



Company Registration Number 2877315

REDROW plc

Redrow House, St. David's Park, Flintshire CH5 3RX

Telephone: 01244 520044 Facsimile: 01244 520720

E-mail: groupservices@redrow.co.uk

www.redrow.co.uk

Annual Report & Accounts 2004



REDROW

BUILDING ON OUR VISION

HIGHLIGHTS OF THE YEAR

Operating Profit up 17% to £132.7m

Earnings per share up 17% to 54.8p

Dividend per share increased by 20% to 9.0p

RESULTS IN BRIEF

CONTENTS

	2004	Restated 2003	
Financial Summary	£m	£m	Increase
Group Turnover	669.9	607.9	10%
Operating profit	132.7	113.7	17%
Profit before taxation	124.1	106.1	17%
Net assets	376.6	302.0	25%
	Pence	Pence	
Earnings per share	54.8	46.9	17%
Dividend per share	9.0	7.5	20%

Highlights of the year	2
Results in brief	3
Chairman's statement	4
Chief Executive's review	8
Financial review	22
Corporate Social Responsibility review	26
Directors	32
Directors' report	34
Corporate Governance statement	36
Remuneration report	41
Independent Auditors' report	51
Consolidated profit and loss account	52
Balance sheets	53
Consolidated cash flow statement	54
Accounting policies	55
Notes to the financial statements	57
Notice of Annual General Meeting	75
Five year summary	81
Officers and Advisers	82
Corporate information	83

Robert Jones
Chairman

‘Redrow has been positioned to meet the challenges of tomorrow’

Redrow has again performed strongly, setting a new record for profit before tax of £124.1m in the year to June 2004, an increase of 17.0% on the previous year. I am therefore pleased to confirm that the Board is recommending a final dividend of 6.0p per share that will bring the total for the year to 9.0p, an increase of 20.0%, in line with the announcement made in December 2003.

The Company remains committed to planning and managing the business to deliver profitable and sustainable growth. During the last three years, a number of successful initiatives have been undertaken to further this objective, in particular our geographical expansion, our investment in people, the development of our product range and the expansion of our land holdings. This enables the Board to be confident about the Group's capabilities in the future and, as a result, I am pleased to confirm that the Board intends, subject to unforeseen circumstances, not only to increase the dividend by 20.0% in the years to June 2004 and 2005 but to extend that commitment by a further year to June 2006.

The Company has increased the number of legal completions in every year since 1990 whilst enhancing the quality of its financial returns with operating margins and return on capital employed both continuing to be maintained at the top end of sector performance. In the year to June 2004, operating margins increased to 19.8% and return on capital employed was 29.4%. Since the flotation in June 1994, the quality of returns coupled with our belief in listening to the views of our shareholders has resulted in Redrow delivering a compound annual growth rate of 21.4% in reported earnings per share and a 12.2% compound annual growth rate in dividend per share. Total shareholder return over the period has been 13.1% per annum.

The quality of people in our business is critical to our future. The Redrow team, in its widest sense, is exceptionally strong, harnessing talented and hard-working employees at every level together with its supplier and sub-contractor base. Our collective futures lie in the mutual objective of delivering to our customers high quality products in which to live and work in first class environments and we are grateful to all of them for their enthusiasm and commitment.

At the core of ensuring the quality of the Redrow team is our strategy to make Redrow the employer of choice within our industry. This requires Redrow not only to offer competitive remuneration packages at all levels but also to provide opportunities for our employees to meet their full potential and thereby contribute to the

future success of the Company. The new training centre coupled with enhanced induction and appraisal processes are important elements in achieving this goal and are already contributing to a reduced level of staff turnover.

At Board level, the talents and experience of non-executive directors provide an important contribution in support of the Executive Team. I would like to take this opportunity to thank Bob Williams, who retired in November 2003, for his invaluable assistance over 9 years, especially in his role as Audit Committee Chairman and for his experience on commercial property development. We are pleased to welcome Malcolm King, Senior Partner at King Sturge, in his place and look forward to his contribution to the Board.

The securing of land opportunities whilst meeting the challenges of the planning system remains one of the distinguishing characteristics of Redrow, and we have made further progress this year, expanding the land bank with planning permission to 15,000 plots. This is, however, only part of an extensive land pipeline which not only includes land

CHAIRMAN'S STATEMENT

with planning but not yet taken into ownership, but also sites being taken through the planning system, and identified as allocated residential land within emerging local plans. This places Redrow in a very strong position with regard to future development, with the vast majority of the land necessary to develop the Company over the next three years already under our control. Redrow is therefore well positioned to continue its expansion, should market conditions be appropriate. Furthermore the vast majority of the land is both brownfield and in sustainable locations and therefore in accordance with the Government's own declared planning objectives.

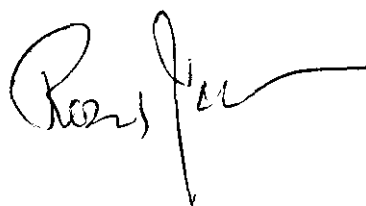
In March 2004, the Barker Review of Housing Supply was published. Redrow welcomed its publication believing it to be a balanced assessment of the housing issues facing the UK and the Review included many sensible recommendations to address the critical question of how to secure the country's future housing needs. Redrow played an active role in providing information for the original report and continues to engage constructively with Government in the consultation process, principally through the industry's representative body, the House Builders Federation. Redrow hopes to see a positive outcome from this consultation process, which would manifest itself in the increased availability of land for development and a more responsive planning system. Whilst the Group is extremely well placed to capitalise on such an outcome there remains, nevertheless, a number of significant challenges before the recommendations of the Barker Review can be said to have been fully embraced by the Government. It is the Board's view therefore that any significant change for the good arising from the Barker Review is more likely to be felt in the medium to long term. Meanwhile, we continue to witness a lengthening in the time taken to achieve planning across the UK and, in the North West of England, the introduction of a

moratorium on new planning consents which is at odds with pronouncements from Government seeking to increase housing supply.

Building methods continue to change, recognising both the development of new materials and modern methods of construction. Against a background of continuing skill shortages, these initiatives are of considerable importance if we are to continue to deliver a substantial building programme. Our joint venture with Corus, Framing Solutions, is an important ingredient in achieving these objectives, as are the initiatives stemming from our own research and development function.

Redrow recognises its wider corporate social responsibilities. I would particularly like to highlight the considerable progress made in the areas of Health and Safety, where in 2004 we received a RoSPA award, and Customer Service, where new procedures were implemented across the Group from July 2004. The Board believes it has a responsibility to the communities in which it operates and in particular takes a very active role in educating schoolchildren about the housebuilding industry and especially the Health and Safety issues associated with construction sites.

Looking to the future, Redrow entered the new financial year with record forward sales and a strong and efficient land bank. Whilst the recent strength of the market has moderated back to a more sedate and sustainable level, the fundamentals of the housing market remain robust and the deficit between people's aspirations to own a home and national supply remains considerable. In the context of continuing economic confidence and high levels of employment, home owning remains the preferred choice of the vast majority of our fellow citizens. Redrow has been positioned to meet the challenges of tomorrow and to deliver profitable and sustainable growth for not only the benefit of our shareholders, but also our staff, customers and the community as a whole.



Robert B Jones Chairman

Paul Pedley
Chief Executive

‘This has
been another
year of record
achievement
for Redrow’

This year represents the 30th anniversary of the formation of Redrow and its 10th anniversary as a quoted company. Over those ten years, profit before tax has increased from £21.3m to £124.1m, and reported earnings per share from 7.9p to 54.8p, representing compound annual growth of 19.3% and 21.4% respectively, the growth in earnings per share being enhanced by the £115.0m share buy back effected in September 2000. Financial returns, in particular operating margin and return on capital employed, have been maintained at the forefront of sector performance, whilst Redrow's commitment to quality and corporate social responsibility has been acknowledged through a number of important awards.

The most significant recent achievement, however, has been the positioning of Redrow to meet the challenges of tomorrow. The first fundamental key to success is our people. Accordingly, our management teams have been strengthened to ensure that the clear communication of Redrow objectives is complemented by effective management within the operating companies. Furthermore, the development teams and project management capability of Redrow Commercial have been embedded within the overall Group structure, so providing an improved focus on and delivery of mixed use developments.

In addition, the geographical coverage of Redrow has been extended, with the formation of Redrow Homes (South Midlands) last year and Redrow Homes (West Country) this year. We intend to extend this coverage further to encompass the East Midlands region in the near future whilst, at the same time, establishing a "Regeneration Team" to focus on the highly important East Thames Corridor so as to capitalise on this major area of growth. Redrow is a truly national provider of homes and the expanded corporate and management structure will have the potential to deliver 7,000 legal completions per annum.

The second fundamental key to success is land. As a result of our long term land strategy, the financial year to June 2004 has witnessed significant growth in our land holdings, so underpinning the future

development of the Group. However, it is important that the strength of our land bank is complemented by an efficient portfolio of well designed homes and, as previously reported, our new housing range was launched this year. The new range combines the kerb appeal and the quality of design with which Redrow has become synonymous, with enhanced cost control and improved construction methods, particularly through the use of increased off-site prefabrication.

The Barker Report, published in March 2004, highlighted the continuing under-supply of new homes in the UK and the deficiencies of the current planning regime. However, it also identified key challenges for our industry, particularly in the areas of customer service, increased build efficiency and training. The Group has already risen to these challenges so ensuring that Redrow remains at the forefront of our sector.

RESIDENTIAL DEVELOPMENT

Redrow Homes has again reported record results, with operating profit increasing by 17.7% to £131.2m.

Redrow Homes has again reported record results, with turnover increasing by 11.2% to £662.7m and operating profit by 17.7% to £131.2m. These results were secured from 4,284 (2003 : 4,031) legal completions with an average selling price of £154,700 (2003 : £147,900). As is traditional for Redrow Homes, the legal completion profile was marginally weighted towards the second half of the financial year, reflecting the underlying level of organic growth, with 1,996 (46.6%) and 2,288 (53.4%) legal completions in the first and second halves respectively.

I referred last year to the significant variations in our regional markets with the Western and Northern Regions experiencing stronger market conditions than the Southern Region. This trend continued through to Spring 2004, when, as a result of increased interest rates and cautionary statements by the Governor of the Bank of England, the housing market resumed its "soft landing", first experienced in the Southern Region eighteen months earlier. As a result, the rate of increase in selling prices is moderating, which, when combined with the underlying level of demographic growth, a continuing shortage of quality housing and sound consumer confidence driven by high levels of employment, should result in a sustainable "normal" housing market.

To balance the impact of a "normal" housing market, Redrow Homes has capitalised on the strength of its land bank and continued to expand the number of active developments to in excess of 100. Reservations in the financial year to June 2004 totalled 4,566, in line with the previous year, although, as reported last year, this comparison includes the highly successful launch, in January 2003, of Altolusso, the *In the City* development in Cardiff, where 155 reservations were secured over the initial launch period with a further 87 reservations prior to the end of that financial year. This continuing strong sales performance enabled Redrow Homes to end the year with a record forward sales position of 2,344 units with a sales value of £398m, representing increases of 13.7% and 30.9% respectively on last year.

Light steel frame construction will deliver benefits to both Redrow Homes and its customers through reduced build times, improved quality and lower maintenance.

Due to continuing cost pressures, particularly in relation to skilled trades, the focus within Redrow Homes remains on innovation and the continuing development of key relationships with major suppliers and subcontractors. Whilst initially, new build techniques may be slightly more expensive, their wider utilisation combined with increased efficiency will tend to reduce future costs by comparison with traditional building methods. In particular, our utilisation of light steel frames continues to increase and approximately 15% of production in the year to June 2005 is expected to incorporate this method of construction, almost double the level of the previous year. This will deliver benefits to both Redrow Homes and its customers through reduced build times, improved quality and lower maintenance.

Operating margins in Redrow Homes have continued to increase, recording levels of 19.5% and 20.0% in the first and second halves respectively. The overall annual operating margin of 19.8% compares with 18.7% last year. This improvement is in part due to the strength of the sales market, particularly in the Western and Northern Regions; it equally reflects the quality of the Group's land bank and the active management of costs. However, the Board continues to believe that, as house price inflation returns to its historical relationship with earnings, operating margins will, over a period, fall to around 17.0% to 17.5%, a level which is currently considered to be sustainable in "normal" market conditions. The period over which operating margins return to these levels will be dependent upon the rate at which the inflationary element currently contained within the Group's land bank unwinds.

The Government has significantly increased the focus on housing, particularly through the commissioning of the Barker Report which clearly endorses the need for a substantial increase in the provision of new homes. This provision is weighted towards the South-East via the key growth areas of Milton Keynes, Stansted, Ashford and the East Thames Corridor. The restructuring of the Southern Region reported last year has been successfully implemented. Redrow Homes (Southern) has relocated to Basingstoke in Hampshire and Redrow Homes (Eastern) to Laindon, near Basildon in Essex. Redrow Homes (South Midlands), based in Northampton, has delivered a meaningful contribution to profitability in its first full year of trading. This restructuring, combined with the establishment of a "Regeneration Team" to focus on the East Thames Corridor has placed Redrow Homes in a strong position to benefit from the existing and future Government initiatives to increase housing supply in these areas.

REGIONAL PERFORMANCE

It is the Group's regional coverage that provides the opportunity for future growth. As currently structured, each of the three regions has the potential to deliver between 2,000 and 2,500 legal completions per annum.

Northern, the Group's longest established region, delivered 2,108 legal completions as compared with 1,982 in the previous year, an increase of 6.4%, representing 49.2% (2003 : 49.2%) of total completions.

The average selling price increased by 12.8% to £144,900 reflecting both an enhanced mix and the strength of the housing market. Overall, turnover increased by 19.9% to £305.4m.

Southern achieved 1,042 (2003 : 1,091) legal completions representing 24.3% (2003 : 27.1%) of total completions, with an average selling price of £180,300 (2003 : £186,400). Both legal completions and

average selling price were marginally below the levels of the previous year due to the timing of completions on *In the City* developments. Turnover for *Southern* totalled £187.9m as compared with £203.4m in the previous year.

Western continues to make significant progress, with legal completions increasing by 18.4% to 1,134 units and the average selling price by 3.9% to £149,600 (2003 : £144,000). As a result, turnover grew during the year by 23.0% to £169.6m, to yield an increase over the last three years of 78.8%. This clearly demonstrates Redrow's ability to deliver organic growth in new geographical areas.

THE REDROW PORTFOLIO

The maintenance of a broad portfolio of designs is key to Redrow's marketing strategy.

The positioning of our product range in the market place, with an average selling price substantially in line with the market average, and the maintenance of a broad portfolio of designs are key components of Redrow's marketing strategy. The retention of our distinct specifications, with the *Contemporary* range more focused on newer customers to the homes market, the *Sapphire* and *Emerald* ranges satisfying the needs of established home owners and our *In the City* schemes meeting the aspirations of city dwellers, enables Redrow to fulfil the requirements of a broad range of customers. Indeed, this targeting of a broad range of customers is fundamental to maximising our potential market share.

This diversity, however, must be tempered with the need for standardisation within the construction process, so as to enhance build efficiency and maintain sound cost control. The new housing range enables the achievement of all these objectives. Based upon a highly flexible portfolio of generic house styles, the new range combines the quality of design, both internally and externally, which characterised the *Heritage* and *Harwood* ranges, with standardisation within the construction process. It also maintains flexibility in elevational treatments so as to match the local vernacular and satisfy the expectations of planning authorities.

In reviewing the product portfolio over the last three years, the most significant trend has been the increased contribution from the *Contemporary* (formerly *Harwood*) specification. Whilst the *Sapphire* and *Emerald* (formerly *Heritage*) specifications still represent, at 57.1%, the majority of legal completions, over the last three years the contribution from the *Contemporary* specification has risen to 32.2%, representing an increase from 695 to 1,379 legal completions. The average selling price of the *Sapphire* and *Emerald* ranges combined was £178,300 whilst that of *Contemporary* was £114,800, representing increases on the previous year of 7.4% and 13.9% respectively.

To complement the standard Redrow portfolio, several *In the City* developments continue to be undertaken. The number of such schemes is carefully controlled due to the significant management time involved in ensuring the successful development of each scheme and, from a financial viewpoint, their capital intensive nature. During the year, *In the City* schemes contributed 10.7% of total legal completions, with an average selling price of £148,700. Of particular significance was *Velocity* in Leeds which was completed during the financial year and delivered 241 legal completions. In addition *Jupiter*, the continuing scheme in Birmingham, contributed 175 legal completions.

Other *In the City* schemes under development include *Odyssey* in London, *Altolusso* in Cardiff, *Neptune Marina* in Ipswich and *The Boardwalk* in Eastbourne. To balance the higher capital investment associated with *In the City* schemes, it is important to maintain a very strong forward sales position. It is therefore pleasing to report that by the financial year end, 623 (2003 : 595) forward sales had been secured.

Over the last few years, the Government's focus on brownfield development, particularly in our towns and cities, has resulted in a marked shift in the mix of new homes provided by our industry. Indeed last year, the industry built more apartments than detached homes. Redrow is not immune from this trend, although as previously stated, the investment in capital intensive schemes is carefully controlled. As a corollary to this mix change, over the last twelve months the average size of a Redrow home has reduced by 4.5% to approximately 1,000 sq. ft. It is important in formulating future housing policy that the Government recognises the needs and aspirations of all existing and future home occupiers and maintains a balanced approach to the provision of new homes.

DEVELOPING A SUSTAINABLE FUTURE

During the last twelve months, the current land bank has increased to 17,400 plots.

Land is one of the fundamental keys to success and represents a major component in the Group's future growth, profitability and sustainability. During the financial year, the current land bank has been extended from 16,000 plots to 17,400 plots, representing, on an historic basis, a four year land supply. Of these plots, 15,000 are owned with planning, an increase on the previous year of 1,000 plots. The balance of 2,400 plots is held under contract, awaiting, in the vast majority of cases, the granting of a satisfactory planning consent.

However, it is the effectiveness of this land bank that is of primary importance. Redrow Homes owns with planning all the land required to deliver the budgeted completions for the new financial year. In addition, virtually 100% of the currently anticipated legal completions for the year ended June 2006 are on land owned or controlled by the Group. This places Redrow Homes in an extremely strong position to continue to deliver sustainable growth in the future.

During the financial year approximately 5,300 plots were acquired for a total consideration of £179.1m, representing an average plot cost of £33,900. This plot cost reflects an increasing trend due to the rebalancing of the overall land bank in favour of the Western and Southern Regions to support future growth. To a large degree, this trend is matched by a corresponding increase in the average selling price of the homes to be constructed on the land acquired. At the financial year end, the average plot cost of the land bank had increased from £22,900 to £27,300, which, when expressed as a percentage of the average future sales revenue, represents an increase from 14.8% last year to 16.1% for the current year. At this level, our land bank remains one of the most cost effective in the industry.

