



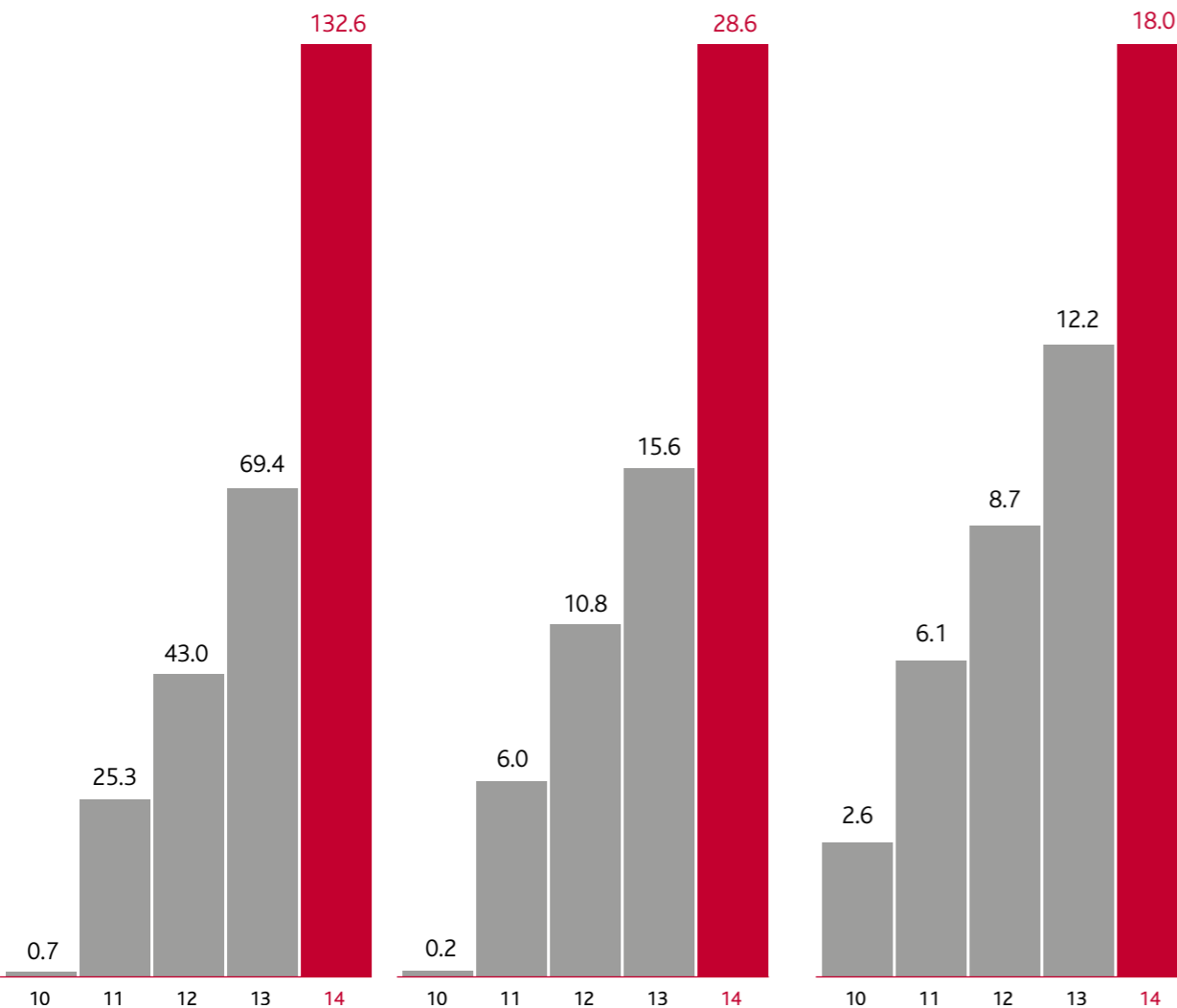
40 years and still growing



1974 – 2014

In its 40th anniversary year, Redrow delivers record profits

Profit before tax **£132.6^m** +91%
 Adjusted earnings per share* **28.6^p** +83%
 Return on capital employed **18.0%** +48%



*Excludes exceptional items and deferred tax rate impact

Strategic report Highlights A year of achievements

Announcing the 'Housebuilder of the Year', judges said that Redrow Homes had "demonstrated a fantastic turnaround, thanks to its excellent new product development and broader appeal".

Bringing youngsters into the industry is a key focus for us so we were delighted to be named an Apprenticeships Top 100 Employer for the first time.

Our fourth successive 5 star rating is based on more than 90% of customers saying they would recommend Redrow to a friend.

The Highgate, River View, Northamptonshire

Stay up-to-date

Listen to our results webcast online [▶ Visit our Corporate website www.redrowplc.co.uk](#)

Strategic report

- IFC Financial highlights
- 4 Our markets
- 6 Our business model and strategy
- 8 Our investment case
- 12 Our rich heritage
- 14 Chairman's statement
- 18 Operating review
- 26 Financial review
- 30 Performance indicators
- 33 Risk management framework
- 34 Principal risks and uncertainties
- 36 Sustainability

Governance report

- 48 Corporate Governance report
- 50 Board of Directors
- 54 Audit Committee report
- 57 Nomination Committee report
- 58 Sustainability Committee report
- 59 Directors' Remuneration report
- 76 Directors' report

Financial statements

- 82 Statement of Directors' responsibilities
- 83 Independent Auditors' report
- 86 Consolidated income statement
- 86 Consolidated statement of comprehensive income
- 87 Balance sheets
- 88 Statement of changes in equity
- 89 Statement of cash flows
- 90 Accounting policies
- 94 Notes to the financial statements

Shareholder information

- 117 Notice of Annual General Meeting
- 123 Corporate and shareholder information
- 124 Five year summary



Strategic report *Overview*

Strategic report approval

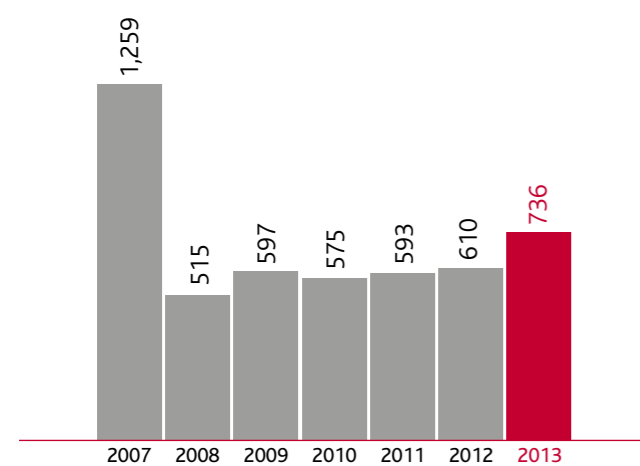
The strategic report outlined on pages 2 to 45 has been approved by the Board.

By order of the Board

Graham Cope

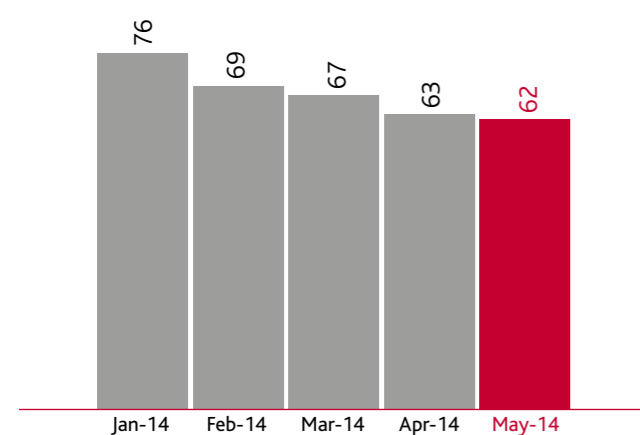
Company Secretary
1 September 2014

Mortgage approvals calendar year ('000) Chart 1



Source: Bank of England, CML

Mortgage approvals 2014 (seasonally adjusted) ('000) Chart 2



Source: Bank of England, CML

Our markets

The housing market plays an important role in the UK economy with underlying demand for housing being fundamentally strong.

Mortgage approvals

Mortgage approvals are a key indicator of the level of activity in the housing market. These remain significantly below 2007 levels but showed increasing growth during the calendar year 2013.

➔ Go to Chart 1

Seasonally adjusted figures peaked in January 2014 before falling back slightly from 76,000 approvals per month in January 2014 to 62,000 per month in May 2014. ➔ Go to Chart 2

The Mortgage Market Review (MMR)

The MMR was a comprehensive review of the mortgage market instigated by the Government back in 2009 with final feedback and final rules published in October 2012. Key features of the reforms, which came into effect on 26 April 2014 are:

- Lenders are fully responsible for assessing whether a customer can afford the loan and they have to verify a customer's income;
- Interest only loans may still be granted but only where there is a credible strategy for repaying the capital; and
- Non-advised sales are no longer allowed.

The changes are designed to strengthen the regulatory regime to ensure the UK mortgage market is sustainable for all parties.

These changes have affected the time taken to approve mortgage applications as the new rules bed in and have very likely contributed to the falling back in mortgage approvals shown in Chart 2. ➔ Go to Chart 2

Housing supply

NHBC new build starts increased by 17% in the year to June 2014 compared to the previous year to 116,500. Starts in the quarter to June 2014 were 32,600, the highest quarter for some considerable time. This reflects the industry response to increased levels of confidence in the UK economy and the success of the Government initiatives such as Help to Buy which are making home ownership more accessible.

These new start rates remain significantly below the growth the Government projects in household formations growing to 221,000 per annum by 2021 per the Department for Communities and Local Government. ➔ Go to Chart 3

Residential transactions

Residential transactions in England and Wales increased by c.15% in the calendar year 2013 compared to 2012 to 969,000. This gained momentum in 2013 building on the c.5.5% increase in 2012.

UK average housing prices per the Nationwide House Price Index increased by 11.5% in the 12 months to June 2014. These increases are heavily influenced by the London market where average house prices increased by 25.8% in the same period.

➔ Go to Chart 4

Help to Buy – Wales

Help to Buy-Wales was introduced in January 2014 and is a Welsh Government shared equity initiative similar to the Help to Buy scheme introduced in England in April 2013. It is aimed at increasing housing supply in Wales by helping both first time buyers and existing home owners purchase a new build home up to a value of £300,000 with as little as a 5% deposit. The scheme will run until the £170m allocated fund is taken up or March 2016 if earlier.

Help to Buy changes

The Help to Buy Mortgage Guarantee was introduced in October 2013. This offers mortgage lenders the opportunity to purchase a Government guarantee on mortgages where a borrower has a deposit of between 5% and 20%. As a consequence of this support, lenders taking part are able to offer homebuyers higher loan to value mortgages.

In January 2014 the Government announced the extension of its Help to Buy loan scheme up to March 2020 with a further £6bn of funding.

What this means to Redrow

35% of private legal completions in 2014 took advantage of the Help to Buy scheme.

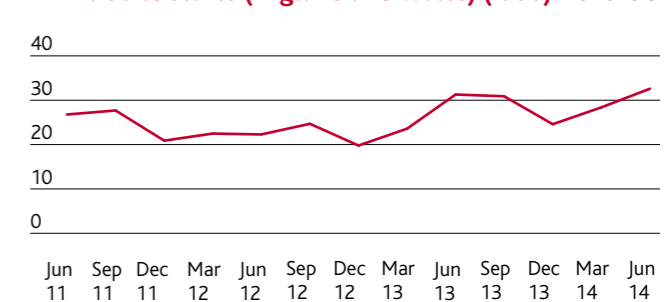
Planning

The National Policy Planning Framework (NPPF) was published in March 2012 as part of the Government's action to ensure the supply of housing in response to higher demand. It sought to streamline planning policy. An update in the Autumn Statement highlighted that the approval rate for planning applications was at a 13 year high. This is increasing the supply of residential land in the market.

What this means to Redrow

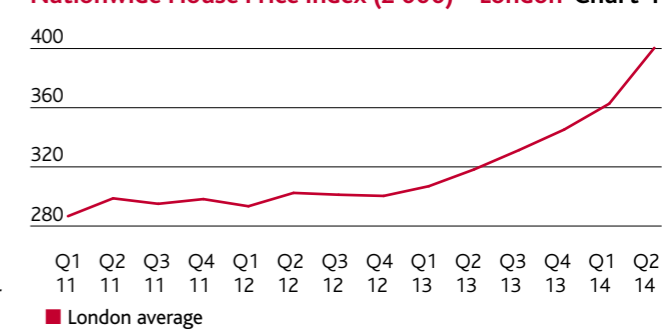
44 new outlets opened in 2014, a 22% increase on 2013.

NHBC build starts (England and Wales) ('000) Chart 3

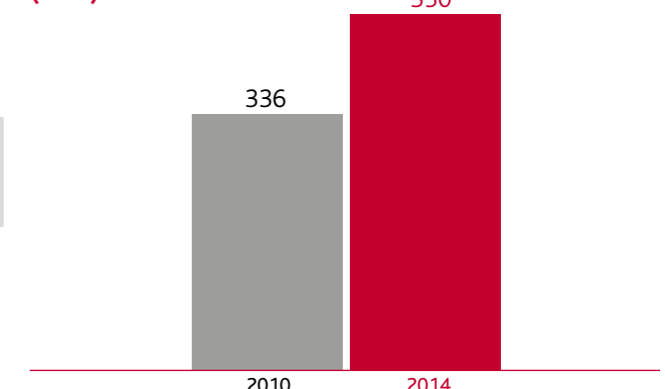


House prices

Nationwide House Price Index (£'000) – London Chart 4



Planning applications granted year to March ('000) Chart 5

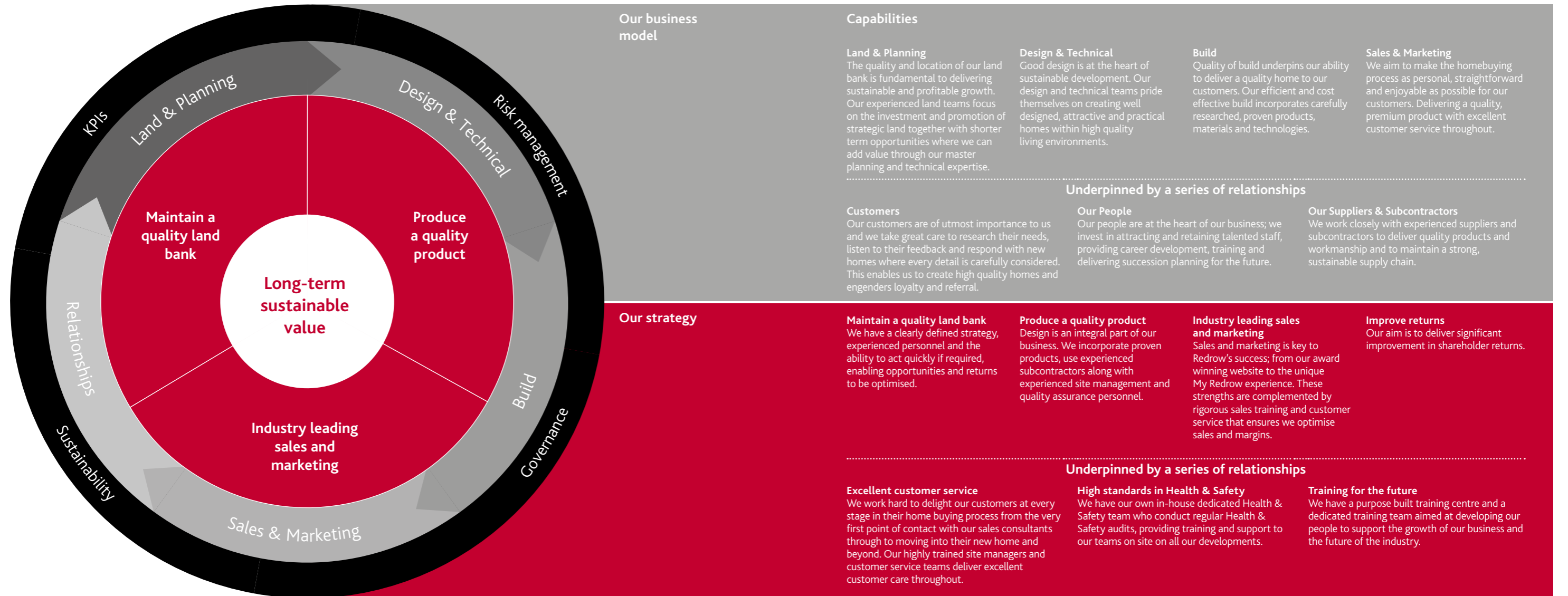


Source: Department for Communities and Local Government – District Level applications

Market snap shot

Increase in residential transactions **15%**
 Increase in new build starts **17%**
 Increase in mortgage approvals **21%**

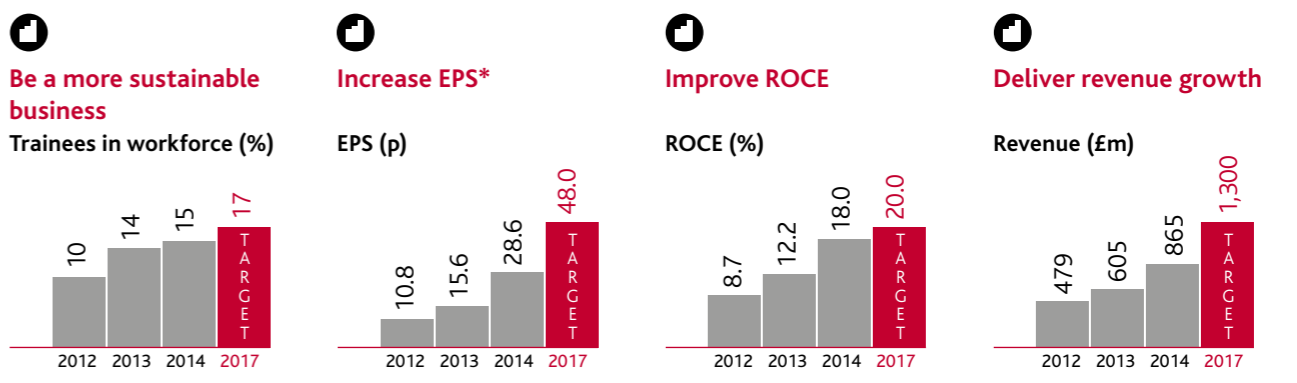
Delivering a premium brand with a high quality product for our customers and growing returns for our shareholders



Our model is underpinned by

- Key performance indicators**
We have four key performance indicators to help measure the performance of our business and a larger number of performance indicators to support these.
[Read more on page 30](#)
- Risk management**
Our risk management framework provides a structured and consistent process for identifying, assessing and responding to risks.
[Read more on page 33](#)
- Governance**
We remain committed to high standards of corporate governance. Our Main Board has a balance of Executive Directors and Non-Executive Directors.
[Read more on page 48](#)
- Sustainability**
We aim to be a responsible, profitable business; reducing our negative effects and increasing our positive effects on both people and the environment.
[Read more on page 38](#)

Measuring our performance – KPIs



* Excludes exceptional items and deferred tax rate changes

Success is based on acquiring and adding value to land for the benefit of investors, customers, employees and suppliers, as well as for the good of our local communities.

Redrow creates environments that stand the test of time and which people can appreciate and enjoy.



Davington Park, Kent

Why choose Redrow?

Successful leadership team

Redrow's strong, experienced and successful leadership team, together with its management structure, fosters a coherent and timely approach to implementing strategy and delivering results. Career development is encouraged through training.

Key highlights

- 15% of workforce on structured training programmes
- 12% of workforce on personal development plans

How we measure performance

Proportion of first time director appointments from internal promotions

50%
+11%

Excellent product range

Redrow's portfolio of brands have excellent kerb appeal. Customer feedback about our product is very positive and this is endorsed by our award winning pedigree.

- Abode Collection launched
- Regent Collection first legal completions achieved

Customer satisfaction rating

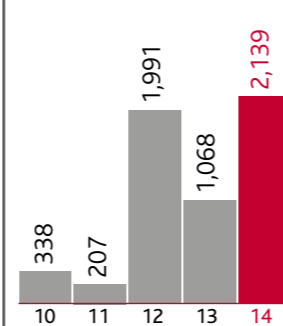


Expertise in land buying

Redrow has the expertise and resources to enable land buying opportunities to be taken and returns to be optimised.

- c.6,100 plots added to current land bank
- Over 2,100 plots pulled through from forward land bank

**Forward land pull through
Number of plots
+100%**

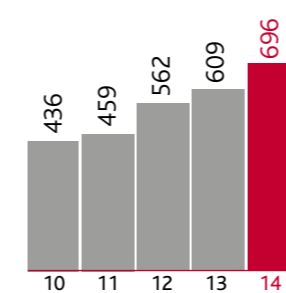


A strong and efficient balance sheet

Redrow has a strong balance sheet with net assets of £696m and a balance of equity and debt. The Group is focused on delivering superior levels of return on capital and an efficient use of its capital base.

- Increased committed banking facilities to £365m from £250m
- Net assets increased by 14% to £696m
- ROE up 67% to 20.5%

**Net assets
£696m
+14%**

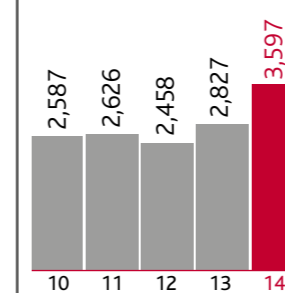


Responding to customers' demands

By listening to and understanding our customers' requirements, we continue to evolve our product and customer services. This involves delivering sites in new locations, house design, broadening our channels to market and online interaction, to increasing our selection of options to allow customers to personalise their new homes.

- £6.0m extras sold; 95% increase on 2013 levels
- 12% growth in outlets to 103 at June 2014
- 27% growth in Homes achieved legal completions

**Homes legal completions
3,597
+27%**



Corporate sustainability and responsibility

We aim to continuously improve in all aspects of sustainability: in terms of design, customer satisfaction, developing our people and enhancing communities whilst minimising our impact on the environment.

- First sustainability report published
- Awarded Phase 2 certification of BS8555 ➔ Go to page 45

Site management with Health and Safety Executive referenced Site Managers Safety Scheme accreditation

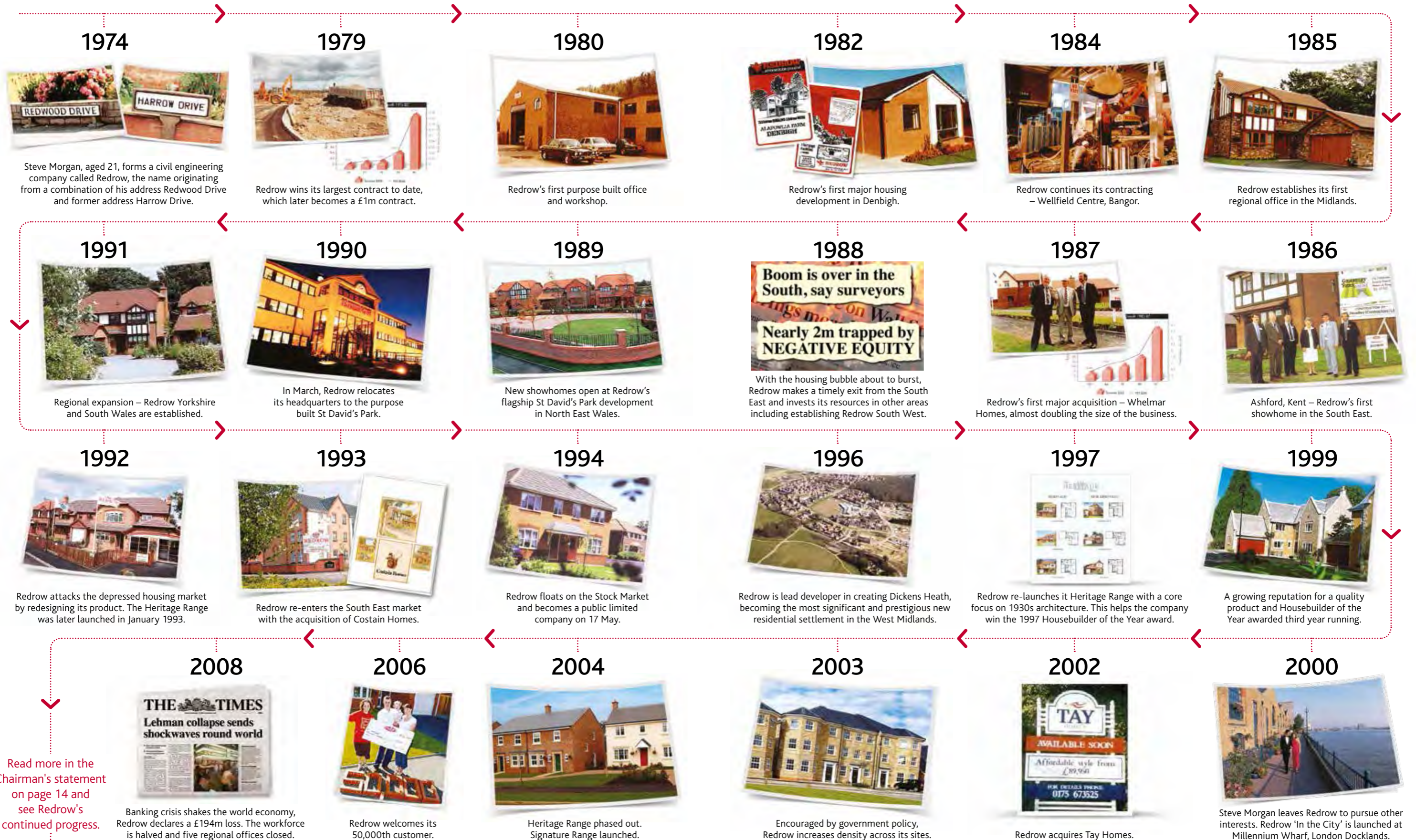
65%

Responsibly sourced timber
99.6%



Strategic report *Performance*

2014 is Redrow's 40th anniversary year. Our timeline highlights our major achievements, how we've responded to industry challenges and how our business has grown successfully over the last four decades.



Read more in the Chairman's statement on page 14 and see Redrow's continued progress.

"I am delighted to report a significant increase in turnover and pre-tax profits, both a record for the Group."

Highlights

- Record pre-tax profits of £132.6m, up 91%
- ROCE up 48% to 18%
- 15% of workforce on structured training programme



Steve Morgan
Chairman

November 2014 marks the 40th anniversary since I founded Redrow and it is now five years since I returned to the business. It is quite fitting and pleasing, therefore, that I am able to report a significant increase in turnover and pre-tax profits, both of which are a record for the Group.

Financial Results

Group revenue rose 43% to a record £865m (2013: £605m) for the financial year. This resulted from a 27% rise in legal completions to 3,597 (2013: 2,827) and a 13% rise in average selling price to £239,500 (2013: £212,300).

Gross margin improved from 18.8% to 21.7% as 80% of our sales volume came from sites purchased post the downturn on which we have made normal margins.

Operating profit was £137.5m (2013: £73.2m pre exceptional expenses) an increase of 88%. This represents an operating margin of 15.9% compared to 12.1% in the prior year.

Operating expenses continue to increase in absolute terms due to our ongoing investment in growing the business. However, as a percentage of turnover they reduced from 6.7% in 2013 to 5.8% in 2014.

Profit before tax increased by 91% to £132.6m (2013: £69.4m) giving a pre-tax return on sales of 15.3% (2013: 11.5%). Underlying earnings per share were 28.6p, up 83% on last year.

Net assets increased 14% to £696m (2013: £609m) and Capital Employed rose 24% to £868m (2013: £700m). As a consequence, Return on Capital Employed rose from 12.2% last year to 18% in 2014 and Return on Equity similarly rose from 12.3% to 20.5%.

Due to ongoing investment in land and work in progress net debt rose to £173m at the end of the financial year, representing gearing of 24.8% (2013: 14.9%). We expect net debt to increase further in line with ongoing inventory investment.

As a result of this strong performance, whilst at the same time continuing to invest in growth, the Board is proposing a final dividend of 2p per share (2013: 1p). Subject to shareholder approval at the Annual General Meeting, this will be paid on 14 November 2014 to those shareholders on the register at the close of business on 26 September 2014.

Market

The housing market has been robust throughout the last financial year as the Government's Help to Buy schemes have enabled many people to purchase their own home for the first time. During the year 1,023 (35%) of our private legal completions were under the Help to Buy scheme (2013: 82). A large proportion of these were first time buyers and over half were in the north of England. As these statistics show, Help to Buy is providing assistance where it is needed most.

The continued growth of the business, accelerated by the Help to Buy scheme, has enabled us to further increase our workforce. In the last year we have added over 230 direct jobs across all disciplines, an increase of 21%. The number is substantially higher when indirect jobs from our subcontractors and suppliers are taken into account. The increase in new homes activity is undoubtedly creating economic growth from which the country is benefiting.

Mortgage availability has also improved and we welcome the introduction of the Mortgage Market Review (MMR) which should ensure prudent and sustainable lending for the long term.

The summer months of 2013 saw Help to Buy activity at its peak, with reservations running at particularly high levels. This year the period from 1st July to date has seen a more normal summer selling pattern.

The sales rate for the last financial year reached a level of 0.70 per week (2013: 0.62). Now that Help to Buy has settled down we do not expect any further increases in sales per outlet. Further growth in the business now needs to come primarily from growth in outlets rather than sales rate.

An increase in the number of outlets is absolutely necessary to enable Redrow, and indeed the house building industry, to increase the supply of new homes to meet the country's needs. At the end of June 2014 we were operating from a total of 103 outlets, which is a 12% increase over June 2013 (92 outlets).

In total, the value of private reservations secured during the year amounted to just over £1bn, an increase of 53% over the previous year. All regions performed well and our order book at the end of June was a record £482m (June 2013: £260m), an increase of 85%.



Steve Morgan returns to the business and immediately re-opens sites. Offices are re-opened in Yorkshire, North West and South Midlands regions, employing many of the previous staff.

2009



In October 2009 Redrow completed a £150m Rights Issue and purchased Harrow Estates, a specialist land solutions business.

2009



Redrow returns to its roots with the launch of The New Heritage Collection. Redrow TV is introduced, a first in the UK housing industry.

2010



Redrow sells off its Scottish business and establishes a London division investing in exciting new projects.

2011

I am delighted to report that our London division made its first significant contribution to the Group, generating £124m of revenue in the year. In total there were 293 legal completions, including 70 affordable apartments, from our developments at One Commercial Street and Kingston Riverside.

Due to the growth of the London business, the percentage of private turnover represented by our primary brand, The Heritage Collection, reduced as expected to 77%. In 2014 we launched a new contemporary housing brand, Abode, which has been very well received by customers. Additional information on this can be found in the Operating review. We expect to gradually roll out both Abode and the Regent Collection, which was announced last year. The new brands, together with the continuing growth of London, will result in the Heritage Collection reducing to about 70% of completions during the year. The average selling price of a Heritage home is now £257,300, 11% higher than last year due to mix change, more completions in the south and some modest price inflation.

Land and Planning

During the year we secured a total of 6,092 new plots, of which 2,139 were converted from our forward land bank. At June 2014 our current land bank totalled 16,724 plots, an 18% increase on the previous year. The average plot cost has risen to £63,000 (2013: £57,000) primarily as a result of a higher percentage of land being in the south. This figure, however, represents 23% of our current average selling price, broadly in line with previous years. The percentage of provisioned land has continued to decrease from 13% in 2013 to 6% at the end of June 2014. By June 2015 it will be immaterial.

As part of the planning process and construction of new homes, Redrow delivered some £113m of value to the communities local to our sites through a range of material contributions. This includes the delivery of £96m of much needed social or affordable housing, as well as significant contributions and investment in schools, healthcare, sports and leisure and other community facilities.

We exchanged contracts in December last year to acquire the Peel Centre, which is the former Police Training Headquarters in Hendon, which is Redrow's largest and most significant acquisition to date. A planning application has now been submitted to the London Borough of Barnet for c.2,600 new homes; however, until the site receives planning permission this is only included in our forward land.

Converting the increased land holdings into new sites remains a key challenge for the Group. The current system of converting allocated sites or outline planning consents into implementable planning consents remains a slow and tedious process and represents the biggest single obstacle to increasing the number of outlets.

We strongly welcome the opportunity to engage with the Government through the current "Technical Consultation on Planning" which focuses on numerous issues relating to the plan-led system. The consultation paper seeks to reduce the current red tape, which prevents a quick start on sites where planning has been obtained. This removal of unnecessary red tape is fundamental to increasing the number of homes built each year.

We had a successful year in the management of our forward land holdings, pulling through 2,139 plots across 18 sites into current land. We also added 5,300 additional plots to the land bank and following a strategic review of the existing holdings we now have a total forward land bank of 28,250 plots, around 18,000 of which are allocated in emerging plans.

People

The shortage of skilled people in our industry is another obstacle to preventing increased output in line with demand. I am proud that Redrow continues to be at the forefront in training the next generation of skilled workers at all levels. During the year we have recruited 48 apprentices, 26 graduates and 8 technical trainees. In total 15% (2013: 14%) of our workforce are on a structured training programme, setting the standard for the house building industry.

I am delighted to welcome Liz Peace CBE as a Non-Executive Director, who joined with effect from the 1st September 2014. Liz is shortly to retire after 12 years as the CEO of the British Property Federation; prior to this she had a long and distinguished career in the Civil Service. Liz will Chair the Group's Sustainability Committee.

As previously reported, Alan Jackson, Deputy Chairman and Senior Non-Executive Director, retired from the Board on the 1st September on Liz's appointment. Alan's advice and support over the last five years has been invaluable during a time when the Group has seen a phenomenal turnaround in its performance. I and my colleagues would like to thank Alan for his significant contribution and wish him every success in the future.

Now that Alan has retired, Debbie Hewitt has taken over as Senior Non-Executive Director.

By any standards Redrow's performance this last year and indeed over the last few years has been exceptional and has been achieved due to the hard work and commitment of our team. I would like to thank them all for their support.

Current Trading and Outlook

The introduction of the new MMR rules has undoubtedly moderated the market, which has returned to a more seasonal pattern of activity. Many of our sites entered the summer period almost fully sold up for the 2014 calendar year and this lack of availability has also undoubtedly affected this summer's sales rate. Ironically, this compares with a very strong period last year when Help to Buy was at its peak. Since the end of June the sales rate has been 0.64, compared to the average of 0.70 for the last financial year. In total, private legal completions to date, together with the current order book, are running some 40% ahead of last year.

We have substantially increased our land bank, which should see a good growth in the number of outlets during the year. This, combined with our strong order book, leaves me confident that the Group will see another year of significant progress.

Steve Morgan
Chairman
1 September 2014



The New Heritage Collection continues to be rolled-out, returning Redrow to its traditional market of family homes.

2011



Regent Collection launched at our Ratio development in Slade Green, Kent.

2012



Redrow opens new Southern Counties division.

2013



Redrow delivers record turnover and profits.

2014

Read more in the Operating review on page 18.

“We have positioned ourselves to increase output to meet the nation’s demand for more new homes.”

Highlights

- First major contribution from London developments
- Outlets increased to 103 at June 2014
- Over 230 directly employed new jobs created



John Tutte
Group Chief Executive



The Heritage Collection has been critical to our success, representing 80% of our private legal completions in 2014.

Introduction

Everyone at Redrow is immensely proud of our achievements during our 40th anniversary year. As well as delivering record turnover and profits, we have expanded our business creating over 230 new jobs and developing the careers of many more of those that work for us. We have increased the number of outlets from which we operate and substantially grown our land bank. The product range has been broadened and our London division has made its first significant contribution to the Group’s results. We retained our five stars rating in the annual HBF Customer Satisfaction Survey and made good progress against our targets to make our business more sustainable. Above all, we have positioned ourselves to increase output to meet the nation’s demand for more new homes.

The Market

The financial year started strongly following the launch of the highly successful government’s Help to Buy scheme which resulted in the peak selling season for new homes extending through the summer of 2013. Mortgage approvals steadily increased throughout the first half of the financial year and peaked in January before falling back with a modest recovery in June. More stringent lending rules introduced in April 2014 as a result of the Mortgage Market Review (MMR) have affected borrowers and in particular the time taken to process mortgage applications.

Help to Buy Wales was launched in January of this year and provided a much needed lift to a depressed market.

House prices according to Land Registry rose 6.4% across England and Wales in the twelve months to the end of June with the strongest growth in London and the weakest in the North East. There are signs that price rises are now moderating, particularly in London.

Against an extraordinarily strong comparable period last year, new home sales in recent months have returned to a more seasonal trend.

