



ANNUAL REPORT
&
ACCOUNTS
2006

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Dedicated to the creation of homes and workplaces that enrich the lives of our customers and the environments in which they are built, Redrow is a highly profitable company providing continuous benefit for its shareholders.

Signature

To satisfy the demands of discerning homebuyers at all stages of their property purchasing lives, our *Signature* range features one bedroom apartments to five bedroom luxury houses – all built to exacting standards whilst still offering outstanding value for money with a focus on the quality of design of the development as a whole.

In the City

Visionary, contemporary and cutting-edge, our urban apartment schemes are playing their part in the renaissance of city-centre Britain. High specifications come as standard, whilst stylish exterior designs contribute greatly to our vastly improving city scapes.

Debut

A totally innovative concept for starter homes that are chic, saleable and affordable – that's the genius of our *Debut* range. Using modern methods of construction and state-of-the-art materials, *Debut* offers those starting out or starting over, attractive, inspired, entry-level access to the property ladder.

Mixed Use Development

We use our residential and commercial development expertise to unlock mixed use opportunities to create imaginative homes, office, retail, industrial and leisure schemes that respond to national planning policy and satisfy occupier demand.

Urban Regeneration

Committed to improving the quality of life for indigenous city-dwellers, we form dynamic, flexible partnerships with stakeholders, tackling major regeneration schemes that provide sustainable solutions and community benefits to the most demanding inner-city challenges.

'We have a strategy in place that provides us with the capability to deliver growth and through which we can continue to produce value to shareholders.'

Delivering value

In the year in which Redrow welcomed its 50,000th customer to their new home, I am pleased to report that we have made significant progress in our strategy to deliver growth and value to shareholders.

Land is the life-blood of our business and I am encouraged to report that in the last twelve months we have increased our current land bank by over 20% to 21,000 plots (2005: 17,300 plots). We also continued to develop our forward land bank which represents one of the cornerstones of our financial returns, thereby strengthening our base to deliver growth in our core business. We have made considerable progress with our new *Debut* product and, in just eighteen months, have achieved planning for over 1,100 homes as at June 2006. We have secured additional mixed use opportunities at Bristol and Plymouth to complement our continuing success at Buckshaw Village, Chorley and have made major progress on the

potential mixed use development at Bishopton, near Glasgow. In Redrow Regeneration, we have commenced construction on our first project at Barking and have made good progress on other major projects.

Financial performance

We entered the last financial year with a strong forward sales position and this, together with the introduction of *Debut*, enabled the Group to deliver a sound financial performance in a more challenging and difficult market. These results reflect the impact of this market and the profit before tax for the twelve months to June 2006 was £120.5m compared with £139.0m in the previous year. Turnover from the Homes' operations increased marginally to £765.5m (2005: £753.8m). Our growth strategy enabled us to increase legal completions by 8% to 4,735 (2005: 4,372) which more than offset a reduction in the average selling price to £161,700 (2005: £172,400). This reduction in

Robert Jones

Chairman

average selling price was due to geographic and product mix particularly within our *In the City* developments and the first significant contribution from our open market affordable *Debut* product. As we had previously indicated, in this prevailing market with lower levels of house price inflation, operating margins reduced within our Homes operations but remained respectable at 17.5% for the year (2005: 19.6%). Operating profits from the Homes operations at £133.8m compared with £147.4m in 2005 for the year as a whole, although its performance was stronger in the second half with operating profits up 2%. Basic earnings per share in the year were 52.9p (2005: 60.7p).

Our balance sheet remains in a robust position providing us with further opportunity to continue to invest in our land bank so as to grow our business. Net debt was £129.8m after increasing the investment in our land bank by a further £63.4m, with our owned land bank growing to 16,750 plots (2005: 15,800).

Return on capital employed in the year at 22% (2005: 28.7%) remained significantly ahead of our cost of capital. Gearing was 25% (2005: 23%) and our interest cover at 11.5 times (2005: 12.2 times) remains strong.

Dividend

In December 2003, the Board of Redrow plc made a commitment to increase the dividend in the years to June 2004 and June 2005 by 20% per annum. This underlined the Board's confidence in the quality and strength of the Company. In September 2004, we extended this commitment for a further year to June 2006, and we therefore propose to increase the final dividend for the year to June 2006 to 8.7p (2005: 7.2p). This will bring the total dividend for the year to 13.0p (2005: 10.8p), representing a 20% increase, with dividend cover standing at 4.1 times earnings.

Our strong financial performance and the progress we have made with our growth strategy provides the Board with the opportunity to continue this progressive dividend policy. I am therefore pleased to advise that the Board has decided to increase the dividend by 20% per annum in each of the next two years so that by November 2008, the dividend will have increased by 2.5 times over a five year period. In addition, we have decided that in future years, the dividend will be rebalanced so that the interim and final dividend will be broadly equal thereby increasing the proportion of dividend paid at the interim stage.

People

In 2006, Redrow secured the Major Homebuilder of the Year Award from Building Magazine. This award was won through the commitment and dedication of the Redrow Team. This team has risen to the challenges presented by recent markets. On behalf of the Board, I would like to thank all those in the Redrow Team, including our suppliers and subcontractors, for their contribution to both

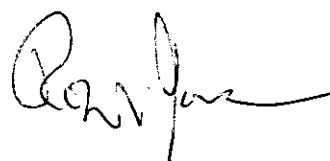
these results and the progress made across our business over the last twelve months. Health and safety rightly carries a high profile in our activities and we are delighted to have secured a Gold Award from RoSPA in 2006 to follow the Silver and Bronze awards received in 2005 and 2004 respectively.

Outlook

In the Spring of 2006, we witnessed a recovery in the housing market following eighteen months of weaker demand. We have entered the new financial year with a forward sales position that remains ahead of our historic norm for our core product together with significant forward sales for our *Debut* product. We are mindful that recent increases in unemployment levels and interest rates could affect customer confidence but sales levels in the early weeks of the new financial year are encouraging. The overall growth within the economy and the commitment of the Redrow Team combined with the quality and effectiveness of our land bank should enable the Group to see continued growth in the level of legal completions in the new financial year both in our core and *Debut* product ranges. As a consequence we expect 2007 to be a year of further progress for Redrow.

The fundamentals for the industry remain sound with requirements for new homes in many regions being increased, particularly in response to the continuous formation of new households and the need to replace the Nation's ageing housing stock. This provides an environment that gives Redrow an opportunity to capitalise on the strategy we have put in place to deliver growth. We recognise the commitment of the Government to increase the number of new homes, in particular through improving the efficiency of the planning system. The latter however continues to be the major issue in terms of meeting the Government's objectives.

The quality of our current land bank and the positive advancement of a number of our major forward land sites within the planning system provides us with the capability to increase output in our core product range. Our new *Debut* product continues to go from strength to strength and we are on track to meet our objective of delivering 2,000 *Debut* homes per annum by 2010. We continue to derive advantage from mixed use developments and in due course expect to secure benefit from the regeneration opportunities we are pursuing. We have a strategy in place that provides us with the capability to deliver growth and through which we can continue to produce value to shareholders.



Robert Jones

Chairman

11 September 2006

Redrow's 50,000th customers with Paul Pedley, Executive Deputy Chairman, presenting a cheque for £2,500 to Childline Scotland.

'We anticipate 2006/07 will be a year of growth for Redrow and we are confident that we can continue to deliver value for our shareholders into the future.'

Neil Fitzsimmons

Chief Executive

Introduction

Twelve months ago when I took over as Chief Executive, I set out the steps we had taken to position Redrow to meet the short term challenges in the market and the clear strategy we were progressing that would enable us to deliver growth and shareholder value in a market where house price increases were likely to be more modest and in line with earnings growth.

The results for the year ended June 2006 reflect the backdrop of the weaker housing market over the eighteen months to December 2005. This resulted in a reduction in profitability from £139.0m to £120.5m. However, our strategy enabled us to increase legal completions and turnover in our Homes operations and partially mitigate the impact on operating margins of the more challenging market. In addition, we have made demonstrable and tangible progress in each of the principal elements of our growth strategy leaving Redrow well positioned to deliver growth and shareholder value into the future.

Strategy

Twelve months ago we set out our strategy to deliver growth in the medium term.

Our objectives are to:-

- Grow our core *Signature* and *In the City* ranges through our existing company structure.
- Deliver incremental profit from our new *Debut* product that provides open market affordable homes.
- Develop the contribution from additional income streams from our mixed use and regeneration activities.

At present, our Homes operation has thirteen companies in the UK, which delivered just over 4,500 legal completions of our core product in the year to June 2006. Our core product comprises our *Signature* and *In the City* ranges.

Over recent years we have expanded our geographical presence and established three

new areas of operation in South Midlands at Northampton, West Country at Exeter, and East Midlands at Newark. These were established and investment made to provide us with the capability to increase the output of our core product, in particular of the *Signature* range. The current Homes structure provides us with the capability of delivering 7,000 units of core product per annum.

The South East of England is a geographical region in which we have historically been underweight in terms of market share and therefore represents an important opportunity for Redrow to drive growth. It is a particular focus of Government policy and through our South Midlands, Eastern and Southern companies we have operations placed to gain maximum benefit from the identified growth areas. To reinforce the framework through which we will deliver growth, we have reviewed our management structure. We are now managing our Homes operations through five regions, namely Scotland, Northern, Midlands, Western and Southern.

The Signature range at Stourcombe Vale, Launceston, our first development in Redrow Homes West Country.

It gives me great pleasure to welcome David Campbell-Kelly into the senior management team as Chairman for the Midlands Region. David has been with Redrow for 12 years, and has been Managing Director of Redrow Homes (Midlands) Limited for 7 years.

We continue to expand our *Debut* initiative across our companies. We commenced developing this innovative and imaginative product providing open market affordable homes primarily for first time buyers as recently as May 2004. In only two years, the product has been taken from concept to reality and in the year to June 2006, 213 *Debut* customers moved into their new homes. This product has prices as affordable as £50,000. It demonstrates our ability to identify opportunities and respond to issues in the housing market whilst delivering margins and returns on capital in line with our existing business. At 30 June 2006 we had secured in total 10 planning permissions for over 1,100 *Debut* homes in just 18 months

since our first application at Rugby and we are on track to deliver our objective of 2,000 *Debut* homes per annum by 2010. This will generate incremental profit and value for our shareholders.

Redrow recognises the added value that can be gained from mixed use development. These developments provide additional income streams and also unlock major opportunities for our core housebuilding operations. We continue to build on our historic success in mixed use development with current schemes such as Buckshaw Village. We have also secured new opportunities at Bristol and Plymouth which, as well as providing at least 172,000 sq ft of commercial development, provide over 1,700 plots for our housing operations. In addition, we have now made a planning application jointly with BAE Systems for a development at Bishopton to the west of Glasgow for 2,500 homes, and 1,500,000 sq ft of employment and community development.

To further the benefits we can generate from mixed use development and our involvement in the South East, we established a specialist regeneration business. Redrow Regeneration was established in September 2004 to focus on major projects primarily in London and the South East. These projects involve a wide cross section of stakeholders with different agendas and expectations. They represent a new element in Redrow's long term approach to securing land for development and will contribute to Group performance in the medium term. However, ahead of expectations, Redrow Regeneration is already on site with its first development at Barking which will deliver 246 new homes as well as significant community benefits and is making good progress on other major opportunities in the South East.

The Signature range at Heather Lea, Lanark by Redrow Homes Scotland.

Group performance

	2005/06 £m	2004/05 £m
Turnover	770.1	780.4
Operating profit	132.8	154.0
Profit before tax	120.5	139.0
Basic earnings per share	52.9p	60.7p

Turnover was £770.1m compared with £780.4m in the year to June 2005.

This reduction in turnover was attributable to a lower level of activity in our mixed use operations with turnover in the Homes

business increasing marginally during the year.

Operating profit reduced to £132.8m (2005: £154.0m) and this was primarily influenced by lower margins in the Homes operations. In addition, the operating result for 2006 includes a provision of £2m relating to a development on Jersey completed in 1999. Financing costs were £11.5m as compared to £12.6m in 2005 and therefore, principally as a result of the reduction in operating profit, the profit before tax and the

basic earnings per share reduced by 13.3% and 12.9% to £120.5m and 52.9p respectively.

Homes operations

	2005/06	2004/05
Legal completions	4,735	4,372
Average selling price	£161,700	£172,400

	£m	£m
Turnover	765.5	753.8
Gross profit	177.8	189.3
Operating profit	133.8	147.4
Gross margin	23.2%	25.1%
Operating margin	17.5%	19.6%

The UK housing market remained relatively subdued in the first half of our financial year.

We experienced a seasonal upturn in the Autumn of 2005, but overall consumer confidence remained relatively weak with 2005 having transaction levels for England and Wales estimated to be 18% below the levels in the previous year and also below those expected in a normal housing market.

The reduction in interest rates in August 2005 did help consumer confidence and in

October and November there was a significant increase in mortgage approvals, which carried on into 2006. In addition, the market was assisted by more realistic asking prices for second hand homes and there was an increase in transaction levels in the first half of 2006. National house price indices have also been recording increases in house prices and these factors combined to increase homebuyers' confidence.

Against this challenging background, the Homes operations delivered a sound financial and sales performance in the last twelve months. Turnover increased marginally to £765.5m (2005: £753.8m) with operating profit reducing by 9% to £133.8m (2005: £147.4m), primarily due to the reduction in margins from 19.6% to 17.5%. The Homes operations delivered a stronger second half performance in the financial year with turnover up 12% and operating profit up 2% on the corresponding period in the previous year.

The Signature range at Ookside Park, Kesgrave by Redrow Homes Eastern.

Turnover reflected an increase of 8% in legal completions to 4,735 (2005: 4,372), which more than offset a 6% reduction in average selling price from £172,400 to £161,700.

This was primarily driven by changes in product and geographical mix. We increased the legal completions of *Signature* product by 9% to 4,027 homes (2005: 3,703) whilst, due to the timing of construction on the major *In the City* developments, the number of legal completions on these schemes reduced in line with our expectations to 495 (2005: 667).

The overall increase in legal completions was supported by the first significant contribution from the new *Debut* range, with 213 legal completions (2005: 2) representing 4% of total completions.

The movement in average selling price was significantly influenced by a reduction in the average selling price of *In the City* homes, which reduced from £207,400 in the previous year to £160,200. The previous year included legal completions from higher priced units at

the *Odyssey* development in London Docklands whereas in the year to June 2006, legal completions were delivered on developments in Manchester, Birmingham, Cardiff and Sovereign Harbour near Eastbourne. The average selling price for the *Signature* product at £166,200 (2005: £166,200) was unchanged and the *Debut* homes had an average selling price of £79,200.

In the Northern Region, turnover increased by 4% with legal completions up 2% to 1,876 (2005: 1,832). The average selling price also increased by 2% to £158,800 from £156,000 in the preceding year. The Southern Region delivered 1,394 legal completions (2005: 1,250), an increase of 12% with the average selling price at £163,300 (2005: £196,700). Turnover and average selling price in this region was lower, influenced by the impact of *In the City* schemes as noted above. In the Western Region, volumes were up 14% to 1,465 legal

completions (2005: 1,290) with turnover up 8%. The average selling price was down 5% to £163,800 (2005: £172,200) due to a higher proportion of social housing units.

In recent years, we have consistently indicated that the industry was likely to experience an easing in operating margins as the benefit of house price inflation within the land bank unwound and house price increases moderated. Our strategy has been to carry a higher than historic level of forward sales to help protect our operating margins in more competitive markets. This limited the impact on our margins to a decline of only 2.1% from 19.6% to 17.5%.

Our sales performance in the year was supported by an increase in the number of outlets and the release of *Debut* sites into the market. Total reservations increased 13% to 4,529 (2005: 4,006). In the first half of the financial year, sales for the core product were approximately 6% higher than the

corresponding period primarily reflecting an increase in outlets. In the second half, we benefited from the improved trading conditions and the rate of sale achieved was much closer to a normal market, with the 6.5% increase in sales of core product being almost equally split between an improved sales rate and an increase in outlets. As we entered 2006/07, within the Homes Operations we held a total of 1,772 sales, which included 235 *Debut* homes, and forward sales for *Signature* and *In the City* homes represented some 17 weeks, which is ahead of our historic norms.

Product

Our *Signature* product range represents our primary offering to our customers. The range is based upon approximately 50 core housetypes from just over 400 sq ft up to approximately 3,000 sq ft and they are capable of being elevated to suit local vernacular to create powerful and interesting street scenes. We continue the drive to

increase the use of these core housetypes to further improve cost control and efficiency of construction on our sites. In 2005/06, 70% of our *Signature* legal completions used standard house type designs and we expect to further increase this proportion in 2006/07 to 80%. The repetition of building core housetypes enables us to deliver continuing improvement in both the value engineering of our product and the efficiency of its delivery, thereby helping mitigate other pressures on our cost base. This is supported by our central procurement strategy whereby approximately 80% of materials used in our product are secured under Group arrangements.

We continue to embrace the principles of improving the design quality of our developments, not only in terms of the individual house but, as importantly, the quality of the environment in which the house is set. This requires detailed attention in the layout of homes on the development to deliver attractive street scenes whilst

generating appropriate coverage. We are also paying increased attention to the public realm on developments including greater focus on hard and soft landscaping. This strategy is aimed at delivering a premium home whilst using core product to control our cost base. We have Directors of Design in each Region to promote and embrace this strategy and in our Southern and Midlands Regions we are establishing an Urban Design Centre of Excellence to drive this process.

The Government continues to challenge the industry in terms of enhancing the sustainability of our activities. Redrow recognised the importance of sustainable development in its new *Debut* range aimed at first time buyers. The first three *Debut* sites all achieved EcoHomes 'excellent' under the 2005 Building Research Establishment (BRE) classification and Willans Green, Rugby, as the highest EcoHomes rated development, secured the only BRE award to a residential developer in 2006. The new Code for

'In the City' at The Boardwalk, Sovereign Harbour by Redrow Homes Southern.

Sustainable Development, together with the updated EcoHomes rating classification set by the BRE provide for even higher standards for sustainable development. Our Product Development team are progressing commercial solutions to meet these objectives using our core *Signature* housetypes and *Debut* range.

Our Product Development team continues to investigate ways in which modern methods of construction can add value to our business. We are working with Framing Solutions, our joint venture company, to secure further efficiencies in the delivery of lightweight steel frame construction. We are now using modern methods of construction on *Debut* and apartment schemes where benefits for the Group, primarily in terms of speed and quality of construction, can be generated. Despite the increased cost of raw materials, Framing Solutions has reduced its operating loss during the last twelve months from £1.2m to £0.8m, principally through driving efficiency in its operations.