The forward land bank remains a major provider of development land, with 28% of the land acquired during the current financial year sourced through this route, complementing the 30% contribution during the previous financial year. At the financial year end the forward land bank contained 1,800 plots where planning permission has been secured and negotiations are proceeding for the acquisition of the land. An additional 6,200 plots are allocated in either draft or adopted local plans. The forward land with planning includes future major developments at Dunfermline, Fife (700 homes) and Bracknell, Berkshire (750 homes). Our forward land bank, the quality of which is clearly demonstrated by its planning pedigree and the annual contribution of development land, will continue to support our financial returns in the future.

MIXED USE DEVELOPMENT

Redrow's combination of residential and commercial development expertise continues to be an important component in the overall sourcing of future schemes.

The combination of residential and commercial development expertise continues to be an important component in the overall sourcing of future schemes. The Government's focus on sustainable development, combined with major land opportunities created by the drive for efficiency within the U.K.'s manufacturing base, has provided Redrow with a number of opportunities to utilise this mixed use expertise in tandem with our planning and project management capabilities.

The most significant example of this approach secured during the financial year is the 2,500 acre brownfield site at Bishopston near Glasgow. Redrow has entered into a development agreement with BAE SYSTEMS to promote the site through the planning system with the potential to provide to the Group a 100 acre commercial and retail development, together with a residential scheme of approximately 1,500 homes.

At Buckshaw Village, near Chorley, Lancashire, significant progress has been made during the year. Following the grant of a satisfactory planning permission, the 31 acre land sale to Aldi Stores Ltd, for a 650,000 sq. ft. distribution warehouse, was completed. In addition, a further 14,000 sq. ft. industrial unit on the initial speculative phase was sold to complement a land sale for the construction of a 110,000 sq. ft. distribution centre. Finally, as regards the commercial element, an agreement to lease has been entered into with Vernon Carus Ltd for a 100,000 sq. ft. unit, with the resulting investment having already been pre-sold. Both practical and legal completion should occur during the new financial year. Residentially, following a highly successful sales launch twelve months ago, this multi-phased development has yielded approaching 100 legal completions during the financial year, with in excess of a further 50 forward sales.

At St. David's Park, following the successful completion of Optima, the next phase of the office park, Vista, a 30,000 sq. ft. office complex, is nearing practical completion. The investment sale of Evolution, the nursery office unit scheme totalling approximately 15,000 sq. ft., was financially completed in July 2003.

Outline planning permission has been secured for a further phase of residential development with the associated detailed consent for 75 homes currently being progressed.

Finally, at Stamford Park, Altrincham near Manchester, the construction of a 20,000 sq. ft. office, representing the second phase of this commercial development, has recently been completed.

The marketing launch is scheduled for the autumn to coincide with the completion of the major infrastructure works required to service the associated residential development of approximately 450 homes.

THE CHALLENGES OF THE BARKER REPORT

The Redrow Training Centre will assist our staff in realising their career aspirations, help reduce staff turnover and promote Redrow as the employer of choice within our industry.

Kate Barker was commissioned by the Government to undertake a review of housing supply. Her report represents one of the most authoritative reviews of our industry and the 36 recommendations extend beyond the pure issues of land and planning. Indeed, the report states that "Easier access to land and a simplified planning system should encourage housebuilders to focus their efforts on meeting the needs of customers."

The Barker Report identifies a number of key challenges of which three in particular are fundamental to the future performance of our industry:

"The housebuilding industry must demonstrate increased levels of customer satisfaction." During early 2003, Redrow undertook a detailed review of its business methods. A substantial part of that review focused on our interaction with our customers and our ability, or otherwise, to satisfy them during what has become known as "the customer journey." As a result of the review, new customer service procedures were launched in July 2004, with management at all levels focused on the expectations of our customers.

"The industry should develop a strategy to address barriers to modern methods of construction." The formation three years ago of a dedicated research and development team has enabled the Group to both focus on and evaluate various modern methods of construction.

In particular the team was instrumental in the formation and subsequent management of Framing Solutions, our joint venture company formed to develop and manufacture light steel frames for use in the housebuilding industry.

"Housebuilders (must evaluate whether they) are investing sufficiently in their own workforce training as well as addressing the skills needed for modern methods of construction." One of the milestones of the last financial year was the launch of training@redrow, our in-house training facility at Tamworth. Our objective in establishing this facility was to provide a proper induction programme combined with access to high quality training for all our staff. The Centre will assist our staff in realising their career aspirations, help reduce staff turnover and promote Redrow as the employer of choice within our industry. During the last nine months, over 14,000 hours of staff training have been provided, equating to 2,600 filled places, with an average attendance of two training events per employee. Further, training@redrow was instrumental in supporting the launch of the new customer service procedures.

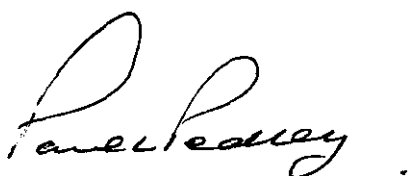
THE FUTURE

Our focus is on the delivery of sustainable organic growth.

Our primary objective is to deliver value to our Shareholders.

To achieve this objective, Redrow must deliver sustainable and profitable growth. As the housing market returns to more "normal" levels, both operating margins and future growth in selling prices will moderate. As a result, although mindful of potential acquisition opportunities, our focus on the delivery of sustainable organic growth whilst maintaining operating margins and return on capital at the forefront of sector performance, will be of paramount importance. Redrow has delivered growth in legal completions every year since 1990, arguably the peak of the last housing market cycle, an achievement unique amongst our peer group. Furthermore, Redrow has entered the new financial year with a record forward sales position, a highly effective land bank to support future growth, together with a broad portfolio of homes and a focused customer service strategy to satisfy the requirements and aspirations of our customers.

Accordingly, barring the impact of factors totally outside the control of the Group, Redrow can look forward with confidence to maintaining its record of delivering long term sustainable growth and by so doing deliver value to our Shareholders.



Paul L Pedley Chief Executive

David Arnold
Group Finance Director

‘Operating profit from Homes increased by 17.7% to £131.2m’

Turnover

Group turnover increased by 10.2% during the year to £670.3m (2003: £608.3m). The Homes' operations generated turnover of £662.7m, 11.2% ahead of the prior year (2003: £596.0m) on the back of a 6.3% increase in legal completions to 4,284 (2003: 4,031) and a 4.6% increase in the average selling price to £154,700 (2003: £147,900). Redrow's commercial activities delivered turnover of £7.2m (2003: £11.9m) principally as a result of disposals at Buckshaw Village and St David's Park.

Operating profit and margins

Total operating profit of £132.7m was 16.7% ahead of the corresponding period last year (2003: £113.7m). Operating profit from Homes increased by 17.7% to £131.2m, a function of both the operating margin being 1.1 percentage points higher during the year at 19.8% (2003: 18.7%) and the higher level of turnover.

The operating margin of Homes in the second half of the financial year was 20.0%. Over the last five years, operating margins in Homes have increased from 16.1% to 19.8%

Homes' operating margins

The commercial activities achieved operating profits of £2.7m, which included £0.7m profit from the disposal of the former offices of Redrow Homes (Eastern) following their relocation to new offices near Basildon.

Redrow's share of the operating loss of Framing Solutions, its 50:50 joint venture with Corus, was £1.2m. This business is trading in line with its business plan which currently envisages losses on a reducing basis for the next two financial years.

Profit before tax, earnings per share and dividends

After deducting the interest charge of £8.6m, profit before tax was £124.1m, 17.0% higher than the previous year (2003: £106.1m).

The Group's interest charge of £8.6m was covered 15.4 times by operating profits. The interest charge was £1.0m higher than the financial year ended June 2003 as a result of a higher average level of debt during the year.

The Group's effective tax rate was 30.0% and is currently anticipated to remain at a similar level in the next financial year.

Basic earnings per share increased by 16.8% to 54.8p (2003: 46.9p). Diluted earnings per share increased to 54.6p (2003: 46.8p).

Subject to approval at the Annual General Meeting on 3 November 2004, a final dividend of 6.0p per share (2003: 5.0p) will be paid on 19 November 2004, representing an overall increase in the full year dividend of 20% to 9.0p (2003: 7.5p). The full year dividend per share is 6.1 times covered by basic earnings per share (2003: 6.3 times) and this year's increase follows an increase of 23.8% in the last financial year. Barring unforeseen circumstances, the Board remains committed to increasing the dividend by 20% in each of the financial years ended June 2005 and June 2006.

Balance Sheet

Net assets at the end of the financial year were £376.6m (2003: £302.0m). Fixed assets increased by £5.6m to £24.3m, principally reflecting the Group's acquisition of new offices for its Eastern and Southern businesses.

The most significant movement in the balance sheet was in stock, which increased by £134.4m to £713.4m (2003: £579.0m) and reflected the continued investment into the future growth of the Group.

Far and away the most important component of this investment was into land, the key to future growth for any residential developer.

During the year, the Homes' business increased the number of owned plots with planning to 15,000 (2003: 14,000) and as a result, land held for development increased by £93.0m to £412.7m. Costs in connection with the acquisition and formation of the Group's forward land bank, a contributor of 28% of the plots acquired in the financial year ended

June 2004, are provided for when incurred and the provision only released once planning is obtained and the land acquired.

Work in progress in Homes increased by £45.9m, of which £20.8m was attributable to *In the City* schemes. Exposure to *In the City* schemes remains tightly controlled, with, on average, no more than 10% - 15% of legal completions in any one year from such developments.

The increase in land and work in progress was partially mitigated by an increase in land creditors, which rose by £10.5m to £85.8m (2003: £75.3m). When appropriate, the Group will purchase land on deferred terms, with the creditor either secured by legal charge over the land to which it relates or supported by financial guarantees. Land creditors which fall due for payment after June 2005 stood at £29.7m.

The level of stock in the Group's commercial activities was not materially different from the previous year at £19.9m (2003: £18.2m).

Return on Capital Employed

Redrow's financial objectives embrace a focus on delivering a combination of operating margins and return on capital employed which are at the forefront of sector performance. Return on capital employed over the last twelve months, measured by using the average of opening and closing capital employed, stood at 29.4%. The Group has delivered a return on capital employed averaged over each of the last five years of over 29.2%, well in excess of its weighted average cost of capital.

Group Return on Capital Employed

Cash flow, gearing and treasury

The Group generated a cash inflow from operations of £24.5m after increasing its stock levels by £134.4m. Net debt increased by £37.5m to £130.7m (June 2003: £93.2m) and gearing, calculated as the proportion of net debt to shareholders' funds, increased from 31% to 35%.

It is the Group's policy to fund itself through an appropriate mix of debt and equity. The current level of gearing, particularly given almost £400m of forward sales at the end of June 2004 and taken together with the high level of interest cover, means the Group remains in a position of financial strength from which to continue to grow.

The Group's treasury policy sets out the requirement to maintain adequate committed debt facilities to meet forecast peak borrowing requirements. Taking advantage of attractive funding margins in the banking market during the year, new three year committed bilateral facilities totalling £80m were entered into which supplement Redrow's existing loan facilities. Including its £180m syndicated loan facility, Redrow had committed bank facilities at the end of June 2004 totalling £280m. All these facilities are unsecured. Cash flow forecasts and headroom under bank facilities are both regularly reviewed.

The Group's day-to-day cash management is achieved by each company operating its own bank account, with all bank accounts managed under a set off arrangement.

The Board has approved an interest rate risk management policy which sets out the maximum and minimum proportion of the Group's debt that must be protected against adverse interest rate movements. The policy prohibits any trading in derivative financial instruments and requires any hedging activity to use simple risk management products.

As at 30 June 2004, the Group had entered into interest rate swaps on a notional amount of £75m which had a remaining average maturity of approximately 1.5 years. Note 21 sets out the fair value of the Group's financial instruments.

The Group has no material exposure to movements in foreign currency rates since it operates entirely within the UK and procures virtually all its supplies from UK based companies.

Redrow's activities result in requirements for surety bonds and guarantees, for example, those that are provided to Local Authorities in respect of the adoption of highways on a development. The Group has £60m of facilities to provide such bonds and guarantees, of which £25.0m was utilised. In addition, the Group has bonding facilities made available through the National House Building Council. As well as meeting institutions and equity analysts, the Group maintains close contact with its bankers and surety companies, regularly providing them with information regarding current trading and financial performance.

Pensions

The Group believes that pension provision is one of the most important benefits made available to Redrow's employees and in this regard provides both defined benefit and defined contribution pensions. The defined benefit scheme was closed to new members generally in October 2001, at which time a defined contribution section of the scheme was established. The defined contribution section of the scheme is structured to be an attractive benefit to employees and whilst monthly paid members contribute 5% of pensionable salary, Redrow makes contributions which are dependent upon age and which range from a matching contribution of 5% up to age 30 to a 12.5% contribution from age 40.

The full disclosures required under the transitional arrangements of FRS17 are set out in Note 7 to the financial statements.

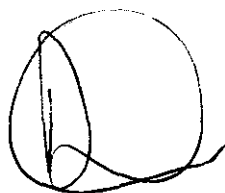
The valuation of the defined benefit scheme on this basis shows a reduction in the deficit during the year, net of deferred tax, to £4.7m (June 2003: £6.2m).

Accounting Standards

The Group has adopted UITF Abstract 38 'Accounting for ESOP Trusts' which was issued during the year. This abstract also revised UITF 17 'Employee Share Schemes'. The impact of these changes has resulted in a restatement of prior year figures, with a net increase of £0.7m in opening shareholders funds as at 1 July 2003.

The Group will be impacted in the future by the adoption of International Financial Reporting Standards (IFRSs), which all UK listed companies are required to adopt for their first financial reporting period commencing after 31 December 2004. In accordance with the conversion timetable laid down in IFRS 1 covering first time adoption of IFRSs, the interim financial statements for the six months ended December 2005 and the annual financial statements for the year ended June 2006 will be the first statements prepared under

IFRS. Comparative figures will be provided within these statements using figures originally prepared under UK accounting standards but restated under IFRSs. The impact of IFRSs on the Group's financial statements is subject to on-going review and analysis and shareholders will be kept abreast of the outcome of this work in the period running up to implementation.



David L Arnold Group Finance Director

Legal completion profile since 1990

Neil Fitzsimmons

Group Managing Director

‘As a leading developer, Redrow aims to play its part in shaping a better future.’

Brian Duckworth

Non-Executive Director

Chairman of Environmental Corporate
Responsibility Committee

Redrow remains firmly committed to meeting the reasonable expectations of stakeholders in the Company beyond our primary responsibilities to shareholders. We aim to ensure that our corporate decision-making processes take into account all our stakeholders and serve the wider community in which we live.

During the last year, Redrow reviewed its Corporate Social Responsibility (CSR) Charter and this is now available on our website, www.redrow.co.uk. The website incorporates a new section specifically dedicated to CSR issues including up to date news as well as base information on CSR issues within Redrow. Our website has also been re-engineered to meet Priority2 of the W3C Web Content Accessibility Guidelines to make it more friendly to those users with disabilities and compliant with the requirements of the Disability Discrimination Act Part III due to come into effect in October 2004.

The CSR Charter establishes goals in key areas to improve the sustainability of our business.

- To make Redrow an employer of choice.
- To further improve awareness of health and safety issues.
- To deliver higher standards of customer service and increase levels of customer satisfaction.
- To work with our supply chain to improve ethical sourcing, health and safety and environmental issues.
- To continue to provide quality environments in which people live and work.
- To improve performance in terms of environmental management through increased recycling and reduced landfill usage.

Investing in our employees

Having good quality people is a fundamental part of being successful in business and the Redrow Team is one of the Group's core strengths. In a growing business that is becoming increasingly complex and where skills are at a premium, it is important Redrow is an employer of choice.

Whilst competitive pay and benefits packages have been put in place and are reviewed annually by the Board, Redrow believes that fostering a culture of continuous improvement through high quality training is essential to attracting and retaining high calibre people. This was

behind Redrow investing in its own dedicated team, training@redrow, with a purpose built facility to meet the training needs of our employees from the important induction of new employees to providing more advanced training in systems and operational skills including delivery of customer service and health and safety awareness.

In addition, other learning and training initiatives are provided from apprenticeships for skilled trades through to courses for senior personnel to improve management techniques. It is important that high quality people continue to be attracted into the industry and since 1998 Redrow has operated a graduate intake scheme to encourage this process. The early intakes are now making important contributions as managers within our operations.

Redrow believes in communicating openly and honestly with its employees and the Company provides clear and fair terms of employment to all employees through an appointment letter and the Redrow Staff Handbook. These contain policy statements on equal opportunities, discrimination, bullying, victimisation and sexual harassment. It also embodies a formalised grievance procedure available to all employees. We have recently also introduced a formal 'whistleblowing' procedure that provides employees with a means of informing the Board and independent non-executive directors if necessary of any issues of concern.

Already, the steps we are taking are having an impact with reductions in staff turnover being recorded. Since training@redrow was launched in September 2003, there has been a 20% reduction in the level of staff turnover.

Health and Safety

Three years ago the Group invested in an in-house Health & Safety Team to make health and safety an integral part of the Redrow culture. Important progress has been made which has been recognised through each Redrow company receiving National Safety Awards from the British Safety Council (BSC). In addition, the Royal Society for the Prevention of Accidents (RoSPA) has awarded a Bronze Award to Redrow, one of only two major housebuilders to secure a RoSPA award in 2004.

The increased awareness of health and safety issues has also resulted in improvements in key statistics relating to health and safety. During the year the number of reportable accidents was virtually unchanged but major injuries on site were reduced by 50% and the Group's Accident Incidence Rate reduced 25% and is now approximately 10% below the Health & Safety Executive (HSE) sector figures. Overall, using the BSC figures for the costs of accidents, the cost to the Group of accidents reduced by 15% during 2004.

Redrow has developed an internal measurement of on site health and safety performance, the Accident Potential Rate (APR), which has also shown a positive trend in the year. Internal benchmark targets for the APR in our companies have been agreed with a target set below this figure. The numbers of dangerous occurrences reduced to 3 during the year whilst only 1 HSE Enforcement Notice and 1 Prohibition Notice was issued. No Improvement Notices were issued in the year.

This represents important progress but we recognise the need to maintain this momentum. During the year, new initiatives were introduced to ensure a consistent quality of inductions is delivered on all our sites and each site has a Health & Safety Site Information Board where the Site Manager can prominently provide information on specific site hazards and safety initiatives.

Redrow will continue its St-Cred scheme to provide appropriate levels of training for all its employees in health and safety. This scheme was short listed for a Building Magazine Health and Safety Award. A major new programme, 'Work Safe-Home Safe' is currently being rolled out across our developments focusing on the four main causes of accidents on sites. Health & Safety Managers are using in-house produced videos to educate both employees and subcontractors on the risks and preventative measures that can be taken in relation to slips and trips, falls from height, manual handling and moving objects.