Delivering Strong Growth

Net private reservations increased by 28% in the year to 3,455 as a result of the weekly sales rate increasing by 13% to 0.70 and the average number of outlets from which we operated rising by 13% to 94. The increased number of reservations combined with a higher



Redrow celebrates its 40th anniversary.

average selling price resulted in over £1bn of private reservations being taken in the year. The use of incentives reduced and the cancellation rate was just 13% compared to 16% the previous year. As a result of this strong sales performance we enter the new financial year with a private forward order book of 1,322 plots representing £482m of revenue: £222m ahead of the same time last year.

With most of our outlets holding healthy forward order books we now expect the private sales rate per outlet per week to reduce compared to last year which was boosted by the initial Help to Buy take-up.

The strong sales performance in the year resulted in private legal completions rising by 20% to 2,963 from 2,474. Social housing completions increased by 80% to 634 and represented 18% of total completions which rose to 3,597 (2013: 2,827).

The private average selling price increased by 19% to £269,600 whilst the average social selling price fell by 8% to £98,800 due to a larger proportion of apartments. The overall average selling price increased by 13% to £239,500 and together with the increase in volume helped lift turnover to a record £865m.

The average selling price increased due to mix, changing geographical spread and a modest level of house price inflation. We expect to see the average selling price continue to rise in financial year 2015 as more higher-priced homes are completed in London.

Help to Buy accounted for 35% of private completions in the year and was particularly popular in our divisions in the Midlands and North.

Profits grew strongly in the year as the number of completions from plots on impaired land reduced and more new sites acquired since

Strategy in action – Kingston Riverside, Kingston upon Thames, London



Kingston Riverside is Redrow London’s landmark waterside development located on the banks of the Thames, just moments from Kingston Bridge. Standing at 11 and 16 storeys in height, it is the tallest residential development in Kingston boasting striking architecture designed to resemble the sails of a ship.

The development’s two towers comprise 210 one, two and three bedroom luxury apartments, 108 of

which legally completed in 2014. Kingston Riverside is already 90% sold.

All the apartments are designed to maximise the pleasure of riverside living and feature spacious balconies and floor to ceiling windows to maximise light. Residents also have access to a communal sky garden offering magnificent views of the river.

➔ See view on pages 10 and 11.

2014

2014

the downturn came on-stream. Operating margins increased to 15.9% which helped improve return on capital employed a key measure for the Group, to 18%. Operating expenses increased in absolute terms reflecting ongoing investment in growing the business but reduced as a percentage of turnover to 5.8% (2013: 6.7%).

London made its first significant contribution to Group turnover and profits. The division delivered 293 legal completions including 70 social plots at One Commercial Street and accounted for £124m of Group turnover. London and our divisions in the south accounted for over 50% of Group revenues in 2014 reflecting the significant land investment we have made in this geographical area in recent years.

Harrow Estates made progress on a number of fronts during the year. The option at Horsforth in Leeds was exercised and the site transferred to the local Homes' division. Planning permissions were achieved at appeal on two sites in Hartford, Cheshire for a total of 650 plots with development already underway on one, and the final environmental clearances have been received at Hauxton, Cambridge which clears the way for a start on site in 2015.

Harrow also realised a land profit of £2.8m and acquired an interest in a site for 180 plots through its Joint Venture.

A new site with the potential for 250 plots was also acquired during the year.



Redrow London makes its first significant contribution to Group results with completions from its first major developments at One Commercial Street and Kingston Riverside.

Investing for the Future

To further expand our presence in the south we opened a new Southern Counties division based in Camberley at the start of the financial year. We also opened a new West Country division operating from an office in Exeter in July 2014 to capitalise on the exceptional growth we have achieved in the South West region.

We opened 44 new outlets in the year and closed 33 increasing the number of active outlets to 103 at the financial year-end. Increasing outlets is fundamental to our future underlying growth strategy but planning delays continue to be an obstacle to bringing more outlets on-stream. We therefore very much welcome the government's latest published technical consultation on planning that amongst other things seeks to reduce the number of planning conditions imposed and the time it takes to discharge them.

During the year we acquired 6,092 plots across 54 new sites. Of these, 2,139 on 18 sites were pulled-through from our Forward Land bank. These new sites will ensure we are able to continue to increase the number of outlets from which we operate to both grow the business and compensate for an anticipated easing in the private sales rate per outlet.

After accounting for legal completions, re-plans and a land sale, the current owned and contracted land bank increased by 2,562 plots to 16,724 plots, representing c.£4bn of future revenues.

We also continued to invest in Forward Land and after transfers to the current land bank and our normal strategic review, we increased the number of plots allocated or with a realistic prospect of gaining planning to 28,245 (2013: 26,024). We anticipate our strong performance in pulling-through Forward Land will continue throughout the coming year.

Geographically land investment remains weighted to the south where, including London, the owned and contracted land bank stands at 8,967 plots representing over half the Group's holdings. Additionally we exchanged contracts with MOPAC (Mayor's Office for Policing and Crime) to acquire the former Metropolitan Police Training Centre at Hendon. Following detailed negotiations with the London Borough of Barnet and the GLA and a series of public consultations, the site which extends to 50 acres is expected to gain a mixed-use planning permission in 2015 for c.2,600 new homes.

In addition to our ten London division sites, we have increased our presence in the outskirts of the Capital. We now have five sites managed by our South East and Southern Counties divisions within the M25, including a joint venture in Croydon where we are currently underway on the first phase of a large-scale regeneration project.

We have also made good progress on the site for up to 950 homes we have under contract in Ebbsfleet which will become part of the Government's flagship new Garden City. Outline planning permission was granted by Dartford Borough Council earlier in the year and we anticipate making a start on site in 2015. Similarly Harrow Estates is moving forward positively with Stockport Council on the large site we own outright at Woodford Aerodrome south of Manchester where we have a resolution to grant planning permission for c.920 plots and again expect to be on site sometime in 2015.

Strategy in action – Land acquisition, Ebbsfleet



Redrow entered into a development agreement with National Grid in June 2013 in respect of a large substation site at Ebbsfleet. The 38 hectare site is ideally located next to the Ebbsfleet International Station. The site represents a key part of an important strategic opportunity for growth due to its location within the proposed Ebbsfleet Garden City which was recently announced by the Government.

Outline planning for a residential-led mixed use scheme comprising up to 950 new homes and

primary school, hotel and leisure activities, community hall, local shops and pub and open space was successfully obtained in March 2014 after extensive stakeholder consultation involving the local community.

Currently our design team are working towards finalising details for the development for final planning approval. Work on site is expected to start in summer 2015 with the land being acquired in phases across the lifetime of the development.

Putting the Customer First

Our customers are at the centre of our business through the communities we create, the homes we build and the service we provide: we are determined to give our customers the experience they expect from a renowned premium home builder.

Our developments are designed to create great places to live that will stand the test of time. Places in which people are proud to own a home, keen to protect the quality of the local environment and feel encouraged to be part of the community.

The Heritage Collection has been critical to our success and the turnaround we have delivered over the past five years. We continue to develop and improve the range in response to our customers' feedback and to incorporate changing trends in lifestyle, technology and interior design. In 2014 the Heritage Collection accounted for 80% of private completions.

Whilst the Heritage Collection will remain our dominant 'brand' we expect to see it reduce as a proportion of our overall business as we bring on-stream more bespoke developments and new brands of product. We recognise there is a place for alternative designs that either reach out to a wider customer base or respond to particular site constraints and market demands. Over the past year we have seen the number of bespoke apartments we build increase and we have introduced and completed the first homes from two new brands.

The Regent Collection has many of the characteristics of the Heritage Collection: it has attractive traditional elevations complemented with modern spacious interiors. It appeals to a market where there is demand for more densely plotted well-designed homes generally in urban locations. On sites such as Wilton in Wiltshire, we are able to combine the Regent Collection alongside the Heritage Collection to broaden our target markets.

2014

2014

Strategy in action – Abode



In January 2014 we opened the first showhome for our new Abode Collection, featuring distinctly modern designs. Abode appeals to people who want contemporary clean lines and open plan living. Abode homes feature highly specified, open plan living spaces and contemporary features such as

underfloor heating and wet rooms. Exteriors present uncluttered and smart facades whilst the interiors have been meticulously planned to make the most of the space and provide the functionality modern life demands.

Our brand new range Abode is conceptually different to the Heritage and Regent Collections. Abode has contemporary elevations and extensive open plan living space with high ceilings and bedrooms with walk-in wet rooms. Underfloor heating as standard on the ground floor gives more flexibility for furnishing and built-in storage cabinets and workstations help to make the best use of space. A high quality kitchen area is at the centre of the open plan design. The branding and marketing of Abode is also very different. Strong fresh colours accentuate the contemporary designs and sales hubs make use of handheld technology: Abode appeals to

customers looking for a different style of living. Our first Abode site is selling well and we expect to roll-out new sites in 2015.

We know our customers appreciate our award winning homes and we are determined to also provide them with an award winning level of service. Last year 93% of our customers when surveyed independently said they would recommend us to a friend and for the fourth year running we were awarded a maximum five stars in the HBF Annual Customer Satisfaction Survey. But we want and have targeted ourselves to do better.

Last year we announced the launch of My Redrow which allows our customers to manage their buying journey with us: from booking appointments with Sales Consultants to making choices and buying options online. Last year more and more of our customers chose to buy extras online and we continue to extend the list of options available. Eventually My Redrow will become the personal one-stop facility for our customers giving them online access to manage and monitor their buying and aftersales service. As part of this process we have embarked upon a complete review of how we currently communicate with our customers and expect to roll-out a friendlier, more responsive and engaging service in 2015.

Building Efficiently, Responsibly and Sustainably
Responding to a stronger market has been challenging for us and the industry. Last year excluding our London sites where we outsource construction, we built 3,394 units of output, a 400 units and 13% increase on the previous year. Early in the financial year trade and material shortages emerged. Brick and block producers were overwhelmed with demand and unable to increase capacity in the short term. As a result lead-times became extended across a number of products. Our long-standing partnerships with our brick



Redrow's new contemporary brand, Abode, is launched in 2014 with the first showhome opened in Buckley, Flintshire. We expect to roll-out new sites in 2015.

2015

Strategy in action – e-learning



During 2014 we have made a significant investment in developing e-learning and are rolling this out across the business. This enables all our employees to access engaging, interactive training direct to their PC, laptop or tablet.

and block suppliers gave us a degree of protection and we managed to avoid serious delays to our build programmes and were able to deliver a more even spread of completions throughout the year. Trades were also in short supply, particularly but not limited to bricklayers where we have seen significant increases in rates. As more production capacity comes on-stream we expect to see material shortages easing over the coming months, we do however anticipate trade shortages will continue until the industry is able to address the underlying failure to attract more young people into the industry to grow and replace the ageing workforce. Material and trade shortages have impacted costs from their benign base and we have seen like-for-like build costs increase on average by around 5% over the past year.

Our customers expect us to build their new home to a high standard and our key external measure of quality is the number of Reportable Items per NHBC inspection. In 2014 the average number of Reportable Items per inspection was 0.21 (2013: 0.21) and remained below the industry average of 0.25.

Fourteen of our site managers recently won NHBC Pride in the Job Awards, an increase of two on the previous year. Two of our site managers also won NHBC Health and Safety Awards.

We are committed to ensuring our sites are a safe place to work. It is therefore with much regret and sadness that I have to report there was a fatal accident involving one of our subcontractors on site last year. We are fully co-operating with the investigation that is being undertaken by the Health and Safety Executive and our condolences and support have been offered to the subcontractor's family.

Last year we published our first major report on sustainability and set ourselves a number of targets to achieve by 2018. Aspirations 2018 set targets across five key parts of our business: Design, Customers, Community, People and Environment. We have made good progress against many of these targets. We managed to divert 94% of waste from landfill and virtually all of our timber was responsibly sourced. We recently passed our first independent environmental audit and achieved level 2 of the British Standard (8555) Environmental Management System.

Our developments continue to be more environmentally sustainable and make wider contributions to local communities. Last year 1,364 (2013: 720) of our homes were built to Level 3 or above of the Code for Sustainable Homes. We also installed renewable heat or electricity generation technologies into 23% (2013: 16%) of our homes.

Our People

As we grow we want our people to grow with us. Our extensive training and development programmes allow our people to fulfil their career aspirations and it is gratifying to see so many of our existing staff stepping-up into more senior roles. During the year our staff completed 2,952 days of training, an increase of 10% on the previous year. We have introduced e-learning which allows our people to train online at their pace and at times to suit them.

But the rapid growth of the business does mean that we need to expand our workforce and last year we created over 230 directly employed new jobs and many more in our supply chain. It is pleasing to report that many of these new positions were filled with people that had previously worked for us.

The industry has a skills shortage. For far too long we have failed to attract young people into our industry and tradesmen, technicians and managers are now in short supply. Over recent years we have introduced recruitment and training programmes to address this: 15% of our workforce are on structured training and development programmes. We have an annual intake of apprentices and now employ 84 across the divisions with plans in place to increase this further. Once they have mastered their trade we are finding many of our apprentices have an appetite to progress further and are taking up Trainee Site Assistant positions. We have now also launched a Commercial Apprenticeship scheme that allows young people seeking a career in quantity surveying to combine work with academic study and we have plans to launch a similar scheme for



The new West Country division will make its first contribution to the Group results.

2015

Strategy in action – Trainees



Site based skills are key to our industry and we support skills training wholeheartedly:

- During 2014 we employed over 70 craft apprentices
- Our Site Apprentice scheme lasts three years and is run in partnership with the CITB
- During 2014 we introduced a structured Trainee Site Assistant programme to develop our next generation of site management from within

Professional skills are also important to us:

- In 2014 we extended our Technical and Office Apprenticeship schemes

- We developed our new Commercial Higher Apprenticeship programme in conjunction with the Chartered Surveyors Training Trust which will launch in 2015
- We introduced a Head Office Graduate programme

We have integrated a community project into all our training programmes. These develop team building and leadership skills whilst benefiting local communities. In April this year our graduate trainees refurbished accommodation for LATCH. LATCH provides patients at the Children's Hospital for Wales and their families with medical, social and welfare support.

those looking for a career in design and engineering. Our graduate programme has also expanded: this year we have increased our intake to 26 including our placement programme offering undergraduates the opportunity to gain work experience. Addressing the undersupply of skills in the industry will take some time to correct but we are determined to do our share and in the process develop the people and range of skills our business needs for the future.

A shortage of skilled people means that talent is in demand. Last year overall staff turnover was 12% and broadly unchanged from the previous year with a significantly lower level amongst our senior managers. Creating a work environment where our people can prosper, feel valued and be rewarded for doing a job well is essential to retaining talented people and during the course of the year we undertook a detailed survey of our staff to assess what we do well and where we could do better. Overall the feedback was constructive and positive and is now helping us to shape and improve the way we recruit, manage and communicate.



First legal completions expected from our joint venture regeneration project at Croydon.

2016



First legal completions forecast from our strategic redevelopment site at Colindale, NW9.

2016

£1.3bn



We are targeting turnover of £1.3bn in 2017.

2017

Strategy

It is widely accepted that there is a chronic shortage of new homes being built and the main political parties are all in agreement this must be addressed. This underlying demand for new homes, combined with a steadily improving economy and the Government's decision to extend Help to Buy until 2020, gives us the confidence we should continue with our strategy to invest to grow the business.

Over the past five years our strong growth has been driven by a combination of volume growth and increasing our average selling price. Volume growth has been achieved by increased sales rates from more active outlets. The average selling price has risen sharply due to mix changes mainly as a result of the introduction of the Heritage Collection, a shift into higher priced locations and over the past year, a modest level of house price inflation. The growth in turnover from new sites as a result of this strategy has meant that operating margins have recovered towards more normal levels despite significant investment in expanding our divisional structure.

Moving forward top-line growth will rely upon operating from more outlets and in the shorter term a continuing but slowing increase in the average selling price. During the past three years our turnover has increased by c.80%: over the next three years we anticipate growth to moderate and we are targeting turnover of £1.3bn in financial year 2017. We forecast margins will continue to rise as we work out the remaining impaired land and we achieve more efficient recovery of operating expenses: we are targeting operating margins of 18% in 2017. As our profitability improves and we bring on-stream more outlets our Return on Capital Employed will also improve and we are targeting a minimum of 20% in 2017.

We have increased our geographical coverage over the past year with the opening of new divisions in the south. There remains scope for further geographical concentration of our divisions particularly in and around London and the south east where we currently operate from just three business units. We recently restructured our senior management team to focus on the opportunity to grow in these areas. Away from the south and south east all of our divisions retain capacity to grow.

The repositioning of our land bank reflects our strategy to grow in the south and south east and we now have a range of standard product to address our target markets in these areas. We also have the expertise and skills required to develop medium-rise apartment schemes that we expect to become an increasing proportion of our product as we expand into more densely populated urban areas.

40th Anniversary Year

It is approaching 40 years since Steve founded the business in November 1974. Much has been achieved over that time but perhaps the last five years since Steve's return to the business stands out. During that time we have increased our turnover by 186% and turned large losses into record profits. We have doubled the workforce and regained our reputation as a 'premium' homebuilder with a range of award winning homes delivering high standards of customer service. We have encouraged more young people to take up a career in the industry and developed the careers of those that work for us.

Our people have responded magnificently to the widespread changes we have introduced over the past five years or so and it should not come as a surprise that in our 40th anniversary year they are prepared to go the extra mile and do their bit for those that are less well off. The Redrow Charity Challenge has seen our people generously and enthusiastically help and raise money for those in need: I very much thank them for their wonderful work.

Outlook

With an improving economy, growing but well-regulated mortgage availability and the extension of Help to Buy, the prospect for a continuing and sustainable recovery in the new homes' market is favourable. We have a strong order book and a healthy pipeline of outlets to bring on-stream in 2015 and beyond. We have expanded our divisional structure and strengthened our management teams. We have a broad range of product and a reputation for quality and service. We are very well placed to continue with our successful strategy to grow the business.

John Tutte

Group Chief Executive
1 September 2014

Gross profit increased by £73.9m in the year to £187.5m

Highlights

- Record revenue of £864.5m, up 43%
- Operating margin up by nearly one third to 15.9%
- Adjusted EPS up 83% to 28.6p
- ROE up from 12.3% to 20.5%



Barbara Richmond
Group Finance Director

Profitability

The Group delivered record revenue of £864.5m (2013: £604.8m) and record profit before tax of £132.6m (2013: £69.4m) in the year.

Private homes revenue increased by 42% to £799m (2013: £562m) as a result of a 20% increase in private homes legal completions and a 19% increase in average selling price. This was the result of changes in mix, an increase in legal completions from better locations and a small amount of house price inflation.

➔ Go to Chart 1

Gross profit increased by £73.9m in the year to £187.5m (2013: £113.6m) giving a gross margin of 21.7% (2013: 18.8%). This reflects the decrease in the proportion of our homes legal completions from provisioned land acquired before the downturn from 39% to 20%. We expect the proportion of provisioned plots in cost of sales to reduce to a minimal level by 2017. ➔ Go to Chart 2

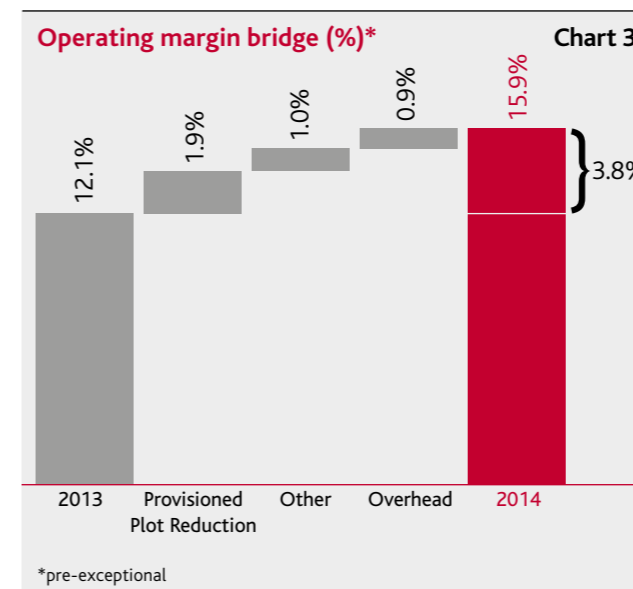
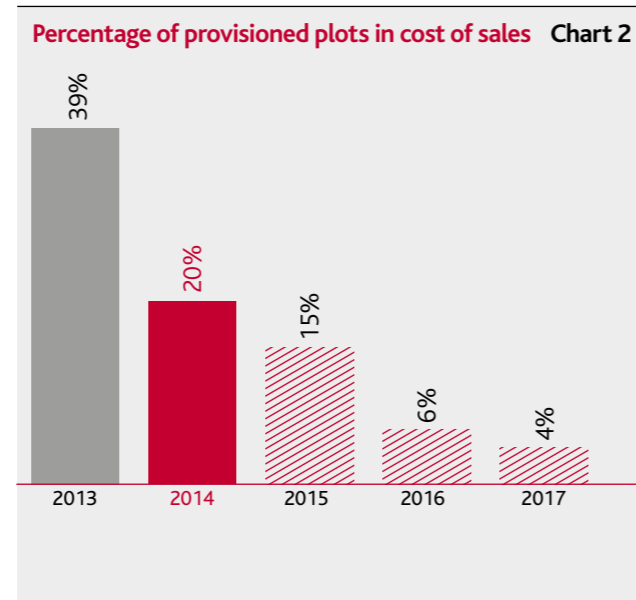
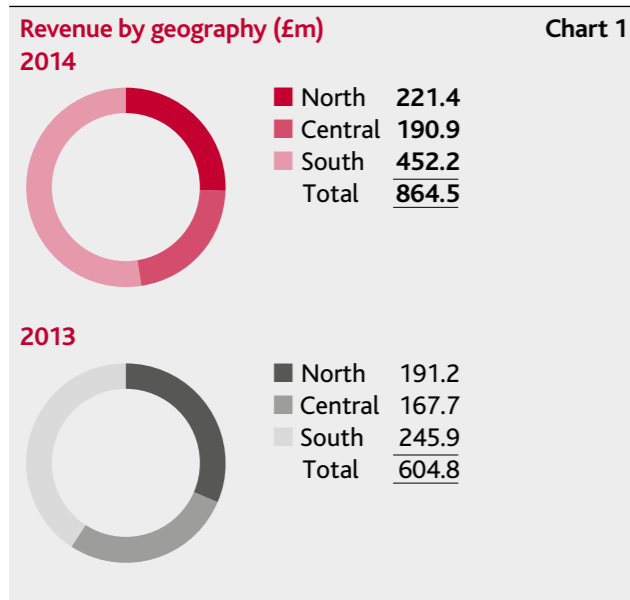
The Group generated an operating profit in the year of £137.5m (2013: £73.2m pre-exceptional administrative expenses), an 88% increase. This represents an operating margin of 15.9% compared to 12.1% in the prior year and we would expect this to continue to improve towards our medium term target operating margin of 18%. ➔ Go to Chart 3

Net financing costs at £7.7m were £2.1m higher than the prior year due to increased interest payable on higher average net debt as we continue to invest in land opportunities and increase our work in progress in line with the increase in outlets.

The record profit before tax of £132.6m (2013: £69.4m) delivered in the year produced a basic underlying adjusted earnings per share of 28.6p, up 83% (2013: 15.6p). Basic earnings per share were 28.3p (2013: 14.6p).

Tax

As a consequence of tax losses brought forward, the Group paid no corporation tax in the year (2013: £nil). Looking forward to the year ending June 2015 we will begin paying corporation tax again on the usual quarterly pattern.



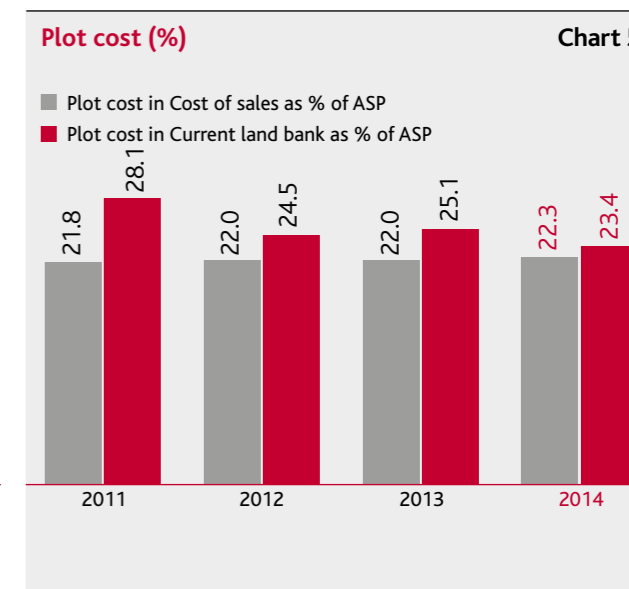
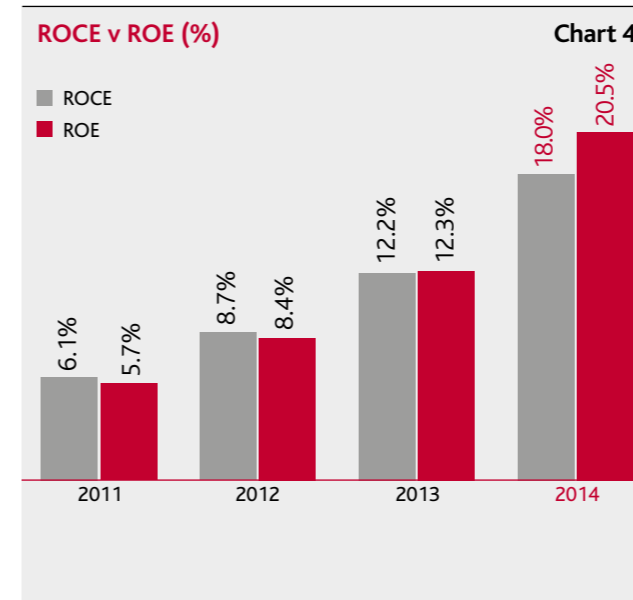
The Group's tax rate for 2014 was 22.50% (2013: 23.75%) before taking into account the effect of the reduction in the corporation tax rate to 21% on deferred tax assets (£0.8m (2013: £2.0m)). The normalised rate of tax for the year ending 30 June 2015 is projected to be 20.75% reducing to 20% the following year based on rates which are substantively enacted currently.

Dividends

A final dividend of 1.0p per share totalling £3.7m in respect of the year ended June 2013 was paid in November 2013, and an interim dividend of 1.0p per share in respect of the year ended June 2014 totalling £3.7m was paid in May 2014. No dividends were paid in the prior year. The Board has proposed a 2014 final dividend of 2.0p per share totalling £7.4m which will be paid on 14 November 2014.

Balance Sheet

Net assets at 30 June 2014 were £695.7m (2013: £609.2m), a 14% increase. Capital employed at the same date was £868.3m (2013: £700.2m) an increase of 24%. Our return on capital employed increased in the year from 12.2% to 18.0%. However because

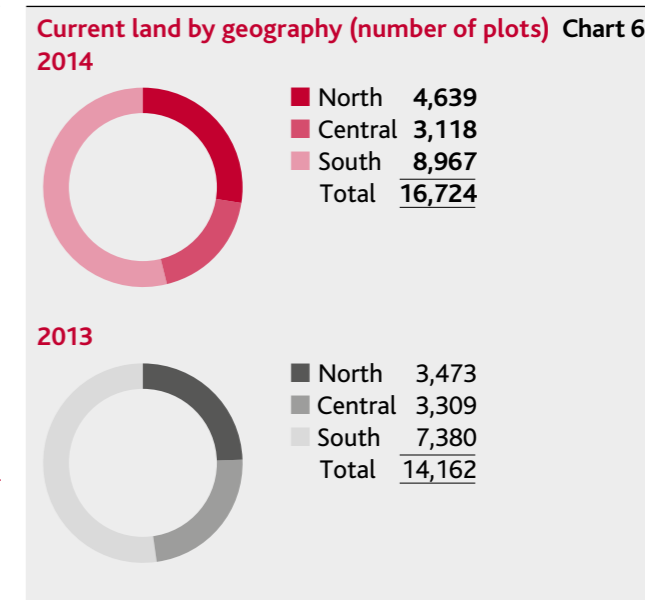


we have utilised bank debt as well as shareholders' funds in our capital employed, our return on equity has increased by 67% from 12.3% to 20.5%. ➔ Go to Chart 4

Our investment in land increased by 29% in the year to £802.2m (2013: £622.0m) producing a 19% increase in our land bank of plots owned with planning permission and investment in strategic sites. ➔ Go to Chart 6

The land market continues to be benign as can be seen from the fact that the plot cost of owned and contracted land in the current land bank is not significantly higher as a percentage of average selling price than the plot cost in cost of sales of those plots legally completed this year. ➔ Go to Chart 5

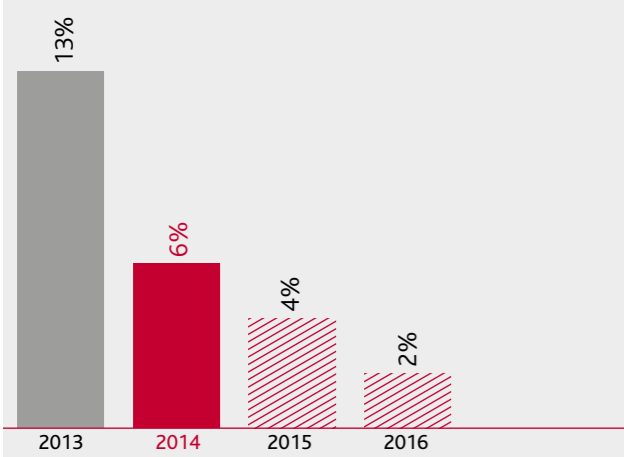
Our investment in work in progress increased by 30% in the year to £355.0m (2013: £273.5m). This reflected an increase in active outlets and further investment in large apartment schemes in the South of England.



Work in progress in London increased by £18m despite a high volume of completions in the year as construction is ongoing on apartment schemes at Connaught Place, Holland Park, Amberley Waterfront and Kingston.

Our net realisable value (NRV) provision on land and WIP reduced by £23.8m to £48.2m in the year. Provisioned plots represented 6% of our owned land bank at June 2014 (2013: 13%) and these are expected to decline to an immaterial level for the Group at June 2015. ➔ Go to Chart 7

Percentage of provisioned plots in land bank Chart 7



Land creditors increased by £34.1m to £158.4m at June 2014 as we continued to be successful in negotiating deferred terms with land vendors.

Trade receivables decreased by £7.3m during the year to £36.2m (2013: £43.5m) with the receipt of £9.5m of deferred consideration from the disposal of our Scotland business which took place in June 2011. Other receivables increased by £14.8m to £21.6m due mainly to the timing of the recovery of VAT paid on land purchases.

Cash Flow and Net Debt

Net debt increased by £81.6m to £172.6m at June 2014 (2013: £91.0m) giving gearing of 24.8% at the year-end (2013: 14.9%) as we move to a better balance of funding between debt and equity. The increase in net debt reflects our investment in land and work in progress during the year in line with the growth in the business.

As noted in last year's financial review, on 10 September 2013 we entered into a new Revolving Credit Facility (RCF) of £250m maturing in March 2018 on better financial terms than the previous RCF. In June 2014, we increased our committed bank facilities by £115m to £365m to provide additional funding for growth.

Financing and Treasury Management

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

Redrow is a UK based house builder and therefore the main focus of its financial risk management surrounds the management of liquidity and interest rate risk.

(i) Liquidity

The Group regularly prepares and reviews its cash flow forecasts which are used to manage liquidity risks in conjunction with the maintenance of appropriate committed banking facilities to ensure adequate headroom.

Facilities are kept under regular review and the Group maintains regular contact with its banks and other financial institutions; this ensures Redrow remains attuned to new developments and opportunities and that our facilities remain aligned to our strategic and operational objectives and market conditions.

Our current banking syndicate comprises five banks and in addition to our committed facilities, Redrow also has further uncommitted bank facilities which are used to assist day to day cash management.

(ii) Interest rate risk

The Group is exposed to interest rate risk as it borrows money at floating rates. Redrow uses simple risk management products, notably sterling denominated interest rate swaps, as appropriate to manage this risk. Such products are not used for speculative or trading purposes.

Redrow regularly reviews its hedging requirements. No additional hedging was undertaken in the year. The £20m of two year sterling interest rate swaps which the Group held matured in Spring 2014 and no additional or replacement hedging was undertaken in the year.

Pensions

IAS 19R – Employees Benefits, has been adopted with effect from 1 July 2013. This change in accounting standard has been adopted retrospectively and the comparative accounts have been restated accordingly with minimal impact. As at June 2014, the Group's financial statements showed a £11.0m deficit (2013: £3.8m deficit) in respect of the defined benefits section of The Redrow Staff Pension Scheme (which closed to future accrual with effect from 1 March 2012). The £7.2m increase in the deficit is due to an increase in the defined benefit obligations resulting from changes in bond yields. Pension benefits are now provided via the Redrow Group Personal Pension Plan which is a type of defined contribution plan.

Barbara Richmond

Group Finance Director
1 September 2014



Stretton Green, Cheshire

Key performance indicators – KPIs

Be a more sustainable business

Trainees in the workforce (%)

Why we measure it

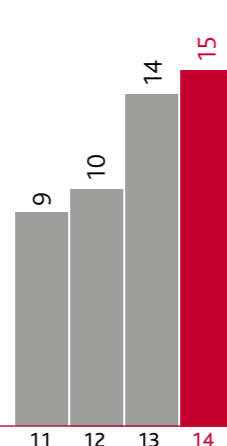
Trainees are key to developing our workforce to support future growth.

Performance

The number of trainees increased further as a percentage of the workforce in 2014 to 15%.

How we calculate it

Number of the workforce at year end on structured training programmes divided by total workforce at year end.



EPS (p)*

Why we measure it

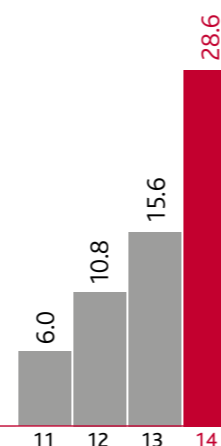
Redrow regards growth in underlying adjusted earnings per share as an important objective for our shareholders.

Performance

Underlying adjusted EPS increased by 83% on 2013 levels.

How we calculate it

Profit attributable to ordinary equity shareholders (excluding exceptional items and deferred tax rate changes) divided by the weighted average number of ordinary shares in issue during the year.



Performance indicators

Measure	How we performed	What affected it	2014 results	2013 results	Change
Land & Planning: The land bank is one of the foundations for our future business performance					
Number of plots in the current land bank	We increased our current land bank by 18% in the year	Increased land opportunities	16,724 plots	14,162 plots	↑
Number of plots transferred from the forward land bank to current land bank in the year	34% of our current land bank additions in the year came from our forward land bank	Successful planning permission delivery	2,139 plots	1,068 plots	↑
Number of plots in the forward land bank	We increased our forward land bank by 9% in the year	Increased forward land opportunities	28,245 plots	26,024 plots	↑
Build: We aim to build our homes well and safely and therefore monitor construction quality and accident rates					
The average numbers of reportable items per NHBC inspection	This was again better than the industry average	Significant increase in build output	0.21	0.21	→
Accident incident rate is the number of notifiable accidents as a proportion of persons at risk	There was an increase in the number of RIDDOR reportable accidents in the year in line with increase in activity	Increase in activity	578	456	→
Responsibly sourced timber	We again increased this important sustainability measure	Continuing focus on sustainable procurement	99.6%	99.5%	↑

*Excludes exceptional items and deferred tax rate changes.

Key performance indicators – KPIs

ROCE (%)

Why we measure it

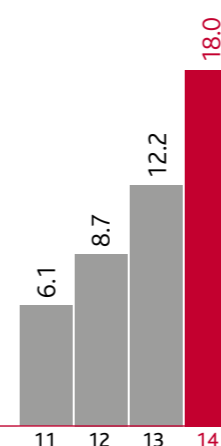
In order to monitor how effectively we use our capital base with the objective of delivering ROCE in excess of our cost of capital.

Performance

Growth in ROCE continued with a 48% increase in 2014 on 2013 levels.

How we calculate it

Operating profit before exceptional items adjusted for joint ventures as a percentage of the average of opening and closing capital employed.



Revenue growth (£m)

Why we measure it

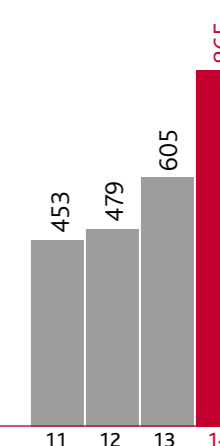
Growing our revenue is a key component of growing our profits.