Customers

We recognise the need to deliver quality in both our product and the level of service to our customers. During the last twelve months we have introduced a third party telephone survey to secure independent feedback on the satisfaction levels of our customers. Over the first six months of the survey, 75% of customers responding indicated they were satisfied, with 80% indicating they would recommend Redrow. The Barker Report challenged the industry to reach targets of 85% in respect of satisfaction and 75% in respect of recommendation. As part of our ongoing focus in delivery of good customer service, an element of all employees' bonus schemes will relate to customer service performance levels. In addition, we support the Home Builders Federation's initiative in customer service and have published the Redrow Customer Service Charter which clearly sets out customer service objectives.

The *Signature* range at Oak Glen, Gilstead by Redrow Homes Yorkshire.

The *Signature* range at Chapel Gate, Widnes by Redrow Homes North West.

Mixed Use and Regeneration

Turnover in these activities during the year to June 2006 was £4.6m (2005: £26.6m) with operating profits of £0.7m (2005: £4.5m). This was in line with our expectations with the income generated from existing mixed use developments, in particular Matrix Park at Buckshaw Village offsetting our ongoing investment into the pre-development phases of the major regeneration developments we are progressing. In the previous financial year, the turnover and operating profit included the disposal of our remaining interest in land and work in progress at Western Approach Distribution Park near Bristol.

Land

Redrow continues to invest in both its current and forward land banks to support the future growth of the operations. The total investment in land increased to £523.0m during the year from £459.6m as at June 2005.

We have made significant progress during the last twelve months in growing our current

land bank and progressing major sites within our forward land bank. Our current land bank increased by over 20% to 21,000 plots (June 2005: 17,300) with some 8,400 new plots brought into the land bank. The current land bank comprises 16,750 plots (June 2005: 15,800) which are owned with planning, including 250 plots in Redrow Regeneration at Barking. The average plot cost in the Homes land bank was £31,000 (2005: £28,500), and this represented 18.3% of the estimated average selling price relating to those plots (2005: 17.0%). Our average plot cost in relation to average selling price remains one of the lowest in the industry. As we expand our operations in the South of England, we expect an increase in both the average plot cost and plot cost to average selling price ratio.

The balance of the current land bank relates to plots held under contract. These increased to 4,250 plots (2005: 1,500) and this reflects our strategy of securing land under contract

where we can use our skills in planning and resolving technical issues to add value to the development process.

We continue to invest in forward land to secure land at enhanced margins and to provide a source of opportunity for the future. In the last 12 months, nearly 25% of the plots taken into our owned land bank came from our forward land bank. However, it is the significant potential of our forward land bank that continues to provide us with an important element in the capability to grow our business in the medium term. Our forward land bank comprises some 24,700 plots (2005: 22,100), which have at least a realistic prospect of achieving planning for development. In particular, there are a number of major sites which are making significant progress within the planning system. Within our forward land bank, 37% of plots either have achieved planning or are allocated in plans which underlines the quality of our potential sites. We anticipate

The Signature range at Cwm Calon, Caerphilly by Redrow Homes South Wales.

Debut at Castle Vale, Birmingham by Redrow Homes Midlands achieved EcoHomes 'excellent' rating from the BRE.

Debut at Willans Green, Rugby by Redrow Homes Midlands achieved EcoHomes 'excellent' rating from the BRE.

Debut at Buckshaw Village, Chorley by Redrow Homes Lancashire achieved EcoHomes 'excellent' rating from the BRE.

having ten major sites with applications in progress over the next 18 months providing the potential for over 6,500 plots to enhance our current land bank, contributing to the future growth of our business.

New forward land opportunities are being secured to maintain the quality of opportunity for the future. We are paying particular attention to securing new options and agreements in the Southern Region within the key Government growth areas and we have secured new forward land opportunities for over 3,000 plots in this area in the last twelve months. In addition, Redrow Regeneration reinforces our policy of taking a long term approach to sourcing land. Major schemes being progressed by Redrow Regeneration have the capability to deliver over 3,000 homes together with 300,000 sq ft of commercial development in the medium term.

Major forward land opportunities

Ten major forward land sites with over 6,500 plots anticipated to be progressing through planning over the next 18 months.

77 acres of mixed use development, including 1,250 new homes in Redrow Homes South West at Bristol.

Business development

Within the Homes operations, the increase in our current land bank provides us with a solid base to deliver growth in legal completions. As at June 2006, 96% of anticipated output for 2006/07 was from sites owned with planning with the balance expected from sites controlled. We have a forward sales position ahead of our historic norm and expect to further increase our outlets in 2006/07. We therefore anticipate a further increase in *Signature* legal completions, albeit at a slightly lower growth rate than in 2005/06. The status of build completion on the *In the City* developments gives us the capability to maintain volumes in 2006/07 at similar levels to last year, although the anticipated change in product mix should result in a higher average selling price.

With regard to *Debut*, we entered the new financial year with 235 forward sales and planning in place for 891 homes. Since then we have secured planning for a further 192

Debut homes. This leaves us well placed to more than double the output of *Debut* homes in the coming year and, with an undoubted demand for open market affordable new homes, puts us well on track to deliver our objective of 2,000 *Debut* homes per annum by 2010.

We remain of the view there will be some modest house price inflation over the next twelve months and that this, together with our pro-active management of our operational cost base, should be sufficient to largely offset the impact of build cost increases which continue to be affected by higher input costs of raw materials and energy. In addition, we continue to scrutinise our operating cost base and value engineer our product to maximise margins. Looking further ahead, our current and forward land bank provides us with the capability to deliver growth of legal completions from our core product.

In the next few years, the income generated from the commercial element of our mixed use developments is expected largely to offset our continued investment in developing our portfolio of projects in Redrow Regeneration. Further profits from our activities at Buckshaw Village will be supported in due course by mixed use schemes at Plymouth and Bristol. We expect contribution from these developments to commence from 2008. Redrow Regeneration is already on site at its first development at Barking where all 246 residential units with a total value approaching £40m have been sold under contract. These should start to be delivered from the summer of 2007 through to Spring 2008.

Future prospects

In the medium term there is an undoubted need to increase the supply of new homes in the UK. This is clearly recognised by the focus in Government policy towards the housebuilding industry which we welcome.

Mixed use development at St David's Park, Flinshire by Redrow Homes North West providing Signature and Debut homes for people to live in and new offices for people to work in.

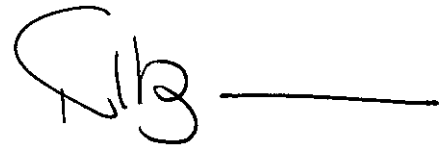
However, it is important that Government and the industry engages to find solutions to issues particularly in relation to the planning system and the provision of infrastructure to enable development. These solutions need to provide improvements and not impediments to the delivery of an increased number of new homes. In particular, we would encourage Government to embrace the innovative and imaginative solutions being developed by the industry to address the first time buyer market and that support the Government's objectives of increasing home ownership.

Consumer confidence plays a significant role in our industry in determining demand and the overall level of activity in the housing market. In 2006, we have to date experienced improved levels of confidence reflected in higher levels of mortgage approvals, modest increases in house prices and increased activity levels in terms of transactions. Reservations in the first 9 weeks of 2006/07 are up over 10% in respect of *Signature* and *In the City* homes.

Overall, whilst noting the increased levels of unemployment, the strength of the economy as regards growth, which is reflected in numbers of people in employment and indeed the confidence levels of those in employment, is positive for our sector. The recent increase in interest rates by the Bank of England should not in itself be a significant factor influencing demand. However, it is still too early to fully assess the impact of this increase and the effect that associated current expectations of future interest rate movements might have on the market as we move into the Autumn selling season.

Redrow has made significant progress over the last twelve months in progressing each element of its strategy to deliver growth in the medium term. The skill base in the Redrow Team, our high quality land bank and product range provide us with the capability to capitalise on the opportunities provided by a stable economic environment and the need to satisfy the requirement for more new

homes. We anticipate that 2006/07 will be a year of growth for Redrow and we are confident that we can continue to deliver value for our shareholders into the future.



Neil Fitzsimmons
Chief Executive
11 September 2006

Aspect, 20,500 sq ft of new offices sold during 2005/06, at the mixed use development by Redrow Homes North West at Stamford Brook, Altrincham.

Stamford Brook, Altrincham by Redrow Homes North West, in partnership with the National Trust, embraces high sustainability and environmental attributes far in excess of current building requirements.

The first project by Redrow Regeneration is underway at Barking, delivering 246 apartments and a Lifelong Learning Centre for the London Borough of Barking and Dagenham.

'Our objective remains to deliver returns which comfortably exceed our cost of capital.'

Turnover and operating profit

Turnover in the year was £770.1m (2005: £780.4m). Turnover in the Homes business was 2% ahead of the previous year as a result of an 8% increase in legal completions to 4,735 (2005: 4,372) which more than offset a reduction of 6% in the average selling price to £161,700 (2005: £172,400). This reduction in average selling price reflected a change in the product and geographical mix of *In the City* legal completions compared to last year and the inclusion, for the first time, of a significant number of *Debut* homes.

Turnover in the Group's Mixed Use & Regeneration activities was £4.6m (2005: £26.6m), principally as a result of the disposal of Aspect, an office development in Altrincham, and disposals at Buckshaw Village, near Chorley. Turnover in the previous financial year was higher as it included the sale of our remaining interest at Western Approach Distribution Park near Bristol.

As a consequence of the anticipated, and previously flagged reduction in operating margins, operating profit in the Homes business decreased by 9% to £133.8m (2005: £147.4m). The reduction in operating margin to 17.5% (2005: 19.6%) reflected the combined effect of the more competitive selling environment, together with the continued unwinding of the beneficial impact of the higher than normal sales price inflation of recent years within the existing land bank.

Mixed Use & Regeneration activities generated an operating profit of £0.7m (2005: £4.5m), including Redrow's share of the operating loss of The Waterford Park Company Ltd, the joint venture company established to pursue the potential redevelopment opportunity at Watford Junction railway station.

Redrow's share of the operating loss of Framing Solutions, its 50:50 joint venture with Corus, was in line with expectations at

David Arnold

Group Finance Director

£0.8m (2005: £1.2m) and showed an improvement on the prior year.

This reduction in the operating loss was as a result of continuing operational improvements and an increase in turnover.

As a result of an issue on a development in Jersey which was built on behalf of Redrow and was construction complete in 1999, the Group has made a provision of £2.0m. After taking appropriate professional advice, it is the Board's view that a significant proportion of this sum should be recoverable by the Group in due course. However, a provision has been made in line with the requirements of IAS 37 until recovery of such monies is achieved.

Operating profit after the provision in respect of Jersey and including Redrow's share of its joint ventures' operating losses was therefore £131.7m (2005: £150.7m).

Under the equity method of accounting for joint ventures under IAS 31, results from such entities must be reflected as a separate item on the income statement after financing costs and tax. Operating profit on this basis, once the operating loss of £1.1m in respect of joint ventures is deducted, is £132.8m (2005: £154.0m) as shown on the face of the income statement.

Finance costs

The Group's net financing costs were £11.5m (2005: £12.6m), which were covered 11.5 times by operating profits. In accordance with IAS 39, deferred payments arising from land creditors are held at discounted present value, hence recognising a financing element on the deferred settlement terms. The value of the discount is expensed through net financing costs and amounted to £3.0m in the year (2005: £2.5m). Underlying bank interest costs of £8.6m were £1.2m lower than the previous financial year.

Share of Joint Ventures

As noted above, we are required to present the results of joint ventures on the income statement after interest and tax. Framing Solutions and Waterford Park delivered a loss attributable to Redrow after interest and tax of £0.8m (2005: £2.4m), a £1.6m improvement. The previous year included significant option and pre-development expenditure in respect of Waterford Park.

Profit before tax and earnings per share

Redrow delivered a profit before tax of £120.5m (2005: £139.0m). Basic earnings per share were 52.9p (2005: 60.7p).

Taxation

The Group's effective tax rate was 30.2% (2005: 30.6%) during the year and it is currently anticipated to remain at a similar level in the next financial year.

Dividend

In line with the Board's previous commitment and subject to approval at the Annual General Meeting on 7 November 2006, a final dividend of 8.7p per share will be paid on 17 November 2006, representing an overall increase in the full year dividend of 20% to 13.0p (2005: 10.8p). Dividend cover remained strong, with the full year dividend per share 4.1 times covered by basic earnings per share (2005: 5.6 times).

Dividend per share/Dividend cover

2006 and 2005 are stated on an IFRS basis.
The preceding years are stated on a UK GAAP basis.

Balance sheet

Net assets per share increased by 13% to 322.0p over the period (2005: 284.3p).
Net assets at 30 June 2006 were £513.8m (2005: £452.5m).

Capital employed grew by £87.9m to £643.6m and reflected continued investment into our land bank. In the Homes' business, land held for development increased by £62.9m to £522.5m, representing 16,500 plots owned with planning as at 30 June 2006 (2005: 15,800 plots). Costs incurred in connection with the acquisition and promotion of the Group's forward land bank, a contributor to 25% of the net plots acquired during the year, are provided for when incurred and the provision only released once planning permission is obtained and the land acquired.

Current land bank - Core product/Debut

- Core product in current land bank increased by 11% in 2005/06
- Core product element within current land bank represents in excess of four year supply

Work in progress in Homes increased by £19.1m to £295.6m (2005: £276.5m).
As anticipated, work in progress on *In the City* schemes increased over the last twelve months and accounted for roughly half of this growth. As at June 2006, work in progress on *In the City* schemes totalled £52.8m (2005: £43.8m). The Group's exposure to this element of its business remains carefully managed given the relatively high level of capital employed that is required on such schemes prior to legal completions being achieved. Work in progress on *Signature* and *Debut* developments increased by £10.1m, reflecting continued investment into the level of product available on site. Our investment in showhomes also increased by £3.2m to £14.2m to provide our customers with greater opportunities to view our product, a factor that is particularly important in a more competitive marketplace.

Part exchange does not feature as a central component in the Group's marketing proposition. At the year-end, working capital invested in part exchange properties was £6.6m representing 39 properties (2005: £7.1m and 37 properties).

The level of stock in the Group's Mixed Use & Regeneration activities increased by £3.9m to £10.7m primarily reflecting the commencement of construction on our first Redrow Regeneration project at Barking.

Land creditors of £78.3m remained at a similar level to the position a year earlier (2005: £78.8m).

Return on capital employed for the financial year, measured by using the average of opening and closing capital employed, stood at 22.0% (2005: 28.7%) with return on equity at 23.5% (2005: 30.7%). The exceptionally high levels of return on capital employed and return on equity achieved in the last few years were very much a function of the strong gains in house prices experienced during that period. Nevertheless, return on capital employed remains a very important financial metric for Redrow. Whilst a pre tax measure of financial performance for the business, it nevertheless acts as a simple focus to ensure that our overall post tax returns exceed our estimated weighted average cost of capital of approximately 8.5%. Whilst continued investment into land and work in progress as part of our clearly set out growth strategy may result in an increase in capital employed and gearing, our objective remains to deliver returns which comfortably exceed our cost of capital.

Cash flow

The cash generated from operations was £38.7m despite additional investment of £88.6m into land and work in progress. Net debt increased by £26.6m to £129.8m (2005: £103.2m) and gearing, calculated as the proportion of net debt to shareholders' funds, increased only slightly to 25% (2005: 23%).

Treasury management

It is Redrow's policy to fund itself through an appropriate mix of debt and equity and

growth has historically been financed through a combination of retained profits and bank funding. When appropriate, we will seek to purchase land on deferred terms and in these cases, the vendor may retain a legal charge over the land to which the transaction related or be provided with a guarantee to support future payments.

Treasury management is conducted centrally with the focus being upon liquidity and interest rate risks. Redrow operates wholly within the UK and foreign exchange risk is not material.

Group policy determines that liquidity risk is managed through the review of regularly prepared cash forecasts and the maintenance of sufficient committed banking facilities to meet both anticipated requirements and also to provide a prudent level of headroom. As at June 2006, the Group had committed funding of £300m provided by way of a syndicated loan facility which matures in November 2009. In addition, we have further uncommitted bank facilities totalling £60m which provide overdraft and money market loans which assist in cash management. Day to day cash management is achieved by each company operating its own bank account with bank accounts managed at a Group level under a set off arrangement.

Within the Board's interest rate risk management framework, interest rates and cash flow forecasts are constantly monitored to ensure that the level of hedging remains appropriate. The policy prohibits any trading in derivative financial instruments and requires any hedging activity to use simple risk management products, such as interest rate swaps.

The notional level of debt protected by interest rate swaps as at 30 June 2006 was £62.5m and this compares with the Group's year-end net debt of £129.8m. These swaps

had an average remaining life of 2.1 years at a fixed average interest rate of 4.7% before borrowing margins are added.

The net debt position of the Group during the year is heavily influenced by the timing of land purchases and the profile of legal completions. In the year ended June 2006, average net debt was approximately £167m.

Pensions

The Group believes that pension provision is one of the most important benefits made available to its employees and provides both defined benefit and defined contribution pensions. The defined benefit section of the pension scheme was closed to new members generally in October 2001 following the introduction of a defined contribution section. The defined contribution section represents an excellent employee benefit, with monthly paid members of the defined contribution scheme contributing 5% of pensionable salary whilst Redrow makes age dependent contributions ranging from 5% to 12.5%. Weekly paid members contribute 3% of pensionable salary with a matching contribution of 3% from Redrow.

During the year, the scheme actuary concluded the formal triennial valuation of the defined benefit section as at 1 July 2005. Defined benefit pension schemes generally have been under pressure from a combination of increased member longevity estimates, reduced investment returns and falling long term interest rates. These factors contributed to the triennial actuarial valuation showing a past service deficit of £11.5m at 1 July 2005 compared to £2.2m at the 1 January 2003 valuation.

As a result of the changes in assumptions and following due consideration of how best to address the on-going cost of future service and past service deficit, the decision was taken to increase both employer and member

contribution rates for the defined benefit section from 1 July 2006. Member contribution rates have increased from 6.0% to 10.0% (from 8.0% to 13.3% for Executive members) with the employer contribution rising from 12.0% to 16.0% (from 16.0% to 21.3% in respect of Executive members). Defined benefit section members who preferred not to bear the increased contribution had the opportunity to join either a new Career Average Earnings ("CARE") section or the existing defined contribution section of Redrow's pension scheme instead. In the event, take up for the proposed CARE section was so low that the offer was withdrawn with almost all defined benefit members choosing to remain within this section.