However, health and safety must also be tackled on an industry wide basis and in this regard, Redrow played a leading role in developing the Health & Safety Charter of the House Builders Federation and was one of the first signatories to the Charter. This commits Redrow to working with its peers on an action plan across a wide range of issues related to improving the housebuilding industry's performance on health and safety.

These represent just some of the investments Redrow is making on this important CSR issue with a view to enhancing health and safety as an integral part of our culture.

Serving our customers

The Barker Report has set new challenges for the industry to demonstrate increased levels of customer satisfaction. Redrow had already recognised that today's customers have higher expectations and a full review of our procedures had been completed even before the publication of the Barker Report. This resulted in new customer service procedures being implemented from July 2004 that aim to satisfy the needs of our customers at each stage of the 'customer journey'.

The procedures in the new Customer Service Handbook provided to all employees focus on communication being clear and honest. All site teams and customer facing personnel have received training on the procedures that set down clear requirements regarding

communication with the customer and all new employees receive training on this important aspect of the business.

Each customer will now receive a Homebuyer Guide that explains the complete home buying process and details the Company's customer service procedures. This is in addition to an Information Pack providing details of specification and amenities of both the home and the development.

During the construction of the home, improved procedures are in place to document the quality of the process. Once the home has been fully inspected and tested using a detailed standard checklist, the site-based team will introduce the new home to the customer by way of a standard demonstration. Finally, every home comes with a Homefile that provides relevant information on the operation and maintenance of a new home. This is supported by a comprehensive post completion service that includes 24-hour emergency assistance and a formal procedure to deal with any issues that arise in the first few weeks of occupation with continuing commitment to deal with all legitimate customer service issues into the future.

Performance on customer service must be measured if the procedures are to be effective. Redrow believes customer service needs to be embraced by all our staff and therefore every customer is contacted by telephone by a member of the senior management team following occupation to ascertain their experience on their 'customer journey'. This is followed up with a more detailed survey questionnaire undertaken by the Group Marketing Department. Each customer is asked to record their views on the performance of our people, the quality of the home and the level of service. These reports and surveys are used in management meetings to identify and resolve issues and improve performance.

The Barker Report has also set the challenge to the industry regarding increasing the proportion of house buyers who would recommend their housebuilder from 46% to at least 75% and improving the level of customer satisfaction from a current level of 65% to a level of 85% by 2007. During the last 12 months, 84% of those customers returning a survey questionnaire indicated they would recommend Redrow. Redrow looks forward to the investment made in its new customer service procedures improving further its performance in servicing our customers' best interests.

A responsible relationship with suppliers and subcontractors

Redrow has long standing relationships with many of its key suppliers and subcontractors. This is based upon an ethical trading policy as regards terms and conditions and the wider CSR philosophies. It also provides important benefits in developing a shared understanding of how to improve efficiency in operations and reduce environmental impact.

Through its in-house Research and Development Team, Redrow works with suppliers to improve existing products, develop new components, review packaging and increase recycling, all with a view to improving the quality of our homes, reducing environmental impact, mitigating health and safety risks and enhancing the efficiency of our operations. This includes increased use of off-site manufacture such as prefabricated bathroom pods, factory made internal door sets, prefabricated chimneys and preformed dormer windows as well as modern methods of construction including the use of light steel frames.

Where possible, Redrow specifies products and materials that generate the least environmental impact particularly as regards timber from managed plantations, aggregates from nearby quarries and non-toxic paints. Hardwood timber is purchased from certified sources and Redrow is part of the Global Forest and Trade Network and is working in partnership with them to improve our environmental record in this important area.

The quality of relationships is measured through regular surveys of performance of both suppliers by Redrow and of Redrow by the suppliers. During the coming year we will further develop relationships by discussing with key suppliers and subcontractors their environmental policies and working with them to align their policies with our aim of reducing the environmental impact of the industry and ensuring respect for human rights.

Building communities of the future

Redrow continues to create quality environments in which people live and work through high quality design incorporating many aspects of sustainable development, investing in the amenities of the local community and having specific regard to the environment in which it operates.

It is important to work closely with local planning authorities in devising a development strategy that enhances the environment and the community. This includes the provision of comprehensive landscaping plans that include the planting of new trees and the provision of public open space as well as protecting existing trees and wildlife habitats. The winning of 51 Green Leaf Awards in the last five years supports Redrow's commitment and in 2004, the Group received 12 out of 48 such awards including 4 'Best in Region' awards. We also invest in local communities through the provision of facilities such as community centres, schools, playgrounds, football pitches, cycle ways, and traffic calming measures; all these investments significantly contribute to enhancing the communities in and around our developments.

Our commitment goes further as the in-house Research and Development Team investigate cost effective ways to incorporate water conservation and energy efficiency into our designs. Already, all new Redrow homes have dual flush toilets in the specification to reduce water consumption and most new properties

incorporate water meters. A number of larger developments incorporate sustainable urban drainage systems that not only assist in returning water to the environment but also help enhance the environment by creating new wildlife habitats. As regards energy consumption, all electrical white goods appliances are rated either AA or AB for energy consumption and low energy use lighting is included in our current specification for each new home. Standard Assessment Procedure (SAP) ratings that provide information on energy running costs are available for our homes and are displayed in all completed properties. During the year Redrow completed an affordable housing project at Lansdowne Gardens in Cardiff that was a regional winner and was highly commended at national level in the Local Authority Building Control Services Built in Quality Awards 2004. This development included grey water recycling and solar energy as part of the specification to improve sustainability.

Redrow has historically been active in looking at innovation for the communities and homes of the future. The 'House for the Future' at the Museum of Welsh Life designed and built in conjunction with Jestico and Whiles incorporated many new features on sustainability. Redrow is now working with the School of the Built Environment at Nottingham University to build a 'test house' for long term testing and development of building components and systems. This project will include examining the practical aspects of using enhanced thermal and acoustic insulations, hydrogen fuel cell energy, combined heat and power units and wireless technology to provide benefits for our customers and the environment.

As well as investigating innovations to improve sustainability of its developments, work has now commenced on site for a pioneering development in South Manchester for 450 new homes in conjunction with the National Trust. Homes will be built to an enhanced

environmental specification that includes high energy efficiency performance in advance of current regulations and the use of materials from sustainable or renewable resources. This major development has been designed, where possible, to optimise solar gain and with facilities to make recycling easier for homeowners. Waste minimisation will also be a feature of the construction process.

As part of its strategy to enhance the environment, Redrow is committed to meeting the Government's policies on brownfield land and the regeneration of derelict sites. More than 70% of our land bank is recycled land and the Group has a skill base capable of taking on some of the largest and most technically difficult sites in the country. Redrow's new housing range allows the more efficient use of land through the delivery of higher densities whilst still providing high quality living environments. In addition, Redrow's capability to undertake mixed use development, combining places where people can both work and live, is an important element in delivering sustainable communities of the future.

Already Redrow has been a leading partner in the redevelopment of Buckshaw Village, one of the largest brownfield sites in the North West that includes mixed use development of residential and commercial properties, provision of many new community facilities, sustainable drainage and new landscaped areas. Redrow has also recently entered into a development agreement with BAE SYSTEMS to promote through the planning system the remediation and redevelopment of 2,500 acres at the former Royal Ordnance site adjacent to Bishopston near Glasgow, to provide homes and employment as well as significant community facilities in a highly sustainable location.

Redrow recognises that in building communities for the future it needs to operate on site in a responsible way. Whilst initiatives are taking place with suppliers to reduce the level of waste generated, Redrow is putting in place a waste management policy that is now being introduced on new developments. The policy includes procedures to reduce damage to materials, segregating waste to facilitate re-use on site, recycling and reduce landfill.

Suppliers and subcontractors will be required to ensure where possible and within agreed costs that packaging is either biodegradable, uses materials from sustainable sources or is re-useable. Packaging should be such that damage in storage or transit is minimised. Subcontractors

will be required to undergo induction into our waste management policy that will include the use of skips, waste segregation and use of material storage facilities. The Research and Development Team will monitor the implementation of the procedures to further develop the policy and improve its effectiveness.

Investing in the community

Redrow believes in investing in the communities in which it operates. Over the last three years approximately £32.5 million has been invested in affordable housing, £4.3m towards public open space areas and £250,000 to public art. Redrow also invests in projects that benefit the community as a whole and in particular focuses on the wellbeing and education of children. This is delivered through direct funding of projects, encouraging voluntary work by employees and sponsoring charitable fundraising events. Each company in the Group is encouraged to adopt a local charity and undertake activities for fundraising. A number of these relate to children such as Ty Hafan, a children's hospice in South Wales, the Rainbow Centre in Bristol that assists bereaved children and Save the Family that provides temporary accommodation for homeless families in Chester and North Wales.

Other initiatives include the continuing three-year ongoing Schools Partnership Programme with The National Trust. This programme offers opportunities for schools from different backgrounds to work together on curriculum based art activities. So far 25 partnerships have been launched involving approximately 2,000 schoolchildren. Our employees are involved in the Learning Link project through Business in the Community that provides mentoring for secondary schoolchildren and assists primary school children with learning. The Redrow interior design team has provided showhome furniture to the Save the Family charity and as our IT hardware is upgraded, suitable surplus equipment is provided to local schools.

Redrow's involvement includes a programme of visits to schools near our developments by the Health & Safety Team to promote safety awareness and advise about the dangers associated with construction sites. A total of 33 visits were made in 2004 involving over 4,000 schoolchildren. This initiative is now supported by the 'Buster Rules Ok!' safety activity pack with Buster the bear as the children's building buddy dressed in correct protective safety clothing to deliver important messages in a fun and friendly way.

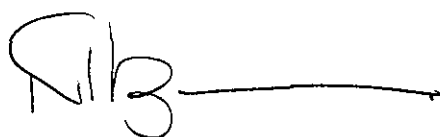
It is important that schoolchildren are interested in our industry today if they are to be attracted to a career in our industry tomorrow.

Redrow works with schools inviting children on to site to learn about the industry, the materials used and environmental health and safety issues. A National Curriculum Pack has been developed to support teachers and pupils and is available through the Redrow Learning Web www.education.redrow.co.uk. The first two modules are aimed at 9-11 year olds and 12-16 year olds with the former launched in September 2004 focusing on how we live in communities and care for the environment. The next module will be available in January 2005 giving students the chance to research, plan and market a fictional development and look at ways to enhance their local environment and community.

In other areas such as arts, crafts and sport, Redrow also provides opportunities and sponsorship. In arts and crafts, this ranges from the 'Art for Everyday' project in Scotland where furniture and accessories made by local designers are displayed in showhouses which won the Financial Times 'Arts and Business Award' through to the sponsorship of a concert by the City of Birmingham Symphony Orchestra. In sport it ranges from buying new goal posts and kit for Chapel Haddlesley Primary School and sponsorship of the 2004 Suffolk Youth Games, to the sponsorship of the Redrow Lancashire Amateur Football League and Cardiff City in the Coca-Cola Championship.

Summary

The Group's activities are wide-ranging and we look to embrace the CSR agenda in each aspect of our business. Redrow has an Environmental Corporate Responsibility Committee chaired by a Non-Executive Director that focuses on environmental and community commitments. However, Redrow considers that CSR issues are a matter for the Board as a whole as they are an integral part of the success of the Group delivering on our responsibilities to all our stakeholders. As a leading developer, Redrow aims to play its part in shaping a better future.



Neil Fitzsimmons Group Managing Director

DIRECTORS

Robert Jones, 53
Non-Executive Chairman

Robert Jones joined the Redrow Board in July 1997. He is a former Minister of State for Planning, Construction and Energy Efficiency and has dealt with planning issues at all levels of Government. He was previously the Head of Research at the National House Building Council.

Graham Cope, 40
Company Secretary

Graham Cope joined Redrow in November 2002 as Head of Legal and was appointed Company Secretary in January 2003. He qualified as a solicitor in 1989 and has previously worked in both industry and private practice, having worked most of his career in the housebuilding industry.

Paul Pedley, 50
Chief Executive

Paul Pedley joined Redrow in 1985 and was appointed Finance Director in 1986, Deputy Chairman in 1990 and Group Managing Director in 1994. In September 1999, Paul was appointed Chief Executive. He has played a prominent part in the development of Redrow and now has overall responsibility for Redrow.

Neil Fitzsimmons, 45
Group Managing Director

Neil Fitzsimmons has worked within the construction sector since 1986 and joined Redrow in 1997. In June 1998 he was appointed to the Board as Group Finance Director and in September 2003 became Group Managing Director.

David Arnold, 38
Group Finance Director

David Arnold joined Redrow in July 2002 and was appointed to the Board as Group Finance Director in September 2003. Prior to joining Redrow, David was Treasurer of Six Continents plc. He is a qualified accountant and a Fellow of the Association of Corporate Treasurers.

Barry Harvey, 59
Chairman – Northern Region

Barry Harvey rejoined Redrow in 1995 as Managing Director of Redrow Homes (Northern) and was promoted to Northern Regional Chairman in 1996. He was previously Managing Director of Redrow Homes between 1988 and 1990 and has extensive experience over a period of 40 years of the construction and housebuilding industries. Barry joined the Board in June 1998.

Colin Lewis, 47
Chairman – Western Region

Colin Lewis joined Redrow in 1991 as Company Solicitor. After promotion that year to Legal Director he transferred to Bristol in 1993 and spent seven years as Managing Director of Redrow Homes (SW). With the creation of the Western Region in 2000, he was promoted to Western Regional Chairman and joined the Board in June 2001. He is a member of the CBI Council for Wales.

John Tutte, 48
Chairman – Southern Region

John Tutte joined Redrow at the start of 2002 having previously held senior positions in the industry. He qualified in civil engineering and has accumulated over 20 years experience at all levels in the housebuilding industry. John joined the Board in July 2002.

Jim Martin, 61
Senior Non-Executive
Chairman of Audit Committee

Jim Martin joined the Redrow Board in September 1997. He is a qualified accountant and was the Chief Executive of N Brown Group plc since 1984 until his retirement in 2002 when he became Non-Executive Deputy Chairman. He previously worked for Unilever and Dunlop. He is a non-executive director of Alexon Group plc and chairman or director of a number of private companies and industry associations. He was re-appointed Senior Non-Executive Director in February 2002.

Brian Duckworth, 55
Non-Executive
Chairman of Environmental Corporate Responsibility Committee

Brian Duckworth joined the Redrow Board in June 2002. He is a qualified accountant and was Managing Director of Severn Trent Water from April 1995 until August 2004. Brian is also a non-executive director of Avon Rubber plc. He is a past chairman of Water UK, the water industry's trade association.

Malcolm King, 59
Non-Executive
Chairman of Remuneration Committee

Malcolm King joined the Redrow Board in January 2004. He has been Senior Partner of King Sturge since 1987. He is a Fellow of the Royal Institute of Chartered Surveyors and a Master of Business Administration. He is the chairman and a director of a number of private limited companies.

DIRECTORS' REPORT

The Directors have pleasure in presenting to the members their report and the financial statements for the year ended 30 June 2004.

Principal activities and business review

The principal activities of the Group are housebuilding and commercial property development.

Turnover and profit on ordinary activities before taxation are stated at £670.3m and £124.1m respectively. After providing for taxation of £37.2m and paying an interim dividend of £4.8m, the Directors recommend a final dividend of £9.5m and the transfer of the balance of £72.6m to reserves.

A detailed review of the Group's activities during the year and of its prospects is contained within the Chairman's statement, Chief Executive's review and Financial review.

Statement of Directors' responsibilities

The Directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit of the Group for that period. In preparing the financial statements the Directors ensure that suitable accounting policies have been used and applied consistently, that reasonable and prudent judgements and estimates have been made and that applicable accounting standards have been followed. The Directors are required to 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 maintaining adequate accounting records, and are also responsible for taking such steps and instituting and maintaining such systems and controls as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The maintenance and integrity of the Redrow plc website is the responsibility of the Directors. The work carried out by the Auditors does not involve consideration of these matters and accordingly, the Auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the U.K. governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Going concern

The Directors have considered the Group's financial position and trading prospects and consider they have a reasonable expectation for stating that Redrow plc has adequate resources to continue trading for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Substantial shareholdings

As at 13 September 2004, the Company has been notified of the following interests of 3% or more in its ordinary shares:

Name	No. of shares held	% of issued share capital
Stephen Peter Morgan	13,685,155	8.6
FMR Corp. and its direct and indirect subsidiaries and Fidelity International Limited (FIL) and its direct and indirect subsidiaries	7,924,166	5.0
Pamela Elaine Morgan Bell	7,600,000	4.8
Morgan Stanley Securities Limited	7,252,800	4.6
Legal & General Group plc	6,296,568	4.0
The Egerton European Dollar Fund	5,972,050	3.8

Directors

The Directors are listed together with their biographical details on pages 32 and 33.

R G Williams resigned on 5 November 2003.

M King was appointed to the Board on 1 January 2004.

In accordance with Article 79 of the Articles of Association, whereby Directors who have been appointed to the Board since the last Annual General Meeting must be re-appointed at the next following Annual General Meeting, M King will retire at the Annual General Meeting and, being eligible, offers himself for re-election. By reason of his qualifications and industry experience the Board endorses the re-election of M King.

In accordance with Article 84 of the Articles of Association, P L Pedley, J F Tutte and J Martin will retire by rotation at the Annual General Meeting and, being eligible, offer themselves for re-election. As part of the Board's annual evaluation process, each

Director underwent formal performance evaluations which included looking at the individual's effective contribution. As a result, the Board confirms that P L Pedley and J F Tutte, who stand for re-election as Executive Directors and J Martin, who stands for re-election as a Non-Executive Director, 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 twelve months' notice given by either party.

The Non-Executive Directors have fixed term service agreements outlining their duties and responsibilities.

Directors' interests

There were no material related party transactions which require disclosure.

The Directors' interests in the ordinary shares of the Company are given in the Remuneration report on pages 47 to 50.

Charitable and political donations

The Group made no political donations but paid £96,000 in charitable donations during the year. The Group and its employees are actively involved in fund-raising activities for specific charities.

Employees

Redrow places considerable importance on the provision of training and development.

training@redrow, a purpose built in-house training facility at Tamworth, commenced delivering courses in September 2003.

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 and staff publications. Employee share ownership is encouraged through savings related and other employee share schemes. In the year ended 30 June 2004, the Save As You Earn scheme was administered via a Qualifying Employee Share Ownership Trust (QUEST).

Creditor payment policy

The Group values its relationships with suppliers and sub-contractors. 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 2004 the Group had 38 days' purchases outstanding in respect of payments to suppliers and sub-contractors (2003: 39 days).

European Monetary Union (EMU)

The Group has minimal exposure to foreign exchange and continues to monitor the implications of EMU.

