial Developments has now been absorbed into the Harrow team and as such Harrow has taken responsibility for all commercial property within the Group.

People

The last year in Redrow has been one of monumental change within the business, together with some incredibly challenging trading conditions. The considerable advances which have been made could not have been achieved without the dedication and commitment of all of the members of the Redrow team. I would like to express my sincere gratitude to all of them for their efforts in helping return Redrow once again to be one of the leading builders in the sector.

In September 2009 Colin Lewis, who was the Western Regional Chairman, resigned from the business following the Group reorganisation. In December 2009 David Arnold resigned as Group Finance Director and was replaced in January 2010 by Barbara Richmond. I would like to thank both Colin and David for their efforts over the years.

We continue to regard Health and Safety as key to our business and this has again been recognised as we received a gold RoSPA for the fifth year running.

Outlook

We remain in a period of tough economic conditions and uncertainty. The new Coalition Government has announced a programme of considerable spending cuts and tax increases which will have a negative impact on everybody in the UK. The housing market has seen a reduction in the volume of transactions since the election, both as a result of the economic uncertainty and the lack of available mortgage finance.

In volume terms Redrow has seen a small reduction in the number of reservations in the first ten weeks of our financial year. This has been offset however by the increase in average selling price as a result of the growing influence of The New Heritage Collection. Overall like for like sales in the year to date are marginally ahead of the same period last year.

Redrow is in good shape with a low level of gearing, a strong and more streamlined management team, improving margins and an excellent new product. Short of a collapse of market conditions from those we have experienced to date, I expect the Group to make further progress during the current year.

Steve Morgan
Chairman

OPERATING REVIEW

Introduction

The past year has been one of considerable change on the operating side of the business. We have introduced our new product, re-opened offices, strengthened and restructured our management teams, embarked upon an ambitious land buying programme, integrated Harrow Estates into the Group and doubled build output in response to an improved sales market.

Our regional teams have coped enthusiastically with the changes and are now well placed to respond to the demands of growing the business in a challenging environment.

Sales Market

The financial year started strongly with an opening order book of 600 private units compared to 492 units the year before. Reservations in July and August were better than anticipated and there was little evidence of a seasonal downturn. In the autumn year-on-year reservations remained ahead but were only marginally better than the levels seen during the summer. This remained the case for the balance of the financial year with the exception of a few weeks affected by Christmas and the bad weather that followed. The Group recorded 2,211 private reservations in the year an increase of 22% on the previous year. The cancellation rate in the year was 17% which was lower than the level experienced in previous years. We closed the year with a private order book of 597 units, in line with the previous year in terms of volume but ahead by 18% in revenue due to a higher average selling price of £177,200. Social housing reservations declined as a consequence of fewer new outlets coming through and the social order book reduced from 547 units to 468. Since the year end we have seen a seasonal downturn in the market in contrast to our experience last year.

The Group delivered 2,587 legal completions in the year including 373 social units.

We started the year with 75 selling outlets and ended the year with 74. In the period we opened 23 new outlets and closed 24. Our private sales rate per outlet was 0.58 per week helped by relatively strong performances from our three City apartment schemes in Birmingham and Barking. We ended the year with 225 unsold stock units on these schemes. On these and other apartment schemes we have successfully re-focused our sales strategies away from the investor market towards owner-occupiers. We also made good progress on our planned disposal of the remaining Debut units and ended the year with just 23 units on two sites. We continue to closely monitor stock and work in progress levels across all of our developments striking a balance between controlling capital employed and having an appropriate level of stock to support changing market conditions.

The average selling price for the year of plots legally completed was £149,300 compared to £137,400 in the previous year. The second half average selling price was 5% ahead of the first half largely due to mix. Prices moved in line with published housing indices during the first few months of the year and then remained fairly flat with some small increases secured in the spring. Prices on The New Heritage Collection were generally more resilient.

Trading in the north relied more upon incentives such as Home-Buy Direct (HBD) than the south. The Group secured 13% of its reservations using HBD and has been allocated a further 430 HBD units under Kickstart 2; the Group has only limited exposure to

shared equity, other than HBD, and has tightly controlled part exchange. The Group has also secured £2.9m of gap funding on its Devonport project under the Kickstart 2 scheme. The funds will be used to facilitate further infrastructure necessary to bring forward the next phases of the project.