In order to address the past service funding deficit, Redrow agreed to make a special contribution of £11.0m. £3.0m of this special contribution was paid in June 2006 with the balance paid in July 2006. The Company, together with the Trustees, continues to

monitor closely the financial position of the defined benefit section of the pension scheme closely. Further details on the accounting of the defined benefit section of the pension scheme are provided in Note 7e of the accounts. As regards the Group's 2006/07 income statement, no significant adverse movement is anticipated in the Group's annual pension charge in respect of the defined benefit section.

Financial reporting

This is the first year that the Group has presented its full year consolidated financial statements under International Financial Reporting Standards ("IFRS") rather than UK GAAP. All prior year comparatives have been restated and a full reconciliation of the 2005 income statement and balance sheet can be found in Note 24 to the financial statements.

As part of our transition process to IFRS, the Group published its "Transition to International Financial Reporting Standards" document in November 2005 which included

a summary of principal impacts together with restated financial information for the year ended 30 June 2005. The adoption of International Financial Reporting Standards has no impact on the Group's strategy or its ability to deliver shareholder value into the future.



David Arnold

Group Finance Director

11 September 2006

'Redrow's activities are wide ranging and we look to embrace the CSR agenda in each aspect of our business. As a leading developer, Redrow aims to play our part in shaping a better future'

Brian Duckworth

Non-Executive Director
Chairman of Environmental Corporate
Responsibility Committee

Values and objectives

As one of the UK's leading residential and commercial developers, Redrow is committed to the delivery of quality, sustainable communities through our focus on continuous improvement, innovation and good design, sympathetic to both the locality and the environment as a whole.

We have analysed the impact of our business on all stakeholders and have further developed our strategy and supporting policies to enable benchmarking, performance monitoring and progressive target setting and to address fully the social, environmental and ethical risks which we encounter. In doing this, we have been mindful of the need to balance our obligations to our shareholders in terms of financial performance with our responsibilities to other stakeholders and the wider community.

Heathfields, Chester by Redrow Homes North West.

Brackla Junior Football Club, South Wales.

Sustainable development

During the year Redrow developed and adopted a Sustainability Policy. This identifies six key performance areas that will be regularly monitored and reviewed by the Environmental Corporate Responsibility Committee. The Policy can be found on our website: www.redrow.co.uk.

75% of legal completions in the year to June 2006 came from brownfield development sites. Looking to the future, 65% of our owned landbank as at June 2006 is brownfield. This puts Redrow ahead of the Government's 60% target for the proportion of residential development on recycled land.

Redrow focuses on good design and sustainability and we are committed to encouraging our customers to recognise the benefits delivered through sustainable development. Our *Debut* product epitomises this with our sites at Rugby, Buckshaw Village and Castle Vale all securing Building

Buckshaw Village, Charley by Redrow Homes Lancashire, winner of Best New Build Village 2005.

Research Establishment (BRE) EcoHomes 'excellent' ratings. In May 2006, our *Debut* at Rugby site received a BREEAM award from BRE as the highest scoring residential development within the EcoHomes rating system in 2006. It was also pleasing that our mixed use development at Buckshaw Village won the Your New Home Magazine Best New Build Village 2005 Award, and we secured the Major Housebuilder of the Year Award from Building Magazine, primarily as a result of our commitment to innovation and sustainability.

Redrow embraces the principles of lean construction by maximising the value delivered to our customers whilst improving production certainty for our suppliers and accelerating the construction process. We work with our major suppliers and subcontractors to identify areas of our operations where we can improve efficiency and reduce waste. We encourage them to share our objectives in terms of sustainability. Redrow is a member of WWF-UK Forest and

Trade Network and our purchasing policy of sustainable timber products encompasses and promotes processes and working practices which support the use of timber only from well managed and sustainable sources. Where possible, Redrow specifies products and materials that generate the least environmental impact, including timber from managed plantations, aggregates from the closest quarries and non-toxic paints.

Environmental issues

Redrow has developed an Environmental Management Policy which complies with the key elements of ISO 14001 to guide our development teams to build both in compliance with legislation and using best practice in sympathy with the environment. This policy is now being used on an increasing number of sites within the Group. Waste management practices encourage waste segregation and re-cycling where possible and we are now establishing benchmarks to monitor improvement in this important area

Sustainability policy

Covers 6 key performance areas:

- **Land** – maximise land use and regeneration opportunities
- **Design** – focus on design excellence, durability and performance
- **Procurement** – enhance efficiency of procurement through partnering
- **Construction** – achieve high quality construction having regard to potential risks to the environment; maintain high levels of Health and Safety
- **Marketing** – encourage our customers to recognise the benefits delivered through sustainable development
- **Customer Service** – provide high standards of customer service

Collingwood Crescent, Gloucester, a Grade II listed refurbishment by Redrow Homes South West, winner of the Best Major Restoration award from Gloucester City Council Civic Awards.

to both improve our environmental performance and manage our cost base.

The Product Development Team is responsible for driving forward a progressive agenda of innovation, both in terms of design and construction techniques. This includes improving energy efficiency and designing out wastage. We monitor and collate data on the SAP ratings of our new homes. SAP ratings are the Standard Assessment Procedure for the Government's recommended system for energy ratings for dwellings.

Health and Safety

Redrow places great emphasis on the importance of Health and Safety. We recognise that the Health and Safety of all employees and those within the supply chain is essential to our business. Training is provided to employees and subcontractors and we take appropriate actions to comply with Health and Safety best practice and legislation throughout our organisation.

We are a signatory to the Home Builders Federation (HBF) Health and Safety Charter. In 2006, we were proud to receive a Gold award from the Royal Society for the Prevention of Accidents (RoSPA), improving on the silver and bronze awards won in 2005 and 2004 respectively. There were no fatalities on our developments in 2006 (2005: nil), no prosecutions for Health and Safety issues (2005: nil), and the number of injuries reported under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR) reduced significantly to 40 (2005: 72). In terms of Health and Safety Executive action, as in the previous year, there was one prohibition notice issued. No other enforcement notices were issued. Our Annual Health and Safety Report is published on our website www.redrow.co.uk.

Crushing machine for brick and block waste, producing hardcore for use elsewhere on the Redrow development at Stamford Brook, Altrincham.

Robert Sayers, Redrow's Health and Safety Director receiving the Gold Award from the Royal Society for the Prevention of Accidents (RoSPA).

Customers

We believe that delivering high standards of service to our customers is an integral part of our business. In support of our objectives to raise levels of customer satisfaction, Redrow endorses and is committed to the efforts of the HBF in establishing a national survey of new home buyers in partnership with the NHBC. We have committed to a Customer Service Charter which is published on our website. It is based on the HBF model charter and underlines our commitment to our customers, both in the buying process and after they have moved in.

Employees

We aim to make Redrow an employer of choice to attract good quality people and reduce staff turnover by offering all our employees the opportunity to enhance their learning and personal development.

We provide excellent opportunities for employees to develop appropriate skills, both through in-house training at our dedicated training facility and external courses.

In addition, Redrow is currently training around 70 apprentices. As part of the HBF, Redrow is playing its part in the industry skills initiative in conjunction with the Construction Industry Training Board "CITB - Construction Skills" which targets improving the skills within the industry.

Redrow is committed to a culture of openness and to dealing fairly with any serious and

Our Corporate Social Responsibility report can be found at www.redrow.co.uk

genuine concerns about unethical or unsafe behaviour or possible malpractice.

Our Whistleblowing Policy is widely publicised across the Group and provides employees with a confidential means to communicate their concerns.

Redrow has also established an independent Employee Support Service which offers confidential and free advice around the clock on a wide range of personal and family issues.

Investing in communities

Redrow is actively involved in the local communities within which we have developments. This involvement ranges from relationships with local schools to promote safety awareness, through participation in Business in the Community (BITC) projects to charitable donations and sponsorship.

Redrow's belief that we have a wider role to play in helping to provide social improvement within the communities we build has been further supported by the launch this year of the Redrow Foundation. The Foundation, which is an independent trust, is particularly aimed at providing accommodation and

related assistance, including respite care, for children in need, the elderly, the sick or infirm. Redrow donated £218,000 to the Foundation in the year to June 2006 and will donate £50 for every legal completion secured in the future.

Summary

Redrow's activities are wide ranging and we look to embrace the CSR agenda in each aspect of our business. As a leading developer, Redrow aims to play its part in shaping a better future. Much more about our Corporate Social Responsibility policies and practices can be found on our website in the form of a comprehensive report and a CD is also available on request.



Brian Duckworth

Non-Executive Director
Chairman of Environmental Corporate
Responsibility Committee
11 September 2006

⁹ Redrow Assistant Site Managers receiving their accreditation certificates which includes passing NVQ Level 3.

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- 1 Robert Jones, 55**
 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.
- 2 Neil Fitzsimmons, 47**
 Chief Executive
 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. On 1 August 2005, Neil became Chief Executive and now leads the Executive Team.
- 3 Paul Pedley, OBE, 52**
 Executive Deputy Chairman
 Paul Pedley joined Redrow in 1985 and during his 21 year history with the Group has held the positions of Group Finance Director, Group Managing Director and Chief Executive. On 1 August 2005 he was appointed Executive Deputy Chairman.
- 4 David Arnold, 40**
 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.
- 5 Graham Cope, 42**
 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 the corporate sector and private practice, having worked most of his career in the housebuilding industry.
- 6 Barry Harvey, 61**
 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 and joined the Board in June 1998. 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.

- 7 **Colin Lewis, 49**
 Chairman - Western Region
 Colin Lewis joined Redrow in 1991 as Company Solicitor. After promotion to Legal Director he spent seven years as Managing Director of Redrow Homes (SW). He was promoted to Western Regional Chairman in 2000 and joined the Board in June 2001. He is a member of the CBI Council for Wales.
- 8 **John Tutte, 50**
 Chairman - Southern Region
 John Tutte joined Redrow at the start of 2002 having previously held senior positions in the housebuilding industry. He qualified in civil engineering and has accumulated over 20 years experience at all levels in the sector. John joined the Board in July 2002.
- 9 **Jim Martin, 63**
 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 from 1984 until his retirement in 2002. He previously worked for Unilever and Dunlop. He is Chairman of Alexon Group plc and a Director of a number of private companies. He was re-appointed Senior Non-Executive Director in February 2002.
- 10 **Brian Duckworth, 57**
 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 and White Young Green plc. He is a past Chairman of Water UK, the water industry's trade association.
- 11 **Malcolm King, 61**
 Non-Executive
 Chairman of Remuneration Committee
 Malcolm King joined the Redrow Board in January 2004. He was Senior Partner of King Sturge between 1987 and 2005 and International Chairman until 30 April 2006. He is a Fellow of the Royal Institute of Chartered Surveyors and a Master of Business Administration. He is a Director of a number of private limited companies.

The Directors have pleasure in presenting to the members their report and the financial statements for the 12 months ended 30 June 2006.

Principal activities and business review

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

Revenue and profit on ordinary activities before taxation are stated at £770.1m and £120.5m respectively.

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 Operational review and Group Finance Director's review. The key performance indicators of the business are articulated in the Chief Executive's Operational review and the Group Finance Director's 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 external Auditors does not involve consideration of these matters and accordingly, the external Auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

So far as each Director is aware, there is no relevant audit information of which the Group's external Auditors are unaware. Each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Group's external Auditors are aware of that information.

Legislation in the UK 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 11 September 2006, 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
Bridgemere Securities Limited	11,048,952	6.9
Mirabaud Investment Management Limited	8,175,301	5.1
Lloyds TSB Group plc	6,582,030	4.1
Legal & General Group plc	5,488,182	3.4

Directors

The Directors are listed together with their biographical details on pages 26 and 27.

In accordance with Article 84 of the Articles of Association, D L Arnold, B K Harvey, R B Jones 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. The Board is conscious of the need progressively to refresh its membership as regards Non-Executive Directors and acknowledges the particular importance of this once a Non-Executive Director has served more than six years since the date of their first election. This is taken into consideration when considering the individual's effective contribution. As a result of the evaluation process, the Board confirms that D L Arnold and B K Harvey, who stand for re-election as Executive Directors and R B Jones and J Martin, who stand for re-election as Non-Executive Directors, continue to be effective and demonstrate the appropriate commitment to their roles.

The Executive Directors have formal service agreements. Termination of their employment may be effected by twelve months' notice given by either party.

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

The Board acknowledges that if a Non-Executive Director serves more than nine years since first election, then that Non-Executive Director will be subject to annual re-election and that the length of tenure on the Board will be a relevant factor in determining their independence.

R B Jones and J Martin will have served nine years at the date of the 2006 Annual General Meeting and therefore offer themselves for re-election. As noted in the Nomination Committee report on page 34, the Company is in the process of seeking a new independent Non-Executive Director to succeed J Martin. It is intended that J Martin will retire when the appropriate appointment is made.

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 42 to 44.

Charitable and political donations

The Group made no political donations but paid £304,000 in charitable donations during the year being £246,000 in respect of National charities and £58,000 in support of local charities. The Group and its employees are actively involved in fund-raising activities for specific charities.

In March 2006, Redrow established the Redrow Foundation.

This independent charitable trust which is a registered charity seeks to relieve poverty and sickness in the UK, and in particular to provide accommodation and related assistance, including respite care, especially for children, the elderly and those who are sick or infirm. Redrow pays £50 per home legally completed to the Redrow Foundation. The amount paid to the Foundation is included within the charitable donations in respect of National charities disclosed above and amounted to £218,000 in 2005/06.

Employees

Redrow places considerable importance on the provision of training and development; training@redrow, a purpose built in-house training facility at Tamworth, offers over 40 different courses including those which support the Group induction process.

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

The Directors recognise the importance of good communications with employees. Companies within the Group are encouraged to make their employees aware of the financial and economic factors affecting their respective companies and the Group. This is assisted through the medium of regular management meetings and staff publications. Employee share ownership is encouraged through savings related schemes. In the year ended 30 June 2006, 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 subcontractors. It is the policy to agree credit terms prior to commencement of trading. Subject to any items of genuine dispute, it is policy to pay creditors within the terms agreed. At June 2006 the Group had 42 days' purchases outstanding in respect of payments to suppliers and subcontractors (2005: 38 days). The Company had nil days' purchases outstanding in respect of payments to suppliers (2005: nil).

Research and development

The Group has a centralised Product Development Team charged with identifying and evaluating new construction techniques and products. Environmental and sustainability issues play a prominent role in its activities.

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 22 to 25 and also on our website at www.redrow.co.uk.

Auditors

A resolution to re-appoint PricewaterhouseCoopers LLP as external Auditors will be proposed at the Annual General Meeting on 7 November 2006.

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 15,955,472 ordinary shares, an aggregate nominal amount of £1,595,547, which is equivalent to approximately 10% of the Company's issued ordinary share capital at 30 June 2006. 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 83 to 86 set out the Notice of Annual General Meeting and details the resolutions proposed together with explanatory notes.

By order of the Board
G A Cope
Company Secretary
11 September 2006



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 of how it has applied the principles set out in Section 1 of the Combined Code published in July 2003 ("the Code").

The Directors have considered the contents and requirements of the Code and believe that the Company is substantially compliant.

Within this section on Corporate Governance, the Directors have identified those provisions with which it does not comply with the Code and sets out the reasons for not doing so.

The Board of Directors

During the financial year ended June 2006, the Board comprised a Non-Executive Chairman, six Executive Directors and three independent Non-Executive Directors. As at 7 November 2006, J Martin, Senior Non-Executive Director, will have served more than nine years since first election and will therefore cease to be considered independent in accordance with the Code. 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. Non-Executive Directors submit themselves for annual re-election if they have served more than nine years since first election.

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 regularly and frequently, no less than ten times per annum and has a formal schedule of matters specifically reserved for its decision. In the twelve months ended June 2006, the Board met monthly. 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, Executive Deputy Chairman and Group Finance Director, together with the local operational knowledge and experience provided by the 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 Combined Code, at least half the Board, excluding the Chairman should comprise independent Non-Executive Directors.

The Group does not comply with this provision. In the period following the publication of the Combined Code in 2003, the Board has considered a variety of changes that would lead to compliance and continues to keep the matter under review. A reduction in the number of Executive Directors on the Board is not considered appropriate at this point as the Board feels it would have a detrimental effect upon its performance given its current balance of skills, knowledge and experience. As regards the number of independent Non-Executive Directors, the Board is taking steps to recruit a successor to J Martin, as set out in the report of the Nominations Committee.

Non-Executive Directors are able to meet the Chairman separately from the Executive Directors if they so wish.

Independence

The Board considered each of its Non-Executive Directors to be independent during the year, with the Chairman having been independent upon his appointment in July 1997. R B Jones is not considered to be independent both by virtue of his position as Chairman

and because he will have served more than nine years since first election as at the Annual General Meeting in November 2006. In respect of considering the independence of the Non-Executive Directors, 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;
- 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
- with the exception of J Martin, has served on the Board for more than nine years from the date of their first election.

J 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 performance evaluation of the Chairman is undertaken by the Chief Executive and Executive Deputy 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.

The Board undertakes a formal annual review of its own effectiveness. This internal review during the financial year ended June 2006 was conducted through a Board discussion of a paper prepared by the Chairman covering key areas of board performance. As a result of this formal review, some minor changes were adopted in respect of Main Board meetings.

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 also attends meetings with a sample of major Shareholders to ensure that contact is maintained to understand any issues or concerns they may have. Both the Chairman and Senior Non-Executive Director are available to attend meetings at the request of major Shareholders. In addition to the results' presentations, the Group publishes a trading update shortly after the end of June and December.

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.

Board and Committee composition and attendance

The following table sets out the number of meetings held in the year ended 30 June 2006 for the Board and its Committees together with the attendance record of each Director:

	Board	Audit Committee	Remuneration Committee	Nomination Committee	Environmental Corporate Responsibility Committee
Total number of meetings in 2005/06	12	4	4	2	2
R B Jones	10/12			2/2	1/2
N Fitzsimmons	12/12				2/2
P L Pedley	11/12				
D L Arnold	12/12				
B K Harvey	11/12				
C E Lewis	12/12				
J F Tutte	11/12				
J Martin	10/12	4/4	3/4	1/2	
B Duckworth	11/12	4/4	4/4		2/2
M J G King	10/12	3/4	3/4	2/2	

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 2006:

		Audit Committee	Remuneration Committee	Nomination Committee	Environmental Corporate Responsibility Committee
R B Jones	Non-Executive Chairman			C	M
N Fitzsimmons	Chief Executive				M
J Martin	Senior Non-Executive Director	C	M	M	
B Duckworth	Non-Executive Director	M	M		C
M J G 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; all Directors have access to his advice and services. The appointment and removal of the Company Secretary is a matter for the Board as a whole. 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.