Research and Development

The Group has a centralised Research and Development team charged with identifying and evaluating new construction techniques and products.

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 Social Responsibility review on pages 26 to 31.

Auditors

A resolution to re-appoint PricewaterhouseCoopers LLP as Auditors will be proposed at the Annual General Meeting on 3 November 2004.

Purchase of the Company's own shares

Resolution 11 set out in the Notice of Annual General Meeting seeks authority from Shareholders for the Company to purchase up to 15,886,870 ordinary shares, an aggregate nominal amount of £1,588,687, which is equivalent to approximately 10% of the Company's issued ordinary share capital at 30 June 2004.

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.

Notice of Annual General Meeting

Pages 75 to 80 set out the Notice of Annual General Meeting and details the resolutions proposed together with explanatory notes.

By order of the Board
G A Gough Company Secretary
13 September 2004

Governance framework

The Board of Redrow plc is committed to high standards of corporate governance. Under the requirements of the Listing Rules of the UK Listing Authority, the Company sets out details below on how it has applied the principles set out in Section 1 of the Combined Code published in June 1998. The Directors confirm that the Group has complied with Section 1 of the Combined Code throughout the year ended June 2004.

In July 2003, a revised Combined Code ("the 2003 Combined Code") was published which will apply to the Company for the year ended June 2005. The Directors have considered the contents and requirements of the 2003 Combined Code and believe that the Company is already substantially compliant. Within this section on Corporate Governance, the Directors have identified those provisions with which it does not comply with the 2003 Combined Code.

The Board of Directors

The Board currently comprises a Non-Executive Chairman, six Executive Directors and three independent Non-Executive Directors. All directors submit themselves for re-election at regular intervals of not more than three years and are subject to re-election at their first annual general meeting after appointment.

The Chairman is responsible for leadership of the Board and this responsibility is clearly established, set out in writing and agreed by the Board. The Chief Executive leads the business and is responsible for managing it within the authorities delegated to him by the Board.

The Board meets on a monthly basis and has a formal schedule of matters specifically reserved for its decision. The matters reserved include:

1. Approval of Redrow's long term objectives and strategy;
2. Approval of the annual report and accounts, preliminary and interim financial statements, trading updates and the recommendation of dividends;
3. Approval of any significant changes in accounting policies or practices;
4. Any changes relating to capital structure;
5. Approval of treasury policies;
6. Ensuring the maintenance of a sound system of internal control and risk management;
7. Approval of corporate acquisitions or disposals, significant land purchases or contracts;
8. Changes to the size, structure and composition of the Board;
9. Approval of significant policies, including Redrow's Health & Safety policy; and
10. Review of overall corporate governance arrangements.

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.

Board structure

The Board considers that it is of a size and has a balance of skills, knowledge and experience that is appropriate for its business.

The combination within the Executive team of the Chief Executive, Group Managing Director and Group Finance Director, together with the local operational knowledge and experience provided by each of the three Regional Chairmen, provides the Board with an appropriate view of the detail of the business. The Non-Executive Directors bring a depth of experience and understanding from outside the Group. Under the 1998 Combined Code, the Company met requirements that at least one third of the Board and all Non-Executive Directors were considered to be independent under that code. Under the 2003 Combined Code, at least half the Board, excluding the Chairman should comprise independent Non-Executive Directors. The Group does not comply with this provision. Following the publication of the 2003 Combined Code, the Board considered a variety of changes that would have led to compliance and will keep the matter under review. One of the options considered was to reduce the number of Executive Directors but the Board felt it would have had a detrimental effect upon its performance given its current balance of skills, knowledge and experience.

Independence

The Board considers each of its Non-Executive Directors to be independent, with the Chairman having been independent upon his appointment in July 1997. No Non-Executive Director:

- has been an employee of the Group within the last five years;
- has, or has had within the last three years, a material business

relationship with the Group either directly, or as a partner, shareholder, director or senior employee of a body that has such a relationship with the Group. Whilst Malcolm King is Senior Partner of King Sturge, international property consultants with whom the Group from time to time undertakes business, this is not regarded by the Board or by Malcolm King as material to either party and therefore does not affect his independent status;

- has received or receives remuneration from the Group apart from the director's fee, or participates in any of the Group's performance related pay schemes, or is a member of the Group's pension plan;
- has close family ties with any of the Group's advisers, directors or senior employees;
- holds cross directorships or has significant links with other directors through involvement in other companies or bodies;
- represents a significant shareholder; or
- has served on the Board for more than nine years from the date of their first election.

Jim Martin is the Senior Non-Executive Director.

Professional development and Board 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 the local management teams, for example through site visits and regional meetings attended by both Executive and Non-Executive Directors.

Performance evaluation of all Directors is undertaken as part of the Group's structured appraisal process. All Executive Directors have an annual appraisal conducted by the Chief Executive at which performance against personal objectives is reviewed, having received input from the Board generally. The Chairman conducts the annual appraisal of the Chief Executive and the Senior Non-Executive Director undertakes the performance evaluation of the Chairman, in both cases having received feedback from their fellow Directors. The Chairman and Chief Executive review the performance of each Non-Executive Director individually. This appraisal process is part of a

broader continuous assessment programme to ensure performance is maintained at a high level.

In May 2004, the Board completed its first formal review of its own effectiveness. This internal review was conducted through a Board discussion against a set of key topics and headings. This review process will continue to evolve in the future, particularly as the practice develops across companies following its requirement under the 2003 Combined Code.

Relationship 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. Following the results' announcement, the Chief Executive and Group Finance Director meet institutional shareholders and feedback from these meetings is independently collected and disseminated to the Board. The Chairman and Senior Independent Non-Executive Director also attend meetings with a sample of institutional shareholders or where requested to do so to ensure that contact is maintained to understand any issues or concerns of major shareholders. In addition to the results' presentations, the Group publishes a trading update before entering its closed periods.

The Annual General Meeting (AGM) takes place at a venue close to the Group's Head Office, and formal notification, through the Annual Report and Accounts, is sent to shareholders at least 20 working days in advance. The AGM represents an opportunity for shareholders to table questions formally during the meeting and informally afterwards to the Company's Directors.

Redrow's website, www.redrow.co.uk, gives access to current financial and corporate information.

CORPORATE GOVERNANCE STATEMENT

Board and Committee composition and attendance

The following table sets out the number of meetings held in the year ended 30 June 2004 for the Board and its Committees together with the attendance record of each Director.

	Notes	Board	Audit Committee	Remuneration Committee	Nomination Committee	Environmental Corporate Responsibility Committee
Total number of meetings in 2003/04		13	5	2	3	1
Robert Jones		13/13			3/3	1/1
Paul Pedley		13/13				
Neil Fitzsimmons		13/13				1/1
David Arnold	1	11/11				
Barry Harvey		12/13				
Colin Lewis		12/13				
John Tutte		12/13				
Jim Martin		13/13	5/5	2/2	3/3	
Brian Duckworth		12/13	4/5	2/2	2/3	1/1
Malcolm King	2	5/6	3/3	2/2		
Bob Williams	3	3/5	2/2		1/1	

Notes

1 David Arnold was appointed 15 September 2003

2 Malcolm King was appointed 1 January 2004

3 Bob Williams retired 5 November 2003

The terms of reference for each Committee are available on the Redrow website or on request from the Company Secretary.

The following table sets out the membership of the Board Committees as at 30 June 2004.

		Audit Committee	Remuneration Committee	Nomination Committee	Environmental Corporate Responsibility Committee
Robert Jones	Chairman			C	M
Neil Fitzsimmons	Group Managing Director				M
Jim Martin	Senior Non-Executive Director	C	M	M	
Brian Duckworth	Non-Executive Director	M	M		C
Malcolm King	Non-Executive Director	M	C	M	

Key C - Chairman
M - Member

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

Nomination Committee Report

The Nomination Committee's terms of reference include reviewing the structure, size and composition of the Board, leading the process for Board appointments and making recommendations to the Board with regard to any changes.

During the year ended 30 June 2004, the Nomination Committee recommended two appointments to the Board.

In September 2003, the Nomination Committee recommended that David Arnold be appointed Group Finance Director as a result of the promotion of Neil Fitzsimmons to the position of Group Managing Director. David Arnold joined Redrow in July 2002 as Deputy Finance Director and was appointed to the Board as Group Finance Director on 15 September 2003.

With the retirement of Bob Williams in November 2003, the Nomination Committee considered the balance of skills, knowledge and experience of the Board and hence that required of a new non-executive director. These included significant experience of working with professional property developers. It considered a variety of methods of recruiting such an individual including an external search consultancy and open advertising. Following independent external advice, the Committee recommended the appointment of Malcolm King, Senior Partner of King Sturge. This recommendation was approved by the Board following a series of interviews conducted by both Executive and Non-Executive Directors.

Malcolm King was appointed to the Board on 1 January 2004 and his letter of appointment details his requisite time commitment, committee service and involvement outside Board meetings. This letter of appointment, together with all letters and contracts of appointment for the Directors of the Company is available for inspection. He has been provided with a customised induction

programme, administered by the Group's Human Resources Director, which has included meeting key executives within Redrow, understanding the critical business processes in the Group and spending time with operating companies. In addition, major shareholders were offered the opportunity to meet him on his appointment.

In accordance with the Articles of Association, as a new Director Malcolm King will offer himself for re-election at the Company's 2004 AGM in November 2004.

Audit Committee Report

The Audit Committee's terms of reference include the appointment, re-appointment and removal of the external auditor, liaison with the external auditor and review of their objectivity and independence, the review of the Group's results, internal audit programme and its internal control and risk management systems.

Under the provisions of the 2003 Combined Code, the Board should satisfy itself that at least one member of the audit committee has recent and relevant financial experience. Jim Martin, Chairman of the Audit Committee, is a qualified accountant and is involved with a number of private companies as Chairman where close monitoring of financial issues is expected by shareholders. He is a Non-Executive Director of two other FTSE 250 companies and is Chairman of the Audit Committee of one of them. In addition, Brian Duckworth, a member of the Audit Committee is a qualified accountant who has previously been Director of Finance of Severn Trent Water Limited. The Board therefore believes that the Audit Committee has the appropriate level of experience to fulfil its terms of reference.

The Audit Committee meetings in the year ended June 2004 included consideration and review of the following:

1. Interim and full year financial results including 2003 Annual Report and Accounts;
2. Internal audit plans and the effectiveness of the function;
3. Results of 2003 external audit and the 2004 external audit plan and associated audit fees;
4. Review of independence and objectivity of external auditors;
5. Scope, effectiveness and quality of the systems of internal control, including site visits to provide background to control processes on site;
6. Major risk review;

7. Introduction of a Group Whistleblowing Policy; and
8. Progress on the implementation of International Accounting Standards.

Audit independence

PricewaterhouseCoopers LLP were appointed auditors in 2003 having succeeded PricewaterhouseCoopers who were appointed in 1987. The current audit partner was appointed in 1999 and will retire following the conclusion of the 2004 audit. The fees relating to non-audit services provided by PricewaterhouseCoopers LLP are disclosed in Note 2 to the Accounts, summarised according to the different types of work undertaken and are £0.1m. The main area of non-audit work relates to advice provided to the Company in connection with the operation and valuation of the pension scheme. The Audit Committee has reviewed the nature of the work and the level of fees related to non-audit work undertaken and has concluded that their involvement does not affect the auditor's objectivity or the independence of the audit. In order to safeguard the independence of the auditor, appointments in respect of non-audit work require the prior approval of the Audit Committee.

Internal control

The Board of Directors recognises its overall responsibility for the Group's systems of internal control and for monitoring their 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 land acquisition, product design, specification, 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 and the Company Secretary meet monthly to discuss the Group's key issues, risks and opportunities. Similarly, each Region holds a Board Meeting, chaired by the Regional Chairman and attended by the Managing Directors of the relevant companies. These Managing Directors chair a monthly board meeting of their own subsidiary company.

The Board has reviewed the Group's operations and processes and has identified risk areas which have been assessed for their potential

impact and internal controls in relation to those risks have been assessed. The Executive Board through its regular meetings reviews the areas of risk on an ongoing basis and considers whether the internal controls identified in relation to those risks are appropriate.

This procedure also takes place at Regional Board Meetings on a quarterly basis. The Audit Committee also reviews its assessment of risk at twice yearly meetings. The key features of the Group's internal controls are as follows:

- A Policy and Procedures Manual covers all the significant aspects of the Group's operations and describes the systems and controls that are to be applied. The Manual is reviewed and updated regularly with amendments being approved by an Executive Director.
- The Board asks each Director of its operating subsidiaries to complete an annual statement on corporate governance and related party transactions. This letter is designed to provide assurance that Group policies and procedures are being implemented and are being complied with in all material respects.
- Defined authorisation levels established over key areas such as land purchase and the placing of orders and contracts.
- A monthly reporting pack is circulated in advance and reviewed at each of the Main, Executive, Regional and subsidiary company board meetings. Annual budgets are set and monthly forecasts prepared, with actual performance compared against the annual budget and updated forecasts.
- The Group's systems provide weekly updates on key statistics in relation to sales and production. In addition, daily statements of a reconciled cash position identifying significant payments are prepared.

In addition to the above, Redrow has an Internal Audit function. The Internal Audit Manager reports to the Group Finance Director but maintains regular contact with the Audit Committee Chairman and attends Audit Committee meetings. The annual work programme of Internal Audit is approved in advance by the Audit Committee and commented upon by the External Auditors. This programme includes time for unscheduled visits to companies within the Group. The Internal Audit function updates the Audit Committee on this work at their meetings. All reports are distributed to the Board as well as to the External Auditors and any outstanding control weaknesses are followed up as appropriate.

REMUNERATION REPORT

Remuneration Report

This report has been prepared in accordance with the requirements of Schedule 7A of the Companies Act 1985 and The Listing Rules.

Remuneration Committee

The Remuneration Committee is comprised solely of independent Non-Executive Directors. Members of the Committee and attendance has been set out on page 38.

The Committee has agreed terms of reference detailing its authority and responsibilities. These responsibilities include the agreement of terms of employment and the granting of bonuses, share options or share incentive plans relating to the Directors of the Company as may be appropriate from time to time.

The Committee meets as required but at least twice a year.

The Committee formally reviews the structure of remuneration packages relating to the Directors of the Company at least every three years and monitors the position on an ongoing basis to ensure that the Group provides an appropriate and competitive package to motivate, reward and retain its Executive Directors. This formal review was last undertaken in April 2003 when KPMG were commissioned to provide such a formal review. However, in Spring 2004, following the publication of Annual Reports by a number of peer group companies it became clear to the Committee that the total potential award under the existing Long Term Share Incentive Plan (LTSIP) was significantly less competitive and, as a result, changes were proposed to this scheme. A summary of these changes is set out within this Report in the section on the LTSIP and shareholder approval for a new LTSIP will be sought at the Company's AGM in November 2004.

During the course of the year, advice of a legal or technical nature was provided to the Remuneration Committee by G A Cope (Company Secretary/Legal Director).

Remuneration policy

The Committee aims to ensure that the Group provides competitive but cost effective remuneration packages at all levels in order to attract, retain and motivate staff who are expected to meet high levels of performance.

Consistent with this policy, the benefit packages awarded to the Company's Directors are intended to reward Directors based on their current achievements whilst encouraging a focus on the medium and long term performance of the Company. Remuneration packages are designed to ensure that the interests of shareholders and Executive Directors are aligned as closely as possible and comprise a mix of performance related and non-performance related remuneration. A significant proportion of remuneration is expected to be performance related based upon fair but challenging targets which are determined by the Remuneration Committee. Those elements which are performance related are set out in further detail below.

The performance related elements under each Executive Director's remuneration package have clearly defined criteria that link rewards to business performance in the short, medium and long term.

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 Combined Code.

Elements of the remuneration package

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

(i) Basic Salary

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

(ii) Pension and Retirement Benefits

The Executive Directors are members of the defined benefit section of the Redrow Staff Pension Scheme.

The Scheme is contributory and provides a pension, lump sum death in service benefit, dependant's pension and permanent health insurance.

In the financial year ended June 2004, pension entitlement for an Executive Director accrued at the rate of 1/45th for each year of service subject to a maximum two-thirds pensionable earnings at a normal retirement age of 65. Pensionable earnings are calculated on base salary only. Where applicable members are subject to the Inland Revenue pension cap and in order to mitigate this impact certain Executive Directors receive an additional allowance.

(iii) Benefits in Kind

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

(iv) Cash Bonuses

For the financial year ended June 2004, Executive Directors are entitled to a bonus, payable in cash, equivalent to a maximum of 60% of their salary dependent on performance. This is payable in September following the financial year end.

Performance is measured against challenging pre-determined targets set by the Remuneration Committee. In 2004, these targets related to earnings per share, return on capital employed, land procurement and forward sales performance as well as other specific performance measures for each Executive Director determined by the Remuneration Committee in relation to other business objectives.

(v) Long Term Share Incentive Plan (LTSIP)

For the 2004 annual grant, each Executive Director will receive a grant of nil-cost options over shares to the value of 60% of his base salary for the financial year ended June 2004. For the purposes of calculating the number of shares under option, the average of the middle market share prices on the three days following the announcement of the Group's 2003/04 preliminary results will be used. The options will become exercisable on the third anniversary of the date of grant, to the extent that the applicable performance condition is satisfied over three consecutive financial years of the Company starting from 1 July 2004. The performance condition for the 2004 grant is based on two performance measures – return on capital employed ("ROCE") and earnings per share ("EPS"). A simple average ROCE of less than 20.0% and compound growth in EPS of less than RPI + 4.5% per annum will result in no part of the option becoming exercisable. The option will be exercisable in full if the simple average ROCE over the three year performance period exceeds 25.0% and the compound growth in earnings per share exceeds RPI + 12.5% per annum. Between these thresholds, increments of one sixth of the total number of shares comprised in the option become exercisable depending upon achievement relative to the above ROCE and EPS targets.

The performance condition for the 2004 grant has been set at a level that was felt by the Remuneration Committee to be

appropriately challenging over the period to which it relates and in the context of the historic performance of Redrow and its peer group. The performance condition is common for each Executive Director.