The availability of mortgage funds was a constraint on the industry during the year and particularly affected first-time-buyers and those with small deposits. Net mortgage lending remains at historically low levels and lenders continue to be cautious; surveyors also remain hesitant and we continue to experience down valuations.

Land

The regional land teams were increased during the autumn of 2009 which coincided with more opportunities at realistic prices coming to the market. Including 584 plots acquired as part of the Harrow Estates acquisition, the Group acquired 3,281 plots in the year across 31 sites of which 1,462 plots were held under contract. Of those plots acquired, 338 were transferred from the Forward Land portfolio. The year end current land bank closed at 13,170 plots in line with the opening position after taking into account a reduction of 654 plots as a result of selling one site that no longer matched our strategy, and a review of plots under contract. We were particularly strong on acquiring land in the Midlands where our strategic need to replace low priced apartments with family housing has been most acute.

All the plots acquired in the year will be developed with The New Heritage Collection product and are in the main planned for two storey housing.

At Moston, in Manchester, the Group entered a joint venture with Manchester City Council to develop six previously cleared sites with over 400 two storey family houses. The first site is now well underway and the response from local home buyers has been very encouraging.

Forward Land remains an important source of land for the Group. During the year we acquired a further 3,095 plots including 1,100 plots as part of the Harrow Estates acquisition. The Forward Land portfolio was reviewed in light of emerging planning policy and reduced by 3,657 to close at 21,900 a net 900 plot reduction on the opening position. The Group has enjoyed some planning success with its Forward Land portfolio, and subject to agreeing satisfactory draw-down terms, expects the Forward Land portfolio to make a strong contribution to the current land bank in 2010/2011.

Product

The New Heritage Collection was launched in February and is now being built on over 30% of sites. In the coming year the New Heritage Collection is expected to account for over 40% of output.

The launch was accompanied by new marketing material that reflects the spirit of the new collection. The web site was also completely revamped and is an increasingly essential sales and marketing tool for attracting customers to our sites; the new web site has had over 400,000 unique visitors since it was launched in February.

We have also launched Redrow TV; the first housebuilder to do so. Redrow TV is a broadband based TV channel that runs news bulletins and provides information on our developments and product; Redrow TV can be accessed through the web site.

The New Heritage Collection returns the business to its successful roots of building family housing, housing that is traditional in its appearance but internally planned and specified with modern day living in mind. The external elevations are reminiscent of the Arts & Crafts movement which can generally be found in the best parts of most towns. Internally space is arranged around family living and the specification is high. Kitchens are functional and attractive with built-in bookcases and integrated appliances. Bathrooms have clean lines with contemporary sanitaryware.

The New Heritage Collection has been meticulously designed in response to market research with particular attention paid to the smallest details. The New Heritage Collection is as much aimed at those looking to buy in the second-hand market as those that prefer new.

The New Heritage Collection currently consists of 40 house types ranging from one bed apartments to large six bedroom detached houses. Despite a higher internal and external specification, increased costs have been mitigated by expanding Group deals, limiting the range of materials used and achieving more efficient build. The overriding objective has been to ensure that perceived value significantly outweighs cost.

Alongside the quality of the design of the product sits the quality of build and the level of service we give to our customers. A record number of 14 of our site managers have gained NHBC Pride in the Job Awards in the past year and go forward to the next round. We have also achieved record levels of customer satisfaction as measured by an external source carrying out monthly telephone surveys. Across the year 92% of our customers were satisfied or very satisfied with their new home and 96% would recommend us to a friend; it is pleasing to note our results improved as we progressed through the year. We received a 4 star rating in the nationally published Home Builders Federation survey.

Delivering our product responsibly and safely is fundamental to our business, and it is reassuring to report our focus on this area has for the fifth year running been recognised by a Gold Award from RoSPA.

Harrow Estates

Harrow was acquired in October 2009 and was quickly integrated into the business. Harrow specialises in adding value to land through the planning and where appropriate, remediation process and has particular skills in cleaning up contaminated brownfield land. It also uses its master planning skills to promote greenfield land. Harrow will be both an additional source of land for the Group as well as a source of profit through land trading.

Harrow acquired c.500 plots on 2 sites in the year and has made good progress on the options under its control, in particular, the large site in Cambridge has gained planning permission for around 300 units and decontamination works are well underway.

Harrow also now oversees all the commercial development activities in the Group and successfully disposed of 4 properties and 3 parcels of land during the year.