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.

In accordance with the Board's desire to refresh its membership on a regular basis and with the current term of office of the Senior Non-Executive Director, J Martin, due to exceed nine years after the next AGM in November 2006, the Nomination Committee has approved the appointment of a leading firm of headhunters to identify a field of candidates for the Nomination Committee to consider. It has been agreed that J Martin will retire once an appropriate appointment is made.

Audit Committee report

The Audit Committee's principal responsibilities lie in reviewing the Group's financial reporting, overseeing the appointment and work of the external Auditors and for reviewing Redrow's internal control processes. The terms of reference of the Committee are kept under regular review and are published on the Group's website.

The Audit Committee is chaired by J Martin. Jim is a Fellow of the Association of Chartered Certified Accountants, is the Non-Executive Chairman of another FTSE listed company and is involved with a private company as Chairman where close monitoring of financial issues is expected by shareholders. The other members of the Committee are B Duckworth and M J G King, both independent Non-Executive Directors. Brian is a member of the Association of Chartered Certified Accountants and has previously been Director of Finance at Severn Trent Water Limited. The Board believes that as a result of Jim's and Brian's experience, the Committee has the appropriate level of expertise to fulfil its terms of reference.

The Committee met on four occasions during the financial year ended June 2006. The external Auditors attended each meeting and the

Committee regularly takes the opportunity to meet them without Executive Directors present.

The Committee receives regular updates and presentations on changes to accounting standards and best practice and individual members are encouraged to attend external seminars and courses on areas relevant to their membership of the Committee.

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

1. Review of the interim and full year financial results including the Annual Report and Accounts;
2. Results of the 2005 external audit, the 2006 external audit plan and associated fees;
3. Review of independence and objectivity of external Auditors;
4. Implementation of International Financial Reporting Standards;
5. Internal audit plan, the effectiveness of the function and the level of appropriate resources required;
6. Review of risk assessments;
7. Review of whistleblowing policy; and
8. Review of Audit Committee effectiveness.

The Company has a whistleblowing policy which is publicised around the Group under which employees may raise concerns in confidence. The Audit Committee receives reports on all occasions when such issues are raised under this policy.

Audit independence

PricewaterhouseCoopers LLP ("PwC") were appointed Auditors in 2003 having succeeded PricewaterhouseCoopers who were appointed in 1987. The current audit partner was first appointed in respect of the financial year ended June 2005.

The Audit Committee has an approved policy in respect of the work of the external Auditors. The intention of this policy is to ensure that the Auditor's objectivity and independence is maintained by ensuring both that the nature of any non-audit work undertaken or level of fees paid does not compromise the Auditors' position. Appointments in respect of non-audit work require the prior approval of the Audit Committee.

The main non-audit work undertaken in the financial year ended June 2006 related to advice provided to the Company by PwC in

their capacity as Scheme Actuary of the Redrow pension scheme. In addition, some costs were incurred during the year in respect of advice provided in connection with the Company's review and subsequent implementation of International Financial Reporting Standards.

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, 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. The operating companies hold monthly board meetings which are attended by the Regional Chairmen on a regular basis.

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.

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 statement is designed to provide assurance that Group policies and procedures are being implemented and are being complied with in all material respects. In addition, key functional directors complete a Principal Controls Self Assessment Questionnaire which is reviewed by the Board to assist in improvements in the control framework.

- Defined authorisation levels exist 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 and subsidiary company board meetings. Annual budgets are set and quarterly 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.

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 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.

Redrow places great emphasis on the importance of Health and Safety. It has an in-house Health and Safety department which works closely with the operating companies. Training is provided to employees and subcontractors and we take appropriate actions to comply with Health and Safety best practice and legislation throughout our organisation.

This report has been prepared in accordance with the requirements of Schedule 7A to the Companies Act 1985 and The Listing Rules. As required by the Companies Act 1985, a resolution to approve this report will be put to Shareholders for approval at the Annual General Meeting to be held on 7 November 2006.

Remuneration Committee

The Remuneration Committee is comprised solely of Non-Executive Directors. Members of the Committee and attendance has been set out on page 33.

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).

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

The Committee meets as often as required but at least twice a year. During the course of the financial year ended June 2006, the Committee met on four occasions.

In support of its remuneration policy, the Committee formally undertakes a comprehensive review of the structure of remuneration packages relating to the Directors and Company Secretary 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 them. In the year ended June 2006, the Committee appointed New Bridge Street Consultants LLP to undertake this independent triennial review. This review included comparing the Executives against not only the industry peer group but also a general group comprising over forty companies with similar financial and operational characteristics. Benchmarking and regression techniques were used and the results and recommendations of the review were presented to the Remuneration Committee for consideration in March 2006. In general terms, the research indicated that there was a significant lag on certain aspects of the existing packages which has been addressed with effect from 1 July 2006 through the changes set out within this report.

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 remuneration packages awarded to the Company's Directors are intended to reward Directors for their current achievements whilst also 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 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 quantitative and qualitative 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.

Pension entitlement for an Executive Director accrues 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. In the period up to the commencement of 'A' day on 6 April 2006, certain Executive Directors who were subject to the Inland Revenue pension cap received an additional cash allowance by way of compensation. This additional allowance ceased on 'A' day.

(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 2006, 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 2006, 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.

Following the independent remuneration review, the Remuneration Committee amended the structure of the cash bonus element with effect from 1 July 2006. A maximum cash bonus of 100% of base salary is payable, 60% of which relates to the delivery of profitability, 20% to key business targets covering land, sales, customer service and Health and Safety and 20% to individual objectives. In respect of the profitability target, the amount of the award varies from nil bonus at 90% of target to the maximum bonus at 110% of target. The Chief Executive, Executive Deputy Chairman and Group Finance Director are all targeted on a Group profit target; the Regional Chairmen are targeted on the profitability of their Region. The adjustments to the cash bonus element of the Remuneration package bring the Executive Directors into line with the peer group and are designed to ensure clarity of focus, as well as motivating the individuals concerned to achieve consistently high standards and exceptional results.

(v) Long Term Share Incentive Plan (LTSIP)

The current LTSIP was approved by Shareholders at the Company's AGM on 3 November 2004. For the 2006 annual grant, each Executive Director will receive a grant of nil-cost

options to the value of 100% of his base salary for the financial year ended June 2006.

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 2005/06 preliminary results will be used.

This option grant of 100% is then allocated as to 60% upon achievement of performance conditions ("Performance Conditions") based upon achievement of Return on Capital Employed ("ROCE") and growth in earnings per share ("EPS") and 40% relative to Total Shareholder Return ("TSR"). In respect of the 60% dependent upon achievement of the Performance Conditions, the options will become exercisable on the third anniversary of the date of grant, to the extent that they are satisfied over three consecutive financial years commencing from 1 July in the year of grant.

The independent review also identified that the trigger levels for award were not in line with the benchmarking group and should be adjusted to bring them in line with current market conditions. The Performance Conditions for the 2006 grant (as described last year) and those that will apply to the 2007 grant are set out in the table below:

LTSIP - Performance Conditions

1) Average Return on Capital Employed ("x")		
Award	2006 Grant	2007 Grant
Nil	$x < 20.0\%$	$x < 17.5\%$
10%	$20.0\% \leq x < 22.5\%$	$17.5\% \leq x < 20.0\%$
20%	$22.5\% \leq x \leq 25.0\%$	$20.0\% \leq x \leq 22.5\%$
30%	$x > 25.0\%$	$x > 22.5\%$
2) Compound Annual Growth in Earnings per Share ("y")		
Award	2006 Grant	2007 Grant
Nil	$y < rpi + 4.5\%$	$y < rpi + 3.0\%$
10%	$rpi + 4.5\% \leq y < rpi + 8.5\%$	$rpi + 3.0\% \leq y < rpi + 5.0\%$
20%	$rpi + 8.5\% \leq y \leq rpi + 12.5\%$	$rpi + 5.0\% \leq y \leq rpi + 7.0\%$
30%	$y > rpi + 12.5\%$	$y > rpi + 7.0\%$

Key:

- > greater than
- < less than
- ≤ less than or equal to

The remaining 40% of the shares under option vest on a sliding scale relative to Redrow's TSR against an appropriate comparator group. This group comprises 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.

If the TSR calculation had been performed as at 30 June 2006, the comparator group would have comprised:

Barratt Developments PLC	George Wimpey Plc
Bellway p.l.c.	Persimmon plc
The Berkeley Group Holdings plc	Taylor Woodrow plc
Bovis Homes Group PLC	Wilson Bowden plc
Crest Nicholson PLC	

The performance period for the annual grant runs for the three years commencing 1 July in the year of grant.

Following the independent review, the amended trigger levels that will apply to the 2007 grant as compared with the 2006 grant (as described last year) are as follows:

	2006 Grant	2007 Grant
TSR below median	Nil award	Nil award
TSR at median	8%	10%
TSR better than median	Max. 40% awarded for top TSR generation in comparator group with sliding scale relative to TSR generated	Max. 40% awarded for upper quartile TSR generation with sliding scale relative to TSR generated

The exercise of all options will be subject to the Remuneration Committee considering the overall financial performance of Redrow.

Options granted under the LTSIP are provided through an employee benefit trust and will not result in the issue of new shares.

(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 before expiration of the seven year period provided the performance conditions have been achieved from the date of grant.

Under the Phantom, the following phantom options have been granted to the Directors of the Company 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, Executive Deputy Chairman, does not participate in the Phantom.

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

Remuneration 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.

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 2006:

Name	Contract Date	Notice Period
N Fitzsimmons	16/09/05	12 months
P L Pedley	21/09/05	12 months
D L Arnold	17/09/03	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	08/09/06	07/11/07
B Duckworth	Non-Executive	01/06/05	31/05/08
M J G 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.

In the light of the anticipated retirement over the next twelve months of J Martin, his letter of appointment was renewed on 8 September 2006 for 12 months, subject to three months notice from either the Company or J Martin.

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. The Remuneration Committee decided to revise these guidelines following the recent independent remuneration

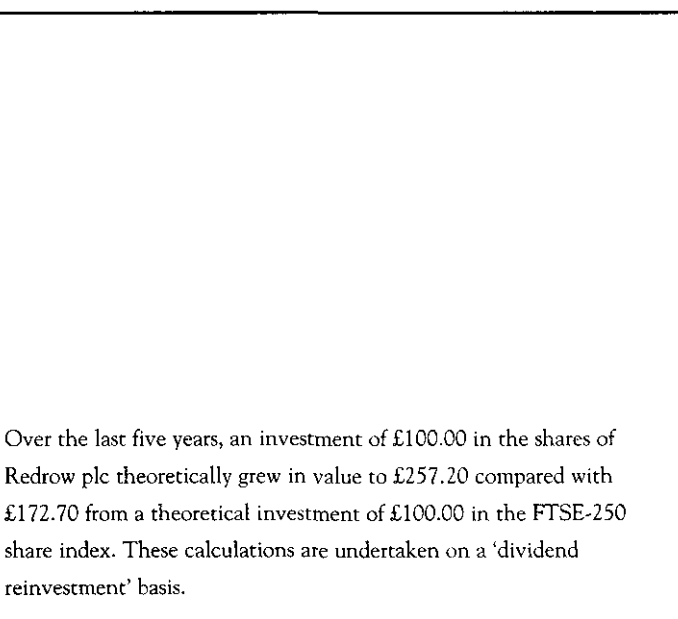
review and to adopt provisional share ownership guidelines based upon a percentage of base salary. Whilst the target achievement date is September 2009, the Remuneration Committee has confirmed to the Executive Directors that the target can be met over a longer period of time from shares vesting to them under long term incentive arrangements provided that save in exceptional circumstances, shares are not sold in the meantime, except so as to meet obligations in respect of tax or national insurance due on such shares.

The provisional revised share ownership guidelines are the market value of shares owned as a percentage of base salary and are set out below:

Name	%
N Fitzsimmons	200
P L Pedley	200
D L Arnold	150
B K Harvey	150
C E Lewis	150
J F Tutte	150

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:



Over the last five years, an investment of £100.00 in the shares of Redrow plc theoretically grew in value to £257.20 compared with £172.70 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 2006 £000	2006 Total £000	2005 Total £000
Executive Directors								
N Fitzsimmons	350	29	379	19	-	95	493	494
P L Pedley	310	-	310	1	13	89	413	576
D L Arnold	230	11	241	14	4	62	321	300
B K Harvey	260	21	281	21	2	63	367	387
C E Lewis	260	19	279	20	-	70	369	372
J F Tutte	260	14	274	2	14	74	364	372
Non-Executive Directors								
R B Jones	138	-	138	-	-	-	138	134
J Martin	35	-	35	-	-	-	35	31
B Duckworth	35	-	35	-	-	-	35	30
M J G King (i)	35	-	35	-	-	-	35	30
	1,913	94	2,007	77	33	453	2,570	2,726

(i) Fees in respect of his services were levied by King Sturge up to 30 April 2006.

Pension Scheme

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

Disclosure required by Schedule 7A to the Companies Act 1985

Director	Accrued benefit at 30 June 2006 £	Additional accrued benefits earned in the year £	Transfer value of accrued benefit at 30 June 2005 £	Transfer value of accrued benefit at 30 June 2006 £	Increase in transfer value less directors' contributions £
N Fitzsimmons	23,409	2,993	135,753	162,647	13,558
P L Pedley	155,243	14,304	1,155,115	1,330,371	141,256
D L Arnold	8,899	2,593	31,005	45,449	3,508
B K Harvey	29,262	3,155	327,521	387,081	48,024
C E Lewis	32,671	3,249	221,184	257,072	24,352
J F Tutte	9,804	2,618	54,033	77,009	11,440

Disclosure required under the Listings Regulations

Director	Accrued benefit at 30 June 2006 £	Additional accrued benefit over year net of inflation £	Transfer value of change in accrued benefit less directors' contributions £
N Fitzsimmons	23,409	2,442	4,018
P L Pedley	155,243	10,499	56,569
D L Arnold	8,899	2,442	1,519
B K Harvey	29,262	2,450	21,112
C E Lewis	32,671	2,455	8,046
J F Tutte	9,804	2,423	7,629

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 base salary used in the calculations as at 30 June 2006 for P L Pedley is a notional salary for pension scheme benefits of £425,000, being his base salary as at 1 August 2005 in his capacity as the then Chief Executive.

The following table sets out those share options held by Directors under SAYE schemes, those which have been awarded in respect of past performance or those which have been granted with performance conditions attached. All options are in respect of shares in Redrow plc.

Interests in share options
Directors' interests in share options

Scheme	Options held at 01/07/05	Options granted in year	Options exercised in year	Options held at 30/06/06	Exercise price £	From	To	Notional market value at 30/06/06*£
N Fitzsimmons								
SAYE 2002	863	-	(863)	-	2.19	Current	31/05/06	-
SAYE 2003	2,733	-	-	2,733	2.70	02/01/07	02/07/07	6,224
SAYE 2005	-	540	-	540	3.46	02/01/09	02/07/09	819
LTSIP 2002	20,294	13,529	(33,823)	-	-	Current	22/09/12	-
LTSIP 2003	17,991	-	-	17,991	-	22/09/06	21/09/13	89,550
LTSIP 2004†	43,438	-	-	43,438	-	20/09/07	19/09/14	-
LTSIP 2005††	-	76,305	-	76,305	-	19/09/08	18/09/15	-
	85,319	90,374	(34,686)	141,007				96,593
P L Pedley								
SAYE 2000	12,593	-	(12,593)	-	1.34	Current	02/07/06	-
LTSIP 2002	39,351	26,234	(65,585)	-	-	Current	22/09/12	-
LTSIP 2003	33,983	-	-	33,983	-	22/09/06	21/09/13	169,150
LTSIP 2004†	68,609	-	-	68,609	-	20/09/07	19/09/14	-
LTSIP 2005††	-	99,784	-	99,784	-	19/09/08	18/09/15	-
	154,536	126,018	(78,178)	202,376				169,150
D L Arnold								
SAYE 2002	4,315	-	(4,315)	-	2.19	Current	31/05/06	-
SAYE 2005	-	2,702	-	2,702	3.46	02/01/09	02/07/09	4,100
LTSIP 2003	8,417	-	-	8,417	-	22/09/06	21/09/13	41,896
LTSIP 2004†	24,849	-	-	24,849	-	20/09/07	19/09/14	-
LTSIP 2005††	-	46,957	-	46,957	-	19/09/08	18/09/15	-
	37,581	49,659	(4,315)	82,925				45,996
B K Harvey								
SAYE 2002	1,500	-	-	1,500	2.19	01/12/07	31/05/08	4,181
LTSIP 2000	26,856	-	(26,856)	-	-	Current	29/06/10	-
LTSIP 2002	20,294	13,529	(33,823)	-	-	Current	22/09/12	-
LTSIP 2003	18,657	-	-	18,657	-	22/09/06	21/09/13	92,865
LTSIP 2004†	36,323	-	-	36,323	-	20/09/07	19/09/14	-
LTSIP 2005††	-	58,696	-	58,696	-	19/09/08	18/09/15	-
	103,630	72,225	(60,679)	115,176				97,046
C E Lewis								
SAYE 2000	7,555	-	(7,555)	-	1.34	Current	02/07/06	-
SAYE 2001	2,006	-	-	2,006	1.65	02/01/07	02/07/07	6,675
SAYE 2004	1,219	-	-	1,219	2.71	02/01/10	02/07/10	2,764
LTSIP 2001	38,794	-	(38,794)	-	-	Current	27/09/11	-
LTSIP 2002	16,696	11,131	(27,827)	-	-	Current	22/09/12	-
LTSIP 2003	17,547	-	-	17,547	-	22/09/06	21/09/13	87,340
LTSIP 2004†	36,323	-	-	36,323	-	20/09/07	19/09/14	-
LTSIP 2005††	-	58,696	-	58,696	-	19/09/08	18/09/15	-
	120,140	69,827	(74,176)	115,791				96,779
J F Tuttle								
SAYE 2003	3,416	-	-	3,416	2.70	02/01/07	02/07/07	7,780
LTSIP 2002	8,535	5,690	(14,225)	-	-	Current	22/09/12	-
LTSIP 2003	17,325	-	-	17,325	-	22/09/06	21/09/13	86,235
LTSIP 2004†	36,323	-	-	36,323	-	20/09/07	19/09/14	-
LTSIP 2005††	-	58,696	-	58,696	-	19/09/08	18/09/15	-
	65,599	64,386	(14,225)	115,760				94,015

† The performance conditions attached to the exercise of share options granted under the LTSIP 2004 are growth in ROCE and EPS. The performance condition end date is 30 June 2007.