For the 2005 annual grant, it is intended that options will be granted under the terms of a new LTSIP, which will be put to shareholders for approval at the Company's AGM on 3 November 2004. The new LTSIP is broadly similar to the existing plan, but has been updated to take account of technical, legal and regulatory changes and best practice. For the 2005 annual grant, each Executive Director will receive options to the value of 100% of his base salary for the financial year ended June 2005. This increase in the individual grant level was felt merited by the Remuneration Committee based upon the long-term incentive schemes of peer group companies, together with feedback from some shareholders who expressed a desire to embrace Total Shareholder Return ("TSR") as a target for the Executive Directors. Like the 2004 annual grant, the Remuneration Committee proposes to have a combined ROCE/EPS performance condition, as described above, which will apply to 60% of the shares comprised in the option. However, it also proposes to impose a new performance condition, which will apply to the remaining 40% of the shares under option. The new performance condition looks at Redrow's TSR against a comparator group of the nine largest quoted volume residential development companies (other than Redrow) measured by reference to market capitalisation at the end of the performance period, with each company being identified from within the Construction and Building Materials section of the Financial Times. The performance period for the 2005 annual grant will run from 1 July 2005 to 30 June 2008. All the shares comprised in this portion of the option will become exercisable should Redrow's TSR over the three year period be equal to or above that of the company at the top of the comparator group. None of the shares will become exercisable if Redrow's TSR is below that of the company in fifth place within the comparator group. If Redrow's TSR is equal to that of the fifth place company in the comparator group, one fifth of the shares comprised in this portion of the option become exercisable. Between first and fifth place the extent to which this portion of the option becomes exercisable will be calculated proportionately relative to the TSR generated. The exercise of all options will be

subject to the Remuneration Committee considering the overall financial performance of Redrow.

As at 30 June 2004, the comparator group would have comprised:

Barratt Developments PLC	Persimmon plc
Bellway plc	Taylor Woodrow plc
The Berkeley Group plc	Westbury plc
Bovis Homes Group PLC	Wilson Bowden plc
George Wimpey Plc	

In line with best practice, the Remuneration Committee will review both the type and the measure of the performance conditions when it makes future grants, to ensure that they are as challenging as is consistent with business needs, market practice and other relevant factors.

It is intended that options granted under the new LTSIP will be provided through an employee benefit trust and will not result in the issue of new shares.

A summary of the key features of the proposed new LTSIP is set out within the Explanation Notes to the forthcoming AGM on pages 78 to 79.

(vi) Phantom Share Option Scheme

The Remuneration Committee considers that a seven year timeframe is an appropriate period over which to judge long term financial performance. The Phantom Share Option Scheme (the "Phantom"), approved at the Annual General Meeting on 5 November 2001, is the vehicle used by the Company for rewarding long term performance.

Under the scheme, participants are granted a phantom option over a number of shares at the market value at the date of grant. At the end of seven years, the participant will be able to exercise the phantom option such that a cash sum equivalent to the difference between the market value of the shares at the date of grant and the market value of the shares on maturity of the scheme (provided this is a positive figure) becomes payable in three equal instalments over three years.

The Phantom is exercisable only if the compound growth in earnings per share of the Company increases by 4.5% over RPI during the seven years from the date of grant and if the simple average of return on capital employed over the same period exceeds 20.0%. The Phantom is also exercisable on a change of control of the Company provided the performance conditions have been achieved from the date of grant.

Under the Phantom, the following phantom options have been granted in respect of 200,000 shares each:

Name	Date of Grant	Option Price
N Fitzsimmons	05/11/01	221p
B K Harvey	05/11/01	221p
C E Lewis	05/11/01	221p
J F Tutte	11/07/02	248p
D L Arnold	18/09/03	342p

P L Pedley, Chief Executive, does not participate in the Phantom Share Option Scheme.

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 twelve months.

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 Committee due to poor performance. No additional compensation or extended notice period is included within the service agreements in the event of a change of control.

REMUNERATION REPORT

The service agreements of the Executive Directors are twelve month rolling contracts which were entered into on the following dates and had the following unexpired notice periods as at 30 June 2004:

Name	Contract Date	Notice Period
P L Pedley	14/09/99	12 months
N Fitzsimmons	17/09/03	12 months
D L Arnold	15/09/03	12 months
B K Harvey	02/06/98	12 months
C E Lewis	12/07/01	12 months
J F Tutte	10/07/02	12 months

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

Name	Position	Letter of Appointment Dated	Matures
R B Jones	Chairman	13/10/03	12/10/07
J Martin	Senior Non-Executive	07/05/03	12/10/04
B Duckworth	Non-Executive	12/06/02	31/05/05
M King	Non-Executive	01/01/04	31/12/07

Non-Executive Directors are paid a basic fee which is non-pensionable and does not qualify for any performance related element. The level of fees is agreed by the Board.

Share Ownership Guidelines

The importance of encouraging share ownership is recognised by the Group and to further this objective, the Remuneration Committee set share ownership guidelines in September 2003 for each Executive Director based upon their then current salary and length of term served as an Executive Director. In general, it is anticipated that all Executive Directors will achieve the targets set by the guidelines by the end of September 2008.

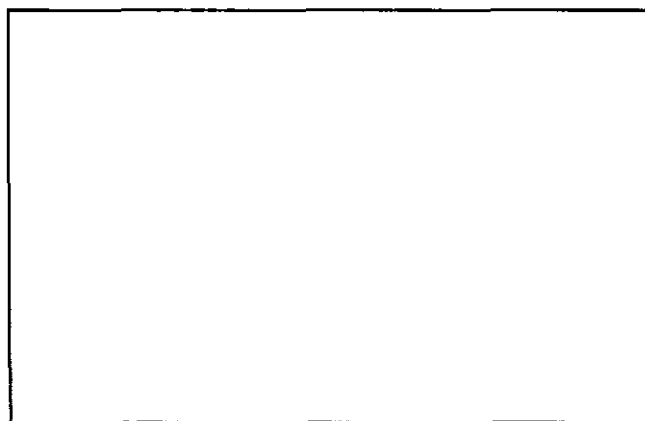
The share targets are set out below:

Name	No. of shares
P L Pedley	425,000
N Fitzsimmons	140,000
B K Harvey	75,000
C E Lewis	75,000
J F Tutte	75,000
D L Arnold	55,000

Total Shareholder Return

The graph below 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 (of which the Company is a constituent) and which the Company considers to be a representative comparative indicator.

Redrow Total Return - VS - FTSE 250 Index - 30/6/99 to 30/06/04



Over the last five years, an investment of £100.00 in the shares of Redrow plc theoretically grew in value to £187.50 compared with £123.20 from a theoretical investment of £100.00 in the FTSE-250 share index. These calculations are undertaken on a 'dividend reinvestment' basis.

The following tables and notes constitute the auditable part of the Remuneration report other than where stated as being not auditable.

Directors' Detailed Emoluments

Directors' emoluments

	Basic salary and fees £000	Pension cap allowance £000	Total salary and fees £000	Benefits £000	Car Allowance £000	Bonus 2004 £000	Deferred Bonus £000	2004 Total £000	2003 Total £000
Executive Directors									
P L Pedley	425	-	425	1	-	255	-	681	557
N Fitzsimmons	269	29	298	17	-	152	-	467	343
D L Arnold (i)	131	-	131	7	3	92	-	233	-
B K Harvey	225	24	249	19	4	127	15	414	348
C E Lewis	225	21	246	2	14	135	-	397	315
J F Tutte	225	15	240	2	14	127	-	383	295
G H Locke (ii)	-	-	-	-	-	-	-	-	803
Non-Executive Directors									
R B Jones	123	-	123	-	-	-	-	123	100
J Martin	28	-	28	-	-	-	-	28	25
R G Williams (iii)	19	-	19	-	-	-	-	19	51
B Duckworth (iv)	28	-	28	-	-	-	-	28	25
M King (v)	14	-	14	-	-	-	-	14	-
	1,712	89	1,801	48	35	888	15	2,787	2,862

(i) D L Arnold was appointed on 15 September 2003.

(ii) G H Locke resigned on 11 November 2002. His emoluments in 2003 included £658,000 in respect of compensation for loss of office.

(iii) R G Williams resigned on 5 November 2003.

(iv) Fees in respect of the services of B Duckworth were levied by Severn Trent Water Ltd.

(v) M King was appointed on 1 January 2004.

REMUNERATION REPORT

Pension Scheme

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

Disclosures required by Schedule 7A to the Companies Act 1985

Director	Accrued benefit at 30 June 2004 £	Additional accrued benefits earned in the year £	Transfer value of accrued benefit at 30 June 2003 £	Transfer value of accrued benefit at 30 June 2004 £	Increase in transfer value less directors' contributions £
P L Pedley	119,243	17,715	704,232	822,021	83,789
N Fitzsimmons	17,453	2,713	80,967	95,572	6,625
D L Arnold	3,825	2,313	6,061	15,060	1,019
J F Tutte	4,675	2,338	14,705	29,317	6,632
B K Harvey	22,950	2,875	215,668	251,160	27,512
C E Lewis	26,152	2,969	145,289	164,000	10,731

Disclosures required under the Listings Regulations

Director	Accrued benefit at 30 June 2004 £	Additional accrued benefit over year net of inflation £	Transfer value of change in accrued benefit less directors' contributions £
P L Pedley	119,243	14,873	68,574
N Fitzsimmons	17,453	2,301	4,770
D L Arnold	3,825	2,270	958
J F Tutte	4,675	2,272	6,267
B K Harvey	22,950	2,313	17,472
C E Lewis	26,152	2,320	6,677

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 Actuarial Guidance Note GN11, 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 schemes or which have been awarded in respect of past performance. All options are in respect of shares in Redrow plc.

Interests in Share Options
Directors' interests in share options

Scheme	Options held at 01/07/03	Options granted in year	Options exercised in year	Options held at 30/06/04	Exercise price	From	To	Notional market value at 30/06/04*£
P L Pedley								
SAYE 2000	12,593	-	-	12,593	134.0p	02/01/06	02/07/06	28,460
LTSIP 2000	53,243	6,879	(60,122)	-	-	Current	29/06/10	-
LTSIP 2001	52,760	-	-	52,760	-	28/09/04	27/09/11	189,936
LTSIP 2002	39,351	-	-	39,351	-	23/09/05	22/09/12	141,664
LTSIP 2003	-	33,983	-	33,983	-	22/09/06	21/09/13	122,339
PRIVATE	250,000	-	(250,000)	-	170.0p	25/06/04	24/06/05	-
	407,947	40,862	(310,122)	138,687				482,399
N Fitzsimmons								
SAYE 2000	5,783	-	(5,783)	-	134.0p	02/01/04	02/07/04	-
SAYE 2002	863	-	-	863	219.0p	01/12/05	31/05/06	1,217
SAYE 2003	-	2,733	-	2,733	270.0p	02/01/07	02/07/07	2,460
LTSIP 1998	13,723	1,181	(14,904)	-	-	Current	29/06/05	-
LTSIP 1999	29,792	3,214	(33,006)	-	-	Current	29/06/09	-
LTSIP 2000	26,622	3,440	(30,062)	-	-	Current	29/06/10	-
LTSIP 2001	24,440	-	-	24,440	-	28/09/04	27/09/11	87,984
LTSIP 2002	20,294	-	-	20,294	-	23/09/05	22/09/12	73,058
LTSIP 2003	-	17,991	-	17,991	-	22/09/06	21/09/13	64,768
PRIVATE	50,000	-	(50,000)	-	170.0p	25/06/04	24/06/05	-
	171,517	28,559	(133,755)	66,321				229,487
B K Harvey								
SAYE 2000	5,783	-	(5,783)	-	134.0p	02/01/04	02/07/04	-
SAYE 2002	1,500	-	-	1,500	219.0p	01/12/05	31/05/06	2,115
LTSIP 1999	21,739	4,461	-	26,200	-	Current	29/06/09	94,320
LTSIP 2000	20,007	4,917	-	24,924	-	Current	29/06/10	89,726
LTSIP 2001	23,082	-	-	23,082	-	28/09/04	27/09/11	83,095
LTSIP 2002	20,294	-	-	20,294	-	23/09/05	22/09/12	73,058
LTSIP 2003	-	18,657	-	18,657	-	22/09/06	21/09/13	67,165
PRIVATE	50,000	-	(50,000)	-	170.0p	25/06/04	24/06/05	-
	142,405	28,035	(55,783)	114,657				409,479
C E Lewis								
SAYE 1999	2,122	-	-	2,122	159.0p	01/12/04	31/05/05	4,265
SAYE 2000	7,555	-	-	7,555	134.0p	02/01/06	02/07/06	17,074
SAYE 2001	2,006	-	-	2,006	165.0p	02/01/07	02/07/07	3,912
LTSIP 2000	19,260	2,501	(21,761)	-	-	Current	29/06/10	-
LTSIP 2001	19,397	-	-	19,397	-	28/09/04	27/09/11	69,829
LTSIP 2002	16,696	-	-	16,696	-	23/09/05	22/09/12	60,106
LTSIP 2003	-	17,547	-	17,547	-	22/09/06	21/09/13	63,169
PRIVATE	30,000	-	(30,000)	-	170.0p	25/06/04	24/06/05	-
	97,036	20,048	(51,761)	65,323				218,355
J F Tuttle								
SAYE 2003	-	3,416	-	3,416	270.0p	02/01/07	02/07/07	3,074
LTSIP 2002	8,535	-	-	8,535	-	23/09/05	22/09/12	30,726
LTSIP 2003	-	17,325	-	17,325	-	22/09/06	21/09/13	62,370
	8,535	20,741	-	29,276				96,170
D L Arnold								
SAYE 2002	4,315	-	-	4,315	219.0p	01/12/05	31/05/06	6,084
LTSIP 2003	-	8,417	-	8,417	-	22/09/06	21/09/13	30,301
	4,315	8,417	-	12,732				36,385

*The notional market value of the share options are based on a share price of 360.0p as at 30 June 2004 and assumes all options were capable of being exercised at that date.

REMUNERATION REPORT

No options lapsed or were waived in the year.

As at his date of appointment on 15 September 2003, D L Arnold held options over 4,315 shares issued under the 2002 SAYE. These options can be exercised from 1 December 2005 to 31 May 2006 at a price of 219.0p.

The mid-market price of Redrow plc shares at 30 June 2004 was 360.0p and the range during the year was 283.0p to 406.0p.

On 8 July 2003, P L Pedley exercised options over 60,122 shares issued under the 2000 LTSIP, N Fitzsimmons exercised options over 77,972 shares under the 1998, 1999 and 2000 LTSIP and C E Lewis exercised options over 21,761 shares issued under the 2000 LTSIP. The mid-market price on the date of exercise was 285.5p.

On 2 January 2004, N Fitzsimmons and B K Harvey exercised options over 5,783 shares each issued under the 2000 SAYE. The mid-market price on the date of exercise was 334.75p.

On 25 June 2004, P L Pedley, N Fitzsimmons, B K Harvey and C E Lewis exercised options over 250,000, 50,000, 50,000 and 30,000 shares respectively under the PRIVATE option scheme representing options granted by S P Morgan (Company Founder and ex Chairman) over shares controlled by him. The mid-market price on the date of exercise was 356.0p.

Gains made by Directors on share options

The table below shows gains made by individual directors from the exercise of share options during the financial year ended June 2004.

The gains are calculated as at the exercise date, although in some cases shares were retained.

	2004	2003
	£000	£000
P L Pedley	637	166
N Fitzsimmons	327	1
B K Harvey	105	-
C E Lewis	118	-

Directors' contingent interests in share options

As referred to in Note 22 to the financial statements, and as part of the deferred bonus arrangements, further shares are awarded under the LTSIP 2000 scheme to Directors on completion of a service period of between three and five years. For awards under this scheme, the number of shares awarded is determined by reference to a cash value and the share price prevailing at the date of award. The cash value under this scheme is as follows:

	LTSIP 2000 £000	Total £000
B K Harvey	8	8

In respect of the 2001, 2002 and 2003 LTSIP scheme years, the LTSIP entitled each Executive Director to an annual grant of options equivalent to a maximum of 30% of base salary for that year based on identical performance criteria to the cash bonus element relevant to that year.

In addition, each Executive Director is entitled to further incentive shares depending upon the compound annual growth in earnings per share over a three year period: if the growth rate exceeds 10% the number of shares awarded under the initial option will be increased by one third.

If the growth rate exceeds 15% the increase will be two thirds and if the growth rate exceeds 20% the number of shares awarded under the initial option will be doubled. The maximum number of further incentive shares to which a Director may be entitled for the 2001, 2002 and 2003 LTSIP is set out in the table below:

No. of Shares	LTSIP 2001	LTSIP 2002	LTSIP 2003
P L Pedley	52,760	39,351	33,983
N Fitzsimmons	24,440	20,294	17,991
D L Arnold	-	-	8,417
B K Harvey	23,082	20,294	18,657
C E Lewis	19,397	16,696	17,547
J F Tutte	-	8,535	17,325

In respect of the 2001 LTSIP, as a result of the compound annual growth in earning per share exceeding 20% over the relevant three year period, nil price options in respect of the maximum number of incentive shares for that scheme year will be awarded on 28 September 2004.

REMUNERATION REPORT

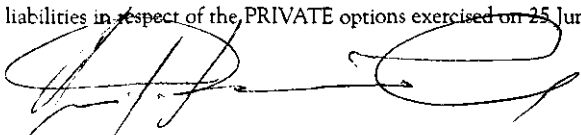
Directors' Interests in Shares (This section does not constitute an auditable part of the Remuneration report).

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

Beneficial:	13 September 2004 No.	30 June 2004 No.	30 June 2003 No.
P L Pedley	725,000	875,000	600,000
N Fitzsimmons	88,220	122,173	16,775
D L Arnold	3,000	3,000	2,000*
B K Harvey	22,283	59,783	4,000
C E Lewis	24,303	46,803	4,042
J F Tutte	5,219	5,000	2,500
R B Jones	15,858	15,675	15,370
J Martin	10,000	10,000	10,000
B Duckworth	5,169	5,169	5,045
M King	-	-	-*

* shares held at date of appointment

On 2 July 2004, P L Pedley sold 150,000 shares, N Fitzsimmons sold 33,953 shares, B K Harvey sold 37,500 shares and C E Lewis sold 22,500 shares. The share sales were undertaken at a price of 365.0p per share and were made principally to fund the cost of exercise and related tax liabilities in respect of the PRIVATE options exercised on 25 June 2004.



By order of the Board

M King Chairman Remuneration Committee

13 September 2004

CONSOLIDATED PROFIT AND LOSS ACCOUNT

12 months ended 30 June 2004		Note	Continuing operations	
			2004 £m	2003 £m
Turnover	Group including share of joint venture	1	670.3	608.3
	less share of joint venture turnover	1	(0.4)	(0.4)
Group Turnover			669.9	607.9
Cost of sales			(497.0)	(457.7)
Gross profit			172.9	150.2
Net operating expenses		1	(39.0)	(35.7)
Group operating profit		1	133.9	114.5
Share of operating loss of joint venture		1	(1.2)	(0.8)
Operating profit including share of joint venture		1	132.7	113.7
Interest payable		1,3	(8.6)	(7.6)
Profit on ordinary activities before taxation		1,2	124.1	106.1
Tax on profit on ordinary activities		4	(37.2)	(31.8)
Profit on ordinary activities after taxation			86.9	74.3
Dividends		5	(14.3)	(11.9)
Retained profit		16,17	72.6	62.4
Earnings per ordinary share	- basic	6	54.8p	46.9p
	- diluted	6	54.6p	46.8p
Dividend per ordinary share		5	9.0p	7.5p

There are no material recognised gains or losses other than as shown above.