People

Central to our business are our people. After two very difficult years when we had to drastically reduce our workforce it is encouraging to report we have been recruiting at all levels in the business. At the end of June we employed 840 people, an increase of over 20% on the previous year. It is also even more satisfying to report that many of those that have joined us are returning to the Group.

We re-opened our offices in Yorkshire, North West and South Midlands in the year to regain much of the geographical coverage we lost in the downturn. We now operate from nine regional offices and cover most of the stronger housing markets in the country; there remains scope however to further expand in the South East, South, South West and Midlands and we will look to do so when the time is right.

Whilst we have expanded the business at the divisional level, we have streamlined the overall organisational structure by removing a regional tier of management. The divisions now report directly into Group. This has improved lines of communications and simplified the decision-making process. As a consequence the divisional teams are now more responsible and accountable for the day-to-day operation of their businesses. Group departments that service and support the divisions are represented on the Executive Board and meet monthly.

We have continued to develop our people through training during the year and have delivered 1,324 training days to our employees, and in addition we have provided a significant level of training to our subcontractors. This training ranged from induction programmes on joining, to management training and on-site Health and Safety training. It is pleasing to report that 7 of our site managers studied for and passed NVQ level 4 during the year. We have resumed recruiting trade apprentices and expect an intake of 50 new apprentices to commence this month. Finally we are planning to reintroduce our graduate training programme next year.

John Tutte
Group Managing Director

FINANCIAL REVIEW

Profit before tax and earnings per share

The Group generated turnover of £396.9m in the year ended 30 June 2010 (2009: £301.8m).

Revenue (£m)	2010	2009
Residential	386.2	290.3
Land sales	8.7	3.4
Commercial	2.0	8.1
	<u>396.9</u>	<u>301.8</u>

This reflected a 22% rise in residential legal completions to 2,587 (2009: 2,113) and a 9% increase in average selling prices to £149,300 (2009: £137,400).

The Group delivered an operating profit of £12.7m (2009: loss £22.4m pre-exceptional items) representing a 3.2% operating margin. Whilst margins were below historic norms due to the effect of selling plots of land acquired before the downturn, this is a welcome return to profitability at the operating level and is testament to the impact of the impetus to the business generated by the response to the new management team and the success of initiatives put in place to drive the business forward which include significant investment in brand and product.

Following the successful £150.3m Rights Issue, net financing costs at £12.0m were £9.6m lower than the previous year.

The Group generated a profit before tax of £0.7m (2009: loss £44.2m pre-exceptional items). Basic earnings per share were 0.2p (2009: 14.7p loss pre-exceptional items).

Tax

As a consequence of tax losses brought forward from 2009, the Group paid no corporation tax in the year (2009: £40.4m refund of corporation tax previously paid).

The Group's tax rate for the year was 28.0% and the expected effective rate for the financial year ending 30 June 2011 is 27.75%.

A deferred tax asset of £77.2m, primarily in relation to pre tax losses is carried at 28.0% at 30 June 2010 for use against future profits and is considered to be fully recoverable. The Finance Bill received Royal Assent on 20 July 2010 and as a consequence the corporation tax rate will fall to 27.0% from 1 April 2011. The carrying value of the deferred tax asset at 30 June 2010 based on a 27.0% rate would be £74.4m.

Dividends

No dividends have been proposed in respect of the financial year ended 30 June 2010.

Rights Issue

In the first half of the financial year, the Group successfully completed a 13 for 14 Rights Issue of 148,586,495 new shares at 105 pence per new share. This generated £150.3m of funds net of expenses of £5.7m of which £14.9m has been credited to Share capital and £135.4m to Retained earnings.

In conjunction with this, the Group completed the acquisition of the Harrow Estates business (see note 10).

Balance Sheet

Net assets at June 2010 were £435.9m (2009: £293.5m), an increase of 49% due primarily to the Rights Issue.

Capital employed reduced by £25.1m to £483.0m as a result of careful management of inventory.

Our investment in land and work in progress pre net realisable value (NRV) provision reduced by £89.1m reflecting the further progress made in reducing the number of stock plots held. This was partly offset by our targeted investment in the land market in the year which saw over 3,200 new plots (including Harrow) purchased and contracted and terms agreed on a further c.1,100 plots with over 40% of these contracted post year end.