Performance

Revenue increased by 43% in 2014.

How we calculate it

Revenue per the Consolidated income statement.



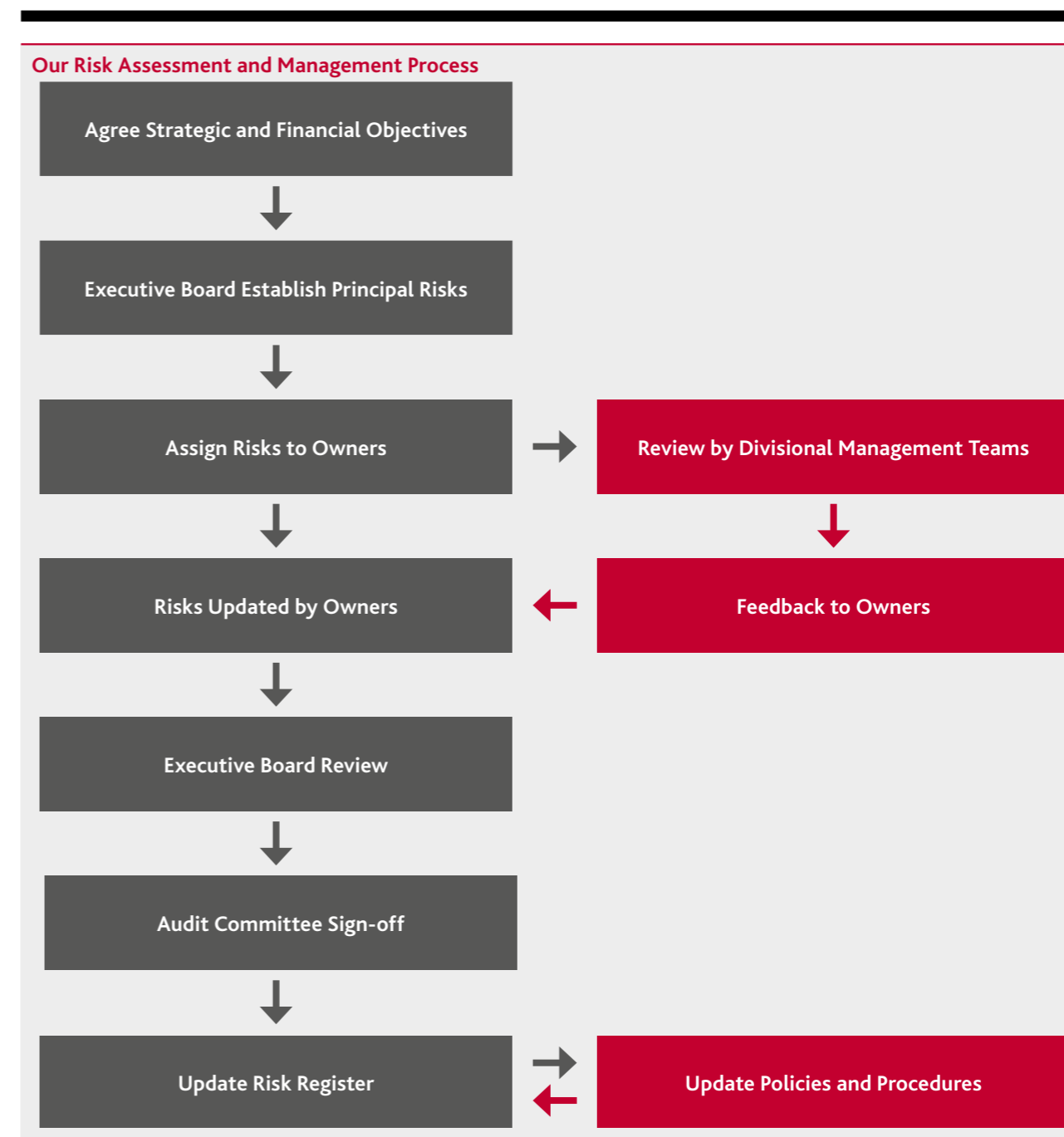
Performance indicators

Measure	How we performed	What affected it	2014 results	2013 results	Change
Sales & Marketing: Outlets define our potential to reach customers					
The average number of developments on which we are actively selling	We grew our average active outlets by 13% in the year	Securing planning permissions on more recently acquired land	94	83	↑
The value of private homes reserved or exchanged at the end of the period that are due to legally complete in the future	We grew the value of our order book by over 85% in the year	Improvement in market, location and increase in outlets	£482m	£260m	↑
Private reservation rate achieved per outlet per week	We increased our reservation rate per outlet by 13% in the year	Improvement in market	0.70	0.62	↑
Our Customers: We aim to provide our customers with a home they are proud of and to deliver improving levels of customer service that enhance our reputation in the marketplace					
Net Promoter Score (NPS) is a customer loyalty metric. A positive NPS is felt to be good. Our figures are provided by the NHBC	We maintained our score in the year	Rising customer expectations	39%	39%	→
The percentage of customers who would recommend Redrow to a friend per NHBC research	We maintained our recommended level in the year	Rising customer expectations	93%	93%	→

↑ ↓ → Positive increase/decrease/no change ⬆️ ⬇️ ⬅️ Negative increase/decrease/no change

Measure	How we performed	What affected it	2014 results	2013 results	Change
Our People: Redrow looks to be regarded as an employer of choice in the industry and therefore we monitor our training provision and staff turnover					
Number of staff leaving as a proportion of total staff	Staff turnover in the year was broadly stable	Increased opportunities within the business offsetting pressure of increased mobility in the job market generally	12.0%	12.2%	↓
Number of training days	We increased our training days by 10% in the year	Increase in employees and continuing focus on training	2,952 days	2,687 days	↑
Capital Usage: We monitor how effectively we balance our capital base between debt and equity to optimise returns for our shareholders					
ROE – Profit before tax before exceptional items adjusted for joint ventures as a percentage of the average of opening and closing net assets	ROE increased by 67% on 2013 levels	Increased profitability of the Group	20.5%	12.3%	↑
Earnings Per Share: Redrow regards growth in Earnings per Share as an important objective for our shareholders					
Profit attributable to ordinary equity shareholders divided by the weighted average number of ordinary shares in issue during the year	EPS increased by 94% on 2013 levels	Increased profitability of the Group	28.3p	14.6p	↑

↑ ↓ ↔ Positive increase/decrease/no change ⬆ ⬇ ⬅ Negative increase/decrease/no change



Our Risk Management Process

Following the strategic and financial objectives being set by the Main Board, the key risks are established and aligned to those objectives by the Executive Board.

We then go through our risk assessment process in order to update the Risk Register.

Once the Risk Register has been updated and approved by the Audit Committee, the updated risks are embedded in our policies and procedures, monthly management meetings and weekly operational meetings.

In the case of certain risks, we take the opportunity to transfer the risk contractually or through the insurance markets.

Our Risk Assessment Process

Risks are identified in line with the strategic objectives with top level risks each having individual owners.

The Divisional management teams review the risks and controls illustrated in the Risk Register and provide feedback to the risk owners for their formal annual review.

The risks are scored on their impact and probability, and controls are categorised as either a 'prevent control' or a 'detect control'.

A strong mix of these controls ensures the Company has the ability to manage the risks to the business effectively.

The risks within the register are then reviewed by the Audit Committee to ensure they are appropriate to our business.

Strategic report
Principal risks and uncertainties

Risk	Risk Owner	Key Controls and Mitigating Strategies	Risk Movement
Our Market			
Housing Market Conditions The conditions within the UK housing market are fundamental to Redrow's business performance	Group Chief Executive	<ul style="list-style-type: none"> Close monitoring of, and proactive management response to, key indicators of the housing market. Regional spread of operations diversifies risk to local markets. 	↑
Availability of Mortgage Finance Lending criteria and deposit requirements for mortgages remain key issues in the current environment	Group Finance Director	<ul style="list-style-type: none"> Proactively engage with Government, lenders and insurers to support the new and second hand housing market. Support Government initiatives including Help to Buy and Help to Buy 'Mortgage Guarantee'. New business process for our Sales Teams introduced during the year, including the introduction of web portals for partners and supporting the changes following the Mortgage Market Review. 	→
Liquidity and funding The Group requires appropriate facilities for its short term liquidity and long term funding needs	Group Finance Director	<ul style="list-style-type: none"> Bank facilities with appropriate covenants and headroom. Capital structure regularly reviewed. Regular contact and communication with investors and relationship banks. Regular preparation of strategic plans. 	→
Our Capabilities			
Sustainability The need for a holistic and sustainable approach to our business is fundamental to the Group's future performance	Research & Sustainability Director	<ul style="list-style-type: none"> Ensure close community engagement in design and planning. Ensure high quality design to deliver sustainable communities. Minimise and mitigate any adverse social or environmental impacts of our activities. Commit to sustainability targets in procurement, construction, the performance of our products and carbon emissions, monitored and steered by our Corporate Responsibility Committee. Close monitoring of development in building science and innovation. Training for our Construction teams on how we work within our environment. 	→
Land procurement The ability to purchase land suitable for our products and the timing of future land purchases are fundamental to the Group's future performance	Group Development Director	<ul style="list-style-type: none"> Clearly defined strategy and long term focus on forward land. Close monitoring of market conditions by experienced management team. Strong, experienced and knowledgeable land, planning and technical teams. Robust, timely and accurate reporting. 	→
Planning and regulatory environment The ability to respond and adapt to changing planning and regulatory environment is key to Redrow's future business performance	Group Development Director	<ul style="list-style-type: none"> Close monitoring of planning environment by experienced management team. Local knowledge of Divisional planning and technical teams. Well prepared, high quality planning submissions addressing local concerns and demonstrating good design. We hold public consultation meetings to share our vision with the community and address local issues. 	→

↑ Increased risk → No change in risk ↓ Decreased risk

Risk	Risk Owner	Key Controls and Mitigating Strategies	Risk Movement
Our Capabilities continued			
Appropriateness of product The failure to design and build a desirable product for our customers at the appropriate price may undermine Redrow's ability to fulfil its business objectives	Group Design & Technical Director	<ul style="list-style-type: none"> Design is an integral element of our business. We regularly review our product, design and mix on developments to ensure it is appropriate for the market. Improved customer engagement through the My Redrow section of our website to support our customers when purchasing their new homes. The introduction of the Abode Collection. 	→
Cyber security Failure of the Group's IT systems and the security of our internal systems, data and our websites	IT Director	<ul style="list-style-type: none"> Proactive management of software security updates. External audit carrying out penetration testing. Complete backup and disaster recovery strategy. Strong network security controls. Robust, timely and accurate reporting. 	→
Our Relationships			
Health and Safety/ environment A significant Health and Safety or environmental incident may put people, the environment and Redrow's reputation at risk	Group Health & Safety Director	<ul style="list-style-type: none"> Dedicated Health and Safety team operates across the Group to ensure appropriate standards are applied. Regular site inspections and audits. All staff receive appropriate training through in-house and external programmes. Suite of management information. Health and Safety training for our subcontractor partners. 	↑
Key supplier, main contractor or subcontractor failure The failure or inability to expand capacity of a key supplier, main contractor or subcontractor may disrupt Redrow's ability to manage its production process in an efficient and cost effective way	Commercial Director	<ul style="list-style-type: none"> Use suppliers, main contractors and subcontractors with strong track record and reputation. Close monitoring of supplier, main contractor and subcontractor quality and performance through annual assessments. Monitoring of new product innovation in the market place. Sharing of management information. 	↑
Attracting and retaining staff The loss of key staff and our failure to attract high quality employees may inhibit Redrow's ability to achieve its business objectives	Human Resources Director	<ul style="list-style-type: none"> National training centre. Remuneration strategy regularly reviewed. Personal Development Programmes. Graduate training and undergraduate placement programmes. Apprentice training programme including office apprentices. Internal communication strategy. Enhanced careers website. Succession planning 	↑
Fraud/uninsured losses A significant fraud or uninsured loss could damage the financial performance of the business	Finance Director Operations	<ul style="list-style-type: none"> Systems, policies and procedures designed to segregate duties and minimise opportunity for fraud. Regular Business Process Reviews. Timely management reporting and challenge. Business driven insurance strategy. 	→



Strategic report *Sustainability*

A year of progress towards our Vision

In this, our first year since setting out our Aspirations 2018 Action Plan, we have made good progress to deliver our targets.

2014 highlights

Design

- Further reduced heat loss from our homes
- Increase in number of homes with renewable technologies

Customers

- Retained HBF 5 Star customer satisfaction rating
- Comprehensive customer care review underway

Community

- Increased our contributions to local communities
- Increase in homes within 500m of public transport node

People

- Expanded our Sustainability team
- Developing sustainability awareness training programme
- Increased our trainee and graduate intake

Environment

- Reduced carbon emissions relative to build
- Achieved Environmental Management System (EMS) external accreditation
- Made further advances in sourcing of responsible timber

Our Reporting and Progress

Our Aspirations 2018 Action Plan sets out how we aim to grow sustainably as a business, focusing on non-financial performance across our value-chain.

We have set objectives and targets to help us achieve this growth under the five areas of *Design, Customers, Community, People* and *Environment*.

We have made good progress across all of these areas which will be strengthened in the coming year as we focus on improving sustainability communications and delivering training for the whole workforce. We are working to ensure greater transparency and are progressively increasing the level of independent assurance provided across all aspects of our sustainability reporting.

Key achievement

Contribution to local communities increased 182% to £112.8m

Materiality

We consider our significant issues to be:

- Climate change risk and energy
- Environmental incidents
- Biodiversity impacts
- Developing sustainable communities
- Product life cycle
- Customer engagement
- Supply chain standards

In 2015 we will be engaging with our key stakeholders to further assess materiality.

Risk Management

The future performance of the Group depends on incorporating sustainability throughout our operations. We continue to identify and assess risks facing the business and seek to mitigate them and create positive opportunities. Read more on pages 34 and 35.

Sustainable Development Charter for Wales



Redrow has become the first major housebuilder to sign up to the Sustainable Development Charter for Wales.

We are proud to be a signatory to the Charter and we look forward to working with other participants through the year to share our expertise to develop problem solving solutions in this challenging arena.

Progress towards targets

Design

The design of our homes and developments can have a profound effect on people's lives; impacting on health and well-being, security and their sense of community and place. Good design can help people to reduce the impacts of their day-to-day activities.

Objective	2013	2014	2018 target	Progress towards 2018 target
Public open space created	>60 hectares	110 hectares	Continual Investment	↑
Heat loss from home	53% better than 1970s	54% better than 1970s	66% better than 1970s	↑
% of homes incorporating renewable technologies	16%	23%	75%	↑
Reduce water usage (litres/head/day)	105	105	80	→
Homes including domestic recycling facilities	25%	47%	75%	↑
Homes fitted with smart meters	82%	67%	100%	↓
Building Information Modelling (BIM) development	Level 2	Level 2	Level 3	→

↑ ↓ → Positive increase/decrease/no change
 ↓ ↓ → Negative increase/decrease/no change

Our Plans for 2015

- Review of customer care service and process to include more focus on design and functionality of both the home itself and the other aspects of sustainable design
- Continue to work with our service connection providers to resolve specification issues with smart meters
- Work with our suppliers to develop a more advanced domestic water service design to meet our water saving target

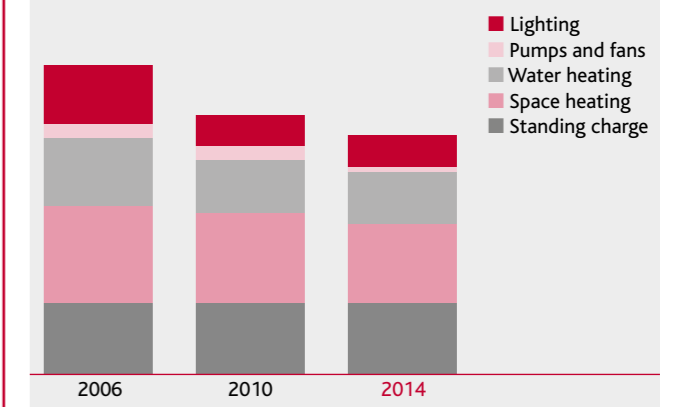
Public Open Space

As well as nearly doubling the amount of public open space we have created since 2013, we are also focused on ensuring that these spaces are designed to the highest standards to enhance the quality of life of our customers and the local communities. Design considerations include: safe pedestrian and cycle routes linking amenities; play areas for children and teenagers; spaces to encourage biodiversity and community spaces including seating, fit-trails and public art.

Heat Loss from Homes

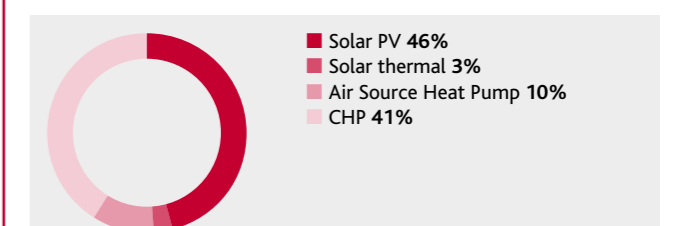
Work to increase the energy efficiency of our products has continued as we focus on improving construction details to minimise heat loss and improve air-tightness. For our customers this means potential for an additional 10% saving in hot water, heating and lighting bills over homes built to our 2010 specification.

Comparative designed running costs for a Heritage Collection Warwick house type (£/year)



Renewable Technologies

We adopt the 'fabric first' principles of energy efficiency design for our homes and design and model our construction details to minimise heat loss. However we also incorporate renewable technologies where appropriate in our drive towards zero carbon homes. This year we installed renewable heat or electricity generation technologies in 802 homes, representing 23% of our total build (2013: 16%). The technologies represented were as follows:



Strategic report
Sustainability continued
Progress towards targets

Water Usage in the Home

The standard design of our domestic water installations at 105 litres-per-person-per-day already provides performance ahead of building regulation requirements. To meet our ambitious target, we are working to further advance the specification whilst still meeting our customers' everyday water needs.



Strategy in action: Kingston River Walk

The ground breaking community heating system at Kingston River Walk is the first such river-based renewable energy installation in the UK.

Water is drawn from two metres below the surface of the Thames, where a temperature of between 8° C – 10° C is maintained all year.

The filtered water is passed through high efficiency heat exchangers where the low grade heat is harvested, before being discharged back into the river with negligible effect on the temperature of the water.

This heat is then captured in a 'closed' water system which links to 41 heat pumps, which increase the heat to about 45° C before passing it to the apartments where it is used for domestic hot water and underfloor heating.

The system will provide over 2MW of thermal energy for the development and is expected to reduce utility bills by 20%. Additionally, it has been calculated that the system will prevent the emission of over 500 tonnes of carbon dioxide per year, which would have resulted from traditional community boiler installations.

Customers

As well as maintaining our high standards of customer service and satisfaction, we are broadening engagement with our customers to focus on sustainability issues. This is important as the way our customers live in their new Redrow home is one of the key areas of impact from our industry.

Objective	2013	2014	2018 target	Progress towards 2018 target
Independent customer satisfaction HBF rating	5 stars	5 stars	5 stars	→
% of our customers recommending us to a friend per NHBC research	93%	93%	>95%	→

Our Plans for 2015

- Develop marketing materials highlighting sustainable design features to our customers
- Deliver sustainability training with all sales teams
- Re-design of post-occupancy survey to engage more meaningfully with customers
- Including sustainability issues in customer post-occupancy survey

5 Star Customer Satisfaction

We have retained our 5 star HBF Customer Care rating for the fourth year running with 93% of our customers happy to recommend us to a friend. This feedback demonstrates that we have built a solid reputation as a quality builder with a commitment to delivering high standards of customer care.



Training for Sales Staff

It's vital that our customers understand how to get the best from the renewables installed in their new home. Our sales teams play a key role in communicating the benefits, use and maintenance of these technologies and this year we have begun a programme of hands-on training with our sales staff in partnership with our renewables suppliers to enable them to gain a deeper understanding of these products.



Sales staff undertaking training in renewable technologies

Further Actions

Customer Care Review

We are continually striving to take our customer service to a higher level and truly engage with our consumers. Working with The Future Customer, a consultancy which coaches and inspires businesses to fulfil their promises to customers, we have looked at all of our interactions with our homebuyers and considered how we can make their purchase as smooth and effective as possible.

We have simplified our customer care process and intend to introduce earlier engagement with customers. This will include demonstration and welcome evenings held at our developments, designed to help customers get the best from their new home and enabling them to meet their future neighbours in a relaxed environment, so taking the first steps in building a true sense of community.

We are introducing an improved post-occupancy survey several months after they move in which will consider: quality of build; community; lifestyle and design issues. The results will then inform everything from our land buying to design, use of technology, etc.

Customer Research

Allied to the customer care review, we have recently embarked on a detailed academic research project to examine the attitudes and perceptions of our potential customers with respect to sustainability issues. The research will cover a range of sustainability issues relating to the design and efficiency of the home, as well as the wider development and community, and will be completed by the end of 2014.

Additionally, we are assisting another academic research project examining how housebuilders currently gather feedback from their dwellings once in use and how they then take this information forward to positively influence the design, performance and specification of future housing developments.

Community

We are proud of the positive contributions we made by providing local economic development opportunities and encouraging establishment of sustainable communities.

Objective	2013	2014	2018 target	Progress towards 2018 target
Monies committed to fund the improvement of local communities	£40m	£112.8m	Continued investment in local communities	↑
Community consultation events	102	110	Increased engagement	↑
Considerate Constructors average score	34.25	34.54	>35	↑
Homes within 500m of public transport node	c.80%	95%	90%	↑

Our Plans for 2015

- Partner with a non-governmental organisation to undertake an in-depth assessment of the wider economic benefit to the community provided by a typical development
- Monitor progress of proposed withdrawal of the Code for Sustainable Homes and evaluate alternative methods of demonstrating the holistic value of sustainable development

Funds to Improve Local Communities

As part of the planning process and delivery of new homes, we contribute significant value to the communities local to our sites through a range of material or financial initiatives.

This year the monetary value of these contributions totalled £112.8m, a significant increase over last year (£40m), reflecting the increase in construction and including delivery of £96m of social or affordable housing. The latter ensures that our developments are socially inclusive and makes a significant contribution to the country's well chronicled need for more affordable homes. Recognising that the homes we build create additional demand for local resources, including schools, healthcare and opportunities for sport and leisure, significant sums are also invested in these areas.

Strategic report

Sustainability continued

Progress towards targets

Community Consultation and Engagement

Public consultation events remain important. There has been a small increase in consultations undertaken in the year.

Considerate Constructors Scheme

During the year, 39 (2013: 33) sites participated in the Considerate Constructors Scheme, developed to encourage best practice in reducing the impact of our activities on the general public, the workforce and the environment.

During the independent site inspections made this year our developments averaged a score of 34.54*; however, 10 of our sites scored 30 or more, seven sites scored 35 or over and two of our sites in Kent – Davington Park, in Faversham and St Andrews Park, Halling – scored 40 or more. Our Davington Park development went on to win a Silver award at the Considerate Constructors 2014 National Site Awards.

*Scores of:
25+ demonstrates compliance
30+ demonstrates good standard
35+ demonstrates very good standard
40+ demonstrates excellent standard

Transport

We can help enable our customers to achieve a healthier lifestyle, use their cars less and reduce their personal carbon footprints. We have already achieved our Aspirations 2018 target

for the number of homes we build within 500m of a public transport node such as a bus, tram or train station.

In addition we have built 484 homes which have access to car clubs and 1,294 homes which include cycle stores. Many of our developments also include footpaths and cycleways linking into wider networks, making it easier for residents to access local amenities without using their cars.

Further Actions

Sustainable Development Charter

In its 'One Wales: One Planet' strategy, the Welsh Government sets out ways to promote sustainability in its activities and long term planning. This was followed by the launch of the Sustainable Development Charter which aims to promote sustainable learning and good practice through shared experience and collaboration to improve the economic, social and environmental well-being of Wales.

We look forward to engaging with the principles of the Charter over the forthcoming year and sharing experience with other business signatories.



Cycleway created at Aurora Springs, Bristol

People

Our performance is entirely dependent on the qualities and abilities of our employees and we invest heavily in their development and training. We are proud of our success in attracting talented young staff into the industry, as this is critical to providing a skills base for the future.

Objective	2013	2014	2018 target	Progress towards 2018 target
Trainees as % of workforce	14%	15%	>18%	↑
Training days delivered	2,687	2,952	Increase training per head	→
Graduate programme intake†	19	22	Increase in line with growth	↑
Workforce under 25	15%	15%	Maintain/Increase %	→
Total workforce	1,115	1,346	Maintain headcount growth	↑
Health & Safety RoSPA Award	RoSPA Gold (eighth year)	Not eligible this year*	Progressive improvement	–
Accident Incident Rate** (AIR)	456	578	Below HSE's AIR for Construction	→

* see note in Health & Safety section
† excludes undergraduates
** in line with increase in activity

Our Plans for 2015

- Delivery of ambitious sustainability training programme, involving all staff
- Roll-out of e-learning platform for all staff
- Continued focus on trainees and apprentices



Trainees as Percentage of Workforce

Growing the percentage of trainees across our business remains on target and we are confident that we have one of the housebuilding sector's best employee to trainee/apprentice ratios.

We continue to invest heavily in the development of trade skills. Working in partnership with the Construction Industry Training Board (CITB) we currently employ 76 apprentices on sites across the Group.

We also continue to use the transitional role of 'Trainee Site Assistant' to provide successful apprentices and semi-skilled site employees with a route into management.

Undergraduates are also welcomed into our business with eight young people being given the opportunity to complete their 'year out' with us this summer.

Our newest programme is a commercial apprenticeship scheme, designed in conjunction with the Chartered Surveyors Trust and Coleg Cambria. Ten school leavers will join this autumn across our divisions and start a two-year higher apprenticeship studying on a block release basis. Successful candidates will be able to progress up to a RICS accredited degree, all supported by Redrow.

Training Days Delivered

We have an in-house team of qualified trainers, supported by external providers, delivering training programmes to all staff. We have invested heavily over the last year in an e-learning platform to enable us to offer blended training solutions to staff across all our divisions and developments.

We have an increasing focus on externally accredited courses which give our employees recognised qualifications, including an extensive range of NVQs and the Institute of Leadership and Management (ILM).

During the year, 26 employees have achieved an NVQ, excluding apprentices, and we currently have 43 employees working towards an NVQ qualification.

Health & Safety

Sadly there was a fatal accident at a Redrow development last year involving one of our subcontractors. At the time of reporting the circumstances are still under investigation by the Health and Safety Executive. Our condolences and support have been offered to the victim's family.

Due to this fatality we are not permitted to enter for any RoSPA Awards until conclusion of the investigation.

As you would expect, the majority of our reportable accidents take place on site. We hold regular health and safety training courses on all our sites for our own personnel and subcontractors. It is therefore pleasing to report that in 2014 our reportable accidents by site reduced from 0.34 to 0.32 despite the higher activity levels across all our sites. We did have a small number of office based reportable accidents in the year (7), following a remarkable 2013 when we had none.

One prohibition notice was received during the reporting period. This notice was issued in relation to traffic management and pedestrian segregation.

We have changed our core health and safety training criteria for site managers from an internal training programme to the

Strategic report

Sustainability continued

Progress towards targets

industry accredited CITB Site Management Safety Training Scheme. This five-day training programme is deemed the construction industry standard for site management.

Two Redrow Site Managers secured awards in this year's National House-Building Council (NHBC) Health and Safety Awards. Redrow Lancashire site manager Stuart Bullough picked up Redrow's first ever Highly Commended health and safety award; while Redrow South East site manager Mike Tynan secured a commendation for his development at St Andrews Park in Halling, Kent.

We continue to support our contractors in improving their health and safety knowledge and performance and have organised numerous events this year to assist our contractors.

The Health and Safety Team continues to carry out safety talks at primary schools in close proximity to our developments. During the year over 1,000 children attended these important presentations.

Details of our gender diversity can be found on pages 51 and 53.

Further Actions



Green Teams

This year, each of our divisional offices along with Group HQ has formed Green Teams, who are working to measure and monitor our environmental impacts and to deliver projects that will help reduce energy, water and waste. They are also examining ways to improve purchasing and travel options, as well as improving the landscape and biodiversity surrounding our offices.

The teams comprise people from all departments, and are key in helping to raise awareness of environmental issues and improvements to their colleagues, encouraging them to be more sustainable at work and at home.

Environment

Housebuilding has the potential to significantly impact on the environment; this year we have strengthened our focus in this area to include externally accredited systems, tighter checking and compliance standards, as well as planned training for all staff.

Objective	2013	2014	2018 target	Progress towards 2018 target
Total waste produced per 100m ² of build ⁽¹⁾	8.21 tonnes /100m ²	4.7 tonnes per 100m²	3.7 tonnes per 100m ²	NEW TARGET
Waste diverted from landfill	93%	93.6%	>95%	↑
Scope 1 and 2 carbon emissions ⁽²⁾	3.42 tonnes CO ₂ /unit ⁽³⁾	2.88 tonnes CO₂e/unit	10% T/unit reduction	↓
Scope 1 and 2 carbon emissions	3.06 tonnes CO ₂ e/100m ²	2.64 tonnes CO₂e/100m²	10% reduction	NEW TARGET
Site water consumption	19.2m ³ /unit	18.38m³/unit	Reduce m ³ per unit	↓
Site water consumption	17.24m ³ /100m ²	16.89m³/100m²	Reduce m ³ per 100m ²	NEW TARGET
Divisional office energy audits	80%	80%	100%	→
Responsibly sourced timber	99.53%	99.55%	100%	↑
% of build materials locally sourced	>c.90%	96%	95%	↑
% of subcontract labour employed locally	>c.90%	89%	95%	→

(1) Figure excludes London Division
 (2) Please note change of unit from CO₂ to CO₂e for this target
 (3) Re-calculated figure

Our Plans for 2015

- Continue our sustainable construction training programme
- Develop data capture for Scope 3 (indirect) carbon emissions
- Develop and continue partnerships focused on biodiversity



Balancing ponds at Earls Park, Worcester

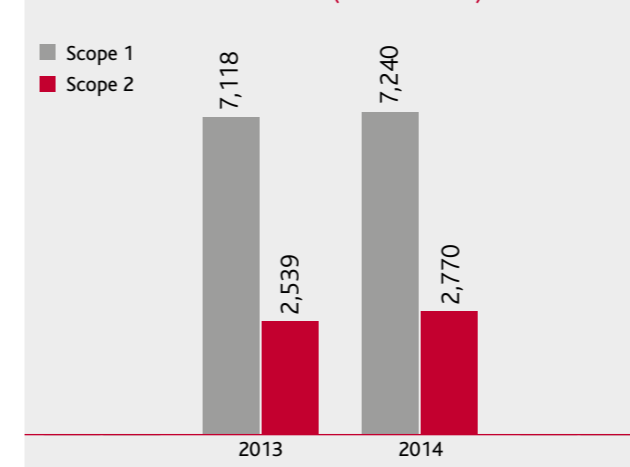
Waste Minimisation and Management

Our improved design, procurement and site practices have resulted in a reduction in our site waste for 2014; down to 4.7 tonnes/100m² of developed floor area (2013: 8.21 tonnes/100m²). Additionally, we have further improved our diversion of site waste from landfill to achieve 93.6% diversion this year.

We are also working with our suppliers to examine ways we can reduce packaging waste whilst still providing adequate protection for products and materials. We are trialling on-site baling to improve the way we deal with any such waste that remains on site.

A further initiative for 2015 will involve detailed analysis of waste generated over a number of trial sites within the Group. The investigation will look at the contributing materials and trades and, by informing design and process, will seek to eliminate the volume of waste generated at source.

Greenhouse Gas Emissions (Tonnes CO₂e)



See page 78 for carbon disclosure figures.

Our total Scope 1 and 2 CO₂e has increased slightly to 10,010 (2013: 9,657). However relative to build our CO₂e emissions have fallen to 2.64 tonnes/100m² of build (2013: 3.06).

We continue to report our carbon footprint to the Carbon Disclosure Project on an annual basis and remain focused on driving down the emissions from all parts of the business.

This year we have started working with our suppliers to ascertain the emissions associated with the production and transport of materials used in our homes, along with movement of waste from our sites.

Site Water Consumption

We are pleased to report that our consumption of water on site, per unit, has decreased this year due to improved management. We are currently developing our monitoring and reporting procedures to further improve data capture in this area, which will be used to set specific, quantitative targets for 2015.

Responsibly Sourced Timber

We continue to work with our supply chain to draw closer to our objective of completely eliminating timber from unaccredited sources in our homes. This includes all timber and timber products provided by our suppliers and/or used by our subcontractors that are incorporated within completed dwellings built by Redrow.

We are proud to report that 2014 saw further improvement in this area with 42.05% of timber used on our sites being classified as "Source Verified", e.g. Programme for the Endorsement of Forest Certification (PEFC) purchased with Chain of Custody; and 57.5% "Credibly Certified", e.g. Forestry Stewardship Council purchased with Chain of Custody (Chain of Custody being a mechanism for tracking certified materials from the forest to final production).

Challenges remain and we continue to work with our supply chain to ensure current purchasing policy is adhered to and procurement levels are maintained. We are continually reviewing high risk products, in particular plywood, to investigate how to eradicate timber procured with no information on origin. We are committed to ensuring that all new subcontractors and suppliers maintain Redrow's aims and targets.



Sustainable Construction Training

This year we have commenced delivery of a comprehensive sustainability training plan involving staff from all parts of the business. A significant part of this plan is focused on sustainable construction and a series of training courses have been designed to engage and develop our build teams in this important area, including the CITB's Site Environmental Awareness Training course.

Further Actions

Environmental Management System (EMS) Accreditation

This year we took the decision to move to an externally accredited EMS which not only improves management of our significant environmental impacts, but also demonstrates our commitment to our key stakeholders.

We are pleased to report that following an external audit in June, which examined our policies and procedures as well as site practice, we have been awarded Phase 2 certification of BS8555.

We will now work to develop and further embed this system to ensure maximum benefit from the process and to drive continual improvement.



Governance *report*



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

Dear Shareholder

In the year of our 40th Anniversary, I am delighted to introduce on behalf of the Board of Redrow plc the Corporate Governance report outlining the Company's approach to corporate governance. As outlined elsewhere in the report, the Board remains committed to high standards of corporate governance. This report on corporate governance sets out and explains in clear terms the processes in place which are essential for delivery of long-term success, while ensuring that the Company complies with all applicable laws and regulations and, of course, meeting the requirements of our shareholders and their representative bodies.

This report has been prepared and approved by the Board and, on behalf of the Board, I confirm that during financial year ended 30 June 2014, the Company was compliant with the provisions of the UK Corporate Governance Code ("the Code"). This report also explains what the Board of Directors actually does and describes how it is responsible for setting the codes and values of the Company, thereby ensuring that the Company is run in the best interests of our shareholders and other stakeholders and how it interacts with its shareholders and explains the Company's strategic goals and performance against them.

The Board continues to believe the balance of Non-Executive and Executive Directors has worked well. A number of Board meetings have been held in a number of the Divisions during the year and have included open discussion with the Management Teams on land acquisition, sales outlets, sales, our product and the new Divisional structures.

There have been no changes in corporate governance best practice during the financial year ended 30 June 2014.

The Board would like to thank Alan Jackson, who informed the Board of his intention to stand down from the Board, for his invaluable contribution as Deputy Chairman, Senior Independent Director and as a Non-Executive Director.

The Board would also like to welcome Liz Peace to the Board as the new Non-Executive Director who will chair the Sustainability Committee.

Liz Peace, CBE, will join the Board on 1 September 2014. She is shortly to retire after twelve years as the Chief Executive of the

British Property Federation. Prior to this she had a long and varied career in the Ministry of Defence, including twelve years until 2002 as company secretary and director of corporate affairs at QinetiQ Group plc (formerly the Defence Evaluation and Research Agency). Liz is a Non-Executive Director of Morgan Sindall Group plc and Turley Associates. She is also a member of the Peabody Trust and a trustee of the property charity Land Aid.

Our 2014 Annual General Meeting will be held on Monday, 10 November 2014 and you will find the Notice of Annual General Meeting and some Explanatory Notes at the end of this Annual Report.

The Notice refers to the Redrow plc Long-Term Share Incentive Plan 2004 which has been the main vehicle for the grant of long-term share incentives to senior executives but that plan expires on 2 November 2014. Accordingly, approval is being sought at the Annual General Meeting for a replacement plan – the Redrow plc 2014 Long-Term Incentive Plan (the 'LTIP'). This plan is more flexible in that it allows for the grant of conditional awards as well as options but works in a broadly similar way to the plan it replaces.