†† The performance conditions attached to the exercise of share options granted under the LTSIP 2005 are growth in ROCE, EPS and generation of Total Shareholder Return. The performance condition end date is 30 June 2008.

* The notional market value of the share options are based on a share price of 497.75p as at 30 June 2006 and assumes all options were capable of being exercised at that date. No notional market value has been given for the share options granted under the LTSIP 2004 and LTSIP 2005 as performance conditions are attached to the exercise of these options.

No options lapsed or were waived in the year.

The mid-market price of Redrow plc shares at 30 June 2006 was 497.75p and the range during the year was 382.0p to 577.0p.

On 8 July 2005 C E Lewis exercised options over 38,794 shares under the 2001 LTSIP. The mid-market price on the date of exercise was 418.0p.

On 26 September 2005, N Fitzsimmons exercised options over 33,823 shares issued under the 2002 LTSIP, P L Pedley exercised options over 65,585 shares issued under the 2002 LTSIP, B K Harvey exercised options over 60,679 shares under the 2000 and 2002 LTSIP, C E Lewis exercised options over 27,827 shares issued under the 2002 LTSIP and J F Tutte exercised options over 14,225 shares issued under the 2002 LTSIP. The mid-market price on the date of exercise was 422.0p

On 1 December 2005, N Fitzsimmons and D L Arnold exercised options over 863 and 4,315 shares respectively issued under the 2002 SAYE. The mid-market price on the date of exercise was 484.0p.

On 3 January 2006, C E Lewis exercised options over 7,555 shares issued under the 2000 SAYE. The mid-market price on the date of exercise was 530.0p.

On 6 January 2006, P L Pedley exercised options over 12,593 shares issued under the 2000 SAYE. The mid-market price on the date of exercise was 520.0p.

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 2006.

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

	2006 £000	2005 £000
N Fitzsimmons	145	174
P L Pedley	325	375
D L Arnold	11	-
B K Harvey	256	257
C E Lewis	310	4
J F Tutte	60	-

Directors' contingent interests in share options

In respect of the 2003 LTSIP scheme year, 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 2003 LTSIP is set out in the table below:

No. of Shares	LTSIP 2003
N Fitzsimmons	17,991
P L Pedley	33,983
D L Arnold	8,417
B K Harvey	18,657
C E Lewis	17,547
J F Tutte	17,325

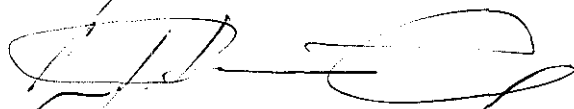
In respect of the 2003 LTSIP, none of the above shares will be awarded.

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:	11 September 2006 No.	30 June 2006 No.	30 June 2005 No.
N Fitzsimmons	143,214	143,214	119,482
P L Pedley	500,000	650,000	725,000
D L Arnold	7,315	7,315	3,000
B K Harvey	100,389	100,389	64,650
C E Lewis	62,021	72,021	26,969
J F Tutte	23,699	23,400	7,215
R B Jones	21,325	20,897	17,859
J Martin	10,000	10,000	10,000
B Duckworth	5,635	5,536	5,307
M J G King	7,704	7,604	7,500

On 11 July 2006, P L Pedley sold 150,000 shares and C E Lewis sold 10,000 shares. The mid-market price on that date was 499.0p.



By order of the Board

M J G King Chairman Remuneration Committee

11 September 2006

Independent Auditors' report to the members of Redrow plc

We have audited the Group and Parent Company financial statements of Redrow plc for the year ended 30 June 2006 which comprise the Consolidated Income Statement, the Balance Sheets, the Cash Flow Statements, the Statements of Recognised Income and Expense and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Remuneration report that is described as having been audited.

Respective responsibilities of directors and auditors

The Directors' responsibilities for preparing the Annual report, the Remuneration report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Remuneration report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). 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 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 part of the Remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We report to you whether in our opinion the information given in the Directors' report is consistent with the financial statements. We also report to you if, in our opinion, 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 other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2003 FRC Combined Code 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 form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and Accounts and consider whether it is consistent with the audited 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 Operational review, the Group Finance Director's review and the Corporate Governance statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

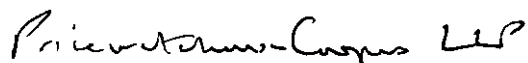
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Remuneration report to be audited. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and 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 part of the Remuneration report to be audited 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 and the part of the Remuneration report to be audited.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 30 June 2006 and of its profit and of its cash flows for the year then ended;
- the Parent Company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the Parent Company's affairs as at 30 June 2006 and of its cash flows for the year then ended;
- the financial statements and the part of the Remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation; and
- the information given in the Directors' report is consistent with the financial statements.



PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Manchester

11 September 2006

CONSOLIDATED INCOME STATEMENT

12 months ended 30 June 2006

	Note	2006 £m	2005 £m
Revenue	1	770.1	780.4
Cost of sales		(592.0)	(583.7)
Gross profit		178.1	196.7
Administrative expenses		(45.3)	(42.7)
Operating profit before financing costs	1,2	132.8	154.0
Financial income	3	0.6	0.8
Financial expenses	3	(12.1)	(13.4)
Net financing costs		(11.5)	(12.6)
Share of loss of joint ventures after interest and taxation	10	(0.8)	(2.4)
Profit before tax		120.5	139.0
Income tax expense	4	(36.4)	(42.5)
Profit for the period	19	84.1	96.5
Earnings per share - basic	6	52.9p	60.7p
- diluted	6	52.7p	60.5p

BALANCE SHEETS

As at 30 June 2006

	Note	The Group		The Company	
		2006 £m	2005 £m	2006 £m	2005 £m
Assets					
Intangible assets	8	0.4	0.2	-	-
Plant, property and equipment	9	23.8	24.1	-	-
Investments	10	2.4	2.6	30.7	30.7
Deferred tax assets	11	5.0	8.1	3.7	2.7
Derivative financial instruments	14	0.2	-	0.2	-
Trade and other receivables	12	0.8	0.5	-	-
Total non-current assets		32.6	35.5	34.6	33.4
Inventories	13	849.6	761.0	-	-
Trade and other receivables	12	25.5	12.2	294.8	247.1
Derivative financial instruments	14	0.2	0.3	0.2	0.3
Cash and cash equivalents	14	24.5	23.7	23.1	19.9
Total current assets		899.8	797.2	318.1	267.3
Total assets		932.4	832.7	352.7	300.7
Equity					
Issued capital	17	16.0	15.9	16.0	15.9
Share premium	18	56.2	54.2	56.1	54.1
Hedge reserve	18	0.3	(0.1)	0.3	(0.1)
Other reserves	18	7.9	7.9	7.0	7.0
Retained earnings	18	433.4	374.6	99.9	84.6
Total equity		513.8	452.5	179.3	161.5
Liabilities					
Bank loans	14	131.5	103.8	131.5	103.8
Trade and other payables	15	41.9	47.2	-	-
Deferred tax liabilities	11	1.6	1.8	0.1	-
Retirement benefit obligations	7	8.6	7.9	8.6	7.9
Long-term provisions	16	4.4	2.1	-	-
Total non-current liabilities		188.0	162.8	140.2	111.7
Bank overdrafts and loans	14	22.8	23.1	15.4	14.0
Trade and other payables	15	185.6	170.1	8.7	6.3
Derivative financial instruments	14	-	0.5	-	0.5
Current income tax liabilities		22.2	23.7	9.1	6.7
Total current liabilities		230.6	217.4	33.2	27.5
Total liabilities		418.6	380.2	173.4	139.2
Total equity and liabilities		932.4	832.7	352.7	300.7

The financial statements were approved by the Board of Directors on 11 September 2006.

Directors

N Fitzsimmons
D L Arnold

12 months ended 30 June 2006

	Note	The Group		The Company	
		2006 £m	2005 £m	2006 £m	2005 £m
Cash flow from operating activities					
Operating profit/(loss) before financing costs		132.8	154.0	(0.9)	(0.8)
Depreciation and amortisation		2.3	2.1	-	-
Adjustment for non-cash items		(7.4)	(3.3)	(2.7)	1.8
Operating profit/(loss) before changes in working capital and provisions		127.7	152.8	(3.6)	1.0
(Increase)/decrease in trade and other receivables		(13.6)	(1.3)	(47.7)	19.3
Increase in inventories		(88.6)	(65.8)	-	-
Increase/(decrease) in trade and other payables		10.2	13.8	2.4	(2.5)
Increase in employee benefits and provisions		3.0	-	0.7	-
Cash generated from operations		38.7	99.5	(48.2)	17.8
Interest paid		(8.9)	(10.6)	(8.6)	(10.3)
Tax paid		(34.7)	(39.8)	-	-
Net cash from operating activities		(4.9)	49.1	(56.8)	7.5
Cash flows from investing activities					
Acquisition of plant, property and equipment		(2.2)	(5.4)	-	-
Proceeds from sale of plant and equipment		-	1.4	-	-
Interest received		0.5	0.8	15.9	19.4
Payments to joint ventures		(0.6)	(3.1)	-	-
Net cash from investing activities		(2.3)	(6.3)	15.9	19.4
Cash flows from financing activities					
Increase in/(repayment of) bank borrowings		27.5	(0.5)	27.5	(0.5)
Issue costs of bank borrowings		-	(0.8)	-	(0.8)
Purchase of own shares		(2.9)	(0.7)	-	-
Dividends (paid)/received		(18.4)	(15.2)	13.1	17.4
Proceeds from issue of share capital		2.1	1.0	2.1	1.0
Net cash from financing activities		8.3	(16.2)	42.7	17.1
Increase in net cash and cash equivalents		1.1	26.6	1.8	44.0
Net cash and cash equivalents at the beginning of the period		0.6	(26.0)	5.9	(38.1)
Net cash and cash equivalents at the end of the period	20	1.7	0.6	7.7	5.9

STATEMENTS OF RECOGNISED
INCOME AND EXPENSE

12 months ended 30 June 2006

	Note	The Group		The Company	
		2006 £m	2005 £m	2006 £m	2005 £m
Effective portion of changes in fair value of interest rate cash flow hedges		0.6	(1.6)	0.6	(1.6)
Deferred tax on change in fair value of interest rate cash flow hedges		(0.2)	0.5	(0.2)	0.5
Actuarial (losses)/gains on defined benefit pension scheme	7e	(2.8)	0.7	(2.8)	0.7
Deferred tax on actuarial (losses)/gains taken directly to equity		0.8	(0.2)	0.8	(0.2)
Net expense recognised directly in equity	19	(1.6)	(0.6)	(1.6)	(0.6)
Profit for the period		84.1	96.5	4.2	5.7
Total recognised income and expense for the period	18	82.5	95.9	2.6	5.1

Both the consolidated and Company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and effective or available for early adoption at 30 June 2006, and in accordance with Companies Act 1985 as it applies to companies reporting under IFRS and Article 4 of the IAS Regulation and in accordance with the historical cost convention as modified by the revaluation of derivative financial instruments.

Comparative information for the year ended 30 June 2005 has been stated on an IFRS basis (see Note 24).

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

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of Redrow plc and all its subsidiaries, together with the Group's share of the results and share of net assets of jointly-controlled entities made up to 30 June each year, i.e. the financial statements of Redrow plc and entities controlled by Redrow plc (and its subsidiaries). Control is achieved where Redrow plc has the power to govern the financial and operating policies of an entity.

a) Subsidiaries

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal. The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair value at the date of acquisition. Any excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets represents

goodwill. Goodwill is subject to an annual impairment review, with any reduction in value being taken straight to the income statement.

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

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

b) Interests in Joint Ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control. Joint venture arrangements which involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly-controlled entities. The Group reports its interests in jointly-controlled entities using the equity method of accounting – the Group's share of profit after tax is shown separately on the face of the income statement and its share of net assets is included within non-current assets in the balance sheet as an investment.

When the Group transacts with its jointly-controlled entities, unrealised profits and losses are eliminated to the extent of the Group's interest in the joint venture, except where unrealised losses provide evidence of impairment of the asset transferred.

Where joint venture arrangements are undertaken directly, the Group's share of jointly-controlled assets and liabilities are recognised in the relevant subsidiary company and classified according to their nature.

Revenue and profit recognition

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

Profit is recognised on legal completion.

Net finance costs

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

Income tax

Income tax comprises current tax and deferred tax.

Current tax is based on taxable profits for the year and any appropriate adjustment to tax payable in respect of prior years. Taxable profit differs from profit before tax as shown in the income statement as it excludes income or expenditure items which are never chargeable or allowable for tax or which are chargeable or deductible in other accounting periods.

Deferred tax is provided in full, using the balance sheet liability method, on temporary differences arising between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the calculation of taxable profit.

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

Deferred tax is credited or charged in the income statement, statement of recognised income and expense, or retained earnings as appropriate.

Intangible assets – computer software

Acquired computer software licences are capitalised on the basis of costs incurred to bring to use the specific software and are amortised over their estimated useful lives of three years.

Plant, property and equipment

Freehold property comprises offices or other buildings held for administrative purposes. Freehold property is shown at cost (or deemed cost at opening balance sheet date under the IFRS 1 transitional rules) less the subsequent depreciation of buildings. Long leasehold property comprises offices. The building element of the lease is accounted for as a finance lease and the land element of the lease is accounted for as an operating lease.

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

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

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

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

Investment in subsidiary companies

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

Leases

Leases in which substantially all of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Rentals payable under operating leases are charged to work in progress or income on a straight line basis over the term of the relevant lease. Leases classified as finance leases are those where substantially all of the risks and rewards of ownership pass to the lessee. Assets held under finance leases are recognised as assets of the Group at their fair value at the date of acquisition or the present value of monthly lease payments if lower. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Inventories

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

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

represents the estimated selling price in the normal course of business less relevant variable marketing, selling and distribution expenses.

Forward land

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

Employee benefits

a) Pension obligation

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

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

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

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

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

b) Bonus plans

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

c) Share-based payment

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

Financial instruments

a) Land creditors

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

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

b) Derivative financial instruments

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

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

c) Long term trade receivables

Long term trade receivables are held at discounted present value.

The amount is then increased to settlement value over the settlement period via financing income.

Dividend distribution

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

Impact of standards and interpretations in issue but not yet effective

The Group has considered the following new standards, amendments and interpretations and does not expect them to have a material effect on the Group:

- Amendment to IAS 21: Net investment in a foreign operation
- IFRS 7: Financial instruments: disclosures
- Amendment to IAS 1 - Capital disclosures
- Amendment to IAS 39 and IFRS 4 - financial guarantee contracts
- Amendments to IAS 39 - Fair value option
- Amendment to IAS 39 - Cash flow hedge accounting of forecast intragroup transactions
- IFRIC 4: Determining whether an arrangement contains a lease
- IFRIC 5: Rights to interests arising from decommissioning, restoration and environment rehabilitation funds
- IFRIC 6: Waste electrical and electronic equipment
- IFRIC 7: Applying IAS 29 for first time
- IFRIC 8: Scope of IFRS 2
- IFRIC 9: Reassessment of embedded derivatives

Note 1. Segmental information

The Group's operations comprise three primary business segments for management purposes:

Homes
Mixed Use & Regeneration
Framing Solutions joint venture

As the Group operates in a single geographic market, the United Kingdom and Jersey, no secondary segment analysis is provided.

a. Income Statement	2006	2005
	£m	£m
Revenue		
Homes	765.5	753.8
Mixed Use & Regeneration	4.6	26.6
	770.1	780.4
Gross profit	177.8	189.3
Administrative expenses	(44.0)	(41.9)
Homes - operating profit	133.8	147.4
Mixed Use & Regeneration - operating profit	0.7	4.5
Framing Solutions - operating loss	(0.8)	(1.2)
	133.7	150.7
Jersey provision	(2.0)	-
	131.7	150.7
Add back share of joint venture operating losses	1.1	3.3
Operating profit before financing costs	132.8	154.0
Net financing costs	(11.5)	(12.6)
	121.3	141.4
Share of loss of joint ventures after interest and taxation	(0.8)	(2.4)
Profit before tax	120.5	139.0
Income tax expense	(36.4)	(42.5)
Profit for the period	84.1	96.5

Mixed Use & Regeneration includes a loss of £0.3m (2005: £2.1m) in respect of The Waterford Park Company Limited, a joint venture company.

b. Balance Sheet	2006	2005
	£m	£m
Segment assets		
Homes	884.9	790.8
Mixed Use & Regeneration	23.0	17.1
Framing Solutions - share of joint venture	1.6	1.6
	909.5	809.5
Elimination of inter-segment items	(1.6)	(0.5)
	907.9	809.0
Cash and cash equivalents	24.5	23.7
Consolidated total assets	932.4	832.7
Segment liabilities		
Homes	254.8	249.3
Mixed Use & Regeneration	11.1	4.5
	265.9	253.8
Elimination of inter-segment items	(1.6)	(0.5)
	264.3	253.3
Borrowings	154.3	126.9
Consolidated total liabilities	418.6	380.2
Total equity	513.8	452.5
c. Other information	2006	2005
	£m	£m
Plant, property & equipment capital expenditure		
Homes	1.8	5.2
Mixed Use & Regeneration	0.1	-
Depreciation and amortisation		
Homes	2.3	2.1
Mixed Use & Regeneration	-	-
Note 2. Operating profit before financing costs	2006	2005
	£m	£m
Operating profit before financing costs is stated		
After crediting:		
Rental income	0.1	0.2
After charging:		
Depreciation	2.2	1.7
Amortisation	0.1	0.4
Plant hire	8.9	8.6
Operating leases	1.6	1.6
- plant and machinery	0.2	0.1
- other	0.2	0.1
Research and development expenditure	0.4	0.4
Auditors' remuneration	0.2	0.1
- audit of Company and its subsidiaries	0.1	-
- non-audit services	0.1	-

Auditors' remuneration included £10,000 (2005: £8,000) in respect of the audit of the Company.