During 2010 £62.4m of the NRV provision was utilised against legal completions. As a consequence, at 30 June 2010, the NRV provision against land and work in progress was £256.9m (2009: £319.4m) with £233.6m against land and £23.3m against work in progress. In addition, £39.2m of provision was released in the year relating to Type 1 plots and £39.1m of provision created in the year, with £21.8m relating to Type 1 plots and £17.3m relating to Type 2 plots.

In 2010 we have reclassified a significant number of plots from our Type 2 land category to the Type 1 land category to reflect operational decisions taken to develop land we previously expected to sell undeveloped. In determining the basis for the provision at 30 June 2010 we took cognizance of the increase in our average selling price during the year. A significant element of the price increase was due to the change in mix. This, together with the continued uncertainty of future house price movements, lead us to conclude the basis of provisioning we used at the end of the 2009 financial year remained appropriate for 2010.

The net realisable value provisions will continue to be reviewed at future reporting dates to assess their appropriateness in the context of prevailing market conditions and the re-assessment of net realisable value and costs.

Non-current trade debtors increased by £1.1m during the year to £7.1m due to our use of the HomeBuy Direct scheme to facilitate first time buyer purchases.

Land creditors reduced by £15.8m to £37.6m in the year in line with the scheduled settlement of a number of significant land creditors.

Cashflow and Net Debt

Net debt reduced by £167.5m to £47.1m during the year, with gearing reducing from 73% at June 2009 to 11% at June 2010.

The cash generated from operations was £50.0m (2009: £12.1m outflow).

In June 2010, the Group via its Employee Benefit Trust completed the purchase of 4.22m of its own shares at a cost of £5.2m to fund its share option schemes, thus avoiding dilution for existing shareholders.

In addition, as a consequence of shares in the whole of the housebuilding sector, including ourselves, trading at a significant discount to net asset value we are proposing a resolution at the forthcoming AGM to enable the Board to buy back up to 10% of the Company's share capital either as treasury stock or for cancellation.

Plot costing and margin measurement

With effect from the financial year ending June 2011 the Group has changed its methodology for plot costing and margin measurement. The changes are as follows:

- When a site is acquired the cost of the land is allocated over the private plots only. Social plots will carry no land value. This is because social plots are part of the 'cost' of acquiring those private plots for development.
- Build cost is calculated on the basis of house type.
- Gross profit on each plot and house type is therefore measured on the full cost of the specific plot.

Previously the margins on all plots (both private and social) on a site were equalled and thus all reported the same margin rather than reflecting their true individual profitability.

The change has been made to improve the accuracy of internal profit reporting and management information.

The average cost per plot for private owned plots on the above basis at 30 June 2009 was £29,300. With the acquisition of new land and completions in the year, the equivalent plot cost at 30 June 2010 was £31,200.

The Group has a partnership development in Moston, Manchester where it does not own the land but builds and sells the houses in conjunction with Manchester City Council. These particular plots have no land value in our balance sheet and have therefore been excluded in the above calculation.

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

(i) Liquidity and facilities

Liquidity risks are managed through the regular preparation and review of cashflow forecasts and by maintaining appropriate committed banking facilities to ensure adequate headroom.

It is considered appropriate that the Group maintains relationships with a number of banks. The current syndicate comprises five banks.

During the year, in conjunction with the Rights Issue, the Group agreed with its banking syndicate to amend the terms of the existing syndicated facility agreement including a reduction in the total facility size to £250.0m from £450.0m. The £250.0m is made available as a revolving credit facility for utilisation by the Group up to and including 30 September 2011.

In addition to the committed facilities, the Group also has further uncommitted bank facilities which are used to assist in day-to-day cash management.

Facilities are kept under review and the Group maintains regular contact with its banks and other financial institutions to ensure that it remains attuned to new developments and that its facilities remain appropriate to strategic and operational objectives and market conditions.

(ii) Interest rate risk

The Group is exposed to interest rate risk as it borrows money at floating rates. Its interest rate risk arises primarily from long term borrowings. In order to manage this risk, the Group enters into simple risk management products, notably interest rate swaps. All interest rate swaps are sterling denominated and are not used for speculative or trading purposes.

Pensions

The Group provides funded defined benefit pension arrangements and funded defined contribution arrangements. The defined benefits section of the pension scheme is closed to new entrants and from 1 July 2009 increases in pensionable salary are limited to the lower of base salary increases, increases in inflation or 2.5% for defined benefit members.