The Redrow plc Sharesave Plan 2004 (the 'Sharesave Plan') is an all-employee share option plan which was approved by shareholders in 2004. Since then it has been a successful and popular part of the Company's remuneration arrangements. It also expires in November 2014 and so shareholder approval is being sought to renew it for a further 10 years from the date it was originally approved.

The key terms of the LTIP and the Sharesave Plan are set out in the Explanatory Notes to the Notice of Annual General Meeting. Some minor changes are also being made to the rules of the Sharesave Plan to bring it into line with current legislation but the only change which requires shareholder approval is its renewal for a further 10 years.

Finally on behalf of the Board, for those who wish to attend we look forward to meeting with you.

Graham Cope
Company Secretary

Introduction

This report sets out the Company's compliance with the UK Corporate Governance Code ("the Code") issued by the Financial Reporting Council (www.frc.org.uk) and describes how the governance framework is applied by the Company.

The Directors have considered the contents and requirements of the Code and believe that throughout the year ended 30 June 2014, the Company has been compliant with the provisions of the Code.

The Board

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

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

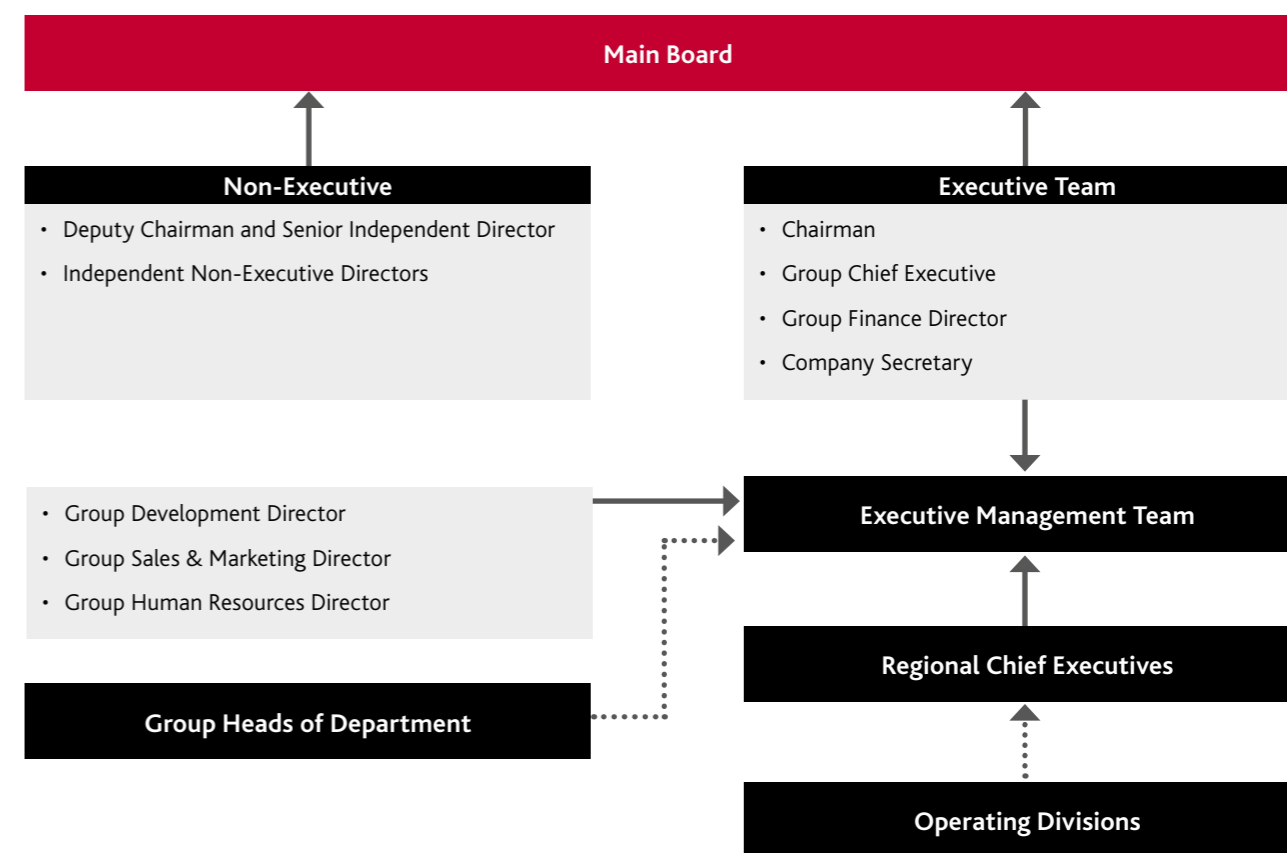
The governance structure is set out in Chart 1.

All Non-Executive Directors holding office during the year ended 30 June 2014 are considered to be independent.

The Company Secretary acts as secretary to the Board and its Committees and his appointment and removal is a matter for the Board as a whole. The Company Secretary is a Member of the Executive Management Team and all Directors have access to his advice and services. In certain circumstances, Board Committees and individual Directors may wish to take independent professional advice in connection with their responsibilities and duties, and, in this regard, the Company will meet the reasonable costs and expenses incurred.

Governance structure

Chart 1



A diverse skill set

Redrow has an active, committed Board of Directors with diverse and complementary skill sets.

Board experience

🏠 Finance
🏠 Property
▶️ Operational
🌱 Sustainability



Steve Morgan, 61
Chairman

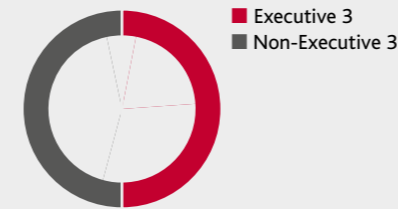


John Tutte, 58
Group Chief Executive

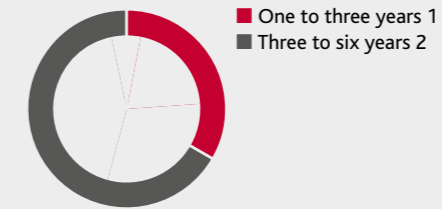


Barbara Richmond, 54
Group Finance Director

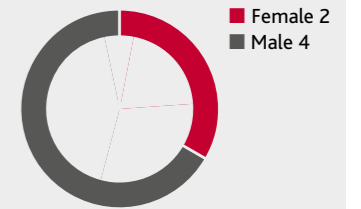
Composition of the Board



Length of tenure of Non-Executive Directors



Main Board by gender



Alan Jackson, 71
Non-Executive Deputy
Chairman and Senior
Independent Director



Nick Hewson, 56
Non-Executive Director



Debbie Hewitt, 51
Non-Executive Director



Graham Cope, 50
Company Secretary

Role

He is primarily responsible for the effective working of the Board, taking a leading role in determining the Board's composition and structure and ensuring that effective communications are maintained with shareholders.

He is responsible for the operational management of the Group, the implementing of strategic plans and reporting on these to the Board.

She is responsible for the financial management of the Group in its broadest sense.

The Non-Executive Directors are members of the Board but do not form part of the Executive Management team. They have responsibility to constructively challenge and contribute to the development of strategy, scrutinise the performance of management, satisfy themselves that financial information is accurate and that financial controls and systems of risk management are robust and are responsible for determining appropriate levels of remuneration of the Executive Management team.

He is responsible for governance structures and mechanisms, corporate conduct within the Company's regulatory environment and circulars to shareholders, and is the primary source of advice on the conduct of the business.

Board experience



Key strengths and skills

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

Steve is also Chairman of Wolverhampton Wanderers, Carden Leisure and Trinity Aviation. He set up The Morgan Foundation in 2000, which is one of the largest charitable trusts in the north of England.

Steve is a Fellow of the Chartered Institute of Building and holds four Honorary Degrees. He was awarded an OBE in 1992.

John Tutte joined the Board of Redrow in July 2002. In September 2009 he was promoted to Group Managing Director and in July this year became Group Chief Executive.

John qualified in civil engineering and has amassed more than 35 years' experience within the industry, having previously held the position as Chief Executive of Wilson Connolly plc.

Barbara Richmond joined the Board of Redrow in January 2010, bringing with her a proven track record, with 20 years' experience as Group Finance Director at a number of UK listed companies including Inchcape plc, Croda International PLC and Whessoe plc. She has a strong background in both manufacturing and retail as well as having completed a number of major acquisitions and disposals throughout her career.

Barbara was appointed a Non-Executive Director of Lonza Group Ltd with effect from 16 April 2014.

Barbara is a Fellow of the Institute of Chartered Accountants in England and Wales and a graduate of the University of Manchester.

Alan Jackson joined the Redrow Board in August 2009. He has a wealth of experience in executive and non-executive roles.

Alan is currently the Non-Executive Chairman of The Restaurant Group plc. He is also a Non-Executive Chairman of Playtech plc.

As previously announced Alan Jackson will retire from the Board with effect from 1 September 2014.

Nick Hewson joined the Redrow Board in December 2012. He has spent a 30 year career to date mainly involved in the property industry, from commercial to residential.

Nick is currently a Non-Executive Director of Cromax Security Solutions Group Plc.

Nick is a Fellow of the Institute of Chartered Accountants in England and Wales and has a degree in Law from Cambridge University.

Debbie Hewitt joined the Redrow Board in August 2009. She has a wealth of experience in executive and non-executive roles.

She is currently the Non-Executive Chairman of Moss Bros plc, Evander Group and White Stuff. She is also Non-Executive Director of HR Owen plc, NCC plc, BGL and Domestic & General.

Debbie has an MBA from Bath University, is a fellow of the Chartered Institute of Personnel and Development and was awarded the MBE in 2011 for services to business and the public sector.

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

Graham qualified as a Solicitor in 1989 and is a member of the Law Society.

Committee membership

Main Board

Main Board

Main Board

Main Board

Main Board

Main Board

Main Board,

Audit Committee
Nomination Committee,
Chairman
Remuneration Committee
Sustainability Committee,
Chairman

Audit Committee, Chairman
Nomination Committee
Remuneration Committee

Audit Committee
Nomination Committee
Remuneration Committee,
Chairman

Company Secretary
Audit Committee, Secretary
Nomination Committee,
Secretary
Remuneration Committee,
Secretary
Sustainability Committee,
Secretary

Board Meetings

The Board meets regularly and frequently, not less than six times during the year and maintains a close dialogue, as appropriate, between meetings. Board meetings are held at Head Office or Divisional Offices when visits are frequently made to a selection of developments accompanied by the local Management Team. Board papers are distributed in advance of the meetings to allow adequate time for review and preparation and include key strategic, operational and financial information. Attendance by individual Directors at Board meetings are set out below:

Name	Role	Attendance at Meetings
Steve Morgan	Chairman	7/7
John Tutte	Group Chief Executive	7/7
Barbara Richmond	Group Finance Director	7/7
Alan Jackson	Deputy Chairman & Senior Independent Director	7/7
Debbie Hewitt	Non-Executive Director	7/7
Nick Hewson	Non-Executive Director	7/7

All details for the Directors are provided on pages 50 and 51.

Details of internal control and risk management processes are included in the Audit Committee report on pages 54 to 56.

Board Balance and Independence

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 Executive Team provides the Board with an appropriate view of the detail of the business and the benefit of their significant collective experience of the UK house building industry and that enables it to discharge their respective duties and responsibilities effectively. The Non-Executive Directors bring a wealth of experience and understanding from outside the Company which enables them to challenge and help develop proposals on the Company's strategy.

Details of the Directors' respective experience is set out in their biographical profiles on pages 50 and 51.

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

In considering Non-Executive Director independence, the Board has taken into consideration the guidance provided by the Code and considers that each of the Non-Executive Directors is independent in accordance with Provision B.1.1 of the Code.

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

Board performance evaluation and professional development

The Board undertook an internal formal evaluation of its own performance during the year ended 30 June 2014. This started with a questionnaire designed to assess performance and ongoing effectiveness across key areas in the Financial Year 2014 and to maintain visibility and progress during the financial year. Following the completion of the questionnaire, a report was presented to the Board and discussed and, as a result, the Board considers that it continues to operate effectively with meetings to facilitate debate and decision making. The Board therefore also considers that each of the Non-Executive Directors continue to be effective independent Directors.

The evaluation also considered succession planning for the Executive Team.

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 working relationships with Divisional Management Teams.

All Directors undertake a comprehensive induction programme following their first appointment.

The programme for the Non-Executive Directors is specifically designed to encompass the full breadth of the business and includes visits to operating businesses.

During the year the formal appraisals of the Group Chief Executive and the Group Finance Director were undertaken by the Chairman.

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

Committees

The Board is supported by Audit, Nomination, Remuneration and Sustainability Committees and their memberships, roles and activities are set out in separate reports; the Audit Committee report can be found on pages 54 to 56; the Nomination Committee report on page 57; the Directors' Remuneration report on pages 59 to 75 and the Sustainability Committee report can be found on page 58.

Each Committee reports to and has Terms of Reference approved by the Board and the Minutes of the Committee meetings are circulated and the Committee Chairmen provide reports to the Board.

The Audit Committee is chaired by Nick Hewson, the Remuneration Committee is chaired by Debbie Hewitt and the Sustainability Committee and Nomination Committee are chaired by Alan Jackson.

The Board completed a performance evaluation of its Committees during the financial year ended 30 June 2014 and it was concluded they were contributing and functioning effectively and were complying with their Terms of Reference.

Governance at work in the Business

The Board aims to meet governance best practice where it fits with the Company's business.

The Board has a formal schedule of matters reserved specifically for its decisions. The matters reserved include:

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

The Chairman is primarily responsible for:

- effective working of the Board;
- taking a leading role in determining the Board's composition and structure; and
- ensuring that effective communications are maintained with shareholders.

The Chief Executive is responsible for:

- operational management of the Group;
- implementing strategic plans; and
- reporting on these to the Board.

The Deputy Chairman supports the Chairman in ensuring the Board is effective and that constructive relations are maintained. In addition to acting as a Senior Independent Director, in which capacity he leads the annual performance evaluation of the Chairman he also provides an additional point of contact for shareholders.

The Company has Directors' and Officers' insurance in place which insures Directors against certain liabilities, including legal costs.

Appointment and Re-Appointments to the Board

The Nomination Committee has recommended the re-appointment of the Executive and Non-Executive Directors. The Nomination Committee report can be found on page 57.

Under the Company's Articles of Association, all Directors are subject to re-election at their first General meeting after appointment. The Board having been informed of the conditions of the Code on re-election has decided that all Directors will be submitting themselves for re-election at the Annual General Meeting with the exception of Alan Jackson who advised the Board of his intention to retire on 30 June 2014.

Following the Company's announcement of the appointment of a new Non-Executive Director Alan Jackson will retire from the Board with effect from 1 September 2014.

The Board is pleased to announce that Liz Peace will join the Board on 1 September 2014 as a Non-Executive Director. For Liz Peace's biographical details please see the Explanatory Notes to the Notice of Annual General Meeting on page 120.

Following Alan Jackson's retirement Debbie Hewitt will become Senior Independent Director and Chair of the Nomination Committee. Liz Peace will chair the Sustainability Committee and will be a member of the Audit Committee, Nomination Committee and Remuneration Committee.

The Board, having regard to the provisions of the Code, considers that Liz Peace is independent.

With the exception of Debbie Hewitt and Steve Morgan having previously (together with retiring Director Alan Jackson) been directors of the Board of De Vere Group Holdings Limited, none of the independent Directors seeking re-appointment at the Annual General Meeting have any existing or previous relationships with, the Company, the other Directors, nor with any controlling shareholder of the Company (or any associate of a controlling shareholder) within the meaning of Listing Rule 13.8.17R(2).

Details of appropriate Annual General Meeting Resolutions can be found on pages 117 and 118.

Capital Structure

The information of the capital structure of the Company is including the Directors' report on page 77.

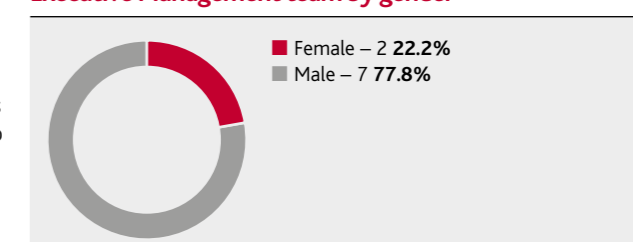
Diversity

The principle of Boardroom diversity is strongly supported by the Board. It is the Board's policy that appointments to the Board will

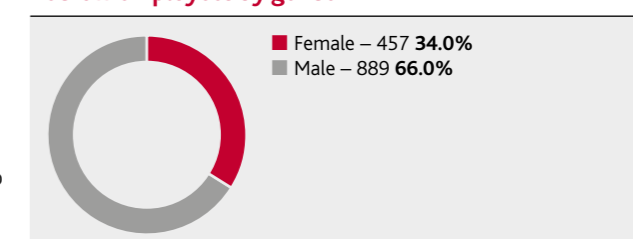
always be based on merit, so that the Board has the right individuals in place, and recognises that diversity is seen as an important consideration as part of the selective criteria used to assess candidates to achieve a balanced Board.

The charts below set out the current position of the Company on a gender basis.

Executive Management team by gender



Redrow employees by gender



Shareholder Engagement

The Company announces its financial results half-yearly, and, immediately following their publication, undertakes formal presentations to equity analysts. These presentations are available on the Company's website. In addition, the Company published an Interim Management Statement in November 2013 and April 2014.

During the year ended 30 June 2014, the Chairman, the Group Chief Executive and the Group Finance Director, together with the Senior Independent Director also held a number of meetings with significant shareholders.

Following the full year and half-yearly results' announcement in September 2013 and February 2014, the Chairman, Group Chief Executive and Group Finance Director met current and potential significant shareholders. This embraced visits to London and Edinburgh and feedback from these meetings is independently collated and disseminated to the Board.

The Annual General Meeting takes place at a venue close to the Company's Head Office. All Directors attended the Annual General Meeting on 11 November 2013. The Annual General Meeting represents an opportunity for all shareholders attending to table questions formally during the meeting and informally afterwards to the Company's Directors.

Formal notification of the Annual General Meeting, through the Annual Report and Accounts, is sent to shareholders at least 21 working days in advance. It is the Company's policy to propose a separate Resolution at the Annual General Meeting on each substantive issue.

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

Graham Cope

Company Secretary
1 September 2014



The Committee's principal responsibilities lie in reviewing the Group's financial reporting, overseeing the appointment and work of the external Auditors and reviewing Redrow's internal control processes

Committee membership and meetings

The three Members of the Committee are Independent Non-Executive Directors and the Board believes the Committee has the appropriate level of experience to fulfil its Terms of Reference.

The Group Finance Director and Finance Director – Group Services attend meetings by invitation and both were present at all the meetings in the year ended 30 June 2014. The external Auditors, PricewaterhouseCoopers LLP ("PwC"), and the Finance Director (Operations) who has responsibility for Internal Audit, were also in attendance at all meetings.

Table of Attendance

Name	Role	Attendance at Meetings
Nick Hewson	Chairman	3/3
Alan Jackson	Member	3/3
Debbie Hewitt	Member	3/3

The Committee met three times in the year ended 30 June 2014 and a summary of the principal activities of the Committee are listed below.

Detailed papers and information were circulated sufficiently in advance of meetings to allow proper consideration of the matters for discussion. The Committee also met separately with the external Auditors and Internal Audit following the final audit and the review of the year ended June 2014 financial statements. No matters of concern were raised within these discussions. The Committee Chairman also met privately with the Audit Partner of the external Auditors and the Finance Director (Operations) to discuss Internal Audit matters. The Group Company Secretary acts as Secretary to the Committee.

Responsibilities and Terms of Reference

The key responsibilities of the Committee are:

- monitoring the integrity of the financial statements of the accompanying reports to the shareholders and Corporate Governance Statements including reviewing the findings of the external Auditors;
- reviewing and monitoring the effectiveness of systems for internal control, financial reporting and risk management;
- reviewing and overseeing the effectiveness of Internal Audit;
- making recommendations to the Board in relation to the appointment and removal of the external Auditors and approving the remuneration and terms of engagement; and
- reviewing and monitoring the external Audit process and independent activity of the Auditors as well as the nature and scope of the external Audit and its effectiveness.

The Committee's Terms of Reference are available on the Company's website (www.redrowplc.co.uk).

Audit Committee reporting of significant issues

The primary areas of judgement which were considered by the Committee and how these were addressed is set out below:

Net realisable value of inventories

The Committee receives a paper prepared by management at each reporting date outlining the approach taken by management to assess the net realisable value of inventories together with details of sites with significant areas of judgement. The Group Finance Director and Finance Director – Group Services attend meetings by invitation to answer any questions the Committee may have.

The Committee also annually reviews the internal controls that are in place and reviews the findings of PwC's testing of controls and processes for estimating as well as the adequacy of disclosures that management propose to be made in financial statements.

Defined benefit pension scheme valuation

The Committee receives details of the IAS 19R – Employee Benefits valuations carried out at each reporting date for management by the actuary who advises the Company and the underlying assumptions. A sensitivity analysis is also provided for its consideration. The Committee also receives details of the triennial independent scheme valuation report prepared by the Scheme actuary and reviews key judgements made including relevant actuarial advice that has been received. In addition the Committee also reviews the findings of PwC's testing of pension scheme assets and liabilities.

Main activities during the year

The Committee followed a programme which is structured around the annual reporting cycle and received reports from Internal Audit, the external Audit and management.

The principal activities undertaken were as follows:

September 2013	A review of the full year 2013 results including the Annual Report and Accounts and a report from the external Auditors; and Consideration of the Group risk assessment process and a going concern review.
February 2014	A review of the 2014 half-yearly accounts and going concern including a report from the external Auditors; A review of the Terms of Reference of the Committee; A review of the proposed external Audit strategy for 2014 and associated fees; A review of the effectiveness of the external Audit process; A review of the independence and objectivity of the external Auditors; A review of the Committee's effectiveness; and Initiated a review of cyber security.
June 2014	A review of the appropriateness of the Group's accounting policies; A review of the Risk Register; A review of the Group's Whistleblowing Policy; A review of the Group's Anti-Bribery Policy; A review of internal controls across the whole business; An update on Internal Audit, its strategy and a review of the Internal Audit timetable for 2015; and Received a report on the review of cyber security.
September 2014	A review of the full year 2014 results, including the Annual Report and Account and a report from the external Auditors; and Consideration of the Group risk assessment process and a going concern review.

Audit Independence

PwC has served as the Group's Auditor since 1987 and the last audit tender was carried out in that year. The current Audit Partner from PwC commenced his tenure following the conclusion of the year ended 30 June 2010 audit.

At its meeting in February 2014 the Committee considered whether to retain PwC as auditor and concluded that, in view of the quality of service provided and the cost effectiveness of the work carried out, it would be appropriate to retain them.

The Committee does not currently have a formal policy on re-tendering of the external audit. However, it notes the recent draft Order of the Competition and Markets Authority in relation to FTSE 350 companies which would require the Company to change its statutory auditor by June 2020.

The Committee has a formal policy in respect of the work of the external Auditors. The purpose of this policy is to ensure that the Auditor's objectivity and independence is maintained by ensuring both that the nature of any non-audit work undertaken and the level of fees paid does not compromise the Auditor's position.

Appointments in respect of non-audit work require the prior approval of the Committee within an established budget. In addition, no work can be undertaken by the external Auditors in any area where there is any identifiable risk that the work of an individual within the external Audit firm or the external Audit firm generally could conflict or compromise the quality, objectivity or independence of any audit or compliance work undertaken for the Group.

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

Details of fees paid to PwC are disclosed on page 94.

Internal Controls

The Board of Directors recognises its overall responsibility for the Group's system of internal control and for monitoring its effectiveness. There is an ongoing process for identifying, evaluating and managing significant risks. However, in reviewing the effectiveness of internal control, any internal control system can only provide reasonable but not absolute assurance against material misstatement or loss.

Key business activities, including finance, land acquisition, product design, procurement and information technology are controlled by the Executive Directors. All activity is organised within a defined structure with formal lines of responsibility, designated authority levels and a structured reporting framework. A formalised reporting structure is established within Redrow. The Executive Directors, the Company Secretary, Regional Chief Executives, Group Human Resources Director and Group Sales and Marketing Director ("the Executive Board") meet monthly to discuss the Group's key issues, risks and opportunities. The Divisions also hold monthly board meetings which are attended on a rotational basis by the Executive Directors.

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

- defined authorisation levels exist over key areas such as land purchase, the placing of orders and contracts and staff recruitment;
- a comprehensive prioritised Risk Register which is regularly reviewed and presented to the Audit Committee;
- the Group's management information systems provide weekly updates on key statistics and information in respect of sales and production and the content of these weekly reports is regularly reviewed to ensure it remains appropriate;

- Redrow has an in-house Health and Safety Department and places great emphasis on the importance of health and safety and environment management. The department works closely with the Divisions to ensure that training is provided to employees and subcontractors. Best practice is shared and appropriate actions are taken to comply with health and safety best practice and legislation throughout the organisation;
- the Board requires each Director in its operating divisions to complete an annual statement on Corporate Governance and related party transactions. The statement is designed to provide assurance that Group policies and procedures are being implemented and complied with in all material respects;
- in addition, key functional Directors complete a Principal Controls Self-Assessment Questionnaire which is reviewed by the Board to assist in improvements in the control framework;
- a weekly business report (WBR) comprising sales funnel information, gross margins and order book is produced for the Group, each Division and each site and circulated across the Group;
- a monthly reporting pack is circulated in advance and reviewed at each of the Main, Executive and Divisional Board meetings. Annual budgets are set, with actual performance compared against the annual budget;
- preparation and regular updates of Strategic Plans;
- a policy and procedures manual which covers all the significant aspects of the Group's operations and describes the systems and controls that are to be applied; and
- daily statements of a reconciled cash position identifying significant payments are prepared, rolling cash flow forecasts are prepared and forecast banking covenant compliance is tested.

Throughout the year, the Committee has carried out assessments of internal control by considering documentation from the Executive Directors and the internal audit function as well as undertaking a review of cyber security and taking into consideration events since the year end. The internal controls extended to the financial reporting process and the preparation of consolidated accounts. The basis for the preparation of consolidated accounts has been undertaken in accordance with the Company's Accounting policies as set out on pages 90 to 93.

The Committee therefore confirms that it is satisfied that the system of internal controls has been in operation throughout the financial year and up to the date of this report.

Risk Register

The Group formally reviews its prioritised Risk Register every year. The updated and reviewed Risk Register is then discussed and approved by the Committee. In addition, the Executive Board, through its regular meetings, reviews key areas of risk on an ongoing basis and considers whether the internal controls identified in relation to those risks remain appropriate.

Insurance

The Board has appointed an experienced broker to advise on and co-ordinate all insurance matters across the Group and it liaises closely with appropriate Redrow personnel at

Head Office and within the Divisions and reports directly to the Group Finance Director.

Risk Management and Internal Audit

The Group's Risk Register defines controls as 'prevent' or 'detect' and identifies owners for each high level risk. Feedback on the risks and controls is actively encouraged and is facilitated by links on the Group's intranet to ensure the risks listed remain relevant and accurate. The Register itself is regularly maintained and is reviewed by the Committee annually.

The Internal Audit strategy is discussed with PwC and discussed and agreed with the Committee. Suggested control improvements and any control weaknesses identified are followed up as appropriate. The cornerstone of the Internal Audit work undertaken is the Business Process Reviews. A risk-based programme was designed based on the Risk Register. The Business Process Review programme looks to provide assurance to the Group, by testing internal controls and reviewing specific risks, as well as seeking out best practice and sharing it across the Group and identifying business process improvements. Committee Members receive an Executive Summary of each Business Process Review report.

Whistleblowing

The Group has a widely publicised Whistleblowing Policy which enables employees and other stakeholders to raise concerns in confidence. The Committee has arranged to receive reports on all occasions when such issues are raised under this policy. The Whistleblowing Policy is formally reviewed and approved each year by the Committee.

Bribery Act

Following the introduction of the Bribery Act 2010 the Company put in place a policy on bribery and corruption for all employees to strictly adhere to. The Company Secretary ensures that the policy is complied with, updates the policy, procedures and company code of practice as and when required and provides regular reports to the Committee. The Bribery Act policy is formally reviewed and approved each year by the Committee.

Training is given to all staff to highlight the various forms of bribery and all new staff attend an induction course at the commencement of their employment which includes a section relating to bribery and the implication on individuals and the Company of an act of bribery either given or received. Every year, through its new internal e-learning facility, each employee will be required to complete a mandatory compliance test which reminds each employee of their obligations.

Performance evaluation

The Committee completed a performance evaluation during the Financial Year and a report was presented to the Committee and discussed. The Committee was found to be effective and it was concluded that the Committee had fulfilled its remit and had in place appropriate Terms of Reference.

Nick Hewson

Chairman of the Audit Committee
1 September 2014



The Committee reviews the structure and composition of the Board and identifies and nominates for approval candidates to fill Board vacancies

Committee membership and meetings

All Members of the Committee are Independent Non-Executive Directors with Alan Jackson, Deputy Chairman and Senior Independent Director being Chair of the Committee. The other Members of the Committee during the year ended 30 June 2014 were Debbie Hewitt and Nick Hewson.

Table of Attendance

Name	Role	Attendance at Meetings
Alan Jackson	Chairman	4/4
Debbie Hewitt	Member	4/4
Nick Hewson	Member	4/4

The Committee met four times during the year ended 30 June 2014. For all meetings, papers were circulated sufficiently in advance to allow proper consideration of all matters for discussion. The Group Company Secretary acts as Secretary to the Committee.

Responsibilities and Terms of Reference

The key responsibilities of the Committee are:

- reviewing the structure size and composition of the Board (including skills, knowledge and experience) and making recommendations to the Board;
- monitoring the leadership needs of the Company;
- leading the process for Board appointments ensuring they are conducted on merit and against objective criteria;
- making recommendations to the Board, including on the re-appointment of Non-Executive Directors the re-election of Directors at the Annual General Meeting and the membership of the Audit, Nomination, Remuneration and Sustainability Committees; and

- ensure that a formal structured and tailored induction programme is undertaken by any newly appointed member of the Board.

The Committee's Terms of Reference are published on the Group's website (www.redrowplc.co.uk).

Main activities during the year

During the year ended 30 June 2014 the Committee undertook the following activities:

- a review of the structure, size and composition of the Board and concluded the present Board balance and composition remains appropriate but would be kept under review;
- undertook the recruitment process for the appointment of a new Non-Executive Director;
- nominated Karen Jones, the Group Human Resources Director, to become a Member of the Sustainability Committee;
- approved the request of the Group Finance Director to take up a Non-Executive Directorship at Lonza Group Ltd;
- following the decision of Alan Jackson to retire from the Board the Committee nominated the appointment of Liz Peace as a Non-Executive Director;
- recommended that the Directors stand for re-election at the 2014 Annual General Meeting in accordance with UK Corporate Governance Code with the exception of Alan Jackson who had indicated his intention to the Board to retire from the Board; and
- reviewed the Committee's Terms of Reference.

The Directors were not present and did not vote when their individual proposals were discussed.

Performance evaluation

The Committee completed a performance evaluation during the Financial Year and a report was presented to the Committee and discussed. The Committee was found to be effective and it was concluded that the Committee had fulfilled its remit and had in place appropriate Terms of Reference.

Following Alan Jackson's retirement from the Board, Debbie Hewitt will become Chair of the Committee.

Alan Jackson

Chairman of the Nomination Committee
1 September 2014



The Committee assesses the impact of Company operations on the environment and Communities affected by its activities

Committee membership and meetings

The Members of the Committee comprise Alan Jackson, who is Chair of the Committee and an Independent Non-Executive Director. In addition, Nigel Smith, Group Research and Sustainability Director, and Karen Jones, Group Human Resources Director are both Members of the Committee.

Table of Attendance

Name	Role	Attendance at Meetings
Alan Jackson	Chairman	3/3
Nigel Smith	Member	3/3
Karen Jones	Member	3/3

The Committee met three times during the year ended 30 June 2014. For all meetings, papers were circulated sufficiently in advance to allow proper consideration of all matters for discussion. The Group Company Secretary acts as Secretary to the Committee.

Responsibilities and Terms of Reference

The key responsibilities of the Committee are:

- to develop and monitor the Board's approach to sustainability and to review and approve the sustainability targets proposed by management;
- to assess the impact of the Company operations on the environment and communities affected by its activities, including the consideration of policies to enhance the benefits of those activities and mitigate any negative impact of those activities;
- have regard to environmental corporate social responsibility and community issues, including environmental management systems, waste management systems, recycling and energy management;

- to review the Company's policies and reporting with regard to personnel recruitment, development and succession planning to ensure a sustainable and engaged workforce; and
- have regard to the Company's developments in customer engagement and service to ensure its values are upheld.

The Committee also reviews its Terms of Reference which were last reviewed in May 2014 and are published on the Group's website (www.redrowplc.co.uk).

Main activities during the year

During the year ended 30 June 2014 the principle activities of the Committee were as follows:

- preparation of an Aspirations 2018 action plan following publication of the Sustainability Report in October 2013;
- a review of the 5 "pillars" which form the basis of Aspirations 2018 and include design, customers, community, people, environment and governance;
- a review of the likely changes to Part L 2013 of the Building Regulations and the Standard Assessment Procedure 2012 in England and their impact;
- an update on the continuing impact of the Flood and Water Management Act 2010;
- an update on the likely changes to Part L 2013 of the Building Regulations in Wales;
- a review of the Company's environmental management standards;
- a review of the Terms of Reference of the Committee; and
- commentary on the new sustainability consultations undertaken throughout the Financial Year.

Performance evaluation

The Committee completed a performance evaluation during the Financial Year and a report was presented to the Committee and discussed. The Committee was found to be effective and it was concluded that the Committee had fulfilled its remit and had in place appropriate Terms of Reference.

Following Alan Jackson's retirement from the Board Liz Peace will become Chair of the Committee.

Alan Jackson

Chairman of the Sustainability Committee
1 September 2014



Dear Shareholder

On behalf of the Board, I am pleased to introduce our Directors' remuneration report for the year ended 30 June 2014.

Our philosophy – aligning reward with performance

Our remuneration framework remains unchanged from previous years, continuing to be based on the following key principles:

- Simple and transparent;
- Market competitive to recruit and retain the highest calibre of talent in a competitive sector;
- A substantial portion of reward is aligned to Redrow performance, measured using a balanced set of short and long term metrics; and
- Encouraging long-term stewardship and alignment with investors through share ownership.

Based on these principles, our remuneration framework includes the following components:

We will continue to keep our policies under review to ensure they remain appropriate in the face of evolving best practice, regulatory developments and market data.

2014 outcomes – aligned to strong performance

As described in detail on pages 14 to 45 of this Annual Report and Accounts, 2014 was a strong year for Redrow, which saw:

- Record profits of £132.6m before tax
- Legal completions increasing by 27%
- Underlying EPS increasing to 28.6p
- ROCE increasing to 18.0%
- Closing private order book increasing to £482m
- c.6,100 plots added to the current land bank

The alignment between performance and reward which underpins our executive remuneration framework is reflected in the outcomes for the annual bonus and LTIP:

- Based on exceptional performance, with the targets for maximum payment exceeded for all four of the annual bonus measures (PBT, ROCE, land bank, order book), the Committee determined that the annual bonus should pay out at the maximum level; and
- EPS of 28.6p and ROCE of 18.0% in 2014 were both significantly above the targets for maximum vesting of 17.5p and 16%, respectively. The Committee therefore determined that the 2011 LTIP award should vest in full in September 2014.

Fixed components			Variable components	
Salary	Benefits	Pension	Annual bonus	LTIP
<ul style="list-style-type: none"> Market competitive Reflect nature of role, and skills and experience 			<ul style="list-style-type: none"> Maximum 100% of salary Balanced scorecard of key performance measures – PBT, ROCE, land bank, order book 50% deferred into shares over two years Cash and shares subject to clawback for five years following payment/vesting 	<ul style="list-style-type: none"> Maximum 100% of salary Based on stretching long-term EPS and ROCE targets Subject to clawback for five years following vesting
Shareholding guidelines				
<ul style="list-style-type: none"> 100% of salary to be built up over five years from appointment 				

Renewing the LTIP

The current Long Term Incentive Plan (LTIP) was approved by shareholders in 2004 and is due to expire this year. The Committee believes that the basic structure of the LTIP remains appropriate and aligned to the interests of shareholders and is therefore seeking approval for a renewed LTIP at the 2014 AGM. The plan will essentially be a renewed version of the previous plan in terms of both structure and quantum, but will be updated to reflect current law, regulation and best practice principles (for example, the introduction of clawback). Further details of the renewed LTIP are set out in the Remuneration Policy on pages 64 and 65 and in the Notice of AGM on pages 117 to 122.