Auditors' remuneration for non-audit services comprised £60,000 (2005: £26,000) in respect of pensions advice from the Scheme Actuary on actuarial and accounts pension scheme disclosure matters and £51,000 in respect of advice on International Financial Reporting Standards (2005: £8,000).

Note 3. Net financing costs	2006	2005
	£m	£m
Interest payable on overdrafts	(0.6)	(1.2)
Interest payable on other bank loans	(8.5)	(9.4)
	(9.1)	(10.6)
Imputed interest on deferred land creditors	(3.0)	(2.5)
Interest charged on pension liabilities	-	(0.3)
	(12.1)	(13.4)
Interest received on pension scheme	0.1	-
Other interest receivable	0.5	0.8
	0.6	0.8
Net financing costs	(11.5)	(12.6)

Interest expense includes £0.2m in respect of the amortisation of the issue costs of bank borrowings (2005: £0.4m).

Note 4. Income tax expense	2006	2005
	£m	£m
Current tax expense		
U.K. Corporation Tax at 30.0% (2005: 30.0%)	33.2	43.6
Over provision in respect of prior year	(0.2)	(0.2)
	33.0	43.4
Deferred tax		
Origination and reversal of temporary differences (see Note 11)	3.4	(0.9)
Total income tax expense in income statement	36.4	42.5
Reconciliation of tax expense for the year		
Profit before tax	120.5	139.0
Tax calculated at UK corporation tax rate of 30% (2005: 30%)	36.2	41.7
Over provision in respect of prior year	(0.2)	(0.2)
Tax effect of share of losses in joint ventures	0.3	1.0
Expenses not deductible for tax purposes net of rolled over capital gains	0.2	0.3
Short term temporary differences	(0.1)	(0.3)
Tax expense for the year	36.4	42.5
Deferred tax recognised directly in equity		
Relating to pension scheme	0.8	(0.2)
Relating to fair value adjustment on interest rate swaps	(0.2)	0.5
Relating to share-based payment	-	(0.1)
Relating to short term temporary differences	(0.1)	-
	0.5	0.2

Note 5. Dividends

	2006 £m	2005 £m
Amounts recognised as distributions to equity holders in the period:		
2005 final dividend paid of 7.2p per share (2004: 6.0p)	11.5	9.5
2006 interim dividend paid of 4.3p per share (2005: 3.6p)	6.9	5.7
	18.4	15.2

The proposed final dividend of £13.9m will be paid on 17 November 2006, subject to approval at the Annual General Meeting on 7 November 2006, and, in accordance with IAS 10, has therefore not been included as a liability in these financial statements.

As at 30 June 2006 no shareholder has waived their rights to dividends.

Note 6. Earnings per ordinary share

The basic earnings per share calculation for the year ended 30 June 2006 is based on the weighted number of shares in issue during the period of 159.1m (2005: 158.9m) excluding those held in trust under the Redrow Long Term Incentive Plan, which are treated as cancelled.

Diluted earnings per share has been calculated after adjusting the weighted average number of shares in issue for all potentially dilutive shares held under unexercised options.

	Earnings £m	2006 No. of shares millions	Per share pence	Earnings £m	2005 No. of shares millions	Per share pence
Basic earnings per share	84.1	159.1	52.9	96.5	158.9	60.7
Effect of share options and SAYE	-	0.4	(0.2)	-	0.5	(0.2)
Diluted earnings per share	84.1	159.5	52.7	96.5	159.4	60.5

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

	2006	2005
	£m	£m
Salaries and wages	45.6	44.0
Social security	5.6	5.4
Pensions	4.1	3.7
	55.3	53.1

b. Number

	2006	2005
	Number	Number
The average number of persons employed by the Group was:		
Directors and administrative staff	563	521
Other personnel	806	847
	1,369	1,368

c. Key Management remuneration

Key management personnel, as defined under IAS 24 (Related Party Disclosures), are identified as the Main Board together with Non-Main Board Regional Chairmen and the Company Secretary.

Summary key management remuneration is as follows:

	2006	2005
	£m	£m
Short-term employee benefits	2.6	2.7
Post-employment benefits	0.2	0.2
Share-based payment	0.5	0.5
	3.3	3.4

Detailed disclosure of Directors' emoluments and interests in shares are included in the Remuneration report on pages 36 to 44.

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

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

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

	2006	2005
Options granted during the year	303,370	308,234
Date of grant	2 January 2006	1 January 2005
Fair value at measurement date	£1.98/£3.14	£1.61/£2.13
Share price	£5.35	£3.84
Exercise price	£3.46	£2.71
Expected volatility	26.95%/72.67%	44.97%/63.73%
Option life (contract length)	3/5 years	3/5 years
Expected dividend	3.00%	2.50%
Risk free interest rate	4.18%	4.50%

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

Long Term Share Incentive Scheme

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

Options granted under the LTSIP on 23 September 2005 were granted to a limited number of Senior Executives. The scheme is discussed in greater detail within the Remuneration report.

The Long Term Share Incentive schemes have been valued using the Black Scholes pricing model, with the exception of the TSR element of the options granted on 23 September 2005 for which a simulation model provided by external consultants has been used.

	2006	2005
Options granted during the year	435,526	680,988
Date of grant	23 September 2005	20 September 2004/ 28 September 2004/ 24 June 2005
Fair value at measurement date	£1.47/£3.84	£3.44/£3.28/£3.70
Share price	£4.20	£3.72/£3.55/£4.00
Exercise price	£0.00	£0.00
Expected volatility	26.95%	44.97%
Option life	3 years	3 years
Expected dividend	3.00%	2.50%
Risk free interest rate	4.18%	4.50%

The fair value at measurement date of the LTSIP granted on 23 September 2005 comprises £1.47 in respect of the TSR element, and £3.84 in respect of non-market based performance conditions.

The expected volatility of the Long Term Share Incentive scheme is based on the historic volatility of the Group's share price over a period equivalent to that of the options' vesting. The expected volatility of the TSR element of the options granted on 23 September 2005 is based on the historic volatility of Redrow and its peer group companies (being the comparator group as defined in the Remuneration report).

Share Options outstanding

The following share options were outstanding at 30 June 2006:

Type of scheme	Date of Grant	Number of shares at 30 June 2006	Number of shares at 30 June 2005	Exercise price
Executive Share Option	1 December 1994	-	5,000	£1.02
Executive Share Option	22 November 1995	-	8,000	£1.26
Long Term Share Incentive	30 June 1998	-	6,455	-
Long Term Share Incentive	30 June 1999	4,772	18,551	-
Long Term Share Incentive	30 June 2000	12,103	43,409	-
Long Term Share Incentive	18 September 2000	-	13,531	-
Long Term Share Incentive	30 June 2001	9,601	21,990	-
Long Term Share Incentive	28 September 2001	4,430	99,727	-
Long Term Share Incentive	30 June 2002	4,416	20,694	-
Long Term Share Incentive	23 September 2002	25,185	274,472	-
Long Term Share Incentive	30 June 2003	8,160	29,039	-
Long Term Share Incentive	22 September 2003	155,509	244,514	-
Long Term Share Incentive	25 June 2004	6,132	20,189	-
Long Term Share Incentive	20 September 2004	355,370	396,401	-
Long Term Share Incentive	28 September 2004	4,430	72,842	-
Long Term Share Incentive	24 June 2005	3,359	12,065	-
Long Term Share Incentive	19 September 2005	557,389	-	-
Long Term Share Incentive	23 September 2005	8,496	-	-
Save As You Earn	1 January 2001	-	219,103	£1.34
Save As You Earn	2 January 2002	93,073	97,812	£1.65
Save As You Earn	1 December 2002	87,450	275,059	£2.19
Save As You Earn	2 January 2004	259,999	290,797	£2.70
Save As You Earn	1 January 2005	266,007	308,234	£2.71
Save As You Earn	2 January 2006	303,370	-	£3.46

The total share options outstanding at 30 June 2006 under the Long Term Share Incentive Plan and the Save As You Earn schemes represent 1.4% of the issued share capital.

Movements in the year

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

	Weighted average exercise price 2006	Number of options 2006	Weighted average exercise price 2005	Number of options 2005
Executive Share Option scheme:				
Outstanding at the beginning of the year	£1.17	13,000	£1.19	45,500
Forfeited during the year	(£1.17)	(13,000)	-	-
Exercised during the year	-	-	(£1.20)	(32,500)
Granted during the year	-	-	-	-
Outstanding at the end of the year	-	-	£1.17	13,000
Exercisable at the end of the year	-	-	£1.17	13,000
Long Term Share Incentive scheme:				
Outstanding at the beginning of the year	-	1,273,879	-	1,185,198
Forfeited during the year	-	(87,915)	-	(170,795)
Exercised during the year	-	(799,015)	-	(562,319)
Granted during the year	-	772,403	-	821,795
Outstanding at the end of the year	-	1,159,352	-	1,273,879
Exercisable at the end of the year	-	99,795	-	405,576
Save As You Earn scheme:				
Outstanding at the beginning of the year	£2.25	1,191,005	£2.02	1,273,678
Forfeited during the year	(£2.53)	(92,120)	(£2.29)	(129,752)
Exercised during the year	(£1.72)	(392,356)	(£1.64)	(261,155)
Granted during the year	£3.46	303,370	£2.71	308,234
Outstanding at the end of the year	£2.79	1,009,899	£2.25	1,191,005
Exercisable at the end of the year	-	-	£1.65	3,960

The weighted average share price at the date of exercise of share options exercised during the year was £4.32.

The options outstanding at 30 June 2006 had a range of exercise price of £0.00 to £3.46 and a weighted average remaining contractual life of 5.6 years.

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

The charge to income in relation to equity-settled share-based payments in the year is £nil (2005: £1.3m).

e. Retirement benefit schemes

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 Pensions Scheme. Actuarial gains and losses relating to the defined benefit scheme are recognised in full through the statement of recognised income and expense in accordance with IAS 19 (Revised).

The total pension charge for the year was £6.9m (2005: £3.0m) £5.7m of which related to the defined benefit section of the scheme (2005: £2.0m), with £2.9m being charged to the income statement (2005: £2.7m) and £2.8m being charged to the statement of recognised income and expense (2005: credit of £0.7m). The charge arising from the defined contribution section was £1.2m (2005: £1.0m).

Triennial valuation

A full independent triennial actuarial valuation of the defined benefit section of the Scheme was undertaken at 1 July 2005. The method used was the Projected Unit Method. The main assumptions were an investment return of 4.89% per annum compound, salary increase of 5.7% per annum compound, and mortality in accordance with the PA92 series of tables. In the opinion of the Actuary, there was a deficit of £11.5m in the defined benefit section of the Scheme, with the value of the Scheme's assets representing 78% of the Scheme's liabilities. As at 1 July 2005 the value of the defined benefit section of the Scheme's assets was £41.5m. The previous triennial valuation was undertaken as at 1 January 2003 and reported a deficit of £2.2m. The pension scheme year end was amended subsequent to 1 January 2003 to coincide with the Group's year end of 30 June.

Defined Benefit Scheme – IAS 19 valuation

Redrow has elected to adopt the December 2004 amendments to IAS 19 as encouraged by the IASB. In particular, Redrow has adopted a policy of recognising all actuarial gains and losses for its defined benefit plan in the period in which they occur, outside the income statement, in the Statement of Recognised Income and Expense.

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

The latest formal actuarial valuation of the defined benefit section was carried out at 1 July 2005. This valuation has been updated to 30 June 2006 by a qualified actuary for the purposes of these accounts.

Company contributions for the next financial year are expected to be approximately £11m. This estimate includes a special contribution of £8m which was paid in July 2006, following a special contribution of £3m which was paid in June 2006.

The major financial assumptions used by the Actuary were:

	30 June 2006	June 2005
Long-term rate of increase in pensionable salaries	6.1%	5.7%
Rate of increase of benefits in payment (lesser of 5% per annum and RPI) ¹	3.0%	2.7%
Rate of increase of benefits in payment (lesser of 2.5% per annum and RPI) ²	2.2%	N/A
Discount rate	5.24%	4.89%
Inflation assumption	3.1%	2.7%
Expected return on assets	6.8%	6.14%

¹ In respect of pensions in excess of the guaranteed minimum pension earned prior to 30 June 2006

² In respect of pensions in excess of the guaranteed minimum pension earned after 30 June 2006. Other pension increases are valued in a consistent manner.

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

The mortality tables used in the actuarial valuation were (making allowance for projected further improvements in mortality):

For male members: PMA92C2020 (adjusted for projected further improvements in mortality)

For female members: PFA92C2020 (adjusted for projected further improvements in mortality)

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

	The Group and Company	
	Value at 30 June 2006 £m	Value at 30 June 2005 £m
Equities (excluding shares held in Redrow plc)	38.6	31.1
Gilts	10.0	8.6
Redrow plc shares	1.2	1.0
Cash	3.3	0.1
Insurance policies	1.5	0.9
Total market value of assets	54.6	41.7
Present value of obligations	(63.2)	(49.6)
Deficit in the Scheme	(8.6)	(7.9)
Net liability	(8.6)	(7.9)

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

	The Group and Company	
	2006 £m	2005 £m
Amounts included within the income statement:		
Periodic operating costs		
Current service cost	(3.0)	(2.4)
Financing costs		
Expected return on assets	2.6	2.2
Interest cost	(2.5)	(2.5)
	(2.9)	(2.7)
Amounts recognised in the Statement of Recognised Income and Expense/(SORIE):		
Actuarial (losses)/gains	(2.8)	0.7
	(5.7)	(2.0)
Cumulative amount of (losses) and gains recognised in the SORIE since 1 July 2004	(2.1)	0.7

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

	The Group and Company	
	2006 £m	2005 £m
At 1 July 2005	(7.9)	(7.9)
Amounts charged against recognised income and expense	(5.7)	(2.0)
Employer contributions paid	5.0	2.0
At 30 June 2006	(8.6)	(7.9)
Changes in the present value of the defined benefit obligation:		
At 1 July 2005	49.6	41.7
Current service cost	3.0	2.4
Past service cost	-	-
Interest cost	2.5	2.5
Member contributions	1.0	1.0
Benefit payments, group life insurance death in service premiums and administration costs	(0.7)	(0.8)
Actuarial losses on liabilities	7.8	2.8
At 30 June 2006	63.2	49.6
Changes in the fair value of the Schemes' assets:		
At 1 July 2005	41.7	33.8
Special contributions	3.0	-
Normal employer contributions	2.0	2.0
Member contributions	1.0	1.0
Expected return on assets	2.6	2.2
Benefit payments, group life insurance death in service premiums and administration costs	(0.7)	(0.8)
Actuarial gain on assets	5.0	3.5
At 30 June 2006	54.6	41.7

The actual return on the plan assets was £7.6m.

A two-year history of experience adjustments is set out below:

	2006	2005
Present value of defined benefit obligation (£m)	63.2	49.6
Present value of Scheme assets (£m)	54.6	41.7
Scheme deficit (£m)	(8.6)	(7.9)
Experience adjustments on Scheme liabilities over the year (£m) excluding change in assumptions	(0.9)	2.5
Percentage of Scheme liabilities	1.4%	5.0%
Experience gain on Scheme assets over the year (£m)	5.0	3.5
Percentage of Scheme assets	9.2%	8.4%

Note 8. Intangible assets

Group	Software £m
Cost	
At 1 July 2004	0.6
Additions	0.2
At 30 June 2005	0.8
Additions	0.3
At 30 June 2006	1.1
Amortisation	
At 1 July 2004	0.2
Charge	0.4
At 30 June 2005	0.6
Charge	0.1
At 30 June 2006	0.7
Net book value	
At 30 June 2006	0.4
At 30 June 2005	0.2

Note 9. Plant, property and equipment

Group	Freehold and long leasehold property £m	Plant & machinery £m	Fixtures & fittings £m	Total £m
Cost or valuation				
At 1 July 2004	19.3	4.7	5.4	29.4
Additions	1.9	2.3	1.0	5.2
Disposals	(1.7)	(0.3)	(0.1)	(2.1)
At 30 June 2005	19.5	6.7	6.3	32.5
Additions	0.3	1.0	0.6	1.9
Disposals	-	(0.2)	(1.9)	(2.1)
At 30 June 2006	19.8	7.5	5.0	32.3
Depreciation				
At 1 July 2004	1.6	1.7	4.1	7.4
Charge	0.4	0.7	0.6	1.7
Disposals	(0.3)	(0.3)	(0.1)	(0.7)
At 30 June 2005	1.7	2.1	4.6	8.4
Charge	0.4	0.8	1.0	2.2
Disposals	-	(0.1)	(2.0)	(2.1)
At 30 June 2006	2.1	2.8	3.6	8.5
Net book value				
At 30 June 2006	17.7	4.7	1.4	23.8
At 30 June 2005	17.8	4.6	1.7	24.1

Long leasehold property with more than 50 years unexpired comprised £1.7m at net book value.

There was £3.8m of capital expenditure contracted at 30 June 2006 (2005: £nil).

Note 10. Investments	The Group		The Company	
	2006 £m	2005 £m	2006 £m	2005 £m
a. Investments				
Joint ventures	2.4	2.6	-	-
Subsidiary companies	-	-	30.7	30.7
	2.4	2.6	30.7	30.7
b. Investments in Joint Ventures				
	2006 £m	2005 £m	2006 £m	2005 £m
Share of joint venture net assets:				
Current assets	4.7	4.5	-	-
Current liabilities	(3.2)	(3.0)	-	-
Non-current liabilities	(0.3)	-	-	-
Net assets	1.2	1.5	-	-
Loans from Group companies	1.2	1.1	-	-
	2.4	2.6	-	-
Share of post-tax losses from joint ventures:				
Revenue	3.5	2.8	-	-
Cost of sales	(3.8)	(5.0)	-	-
Gross profit	(0.3)	(2.2)	-	-
Administrative expenses	(0.8)	(1.1)	-	-
Operating loss	(1.1)	(3.3)	-	-
Finance costs	-	(0.1)	-	-
Loss before tax	(1.1)	(3.4)	-	-
Taxation	0.3	1.0	-	-
	(0.8)	(2.4)	-	-

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 lightweight steel frames for use within the housebuilding industry. As at 30 June 2006, Framing Solutions plc was financed by share capital, its own independent banking facilities and loans from Redrow and Corus.

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

c. Investments in subsidiary undertakings

The Company
£m

At 1 July 2005 and 30 June 2006

30.7

The principal subsidiary companies are detailed in the Corporate information on page 89. 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 2006 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.