As at 30 June 2010, the Group financial statements showed a £4.4m deficit (2009: £2.8m surplus) in respect of the defined benefits section of the pension scheme, as calculated in accordance with IAS19.

Barbara Richmond
Group Finance Director

Consolidated Income Statement

12 months ended 30 June		2010 Total	2009 pre- exceptional item £m	2009 exceptional item £m	2009 Total £m
	Note				
Revenue		396.9	301.8	-	301.8
Cost of sales		(355.2)	(296.4)	(103.2)	(399.6)
Gross profit/(loss)		41.7	5.4	(103.2)	(97.8)
Administrative expenses		(29.0)	(27.8)	6.6	(21.2)
Operating profit/(loss) before financing costs		12.7	(22.4)	(96.6)	(119.0)
Financial income		1.8	3.8	-	3.8
Financial expenses		(13.8)	(25.4)	-	(25.4)
Net financing costs		(12.0)	(21.6)	-	(21.6)
Share of loss of joint ventures after interest and taxation		-	(0.2)	-	(0.2)
Profit/(loss) before tax from continuing operations		0.7	(44.2)	(96.6)	(140.8)
Income tax (expense)/credit	2	(0.2)	13.4	27.0	40.4
Profit/(loss) for the period from continuing operations		0.5	(30.8)	(69.6)	(100.4)
Earnings/(loss) per share					
- basic	4	0.2p	(14.7)p		(47.9)p
- diluted	4	0.2p	(14.7)p		(47.9)p

Consolidated Statement of Comprehensive Income

12 months ended 30 June		2010 £m	2009 £m
Profit/(loss) for the period		0.5	(100.4)
Other comprehensive income			
Effective portion of changes in fair value of interest rate cash flow hedges		1.8	(4.2)
Deferred tax on change in fair value of interest rate cash flow hedges		(0.5)	1.2
Actuarial (losses) on defined benefit pension scheme		(7.3)	(11.9)
Deferred tax on actuarial (losses) taken directly to equity		2.1	3.3
Other comprehensive expense for the period net of tax		(3.9)	(11.6)
Total comprehensive expense for the period		(3.4)	(112.0)

Consolidated Balance Sheet

		As at 30 June	
	Note	2010 £m	2009 £m
Assets			
Intangible assets		1.8	0.3
Plant, property and equipment		14.6	14.5
Investments		2.2	2.1
Deferred tax assets		77.2	76.7
Retirement benefit surplus		-	2.8
Trade and other receivables		7.4	6.3
Total non-current assets		103.2	102.7
Non-current assets available for sale		2.3	3.9
Inventories	5	539.7	566.3
Trade and other receivables		12.2	13.9
Cash and cash equivalents	8	21.9	17.5
Total current assets		576.1	601.6
Total assets		679.3	704.3
Equity			
Issued capital	9	30.9	16.0
Share premium		58.7	58.7
Hedge reserve		(0.8)	(2.1)
Other reserves		7.9	7.9
Retained earnings		339.2	213.0
Total equity		435.9	293.5
Liabilities			
Bank loans	8	50.0	165.2
Trade and other payables	6	17.1	26.3
Derivative financial instruments		-	0.7
Deferred tax liabilities		0.6	1.4
Retirement benefit obligations		4.4	-
Long-term provisions		8.7	8.9
Total non-current liabilities		80.8	202.5
Bank overdrafts and loans	8	19.0	66.9
Trade and other payables	6	138.6	135.3
Derivative financial instruments		1.1	2.2
Current income tax liabilities		3.9	3.9
Total current liabilities		162.6	208.3
Total liabilities		243.4	410.8
Total equity and liabilities		679.3	704.3

Reconciliation of Movements in Equity

	The Group	
	2010	2009
	£m	£m
Profit/(loss) for the period	0.5	(100.4)
Other recognised income and expense relating to the period (net)	(3.9)	(11.6)
Shares issued	150.3	-
Share-based payment	0.2	0.2
Movement in LTSIP/SAYE	(4.7)	0.7
Net increase/(decrease) in equity	142.4	(111.1)
Opening equity	293.5	404.6
Closing equity	435.9	293.5