The Committee is aware that some shareholders have indicated a preference for vesting periods which are longer than three years. The Committee considered this but concluded that in the house-building sector, a performance period of three years remains appropriate and market competitive and that the objective of longer term shareholder alignment is achieved at Redrow via the substantial shareholdings of our executive directors, supported by our shareholding guidelines.

Clawback

Following a review of the operation of the clawback provisions in the Company's incentive plans the Committee has decided to enhance the provisions in line with best practice. Therefore, as described in more detail in the Remuneration Policy on pages 64 and 65, the Committee will have discretion to claw back bonus (cash and shares) and 2014 LTIP awards for a period of five years following the payment of cash or the vesting of deferred bonus and LTIP shares in the event of material misstatement of audited results or employee misconduct. This will apply to all awards granted under the new 2014 LTIP and to bonuses awarded in respect of 2015 onwards.

A culture of share ownership

Redrow has a policy of embedding a culture of employee share ownership which extends from the executive directors throughout the business. Recognising that long-term share ownership is a key issue for shareholders, the Committee has decided to further strengthen the existing share ownership guidelines of building a holding of 100% of salary by requiring that the guideline for executive directors must be met within five years of appointment.

In addition to the substantial holding of the Chairman, the other executive directors have both met the guideline, creating a significant alignment between management and shareholders.

Management role changes and salary adjustments

As described earlier in this Annual Report and Accounts, in response to the increase in the scale and scope of our business, and as part of our succession planning, John Tutte was promoted to the role of Group Chief Executive at the start of the current financial year. To reflect the change in role and specifically the substantial increase in remit and responsibilities, the Committee determined that it would be appropriate to make a one-off adjustment to base salary from £405,000 to £540,000 with effect from 1 July 2014. This has been fully benchmarked against market data for companies of a similar size and complexity, with market data provided by our independent external advisers.

In addition, to reflect the growth of the business, performance in role and in consideration of market positioning in a very competitive sector, the Committee also decided to increase the base salary for Barbara Richmond from £272,000 to £305,000 with effect from 1 July 2014. When Barbara was appointed, the Committee noted that her salary had been set to reflect the scale of the Company at the time and that given her experience, we would review its market competitiveness in line with the Company's growth. This has been fully benchmarked against market data for companies of a similar size and complexity, with market data provided by our independent external advisers.

The Committee's underlying policy on salary increases is that they will normally be in line with increases for employees within the business. This approach is captured in the Remuneration Policy set out in this report and has been applied consistently by the Committee for all executive directors in recent years (the average increase over the last three years being 2.4%). The decision to award the increases above was therefore not taken lightly by the Committee. We believe the adjusted salaries are appropriately market competitive, reflect the scope and responsibilities of the roles, as well as the skills, experience and performance of the individuals.

In line with this policy, and reflecting the average salary increase across the business, the notional salary of Steve Morgan was increased by 3.6% to £462,000 with effect from 1 July 2014.

Shareholder engagement

We remain committed to an ongoing and transparent dialogue with our shareholders on the issue of executive remuneration. During the year, I engaged with a number of our major shareholders to discuss the key issues referred to above, including the salary increases, renewal of the LTIP and the approach we have taken to our Remuneration Policy. I would like to thank all of the shareholders consulted for their valuable feedback which was taken into account by the Committee in finalising the proposals in each area.

At the 2013 AGM, 98% of those shareholders who cast votes, voted in favour of the Directors' remuneration report, including 95% of the free float, a result which we believe demonstrated the strong support we have for the framework and how we implemented it during the year.

Structure of report/shareholder resolutions

This is our first report prepared under the new remuneration reporting regulations which came into effect last year.

The report is split into two parts in accordance with these regulations:

- The Remuneration Policy (pages 62 to 68) sets out our policies on directors' remuneration and will be submitted to a binding shareholder vote at the 2014 AGM; and
- The Annual Remuneration Report (pages 68 to 75) provides details on the remuneration we paid in 2014, and how we intend to operate our policies in 2015. It will be submitted to an advisory shareholder vote at the 2014 AGM.

As set out above, we are also seeking approval to renew the LTIP on essentially the same terms as the previous plan, updated for current areas of best practice. The plan is summarised in the Remuneration Policy with a fuller description of its terms set out in the Notice of AGM.

2014 was another good year of progress for Redrow and, in this context, we look forward to receiving your support on our approach to remuneration at the AGM on 10 November 2014.

Debbie Hewitt

Chairman, Remuneration Committee

This report has been prepared in accordance with the UK Corporate Governance Code, the relevant provisions of the Listing Rules and Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013.

The Remuneration Policy

This Remuneration Policy, determined by the Redrow Remuneration Committee ("the Committee"), will be effective following shareholder approval at the 2014 Annual General Meeting.

Policy Table for Executive Directors

Component	Purpose/link to strategy	Operation	Maximum	Performance framework
Base salary	To provide a market competitive element of fixed remuneration to attract and retain leaders of the required calibre to deliver the strategy.	Salaries are determined by the Committee taking into account all relevant factors such as: the size and complexity of the Company, the scope and responsibilities of the role, the skills and experience of the individual, and performance in role. The Committee's assessment of the competitive market positioning of base salaries is based on consideration of market data from UK companies of similar size and complexity, and companies in the house-building sector. Salaries are normally reviewed annually, with any changes effective at the start of the financial year. Salaries effective from 1 July 2014 are shown on page 69 of the Annual Remuneration Report.	There is no prescribed maximum salary. Any salary increases will normally be in line with those of the wider workforce. The Committee has discretion to award larger increases where it considers this appropriate, such as to reflect (for example): – a significant change in the size and complexity of the Company; – an increase in scope and responsibility of the role, or a change in role; – an Executive Director being moved to market positioning over time; and – an Executive Director falling below competitive market positioning.	N/A
Benefits	To provide a market competitive benefits package to support the Director in fulfilling their role.	Benefits may include: a company car (or equivalent cash allowance), private medical insurance, permanent health insurance, fixed term group income protection and a death in service benefit. Executive Directors may also participate in all-employee share plans on the same basis as other employees. The Committee has discretion to include, where it considers it appropriate to do so, other benefits to reflect specific individual circumstances, such as housing, relocation, travel, or other expatriate allowances.	Benefit provision, for which there is no prescribed monetary maximum, is set at an appropriate level for the specific nature and location of the role. Participation in all employee share plans is subject to statutory limits.	N/A

Component	Purpose/link to strategy	Operation	Maximum	Performance framework
Pension	To provide a market competitive element of fixed remuneration for retirement planning.	Individuals are eligible to participate in the Company's Defined Contribution (DC) pension scheme or receive a pension allowance cash supplement. Executive Directors who are members of the Company's Defined Benefit (DB) pension scheme will continue to receive benefits under the terms of that scheme. There will be no new entrants or accrual of future benefits under the DB scheme.	The maximum DC contribution/ cash supplement (in respect of a financial year) is 20% of base salary.	N/A
Annual bonus	A variable pay opportunity which motivates and rewards annual performance and delivery of the strategy on an annual basis. Deferral aligns reward with long term value of Redrow shares.	The Committee determines participation levels each year. Targets are set by the Committee at the start of the relevant financial year and are assessed following the year end. A portion (currently 50%) of any bonus earned will be deferred into Redrow shares, which are awarded in the form of nil-cost options which vest after a period set by the Committee. Currently, half of the deferred shares vests after one year and half after two years, subject to continued employment. Following exercise of a vested deferred share award, participants will be entitled to receive an amount equal to the aggregate of any dividends which they would have been entitled to receive as a shareholder during the period between the grant and satisfaction of the award. In future years, the Committee retains the discretion to change the deferred amount and/or lengthen the deferral period. Where appropriate, the Committee may determine that deferral is in the form of an equivalent cash award (which in all other respects mirrors the terms of the deferred share awards). Clawback provisions apply to both the cash and deferred elements (see pages 64 and 65).	100% of salary	Performance is assessed against key financial and operational performance measures linked to the delivery of the strategy and shareholder value determined each year by the Committee. The current performance measures are disclosed on pages 68 and 69 of the Annual Remuneration Report. The Committee retains discretion to adjust the measures and/or weightings in future years to reflect prevailing financial, strategic and operational objectives of the business or of the individual. However, a minimum of 50% of the total will always be based on key financial measures. The Committee has discretion to adjust the level of pay out if the outcome from a formulaic assessment does not appropriately reflect underlying business performance.

Component	Purpose/link to strategy	Operation	Maximum	Performance framework
Long Term Incentive Plan (LTIP)	Designed to motivate and reward long-term performance and delivery of the strategy, and provide alignment with Redrow shareholders.	<p>Awards may be made under the Redrow plc 2014 Long Term Incentive Plan (LTIP) subject to approval of the LTIP from shareholders at the 2014 AGM.</p> <p>Awards are normally in the form of nil-cost options and vest subject to the satisfaction of performance conditions measured over a period of at least three years.</p> <p>The Committee may also determine that awards are made in the form of conditional share awards or as an equivalent cash award (which in all other respects mirrors the terms of the LTIP).</p> <p>Clawback provisions apply (see page 65).</p> <p>Awards under the 2014 LTIP may incorporate the right to receive (in cash or shares) the aggregate value of dividends paid on vested shares between the vesting date and the date on which the awards are satisfied, on such basis as the Committee may determine, which may assume the reinvestment of these dividends in shares on a cumulative basis.</p> <p>Dividend amounts are not paid on any awards until such time as the performance conditions are achieved and shares vest.</p>	<p>The maximum award which may be granted in respect of a financial year will normally not exceed 100% of salary.</p> <p>However, in exceptional circumstances only, the Committee may make awards of up to 200% of salary.</p>	<p>The LTIP is based on performance measures aligned to the creation of long-term shareholder value, measured over a performance period of at least three years. The current performance measures are:</p> <ul style="list-style-type: none"> • 50% based on earnings per share (EPS); and • 50% based on return on capital employed (ROCE) <p>For threshold performance, 20% of the maximum vests.</p> <p>The Committee retains discretion to include additional or alternative financial performance measures and/or adjust the weightings in future years to reflect prevailing strategic or operational objectives of the business aligned with shareholder value creation.</p> <p>Performance conditions applicable to 2014 LTIP awards may be amended if an event occurs which causes the Committee to consider that an amended performance condition would be more appropriate and not materially less difficult to satisfy.</p>

Where an individual waives any current or future right or entitlement to a remuneration payment or other benefit which he would otherwise be eligible to receive under any of the components set out in the Policy Table above, the Committee may determine that a charitable donation, which is, in its opinion, equivalent to the value of that payment or benefit, may be made by the Company.

The Committee reserves the right to make any remuneration payments and payments for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with the Remuneration Policy set out above where the terms of the payment were agreed (i) before the Remuneration Policy came into effect or (ii) at a time when the relevant individual was not a director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a director of the Company. For these purposes "payments" includes the Committee agreeing awards of variable remuneration and, in relation to an award over shares, the terms of the payment are "agreed" at the time the award is granted.

Prior to the effective date of this Remuneration Policy, long-term incentive awards were granted under the Company's 2004 LTIP. Awards have been granted in the form of nil-cost options (or equivalent cash-settled awards) with vesting being dependent on performance conditions. The number of shares (or notional shares) subject to awards and the performance conditions are set out in the Annual Remuneration Report. The performance conditions applicable to these awards may be amended if the Committee reasonably considers it would be a fairer measure of performance or it would be in accordance with the condition's terms. Subject to approval by shareholders of the 2014 LTIP, it is not anticipated any further awards will be granted under this plan. Awards granted under this plan are not subject to recovery arrangements.

The Committee may make minor amendments to the Remuneration Policy (for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation) without obtaining shareholder approval.

Choice of performance measures and target setting

For the annual bonus and LTIP, performance measures are chosen which help to drive and reward the achievement of the Group's strategy and also provide alignment between employees and shareholders. The Committee reviews measures each year to ensure they remain appropriate and reflect the future strategic direction of the Group.

Targets for each performance measure are set by the Committee with reference to internal plans and external expectations. Performance is measured on a 'sliding scale' so that incentive payouts increase pro-rata for levels of performance in between the threshold and maximum performance targets.

Differences in pay policy for employees and Executive Directors

The principles applied to the remuneration of Executive Directors are essentially the same as those for the Company. The difference between pay for Executive Directors and employees is that for Executive Directors the variable pay element forms a greater proportion of the overall package and the total remuneration opportunity is higher to reflect the increased responsibility of the role.

While remuneration practices vary across the full employee population, they are based on the same broad principles which underpin the policy for Executive Directors set out above. For example:

- Remuneration packages should be sufficient to attract and retain the calibre of talent necessary to deliver the strategy for shareholders;
- A significant number of Group employees are eligible to participate in bonus or incentive arrangements designed to drive a shared responsibility for delivering performance for shareholders;
- Redrow operates a number of share incentive plans to encourage employee share ownership and align employees with the interests of shareholders. The deferred bonus plan is cascaded to senior management. All employees are entitled to participate in the Save As You Earn (SAYE) share option plan under which employees are granted options and encouraged to save in order to invest in Company shares; and
- All employees are eligible to participate in the defined contribution pension scheme.

Executive shareholding guidelines

Under the shareholding guidelines, Executive Directors are expected to build and retain a shareholding in the Group at least equivalent to 100% of base salary. The expected level of shareholding should be met within five years of appointment to the Board.

Clawback

For awards under the annual bonus plan (including deferred share awards) made in respect of the 2015 financial year onwards and awards under the 2014 LTIP, the Committee has discretion to claw back awards in the event of a material misstatement of the Company's audited financial results or employee misconduct.

In such circumstances, at any time prior to the fifth anniversary of the payment of any cash bonus or vesting of a deferred bonus/LTIP award, the Committee has discretion to:

- reduce, cancel or impose further conditions on outstanding deferred bonus/LTIP awards; or
- require the participant to repay (in cash or shares) some or all of the value delivered from a deferred bonus/LTIP awards; and/or
- require the participant to repay some or all of any cash bonus received.

Where a charitable donation has been made in accordance with the Remuneration Policy, clawback will not apply.

For deferred bonus plan awards granted in previous years, if a participant's gross misconduct has resulted in the material misstatement of the Group accounts (or the accounts of one of its members), any unexercised awards will lapse immediately and the participant will forfeit any shares previously acquired under awards made under that plan.

Corporate events

Awards under the deferred bonus plan, 2004 LTIP and 2014 LTIP will normally vest early in the event of a takeover or winding-up of the Company and, in the case of the 2004 LTIP and the deferred bonus plan, if the Company goes into administration or a voluntary arrangement is proposed with its creditors. In these circumstances, deferred bonus awards vest in full; the 2014 LTIP awards vest taking into account the relevant performance conditions and, unless the Committee determines otherwise, time pro-rating to reflect the proportion of the performance period that has elapsed; and the 2004 LTIP awards vest, unless the Committee determines otherwise, to the extent the performance conditions have been satisfied, time pro-rated to reflect the proportion of the performance period that has elapsed. Alternatively, awards may be rolled over for equivalent awards in a different company.

If the Company is or is likely to be affected by a demerger, special dividend, delisting or other event which in the Committee's opinion, may affect the current or future value of the Company's shares, the Committee may allow some or all of the awards to vest. The extent to which 2014 LTIP awards vest in these circumstances will be calculated on the same basis as set out above for a takeover.

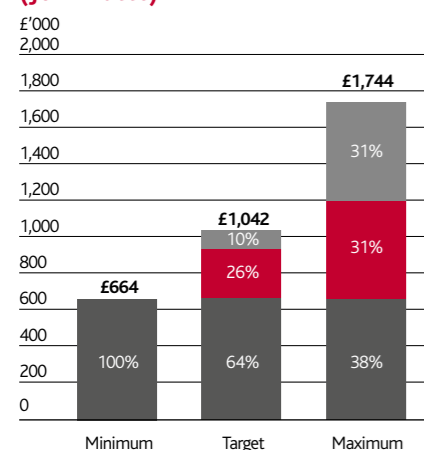
The terms of awards may be (a) in the event of any variation of the Company's share capital, delisting, special dividend or distribution, demerger or other event which may in the Committee's opinion, affect the current or future value of the Company's shares, adjusted or (b) amended in accordance with the plan rules.

Illustration of Remuneration Policy

The charts below illustrate the potential value of the remuneration packages for the Executive Directors under the following scenarios (no share price growth is assumed):

- *Minimum* – reflects fixed pay only (base salary and pension contributions as at 1 July 2014 and benefits included using the disclosed values for the year ended 30 June 2014).
- *Target* – reflects fixed pay, target bonus (50% of salary) and LTIP awards vesting at threshold (i.e. 20% of salary).
- *Maximum* – reflects fixed pay, maximum bonus (100% of salary) and maximum LTIP awards (100% of salary).

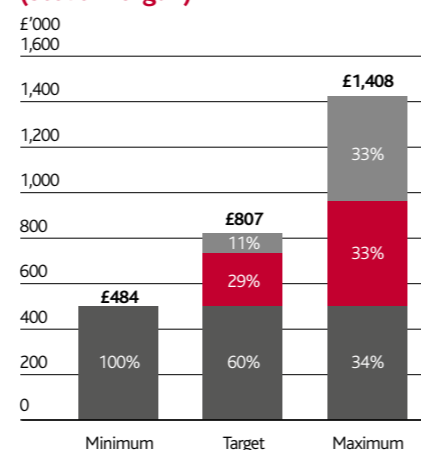
Group Chief Executive (John Tutte)



Group Finance Director (Barbara Richmond)



Executive Chairman (Steve Morgan)



Approach to recruitment remuneration

On appointment of a new Executive Director, the Committee would seek to offer a remuneration package which can secure individuals with the necessary skills and experience to lead the business and deliver the strategy. At the same time, the Committee would intend to pay no more than it believes is necessary to facilitate such recruitment.

Executive Directors would be appointed on to the remuneration package set out in the Policy Table for Executive Directors. Salaries would typically be set at an appropriately market competitive level to reflect skills and experience, although, if appropriate, the Committee may set salaries towards the lower end of the market range to allow future salary progression to reflect performance in the role. In accordance with the Policy Table, the Committee also has discretion to include other benefits such as housing or relocation benefits, if relevant to reflect specific individual circumstances. The maximum level of variable remuneration which may be awarded (excluding any compensatory awards referred to below) would be as set out in the Policy Table.

Where an individual forfeits outstanding incentive awards with a previous employer, the Committee may offer compensatory awards to facilitate recruitment. These awards would be in such form as the Committee considers appropriate taking into account all relevant factors including the form, expected value, anticipated vesting and timing of the forfeited awards. The value of any compensatory awards would be no higher, in the opinion of the Committee, than the value forfeited. While cash may be included in the recruitment package to reflect the forfeiture of cash-based incentive awards, the Committee does not envisage that substantial "golden hello" cash payments would be offered.

Any share awards referred to in this section will be granted as far as possible under the Company's existing share plans. Share awards may be granted under the Company's LTIP in excess of the limits set out in the Policy Table above to provide compensatory buyout awards only (which may be subject to any performance conditions the Committee considers appropriate), in accordance with the terms above. If necessary, awards may be granted outside of these plans as currently permitted under the Listing Rules, but within the limits set out in this section.

The remuneration package for a newly appointed Non-Executive Director would normally be in line with the structure set out in the Policy Table for Non-Executive Directors.

Service contracts

The service agreements of the Executive Directors are rolling contracts which were entered into on the dates shown in the table below.

Name	Contract date	Notice period from the Director	Notice period from the Company
Steve Morgan	01/01/11	6 months	6 months
John Tutte	01/07/14	12 months	12 months
Barbara Richmond	18/01/10	6 months	12 months

The service agreements provide for formal notice to be served to terminate the agreement, by either the Company or the Executive Director, with the required period of notice shown in the table. The agreements do not include any provisions for pre-determined compensation for early termination. The Committee may terminate service agreements immediately by making a payment in lieu of notice consisting of base salary, benefits and pension for the unexpired period of notice. At the discretion of the Committee, this payment may be made as instalments over the period, subject to a duty to mitigate, or as a lump sum.

For future appointments, it is the Committee's policy that notice periods will normally be 12 months from both the Director and the Company, and that payments in lieu of notice will comprise no more than base salary, benefits and pension only over the unexpired period of notice.

The Non-Executive Directors' terms of appointment are detailed in formal letters of appointment as shown in the table below. Each appointment is for a fixed initial period of three years although this term is terminable upon either party giving three months' notice.

Name	Position	Engagement date	Letter of appointment Dated
Alan Jackson	Deputy Chairman and Senior Independent Director	19/08/09	17/09/13
Debbie Hewitt	Non-Executive	19/08/09	17/09/13
Nick Hewson	Non-Executive	01/12/12	01/12/12

Policy on payments following directors' termination of service

On termination, the Committee's objective is to find an outcome which is in the best interests of the Company and its shareholders, taking into account the specific circumstances and performance of the individual, as well as any relevant contractual obligations and incentive plan rules.

As described in the section above, contractual payments in lieu of notice would be limited to salary and contractual benefits and may be made in instalments subject to mitigation.

The Committee has discretion to make a payment under the annual bonus in respect of the year of leaving where an individual is designated a "good leaver" (as described below). In such circumstances, the maximum bonus opportunity would normally be reduced pro-rata to reflect the portion of the year served. Any payment would remain subject to performance against the original targets and, if practicable, would be assessed and paid (in cash) as part of the normal year end assessment process.

Outstanding awards under the deferred bonus plan and the LTIP would be treated in accordance with the relevant plan rules. Under these rules, if the participant leaves as a "good leaver", then the treatment of outstanding awards will be as follows:

- **Deferred bonus.** Nil-cost options will be exercisable for a period of six months following the date of cessation. Options will be exercisable in full unless (for awards made in respect of 2015 and subsequent financial years other than in the case of death) the Committee exercises discretion to reduce the awards pro-rata to reflect the extent to which the vesting period had elapsed at the date of cessation; and
- **LTIP.** Awards will normally continue to the original vesting date although the Committee may determine that awards vest following cessation. Unless the Committee determines otherwise, awards will be reduced pro-rata to reflect the extent to which the performance period has elapsed at the date of cessation. The Committee will decide the extent to which the award vests in these circumstances, taking account of the extent to which the performance condition is satisfied. If an individual dies, his LTIP awards will normally vest shortly following his death and his 2014 LTIP awards will only be time pro-rated if the Committee considers it appropriate.

Circumstances in which a participant will be considered a "good leaver" are: death, ill-health, injury, disability, redundancy, retirement or the sale of the individual's employing company or business outside of the Group.

Where an individual leaves the Company for any other reason, deferred bonus and unvested LTIP awards will lapse.

The Committee retains discretion to make additional exit payments where such payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of settlement or compromise of any claim arising in connection with the termination of a director's office or employment. The details and rationale for any such payments would be disclosed in the Annual Remuneration Report.

Policy Table for the Non-Executive Directors

Component	Approach of the Company
Non-Executive fees	Fees are determined by the Board excluding the Non-Executive Directors. The fee encompasses a basic fee and may also include supplementary fees for committee or other duties. The fees payable to the Non-Executive Directors will not exceed the limit set out in the Company's Articles of Association and will be set at a level which reflects skills, experience, time commitment and appropriate market data.

The Non-Executive Directors do not participate in any bonus or incentive plan, nor do they receive any benefits nor participate in any pension arrangements.

Consideration of conditions elsewhere in the Company

When setting the Remuneration Policy for Executive Directors, the Committee has regard to the pay and employment conditions of employees within the Company. The Committee did not consult directly with employees when formulating the Remuneration Policy for Executive Directors. The Committee considers salary increases within the business but does not formally consider any other comparison metrics.

Consideration of shareholder views

The Committee engaged with major shareholders on the development of the Remuneration Policy and the renewal of the LTIP. Views expressed during this engagement were taken into account by the Committee in finalising the proposals.

The Annual Remuneration Report

The tables below set out the remuneration for the Directors in respect of 2014. Further discussion of each of the components, including the intended operation of the policy for 2015, is set out on the pages which follow. Where indicated, these disclosures have been audited.

Single Total Figure of Remuneration Table (audited)

The remuneration of the Executive Directors in respect of 2014 is shown in the table below (with the prior year comparative).

£'000	Salary		Benefits ⁽ⁱⁱ⁾		Pension ⁽ⁱⁱⁱ⁾		Annual bonus ^(iv)		LTIP ^(v)		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Steve Morgan ⁽ⁱ⁾	15	15	22	3	–	–	–	–	–	–	37	18
John Tutte ^(vi)	405	395	16	17	81	79	405	316	907	233	1,814	1,040
Barbara Richmond	272	265	15	15	54	53	272	212	604	155	1,217	700

- (i) Steve Morgan draws a nominal salary of £15k per annum which he donates via Payroll Giving to the Morgan Foundation, a UK registered charity of which Steve Morgan is a trustee. The Company also made a donation to the Morgan Foundation of £654k in respect of 2014 (2013: £594k). This donation amount is made up of a notional salary of £431k (being the balance of Steve Morgan's notional salary of £446k less the £15k nominal salary) and £223k (being an amount in respect of the cash annual bonus which Steve Morgan waived his entitlement to). The notional cash bonus represents half of the total bonus for 2014, calculated using the notional salary of £446k and a bonus percentage of 100% of maximum, equivalent to that earned by John Tutte and Barbara Richmond). The remaining half of Steve Morgan's 2014 bonus amount (£223k) is deferred into cash awards over notional Redrow shares, and will become exercisable as described in footnote (iv) below. Steve Morgan's 2011 LTIP award, also structured as a cash award over notional Redrow shares, will vest in full on 21 September 2014 based on performance to the 2014 financial year (as described on page 70). The value of this award (calculated using the average share price over the last three months of 2014 in accordance with footnote (v) below) is £1,027k (2013: £264k). Steve Morgan currently intends to waive his entitlement to these awards at a future point (at any time during the relevant exercise period). A donation to the Morgan Foundation may be made by the Company of an amount equivalent to the cash value of the awards over notional Redrow shares at that time. Any such donation will be disclosed in the relevant remuneration report. Further details on the donation to the Morgan Foundation are given in the Directors' report on page 78 and in note 22 to the financial statements.
- (ii) Benefits include a fully expensed company car (or equivalent cash allowance) and private health insurance.
- (iii) Pension includes the value of the cash allowance paid to John Tutte and Barbara Richmond in respect of the relevant year.
- (iv) Annual bonus represents the full value of the bonus awarded in respect of the relevant financial year. Half of the bonus is deferred into Redrow shares, which vests in two tranches of 50% each, on the first and second anniversaries of the grant date, subject to continued employment. For Steve Morgan, deferral is in the form of cash awards over notional Redrow shares.
- (v) LTIP represents the value of the LTIP award which vests in respect of a performance period ending in the relevant financial year. The 2014 column includes the value of the 2011 LTIP award which will vest in full on 21 September 2014, using the average share price over the last three months of 2014. The 2013 column includes the vested value of the 2010 LTIP award (which vested at 19% of maximum), based on the share price on the date of vesting (18 February 2014).
- (vi) John Tutte is the highest paid director.
- (vii) The aggregate notional gain made by Directors on the exercise of options in 2014 was £600k. All shares received following exercise and payment of tax were retained.

The fees of the Non-Executive Directors in respect of 2014 are shown in the table below (with the prior year comparative).

£'000	Fees	
	2014	2013
Alan Jackson	99	90
Debbie Hewitt	54	45
Nick Hewson	45	26*

*Nick Hewson was appointed to the Board on 1 December 2012.

Key components of remuneration

The following sections describe how the Committee implemented key elements of the policy in 2014 and how the policy is intended to operate in 2015.

Salary

The Committee's policy on salary increases, as set out in the Remuneration Policy, is that they should normally be in line with increases for employees within the business. This approach has been applied consistently by the Committee over a number of years, including for 2013/2014. The salaries of the Executive Directors were increased on 1 July 2013 as follows: John Tutte's salary was increased by 2.5% to £405,000, Barbara Richmond's salary was increased by 2.6% to £272,000 and Steve Morgan's notional salary was increased by 2.5% to £446,000.

As described earlier in this report, in response to the increase in the scale and scope of our business, and as part of our succession planning, John Tutte was promoted to the role of Group Chief Executive at the start of the current financial year. To reflect the change in role and specifically the substantial increase in remit and responsibilities, the Committee determined that it would be appropriate to make a one-off adjustment to base salary from £405,000 to £540,000 with effect from 1 July 2014. This has been fully benchmarked against market data for companies of a similar size and complexity, with market data provided by our independent external advisers.

In addition, to reflect the growth of the business, performance in role and in consideration of market positioning in a very competitive sector, the Committee also decided to increase the base salary for Barbara Richmond to £305,000 with effect from 1 July 2014. When Barbara was appointed, the Committee noted that her salary had been set to reflect the scale of the Company at the time and that given her experience, we would review its market competitiveness in line with the Company's growth. This has been fully benchmarked against market data for companies of a similar size and complexity, with market data provided by our independent external advisers.

The notional salary for Steve Morgan will increase by 3.6% to £462,000 on 1 July 2014.

Annual bonus

The maximum bonus opportunity for the Executive Directors during 2014 continued to be 100% of salary. This was based on the achievement of stretching targets under a balanced scorecard of four equally weighted key performance measures. The scorecard combines measures which represent an appropriate balance between 'backward looking' financial performance (PBT and ROCE) and 'forward looking' strategic and operational measures (land bank and order book) which support shareholder value creation over the medium to long term.

	% of bonus opportunity	Rationale
PBT	25%	A fundamental measure of annual profitability
ROCE	25%	A measure of how effectively we use our capital base
Land bank	25%	Measures the foundation for our future success
Order book	25%	A key indicator of medium term profitability

Based on exceptional performance, with the targets for maximum payment exceeded for all four of the measures, the Committee determined that the bonus should pay out at the maximum level, resulting in bonus awards to the Executive Directors as shown in the Single Total Figure of Remuneration on page 68.

The Committee has determined that performance targets for the 2014 annual bonus are currently commercially sensitive and it would therefore be inappropriate to disclose them at this time. Subject to the Committee determining that they are no longer commercially sensitive, it is intended that the bonus targets for 2014 will be disclosed in the 2016 Annual Remuneration Report.

As stated above, Executive Directors continue to be required to defer 50% of any bonus earned into shares, half of which will vest after one year and the remaining half after two years, subject to continued employment and clawback. Steve Morgan's notional cash award is subject to the same deferral schedule.

For 2015, the annual bonus will operate on the same basis as for 2014, assessed using the same balanced scorecard of measures. The Committee and Board of Redrow believe that the specific performance targets and weightings are commercially sensitive and therefore it is inappropriate to publish further detail in this report. In line with the policy outlined above, it is the current intention that the targets will be disclosed in the 2017 Annual Remuneration Report provided the Committee is comfortable they are no longer sensitive.

For the 2015 bonus, clawback provisions for both the cash and deferred share elements will apply, as described in the Remuneration Policy.

Long Term Incentive Plan (LTIP)

The LTIP is designed to motivate and reward long-term performance and delivery of the strategy and provide alignment with Redrow shareholders. The current policy is to make annual awards at the level of 100% of salary.

The vesting of LTIP awards is based on performance of EPS and ROCE, pre-exceptional, with 50% relating to performance of each measure. The Committee believes that these two measures are transparent, are easy to understand, track and communicate, are cost effective to measure and fundamentally aligned to the strategic ambitions that have been communicated to the market:

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

The Remuneration Committee has discretion to adjust the number of shares vesting from the award if it considers that performance in the metrics above is not sufficiently reflective of the general growth created by the market.

Steve Morgan's awards under the LTIP are receivable in cash but in all other respects mirror the terms and conditions of the LTIP awarded to the other Executive Directors.

The current Long Term Incentive Plan (LTIP) was approved by shareholders in 2004 and is due to expire this year. The Committee believes that the structure of the LTIP remains appropriate and aligned to the interests of shareholders and is therefore seeking approval for a renewed LTIP at the 2014 AGM. The plan will essentially be the same as the previous plan in terms of both structure and quantum, but will be updated to reflect current law, regulation and best practice principles. For example, awards will be subject to clawback where in circumstances of material misstatement of audited results or employee misconduct, at any time prior to the fifth anniversary of the vesting of an award, the Committee has discretion to reduce, cancel or impose other conditions on outstanding awards and/or require the participant to repay some or all of the value delivered from LTIP awards. Full details are provided in the Remuneration Policy and the Notice of AGM.

The sections below summarise details of the LTIP awards which vested in respect of 2014 (2011 awards) and which were granted during the 2014 financial year, both of which were made under the 2004 LTIP scheme. The final section provides details of awards which will be made during the 2015 financial year under the new LTIP scheme following approval by shareholders.

LTIP awards vesting in respect of 2014

The LTIP awards granted in September 2011 were based on performance over the three year performance period ending in 2014. Based on performance against the EPS and ROCE targets set when the award was granted, summarised in the table below, the Committee determined that the 2011 LTIP awards will vest in full on 21 September 2014. The value of these vested awards is included in the 2014 LTIP column of the Single Total Figure of Remuneration on page 68.

Award vesting level (for each component)	EPS for 2014	ROCE for 2014
Nil	Below 14.2p	Below 12%
10%	14.2p	12%
20%	15.9p	14%
50%	17.5p or above	16% or above

Vesting between the points above is on a sliding scale basis

Actual performance	28.6p	18%
Vesting (% of total award)	50%	50%

LTIP awards granted during 2014

The LTIP awards granted in September 2013 will vest in September 2016 based on performance over the three year performance period ending in 2016 as follows:

Award vesting level (for each component)	EPS for 2016	ROCE for 2016
Nil	Below 39p	Below 16.1%
10%	39p	16.1%
30%	43.5p	18.1%
50%	48p or above	20% or above

Vesting between the points above is on a sliding scale basis

Scheme interests awarded during 2014 (audited)

The following table sets out details of LTIP awards to Executive Directors during the 2014 financial year.

Executive Director	Type of interest	Basis of award	Face value	Threshold vesting (% of maximum)	End of performance period
Steve Morgan	LTIP (cash)	100% of salary	£435k	20%	30 June 2016
John Tutte	LTIP	100% of salary	£395k	20%	30 June 2016
Barbara Richmond	LTIP	100% of salary	£265k	20%	30 June 2016

Awards to John Tutte and Barbara Richmond are made in the form of nil-cost options. As described above, awards to Steve Morgan are made in the form of cash which in all other respects mirror the terms of the awards to other directors.

The face value has been calculated using the average share price used to determine the number of shares awarded, being 237.5p (the average over the three days to the date of grant, 24 September 2013).

Awards under the 2004 LTIP were made at 100% of the base salary for the preceding financial year in line with the rules of that scheme.

LTIP awards to be granted during 2015

Awards in the 2015 financial year will be made under the renewed LTIP plan following, and subject to, shareholder approval at the 2014 AGM. Awards will be made at the level of 100% of salary and will be subject to the following EPS and ROCE performance targets, measured over the three year period ending in 2017:

Award vesting level (for each component)	EPS for 2017	ROCE for 2017
Nil	Below 52.0p	Below 17.7%
10%	52.0p	17.7%
30%	57.8p	20.0%
50%	63.6p or above	22.0% or above

Vesting between the points above is on a sliding scale basis

Shareholding guidelines and share interests

Under the shareholding guidelines, Executive Directors are expected to build and retain a shareholding in the Group at least equivalent to 100% of base salary. Following a review of the operation of the shareholding guidelines, the Committee has added a provision to the guidelines that the expected level of shareholding should be met within five years of appointment to the Board. As shown in the table below, all Executive Directors currently meet this guideline. Non-Executive Directors are not subject to a shareholding guideline.

Statement of shareholding and scheme interests (audited)

The following table sets out the shareholding (including connected persons) of the Directors in the Company as at 30 June 2014 and current interests in long-term incentives.

	Number of shares beneficially held at 30 June 2014	Shareholding as % of salary	Guideline met?
Executive Directors			
Steve Morgan	149,386,045	90,598%	Yes
John Tutte	290,168	150%	Yes
Barbara Richmond	187,319	172%	Yes
Non-Executive Directors			
Alan Jackson	22,177		
Debbie Hewitt	21,605		
Nick Hewson	11,350		

Shareholding as a percentage of salary is calculated using the shareholding and base salary as at 1 July 2014 and the average share price for the final quarter of 2014.

The table below provides details of the interests of the Executive Directors in incentive awards during the year.