There is no material difference between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historic cost equivalents.

BALANCE SHEETS

As at 30 June 2004	Note	The Group		The Company	
		2004 £m	Restated 2003 £m	2004 £m	Restated 2003 £m
Fixed assets	8				
Tangible assets		22.5	16.5	-	-
Investments					
Investments in joint venture					
Share of gross assets		3.3	2.6	-	-
Share of gross liabilities		(2.0)	(0.5)	-	-
		1.3	2.1	-	-
Loan to joint venture		0.5	-	-	-
		1.8	2.1	-	-
Total investment in joint venture		-	0.1	273.5	218.3
Other investments					
		1.8	2.2	273.5	218.3
Total investments					
		24.3	18.7	273.5	218.3
Current assets					
Stocks and work in progress	9	713.4	579.0	-	-
Debtors	10	11.6	11.0	266.4	202.7
Bank and cash deposits		1.2	6.2	-	5.8
		726.2	596.2	266.4	208.5
Creditors due within one year	11	(235.6)	(174.5)	(58.6)	(30.2)
Net current assets		490.6	421.7	207.8	178.3
Total assets less current liabilities		514.9	440.4	481.3	396.6
Creditors due after more than one year	12	(134.4)	(134.7)	(104.7)	(94.6)
Provisions for liabilities and charges	13,14	(3.9)	(3.7)	-	-
Net assets	1	376.6	302.0	376.6	302.0
Capital and reserves	15,16				
Called up share capital		15.9	15.9	15.9	15.9
Share premium account		53.2	52.3	53.1	52.2
Revaluation reserve		0.3	0.3	-	-
Revaluation of shares in subsidiary companies		-	-	242.8	187.6
Capital redemption reserve		7.0	7.0	7.0	7.0
Consolidation reserve		0.9	0.9	-	-
Profit and loss account		299.3	225.6	57.8	39.3
Equity shareholders' funds	17	376.6	302.0	376.6	302.0

The financial statements were approved by the Board of Directors on 13 September 2004.

Directors

P L Pedley

D L Arnold

P L Pedley

D L Arnold

INDEPENDENT AUDITORS' REPORT

Independent Auditors' report to the members of Redrow plc

We have audited the financial statements which comprise the consolidated profit and loss account, the Group and Company balance sheets, the consolidated cash flow statement and the related notes which have been prepared under the accounting policies set out in the statement of accounting policies. We have also audited the disclosures required by Part 3 of Schedule 7A to the Companies Act 1985 contained in the Remuneration report ("the auditable part").

Respective responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the Statement of Directors' Responsibilities. The Directors are also responsible for preparing the Remuneration report.

Our responsibility is to audit the financial statements and the auditable part of the Remuneration report in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person other than the Company to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the auditable part of the Remuneration report have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Directors' report, the unaudited part of the Remuneration report, the Chairman's statement, the Chief Executive's review, the Financial review, the Corporate Social Responsibility review and the Corporate Governance statement.

We review whether the Corporate Governance statement reflects the Company's compliance with the seven provisions of the Combined Code (issued in June 1998) specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Company's or Group's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

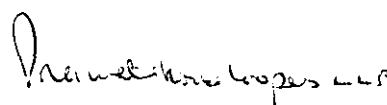
We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the auditable part of the Remuneration report. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the auditable part of the Remuneration report are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the Company and the Group at 30 June 2004 and of the profit and cash flows of the Group for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- those parts of the Remuneration report required by Part 3 of Schedule 7A to the Companies Act 1985 have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Manchester
13 September 2004

CONSOLIDATED CASH FLOW STATEMENT

12 months ended 30 June 2004	Note	2004 £m	2003 £m
Cash inflow from operating activities	18	24.5	59.6
Returns on investments and servicing of finance			
Interest received		0.2	0.5
Interest paid		(8.2)	(7.8)
Issue costs of bank borrowings		-	(0.5)
Net cash (outflow) from returns on investments and servicing of finance		(8.0)	(7.8)
Taxation			
Corporation tax paid		(34.1)	(29.2)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(9.9)	(2.4)
Payment to joint venture		(0.5)	(2.7)
Sale of tangible fixed assets and investments		2.8	-
Net cash (outflow) from capital expenditure and financial investment		(7.6)	(5.1)
Acquisition			
Purchase of subsidiaries		-	-
Net overdrafts acquired		-	(7.9)
Net cash (outflow) from acquisition		-	(7.9)
Dividends paid		(12.7)	(10.4)
Cash (outflow) before financing		(37.9)	(0.8)
Financing and liquid resources			
Issue of ordinary share capital		0.5	0.3
Cash deposits – restricted use		(0.6)	(0.6)
Issue of bank borrowings		80.0	95.0
Repayment of bank borrowings		(70.0)	(40.0)
Net cash inflow from financing		9.9	54.7
(Decrease)/increase in cash in period		(28.0)	53.9
Reconciliation of net cash flow to movement in net (debt)			
(Decrease)/increase in cash in period		(28.0)	53.9
Cash deposits – restricted use		0.6	0.6
Movement in bank borrowings		(10.0)	(55.0)
Issue costs of bank borrowings		-	0.5
Other non-cash movements		(0.1)	(0.1)
Change in net (debt)		(37.5)	(0.1)
Net (debt) at 1 July		(93.2)	(93.1)
Net (debt) at 30 June	19	(130.7)	(93.2)

ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Companies Act 1985 and applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies is set out below:

Changes in accounting policies

The Group has adopted UITF Abstract 38 'Accounting for ESOP Trusts' in the financial statements which also amended UITF Abstract 17 'Employee Share Schemes'. The adoption of these abstracts represent a change in accounting policy and the comparative figures have been restated accordingly. As a result of the requirements of UITF Abstract 38, shares in the Company held through Group controlled employee share trust schemes are now shown as a deduction in equity shareholders' funds having previously been shown in fixed asset investments.

Amounts expended in the period in respect of the Long Term Share Incentive Plan, having previously been credited to net assets are now credited to equity shareholders' funds. The comparative figures have been amended to reflect the change in treatment. At 1 July 2003, the net adjustment in respect of these changes was to increase equity shareholders' funds by £0.7m. This adjustment has had no impact on the profit and loss account.

(a) Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of the investment in subsidiary companies.

In accordance with FRS 15 'Tangible Fixed Assets' revaluations of freehold properties will not be undertaken but, as permitted under the transitional rules, the Group will continue to carry certain freehold properties at their existing revaluations less accumulated depreciation.

(b) Basis of preparation and consolidation

The Group financial statements incorporate the financial statements of Redrow plc and all its subsidiaries, together with the Group's share of the results for the year ended 30 June 2004 and share of assets and liabilities of joint ventures restated to comply with the Group's accounting policies.

The results of subsidiaries acquired or disposed of during the year are included from or up to the date of acquisition or

disposal. On the acquisition of a subsidiary, fair values are attributed to the net assets acquired. Prior to the introduction for the year ended June 1998 onwards of FRS 10 'Goodwill and Intangible Assets', the difference between the consideration paid and these values was transferred to reserves. Since the introduction of FRS 10, the difference is capitalised and amortised.

(c) Turnover and profit recognition

Turnover represents sales of residential housing and commercial developments and is recognised on legal completion.

Profit is recognised on legal completion.

(d) Interest on borrowings

Interest is written off when incurred.

(e) Fixed assets

(1) Freehold properties are included at cost or valuation (as permitted under the transitional provisions of FRS 15). The freehold land element is not depreciated whilst the buildings element is depreciated on a straight line basis at an annual rate of 2%.

(2) All other tangible fixed assets are stated at cost less depreciation. They are depreciated on a straight line basis over their expected useful lives at the following principal annual rates:

Fixtures and fittings 20%-35%

Plant and machinery 20%

(3) The investment in subsidiary companies represents the book value of the underlying net assets, the surplus or deficit arising on the revaluation being transferred to non-distributable reserves. This basis of valuation has been adopted so as to present more fairly the investment by the Company in these companies.

(f) Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value less cash on account. Cost includes land and associated acquisition costs, materials, labour and sub-contract work.

ACCOUNTING POLICIES

(g) Forward land

Expenditure relating to forward land, including options, fees etc. is provided for when incurred. After exercise of an option and acquisition of the land following the securing of planning permission, the provisions relating to that land are released.

(h) Deferred taxation

Deferred tax is provided on timing differences arising from the recognition of income and expenditure in different periods for taxation and accounting purposes where timing differences have originated but not reversed by the balance sheet date.

Deferred tax is provided at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse.

Deferred tax assets are only recognised to the extent that it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities recognised have not been discounted.

(i) Pension scheme

The Group operates a contributory pension scheme for all its staff. The Scheme comprises two sections: a defined benefits section and a defined contribution section. The Scheme is externally invested and the funds of the Scheme are administered by trustees. The Group's contributions to the defined benefits section, which are made in accordance with the recommendations of independent actuaries, are charged against profits in accordance with Statement of Standard Accounting Practice No. 24. Contributions to the defined contribution section are charged in the year in which the contributions are made. Further disclosures including those required under FRS 17 transitional rules are contained within Note 7 to the financial statements.

(j) Operating leases

Costs in respect of operating leases are charged against profit on a straight line basis over the lease term.

(k) Treasury instruments

Hedge accounting principles are applied to these instruments and the gains and losses are recognised in the profit and loss account within interest cost in the period to which they relate.

NOTES TO THE FINANCIAL STATEMENTS

Note 1. Segmental information

	2004 £m	Restated 2003 £m
Turnover		
Homes	662.7	596.0
Commercial	7.2	11.9
	669.9	607.9
Framing Solutions – share of joint venture	0.4	0.4
	670.3	608.3
Profit on ordinary activities before taxation		
Homes	131.2	111.5
Commercial	2.7	3.0
	133.9	114.5
Framing Solutions – share of joint venture operating loss	(1.2)	(0.8)
	132.7	113.7
Interest	(8.6)	(7.6)
	124.1	106.1
Net Assets		
Homes	487.1	376.9
Commercial	18.4	16.2
	505.5	393.1
Framing Solutions	1.8	2.1
	507.3	395.2
Net (debt)	(130.7)	(93.2)
	376.6	302.0

In 2004, net operating expenses were comprised of £39.7m administrative expenses and other operating income of £0.7m in respect of the sale of an office.
In 2003, net operating expenses were comprised entirely of administrative expenses.

Note 2. Profit on ordinary activities

	2004 £m	2003 £m
Profit on ordinary activities before taxation is stated		
After crediting:		
Rental income	0.2	0.1
Profit on disposal of fixed assets	0.7	-
After charging:		
Depreciation	1.8	1.7
Plant hire	7.9	7.3
Operating leases	1.3	1.6
- plant and machinery	0.1	0.1
- other	0.1	0.1
Research and development expenditure	0.3	0.2
Auditors' remuneration	0.1	0.1
- audit of Company and its subsidiaries	0.1	0.1
- non-audit services - pension advice and tax compliance work	0.1	0.1

Auditors' remuneration included £7,000 (2003: £7,000) in respect of the audit of the Company.

Auditors' remuneration for non-audit services included £53,000 (2003: £98,000) in respect of pensions advice from the Scheme Actuary on actuarial and accounts pension disclosure matters and £18,000 (2003: £nil) in respect of tax compliance work.

NOTES TO THE FINANCIAL STATEMENTS

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of Redrow plc is not presented as a part of these financial statements. The consolidated profit on ordinary activities after taxation for the financial year, excluding intra-Group dividends, is made up as follows:

	2004 £m	2003 £m
Holding company	4.8	(5.3)
Subsidiary companies	82.1	79.6
	86.9	74.3

Note 3. Interest

	2004 £m	2003 £m
Payable on overdrafts	(1.1)	(1.2)
Payable on other loans	(7.7)	(6.9)
	(8.8)	(8.1)
Receivable	0.2	0.5
	(8.6)	(7.6)

Interest payable on other loans includes £0.1m in respect of the amortisation of the issue costs of bank borrowings (2003: £0.1m).

Note 4. Tax on profit on ordinary activities

	2004 £m	2003 £m
Current year		
U.K. corporation tax at 30% (2003: 30%)	36.8	30.1
Under provision in respect of prior year	0.4	-
Share of joint venture tax loss	(0.4)	(0.2)
	36.8	29.9
Deferred tax		
Origination and reversal of timing differences (see Note 14)	0.4	1.9
	37.2	31.8
Reconciliation of current taxation charge		
Tax on total profits at 30% (2003: 30%)	37.2	31.8
Under provision in respect of prior year	0.4	-
Origination and reversal of timing differences	(0.4)	(1.9)
Rolled over capital gains net of expenses not deductible for tax purposes	(0.4)	-
	36.8	29.9

It is anticipated that the effective rate will approximate to a standard UK corporation tax rate in the new financial year.

Note 5. Dividends

	2004 £m	2003 £m
Interim of 3.0p (2003: 2.5p) per share	4.8	4.0
Final proposed of 6.0p (2003: 5.0p) per share	9.5	7.9
	14.3	11.9

The interim dividend of £4.8m was paid on 7 May 2004 and the final dividend of £9.5m will be paid on 19 November 2004, subject to approval at the Annual General Meeting on 3 November 2004.

As at 30 June 2004 no shareholder has waived their rights to dividends.

Note 6. Earnings per ordinary share

The calculation of basic earnings per ordinary share of 54.8p (2003: 46.9p) is based on Group profit on ordinary activities after taxation of £86.9m (2003: £74.3m) and on the weighted average number of 10p ordinary shares of 158,649,990 (2003: 158,266,929).

The weighted average reflects an adjustment in respect of surplus shares held in trust under the Redrow Long Term Share Incentive Plan. Diluted earnings per share has been calculated in accordance with FRS 14, based on the weighted average number of 10p ordinary shares of 159,185,377 (2003: 158,775,225).

	Earnings £m	2004 No. of shares millions	Per share pence	Earnings £m	2003 No. of shares millions	Per share pence
Basic earnings per share	86.9	158.6	54.8	74.3	158.3	46.9
Effect of share options and SAYE	-	0.6	(0.2)	-	0.5	(0.1)
Diluted earnings per share	86.9	159.2	54.6	74.3	158.8	46.8

Note 7. Employees

	2004 £m	2003 £m
(a) Cost (including Directors)		
Salaries and wages	39.8	36.0
Social security	4.5	3.5
Pensions	2.9	2.7
	47.2	42.2

(b) Number

	2004 Number	2003 Number
The average number of persons employed by the Group was:		
Directors and administrative staff	487	482
Other personnel	804	820
	1,291	1,302

NOTES TO THE FINANCIAL STATEMENTS

(c) Directors

Details of Directors' emoluments and interests in shares are included in the Remuneration report on pages 41 to 50.

(d) Pension scheme

The Redrow Staff Pension Scheme (the "Scheme") comprises two sections: a funded, self-administered, defined benefits section and a funded defined contribution section, the former of which is contracted out of the State Earnings Related Pension Scheme.

The pension charge for the year was £2.9m (2003: £2.7m).

Triennial Valuation

A full independent triennial actuarial valuation of the defined benefit section of the Scheme was undertaken as at 1 January 2003. The method used was the Projected Unit Method. The main assumptions were an investment return of 6.1% per annum compound, salary increase of 5.4% per annum compound, and mortality in accordance with similar schemes. In the opinion of the Actuary, there was a deficit of £2.2m in the defined benefit section of the Scheme, with the value of the Scheme's assets representing 92% of the Scheme's liabilities. As at 1 January 2003 the value of the defined benefit section of the Scheme's assets was £24.0m.

FRS 17 Valuation

The defined benefit section of the Scheme was valued at 30 June 2004 by a qualified independent actuary, in accordance with the transitional rules of Accounting Standards FRS 17 "Retirement Benefits".

The main assumptions used by the Actuary in measuring the present value of the Scheme liabilities as required by FRS 17 were:

	30 June 2004	30 June 2003	30 June 2002
Discount rate	5.69%	5.19%	5.75%
Rate of increase in salaries	6.00%	5.50%	5.70%
Rate of increase in pensions in payment	2.80%	2.50%	2.70%
Inflation assumption	3.00%	2.50%	2.70%

The assets in the Scheme and the expected rate of return were:

	Long term rate of return expected at 30 June 2004	Market value at 30 June 2004 £m	Long term rate of return expected at 30 June 2003	Market value at 30 June 2003 £m	Long term rate of return expected at 30 June 2002	Market value at 30 June 2002 £m
Equities	7.00%	26.1	6.40%	21.3	7.00%	24.1
Gilts	5.00%	6.5	4.40%	4.2	-	-
Cash on deposit	-	-	-	-	3.70%	2.3
Other cash	1.90%	0.4	2.00%	1.2	3.50%	0.2
Insurance policies	5.69%	0.8	5.19%	0.8	-	-
		33.8		27.5		26.6

The following amounts were measured in accordance with the requirements of FRS 17:

	30 June 2004 £m	30 June 2003 £m
Total market value of assets	33.8	27.5
Present value of Scheme liabilities	(40.5)	(36.3)
(Deficit) in Scheme	(6.7)	(8.8)
Related deferred tax asset	2.0	2.6
Net pension liability	(4.7)	(6.2)

If the amounts had been recognised in the financial statements, the Group's net assets and profit and loss reserve would be as follows:

	2004 £m	2003 £m Restated
Net assets excluding pension liability	376.6	302.0
Pension liability	(4.7)	(6.2)
Net assets including pension liability	371.9	295.8
Profit and loss reserve excluding pension liability	299.3	225.6
Pension liability	(4.7)	(6.2)
Profit and loss reserve including pension liability	294.6	219.4

NOTES TO THE FINANCIAL STATEMENTS

The following amounts would have been recognised in the performance statements in the year to 30 June 2004 and 30 June 2003 under the requirements of FRS 17:

	2004 £m	2003 £m
Operating profit		
Current service cost	2.8	2.6
Past service cost	-	-
Total operating charge	2.8	2.6
Other finance costs		
Expected return on pension scheme assets	1.7	1.9
Interest on pension scheme liabilities	(2.0)	(1.9)
Other finance costs	(0.3)	-
Statement of total recognised gains and losses (STRGL)		
Actual return less expected return on pension scheme assets	1.9	(3.8)
Experience gains and losses arising on the scheme liabilities	0.3	0.6
Changes in assumptions underlying the present value of the scheme liabilities	0.9	(3.2)
Actuarial gain/(loss) recognised in STRGL	3.1	(6.4)
Movement in (deficit) during the year		
(Deficit) in scheme as at 1 July	(8.8)	(2.3)
Current service cost	(2.8)	(2.6)
Contributions	2.1	2.1
Special contributions	-	0.4
Other finance costs	(0.3)	-
Actuarial costs gain/(loss)	3.1	(6.4)
Deficit in scheme at 30 June	(6.7)	(8.8)

Details of experience gains and losses for the year to 30 June 2004, 30 June 2003 and 30 June 2002:

	£m	2004 % of scheme assets	£m	2003 % of scheme assets	£m	2002 % of scheme assets
Difference between the expected and actual return on scheme assets	1.9	6	(3.8)	14	(4.2)	16
	£m	% of scheme liabilities	£m	% of scheme liabilities	£m	% of scheme liabilities
Experience gains and losses arising on the scheme liabilities	0.3	1	0.6	2	0.8	3
Total amount recognised in STRGL	3.1	8	(6.4)	18	(6.4)	22

(e) Share Options

The following share options were outstanding as at 30 June 2004:

Type of Scheme	Date of Grant	Number of Shares at 30 June 2004	Number of Shares at 30 June 2003	Exercise Price
Executive Share Option	1 December 1994	12,500	12,500	102.00p
Executive Share Option	22 November 1995	33,000	41,000	126.00p
Long Term Share Incentive	15 September 1997	6,380	12,082	-
Long Term Share Incentive	30 June 1998	15,929	28,189	-
Long Term Share Incentive	15 September 1998	-	7,169	-
Long Term Share Incentive	30 June 1999	37,795	58,044	-
Long Term Share Incentive	17 September 1999	11,951	28,328	-
Long Term Share Incentive	30 June 2000	58,204	257,666	-
Long Term Share Incentive	18 September 2000	13,531	67,545	-
Long Term Share Incentive	30 June 2001	32,664	106,886	-
Long Term Share Incentive	28 September 2001	343,094	405,384	-
Long Term Share Incentive	30 June 2002	40,570	107,965	-
Long Term Share Incentive	23 September 2002	293,112	340,190	-
Long Term Share Incentive	30 June 2003	44,919	-	-
Long Term Share Incentive	22 September 2003	255,450	-	-
Long Term Share Incentive	25 June 2004	31,599	-	-
Save As You Earn	1 December 1998	-	58,428	130.00p
Save As You Earn	1 December 1999	72,583	75,978	159.00p
Save As You Earn	1 January 2001	234,716	496,427	134.00p
Save As You Earn	2 January 2002	299,029	330,057	165.00p
Save As You Earn	1 December 2002	306,178	367,715	219.00p
Save As You Earn	2 January 2004	361,172	-	270.00p
PRIVATE Option	25 June 2001	-	960,000	170.00p

The total share options outstanding at 30 June 2004 under the Executive Share Option scheme, the Long Term Share Incentive Plan and the Save As You Earn schemes represent 1.6% of the issued share capital.