Consolidated Cash Flow Statement

		12 months ended 30 June	
	Note	2010 £m	2009 £m
Cash flow from operating activities			
Operating profit/(loss) before financing costs		12.7	(119.0)
Depreciation and amortisation		1.4	2.6
Adjustment for non-cash items		(8.3)	(13.3)
Operating profit/(loss) before changes in working capital and provisions		5.8	(129.7)
Decrease/(increase) in trade and other receivables		2.0	(0.6)
Decrease in inventories		40.0	189.6
(Decrease) in trade and other payables		(4.8)	(75.2)
Increase in employee benefits and provisions		7.0	3.8
Cash inflow/(outflow) generated from operations		50.0	(12.1)
Interest paid		(9.8)	(20.9)
Tax received		-	40.4
Net cash from operating activities		40.2	7.4
Cash flows from investing activities			
Acquisition of business	10	(15.0)	-
Acquisition of plant, property and equipment		(1.4)	(0.4)
Proceeds from sale of plant, property and equipment		1.4	2.1
Interest received		-	2.7
Payments to joint ventures - continuing operations		-	(0.3)
Net cash (outflow)/inflow from investing activities		(15.0)	4.1
Cash flows from financing activities			
Issue of bank borrowings	7	50.0	218.0
Repayment of bank borrowings	7	(218.0)	(337.5)
Issue costs of bank borrowings		-	(5.6)
Purchase of own shares		(5.2)	-
Proceeds from issue of share capital		150.3	-
Net cash outflow from financing activities		(22.9)	(125.1)
Increase/(decrease) in net cash and cash equivalents		2.3	(113.6)
Net cash and cash equivalents at the beginning of the period		0.6	114.2
Net cash and cash equivalents at the end of the period	8	2.9	0.6

NOTES

1. Basis of preparation

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

The Auditors have reported on the Group's statutory accounts for the year ended 30 June 2010 under s495 of the Companies Act 2006, which do not contain a statement under s498 (2) or s498(3) of the Companies Act 2006 and are unqualified. The statutory accounts for the year ended 30 June 2009 have been delivered to the Registrar of Companies and the statutory accounts for the year ended 30 June 2010 will be filed with the Registrar in due course.

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

The principal accounting policies have been applied consistently in the periods presented apart from the policy in respect of forward land which has been amended such that the expenditure incurred on owned sites without residential planning consent is no longer provided for when incurred but is included in inventories and is subject to a regular impairment review. The impact of this change has been the release of a £0.4m provision in the year ended 30 June 2010. The impact is not considered material and hence the prior year figures have not been restated.

2. Income Tax charge/(credit)

	12 months ended 30 June	
	2010 Total £m	2009 Total £m
Current year		
UK Corporation Tax at 28.0% (2009: 28.0%)	-	-
(Over) provision in respect of prior year	-	(1.0)
	-	(1.0)
Deferred tax		
Origination and reversal of temporary differences	0.2	(39.4)
Total income tax charge/(credit) in income statement	0.2	(40.4)
Reconciliation of tax charge/(credit) for the year		
Profit/(loss) for the year	0.7	(140.8)
Tax on total profit/(loss) at 28.0% (2009: 28.0%)	0.2	(39.4)
(Over) provision in respect of prior year	-	(1.0)
Expenses not deductible for tax purposes net of rolled over capital gains	-	(0.1)
Short term temporary differences	-	0.1
Tax charge/(credit) for the year	0.2	(40.4)

3. Dividends

No dividend was paid in the year ended 30 June 2010 (2009: £nil).

4. Earnings per share

The basic earnings per share calculation for the year ended 30 June 2010 is based on the weighted number of shares in issue during the period of 275.6m (2009 (restated): 209.7m) 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 2010

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

12 months ended 30 June 2009 (restated)

	Losses £m	No. of shares millions	Per share pence
Basic losses per share for continuing operations after exceptional item	(100.4)	209.7	(47.9)p
Effect of share options and SAYE	-	-	-
Diluted losses per share for continuing operations	(100.4)	209.7	(47.9)p

5. Inventories

	As at 30 June	
	2010 £m	2009 £m
Land for development	321.5	320.4
Work in progress	202.3	230.6
Stock of showhomes	15.9	15.3
	539.7	566.3

Inventories of £335.9m net of £62.4m net realisable value provision utilisation, were recognised as expenses in the year (2009: £388.3m net of £36.5m net realisable value provision). Work in progress includes £4.3m (2009: £2.8m) in respect of part exchange properties.

Of the net realisable value provision of £256.9m (2009: £319.4m), £233.6m (2009: £278.5m) is attributed to land and £23.3m (2009: £40.9m) is attributed to work in progress.