	Awards held at 1 July 2013	Grant date	Share price on grant £	Awards lapsed in year	Awards vested	Awards granted in year	Awards exercised in year	Awards held at 30 June 2014	Exercise price £	From	To
John Tutte											
CSOP 2008	23,981	21/11/2008	1.30	(23,981)	–	–	–	–	1.25	21/11/13	21/11/18
SAYE 2011	9,453	15/11/2011	0.952	–	–	–	–	9,453	0.95	01/01/15	01/07/15
LTIP 2008	471,512	21/11/2008	1.30	(471,512)	–	–	–	–	–	21/11/13	20/11/18
LTIP 2010	365,131	18/02/2011	1.30	(295,757)	69,374	–	(69,374)	–	–	18/02/14	19/04/21
LTIP 2011	323,834	21/09/2011	1.10	–	–	–	–	323,834	–	21/09/14	20/09/21
LTIP 2012	246,164	23/10/2012	1.54	–	–	–	–	246,164	–	23/10/15	22/10/22
LTIP 2013	–	24/09/2013	2.37	–	–	166,316	–	166,316	–	24/09/16	24/09/23
Deferred bonus 2012	124,919	23/10/2012	1.54	–	62,460	–	(62,460)	62,459	–	23/10/13	22/10/22
Deferred bonus 2013	–	24/09/2013	2.37	–	–	66,526	–	66,526	–	24/09/14	24/09/23
	1,564,994			(791,250)	131,834	232,842	(131,834)	874,752			
Barbara Richmond											
SAYE 2010	9,146	05/11/2010	0.984	–	9,146	–	(9,146)	–	0.98	01/01/14	01/07/14
SAYE 2014	–	11/11/2013	1.98	–	–	4,545	–	4,545	1.98	01/01/17	01/07/17
LTIP 2010	243,421	18/02/2011	1.30	(197,170)	46,251	–	(46,251)	–	–	18/02/14	19/04/21
LTIP 2011	215,889	21/09/2011	1.10	–	–	–	–	215,889	–	21/09/14	20/09/21
LTIP 2012	164,322	23/10/2012	1.54	–	–	–	–	164,322	–	23/10/15	22/10/22
LTIP 2013	–	24/09/2013	2.37	–	–	111,579	–	111,579	–	24/09/16	24/09/23
Deferred bonus 2012	83,387	23/10/2012	1.54	–	41,694	–	(41,694)	41,693	–	23/10/13	22/10/22
Deferred bonus 2013	–	24/09/2013	2.37	–	–	44,632	–	44,632	–	24/09/14	24/09/23
	716,165			(197,170)	97,091	160,756	(97,091)	582,660			
Steve Morgan*											
LTIP 2010	413,816	18/02/2011	1.30	(335,191)	78,625	–	–	78,625	–	18/02/14	19/04/21
LTIP 2011	367,012	21/09/2011	1.10	–	–	–	–	367,012	–	21/09/14	20/09/21
LTIP 2012	271,739	23/10/2012	1.54	–	–	–	–	271,739	–	23/10/15	22/10/22
LTIP 2013	–	24/09/2013	2.37	–	–	183,158	–	183,158	–	24/09/16	24/09/23
Deferred bonus 2012	137,897	23/10/2012	1.54	–	68,949	–	–	137,897	–	23/10/13	22/10/22
Deferred bonus 2013	–	24/09/2013	2.37	–	–	73,263	–	73,263	–	24/09/14	24/09/23
	1,190,464			(335,191)	147,574	256,421	–	1,111,694			

*All scheme interests held by Steve Morgan are receivable in cash on terms which in all other respects mirror those for other Executive Directors.

- (i) The performance condition attached to the exercise of share options granted under the CSOP 2008 is growth in EPS. The performance condition end date was 30 June 2013. The performance condition was not met and the award lapsed in full.
- (ii) The performance conditions attached to 2010 LTIP awards were EPS, ROCE and TSR over the three year performance period to 2014. As disclosed in the 2013 Directors' remuneration report, these awards vested at 19% of maximum on 18 February 2014.
- (iii) The performance conditions attached to 2011 LTIP awards are EPS and ROCE over the three year performance period to 2014. As disclosed on page 70, these awards will vest in full on 21 September 2014.
- (iv) The performance conditions attached to 2012 LTIP awards are EPS and ROCE over the three year performance period to 2015 and were disclosed in the 2013 Directors' remuneration report.
- (v) The performance conditions attached to 2013 LTIP awards are shown on page 70.
- (vi) There are no further performance conditions attached to the exercise of the deferred bonus awards.
- (vii) Between 1 July 2014 and 1 September 2014 (being the latest practicable date prior to the posting of this report), there were no further changes to the directors' interests set out in the Statement of shareholding and scheme interests above.

Pension

John Tutte is a deferred member of the Redrow Staff Pension Scheme (now closed to future accrual) and details of entitlements under this plan are set out below. He also receives a pension allowance supplement of 20% of salary. Barbara Richmond receives a pension allowance supplement equivalent to 20% of salary. The value of these cash supplements is included in the pension column of the Single Total Figure of Remuneration Table on page 68. John Tutte and Barbara Richmond are also covered by fixed term group income protection and death in service benefit.

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

Total Pension Entitlements (audited)

Details of the Executive Directors' pension entitlements under the defined benefit section of the Redrow Staff Pension Scheme are as follows:

Director	Normal retirement date	Accrued benefit at 30 June 2014 £	Benefits paid to Director during period up to 30 June 2014 £	Defined Benefit accrued during period up to 30 June 2014 £
John Tutte	24 June 2021	52,862	Nil	Nil

The normal retirement date shows the date at which the director can retire without actuarial reduction. No additional benefit is available on early retirement.

The accrued pension shown above is the amount of pension entitlement that would be paid each year on retirement on the normal retirement date, based on service to 29 February 2012. The Scheme closed the accrual of future benefits with effect from 1 March 2012.

Non-Executive Director fee policy

The fees for the Non-Executive Directors were reviewed in 2013 and an increase of £10,000 was awarded to Alan Jackson (to £100k) and Debbie Hewitt (to £55k) with effect from 17 September 2013, to reflect the fact that they had not had an increase since 2009. Nick Hewson joined in 2012 and is paid £45k. These fees will apply to 2015. Going forward, fees will be reviewed on an annual basis.

Supporting disclosures and additional context

Percentage change in remuneration of Executive Chairman

The table below shows the percentage change in the salary, benefits and annual bonus of the Executive Chairman and of all Redrow employees who qualify for participation in the Company's bonus and benefits plans between 2013 and 2014.

	Executive Chairman	All Redrow employees
Salary	2.5%*	4.2%
Benefits	633%**	-12%
Annual bonus	28%***	12%

* Represents the change in Steve Morgan's notional salary

** Reflects Steve Morgan taking up a company car for the first time in 2014.

*** Reflects the increase in the notional bonus component of the donation to the Morgan Foundation from 80% of maximum in 2013 to 100% of maximum in 2014, reflecting performance.

Relative importance of spend on pay

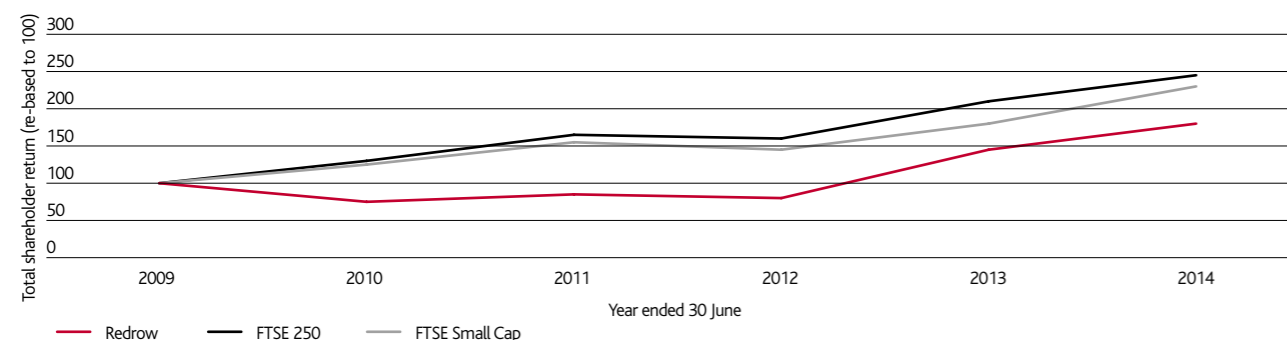
The chart below shows total employee remuneration and distributions to shareholders, in respect of 2014 and 2013 (and the difference between the two).

£m	2014	2013	Change (%)
Total employee remuneration	61.7	48.6	27%
Distributions to shareholders	11.1	3.7	200%

Total employee remuneration represents amounts included in note 7a to the financial statements in respect of wages, social security, pension and incentive costs for all Group employees. Distributions to shareholders include the total dividend in respect of each financial year (see note 5 to the financial statements).

Performance graph and table

The chart below shows the TSR of Redrow in the five year period to 30 June 2014 against the TSR of the FTSE 250 and FTSE Small Cap. TSR refers to share price growth with re-invested dividends. The Committee believes the FTSE 250 and FTSE Small Cap indices are the most appropriate indices against which the TSR of Redrow should be measured.



The table below provides notional remuneration data for the Executive Chairman for each of the five financial years over the equivalent period.

	2010	2011	2012	2013	2014
Remuneration/donations*	£592k	£582k	£642k	£612k	£691k
Bonus (% of Maximum)	52%	50%	100%	80%	100%
LTIP vesting (% of Maximum)	0%	0%	0%	19%	100%

* This value includes the nominal salary and benefits disclosed in the Single Total Figure of Remuneration Table as well as Company donations to the Morgan Foundation, a UK registered charity of which Steve Morgan is a trustee, reflecting notional salary and waived annual cash bonus in respect of the relevant year, as disclosed in the footnotes to the Single Total Figure of Remuneration Table and in the Directors' report on page 78 and in note 22 to the financial statements. In addition, Steve Morgan holds unexercised deferred bonus and vested LTIP cash awards and currently intends to waive his entitlement to these at a future point. A donation to the Morgan Foundation may be made by the Company of an amount equivalent to the cash value of the awards over notional Redrow shares at that time. Any such donation will be disclosed in the relevant remuneration report (including in the table above). For completeness, the value of these awards (calculated in accordance with the methodology applicable to the Single Total Figure of Remuneration Table) is as follows:
 • DBP: 2012: £213k; 2013: £174k; 2014: £223k
 • LTIP: 2013: £264k; 2014: £1,027k

External non-executive directorships held by Executive Directors

It is the Committee's policy that, with the approval of the Board, Executive Directors may hold one non-executive directorship at another company in order to broaden their knowledge and experience to the benefit of the Company. The Executive Director may retain any fee received for these duties.

Barbara Richmond became a non-executive director of Lonza Group Ltd with effect from 16 April 2014. In line with the Committee's policy, she is entitled to retain the fees from this appointment. She received fees of £39,293 during 2014, as she joined in the last quarter of the year.

Consideration of directors' remuneration – Remuneration Committee and advisors

The Remuneration Committee is comprised solely of Non-Executive Directors and comprises Debbie Hewitt as Chairman, Alan Jackson and Nick Hewson.

The Committee has agreed Terms of Reference detailing its authority and responsibilities. The Terms of Reference of the Committee are kept under regular review and are published on the Group's website and include:

- determining the Remuneration Policy in respect of the Executive Directors and the Company secretary (together 'the Senior Executives'), taking into account the context of the Company's overall approach to remuneration for all employees and within this Policy determining the total individual package of each Senior Executive;
- determining performance targets and the extent of their achievement for both annual and long term incentive awards operated by the Company affecting Senior Executives; and
- monitoring and approving the level and structure of remuneration of the Managing Directors immediately below the Senior Executives.

The Committee meets as often as is required but at least twice per year. The Committee met four times during the course of the financial year ended 30 June 2014. All members of the Committee attended every meeting.

The Committee retained Deloitte LLP as independent advisor to the Committee during the year. Deloitte LLP was originally appointed by the Committee in 2010 following a selection process undertaken by the Committee. Deloitte LLP is a member of the Remuneration Consultants Group and as such voluntarily operates under the Code of Conduct in relation to executive remuneration consulting in the UK. The Committee is comfortable that the Deloitte LLP engagement partner and team, that provide remuneration advice to the Committee, do not have connections with Redrow plc that may impair their objectivity and independence. The fees charged by Deloitte LLP for the provision of independent advice to the Committee during 2014 were £20,500. Deloitte LLP also provides the Company with tax advisory services but does not have any other connection with the Company

Statement of voting at Annual General Meeting

At the Annual General Meeting held on 11 November 2013, votes cast by proxy and at the meeting in respect of directors' remuneration are shown in the table.

Resolution	Votes For		Votes Against		Total votes cast	Votes Withheld
	No.	%	No.	%		
Approval of remuneration report for year ended 30 June 2013	302,592,296	97.38	8,152,303	2.62	310,744,599	508,718

By order of the Board

Debbie Hewitt

Chairman of the Remuneration Committee
1 September 2014



Directors' report

Cerney On The Water, Gloucestershire

76

Redrow plc
Annual report and accounts 2014

Governance report Directors' report

The Directors have pleasure in presenting to the shareholders their report and audited consolidated financial statements for the 12 months ended 30 June 2014.

Results, Dividends and Future Prospects

The Group made a profit after tax of £102.7m (2013: £53.1m). An interim dividend of 1.0p (2013: nil p) net per share was paid on 2 May 2014. The Board proposes to pay, subject to shareholder approval, at the 2014 Annual General Meeting, a final dividend of 2.0p (2013: Final Dividend: 1.0p) net per share in respect of the year ended 30 June 2014 on 14 November 2014 to shareholders on the Register as at the close of business on 26 September 2014. The dividend re-investment plan gives shareholders the opportunity to re-invest their dividends.

A review of the performance of the Group and its future prospects is included in the Strategic report on pages 2 to 45. Details of the financial risk management objectives and policies and associated risk exposure is given in note 14: Financial Risk Management.

Annual General Meeting

Notice of the 2014 Annual General Meeting to be held on Monday, 10 November 2014 is set out on pages 117 to 122. Members wishing to vote should return forms of proxy to the Company's Registrar not less than 48 hours before the time for holding the meeting.

Corporate Governance

The Board remains committed to high standards of corporate governance. Details relating to the Company's compliance with the UK Corporate Governance Code are given in the Corporate Governance section on pages 48 to 79.

Directors

The Directors of the Company during the year to the date of signing are listed on page 82 and the current Directors are also listed, together with their biographical details on pages 50, 51 and 120.

Details of Directors' pay, service contracts and Directors' interests in the ordinary shares of the Company are included in the Directors' Remuneration report on pages 66, 67, 68 and 71.

Formal appraisals of the Executive Directors were undertaken during the Financial Year. All the Non-Executive Directors underwent an annual appraisal conducted by the Non-Executive Deputy Chairman. The Board confirms that Steve Morgan, John Tutte and Barbara Richmond, who stand for re-appointment as Executive Directors and Debbie Hewitt and Nick Hewson who stand for re-appointment as Non-Executive Directors, continue to be effective and demonstrate the appropriate commitment to their roles.

Following Alan Jackson's retirement Liz Peace has been appointed a Non-Executive Director and Debbie Hewitt will become Senior Independent Director and Chair of the Nomination Committee. Liz Peace will chair the Sustainability Committee and will be a member of the Audit Committee, Nomination Committee and Remuneration Committee.

The Executive Directors have formal service agreements and termination of their employment may be effective by 12 months' notice given by the Company, except for Steve Morgan where the notice period is six months.

In accordance with the UK Corporate Governance Code, all the Directors will retire at the Annual General Meeting to be held on Monday, 10 November 2014, and, being eligible, offer themselves for re-appointment with the exception of Alan Jackson who informed the Board that it was his intention to retire from the Board. The remaining members of the Board will offer themselves for re-appointment in accordance with the Articles of Association.

Directors' Interests

Related party transactions are disclosed in note 22 to the financial statements. A summary of remuneration provided to key management personnel is provided in note 7c.

Powers of the Directors

Subject to the Company's Articles of Association, UK legislation and any of the directions given by Special Resolution, the business of the Company is managed by the Board, which may exercise all the powers of the Company. Directors have been authorised to allot and issue shares and to make market purchases of the Company's ordinary shares and these powers may be exercised under authority and Resolutions of the Company passed at its Annual General Meeting.

The rules in relation to the appointment and replacement of Directors are as set out in the Company's Articles of Association.

Capital Structure

Redrow plc is a public listed company, listed on the London Stock Exchange and domiciled in the UK.

The Company has an authorised share capital of 480,000,000 ordinary shares of 10p each of which 369,799,938 have been issued. The Company has one class of ordinary shares which carry ordinary rights to dividends (subject to the Company's Articles of Association). Each share carries the right to one vote at general meetings of the Company.

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

Authority was given to the Directors at last year's Annual General Meeting to allot unissued shares up to an aggregate nominal amount of £12,326,665 equivalent to approximately 33% of the Company's issued share capital and up to a further aggregate nominal amount of £12,326,665 in connection with an offer by way of a rights issue. The authority was not exercised during the period ending 30 June 2014 or prior to the date of this Report. The Company has no current intention of exercising the authority but nevertheless as this authority expires at the forthcoming Annual General Meeting the Directors will be seeking new authorities as set out in the Notice of Meeting.

Voting and Transfer of Shares

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

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

The Company's Articles of Association do not contain and the Company is not aware of any restrictions on voting rights, including any limitations on voting rights of holders of a given

77

Redrow plc
Annual report and accounts 2014

percentage or number of votes, deadlines for exercising voting rights and arrangements by which the Company's co-operation and financial rights carried by securities are held by a person other than the holder of the securities.

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

Substantial Holdings in the Company

As at 1 September 2014, the Company has been advised of the following notifiable interests of 3% or more in its ordinary shares:

Shareholder	Number of shares	Percentage
Bridgemere Securities Limited <i>(including Steve Morgan)</i>	149,386,045	40.40%
Toscafund Asset Management LLP	36,427,860	9.85%
Schroders plc	19,855,864	5.37%
FIL Limited	17,343,977	4.69%
BlackRock Inc	15,277,577	4.13%
Caledonia (Private) Investments Pty Limited	11,321,760	3.06%

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

All the notifiable interests referred to above were correct as at 30 June 2014 other than that of Caledonia (Private) Investments Pty Limited who acquired their shareholding in the Company following 30 June 2014 but before 1 September 2014.

Employees

The Company is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status. The Company gives full and fair consideration to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. Appropriate arrangements are made for the continued employment and

training, career development and promotion of disabled persons employed by the Company. If members of staff become disabled the Company continues employment, either in the same or an alternative position, with appropriate re-training being given if necessary.

The Company provides information on a regular basis to all its employees through the use of the Company's intranet, the Redroweb, and through its monthly newsletter, the 'Insight Magazine' which contains articles and news which are of interest to the employees. The Company has also recently undertaken an employee wide consultation by engaging the employees of the Company on employee matters and has reported its findings to its employees.

The Company places considerable importance on the provision of training and development; training@redrow, a purpose built in-house training facility at Tamworth, completed 2,952 training days during the year ended 30 June 2014, including those which support the Company's induction process.

The Directors recognise the importance of good communications with employees. The Divisions are encouraged to make their employees aware of the financial and economic factors affecting their respective Divisions and the Company as a whole. This is assisted through the medium of regular management meetings, staff publications, its internal staff 'Insight Magazine' and the Redrow intranet.

Employee share ownership is encouraged through savings related schemes.

Charitable and Political Donations

The Company made no political donations but paid £706,000 in charitable donations during the year. The Company and its employees are actively involved in fundraising activities for specific charities and in the year of its 40th anniversary the Divisions, Group Services and Harrow Estates are undertaking the 'Redrow Charity Challenge' to raise as much money for charitable good causes as possible. The Company made a £654,000 donation during the year to the Morgan Foundation, a UK registered charity of which Steve Morgan is a Trustee.

Research and Development

The Company has a centralised Environmental and Sustainability Team charged with identifying and evaluating new construction techniques and products. Environmental and sustainability issues play a prominent role in the Company's activities. The Company recognises its responsibilities to the community as a whole and has adopted an environment strategy which is a core part of the Company's objectives.

The charge to the income statement in respect of research and development in the year was £0.4m (2013: £0.4m).

Greenhouse gas emissions

We acknowledge our responsibilities in respect of working to reduce our Greenhouse gas emissions ("GHG"). In the year our total GHG emissions relative to build reduced by 13.7%.

➔ Go to Table 1

This disclosure includes all of the emission sources required under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013. These sources fall within our consolidated financial statement and we do not have responsibility for any emission sources that are not included in our consolidated statement.

The data has been prepared in accordance with the Greenhouse Gas (GHG) Protocol Accounting and Reporting Standard (revised edition). Emissions have been calculated using the UK Government's GHG Conversion Factors for Company Reporting: 2013 and 2014 respectively.

Independent Auditors

A resolution to reappoint PricewaterhouseCoopers LLP as external Auditors will be proposed at the Annual General Meeting on Monday, 10 November 2014.

Provision of Information to Auditors:

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

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

Going Concern

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

As explained in the Financial review on page 28, the Group maintains adequate committed banking facilities. As stated in note 14 to the financial statements, at 30 June 2014, the Group had £190m of undrawn committed borrowing facilities available.

After making appropriate enquiries, the Directors consider they have a reasonable expectation for stating that the Group and the Company have adequate resources to continue trading for the foreseeable future. These enquiries consisted of a detailed review of the Group's financial forecast for the period to 31 December 2015. The forecasts take into account current market trends with reasonable judgements and estimates applied to arrive at future cash flow estimates. As part of the review, the Group analysed its forecast covenant compliance over this period linked to its banking facility, arriving at an assessment of the headroom evident between the forecast covenant test outturn and the outturn necessary to achieve covenant compliance. The review of confirmed headroom within both financial covenants and facilities.

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

By order of the Board

Graham Cope

Company Secretary
Redrow plc
Registered no: 2877315
1 September 2014

Emissions from:	Current Reporting Year (1 July 13 to 30 June 14)	Comparison Year (1 July 12 to 30 Jun 13)	Units
Scope 1 activities:			
• Combustion of fuel at our offices and sites	7,240	7,118	Tonnes of CO ₂ e
• Business use of Redrow-owned and leased vehicles			
Scope 2 activities:			
• All purchased electricity	2,770	2,539	Tonnes of CO ₂ e
Total greenhouse gas emissions:			
• (Scope 1 + Scope 2)	10,010	9,657	Tonnes of CO ₂ e
Our preferred intensity ratio:			
Total greenhouse gas emissions relative to build:	2.64	3.06	Tonnes of CO ₂ e per 100m ² of build



Financial *statements*

Statement of Directors' responsibilities

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

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

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

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

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

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

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

- the Group financial statements, which have been prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and result of the Group and Company; and
- the Strategic report contained on pages 2 to 45 includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that they face.

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

Steve Morgan, Chairman
 Alan Jackson, Deputy Chairman
 John Tutte, Group Chief Executive
 Barbara Richmond, Group Finance Director
 Debbie Hewitt, Non-Executive Director
 Nick Hewson, Non-Executive Director
 Liz Peace, Non-Executive Director

By order of the Board

Graham Cope
 Company Secretary
 1 September 2014

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

Independent Auditors' report

to the members of Redrow plc

Report on the financial statements**Our opinion**

In our opinion:

- the financial statements (defined below) give a true and fair view of the state of the Group's and of the Company's affairs as at 30 June 2014, of the Group's profit and of the Group's and the Company's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with the IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The Group financial statements and Company financial statements (the "financial statements"), which are prepared by Redrow plc, comprise:

- the Group and Company balance sheets as at 30 June 2014;
- the Group income statement and the Group and Company statements of comprehensive income for the year then ended;
- the Group and Company statements of cash flows for the year then ended;
- the Group and Company statements of changes in equity for the year then ended;
- the accounting policies; and
- the notes to the financial statements, which include other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the Company, as applied in accordance with the provisions of the Companies Act 2006.

Certain disclosures required by the financial reporting framework have been presented elsewhere in the Annual Report and Accounts (the "Annual Report"), rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's and the Company's circumstances and have been consistently applied and adequately disclosed;

- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Overview of our audit approach**Materiality**

We set certain thresholds for materiality. These helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the Group financial statements as a whole to be £6.6m. This represents approximately 5% of profit before tax. We have applied this benchmark, a generally accepted auditing practice, in the absence of indicators that an alternative benchmark would be appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.3m as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Overview of the scope of the audit

The Group comprises one principal trading company and a number of smaller subsidiaries. We performed an audit of the complete financial information of each entity within the Group which, together, gave us the evidence we needed for our opinion on the Group financial statements. All work was performed by the Group engagement team.

Areas of particular audit focus

In preparing the financial statements, the Directors made a number of subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We primarily focused our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

In our audit, we tested and examined information, using sampling and other auditing techniques, to the extent we considered necessary to provide a reasonable basis for us to draw conclusions. We obtained audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

We considered the following areas to be those that required particular focus in the current year. This is not a complete list of all risks or areas of focus identified by our audit. We discussed these areas of focus with the Audit Committee. Their report on those matters that they considered to be significant issues in relation to the financial statements is set out on page 54.

Area of focus	How the scope of our audit addressed the area of focus
<p>Net realisable value of inventories</p> <p>We focused on this area because of the magnitude of the year end inventory provision and the level of judgement that the Directors need to use to determine the assumptions used in its calculation, in particular the forecast market movement in sales prices of plots and expected build costs.</p>	<p>We compared forecast sales prices to actual prices achieved post year end and assessed the accuracy of management's historical forecasts by comparing net realisable values recognised in the prior year with actual sales prices achieved in the current year. We also assessed expected market trends with reference to independent third party house price indices and our independently formed expectation.</p> <p>We tested management's controls over the process for estimating the expected remaining build costs, including the budgeting and review processes. We also inspected evidence of the Board's review of forecast sales prices used in this provision model.</p> <p>We performed sensitivity analysis to identify the impact that changes in key assumptions, notably the overall market house price variance assumption, have on the provision calculation in challenging management on the overall levels of provisioning. We also considered the adequacy of the disclosures made in the financial statements regarding the provision.</p>
<p>Defined benefit pension scheme liability valuation</p> <p>We focused on this area because of the magnitude of the gross assets and liabilities of the pension scheme and the judgements inherent in the actuarial assumptions used in the valuation, in particular the discount rate, future RPI and mortality rates, changes in which can have a material impact on the liability valuation.</p>	<p>We challenged the assumptions used in the actuarial valuation, comparing them to typical ranges used for such assumptions, taking into account the specific characteristics of the Group's pension scheme.</p> <p>We obtained confirmations of the scheme assets held from the external investment managers and custodians of the scheme's assets. We also tested the valuations of these assets by agreeing them to valuations obtained from independent third party sources.</p>
<p>Risk of fraud in revenue recognition</p> <p>ISAs (UK & Ireland) presume there is a risk of fraud in revenue recognition because of the pressure management may feel to achieve the planned results. In particular we focused on revenue transactions recorded in period 12, given that a significant proportion of the total sales were recognised in this period, to determine whether those sales were recognised in the correct financial year.</p>	<p>We tested significant revenue-impacting manual journal entries made in the year by obtaining an understanding of the rationale, and evidence for, the manual adjustments. We also tested the translation of revenue into cash throughout the year, focusing in particular on any significant non-standard revenue transactions and transactions close to the year-end, to verify that the revenue transactions had occurred in the year.</p>
<p>Risk of management override of internal controls</p> <p>ISAs (UK & Ireland) require that we consider this.</p>	<p>We assessed the overall control environment of the Group, including the arrangements for staff to "whistle-blow" inappropriate actions, and interviewed senior management and the Group's internal audit function. We examined the significant accounting estimates and judgements relevant to the financial statements for evidence of bias by the Directors that may represent a risk of material misstatement due to fraud. We also tested manual journal entries.</p>
<p>Going concern</p> <p>Under the Listing Rules we are required to review the Directors' statement, set out on page 79, in relation to going concern. We have nothing to report having performed our review.</p> <p>As noted in the Directors' statement, the Directors have concluded that it is appropriate to prepare the financial statements using the going concern basis of accounting. The going concern basis presumes that the Group and</p>	<p>Company have adequate resources to remain in operation, and that the Directors intend them to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the Directors' use of the going concern basis is appropriate.</p> <p>However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's or the Company's ability to continue as a going concern.</p>

Opinions on other matters prescribed by the Companies Act 2006

In our opinion:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements;
- the part of the Directors' Remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Corporate Governance section set out on pages 48 to 79 with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Corporate governance statement

Under the Companies Act 2006 we are required to report to you if, in our opinion, a corporate governance statement has not been prepared by the Company. We have no exceptions to report arising from this responsibility.

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the Company's compliance with nine provisions of the UK Corporate Governance Code ("the Code"). We have nothing to report having performed our review.

On page 82 of the Annual Report, as required by the Code Provision C.1.1, the Directors state that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess

the Group's and Company's performance, business model and strategy. On page 54, as required by C.3.8 of the Code, the Audit Committee has set out the significant issues that it considered in relation to the financial statements, and how they were addressed. Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

- the statement given by the Directors is materially inconsistent with our knowledge of the Group and parent company acquired in the course of performing our audit; or
- the section of the Annual Report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We have no exceptions to report arising from this responsibility.

Other information in the Annual Report

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group and Company acquired in the course of performing our audit; or
- is otherwise misleading.

We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 82, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Ian Morrison (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors Manchester
1 September 2014

Financial statements

Consolidated income statement

For the 12 months ended 30 June

	Note	2014 £m	2013* £m
Revenue		864.5	604.8
Cost of sales		(677.0)	(491.2)
Gross profit		187.5	113.6
Administrative expenses before exceptional items		(50.0)	(40.4)
Operating profit before exceptional items and financing costs		137.5	73.2
Exceptional administrative expenses		–	(1.5)
Operating profit before financing costs	2	137.5	71.7
Financial income	3	3.1	1.7
Financial costs	3	(10.8)	(7.3)
Net financing costs		(7.7)	(5.6)
Share of profit of joint ventures after interest and taxation	10	2.8	3.3
Profit before tax		132.6	69.4
Income tax expense	4	(29.9)	(16.3)
Profit for the year		102.7	53.1
Earnings per share – basic	6	28.3p	14.6p
– diluted	6	28.2p	14.6p

* Prior period results have been restated to reflect the application of IAS 19R – Employee Benefits.

Consolidated statement of comprehensive income

For the 12 months ended 30 June

	Note	Group		Company	
		2014 £m	2013* £m	2014 £m	2013* £m
Profit for the year		102.7	53.1	9.1	103.9
Other comprehensive expense					
Items that will not be reclassified to profit or loss					
Remeasurements of post employment benefit obligations	7e	(7.1)	(1.3)	(7.1)	(1.3)
Deferred tax on actuarial losses taken directly to equity		1.6	0.5	1.6	0.5
Other comprehensive expense for the year net of tax		(5.5)	(0.8)	(5.5)	(0.8)
Total comprehensive income for the year	18	97.2	52.3	3.6	103.1

* Prior period results have been restated to reflect the application of IAS 19R – Employee Benefits.

Financial statements

Balance sheets

As at 30 June

	Note	Group		Company	
		2014 £m	2013* £m	2014 £m	2013* £m
Assets					
Intangible assets	8	2.0	1.9	–	–
Property, plant and equipment	9	11.0	11.2	–	–
Investments	10	10.8	13.3	0.1	0.1
Deferred tax assets	11	7.5	35.8	5.8	4.2
Trade and other receivables	12	15.3	25.4	–	–
Total non-current assets		46.6	87.6	5.9	4.3
Non-current assets held for sale	9	1.0	1.0	–	–
Inventories	13	1,157.2	895.5	–	–
Trade and other receivables	12	42.5	24.9	622.0	551.5
Current income tax receivables	4	–	–	3.0	5.7
Cash and cash equivalents	14	54.8	39.0	52.9	37.1
Total current assets		1,255.5	960.4	677.9	594.3
Total assets		1,302.1	1,048.0	683.8	598.6
Equity					
Share capital	17	37.0	37.0	37.0	37.0
Share premium account	18	58.7	58.7	58.6	58.6
Other reserves	18	7.9	7.9	7.0	7.0
Retained earnings	18	592.1	505.6	375.4	379.2
Total equity		695.7	609.2	478.0	481.8
Liabilities					
Bank loans	14	175.0	95.0	175.0	95.0
Trade and other payables	15	53.7	33.2	–	–
Deferred tax liabilities	11	0.5	0.5	–	–
Retirement benefit obligations	7	11.0	3.8	11.0	3.8
Long term provisions	16	6.4	7.8	–	–
Total non-current liabilities		246.6	140.3	186.0	98.8
Bank overdrafts and loans	14	52.4	35.0	–	–
Trade and other payables	15	307.4	263.5	19.8	18.0
Total current liabilities		359.8	298.5	19.8	18.0
Total liabilities		606.4	438.8	205.8	116.8
Total equity and liabilities		1,302.1	1,048.0	683.8	598.6

* Prior period results have been restated to reflect the application of IAS 19R – Employee Benefits.

The financial statements on pages 86 to 116 were approved by the Board of Directors on 1 September 2014.

Steve Morgan
Director

Barbara Richmond
Director

Redrow plc Registered Number 2877315

Financial statements

Statement of changes in equity

For the 12 months ended 30 June

	Note	Group		Company	
		2014 £m	2013* £m	2014 £m	2013* £m
Profit for the year		102.7	53.1	9.1	103.9
Other comprehensive expense for the year		(5.5)	(0.8)	(5.5)	(0.8)
Total comprehensive income relating to the year (net)		97.2	52.3	3.6	103.1
Dividend paid	18	(7.4)	–	(7.4)	–
Share-based payment	18	–	0.3	–	–
Movement in LTSIP/SAYE	18	(3.3)	(4.9)	–	–
Net increase in equity		86.5	47.7	(3.8)	103.1
Opening equity		609.2	561.5	481.8	378.7
Closing equity		695.7	609.2	478.0	481.8

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

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

	2014 £m	2013* £m
Holding company	9.1	7.4
Subsidiary companies	93.6	45.7
	102.7	53.1

* Prior period results have been restated to reflect the application of IAS 19R – Employee Benefits.

Financial statements

Statement of cash flows

For the 12 months ended 30 June

	Note	Group		Company	
		2014 £m	2013* £m	2014 £m	2013* £m
Cash flows from operating activities					
Operating profit/(loss) before financing costs		137.5	71.7	(1.4)	(2.3)
Depreciation and amortisation		1.1	1.2	–	–
Adjustment for non-cash items		(4.2)	(3.7)	–	0.4
Operating profit/(loss) before changes in working capital and provisions		134.4	69.2	(1.4)	(1.9)
Increase in trade and other receivables		(12.4)	(3.4)	(68.4)	(36.5)
Increase in inventories		(261.7)	(187.3)	–	–
Increase in trade and other payables		66.6	46.6	1.7	1.4
Decrease in provisions		(1.4)	(0.4)	–	–
Cash outflow generated from operations		(74.5)	(75.3)	(68.1)	(37.0)
Interest paid		(8.6)	(3.2)	(6.8)	(3.3)
Net cash outflow from operating activities		(83.1)	(78.5)	(74.9)	(40.3)
Cash flows from investing activities					
Sale of business	12	9.5	8.0	–	–
Acquisition of software, property, plant and equipment		(1.0)	(0.5)	–	–
Interest received		0.3	–	18.1	15.9
Net receipts from/(payments to) joint ventures – continuing operations		5.4	(0.7)	–	–
Net cash inflow from investing activities		14.2	6.8	18.1	15.9
Cash flows from financing activities					
Issue of bank borrowings		175.0	95.0	175.0	95.0
Repayment of bank borrowings		(95.0)	(30.0)	(95.0)	(30.0)
Purchase of own shares		(5.3)	(5.3)	–	–
Dividend paid		(7.4)	–	(7.4)	–
Net cash inflow from financing activities		67.3	59.7	72.6	65.0
(Decrease)/increase in net cash and cash equivalents		(1.6)	(12.0)	15.8	40.6
Net cash and cash equivalents at the beginning of the year		4.0	16.0	37.1	(3.5)
Net cash and cash equivalents at the end of the year	19	2.4	4.0	52.9	37.1

* Prior period results have been restated to reflect the application of IAS 19R – Employee Benefits.

Both the consolidated and Company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and effective at 30 June 2014, and in accordance with IFRS Interpretations Committee interpretations and the Companies Act 2006 as it applies to companies reporting under IFRS and Article 4 of the IAS Regulation and in accordance with the historical cost convention as modified by the revaluation of derivative financial instruments.