In the opinion of the Directors the value of the Company's investment in subsidiary undertakings is not less than the amount at which it is stated in the Balance Sheet.

Note 11. Deferred tax assets and liabilities

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

The Group	Retirement benefit obligations £m	Imputed interest £m	Hedge reserve £m	Share-based payment £m	Short term temporary differences £m	Total £m
Deferred tax assets						
At 1 July 2004	2.6	1.6	-	0.1	3.0	7.3
Credit to income	0.2	0.3	-	0.2	0.2	0.9
(Charge)/credit to equity	(0.2)	-	0.1	(0.1)	0.1	(0.1)
At 1 July 2005	2.6	1.9	0.1	0.2	3.3	8.1
(Charge)/credit to income	(0.6)	0.1	-	-	(3.3)	(3.8)
Credit/(charge) to equity	0.8	-	(0.1)	-	-	0.7
At 30 June 2006	2.8	2.0	-	0.2	-	5.0

	Retirement benefit obligations £m	Imputed interest £m	Hedge reserve £m	Share-based payment £m	Short term temporary differences £m	Total £m
Deferred tax liabilities						
At 1 July 2004	-	-	(0.4)	-	(1.7)	(2.1)
Charge to income	-	-	-	-	-	-
Credit /(charge) to equity	-	-	0.4	-	(0.1)	0.3
At 1 July 2005	-	-	-	-	(1.8)	(1.8)
Credit to income	-	-	-	-	0.4	0.4
Charge to equity	-	-	(0.1)	-	(0.1)	(0.2)
At 30 June 2006	-	-	(0.1)	-	(1.5)	(1.6)

The deferred tax balances in the Company relate to a deferred tax asset arising on retirement benefit obligations of £3.7m (2005: £2.6m) and a deferred tax liability arising on the hedge reserve of £0.1m (2005: deferred tax asset of £0.1m).

Note 12. Trade and other receivables

	The Group		The Company	
	2006 £m	2005 £m	2006 £m	2005 £m
Non-current assets				
Trade receivables	0.6	-	-	-
Other receivables	0.2	0.5	-	-
	0.8	0.5	-	-
Current assets				
Trade receivables	6.7	5.3	-	-
Amounts due from subsidiary companies	-	-	294.7	247.0
Other receivables	16.8	4.9	-	-
Prepayments and accrued income	2.0	2.0	0.1	0.1
	25.5	12.2	294.8	247.1

Note 13. Inventories

	The Group		The Company	
	2006 £m	2005 £m	2006 £m	2005 £m
Land for development	523.0	459.6	-	-
Work in progress	329.8	304.7	-	-
Stock of showhomes	14.2	11.0	-	-
	867.0	775.3	-	-
Payments on account	(17.4)	(14.3)	-	-
	849.6	761.0	-	-

Inventories of £560.0m were recognised as expenses in the year (2005: £561.2m).

Work in progress includes £6.6m (2005: £7.1m) in respect of part exchange properties.

Land held for development in the sum of £38.7m is subject to a charge in respect of deferred consideration (2005: £53.7m).

Note 14. Cash, bank overdrafts, loans and derivative financial instruments

Financial instrument disclosures are set out below. Amounts due in respect of development land are discussed separately within this note:

	The Group		The Company	
	2006 £m	2005 £m	2006 £m	2005 £m
Non-current assets				
Derivative financial instruments - interest rate cash flow hedges	0.2	-	0.2	-
	0.2	-	0.2	-
Current assets				
Derivative financial instruments - interest rate cash flow hedges	0.2	0.3	0.2	0.3
Cash and cash equivalents	24.5	23.7	23.1	19.9
	24.7	24.0	23.3	20.2
Non-current liabilities				
Bank loans	(131.5)	(103.8)	(131.5)	(103.8)
	(131.5)	(103.8)	(131.5)	(103.8)
Current liabilities				
Bank overdrafts	(22.8)	(23.1)	(15.4)	(14.0)
Derivative financial instruments - interest rate cash flow hedges	-	(0.5)	-	(0.5)
	(22.8)	(23.6)	(15.4)	(14.5)
Interest bearing cash, derivatives and borrowings	(129.4)	(103.4)	(123.4)	(98.1)

The Group's financial instruments comprise cash, bank loans and overdrafts, and items such as trade and other receivables/payables and interest rate swaps which arise during the normal course of the Group's business.

The Group Finance Director's review on page 20 provides an overview of the Group's financial and risk management treasury policies.

It remains the Group's policy not to trade in financial instruments, nor does it permit any foreign currency transactions.

a. Interest rate and liquidity risk

At 30 June 2006, the Group had total unsecured bank borrowing facilities of £360.0m, representing £300.0m committed facilities and £60.0m 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. The principal sums, draw down and maturity dates are arranged so as to match those of the borrowings to which the swaps relate.

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

	Effective interest rate %	Total £m	2006			Effective interest rate %	Total £m	2005		
			0-1 year £m	1-2 years £m	2-5 years £m			0-1 year £m	1-2 years £m	2-5 years £m
Bank overdraft	5.5%	(22.8)	(22.8)	-	-	5.7%	(23.1)	(23.1)	-	-
Bank loans - fixed rate	4.7%	(62.5)	-	(37.5)	(25.0)	4.3%	(87.5)	-	(50.0)	(37.5)
Bank loans - floating rate	5.1%	(69.5)	-	-	(69.5)	5.4%	(17.0)	-	-	(17.0)
		(154.8)	(22.8)	(37.5)	(94.5)		(127.6)	(23.1)	(50.0)	(54.5)

b. Maturity of bank loans and borrowings

The maturity of bank loans and borrowings is as below:

The Group

	2006 Bank overdraft £m	2006 Bank loans £m	2005 Bank overdraft £m	2005 Bank loans £m
Due within one year	22.8	-	23.1	-
Due between one and two years	-	-	-	-
Due between two and five years	-	132.0	-	104.5
	22.8	132.0	23.1	104.5

The Company

	2006 Bank overdraft £m	2006 Bank loans £m	2005 Bank overdraft £m	2005 Bank loans £m
Due within one year	15.4	-	14.0	-
Due between one and two years	-	-	-	-
Due between two and five years	-	132.0	-	104.5
	15.4	132.0	14.0	104.5

At the year end, the Group and Company had £168.0m (2005: £195.5m) of undrawn committed bank facilities available.

c. Amounts due in respect of development land

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

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

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

	The Group	
	2006 £m	2005 £m
Due within one year	36.4	31.6
Due between one and two years	18.5	19.4
Due between two and five years	23.4	27.8
	78.3	78.8

d. Credit risk

The Group's credit risk is mainly attributable to its trade receivables. The amounts presented in the balance sheet are stated after adjusting for any doubtful receivables, based on the judgement of the Group's management through using both previous experience and knowledge of the current position of its debtors.

There is no specific concentration of credit risk as exposure is spread over a number of customers.

e. Fair values

At 30 June 2006 there is no material difference between the fair value of financial instruments and their carrying values as shown in the balance sheet.

Note 15. Trade and other payables

	The Group		The Company	
	2006 £m	2005 £m	2006 £m	2005 £m
Non-current liabilities				
Amounts due in respect of development land	41.9	47.2	-	-
	41.9	47.2	-	-
Current liabilities				
Trade payables	110.0	108.2	-	-
Amounts due in respect of development land	36.4	31.6	-	-
Amounts owed to subsidiary companies	-	-	4.8	1.9
Other creditors	8.0	3.6	-	-
Other taxation and social security	2.4	4.3	-	-
Accruals and deferred income	28.8	22.4	3.9	4.4
	185.6	170.1	8.7	6.3

Note 16. Long-term provisions

The Group	Total £m
At 1 July 2005	2.1
Provision made in respect of Jersey during the year	2.0
Other provisions made during the year	1.1
Provisions released during the year	(0.5)
Provisions used during the year	(0.3)
At 30 June 2006	4.4

The Jersey provision relates to an issue on a development in Jersey which was built on behalf of the Group and was construction complete in 1999. It is estimated that the provision will be utilised within two years.

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

Note 17. Share capital

	2006 £m	2005 £m
Authorised 330,000,000 ordinary shares of 10p each (2005: 330,000,000)	33.0	33.0
Allotted, called up and fully paid	16.0	15.9
		Number of ordinary shares of 10p each
Movement in the year was as follows:		
At 1 July 2005		159,162,359
Share options exercised		392,356
At 30 June 2006		159,554,715

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 7d.

Note 18. Share capital, share premium account and reserves

a. The Group	Share capital £m	Share premium account £m	Hedge reserve £m	Other reserves £m	Retained Earnings £m
At 1 July 2004	15.9	53.2	1.0	8.2	292.4
Total recognised income and expense	-	-	(1.1)	-	97.0
Shares issued	-	1.0	-	-	-
Dividends paid	-	-	-	-	(15.2)
Transfer on disposal	-	-	-	(0.3)	0.3
Share-based payment	-	-	-	-	0.2
Credit in respect of LTSIP	-	-	-	-	(0.5)
Contribution to QUEST	-	-	-	-	0.4
At 30 June 2005	15.9	54.2	(0.1)	7.9	374.6
Total recognised income and expense	-	-	0.4	-	82.1
Shares issued	0.1	2.0	-	-	-
Dividends paid	-	-	-	-	(18.4)
Debit in respect of LTSIP	-	-	-	-	(3.6)
Contribution to QUEST	-	-	-	-	(1.3)
At 30 June 2006	16.0	56.2	0.3	7.9	433.4

Hedge reserve

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

Other reserves

Other reserves consists of a £7.0m Capital Redemption reserve (2005: £7.0m), a £0.9m Consolidation Reserve (2005: £0.9m), and a Revaluation Reserve of £0.3m as at 1 July 2004, which was realised in the 12 months ended 30 June 2005 and transferred to retained earnings in that financial year.

Undistributable reserves

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

b. The Company

b. The Company	Share capital £m	Share premium account £m	Hedge reserve £m	Other reserves £m	Retained Earnings £m
At 1 July 2004	15.9	53.1	1.0	7.0	61.0
Total recognised income and expense	-	-	(1.1)	-	6.2
Shares issued	-	1.0	-	-	-
Dividends paid	-	-	-	-	(15.2)
Dividends received from subsidiary companies	-	-	-	-	32.6
At 30 June 2005	15.9	54.1	(0.1)	7.0	84.6
Total recognised income and expense	-	-	0.4	-	2.2
Shares issued	0.1	2.0	-	-	-
Dividends paid	-	-	-	-	(18.4)
Dividends received from subsidiary companies	-	-	-	-	31.5
At 30 June 2006	16.0	56.1	0.3	7.0	99.9

Other reserves

Other reserves consists of a £7.0m Capital Redemption reserve (2005: £7.0m).

Undistributable reserves

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

Note 19. Reconciliation of movements in equity

The Group

	2006 £m	2005 £m
Profit for the period	84.1	96.5
Dividends on equity shares	(18.4)	(15.2)
Other recognised income and expense relating to the period (net)	(1.6)	(0.6)
Shares issued	2.1	1.0
Movement in LTSIP/SAYE	(4.9)	0.1
Net increase in equity	61.3	81.8
Opening equity	452.5	370.7
Closing equity	513.8	452.5

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:

	2006 £m	2005 £m
Holding company	4.2	5.7
Subsidiary companies	79.9	90.8
	84.1	96.5

Note 20. Movement in net (debt)/cash

The Group	At 1 July 2005 £m	Cash flow £m	Other movements £m	Net movement in the year £m	At 30 June 2006 £m
Cash and cash equivalents	23.7	8.0	(7.2)	0.8	24.5
Bank overdrafts	(23.1)	0.3	-	0.3	(22.8)
Bank loans	0.6	8.3	(7.2)	1.1	1.7
Issue costs	(104.5)	(27.5)	-	(27.5)	(132.0)
	0.7	-	(0.2)	(0.2)	0.5
	(103.2)	(19.2)	(7.4)	(26.6)	(129.8)
The Company	At 1 July 2005 £m	Cash flow £m	Other movements £m	Net movement in the year £m	At 30 June 2006 £m
Cash and cash equivalents	19.9	5.7	(2.5)	3.2	23.1
Bank overdrafts	(14.0)	(1.4)	-	(1.4)	(15.4)
Bank loans	5.9	4.3	(2.5)	1.8	7.7
Issue costs	(104.5)	(27.5)	-	(27.5)	(132.0)
	0.7	-	(0.2)	(0.2)	0.5
	(97.9)	(23.2)	(2.7)	(25.9)	(123.8)

Other movements comprise amortisation of issue costs, imputed interest on deferred land creditors, actuarial losses on the pension scheme and the movement in fair value of interest rate cash flow hedges.

Note 21. Operating lease total commitments

	2006 Land and buildings £m	2006 Other £m	2005 Land and buildings £m	2005 Other £m
Expiring in under one year	-	0.2	-	0.2
Expiring in one to two years	-	0.8	0.1	0.6
Expiring in two to five years	0.4	0.7	0.3	1.3
Expiring after five years	-	-	0.2	-

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 2006, under the terms of the Redrow Long Term Share Incentive Plan further incentive shares up to a value of £0.8m may be made available to Directors and senior executives subject to the relevant performance conditions.

Note 23. Related party transactions

Within the definition of IAS 24 (Related Party Disclosures), the Board and key management personnel are related parties. Detailed disclosure of the remuneration of the Board is given in the Remuneration report on pages 36 to 44. A summary of transactions with key management personnel is provided in Note 7c. There have been no other material transactions with key management personnel.

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

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

The amount outstanding from subsidiary undertakings at 30 June 2006 was £294.7m (2005: £247.0m). The amount owed to subsidiary undertakings at 30 June 2006 was £4.8m (2005: £1.9m).

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

The Group undertook transactions with its Framing Solutions joint venture in the normal course of business during the year. This consisted of the purchase of lightweight steel frames totalling £6.3m (2005: £4.3m). At the end of the year, the balance owed to Framing Solutions by the Group was £1.9m (2005: £1.0m).

The Group did not undertake any transactions with The Waterford Company Limited joint venture.

The Group's loans to its joint ventures are disclosed in Note 10.

Note 24. Effect of transition to IFRS

Transition to IFRS

In preparation for the adoption of IFRS, Redrow plc published its 'Transition to International Financial Reporting Standards' document in November 2005. This included a summary of principal impacts and restated financial information for the year ended 30 June 2005 which have been reproduced here.

Transitional arrangements

IFRS 1 'First-time Adoption of International Financial Reporting Standards' is the standard outlining the rules for first-time adoption of IFRS.

IFRS 1 requires a company to adopt accounting policies which comply with the IFRSs effective at the closing balance sheet date for its first consolidated financial statements prepared under IFRS. The adopted accounting policies are then applied retrospectively in order to determine its opening balance sheet under IFRS at the date of transition. IFRS 1 does however permit a number of exemptions from full retrospective application to assist the transition to IFRS. Redrow plc has applied the following exemptions:

IAS 19: Employee benefits

Redrow plc has taken advantage of the option to recognise all cumulative actuarial gains and losses arising in its Pension Scheme in full in its balance sheet at 1 July 2004, the effective date of transition to IFRS.

From 1 July 2004, as permitted under the revised IAS 19 issued in December 2004, actuarial gains and losses have been recognised in full in the period in which they were incurred in reserves via the statement of recognised income and expense.

IFRS 2: Share-based payment

Redrow plc has taken advantage of the transitional provisions allowing the application of IFRS 2 to grants of share options that took place after 7 November 2002 which had not vested at the effective date of transition to IFRS.

IFRS 3: Business combinations

Redrow plc has applied IFRS 3 prospectively from 1 July 2004, the effective date of transition to IFRS.

Revaluation as deemed cost

At 1 July 2004, as permitted under UK GAAP FRS 15 transitional arrangements, Redrow plc carried a freehold property at its revaluation less accumulated depreciation. This revaluation was undertaken at 30 June 1989 on an open market basis. An IFRS 1 exemption allows the use of this fair value as deemed cost at the effective date of transition to IFRS and Redrow plc has adopted this treatment. The balance in the revaluation reserve was realised in the year ended 30 June 2005 and transferred to retained earnings.

IAS 39: Financial instruments: recognition and measurement

Redrow plc has adopted IAS 39 with effect from 1 July 2004, its effective date of transition to IFRS.

Summary of the principal impacts

The principal impacts in respect of the transition to IFRS upon the previously reported UK GAAP financial statements of Redrow plc are:

1. IAS 19 : Employee Benefits
2. IAS 2 : Inventories
3. IAS 39 : Financial Instruments
4. IFRS 2 : Share-based Payment
5. IAS 10 : Events after the Balance Sheet Date
6. IAS 38 : Intangible Assets
7. IAS 31 : Interests in Joint Ventures

1. IAS 19: Employee benefits

Defined contribution pension schemes are unaffected by IAS 19.

In respect of its defined benefit pension scheme, Redrow plc is required under IAS 19 to recognise the net surplus or deficit in the scheme on its balance sheet. IAS 19 also requires that a provision be made in respect of holiday pay due to employees, where the holiday year end does not coincide with that of the financial year end.

The impact on the opening balance sheet at 1 July 2004 is to recognise a net deficit of £6.1m representing a gross deficit of £7.9m in respect of the pension deficit, a £0.8m provision in respect of holiday pay and a deferred tax asset of £2.6m.

The principal components of the defined benefit pensions charge to the consolidated income statement are the current service cost and finance costs. Current service cost has been included in administrative expenses to the extent that it exceeds the UK GAAP charge, resulting in an increase in administrative expenses of £0.4m and an increase in finance costs of £0.3m in the year ended 30 June 2005.

Actuarial gains of £0.7m in the year ended 30 June 2005 have been taken directly to reserves as permitted under IAS 19 (December 2004 amendment) via the statement of recognised income and expense.

At 30 June 2005, the restated IFRS balance sheet recognised a net deficit of £6.1m with both pension deficit and holiday pay provisions unchanged.

2. IAS 2: Inventories

In accordance with IAS 2, all marketing and selling costs are excluded from the cost of inventories and are expensed as incurred.

Under UK GAAP, Redrow plc included certain direct selling costs in arriving at the cost of work in progress, as permitted under SSAP 9. The impact of this change on the opening balance sheet at 1 July 2004 is to reduce work in progress by £9.6m and create a deferred tax asset of £2.9m. The overall impact on net assets is a reduction of £6.7m.

The adoption of IFRS will generally lead to earlier recognition of direct selling costs than was the case under UK GAAP. This arises because previously, direct selling costs were reflected within the reported gross profit of each home as it legally completed. Since selling costs are usually borne prior to legal completion, recognition of these costs as incurred will be reflected earlier.