For provisioning purposes, we classify our inventory into two categories:

Type 1: land where the construction of homes has commenced or we are proposing to develop.

Type 2: land that we have not yet concluded that we are to develop and are more likely to sell.

The net realisable value provision movement is analysed below:

	Type 1 £m	Type 2 £m	Total £m
As at 1 July 2009	202.9	116.5	319.4
Utilised during the year	(54.2)	(8.2)	(62.4)
Created during the year	21.8	17.3	39.1
Reclassified during the year	61.6	(61.6)	-
Released during the year	(39.2)	-	(39.2)
As at 30 June 2010	192.9	64.0	256.9

The net realisable value provisions of £39.1m and £39.2m 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.

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

	As at 30 June	
	2010 £m	2009 £m
Due within one year	20.5	27.1
Due in more than one year	17.1	26.3
	37.6	53.4

7. **Borrowings and loans**

	12 months ended 30 June	
	2010 £m	2009 £m
Opening net book amount	218.0	337.5
Issue of bank borrowings	50.0	218.0
Repayment of bank borrowings	(218.0)	(337.5)
Closing net book amount	50.0	218.0

At 30 June 2010 the Group had total unsecured bank borrowing facilities of £280.5m, representing £250.0m committed facilities and £30.5m uncommitted facilities.

8. **Analysis of net debt**

	As at 30 June	
	2010 £m	2009 £m
Cash and cash equivalents	21.9	17.5
Bank overdrafts	(19.0)	(16.9)
	2.9	0.6
Bank loans - current liabilities	-	(50.0)
	2.9	(49.4)
Bank loans - non-current liabilities	(50.0)	(165.2)
	(47.1)	(214.6)

9. Share capital

	As at 30 June	
	2010	2009
	£m	£m
Authorised 480,000,000 ordinary shares of 10p each	48.0	33.0
Allotted, called up and fully paid	30.9	16.0
	<hr/>	
		Number of ordinary shares of 10p each
Movement in the period was as follows		
At 1 July 2009		160,012,548
Share options exercised		8,436
Share issued via Rights Issue		148,586,495
At 30 June 2010		<u>308,607,479</u>

Rights Issue

During the year ended 30 June 2010, the Company successfully completed a 13 for 14 Rights Issue of 148,586,495 new shares at 105 pence per new share. In conjunction with this, the Group completed the acquisition of the Harrow Estates business.

This generated £150.3m of funds net of expenses of £5.7m of which £14.9m has been credited to share capital and £135.4m to Retained earnings.

In conjunction with the Rights Issue, the Group agreed with its banking syndicate to amend the terms of the existing syndicated facility agreement including a reduction in the total facility size to £250.0m. The £250.0m is made available as a revolving credit facility for utilisation by the Group up to and including 30 September 2011.

Ordinarily, the excess of the net proceeds over the nominal value of the share capital issued would be credited to a non-distributable share premium account. However, the Rights Issue was effected through a structure which resulted in the excess of the net proceeds over the nominal value of the share capital issued being recognised within Retained earnings under Section 612 of the Companies Act 2006.

10. Acquisition of Harrow Estates

As outlined in the Rights Issue Prospectus, in conjunction with the Rights Issue, the Company acquired on 20 October 2009 the Harrow Estates business which represented a related party transaction with Steve Morgan. This comprised five freehold land assets, options over further strategic land assets totalling 1,100 plots and 100% of a newly incorporated business now renamed Harrow Estates plc which held, among other assets, certain employees and the Harrow Estates name.

The table below summarises the consideration transferred to acquire the Harrow Estates business and an analysis of net assets acquired and the fair value to the Group:

	Fair value to Group £m
Inventories	14.0
Trade and other payables	(0.6)
Fixtures & Fittings	0.1
Net assets acquired	13.5
Goodwill	1.5
Total cash consideration	15.0

The reputation Harrow Estates has as an expert in brownfield and highly contaminated sites, including remediation and master planning, stems from the ability and reputation of its assembled workforce including their track record of delivery. It is this to which the goodwill represents.

11. Shareholder Enquiries

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

Registrars Department
The Pavilions
Bridgwater Road
Bristol
BS99 6ZZ

12. Annual General Meeting

The Annual General Meeting of Redrow plc will be held at St. David's Park Hotel, St. David's Park, Flintshire on 4 November 2010, commencing at 12.00 noon. A copy of this statement is available for inspection at the registered office.