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

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

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of Redrow plc and all its subsidiaries, together with the Group's share of the results and share of net assets of jointly controlled entities i.e. the financial statements of Redrow plc and entities controlled by Redrow plc (and its subsidiaries). Control is achieved where Redrow plc has the power to govern the financial and operating policies of an entity. Redrow plc's accounting reference date is 30 June. Consistent with the normal monthly reporting process, the actual date to which the balance sheet has been drawn up is to 29 June 2014 (2013: 30 June 2013). For ease of reference all references to the year or 12 months and financial position are for the year ended 30 June and as at 30 June.

The Group has taken advantage of the exemption provided under Section 408 of the Companies Act 2006 not to present Redrow plc's Company income statement. The profit for the financial year is dealt with in the statement of changes in equity.

a. Subsidiaries

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

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

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

b. Interests in joint ventures

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

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

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

Revenue and profit recognition

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

Profit is recognised on legal completion.

Segmental reporting

The main operation of the Group is focused on housebuilding.

As it operates entirely within the United Kingdom, the Group has only one business and geographic segment. This is consistent with the information provided for internal reporting purposes to the Chief Operating Decision Maker (the Board). The Group has no key customers.

Exceptional items

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

Net financing costs

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

Income and deferred tax

Income tax comprises current tax and deferred tax.

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

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

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

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

Intangible assets – computer software

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

Property, plant and equipment

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

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

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

Buildings within freehold property	50 years
Plant and machinery	5 – 10 years
Fixtures and fittings	3 – 5 years

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

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

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

Non-current assets held for sale

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

Investment in subsidiary companies

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

Leases

Leases in which substantially all of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Rentals payable under operating leases are charged to work in progress or income on a straight line basis over the term of the relevant lease.

Inventories

Inventories are stated at the lower of cost and net realisable value less cash on account (which represents payments made against work in progress).

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

Provisions are established to write down land where the estimated net sales proceeds less cost to complete exceed the current carrying

value. Adjustments to the provisions will be required where selling prices or costs to complete change.

Net realisable value for land was assessed by estimating selling prices and cost (including sales and marketing expenses), taking into account current market conditions.

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

Forward land

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

Employee benefits

a. Pension obligation

IAS 19R – Employee Benefits, has been adopted with effect from 1 July 2013. The change in the accounting standard has been adopted retrospectively and the comparative accounts have been restated. Under IAS 19R the separate calculations of an interest cost on the defined benefit obligation and an expected rate of return on plan assets have been replaced with a net interest charge calculated by applying the discount rate to the net defined benefit liability. The impact of the restatement on prior periods is shown in the table in note 7e.

The Group operates two pension schemes for its staff. The Redrow Staff Pension Scheme (the 'Scheme') closed to the accrual of new benefits with effect from 1 March 2012, with new benefits now being provided via the Redrow Group Personal Pension Plan (the 'GPP'). 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 GPP is also a type of defined contribution plan.

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

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity as they arise in full via the statement of comprehensive income.

Scheme service costs are charged to cost of sales and administrative expenses as appropriate and scheme finance costs are included in net financing costs. Past service costs are recognised immediately in income.

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

b. Bonus plans

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

c. Share-based payments

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

d. Termination benefits

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

Financial instruments

a. Land creditors

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

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

b. Derivative financial instruments and hedge accounting

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

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

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

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

c. Loans and receivables

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

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

d. Cash and cash equivalents

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

e. Borrowings and trade payables

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

Onerous contracts

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

Share capital

Ordinary shares are classed as equity.

Dividend distribution

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

Impact of new standards and interpretations

a. New standards

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

IAS 19 (revised 2011) 'Employee benefits'. This amendment makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. The changes affect most entities that apply IAS 19. They could significantly change a number of performance indicators and might also significantly increase the volume of disclosures. This is effective for annual periods beginning on or after 1 January 2013.

b. New standards, amendments and interpretations issued but not effective for the financial year beginning 1 July 2013 and not early adopted

IFRS 9 'Financial instruments – classification and measurement'. This standard on classification and measurement of financial assets and financial liabilities will replace IAS 39. IFRS 9 has two measurement categories: amortised cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. For liabilities, the standard retains most of the IAS 39 requirements. These include amortised-cost accounting for most financial liabilities, with bifurcation of embedded derivatives. Effective for periods beginning on or after 1 January 2018. The Group has not assessed the full

impact of this standard, and will adopt this for the first time for the year beginning 1 July 2018, subject to endorsement by the EU.

IFRS 10 'Consolidated financial statements'. This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard provides additional guidance to assist in determining control where this is difficult to assess. This new standard might impact the entities that a group consolidates as its subsidiaries. Effective for periods beginning on or after 1 January 2013 and endorsed by the EU for periods beginning on or after 1 January 2014. This is not expected to have a material impact on the Group financial statements and will be adopted for the first time for the year beginning 1 July 2014.

IFRS 11 'Joint arrangements'. This standard provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. Not expected to be relevant to the Group, but is effective 1 January 2013 and endorsed by the EU for periods beginning on or after 1 January 2014.

IFRS 12 'Disclosure of interests in other entities'. This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. Not expected to be relevant to the Group, but is effective 1 January 2013 and endorsed by the EU for periods beginning on or after 1 January 2014.

Amendments to IFRS 10, 11 and 12. These amendments also provide additional transition relief in IFRSs 10, 11 and 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. For disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before IFRS 12 is first applied. Effective for periods beginning on or after 1 January 2013 and endorsed by the EU for periods beginning on or after 1 January 2014.

IAS 27 (revised 2011) 'Separate financial statements'. This standard includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10. Effective for periods beginning on or after 1 January 2013 and endorsed by the EU for periods beginning on or after 1 January 2014.

IAS 28 (revised 2011) 'Associates and joint ventures'. This standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11. Effective for periods beginning on or after 1 January 2013 and endorsed by the EU for periods beginning on or after 1 January 2014.

Amendment to IAS 32, 'Financial instruments: Presentation', on offsetting financial assets and financial liabilities. This amendment updates the application guidance in IAS 32, 'Financial instruments: Presentation', to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. Effective for periods beginning on or after 1 January 2014 and endorsed by the EU in December 2012.

Amendments to IFRS 9, 'Financial instruments', regarding general hedge accounting. These amendments to IFRS 9, 'Financial

instruments', bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. Effective for periods beginning on or after 1 January 2018 but no date set yet for endorsement by the EU.

Amendments to IAS 36, 'Impairment of assets'. These amendments address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. Effective for periods beginning on or after 1 January 2014 and endorsed by the EU in December 2013.

Amendment to IAS 39 'Financial instruments: Recognition and measurement', on novation of derivatives and hedge accounting. These narrow-scope amendments allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one). This relief has been introduced in response to legislative changes across many jurisdictions that would lead to the widespread novation of over-the-counter derivatives. These legislative changes were prompted by a G20 commitment to improve transparency and regulatory oversight of over-the-counter derivatives in an internationally consistent and non-discriminatory way. Similar relief will be included in IFRS 9, 'Financial instruments'. Effective for periods beginning on or after 1 January 2014 and endorsed by the EU in December 2013.

Amendment to IAS 19 regarding defined benefit plans. These narrow scope amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. Effective for periods beginning on or after 1 January 2014 but no date set yet for endorsement by the EU.

Amendment to IFRS 11, 'Joint arrangements' on acquisition of an interest in a joint operation. This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions. Effective for periods beginning on or after 1 January 2016 but no date set yet for endorsement by the EU.

Amendment to IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets', on depreciation and amortisation. In this amendment the IASB has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. Effective for periods beginning on or after 1 January 2016 but no date set yet for endorsement by the EU.

IFRS 15 'Revenue from contracts with customers'. IFRS 15, 'Revenue from contracts with customers' is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally. Effective for periods beginning on or after 1 January 2017 but no date set yet for endorsement by the EU.

1. Critical accounting estimates and judgements

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

Carrying value of inventories

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

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

A full review of the net realisable value of inventories was undertaken by the Group as at 30 June 2014.

Pensions

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

2. Operating profit before financing costs

Note	Note	2014 £m	2013 £m
Operating profit before financing costs is stated after charging:			
Exceptional administrative expenses (a)		–	1.5
Inventories expensed in the year	13	633.1	462.1
Depreciation	9	0.9	1.1
Amortisation	8	0.2	0.1
Loss on disposal of property, plant and equipment		–	0.1
Operating leases – plant and machinery		1.4	1.5
– other		0.3	0.2
Research and development expenditure		0.4	0.4
Auditors' remuneration – fees payable to Company's Auditors for audit services (b (i))		0.1	0.1
– fees payable to Company's Auditors for other services (b (ii))		–	0.1

a) Exceptional administrative expenses were £nil in 2014. They were £1.5m in 2013 and related to legal and advisory fees incurred in relation to a possible bid for the Company.

b) Fees payable to Company's Auditors for audit services comprise:

- (i) fees payable for the audit of parent company and consolidated financial statements £30,000 (2013: £30,000) and fees payable for the audit of the Company's subsidiaries pursuant to legislation £111,500 (2013: £119,000).
- (ii) Auditors' remuneration for other services comprised £20,000 (2013: £20,000) in respect of an independent review of the half-yearly financial statements (Audit related assurance services), £7,333 (2013: £6,000) in respect of iXBRL tagging (Taxation compliance services) and £nil (2013: £47,500) in respect of financial modelling development support (other non-audit services).

3. Net financing costs

	2014 £m	2013* £m
Interest payable on bank loans	(6.2)	(3.2)
Net interest expenses – pension scheme (note 7e)	(0.2)	(0.1)
Imputed interest on deferred land creditors	(4.4)	(4.0)
Financial expense	(10.8)	(7.3)
Other interest receivable	3.1	1.7
Financial income	3.1	1.7
Net financing costs	(7.7)	(5.6)

4. Income tax expense

	2014 £m	2013* £m
Current tax charge		
UK Corporation Tax at 22.50% (2013: 23.75%)	–	–
Deferred tax		
Origination and reversal of temporary differences	29.1	14.3
Impact of changes in deferred tax rate	0.8	2.0
Total income tax charge in income statement	29.9	16.3
Reconciliation of tax charge for the year		
Profit before tax	132.6	69.4
Tax calculated at UK Corporation Tax rate of 22.50% (2013: 23.75%)	29.8	16.5
Impact of change in deferred tax rate	0.8	2.0
Short term temporary differences	(0.7)	(2.2)
Tax charge for the year	29.9	16.3
Deferred tax recognised directly in equity		
Relating to pension scheme	1.6	0.5
	1.6	0.5

Current income tax receivable in the Company is £3.0m (2013: £5.7m).

5. Dividends

The following dividends were paid by the Group:

	2014 £m	2013 £m
Prior year final dividend per share of 1.0p (2013: nil)	3.7	–
Current year interim dividend per share of 1.0p (2013: nil)	3.7	–
	7.4	–

The Board decided to propose a final dividend of 2.0p per share in respect of 2014 (£7.4m (2013: £3.7m)). The dividend has not been provided for and there are no income tax consequences.

* Prior period results have been restated to reflect the application of IAS 19R – Employee Benefits.

6. Earnings per ordinary share

The basic earnings per share calculation for the year ended 30 June 2014 is based on the weighted number of shares in issue during the period of 362.5m (2013: 363.4m) excluding those held in trust under the Redrow Long Term Incentive Plan (7.3m shares (2013: 6.4m shares)), 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.

For the 12 months ended 30 June 2014

	Earnings £m	Number of shares millions	Per share pence
Basic earnings per share	102.7	362.5	28.3
Effect of share options and SAYE	–	1.9	(0.1)
Diluted earnings per share	102.7	364.4	28.2

	Earnings £m	Number of shares millions	Per share pence
Basic earnings per share	102.7	362.5	28.3
Adjustment to deferred tax rate change	0.8	–	0.3
Adjusted earnings per share	103.5	362.5	28.6

Adjusted diluted earnings per share are 28.5p (2013: 15.5p).

For the 12 months ended 30 June 2013*

	Earnings £m	Number of shares millions	Per share pence
Basic earnings per share	53.1	363.4	14.6
Effect of share options and SAYE	–	1.0	–
Diluted earnings per share	53.1	364.4	14.6

	Earnings £m	Number of shares millions	Per share pence
Basic earnings per share	53.1	363.4	14.6
Adjustment to deferred tax rate change	3.5	–	1.0
Adjusted earnings per share	56.6	363.4	15.6

* Prior period results have been restated to reflect the application of IAS 19R – Employee Benefits.

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

	2014 £m	2013* £m
Wages and salaries	48.7	38.9
Social security costs	6.1	4.7
Other pension costs	5.0	4.1
Share-based payments	1.9	0.9
	61.7	48.6

Included in wages and salaries is £0.2m of redundancy and termination payment costs (2013: £0.1m).

* Prior period results have been restated to reflect the application of IAS 19R – Employee Benefits.

7. Employees continued**b. Number**

The monthly average number of persons employed by the Group was:

	2014 Number	2013 Number
Directors and administrative staff	482	420
Other personnel	763	641
	1,245	1,061

c. Key management remuneration

Key management personnel, as defined under IAS 24 'Related party disclosures', are identified as the Main Board together with Group Senior Management.

Summary key management remuneration is as follows:

	2014 £m	2013 £m
Salaries and short term employee benefits	1.7	1.6
Share-based payments	1.4	0.5
	3.1	2.1

In addition, the Redrow Staff Pension scheme paid £14,060 (2013: £34,073) to Steve Morgan in his capacity as an active Scheme pensioner.

Detailed disclosure of Directors' emoluments and interests in shares are included in the Directors' Remuneration report on pages 68 and 71, which form part of these financial statements.

d. Share-based payments**Save As You Earn Share Option scheme (SAYE)**

The Redrow plc SAYE scheme is open to all employees and share options can be exercised either three or five years after the date of grant, depending on the length of the savings contract. The SAYE schemes are not subject to performance conditions. No SAYE options were granted in 2013.

The SAYE schemes have been valued using the Black-Scholes pricing model.

	2014	2013
Options granted during the year	969,704	–
Date of grant	1 January 2014	–
Fair value at measurement date	£0.98	–
Share price	£2.48	–
Exercise price	£1.98	–
Option life (contract length)	3/5 years	–
Expected dividend yield	1.3%	–
Risk free interest rate	1.5%	–

The expected volatility on SAYE 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 (LTSIP)

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

Options granted under the LTSIP on 24 September 2013 were granted to a limited number of Senior Executives. The scheme is discussed in greater detail within the Directors' Remuneration report.

The Long Term Share Incentive schemes have been valued using the Black-Scholes pricing model.

7. Employees continued**d. Share-based payments continued**

	2014	2013
Options granted during the year	368,842	544,757
Date of grant	24 September 2013	23 October 2012
Fair value at the measurement date	£2.21	£1.41
Share price	£2.37	£1.54
Exercise price	£0.00	£0.00
Expected volatility	N/A[†]	N/A [†]
Option life	3 years	3 years
Expected dividend yield	2.3%	3.1%
Risk free interest rate	N/A[†]	N/A [†]

[†] For nil-cost awards not subject to a market based condition, volatility and risk free rate are not applicable.

The fair value at the measurement date of the LTSIP granted on 24 September 2013 comprises £2.21 in respect of non-market based performance conditions.

The fair value at the measurement date of the LTSIP granted on 23 October 2012 comprises £1.41 in respect of non-market based performance conditions.

Deferred Bonus Incentive (DBI)

Grants under the DBI were limited to Senior Management. Except in specified circumstances options granted under the scheme are exercisable between one and ten years after the date of grant for Tranche 1 and between two and ten years after the date of grant for Tranche 2 and are not subject to performance conditions.

The DBI has been valued using the Black-Scholes pricing model.

	2014 Tranche 1	2014 Tranche 2	2013 Tranche 1	2013 Tranche 2
Options granted during the year	453,003	453,003	350,818	350,818
Date of grant	24 September 2013	24 September 2013	23 October 2012	23 October 2012
Fair value at the measurement date	£2.32	£2.27	£1.50	£1.45
Share price	£2.37	£2.37	£1.54	£1.54
Exercise price	£0.00	£0.00	£0.00	£0.00
Expected volatility	N/A[†]	N/A[†]	N/A [†]	N/A [†]
Option life	1 year	2 years	1 year	2 years
Expected dividend yield	2.08%	2.08%	3.1%	3.1%
Risk free interest rate	N/A[†]	N/A[†]	N/A [†]	N/A [†]

[†] For nil-cost awards not subject to a market based condition, volatility and risk free rate are not applicable.

Company Share Option Plan (CSOP)

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

7. Employees continued**d. Share-based payments continued****Share options outstanding**

The following share options were outstanding at 30 June 2014:

Type of scheme	Date of grant	Number of options 2014	Number of options 2013	Exercise price
Long Term Share Incentive 2008	21 November 2008	–	801,570	–
Long Term Share Incentive 2010	18 February 2011	30,470	637,649	–
Long Term Share Incentive 2010	20 April 2011	–	175,377	–
Long Term Share Incentive 2011	21 September 2011	721,070	721,070	–
Long Term Share Incentive 2012	23 October 2012	544,757	544,757	–
Long Term Share Incentive 2013	24 September 2013	368,842	–	–
Deferred Bonus Incentive 2012 – Tranche 1	23 October 2012	120,010	350,818	–
Deferred Bonus Incentive 2012 – Tranche 2	23 October 2012	330,163	350,818	–
Deferred Bonus Incentive 2013 – Tranche 1	24 September 2013	422,507	–	–
Deferred Bonus Incentive 2013 – Tranche 2	24 September 2013	422,507	–	–
Company Share Option Plan	21 November 2008	263,780	499,588	£1.25
Save As You Earn	2 January 2008	–	4,464	£2.26
Save As You Earn	1 January 2009	–	191,349	£1.06
Save As You Earn	1 January 2010	21,108	42,740	£1.42
Save As You Earn	1 January 2011	199,164	671,549	£0.98
Save As You Earn	1 January 2012	986,209	1,026,728	£0.95
Save As You Earn	1 January 2014	947,162	–	£1.98

The total share options outstanding at 30 June 2014 under the Long Term Share Incentive Plan, Company Share Option Plan and the Save As You Earn schemes represent 1.5% of the issued share capital (2013: 1.6%).

7. Employees continued**d. Share-based payments continued****Movements in the year**

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

	Number of options 2014	Weighted average exercise price 2014	Number of options 2013	Weighted average exercise price 2013
Long Term Share Incentive scheme:				
Outstanding at the beginning of the year	2,880,423	–	3,084,368	–
Lapsed during the year	(1,460,121)	–	(747,735)	–
Exercised during the year	(124,005)	–	(967)	–
Granted during the year	368,842	–	544,757	–
Outstanding at the end of the year	1,665,139	–	2,880,423	–
Exercisable at the end of the year	30,470	–	–	–
Deferred Bonus Incentive scheme:				
Outstanding at the beginning of the year	701,636	–	–	–
Lapsed during the year	(55,467)	–	–	–
Exercised during the year	(256,988)	–	–	–
Granted during the year	906,006	–	701,636	–
Outstanding at the end of the year	1,295,187	–	701,636	–
Exercisable at the end of the year	120,010	–	9,721	–
Company Share Option Plan:				
Outstanding at the beginning of the year	499,588	£1.25	803,336	£1.25
Lapsed during the year	(77,937)	£1.25	–	£1.25
Exercised during the year	(157,871)	£1.25	(303,748)	£1.25
Outstanding at the end of the year	263,780	£1.25	499,588	£1.25
Exercisable at the end of the year	263,780	£1.25	451,626	£1.25
Save As You Earn scheme:				
Outstanding at the beginning of the year	1,936,830	£0.99	2,232,995	£1.13
Lapsed during the year	(141,418)	£0.93	(196,865)	£1.04
Exercised during the year	(611,473)	£1.01	(99,300)	£1.38
Granted during the year	969,704	£1.98	–	–
Outstanding at the end of the year	2,153,643	£1.41	1,936,830	£0.99
Exercisable at the end of the year	18,290	£0.98	4,464	£2.26

The weighted average share price at the date of exercise of share options exercised during the year was £2.94 (2013: £1.94).

The options outstanding at 30 June 2014 had a range of exercise prices of £nil to £2.26 (2013: £nil to £2.26) and a weighted average remaining contractual life of 4.6 years (2013: 5.9 years).

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

The charge to income in relation to equity settled share-based payments in the year is £1.9m (2013: charge £0.9m).

7. Employees continued**e. Retirement benefit schemes**

The Redrow Staff Pension Scheme (the 'Scheme') comprises two sections: a funded, self-administered, defined benefit section and a funded defined contribution section. The defined benefit section was closed to all new entrants from July 2006, having been closed to all but a limited number of agreed new entrants from October 2001. Both sections of the Scheme were closed to future accrual with effect from 1 March 2012.

The total pension charge for the year was £12.1m (2013: charge of £5.4m). A charge of £7.7m related to the defined benefit section of the Scheme (2013: charge of £1.8m), with £0.6m being charged to the income statement (2013: charge of £0.5m) and a charge of £7.1m to the statement of comprehensive income (2013: charge of £1.3m). The charge arising from the defined contribution section was £4.4m (2013: £3.6m).

Triennial valuation

A full independent triennial actuarial valuation of the defined benefit section of the Scheme was undertaken at 1 July 2011. The method used was the Projected Unit Method. In the opinion of the Actuary, there was a deficit of £9.8m in the defined benefit section of the Scheme, with the value of the Scheme's assets representing 90% of the Scheme's liabilities. As at 1 July 2011 the value of the defined benefit section of the Scheme's assets was £83.7m. The previous triennial valuation was undertaken as at 1 July 2008 and reported a surplus of £9.9m.

Defined benefit scheme – IAS 19R valuation

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

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

The latest formal actuarial valuation of the defined benefit section was carried out at 1 July 2011. This valuation has been updated to 30 June 2014 by a qualified actuary for the purposes of these accounts.

The Group expects to contribute £1.1m to the Scheme in the year ending 30 June 2015.

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

	2014	2013
Long term rate of increase in pensionable salaries	n/a	n/a
Rate of increase of benefits in payment (lesser of 5% per annum and RPI) ¹	3.4%	3.4%
Rate of increase of benefits in payment (lesser of 2.5% per annum and RPI) ²	2.2%	2.2%
Discount rate	4.3%	4.7%
Inflation assumption – RPI	3.6%	3.6%
– CPI	2.6%	2.6%

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

For male members: SIN X A CMI_2010 1% Long Term Trend

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

Pensioner currently aged 65: Male 22.3 years

Future pensioner when aged 65: Male 23.3 years

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

The Scheme closed to future benefit accrual on 29 February 2012. Prior to the closure, active members received pensionable salary increases which were capped each year at the Retail Price Index (RPI) or 2.5% if lower. Deferred pensions are assumed to increase in line with the Consumer Price Index (CPI). At the date the Scheme closure was effected, the best estimate of future CPI was almost identical to the salary growth assumption, hence the closure does not result in any curtailment item.

7. Employees continued**e. Retirement benefit schemes continued**

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

	Group and Company					
	2014 £m Quoted market price in active market	2014 £m No quoted market price in active market	2014 £m Total	2013 £m Quoted market price in active market	2013 £m No quoted market price in active market	2013 £m Total
Equities	33.0	–	33.0	21.7	–	21.7
Property	1.3	–	1.3	6.4	–	6.4
Gilts	32.0	–	32.0	17.0	–	17.0
Corporate bonds	2.5	–	2.5	17.6	–	17.6
High yield bonds	5.4	–	5.4	7.1	–	7.1
Diversified growth funds	5.2	5.4	10.6	18.5	–	18.5
Cash	7.3	–	7.3	0.5	–	0.5
Insurance policies	–	2.0	2.0	–	2.0	2.0
Total market value of assets	86.7	7.4	94.1	88.8	2.0	90.8
Present value of obligations			(105.1)			(94.6)
(Deficit) in the Scheme			(11.0)			(3.8)

The defined benefit obligation at 30 June 2014 can be approximately attributed to the scheme members as follows:

	%
Active members	–
Deferred members	74
Pensioner members	26
	100

All benefits are vested at 30 June 2014 (unchanged from 30 June 2013).

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

	Group and Company	
	2014 £m	2013* £m
Amounts included within the income statement:		
Administrative expenses		
Current service cost	–	–
Scheme administration expenses	(0.4)	(0.4)
Net interest on defined benefit liability	(0.2)	(0.1)
	(0.6)	(0.5)
Amounts recognised in the statement of comprehensive income:		
Return on scheme assets excluding interest income	1.7	3.1
Actuarial losses arising from changes in financial assumptions	(8.8)	(4.4)
	(7.1)	(1.3)
	(7.7)	(1.8)

* Prior period results have been restated to reflect the application of IAS 19R – Employee Benefits.

7. Employees continued**e. Retirement benefit schemes continued**

	Group and Company 2013 £m
Previously reported under IAS 19 Employee Benefits (1998)	

Amounts included within the consolidated income statement**Administrative expenses**

Current service cost	–
Losses on curtailments and settlements	–

Financing costs

Expected return on assets	4.1
Interest cost	(4.0)

0.1

Amounts recognised in the consolidated statement of comprehensive income

Actuarial (losses)	(1.9)
--------------------	-------

(1.8)

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

	Group and Company	
	2014 £m	2013* £m
Balance sheet (deficit)		
At start of year	(3.8)	(2.6)
Amounts charged against statement of comprehensive income	(7.7)	(1.8)
Employer contributions paid	0.5	0.6
At end of year	(11.0)	(3.8)
Changes in the present value of the defined benefit obligation:		
At start of year	94.6	88.4
Current service cost	–	–
Interest expense	4.4	4.0
Member contributions	–	–
Benefit payments	(2.7)	(2.2)
Actuarial losses arising from changes in financial assumptions	8.8	4.4
At end of year	105.1	94.6
Changes in the fair value of the Scheme's assets:		
At start of year	90.8	85.8
Interest income	4.2	3.9
Return on scheme assets excluding interest income	1.7	3.1
Scheme administration expenses	(0.4)	(0.4)
Normal employer contributions	0.5	0.6
Member contributions	–	–
Benefit payments	(2.7)	(2.2)
At end of year	94.1	90.8

* Prior period results have been restated to reflect the application of IAS 19R – Employee Benefits.

7. Employees continued**e. Retirement benefit schemes continued****Sensitivity of key assumptions**

The table below gives a broad indication of the impact on the IAS 19R numbers to changes in assumptions and experience (away from the assumptions shown on page 101). All figures are before allowing for deferred tax.

Item	Approximate impact on current deficit
Increase/reduce discount rate by 0.25%	–£5.3m/+£5.7m
Increase/reduce inflation by 0.25% (assumed affects deferred and pensioner increases)	+£4.5m/–£4.8m
Change mortality assumption to include negative 1 year age rating	–£2.2m
Change mortality assumption to S1NxA CMI_2013 1.25% long-term trend rate	+£0.8m

The above sensitivities are applied to adjust the defined benefit obligation at the end of the reporting period. Whilst the analysis does not take account of the full distribution of cashflows expected under the scheme, it does provide an approximation to the sensitivity assumptions shown.

No changes have been made to the method and assumptions used in the analysis from those used in the previous period.

Note that some of the changes illustrated above may take the actuarial basis outside a reasonable range.

8. Intangible assets**Group**

	Goodwill £m	Software £m	Total £m
Cost			
At 1 July 2012	1.5	1.3	2.8
Additions	–	0.2	0.2
At 30 June 2013	1.5	1.5	3.0
Additions	–	0.3	0.3
At 30 June 2014	1.5	1.8	3.3
Accumulated amortisation			
At 1 July 2012	–	1.0	1.0
Charge	–	0.1	0.1
At 30 June 2013	–	1.1	1.1
Charge	–	0.2	0.2
At 30 June 2014	–	1.3	1.3
Net book value			
At 30 June 2014	1.5	0.5	2.0
At 30 June 2013	1.5	0.4	1.9
At 30 June 2012	1.5	0.3	1.8

9. Property, plant and equipment**Group**

	Freehold property £m	Plant and machinery £m	Fixtures and fittings £m	Total £m
Cost				
At 1 July 2012	13.3	3.6	5.5	22.4
Additions	–	–	0.3	0.3
Disposals	–	(0.3)	–	(0.3)
At 30 June 2013	13.3	3.3	5.8	22.4
Additions	–	–	0.8	0.8
Disposals	–	(0.2)	–	(0.2)
At 30 June 2014	13.3	3.1	6.6	23.0
Accumulated depreciation				
At 1 July 2012	3.0	3.0	4.3	10.3
Charge	0.3	0.2	0.6	1.1
Disposals	–	(0.2)	–	(0.2)
At 30 June 2013	3.3	3.0	4.9	11.2
Charge	0.3	0.1	0.5	0.9
Disposals	–	(0.1)	–	(0.1)
At 30 June 2014	3.6	3.0	5.4	12.0
Net book value				
At 30 June 2014	9.7	0.1	1.2	11.0
At 30 June 2013	10.0	0.3	0.9	11.2
At 30 June 2012	10.3	0.6	1.2	12.1

There was £0.1m of capital expenditure contracted at 30 June 2014 (2013: £0.1m).

The carrying value of non-current assets held for sale at 30 June 2014 was £1.0m (2013: £1.0m).

10. Investments**a. Investments**

	Group		Company	
	2014 £m	2013 £m	2014 £m	2013 £m
Joint ventures	10.8	13.3	–	–
Subsidiary companies	–	–	0.1	0.1
	10.8	13.3	0.1	0.1

10. Investments continued**b. Investments in joint ventures**

	Group		Company	
	2014 £m	2013 £m	2014 £m	2013 £m
Share of joint venture net assets:				
Current assets	10.6	16.5	–	–
Current liabilities	(4.7)	(7.2)	–	–
Non-current liabilities	(7.3)	(7.1)	–	–
Net (liabilities)/assets	(1.4)	2.2	–	–
Loans from Group companies ⁽ⁱ⁾	12.2	11.1	–	–
	10.8	13.3	–	–
Share of post-tax profits from joint ventures:				
Revenue	7.9	10.0	–	–
Cost of sales	(3.5)	(5.6)	–	–
Gross profit	4.4	4.4	–	–
Administrative expenses	(0.4)	(0.2)	–	–
Operating profit	4.0	4.2	–	–
Finance costs	(0.3)	0.1	–	–
Profit before tax	3.7	4.3	–	–
Taxation	(0.9)	(1.0)	–	–
	2.8	3.3	–	–

⁽ⁱ⁾ £8.9m of the loans to joint ventures are secured (2013: £3.1m).

The Group's joint venture investments are:

- its 50% shareholding in the ordinary share capital of The Waterford Park Company Limited, a company incorporated in Great Britain with a 30 June year end. The Waterford Park Company Limited was formed to pursue the potential redevelopment of Watford Junction railway station; and
- its 50% shareholding in the ordinary share capital of Menta Redrow Limited, a company incorporated in Great Britain with a 30 June year end. Menta Redrow Limited was formed to pursue a redevelopment opportunity in Croydon.

In March 2014 the Group purchased the remaining 50% shareholding in the ordinary share capital of Redmira Limited, a company incorporated in Great Britain with a 30 June year end, making it a subsidiary from that date, for a cash consideration of £4.1m. The book value of net assets acquired was £0.3m and the fair value to the Group was £4.1m. No goodwill arose on the acquisition. Redmira Limited was formed to pursue potential redevelopment opportunities in the south east of England.

c. Investments in subsidiary undertakings

	Company £m
At 1 July 2013 and 30 June 2014	0.1

The principal subsidiary company is Redrow Homes Limited. All subsidiary companies are incorporated in Great Britain except Redrow Homes (Park Heights) Limited which is incorporated in Jersey. The Company has taken advantage of the exemption in Section 410 of the Companies Act 2006 which allows only principal subsidiaries to be disclosed. A full list of subsidiary undertakings as at 30 June 2014 will be appended to the Company's next annual return. The capital of all the subsidiary companies, consisting of ordinary shares, is wholly owned. HB (HDG) Limited is directly owned by Redrow plc.

11. Deferred tax assets and liabilities

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

	Employee benefits £m	Imputed interest £m	Share-based payment £m	Short term temporary differences £m	Losses carried forward £m	Total £m
Deferred tax assets						
At 1 July 2012	0.8	2.4	0.1	2.4	46.1	51.8
(Charge)/credit to income	(0.2)	–	–	2.3	(18.6)	(16.5)
Credit to equity	0.5	–	–	–	–	0.5
At 1 July 2013	1.1	2.4	0.1	4.7	27.5	35.8
Credit/(charge) to income	–	0.1	–	(4.0)	(26.0)	(29.9)
Credit to equity	1.6	–	–	–	–	1.6
At 30 June 2014	2.7	2.5	0.1	0.7	1.5	7.5
Deferred tax liabilities						
At 1 July 2012	–	–	–	(0.7)	–	(0.7)
Charge to income	–	–	–	0.2	–	0.2
Credit to equity	–	–	–	–	–	–
At 1 July 2013	–	–	–	(0.5)	–	(0.5)
Credit to income	–	–	–	–	–	–
Credit to equity	–	–	–	–	–	–
At 30 June 2014	–	–	–	(0.5)	–	(0.5)

The Group has no material unrecognised deferred tax assets.

The deferred tax balances in the Company relate to a deferred tax asset arising on retirement benefit obligations of £5.8m (2013: £4.2m).

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

- the Group's medium term financial forecasting model has been reviewed. This forecasts increased profitability building on the record profits in 2014 and the deferred tax asset being utilised within twelve months.

A Corporation Tax rate of 21% from 1 April 2014 was substantively enacted on 2 July 2013. Accordingly deferred tax balances have been revalued to the lower rate of 21% in these financial statements.

12. Trade and other receivables

	Group		Company	
	2014 £m	2013 £m	2014 £m	2013 £m
Non-current assets				
Trade receivables (net)	15.0	25.1	–	–
Other receivables	0.3	0.3	–	–
	15.3	25.4	–	–
Current assets				
Trade receivables (net)	21.2	18.4	–	–
Amounts due from subsidiary companies	–	–	622.0	551.5
Other receivables	15.5	4.9	–	–
Prepayments and accrued income	5.8	1.6	–	–
	42.5	24.9	622.0	551.5

Trade receivables due after more than one year are stated after an allowance of £12.4m has been made (2013: £9.2m) in respect of estimated irrecoverable amounts. This allowance is based on an estimate of default rates. £3.3m provision was made during the year (2013: £1.8m). £0.1m was utilised (2013: £0.2m). It is not considered that a material amount of current asset trade receivables are overdue for payment.

Trade and other receivables due in one to two years are £0.3m (2013: £7.2m), due between two and five years are £4.0m (2013: £4.2m) and due in more than five years are £11.0m (2013: £14.0m). The Group holds a charge over the underlying assets. Trade receivables include £9.0m regarding the Scotland disposal (2013: £18.5m). At the balance sheet date, there is no material difference between the fair value of trade and other receivables and their carrying values as shown in the balance sheet.

13. Inventories

	Group		Company	
	2014 £m	2013 £m	2014 £m	2013 £m
Land for development	802.2	622.0	–	–
Work in progress	360.6	274.8	–	–
Stock of showhomes	30.3	27.4	–	–
	1,193.1	924.2	–	–
Payments on account	(35.9)	(28.7)	–	–
	1,157.2	895.5	–	–

Inventories of £633.1m net of £20.6m net realisable value provision utilisation, were expensed in the year (2013: £462.1m net of £36.1m net realisable value provision utilisation). Work in progress includes £3.0m (2013: £6.1m) in respect of part exchange properties. Land held for development in the sum of £102.0m is subject to a legal charge as security in respect of deferred consideration (2013: £96.4m).

The carrying value of undeveloped land where net realisable value has been determined on the basis of a sale of land in its current state is £nil (2013: £nil). Of the net realisable value provision of £48.2m (2013: £72.0m), £33.7m (2013: £52.1m) is attributed to land and £14.5m (2013: £19.9m) is attributed to work in progress.

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

13. Inventories continued

The net realisable value provision movement is analysed below:

	Total £m
As at 1 July 2013	72.0
Utilised during the year	(20.6)
Created during the year	2.2
Released during the year	(5.4)
As at 30 June 2014	48.2

The net realisable value provision relates to land with residential planning consent.

The net realisable value provisions of £2.2m and £5.4m created and released in the year are the result of our review at the balance sheet date in the context of prevailing market conditions and the re-assessment of selling prices and costs. They represent the creation of additional provisions against sites acquired pre June 2009 and the reduction of provisions already in place against such sites as required.

14. Financial risk management

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

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

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

The Group

	2014 Loans and receivables £m	2013 Loans and receivables £m
Assets per the balance sheet		
Non-current trade and other receivables	15.3	25.4
Current trade and other receivables	36.7	23.3
Cash and cash equivalents	54.8	39.0
	106.8	87.7
	2014 Other financial liabilities £m	2013 Other financial liabilities £m
Liabilities per the balance sheet		
Bank loans and overdrafts	227.4	130.0
Trade payables and other payables	161.8	134.7
Land creditors	158.4	124.3
	547.6	389.0

Other financial liabilities are at amortised cost.