Except in specified circumstances, options granted under the executive schemes are exercisable between 3 and 10 years after the date of grant. The Save As You Earn options are exercisable at the end of a three, or five year savings contract.

The Group has employed the exemption under UITF 17 'Employee Share Schemes' from charging the discount on Save As You Earn options to the profit and loss account.

The options granted on 1 December 1994 and 22 November 1995 are exercisable subject to performance criteria being met.

The PRIVATE options represented options granted by S P Morgan over shares controlled by him and they did not involve the Group in any expense or the issuing of additional shares in Redrow plc. The options were all exercised at a price of 170.0p on 25 June 2004.

NOTES TO THE FINANCIAL STATEMENTS

Note 8. Fixed assets

(a) Tangible assets - Group

	Freehold and long leasehold property	Plant & machinery	Fixtures & fittings	Total
	£m	£m	£m	£m
Cost or valuation				
At 1 July 2003	15.9	2.3	4.8	23.0
Additions	6.0	2.5	1.4	9.9
Disposals	(2.6)	(0.1)	(0.2)	(2.9)
At 30 June 2004	19.3	4.7	6.0	30.0
Depreciation				
At 1 July 2003	1.7	1.3	3.5	6.5
Charge	0.4	0.5	0.9	1.8
Disposals	(0.6)	(0.1)	(0.1)	(0.8)
At 30 June 2004	1.5	1.7	4.3	7.5
Net book value				
At 30 June 2004	17.8	3.0	1.7	22.5
At 30 June 2003	14.2	1.0	1.3	16.5

All assets are stated at cost less accumulated depreciation with the exception of certain freehold properties which, as permitted under FRS 15 transitional provisions, are carried at their revaluation less accumulated depreciation. The revaluations were undertaken at 30 June 1989 on an open market basis. The Directors are not aware of any material change in the valuations of those properties in the intervening period.

Freehold and long leasehold property at 30 June 2004 of £19.3m comprised £0.7m stated at valuation and £18.6m stated at cost. The aggregate historic cost was £19.0m and the aggregate historic cost depreciation was £1.4m. Long leasehold property with more than 50 years unexpired comprised £1.7m.

There was £2.0m of capital expenditure contracted at 30 June 2004 (2003: £1.4m).

(b) Investments

	The Group		The Company	
	2004	Restated 2003	2004	Restated 2003
	£m	£m	£m	£m
Joint ventures	1.8	2.1	-	-
Subsidiary companies	-	-	273.5	218.3
Other investments	-	0.1	-	-
	1.8	2.2	273.5	218.3

(c) Investments - movements

	The Group £m	The Company £m
(1) Joint ventures		
At 1 July 2003	2.1	-
Loan	0.5	-
Group share of operating loss	(1.2)	-
	1.4	-
Attributable taxation	0.4	-
At 30 June 2004	1.8	-
(2) Subsidiary undertakings		
At 1 July 2003	-	218.3
Increase in net asset value before dividends	-	83.2
Dividends	-	(28.0)
At 30 June 2004	-	273.5
(3) Other investments		
At 1 July 2003	0.1	-
Disposals	(0.1)	-
At 30 June 2004	-	-

NOTES TO THE FINANCIAL STATEMENTS

(d) Joint ventures

The Group has a 50% shareholding in the ordinary share capital of Framing Solutions plc, a company incorporated in Great Britain with a 31 December year end. The remaining shares are held by Corus plc. Framing Solutions plc undertakes the production and development of light steel-frame systems for use within the housebuilding industry. As at 30 June 2004, Framing Solutions plc was financed by share capital, its own independent banking facilities and loans from Redrow and Corus.

(e) Subsidiary undertakings

During the year the Group operated within Great Britain. The Directors consider that to give full particulars of all subsidiary undertakings would lead to a statement of excessive length. The principal subsidiary companies are detailed in the Corporate information on page 83. All 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 2004 will be appended to the Company's next annual return. The capital of all the subsidiary companies, consisting of ordinary shares, is wholly owned. Redrow Holdings Ltd, Redrow Corporate Services Ltd and Redrow Group Services Ltd are directly owned by Redrow plc.

Note 9. Stocks and work in progress

	The Group		The Company	
	2004 £m	2003 £m	2004 £m	2003 £m
Land for development	419.0	327.3	-	-
Work in progress	316.4	257.9	-	-
Stock of showhomes	7.0	9.4	-	-
	742.4	594.6	-	-
Payments on account	(29.0)	(15.6)	-	-
	713.4	579.0	-	-

Work in progress includes £1.3m (2003: £5.1m) in respect of part exchange properties.

Land held for development in the sum of £37.1m is subject to a charge in respect of deferred consideration (2003: £42.9m).

Note 10. Debtors

	The Group		The Company	
	2004	2003	2004	2003
	£m	£m	£m	£m
Trade debtors	5.4	5.3	-	-
Amounts owed by subsidiary companies	-	-	266.3	202.7
Other debtors	5.2	4.8	-	-
Prepayments	1.0	0.9	0.1	-
	11.6	11.0	266.4	202.7

Other debtors include an amount of £0.5m (2003: £0.5m) due in more than one year.

Note 11. Creditors due within one year

	The Group		The Company	
	2004	Restated 2003	2004	2003
	£m	£m	£m	£m
Bank overdrafts	27.2	4.8	38.1	8.7
Trade creditors	102.1	94.1	-	-
Amounts due in respect of development land	56.1	35.2	-	-
Amounts owed to subsidiary companies	-	-	3.5	10.1
Other creditors	0.8	0.3	-	-
Current corporation tax	21.2	18.3	4.0	1.9
Other taxation and social security	1.5	1.3	-	-
Accruals and deferred income	17.2	12.6	3.5	1.6
Proposed final dividend	9.5	7.9	9.5	7.9
	235.6	174.5	58.6	30.2

Note 12. Creditors due after more than one year

	The Group		The Company	
	2004	2003	2004	2003
	£m	£m	£m	£m
Bank loans (see Note 21)	104.7	94.6	104.7	94.6
Amounts due in respect of development land	29.7	40.1	-	-
	134.4	134.7	104.7	94.6

NOTES TO THE FINANCIAL STATEMENTS

Note 13. Provisions for liabilities and charges

The Group	Total
Other provisions	£m
At 1 July 2003	2.4
Profit and loss account charge	0.9
Utilised in year	(1.1)
At 30 June 2004	2.2
Deferred taxation	1.7
At 30 June 2004	3.9

Other provisions relate to maintenance and sundry remedial costs within the Homes Division, which it is assessed will be utilised within four years.

Note 14. Deferred tax

Deferred tax movements - The Group

	£m
At 1 July 2003	1.3
Deferred tax charge in profit and loss account for year (see Note 4)	0.4
At 30 June 2004	1.7

The deferred tax liability relates to short term timing differences.

Note 15. Share capital

	2004 £m	2003 £m
Authorised 330,000,000 ordinary shares of 10p each (2003: 330,000,000)	33.0	33.0
Allotted, called up and fully paid	15.9	15.9

	Number of ordinary shares of 10p each
Movement in the year was as follows:	
At 1 July 2003	158,574,058
Share options exercised	294,646
At 30 June 2004	158,868,704

Options granted to Directors and employees under the Executive Share Option scheme, the Long Term Share Incentive Plan and the Save As You Earn schemes are set out in Note 7(e).

Note 16. Share premium account and reserves

	Share premium account £m	Revaluation reserve £m	Capital redemption reserve £m	Consolidation reserve £m	Restated Profit and loss account £m
(a) The Group					
At 1 July 2003 as previously stated	52.3	0.3	7.0	0.9	224.9
Credit in respect of LTSIP	-	-	-	-	0.7
At 1 July 2003 as restated	52.3	0.3	7.0	0.9	225.6
Premium on shares issued	0.9	-	-	-	-
Profit retained	-	-	-	-	72.6
Credit in respect of LTSIP	-	-	-	-	1.6
Contribution to QUEST	-	-	-	-	(0.5)
At 30 June 2004	53.2	0.3	7.0	0.9	299.3

(b) The Company

	Share premium account £m	Revaluation of shares in subsidiary companies £m	Capital redemption reserve £m	Profit and loss account £m
At 1 July 2003 as previously stated	52.2	186.9	7.0	39.3
Credit in respect of LTSIP	-	0.7	-	-
At 1 July 2003 as restated	52.2	187.6	7.0	39.3
Premium on shares issued	0.9	-	-	-
Profit retained	-	-	-	18.5
Revaluation	-	55.2	-	-
At 30 June 2004	53.1	242.8	7.0	57.8

Prior to the introduction of FRS 10, goodwill amounting to £0.4m was transferred to reserves.

Note 17. Reconciliation of movement in shareholders' funds

	2004 £m	Restated 2003 £m
Profit for the financial year	86.9	74.3
Dividends	(14.3)	(11.9)
Profit retained	72.6	62.4
Shares issued	0.9	0.5
Contribution to QUEST	(0.5)	(0.2)
Credit in respect of LTSIP	1.6	0.1
Movement in the year	74.6	62.8
Shareholders' funds at 1 July	302.0	239.2
Shareholders' funds at 30 June	376.6	302.0

NOTES TO THE FINANCIAL STATEMENTS

The change in accounting policy resulting from the adoption of UITF 38 and the amended UITF 17 has resulted in the comparative figures for 2003 being restated as follows:

	Shareholders' Funds £m
At 1 July 2003 as previously reported	301.3
Shares owned by Employee Benefit Trust	(0.5)
Credit in respect of UITF 17 amounts expensed	1.2
At 1 July 2003 as restated	302.0

At 30 June 2004, the Employee Benefit Trust held 80,482 shares (2003: 213,226 shares) in the Company which were not capable of vesting in employees with a market value of £289,735 (2003: £635,413) based on the closing mid-market price of 360.0p (2003: 298.0p).

Note 18. Analysis of cash inflow from operating activities

	2004 £m	2003 £m
Total operating profit	132.7	113.7
Add back share of joint venture operating loss	1.2	0.8
Group operating profit	133.9	114.5
Depreciation, including profits and losses on disposals of fixed assets	1.1	1.7
Increase in stocks and work in progress and assets held for resale	(134.4)	(61.1)
(Increase) in debtors	(0.6)	(5.2)
Increase in creditors and provisions	24.5	9.7
	24.5	59.6

Note 19. Movement in net (debt)/cash

	At 1 July 2003 £m	Cash flow £m	Other movements £m	At 30 June 2004 £m
Bank and cash deposits	6.2	(5.6)	0.6	1.2
Bank overdrafts	(4.8)	(22.4)	-	(27.2)
	1.4	(28.0)	0.6	(26.0)
Bank loans	(95.0)	(10.0)	-	(105.0)
Issue costs	0.4	-	(0.1)	0.3
	(93.2)	(38.0)	0.5	(130.7)

Other movements comprise amortisation of issue costs relating to debt issues and additional restricted access deposits.

Note 20. Operating lease annual commitments

	2004 £m	2003 £m
Expiring in under one year - other	0.1	-
Expiring in one to two years - other	0.5	-
Expiring in second to fifth year - other	0.4	1.4
Expiring after five years - land and buildings	0.1	0.1

Note 21. Financial instruments

The Financial review on page 24 contains a summary of the Group's financial risk management and treasury policies.

Short term debtors together with short term creditors, excluding bank overdrafts and amounts due in respect of development land, are excluded from the analysis below.

a) Interest rate and liquidity risk

At 30 June 2004, the Group had total unsecured bank borrowing facilities of £330.0m, representing £280.0m committed facilities and £50.0m uncommitted facilities.

In order to manage its interest rate risk, the Group may enter into interest rate swaps, options and forward rate agreements. All interest rate exposures are sterling denominated.

After taking account of interest rate swaps, as at 30 June 2004, £75.0m (2003: £99.8m) of interest bearing debt was at a fixed rate of 3.9% (2003: 4.3%). Interest rate swaps totalled £75m and they expire between February 2005 and June 2006. All other interest bearing debt is subject to floating interest rates linked either to LIBOR or base rate at a range of margins. This amounts to other debt of £56.9m (2003: Nil).

Cash at bank earns interest at floating rates.

The amounts receivable within debtors after more than one year and fixed asset investments are non-interest bearing.

The amounts due in respect of development land are non-interest bearing.

NOTES TO THE FINANCIAL STATEMENTS

b) Fair values of financial assets and liabilities

All the Group's financial assets and liabilities are in sterling as follows:

	The Group	
	2004	2003
	Book value	Book value
	£m	£m
Financial assets		
Cash at bank and in hand	1.2	6.2
Fixed asset investments	-	0.1
Other amounts receivable after more than one year	0.5	0.5
	1.7	6.8

	The Group	
	2004	2003
	Book value	Book value
	£m	£m
Financial liabilities		
Bank overdraft	27.2	4.8
Bank loans	105.0	95.0
Amounts due in respect of development land	85.8	75.3
Vacant property provision	-	0.3
	218.0	175.4

As at 30 June 2004, the only material difference between the book and fair values of the Group's financial assets and liabilities related to amounts due in respect of development land, which had a book value of £85.8m and a fair value of £78.9m. The fair value of these were calculated by discounting expected future cash flows to present value. As at 30 June 2003, book value was £3.4m higher than fair value.

The fair value of the Group's interest rate hedging arrangements based on the market value of comparable instruments at 30 June 2004 was an unrealised gain of £1.4m (2003: £0.7m unrealised loss).

c) Maturity of financial assets and liabilities

The amount receivable after more than one year is secured on freehold property and is repayable in 2008 at the earliest.

The maturity profile of the Group's bank loans and overdrafts is set out below:

	The Group			
	2004 Bank overdraft £m	2004 Bank loans £m	2003 Bank overdraft £m	2003 Bank loans £m
Due within one year	27.2	-	4.8	-
Due between one and two years	-	-	-	-
Due between two and five years	-	105.0	-	95.0
	27.2	105.0	4.8	95.0

The maturity profile of the undrawn committed bank facilities is as follows:

	The Group	
	2004 £m	2003 £m
Due within one year	20.0	20.0
Due between one and two years	-	85.0
Due between two and five years	155.0	-
	175.0	105.0

The maturity profile of amounts due in respect of development land is set out below:

	The Group	
	2004 Development land £m	2003 Development land £m
Due within one year	56.1	35.2
Due between one and two years	22.0	28.5
Due between two and five years	7.7	11.6
	85.8	75.3

NOTES TO THE FINANCIAL STATEMENTS

The following table sets out the movement in the Group's unrecognised gains and losses for the year on its interest rate hedging arrangements:

	Gains £m	Losses £m	Total £m
Unrecognised at 30 June 2002	-	(0.9)	(0.9)
Recognised in year	-	1.6	1.6
Arising in the year but not recognised	-	(1.4)	(1.4)
Unrecognised at 30 June 2003	-	(0.7)	(0.7)
Recognised in year	-	0.7	0.7
Arising in the year but not recognised	1.4	-	1.4
Unrecognised at 30 June 2004	1.4	-	1.4
Expected to be recognised in the year ended 30 June 2005	0.9	-	0.9
Expected to be recognised thereafter	0.5	-	0.5

Note 22. 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 guarantees have been entered into in the normal course of business.

As at 30 June 2004, under the terms of the Redrow Long Term Share Incentive Plan further incentive shares up to a value of £2.8m may be made available to Directors and senior executives achieving further years service with the Group.

Note 23. Related party transactions

There were no material related party transactions requiring disclosure under FRS 8.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the annual general meeting of Redrow plc will be held at St David's Park Hotel, St. David's Park, Flintshire on Wednesday 3 November 2004 at 12 noon for the following purposes. All resolutions will be proposed as ordinary resolutions except numbers 10 and 11 which will be proposed as special resolutions.

Ordinary business

Resolution 1 - Annual Report and Accounts

To receive and adopt the directors' report and the financial statements for the year ended 30 June 2004, together with the auditors' report.

Resolution 2 - Dividend

To declare a final dividend for the year ended 30 June 2004.

Resolution 3 - Re-appointment of director

To re-appoint Paul Louis Pedley as a director.

Resolution 4 - Re-appointment of director

To re-appoint John Frederick Tutte as a director.

Resolution 5 - Re-appointment of director

To re-appoint James Martin as a director.

Resolution 6 - Re-appointment of director

To re-appoint Malcolm James Geoffrey King as a director.