There was a £0.9m impact on the reported cost of sales for the year ended 30 June 2005 as a result of the adoption of IAS 2. At 30 June 2005, the restated IFRS balance sheet showed a £10.5m reduction in work in progress partly offset by the creation of a £3.2m deferred tax asset resulting in a £7.3m reduction in net assets.

3. IAS 39: Financial instruments: recognition and measurement

i) Land creditors

In accordance with IAS 39, the deferred payments arising from land creditors are to be held at discounted present value, hence recognising a financing element on the deferred settlement terms. The liability is then increased to the settlement value over the period of the deferral. The value of the discount is expensed through net financing costs in the consolidated income statement.

The impact on the opening balance sheet at 1 July 2004 was to reduce land creditors by £3.2m, reduce the land balance by £8.4m, recognise a deferred tax asset of £1.6m and reduce opening reserves by £3.6m.

The IFRS treatment of land creditors has an impact on the timing of the costs charged to the income statement. This will generally result in the finance element in respect of the land creditor being expensed in advance of the compensating improvement in gross profit as a result of legal completions generally continuing beyond the settlement date of the land creditor for the majority of projects.

Cost of sales for the year ended 30 June 2005 reduced by £1.2m with net financing costs increasing by £2.5m as a result of the timing of the value of discount being expensed.

At 30 June 2005, the revised IFRS balance sheet had a reduction in land creditors of £5.5m, a decrease in the value of land held in stock of £12.0m, a deferred tax asset of £1.9m and a reduction in reserves of £4.6m.

ii) Financial instruments and trade receivables

Under IAS 39, the fair value of the Group's cashflow hedging arrangements must be recognised in the balance sheet. Any gains or losses on the fair value of the cashflow hedging arrangements are taken to reserves until they are realised. Long term trade debtors are to be held at discounted present value, hence recognising a financing element. The debtor is then increased to settlement value over the period of the deferred terms.

The impact on the opening balance sheet at 1 July 2004 was to recognise a £1.4m asset in respect of derivative financial instruments, a £0.4m deferred tax liability and a £1.0m hedge reserve. Trade receivables reduce by £0.2m with an associated £0.1m deferred tax asset and a £0.1m reduction in retained earnings.

At 30 June 2005, the IFRS revised balance sheet impact was a £0.2m reduction in net assets following a net £1.1m charge direct to the hedge reserve via the statement of recognised income and expense.

4. IFRS 2: Share-based payment

In accordance with IFRS 2, a charge has been recognised for share options granted on or after 7 November 2002 that had not vested at the date of transition to IFRS. The charge is spread over the vesting period, with adjustments made to reflect the actual and expected number of shares vesting at the year end. The Black Scholes option pricing model has been used to determine the extent of the charge.

The impact on the opening balance sheet as at 1 July 2004 was a £0.1m increase in deferred tax assets.

The impact on the income statement for the year ended 30 June 2005 was an increase in administrative expenses of £0.2m.

At 30 June 2005, the IFRS revised balance sheet impact was a £0.2m increase in deferred tax assets.

5. IAS 10: Events after the balance sheet date

Under IAS 10, the declaration of a dividend after the reporting date is no longer an adjusting post balance sheet event as it was under UK GAAP. Accordingly, the final dividends for the years ended 30 June 2004 and 30 June 2005 do not constitute a liability at the respective balance sheet dates under IAS 10.

The impact on the opening balance sheet as at 1 July 2004 was a £9.5m increase in net assets.

The impact on the balance sheet at 30 June 2005 was an increase in net assets of £11.5m.

6. IAS 38: Intangible assets

Under IAS 38, eligible software development costs that were previously held within tangible fixed assets under UK GAAP must now be classified as intangible fixed assets. As this is a balance sheet re-categorisation, with no change in depreciation rates, there is no impact on the income statement.

The impact on the opening balance sheet as at 1 July 2004 was a reduction of £0.4m of plant, property and equipment with a corresponding £0.4m increase in intangible assets.

The impact on the balance sheet as at 30 June 2005 was a reduction of £0.2m of plant, property and equipment with a corresponding increase of £0.2m in intangible assets.

7. IAS 31: Interests in Joint Ventures

Redrow accounts for jointly-controlled entities using the equity method of accounting. Under IAS 31, such an approach requires the results of jointly-controlled entities to be reflected as a separate item on a post tax basis and disclosed immediately before profit before tax. This contrasts with UK GAAP, where the results are disclosed at an operating profit level with the jointly-controlled entities' financing costs and tax charges included within the corresponding headings for the consolidated income statement.

Effect of IFRS on the income statement for the 12 months to June 2005

Summary of principal impacts paragraph	Previously reported under UK GAAP £m	IAS 19 Employee benefits 1 £m	IAS 2 Inventories 2 £m	IAS 39 Land creditors 3i £m	IFRS 2 Share-based payment 4 £m	Effect of transition to IFRS £m	Restated under IFRS £m
Continuing operations							
Revenue	780.4	-	-	-	-	-	780.4
Cost of sales	(584.0)	-	(0.9)	1.2	-	0.3	(583.7)
Gross profit	196.4	-	(0.9)	1.2	-	0.3	196.7
Administrative expenses	(42.1)	(0.4)	-	-	(0.2)	(0.6)	(42.7)
Operating profit before financing costs	154.3	(0.4)	(0.9)	1.2	(0.2)	(0.3)	154.0
Financial income	0.8	-	-	-	-	-	0.8
Financial expenses	(10.6)	(0.3)	-	(2.5)	-	(2.8)	(13.4)
Net financing costs	(9.8)	(0.3)	-	(2.5)	-	(2.8)	(12.6)
Share of loss of joint ventures after interest and taxation	(2.4)	-	-	-	-	-	(2.4)
Profit before tax	142.1	(0.7)	(0.9)	(1.3)	(0.2)	(3.1)	139.0
Income tax expense	(43.4)	0.2	0.3	0.3	0.1	0.9	(42.5)
Profit for the period	98.7	(0.5)	(0.6)	(1.0)	(0.1)	(2.2)	96.5
Earnings per share - basic	62.1p						60.7p
- diluted	61.9p						60.5p

Effect of IFRS on the opening balance sheet as at 1 July 2004

Summary of principal impacts paragraph	Previously reported under UK GAAP	IAS 19 Employee benefits	IAS 2 Inventories	IAS 39 Land creditors	IAS 39 Financial instruments	IFRS 2 Share-based payment	IAS 10 Dividend	IAS 38 Intangible assets	Effect of transition to IFRS	Restated under IFRS
	£m	1 £m	2 £m	3i £m	3ii £m	4 £m	5 £m	6 £m	£m	£m
Assets										
Intangible assets	-	-	-	-	-	-	-	0.4	0.4	0.4
Plant, property and equipment	22.5	-	-	-	-	-	-	(0.4)	(0.4)	22.1
Investments	1.8	-	-	-	-	-	-	-	-	1.8
Deferred tax assets	-	2.6	2.9	1.6	0.1	0.1	-	-	7.3	7.3
Derivative financial instruments	-	-	-	-	0.5	-	-	-	0.5	0.5
Trade and other receivables	0.5	-	-	-	(0.2)	-	-	-	(0.2)	0.3
Total non-current assets	24.8	2.6	2.9	1.6	0.4	0.1	-	-	7.6	32.4
Inventories	713.4	-	(9.6)	(8.4)	-	-	-	-	(18.0)	695.4
Trade and other receivables	11.1	-	-	-	-	-	-	-	-	11.1
Derivative financial instruments	-	-	-	-	0.9	-	-	-	0.9	0.9
Cash and cash equivalents	1.2	-	-	-	-	-	-	-	-	1.2
Total current assets	725.7	-	(9.6)	(8.4)	0.9	-	-	-	(17.1)	708.6
Total assets	750.5	2.6	(6.7)	(6.8)	1.3	0.1	-	-	(9.5)	741.0
Equity										
Issued capital	15.9	-	-	-	-	-	-	-	-	15.9
Share premium	53.2	-	-	-	-	-	-	-	-	53.2
Hedge reserve	-	-	-	-	1.0	-	-	-	1.0	1.0
Other reserves	8.2	-	-	-	-	-	-	-	-	8.2
Retained earnings	299.3	(6.1)	(6.7)	(3.6)	(0.1)	0.1	9.5	-	(6.9)	292.4
Total equity	376.6	(6.1)	(6.7)	(3.6)	0.9	0.1	9.5	-	(5.9)	370.7
Liabilities										
Bank overdrafts and loans	104.7	-	-	-	-	-	-	-	-	104.7
Trade and other payables	29.7	-	-	(2.6)	-	-	-	-	(2.6)	27.1
Deferred tax liabilities	1.7	-	-	-	0.4	-	-	-	0.4	2.1
Retirement benefit obligations	-	7.9	-	-	-	-	-	-	7.9	7.9
Long-term provisions	2.2	-	-	-	-	-	-	-	-	2.2
Total non-current liabilities	138.3	7.9	-	(2.6)	0.4	-	-	-	5.7	144.0
Bank overdrafts and loans	27.2	-	-	-	-	-	-	-	-	27.2
Trade and other payables	187.2	0.8	-	(0.6)	-	-	(9.5)	-	(9.3)	177.9
Tax liabilities	21.2	-	-	-	-	-	-	-	-	21.2
Total current liabilities	235.6	0.8	-	(0.6)	-	-	(9.5)	-	(9.3)	226.3
Total liabilities	373.9	8.7	-	(3.2)	0.4	-	(9.5)	-	(3.6)	370.3
Total equity and liabilities	750.5	2.6	(6.7)	(6.8)	1.3	0.1	-	-	(9.5)	741.0

Effect of IFRS on the balance sheet as at 30 June 2005

Summary of principal impacts paragraph	Previously reported under UK GAAP £m	IAS 19 Employee benefits 1 £m	IAS 2 Inventories 2 £m	IAS 39 Land creditors 3i £m	IAS 39 Financial instruments 3ii £m	IFRS 2 Share-based payment 4 £m	IAS 10 Dividend 5 £m	IAS 38 Intangible assets 6 £m	Effect of transition to IFRS £m	Restated under IFRS £m
Assets										
Intangible assets	-	-	-	-	-	-	-	0.2	0.2	0.2
Plant, property and equipment	24.3	-	-	-	-	-	-	(0.2)	(0.2)	24.1
Investments	2.6	-	-	-	-	-	-	-	-	2.6
Deferred tax assets	-	2.6	3.2	1.9	0.2	0.2	-	-	8.1	8.1
Trade and other receivables	0.7	-	-	-	(0.2)	-	-	-	(0.2)	0.5
Total non-current assets	27.6	2.6	3.2	1.9	-	0.2	-	-	7.9	35.5
Inventories	783.5	-	(10.5)	(12.0)	-	-	-	-	(22.5)	761.0
Trade and other receivables	12.2	-	-	-	-	-	-	-	-	12.2
Derivative financial instruments	-	-	-	-	0.3	-	-	-	0.3	0.3
Cash and cash equivalents	23.7	-	-	-	-	-	-	-	-	23.7
Total current assets	819.4	-	(10.5)	(12.0)	0.3	-	-	-	(22.2)	797.2
Total assets	847.0	2.6	(7.3)	(10.1)	0.3	0.2	-	-	(14.3)	832.7
Equity										
Issued capital	15.9	-	-	-	-	-	-	-	-	15.9
Share premium	54.2	-	-	-	-	-	-	-	-	54.2
Hedge reserve	-	-	-	-	(0.1)	-	-	-	(0.1)	(0.1)
Other reserves	7.9	-	-	-	-	-	-	-	-	7.9
Retained earnings	381.0	(6.1)	(7.3)	(4.6)	(0.1)	0.2	11.5	-	(6.4)	374.6
Total equity	459.0	(6.1)	(7.3)	(4.6)	(0.2)	0.2	11.5	-	(6.5)	452.5
Liabilities										
Bank overdrafts and loans	103.8	-	-	-	-	-	-	-	-	103.8
Trade and other payables	52.4	-	-	(5.2)	-	-	-	-	(5.2)	47.2
Deferred tax liabilities	1.8	-	-	-	-	-	-	-	-	1.8
Retirement benefit obligations	-	7.9	-	-	-	-	-	-	7.9	7.9
Long-term provisions	2.1	-	-	-	-	-	-	-	-	2.1
Total non-current liabilities	160.1	7.9	-	(5.2)	-	-	-	-	2.7	162.8
Bank overdrafts and loans	23.1	-	-	-	-	-	-	-	-	23.1
Trade and other payables	181.1	0.8	-	(0.3)	-	-	(11.5)	-	(11.0)	170.1
Derivative financial instruments	-	-	-	-	0.5	-	-	-	0.5	0.5
Tax liabilities	23.7	-	-	-	-	-	-	-	-	23.7
Total current liabilities	227.9	0.8	-	(0.3)	0.5	-	(11.5)	-	(10.5)	217.4
Total liabilities	388.0	8.7	-	(5.5)	0.5	-	(11.5)	-	(7.8)	380.2
Total equity and liabilities	847.0	2.6	(7.3)	(10.1)	0.3	0.2	-	-	(14.3)	832.7

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 Tuesday 7 November 2006 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 2006, together with the Auditors' report.

Resolution 2 - Dividend

To declare a final dividend for the year ended 30 June 2006.

Resolution 3 - Re-appointment of director

To re-appoint David Llewelyn Arnold as a director.

Resolution 4 - Re-appointment of director

To re-appoint Barry Kendrick Harvey as a director.

Resolution 5 - Re-appointment of director

To re-appoint Robert Brannock Jones as a director.

Resolution 6 - Re-appointment of director

To re-appoint James Martin as a director.

Resolution 7 - Re-appointment of Auditors

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

Special business

Resolution 8 - Remuneration report

To approve the remuneration report for the year ended 30 June 2006.

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

£5,318,491 provided that this authority shall (unless previously revoked or renewed) expire on 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 £797,774 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 6 February 2008 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 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 purchased is 15,955,472;
- (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 6 February 2008 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.

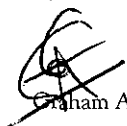
11 September 2006

Registered office:

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

Registered in England No. 2877315

By order of the Board



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 3 November 2006 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) Copies of the directors' service contracts will be available for inspection at the registered office during normal business hours on any business day and at the place of the annual general meeting for at least 15 minutes before the meeting is held until its conclusion.

- (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 7 November 2006 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 17 November 2006 to shareholders on the register at the close of business on 22 September 2006.

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 36 to 44 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 £5,318,491.

The authority will expire on the date of the next annual general meeting of the Company. This represents 53,184,905 ordinary shares of 10p each and is equivalent to approximately 33% 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 £797,774.

This sum represents 7,977,736 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 6 February 2008.

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 15,955,472 shares, an aggregate nominal value of £1,595,547 which is equivalent to 10% of the Company's issued ordinary share capital at 30 June 2006.

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 the next annual general meeting or 6 February 2008 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.

	IFRS 2006 £m	IFRS 2005 £m #	UK GAAP 2004 £m	UK GAAP 2003 £m *	UK GAAP 2002 £m *
Turnover	770.1	780.4	669.9	607.9	573.3
Operating profit before financing costs	132.8	154.0	132.7	113.7	94.1
Operating profit before financing costs as a percentage of turnover	17.2%	19.7%	19.8%	18.7%	16.4%
Profit before taxation	120.5	139.0	124.1	106.1	85.1
Profit before taxation as a percentage of turnover	15.6%	17.8%	18.5%	17.4%	14.8%
Net assets/Total equity/Shareholders' funds	513.8	452.5	376.6	302.0	239.2
Net (debt)	(129.8)	(103.2)	(130.7)	(93.2)	(93.1)
Gearing – net (debt) as a percentage of capital and reserves	25.3%	22.8%	34.7%	30.9%	38.9%
Return on capital employed – operating profit, adjusted for joint ventures, as a percentage of average net assets adjusted for net (debt)/cash	22.0%	28.7%	29.4%	31.3%	29.8%
Number of legal completions	4,735	4,372	4,284	4,031	3,908
Earnings per ordinary share	52.9p	60.7p	54.8p	46.9p	38.5p
Dividends per ordinary share	13.0p	10.8p	9.0p	7.5p	6.06p
Net assets per ordinary share	322.0p	284.3p	237.1p	190.0p	150.7p

Restated in 2006 for IFRS

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

Officers and Advisers

Company Secretary

Graham A Cope

Registered Office

Redrow House
St. David's Park
Flintshire
CH5 3RX
Registered No. 2877315

Registrars

Computershare Investor Services PLC
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Bristol
BS99 7NH

Stockbrokers and Financial Advisers

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EC2R 6DA

Merrill Lynch International
Merrill Lynch Financial Centre
2 King Edward Street
London
EC1A 1HQ

Auditors

PricewaterhouseCoopers LLP
101 Barbirolli Square
Lower Mosley Street
Manchester
M2 3PW

Solicitors

Linklaters
One Silk Street
London
EC2Y 8HQ

Shareholder Information

Dividend Reinvestment Plan ("the Plan")

The Company offers a dividend reinvestment plan that gives Shareholders the opportunity to use their cash dividend to buy ordinary Redrow shares through a special low-cost dealing arrangement.

The Plan is run by Computershare Investor Services PLC ("Computershare") and for further information on the Plan and how to join, please contact Computershare at PO Box 1064, The Pavilions, Bridgwater Road, Bristol BS99 3EB (Telephone Number: 0870 702 0000) or the Company Secretary.

Monthly Purchase Plan ("the Scheme")

The Company operates through Lloyds TSB Registrars ("Lloyds") a monthly purchase plan which enables Shareholders to invest in Redrow plc. You can invest from £25 each month into the scheme which Lloyds will use to buy shares which are held by Lloyds nominee with dividends added to your monthly payment and reinvested to buy more shares.

For further information on the Scheme or how to join, please contact Lloyds TSB Registrars, Redrow Monthly Purchase Plan, PO Box No: 28448, Edinburgh EH4 1WZ (Telephone Number: 0870 606 0268) or the Company Secretary.

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Redrow Corporate Services Limited

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 groupsservices@redrow.co.uk

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Redrow Homes Northern Region

Redrow Homes (North West) Limited
 Priory Court
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 Preston Brook
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 Facsimile: 01928 755601
 northwest@redrow.co.uk

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Southern Region

Redrow Homes (South Midlands) Limited
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Details of our current developments are available on our website: www.redrow.co.uk