14. Financial risk management continued

The Company

	2014 Loans and receivables £m	2013 Loans and receivables £m
Assets per the balance sheet		
Cash and cash equivalents	52.9	37.1
Amounts due from subsidiary companies	622.0	551.5
	674.9	588.6
	2014 Other financial liabilities £m	2013 Other financial liabilities £m
Liabilities per the balance sheet		
Bank loans and overdrafts	175.0	95.0
Amounts due to subsidiary companies	13.6	13.7
	188.6	108.7

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

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

a. Liquidity risk and interest rate risk

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

At 30 June 2014, the Group had total unsecured bank borrowing facilities of £367.5m, representing £365.0m committed facilities and £2.5m uncommitted facilities.

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

The Group is exposed to interest rate risk as it borrows money at floating rates. The Group's interest rate risk arises primarily from long term borrowings. In order to manage its interest rate risk, the Group enters into simple risk management products, almost exclusively interest rate swaps. All interest rate swaps are sterling denominated. The swaps are arranged so as to match with those of the underlying borrowings to which they relate. There was no ineffectiveness to be recorded in respect of these cash flow hedges in 2014 or 2013.

14. Financial risk management continued**a. Liquidity risk and interest rate risk continued**

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 %	2014			Effective interest rate %	2013				
		Total £m	Zero to one year £m	One to two years £m		Two to five years £m	Total £m	Zero to one year £m	One to two years £m	Two to five years £m
Bank overdraft	2.0	52.4	52.4	–	–	2.5	35.0	35.0	–	–
Bank loans – fixed rate	–	–	–	–	–	–	20.0	–	20.0	–
Bank loans – floating rate	2.4	175.0	–	–	175.0	3.6	75.0	–	75.0	–
		227.4	52.4	–	175.0		130.0	35.0	95.0	–

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

	Balance at 30 June £m	Zero to one year £m	One to two years £m
2014	–	–	–
2013	20.0	20.0	–

The swaps had a neutral value at 30 June 2013.

For the year ended 30 June 2014, it is estimated that for any incremental general increase of 1% in interest rates applying for the full year the decrease in the Group's profit before tax would be £1.5m (2013: £0.7m).

b. Maturity of bank loans and borrowings

The maturity of bank loans and borrowings is as below:

The Group

	2014 Bank overdraft £m	2014 Bank loans £m	2013 Bank overdraft £m	2013 Bank loans £m
Due within one year	52.4	–	35.0	–
Due between one and two years	–	–	–	98.2
Due between two and five years	–	189.8	–	–
	52.4	189.8	35.0	98.2

Maturities above include estimated interest payable to the maturity of the facilities.

The Company

	2014 Bank overdraft £m	2014 Bank loans £m	2013 Bank overdraft £m	2013 Bank loans £m
Due within one year	–	–	–	–
Due between one and two years	–	–	–	98.2
Due between two and five years	–	189.8	–	–
	–	189.8	–	98.2

Maturities above include estimated interest payable to the maturity of the facilities.

The Company was fully compliant with its banking covenants as at 30 June 2014.

At the year end, the Group and Company had £190.0m (2013: £105.0m) of undrawn committed bank facilities available.

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

14. Financial risk management continued**c. Amounts due in respect of development land**

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

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

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

	Balance at 30 June £m	Total contracted cash payment £m	Due less than one year £m	Due between one and two years £m	Due between two and five years £m
2014	158.4	162.6	104.7	34.3	23.6
2013	124.3	129.1	92.1	31.2	5.8

d. Maturity of trade and other payables

These represent current liabilities due within one year.

e. Credit risk

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

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

	Group		Company	
	2014 £m	2013 £m	2014 £m	2013 £m
Held at Banks with at least an A- credit rating per Standard & Poor	54.8	39.0	52.9	37.1
	54.8	39.0	52.9	37.1

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

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

f. Capital management

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

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

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

14. Financial risk management continued**f. Capital management continued**

The total capital levels and gearing ratios as at 30 June 2014 and 30 June 2013 are as follows:

	2014 £m	2013 £m
Total borrowings	227.4	130.0
Less cash and cash equivalents	(54.8)	(39.0)
Net debt	172.6	91.0
Equity	695.7	609.2
Total capital	868.3	700.2
Gearing ratio	24.8%	14.9%

The Company was fully compliant with its banking covenants at 30 June 2014.

g. Fair values

At 30 June 2014 there is no material difference between the fair value of financial instruments and their carrying values in the balance sheet.

15. Trade and other payables

	Group		Company	
	2014 £m	2013 £m	2014 £m	2013 £m
Non-current liabilities				
Amounts due in respect of development land	53.7	32.2	–	–
Other payables	–	1.0	–	–
	53.7	33.2	–	–
Current liabilities				
Trade payables	156.0	130.2	–	–
Amounts due in respect of development land	104.7	92.1	–	–
Amounts owed to subsidiary companies	–	–	13.6	13.7
Other payables	5.8	4.5	–	–
Other taxation and social security	0.3	1.6	–	–
Accruals and deferred income	40.6	35.1	6.2	4.3
	307.4	263.5	19.8	18.0

16. Long term provisions

The Group

	Onerous contracts £m	Other £m	Total £m
At 1 July 2013	5.5	2.3	7.8
Provisions created during the year	–	1.7	1.7
Provisions released during the year	(1.7)	–	(1.7)
Provisions utilised during the year	(1.0)	(0.4)	(1.4)
At 30 June 2014	2.8	3.6	6.4

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

17. Share capital

	2014 £m	2013 £m
Authorised		
480,000,000 ordinary shares of 10p each (2013: 480,000,000)	48.0	48.0
Issued and fully paid	37.0	37.0
		Number of ordinary shares of 10p each
As at 1 July 2013 and 30 June 2014	369,799,938	

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

18. Share capital, share premium account and reserves

The Group

	Share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m
At 1 July 2012	37.0	58.7	7.9	457.9
Total comprehensive income	–	–	–	52.3
Shares issued	–	–	–	–
Dividends paid	–	–	–	–
Share-based payment	–	–	–	0.3
Movement in respect of LTSIP/SAYE	–	–	–	(4.9)
At 30 June 2013	37.0	58.7	7.9	505.6
Total comprehensive income	–	–	–	97.2
Shares issued	–	–	–	–
Dividends paid	–	–	–	(7.4)
Share-based payment	–	–	–	–
Movement in respect of LTSIP/SAYE	–	–	–	(3.3)
At 30 June 2014	37.0	58.7	7.9	592.1

Other reserves

Other reserves consists of a £7.0m Capital redemption reserve (2013: £7.0m) and a £0.9m Consolidation reserve (2013: £0.9m).

Undistributable reserves

Other reserves are not available for distribution.

18. Share capital, share premium account and reserves continued

The Company

	Share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m
At 1 July 2012	37.0	58.6	7.0	276.1
Total comprehensive income†	–	–	–	103.1
Shares issued	–	–	–	–
Dividends paid	–	–	–	–
At 30 June 2013	37.0	58.6	7.0	379.2
Total comprehensive income	–	–	–	3.6
Shares issued	–	–	–	–
Dividends paid	–	–	–	(7.4)
At 30 June 2014	37.0	58.6	7.0	375.4

† Includes dividends received from subsidiary companies.

Other reserves

Other reserves consists of a £7.0m Capital redemption reserve (2013: £7.0m).

Undistributable reserves

Other reserves are not available for distribution.

19. Movement in net (debt)/cash

The Group

	At 1 July 2013 £m	Cash flow £m	At 30 June 2014 £m
Cash and cash equivalents	39.0	15.8	54.8
Bank overdrafts	(35.0)	(17.4)	(52.4)
Net cash and cash equivalents	4.0	(1.6)	2.4
Bank loans	(95.0)	(80.0)	(175.0)
Net debt	(91.0)	(81.6)	(172.6)

The Company

	At 1 July 2013 £m	Cash flow £m	At 30 June 2014 £m
Cash and cash equivalents	37.1	15.8	52.9
Bank overdrafts	–	–	–
Net cash and cash equivalents	37.1	15.8	52.9
Bank loans	(95.0)	(80.0)	(175.0)
Net debt	(57.9)	(64.2)	(122.1)

20. Operating lease commitments

	2014 £m	2013 £m
Within one year	2.0	1.5
Within two to five years	2.7	2.9
Later than five years	–	0.2

21. Contingent liabilities

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

22. Related party transactions

Within the definition of IAS 24 'Related party disclosures', the Board and key management personnel are related parties. Detailed disclosure of the remuneration of the Board is given in the Directors' Remuneration report on pages 59 to 75. A summary of remuneration provided to key management personnel is provided in note 7c.

In addition, related party transactions were carried out with parties related to Steve Morgan during the year totalling £0.7m (Company £0.7m), primarily relating to the donation to the Morgan Foundation as described in the Directors' Remuneration report on page 68 and in respect of the Group, in addition relating to services provided by Harrow Estates plc on an arm's length basis under promotional agreements forming part of the acquisition of the Harrow business.

As at 30 June 2014, an amount of £nil was due to Harrow Estates plc under normal trading terms.

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

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

The amount outstanding from subsidiary undertakings at 30 June 2014 was £622.0m (2013: £551.5m). The amount owed to subsidiary undertakings at 30 June 2014 was £13.6m (2013: £13.7m).

The Company provided the Group's defined benefit pension scheme, as detailed in note 7e. Expected service costs were 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 comprehensive income.

The Group did not undertake any transactions with The Waterford Park Company Limited and Menta Redrow joint ventures or Redmira Limited whilst it was a joint venture. The Group's loans to its joint ventures are disclosed in note 10.

Notice is hereby given that the Annual General Meeting of Redrow plc will be held at Village Urban Resort St Davids, St David's Park, Flintshire CH5 3YB on Monday 10 November 2014 at 12 noon for the following purposes. All resolutions will be proposed as ordinary resolutions except numbers 15 and 16 which will be proposed as special resolutions.

Resolution 1 – Annual Report and Accounts

To receive and adopt the Directors' report and the financial statements for the year ended 30 June 2014, together with the Auditors' report.

Resolution 2 – Dividend

To declare a final dividend of 2.0p per ordinary share for the year ended 30 June 2014.

Resolution 3 – Re-appointment of Director

To re-appoint Steve Morgan as a Director.

Resolution 4 – Re-appointment of Director

To re-appoint John Tutte as a Director.

Resolution 5 – Re-appointment of Director

To re-appoint Barbara Richmond as a Director.

Resolution 6 – Appointment of Director

To appoint Liz Peace as a Director.

Resolution 7 – Re-appointment of Director

To re-appoint Debbie Hewitt as a Director.

Resolution 8 – Re-appointment of Director

To re-appoint Nick Hewson as a Director.

Resolution 9 – Re-appointment of Auditors

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

Resolution 10 – Directors' Remuneration policy

To approve the Directors' Remuneration policy set out in the annual report and accounts.

Resolution 11 – Directors' Remuneration report

To approve the Directors' Remuneration report (other than the Remuneration policy) for the year ended 30 June 2014.

Resolution 12 – Renewal of Sharesave Plan

The Redrow plc Sharesave Plan 2004 (the 'Sharesave Plan') referred to in the Letter to shareholders on page 48, summarised in the notes at the end of the Notice of Annual General Meeting and produced in draft to this Meeting and (for the purposes of identification) initialled by the Chairman, be renewed until 2 November 2024 and the directors be authorised to establish further plans for the benefit of employees outside the UK based on the Sharesave Plan subject to such modifications as may be necessary or desirable to take account of securities laws, exchange control and tax legislation provided that any ordinary shares of the Company made available under such further plans are treated as counting against any limits on individual participation or overall participation in the main plan.

Resolution 13 – Adoption of Long-Term Incentive Plan

The adoption of the Redrow PLC 2014 Long-Term Incentive Plan (the 'LTIP') referred to in the Letter to Shareholders on page 48, summarised in the notes at the end of the Notice of Annual General Meeting and produced in draft to this Meeting and (for the purposes of identification) initialled by the Chairman, be approved and the directors be authorised to establish further plans for the benefit of employees outside the UK based on the LTIP subject to such modifications as may be necessary or desirable to take account of securities laws, exchange control and tax legislation provided that any ordinary shares of the Company made available under such further plans are treated as counting against any limits on individual participation or overall participation in the main plan.

Resolution 14 – Authority to allot shares

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

- (i) up to an aggregate nominal amount of £12,326,665; and
- (ii) up to a further aggregate nominal amount of £12,326,665 in connection with an offer by way of a rights issue.

Provided that this authority shall (unless previously revoked or renewed) expire on the date of the next Annual General Meeting of the Company (or 31 December 2015 whichever may be the earlier) but so that the Company may, before such expiry, make an offer or agreement which would or might require shares to be allotted or rights to subscribe for or to convert any security into shares to be granted after such expiry and the Directors may allot shares or grant rights to subscribe for or convert securities into shares in pursuance of such offer or agreement as if the authority had not expired.

For the purposes of this Resolution and Resolution 15, 'rights issue' means an offer to:

- (a) ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and
- (b) people who are holders of other equity securities if this is required by the rights of those securities or, if the Directors consider it necessary, as permitted by the rights of those securities,

to subscribe further securities by means of the issue of a renounceable letter (or other negotiable document) which may be traded for a period before payment for the securities is due, but subject in both cases to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates or legal, regulatory or practical problems in, or under the laws of, any territory.

Resolution 15 – Authority to disapply pre-emption rights

That, subject to the passing of Resolution 14 as set out above, the Directors be given power pursuant to Resolution 14 to make allotments of equity securities (as defined in Section 560(1) of the Companies Act 2006) pursuant to the authority contained in the said Resolution 14 and to sell shares which are held in treasury wholly for cash pursuant to Section 560(3) of the Companies Act 2006 as if Section 561(1) of the said Act did not apply to such allotments or sale provided that this power shall be limited to:

- (i) allotments of equity securities in connection with a rights issue, pursuant to the authority given in Resolution 14 as set out above; and
- (ii) any other allotments for cash or equity securities or sale of shares held in treasury up to a maximum aggregate nominal amount of £1,849,000;

and shall (unless previously revoked or renewed) expire on the date which is the earlier of the next Annual General Meeting of the Company or 31 December 2015 save that the said power shall permit the Company to make an offer or enter into an agreement before the expiry of such power which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if such power conferred had not expired. For the purposes of this Resolution, the nominal amount of any securities shall be taken to be, in the case of rights to subscribe for or convert any securities into shares of the Company, the nominal amount of such shares which may be allotted pursuant to such rights.

Resolution 16 – Calling of a general meeting other than an Annual General Meeting

That a general meeting other than the Annual General Meeting may be called on not less than 14 clear days' notice.

1 September 2014 By order of the Board
Registered office:
Redrow House
St David's Park
Flintshire
CH5 3RX

Graham Cope
 Company Secretary

Registered in England Number 2877315

Notes:

- (i) A Shareholder entitled to attend and vote may appoint a proxy or proxies to attend, speak and vote instead of him. A proxy need not be a member of the Company. A member may appoint more than one proxy, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by him.
- (ii) A form of proxy is enclosed which, if required, should be completed in accordance with the instructions set out therein and returned so as to reach the Company's Registrars not later than 48 hours before the time of the meeting or any adjourned meeting. Completion of a form of proxy will not preclude a Shareholder from attending and voting at the meeting in person if they so wish.
- (iii) All Shareholders on the Register at 6.00pm on 6 November 2014 (or if the meeting is adjourned 48 hours before the time fixed for the meeting) and only those Shareholders are entitled to attend and vote at the Annual General Meeting in respect of the number of shares registered in their respective names at that time. Changes to entries on the Register after that time will be disregarded in determining the rights of any person to attend or vote at the meeting.
- (iv) The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communications from the Company in accordance with Section 146 of the Companies Act 2006 ('nominated persons'). Nominated persons may have a right under an agreement with the member who holds the shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights.
 Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
- (v) Holders of ordinary shares are entitled to attend and vote at general meetings of the Company. The total number of issued ordinary shares in the Company on 1 September 2014 is 369,799,938, carrying one vote each on a poll. Therefore, the total number of votes exercisable as at 1 September 2014 is 369,799,938.
- (vi) Shareholders should note that, under Section 527 of the Companies Act 2006, members meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the Auditors' report and the conduct of the audit) that are to be laid before the Annual General Meeting for the financial year beginning 1 July 2013; or (ii) any circumstance connected with an auditor of the Company appointed for the financial year beginning 1 July 2013 ceasing to hold office since the previous meeting at which annual accounts and reports were laid. The Company may not require the Shareholders requesting any such website publication to pay its expenses in complying with Sections 527 or 528 (requirements as to website availability) of the Companies Act 2006. Where the Company is required to place a statement on a website under Section 527 of the Companies Act 2006, it must forward the statement to the Company's Auditors not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting for the relevant financial year includes any statement that the Company has been required under Section 527 of the Companies Act 2006 to publish on a website.
 Members may not use any electronic address provided in either this notice of meeting or any related documents (including the enclosed form of proxy) to communicate with the Company for any purposes other than those expressly stated.
- (vii) Any member attending the meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if: (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information; (b) the answer has already been given on a website in the form of an answer to a question; or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
- (viii) A copy of this notice and other information required by Section 311A of the Companies Act 2006 can be found at redrow.co.uk.
- (ix) Under Section 338 and Section 338A of the Companies Act 2006, members meeting the threshold requirements in those sections have the right to require the Company: (i) to give, to members of the Company entitled to receive notice of the meeting, notice of a resolution which may properly be moved and is intended to be moved at the meeting; and/or (ii) to include in the business to be dealt with at the meeting any matter (other than a proposed resolution) which may be properly included in the business. A resolution may properly be moved or a matter may properly be included in the business unless: (a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise); (b) it is defamatory of any person; or (c) it is frivolous or vexatious. Such a request may be in hard copy form or in electronic form, must identify the resolution of which notice is to be given or the matter to be included in the business, must be authorised by the person or persons making it, must be received by the Company not later than 26 September 2014, being the date six clear weeks before the meeting, and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.
- (x) Copies of the Directors' service contracts will be available for inspection at the registered office during normal business hours on any business day and at the place of the Annual General Meeting for at least 15 minutes before the meeting is held until its conclusion.
- (xi) The register of Directors' interests in the share capital of the Company will be available for inspection at the place of the meeting from 11.45am on 10 November 2014 until the conclusion of the meeting. None of the Directors has a service contract which cannot be terminated within one year without payment of compensation.
- (xii) CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting (and any adjournment of the meeting) by following the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members (and those CREST members who have appointed a voting service provider) should refer to their CREST sponsor or voting service provider, who will be able to take the appropriate action on their behalf.
- (xiii) In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instructions, as described in the CREST Manual (available via www.euroclear.com/CREST). The message (regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy) must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID 3RA50) by the latest time(s) for receipt of proxy appointments specified in note (ii) above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to a proxy appointed through CREST should be communicated to him by other means.
- (xiv) CREST members (and, where applicable, their CREST sponsors or voting service providers) should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider takes) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members (and, where applicable, their CREST sponsors or voting service providers) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
- (xv) The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
- (xvi) If you have any questions about the meeting or need any special assistance at the meeting, please contact the Company Secretary at the registered office or telephone 01244 520044 during normal business hours.

Explanatory notes to Annual General Meeting resolutions:

Resolutions 1 to 14 are proposed as ordinary resolutions. This means that for each of those resolutions to be passed, more than half of the votes cast must be in favour of the resolution. Resolutions 15 and 16 are proposed as special resolutions. This means that for each of those resolutions to be passed, at least three-quarters of the votes cast must be in favour of the resolution.

Resolution 2 – Dividend

Subject to approval at the meeting, the dividend will be paid on 14 November 2014 to shareholders on the register at the close of business on 26 September 2014.

Resolutions 3–8 – Re-appointment of Directors

As required by the UK Corporate Governance Code, all Directors retire and offer themselves for re-election. Following changes to the Listing Rules which took effect in May 2014, Resolutions 6, 7 and 8 must be approved both by a simple majority of all Shareholders, and by a simple majority of the independent Shareholders (that is all Shareholders other than Steve Morgan and his concert parties).

Liz Peace, CBE will join the Board as a Non-Executive Director with effect from 1 September 2014. Liz Peace is shortly to retire after twelve years as the Chief Executive of the British Property Federation. Prior to this she had a long and varied career in the Ministry of Defence, including twelve years until 2002 as company secretary and director of corporate affairs at QinetiQ Group plc (formerly the Defence Evaluation and Research Agency). Liz is also a Non-Executive Director of Morgan Sindall Group plc and Turley Associates. She is also a member of the Peabody Trust and a trustee of the property charity Land Aid.

For full biographies of all other Directors and further details in relation to their re-appointment, please see pages 50 and 51.

Resolution 9 – 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.

Resolutions 10 and 11 – Directors' remuneration

These resolutions deal with the remuneration of the directors and seek approval of the directors' remuneration policy and of the remuneration paid to the directors during the year under review respectively.

Changes to the Companies Act 2006, which took effect in October 2013, require the Company to ask shareholders to approve the remuneration policy section of the Directors' Remuneration report. This is set out on pages 62 to 68 of the annual report and accounts. New Resolution 13 is a binding vote. If approved by shareholders, the directors' remuneration policy will take effect immediately after the end of the Annual General Meeting and will apply until replaced by a new or amended policy.

The Company is also required to ask shareholders to approve the remainder of the remuneration report that is, excluding the directors' remuneration policy. This is set out on pages 68 to 75 of the annual report and accounts. Resolution 11 is an advisory vote.

Resolutions 12 and 13 – Sharesave and LTIP

The key terms of the Redrow PLC 2014 Long-Term Incentive Plan (the 'LTIP') are summarised in Section 1 below and those of the Redrow plc Sharesave Plan 2004 (the 'Plan'), amended as proposed are summarised in Section 2. Some common terms which apply to both plans (the 'Plans') are summarised in Section 3.

1 The LTIP**1.1 Eligibility**

Any employee (including an executive director) of the Company or any of its subsidiaries will be eligible to participate in the LTIP at the discretion of the Remuneration Committee. Specific terms of the initial Awards are set out in the Company's Directors' Remuneration report, on pages 69 and 70 of the annual report and accounts.

1.2 Form of awards

Awards under the LTIP may be in the form of:

- a conditional right to acquire ordinary Shares in the Company ("Shares") at no cost to the participant ("Conditional Award");
 - an option to acquire Shares at no cost to the participant ("Nil-Cost Option"); or
 - a right to receive a cash amount which relates to the value of a certain number of notional Shares ("Cash Awards"), which may be Cash Options or Cash Conditional Awards.
- and Conditional Awards, Nil-Cost Options and Cash Awards are together referred to as "Awards" and each an "Award".

References in this summary to Shares include notional Shares to which a Cash Award relates, where appropriate.

1.3 Performance Conditions

Unless the Remuneration Committee determines otherwise, Awards will be subject to the satisfaction of a performance condition which will determine the proportion (if any) of the Award which will vest at the end of a performance period of at least three years (unless the Board determines otherwise). Awards to the Company's executive directors will always be subject to performance conditions.

Any performance condition may be amended or substituted if one or more events occur which cause the Remuneration Committee to consider that an amended or substituted performance condition would be more appropriate. Any amended or substituted performance condition would not be materially less difficult to satisfy.

1.4 Holding Period

If the Remuneration Committee determines that a holding period will apply to an Award, the shares comprised in the vested Award will not be transferred to the participant (or, in the case of a Nil-Cost Option, be exercisable) before the expiry of an additional period, as determined by the Remuneration Committee, of not less than one year following the end of the performance period.

1.5 Individual limits

LTIP Awards will be granted to a participant in respect of any financial year of the Company over Shares with a market value of up to a maximum of 200% of base salary. However, the Company may make awards over Shares with a market value in excess of this limit for the purposes of recruitment. In the case of executive directors, any such recruitment award would only be made pursuant to the remuneration policy approved by shareholders.

1.6 Grant of Awards

Awards may only be granted within the six week period following the approval of the LTIP by the Company's shareholders, the announcement of the Company's results for any period, any day on which a restriction on the grant of Awards is lifted, or on any day on which the Remuneration Committee determines that exceptional circumstances exist.

1.7 Dividends

The Remuneration Committee may determine that the number of Shares to which a participant's Award relates will increase to take account of dividends paid on vested Shares on such terms and other such period as determined by the Remuneration Committee. The Remuneration Committee may determine that the participant will receive the cash equivalent of the additional Shares.

1.8 Clawback

The Remuneration Committee may, in its absolute discretion, determine at any time prior to the fifth anniversary of the vesting date to:

- reduce the number of Shares to which the Award relates;
- cancel the Award;
- impose further conditions on the Award; or
- require the participant to make a cash payment, or to transfer a number of Shares (for nil-consideration) to the Company in respect of the Award, to the extent that vested Shares have been issued or transferred to the participant in respect of such Award,

in the event of:

- a material misstatement of the Company's audited financial results; and
- the participant's misconduct.

1.9 Vesting and release

Awards that are subject to a performance condition will normally vest as soon as practicable after the end of any performance period (or on such later date as the Remuneration Committee determines) and then only to the extent that any performance condition has been satisfied. Where Awards are granted without a performance condition, they will usually vest on the third anniversary of the grant date (or on such other date as the Remuneration Committee determines).

To the extent that Awards are not subject to a further holding period, vested Shares will be released as soon as practicable after vesting. Vested Shares that are comprised in an Award which is subject to a further holding period will be released as soon as practicable after the end of the holding period. In either case, Nil-Cost Options will become exercisable until the tenth anniversary of the grant date

The release of vested shares and the exercise of a Nil-Cost Option are subject to obtaining any necessary approvals or consents from the United Kingdom Listing Authority, the Company's share dealing policy and any other applicable laws or regulations.

At any time before the point at which the vested Shares comprised in an Award have been issued or transferred to the participant, the Remuneration Committee may decide to pay a participant a cash amount equal to the value of the Shares he would otherwise have received.

Any Shares or cash that are to be issued, transferred or paid (as appropriate) to a participant in respect of an Award will be issued, transferred or paid (as appropriate) as soon as practicable after such obligation arises.

1.10 Leaving employment

If a participant dies, an Award will vest (if unvested) and be released to the participant as soon as reasonably practicable after the participant's death. The unvested Award will vest to the extent that the Remuneration Committee determines, taking into account the satisfaction of any performance condition and, if the Remuneration Committee so determines, the period of time that has elapsed since the start of the performance period until the date of death (as a proportion of the performance period) unless the Remuneration Committee determines otherwise. A participant's personal representatives will normally have 12 months from the participant's death to exercise any vested Nil-Cost Options.

If a participant ceases to be an officer or employee of the Group by reason of ill-health, injury, disability, retirement, redundancy or the sale of the business or entity that employs him out of the Group, a participant's Award will usually continue, unless the Remuneration Committee determines that the Award will vest and/or be released as soon as reasonably practicable following the date on which the participant ceases to be an officer or employee of the Group.

The Remuneration Committee will decide the extent to which an unvested Award vests in these circumstances, taking account of the extent to which any performance condition is satisfied at the end of any performance period or, as appropriate, at the date on which the participant ceases to be an officer or employee of the Group. Unless the Remuneration Committee in its discretion determines otherwise, the period of time that has elapsed since the start of the performance period until the date on which the participant ceases to be an officer or employee of the Group will also be taken into account. Vested Nil-Cost Options will be exercisable for a period of six months.

If a participant ceases to be an officer or employee of the Group on or after the Vesting Date or any reason (except summary dismissal) this Award will continue, unless the Board determines that it should be released as soon as practical after cessation, to the extent vested.

1.11 Takeovers, mergers and other re-organisations

In the event of a change of control of the Company, Awards will vest and/or be released at that time, taking into account the extent that any performance condition has been satisfied, and, unless the Remuneration Committee determines otherwise, the period of time which has elapsed between the start of the performance period and the relevant event (as a proportion of the performance period). Nil-Cost Options will then be exercisable for a period of one month.

Alternatively, the Remuneration Committee may permit participants to exchange Awards for equivalent awards which relate to shares in a different company. If the change of control is an internal reorganisation of the Group or if the Remuneration Committee so decides, participants will be required to exchange their Awards (rather than Awards vesting).

If other corporate events occur such as a winding-up of the Company, demerger, delisting, special dividend or other event which, in the opinion of the Remuneration Committee, may affect the current or future value of Shares, the Remuneration Committee may determine that Awards will vest and/or be released, taking into account the satisfaction of any relevant performance condition and, unless the Remuneration Committee determines otherwise, the period from the grant date to the date of the relevant event. The Remuneration Committee will determine in these circumstances the length of time during which Awards structured as Nil-Cost Options can then be exercised.

2 The Sharesave Plan

The Sharesave Plan is an all-employee savings-related share option scheme intended to qualify for favourable UK tax treatment.

2.1 Invitations

When the Sharesave Plan is operated, substantially all UK employees of each participating subsidiary must be invited to participate (subject to any qualifying period of service) on broadly the same terms. Other employees can also be invited.

Any invitations will normally be made within 42 days of the announcement of results for any period or the annual general meeting. No options can be granted after 2 November 2024.

2.2 Savings contract

Eligible employees who wish to participate enter into a savings contract for three or five years. Under this, they agree to save a monthly amount from salary for the term of the contract. This is limited to £500 per month or such other sum as may be allowed by legislation.

2.3 Grant of options

At the start of the contract, participants are granted an option which can only be exercised using the proceeds of the savings contract. The number of shares subject to the option is the number which can be bought, at the exercise price, with the expected proceeds of the savings contract, including any interest or bonus.

The exercise price of the option is set by the directors but must not be less than 80% of the market value of a share on the date of grant.

2.4 Exercise of options

Options are normally exercisable within 6 months after the maturity of the savings contract.

2.5 Leaving employment

Options normally lapse if the participant leaves before exercise but an option can be exercised for six months after leaving for reasons such as ill health, retirement, death or redundancy. Options can only be exercised using the proceeds of the savings contract to the date of exercise.

2.6 Takeovers, mergers and other reorganisations

Options can generally be exercised early on a takeover, scheme of arrangement, merger or other reorganisation, using only the proceeds of the savings contract to the date of exercise. Alternatively, participants may be allowed or required to exchange their options for options over shares in the acquiring company.

3 General terms applicable to both plans**3.1 Plan limits**

In any ten year period, the number of Shares which may be issued under the LTIP and under any other discretionary share plan adopted by the Company may not exceed five per cent of the issued ordinary share capital of the Company from time to time; and

In any ten year period, the number of Shares which may be issued under the LTIP, the Sharesave Plan and under any other employees' share plan adopted by the Company may not exceed ten per cent of the issued ordinary share capital of the Company from time to time.

For the purposes of these limits, treasury Shares will be treated as newly issued for the purpose of these limits until such time as guidelines published by institutional investor representative bodies determine otherwise.

3.2 Changes to the Plans

The directors can amend the Plans in any way. However, subject to the following, shareholder approval will be required to amend certain provisions to the advantage of participants. These provisions relate to: eligibility; individual and plan limits; exercise price; rights attaching to options and shares; adjustments on variation in the Company's share capital; and the amendment power. The directors can, without shareholder approval: change the Plans to obtain or maintain favourable tax treatment; make certain minor amendments e.g. to benefit the administration of the Plans; establish further plans based on the Plans, but modified to take account of overseas securities laws, exchange controls or tax legislation (but shares made available under such further plans will be treated as counting against any limits on participation in the main plan).

3.3 General

Awards and options may be satisfied using newly issued Shares, treasury Shares or Shares purchased in the market.

Any shares issued pursuant to awards or options will rank equally with shares of the same class in issue on the date of allotment except in respect of rights arising by reference to a prior record date.

The option price and/or number of shares subject to options or awards may be adjusted following a rights issue or other variation in the share capital of the Company and, in the case of the LTIP, following a demerger, delisting, special dividend or other event.

The vesting and exercise of awards and options and the issue or transfer of Shares are subject to obtaining any necessary approvals or consents from the United Kingdom Listing Authority, the Company's share dealing policy and any other applicable laws or regulations.

Options are not pensionable or transferable.

Resolution 14 – Authority to allot shares

Shareholders are being invited to renew the authority given to Directors in previous years to allot new shares. If passed, Resolution 14 would renew this authority by authorising the Directors to allot shares up to an aggregate nominal amount of £12,326,665 (which is equivalent to approximately 33% of the total issued ordinary share capital of the Company, exclusive of treasury shares, as at 1 September 2014) and a further £12,326,665 only in respect of a rights issue (which is equivalent to approximately 33% of the total issued ordinary share capital of the Company, exclusive of treasury shares as at 1 September 2014). This is in line with corporate governance guidelines. The authority will expire on the date of the next Annual General Meeting of the Company or, if earlier, 31 December 2015.

The Company does not, as of 1 September 2014 hold any shares in treasury.

The Directors will exercise the authority to allot only when satisfied that it is in the interests of the Company to do so. They have no present intention of exercising the authority, except in connection with the issue of shares under the Company's share option schemes.

There are no present plans to undertake a rights issue or to allot new shares other than in connection with employee share and incentive plans. The Directors consider it desirable to have the maximum flexibility permitted by corporate governance guidelines to respond to market developments and to enable allotments to take place to finance business opportunities as they arise.

Resolution 15 – Authority to disapply pre-emption rights

The Directors may only allot shares for cash to persons who are not already Shareholders in the Company if authorised to do so by the Shareholders in a general meeting. This resolution renews authority for the Directors to allot shares for cash without first offering them to existing members up to an aggregate nominal amount of £1,849,000. This sum represents £1,849,000 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 Board considers the authority in Resolution 15 to be appropriate in order to allow the Company flexibility to finance business opportunities or to conduct a pre-emptive offer or rights issue without the need to comply with the strict requirements of the statutory pre-emption provisions.

The authority will expire on whichever is the earlier of the conclusion of the next Annual General Meeting or 31 December 2015.

Resolution 16 – Calling of a general meeting other than an Annual General Meeting

Under the Companies Act 2006 the notice period required for general meetings of the Company is 21 days unless Shareholders approve a shorter notice period, which cannot, however, be less than 14 clear days. Annual General Meetings of the Company will continue to be held on at least 21 clear days' notice.

Resolution 16 seeks such approval. The approval will be effective until the Company's next Annual General Meeting, when it is intended that a similar resolution will be prepared.

Documents available for your inspection

Copies of the following documents will be available for inspection during normal business hours on Monday to Friday each week (public holiday excepted) at the Company's registered office and at the office of Linklaters LLP at One Silk Street, London EC2Y 8HQ from the date of this document up to and including the date of the Annual General Meeting and at the place of the Annual General Meeting from 11.45am until the close of the meeting:

- the Articles of Association and Memorandum of the Company;
- the service agreements and letters of appointment of the Directors; and
- the Sharesave Plan and the LTIP.

Shareholder discounts

The Company offers a discount of 1% to Shareholders off the purchase price of a new Redrow home. In order to qualify for the discount a purchaser must hold a minimum of 2,500 ordinary shares in Redrow plc for a minimum of 12 months prior to the date of reservation, subject to a cap of £5,000.

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

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Shareholder information

Five year summary

12 months ended 30 June

	2010 £m	2011 £m	2012 £m	2013* £m	2014 £m
Revenue	396.9	452.7	478.9	604.8	864.5
Operating profit/(loss) before exceptional items and financing costs	12.7	31.2	48.0	73.2	137.5
Operating profit/(loss) before exceptional items and financing costs as a percentage of turnover	3.2%	6.9%	10.0%	12.1%	15.9%
Profit before tax	0.7	25.3	43.0	69.4	132.6
Net assets	435.9	458.6	561.5	609.2	695.7
Net (debt)	(47.1)	(75.4)	(14.0)	(91.0)	(172.6)
Gearing – net (debt) as a percentage of capital and reserves	10.8%	16.4%	2.5%	14.9%	24.8%
Return on capital employed – operating profit before exceptional items adjusted for joint ventures as a percentage of opening and closing capital employed	2.6%	6.1%	8.7%	12.2%	18.0%
Return on equity	0.2%	5.7%	8.4%	12.3%	20.5%
Number of legal completions	2,587	2,626	2,458	2,827	3,597
Earnings per ordinary share	0.2p	4.4p	9.7p	14.6p	28.3p
Dividends paid per ordinary share	–	–	–	–	2.0p
Net assets per ordinary share	141.3p	148.6p	151.8p	165.0p	188.1p

* Restated to reflect the application of IAS 19R – Employee Benefits.



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