Resolution 7 - Re-appointment of auditors

To re-appoint PricewaterhouseCoopers LLP as 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.

Special business

Resolution 8 - Remuneration report

To approve the remuneration report for the year ended 30 June 2004.

Resolution 9 - Authority to allot shares

That the directors, in place of any existing authority conferred upon them for the purpose of section 80 of the Companies Act 1985, be generally and unconditionally authorised pursuant to section 80 of the Companies Act 1985 to exercise all powers of the Company to allot and to make offers or agreements to allot relevant securities (as

defined in section 80 of the said Act) up to an aggregate nominal amount of £5,546,061 provided that this authority shall (unless previously revoked or renewed) expire as the date of the next annual general meeting of the Company but so that the Company may, before such expiry, make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such offer or agreement as if the authority had not expired.

Resolution 10 - Authority to disapply pre-emption rights

That, subject to the passing of Resolution 9 as set out in the Notice convening the annual general meeting at which this resolution is to be considered and in place of any existing authority given pursuant to section 95 of the Companies Act 1985, the directors be given power pursuant to section 95 of the Companies Act 1985 to make allotments of equity securities (as defined in section 94 of the said Act) pursuant to the authority contained in the said Resolution 9 and to sell shares which are held in treasury wholly for cash as if section 89(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 £794,344 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 2 February 2006 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.

Resolution 11 - Authority to purchase own shares

That, pursuant to Article 11 of the Company's Articles of Association, the Company is generally and unconditionally

NOTICE OF ANNUAL GENERAL MEETING

authorised, in accordance with section 166 of the Companies Act 1985, to make market purchases (within the meaning of section 163(3) of the said Act) of ordinary shares of 10p each in the capital of the Company ("ordinary shares"), and that where such shares are held in treasury, the Company may use them for the purposes of its employees' share schemes, provided that:

- (a) the maximum number of ordinary shares authorised to be purchases is 15,886,870;
- (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 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
- (d) the authority conferred shall expire at the conclusion of the next annual general meeting of the Company (or 2 February 2006 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 12 - The Redrow plc Long-Term Share Incentive Plan 2004

That the rules of the Redrow plc Long-Term Share Incentive Plan 2004, the principal features of which are summarised in the explanatory note to this resolution, and a copy of which is produced in draft to this meeting and initialled by the Chairman for the purposes of identification, be approved and the directors be authorised to do all acts and things necessary and expedient to adopt and operate it, including making such modifications as the directors consider appropriate to take account of the requirements of the UK Listing Authority and best practice.

Resolution 13 - The Redrow plc Sharesave Plan 2004

That the rules of the Redrow plc Sharesave Plan 2004, the principal features of which are summarised in the explanatory note to this resolution, and a copy of which is produced in draft to this meeting and initialled by the Chairman for the purposes of identification, be approved, subject to such modifications as the directors may consider

necessary to obtain the approval of the Board of the Inland Revenue, and/or to take account of the requirements of the UK Listing Authority and best practice, and that the directors be authorised to do all acts and things necessary and expedient to adopt and operate it.

13 September 2004

By order of the Board

Registered office:
Redrow House
St. David's Park
Flintshire
CH5 3RX
Registered in England No. 2877315


Graham A Cope
Company Secretary

Notes:

- (i) A shareholder entitled to attend and vote may appoint a proxy or proxies to attend and, on a poll, to vote instead of him. A proxy need not be a member of the Company.

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.
- (ii) All shareholders on the Register at 6pm on 1 November 2004 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.
- (iii) There 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:
 - (a) a copy of the rules of the Redrow plc Long-Term Share Incentive Plan 2004 and the Redrow plc Sharesave Plan 2004, and
 - (b) copies of the directors' service contracts

The documents referred to in paragraph (a) above will also be available for inspection during normal business hours on any business day until the conclusion of the annual general meeting at the offices of Linklaters, One Silk Street, London EC2Y 8HQ.

- (iv) 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 2004 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.
- (v) 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:

Resolution 2 - Dividend

Subject to approval at the meeting, the dividend will be paid on 19 November 2004 to shareholders on the register at the close of business on 24 September 2004.

Resolution 3-6 - Re-appointment of directors

The Company's articles of association require that each director shall retire from office at the third annual general meeting after the annual general meeting at which he was last elected or, in the case of a new director, to seek re-election at the first annual general meeting following appointment.

Resolution 7 - 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 8 - Remuneration report

Under the Companies Act 1985 (as amended by the Directors' Remuneration Report Regulations 2002) companies are required to ask shareholders to vote on the Remuneration report. The report is contained on pages 41 to 50 of the Report and Accounts.

Resolution 9 - Authority to allot shares

Shareholders are being invited to renew the authority given to directors in previous years to allot unissued shares. If passed, resolution 9 would renew this authority by authorising the directors to allot shares up to an aggregate nominal amount of £5,546,061. The authority will expire on the date of the next annual general meeting of the Company. This represents 55,460,610 ordinary shares of 10p each and is equivalent to approximately 35% of the Company's current issued ordinary share capital.

Resolution 10 - 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 £794,344. This sum represents 7,943,435 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 2 February 2006.

Resolution 11 - 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 15,886,870 shares, an aggregate nominal value of £1,588,687, which is equivalent to 10% of the Company's issued ordinary share capital at 30 June 2004.

NOTICE OF ANNUAL GENERAL MEETING

In the past, such shares would have been cancelled immediately. However, The Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003 which came into effect on 1 December 2003 allows companies to hold shares acquired by way of market purchase as treasury stock, rather than having to cancel them. Such shares can subsequently be 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. Shareholders should note that this resolution explicitly authorises the Company to use any shares purchased and held in treasury for the purposes of the Company's employee share schemes. 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 and 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 next annual general meeting or 2 February 2006 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 directors would exercise this authority only if they felt it would be in the best interests of the Company to do so and would increase earnings per share. To the extent that any such shares were held in treasury, earnings per share would only be increased on a temporary basis, until the shares were transferred out of treasury.

Resolutions 12 and 13 - The Redrow plc Long-Term Share Incentive Plan 2004 and the Redrow plc Sharesave Plan 2004

The principal terms of the Redrow plc Long-Term Share Incentive Plan 2004 (the "LTSIP") and the Redrow plc Sharesave Plan 2004 (the "Sharesave Plan") are summarised below. Details of the first operation of the LTSIP are set out in the Remuneration report which is contained in pages 41 to 50 of the Report and Accounts.

LTSIP

Operation

The LTSIP will be operated by the Board (or a duly authorised committee of the Board). The operation of the LTSIP in respect of executive directors of the Company will be supervised by the Remuneration Committee, which consists entirely of independent Non-Executive Directors.

Eligibility

Employees and Executive Directors of the Company and its subsidiaries are eligible to participate, provided they are not within 6 months of retirement and, in the case of Executive Directors, provided they devote substantially the whole of their working time to their duties. In the case of Executive Directors, the Remuneration Committee will decide who will be granted options and the number of shares under each option.

Options

Under the LTSIP, selected eligible employees will be granted an option over the Company's ordinary shares. No payment (or only nominal payment) will be required from optionholders in order to exercise the option. The exercise of the option will be subject to the optionholder remaining in employment and the satisfaction of performance conditions over the performance period.

Performance conditions

The exercise of options will be subject to the satisfaction of challenging performance conditions agreed by the Remuneration Committee when the options are granted. The proposed performance conditions for the first operation of the LTSIP are described in the Remuneration report which is contained in pages 41 to 50 of the Report and Accounts.

The Remuneration Committee may amend the performance conditions in limited circumstances, to take account of events which may happen during the performance period.

Individual limits

In each financial year, the aggregate value (at the time of grant) of shares granted under option to any eligible employee under the LTSIP will not exceed 125% of his base salary for the preceding financial year. For the first operation of the LTSIP, the intention is to grant options over shares valued at 100% of the eligible employee's base salary as described in the Remuneration report.

Exercise of options

Options will normally be exercisable between three and ten years after grant, subject to the satisfaction of the performance conditions and provided that the optionholder remains in employment.

Options will be exercisable where an optionholder leaves employment due to ill-health, injury, disability, redundancy, retirement or where the company or business for which he works leaves the group. Options may also be exercised following the death of an optionholder. In all these cases, the number of shares over which an option may be exercised will depend on the extent to which the performance conditions have been satisfied and will be pro-rated to reflect the number of complete financial years of the performance period that have elapsed. The period for exercise is six months from the date of leaving or, in the case of death, the shorter of two years from the date of death and six months from grant of representation.

Change of control, merger or other reorganisations

Options may generally be exercised on a takeover, scheme of arrangement, merger or other corporate reorganisation. Unless the Remuneration Committee decide otherwise, options may only be exercised to the extent that the performance conditions have been satisfied and will be pro-rated to reflect the proportion of the original performance period that has elapsed. Alternatively, optionholders may be allowed (or required) to exchange their options for options over shares in the acquiring company. The Remuneration Committee can decide to apply performance conditions to any options which are exchanged.

Source of shares

Although the LTSIP allows for the grant of options over new shares and treasury shares, it is currently intended that existing shares from an employee benefit trust will be used to satisfy option exercises.

Sharesave Plan

General

The Sharesave Plan has been drafted to comply with the relevant UK tax legislation so that options granted under it will attract favourable UK tax treatment. Under the Sharesave Plan, employees are granted an option to acquire ordinary shares in the Company, in the future, at a price determined at the time invitations to join the Sharesave Plan are sent to employees (or other specified date). The option price may be set at a discount to market value at that time. Employees are required to save monthly through a contractual savings arrangement over a period of either three or five years. At the end of the savings contract the employee may either exercise the option using the savings contributions and interest (or an equivalent amount) or have the savings and accrued interest repaid. In the case of a five year contract, the employee can elect to leave the savings in the account for a further two years, but then will not be able to exercise the option.

Eligibility

All UK based employees and full-time directors of the Company and any participating subsidiary may participate in the Sharesave Plan. However, the directors may set a qualifying period of continuous employment (not exceeding five years) for eligibility. When the Sharesave Plan is operated, all eligible employees must be invited to participate.

Employee contributions

The maximum amount an employee may save monthly over the three-year or five-year period is the maximum allowed under an Inland Revenue approved savings-related share option plan, which is currently £250 per month. The minimum amount which may be saved is currently £5 per month.

NOTICE OF ANNUAL GENERAL MEETING

Option price

The directors set the option price, which must be not manifestly less than 80 per cent of the market value of a share on the second business day preceding the date of invitation (or other specified date) or the average market value over the four business days preceding that second business day.

Exercise of options

Options can normally only be exercised for six months starting either three or five years after the start of the savings contract. Options may, however, be exercised early in certain circumstances.

These include an employee leaving due to injury, disability, redundancy or retirement or following the sale of his employing company or business. On cessation of employment for any other reason, options will normally lapse.

Change of control, merger or other reorganisations

Options may generally be exercised early on a takeover, scheme of arrangement, merger or other corporate reorganisation. Alternatively, optionholders may be allowed or, in certain circumstances, required to exchange their options for options over shares in the acquiring company.

Features common to both Plans

Summarised below are the features which are common to both the LTSIP and the Sharesave Plan (together, the "Plans").

Dilution limits

In any 10 year period, not more than 10 per cent of the issued ordinary share capital of the Company may be issued or issuable under the Plans and all other employees' share plans operated by the Company. In addition, under the LTSIP, in any 10 year period, not more than 5 per cent of the issued ordinary share capital of the Company may be issued or issuable under the LTSIP and all other discretionary share plans adopted by the Company. These limits do not include options which have lapsed or been surrendered.

Options may also be satisfied using treasury shares. If such shares are used, the Company will, so long as required under the guidelines of the Association of British Insurers, count them towards the dilution limits set out above.

Operation

Except in exceptional circumstances, the Plans will only be operated within 42 days after the announcement of the Company's results for any period. However, the initial operation of the Sharesave Plan is intended to be as soon as practicable after approval by shareholders and the Inland Revenue.

Issue of shares

Any shares issued under the Plans will rank equally with shares of the same class in issue on that date of allotment, except in respect of rights arising by reference to a prior record date.

Variation in share capital

Options may be adjusted following certain variations in share capital including a capitalisation or rights issue, subdivision, consolidation or reduction.

Amendments

Provisions relating to the eligibility, individual and dilution limits, option price, rights attaching to options and shares, adjustment of options in the event of a variation in share capital, and the amendment powers cannot be altered to the advantage of optionholders without the prior approval of shareholders in general meeting. However, no such approval is required for minor changes intended to benefit the administration of the Plans, or to comply with or take account of existing or proposed legislation or any changes in legislation, or to secure favourable tax treatment for the Company, members of its group or optionholders. Alterations to the Sharesave Plan are generally subject to the prior approval of the Inland Revenue. In the case of the LTSIP, the directors may establish further plans based on the LTSIP, but modified to take account of overseas securities laws, exchange controls or tax legislation.

Termination

The Plans may be terminated by the directors at any time and in any event no options may be granted after the tenth anniversary of the approval of the Plans by shareholders.

General

Options granted under the Plans are not transferable and benefits under the Plans are not pensionable.

FIVE YEAR SUMMARY

(Continuing operations)	2004 £m	2003 £m †	2002 £m † *	2001 £m † *	2000 £m † *
Group Turnover	669.9	607.9	573.3	421.2	405.7
Operating profit	132.7	113.7	94.1	79.5	67.7
Operating profit as a percentage of turnover	19.8%	18.7%	16.4%	18.9%	16.7%
Profit before taxation	124.1	106.1	85.1	72.1	67.2
Profit before taxation as a percentage of turnover	18.5%	17.4%	14.8%	17.1%	16.6%
Net assets	376.6	302.0	239.2	187.3	261.5
Net (debt)/cash surplus	(130.7)	(93.2)	(93.1)	(112.2)	(11.6)
Gearing – net debt as a percentage of capital and reserves	34.7%	30.9%	38.9%	59.9%	4.4%
Return on capital employed – operating profit as a percentage of average net assets adjusted for net debt/cash	29.4%	31.3%	29.8%	27.8%	27.5%
Number of legal completions	4,284	4,031	3,908	3,464	3,338
Earnings per ordinary share	54.8p	46.9p	38.5p	28.8p	20.2p
Dividends per ordinary share	9.0p	7.5p	6.06p	5.5p	4.95p
Net assets per ordinary share	237.1p	190.0p	150.7p	118.4p	116.2p

† Restated in 2004 for the impact of UITF 38 'Accounting for ESOP Trusts'

* Restated in 2002 for the impact of FRS 19 'Accounting for Deferred Taxation'

OFFICERS & 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

PO Box 82

The Pavilions

Bridgewater Road

Bristol

BS99 7NH

Stockbrokers and Financial Advisers

Cazenove & Co

20 Moorgate

London

EC2R 6DA

Merrill Lynch International

Merrill Lynch Financial Centre

2 King Edward Street

London

EC1A 1HQ

Auditors

PricewaterhouseCoopers LLP

101 Barbirolti Square

Lower Mosley Street

Manchester

M2 3PW

Solicitors

Linklaters

One Silk Street

London

EC2Y 8HQ

Redrow plc

Redrow House
St. David's Park
Flintshire
CH5 3RX
Telephone: 01244 520044
Facsimile: 01244 520580
groupservices@redrow.co.uk

Redrow Group Services Limited Redrow Corporate Services Limited

Pöche Interior Design
Redrow House
St. David's Park
Flintshire
CH5 3RX
Telephone: 01244 520044
Facsimile: 01244 520580
groupservices@redrow.co.uk

Redrow Homes Northern Region Redrow Homes (North West) Limited

Priory Court
Wellfield Road
Preston Brook
Cheshire
WA7 3FR
Telephone: 01928 755600
Facsimile: 01928 755601
northwest@redrow.co.uk

Redrow Homes (Lancashire) Limited

Redrow House
Holden Road
Leigh
Lancashire
WN7 1HH
Telephone: 01942 672488
Facsimile: 01942 609071
lancashire@redrow.co.uk

Redrow Homes (Yorkshire) Limited

Redrow House
Brunel Road
Wakefield 41
Wakefield
West Yorkshire
WF2 0XG
Telephone: 01924 822566
Facsimile: 01924 822599
yorkshire@redrow.co.uk

Redrow Homes (Scotland) Limited

Redrow House
3 Central Park Avenue
Larbert
Falkirk
FK5 4RX
Telephone: 01324 555536
Facsimile: 01324 574890
scotland@redrow.co.uk

Southern Region Redrow Homes (Midlands) Limited

Redrow House
Kinsall Green
Wilnecote
Tamworth
Staffordshire
B77 5PX
Telephone: 01827 260600
Facsimile: 01827 262454
midlands@redrow.co.uk

Redrow Homes (East Midlands) Limited

Balderton Hall
Balderton
Newark
NG24 3JR
Telephone: 01636 593450
Facsimile: 01636 593451
eastmidlands@redrow.co.uk

Redrow Homes (South Midlands) Limited

Woodlands House
The Avenue
Cliftonville
Northampton
NN1 5BT
Telephone: 01604 601115
Facsimile: 01604 603113
southmidlands@redrow.co.uk

Redrow Homes (Southern) Limited

Redrow House
Faraday Office Park
Faraday Road
Basingstoke
Hampshire
RG24 8QQ
Telephone: 01256 366450
Facsimile: 01256 366451
southern@redrow.co.uk

Redrow Homes (Eastern) Limited

Redrow House
2 Aurum Court
Sylvan Way
Southfields Business Park
Laindon, Basildon
Essex
SS15 6TU
Telephone: 01268 886400
Facsimile: 01268 886401
eastern@redrow.co.uk

Western Region Redrow Homes (West Midlands) Limited

Redrow House
Coombswood Business Park
Steelpark Road
Halesowen
West Midlands
B62 8HD
Telephone: 0121 504 0280
Facsimile: 0121 504 0281
westmidlands@redrow.co.uk

Redrow Homes (South Wales) Limited

Redrow House
Copse Walk
Cardiff Gate Business Park
Cardiff
CF23 8RH
Telephone: 02920 549103
Facsimile: 02920 541540
southwales@redrow.co.uk

Redrow Homes (South West) Limited

Redrow House
West Point
Great Park Road
Bradley Stoke
Bristol
BS32 4QG
Telephone: 01454 625000
Facsimile: 01454 616033
southwest@redrow.co.uk

Redrow Homes (West Country) Limited

Melrose House
Pyneshill
Exeter
Devon
EX2 5AZ
Telephone: 01392 354550
Facsimile: 01392 354551
westcountry@redrow.co.uk

Details of our current developments are available on our website:
www.redrow.co.uk

REDROW plc

Redrow House, St. David's Park, Flintshire CH5 3RX

Telephone: 01244 520044 Facsimile: 01244 520720

E-mail: groupservices@redrow.co.uk

www.redrow.co.uk