





AMINGTON GARDEN VILLAGE, TAMWORTH, MIDLANDS

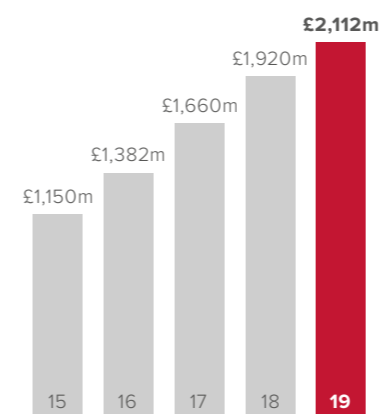
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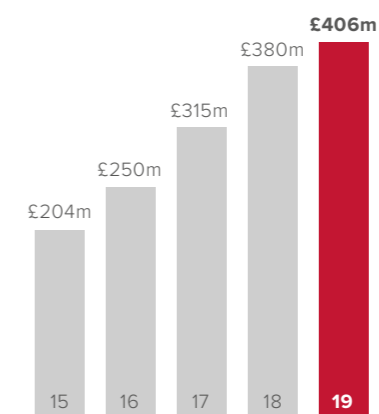
Find more information at:
redrowplc.co.uk

REDROW ANNUAL REPORT 2019

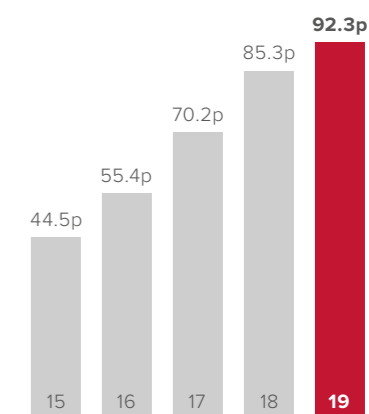
Highlights



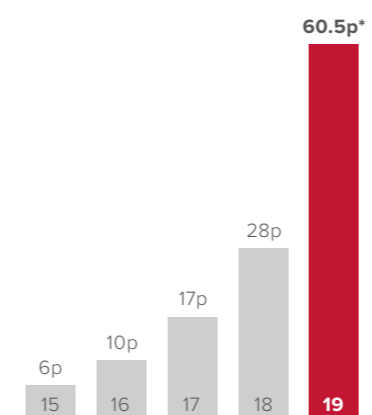
£2,112m
Revenue
+10%



£406m
Profit before tax
+7%

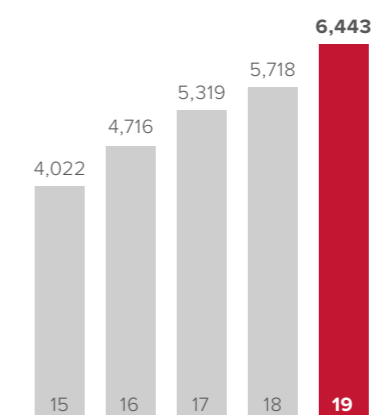


92.3p
Earnings per share
+8%

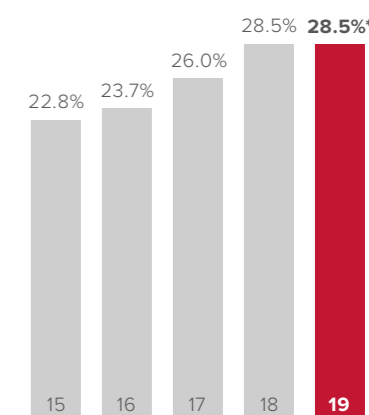


60.5p
Cash return per share
+116%

* inc B share payment



6,443
Legal completions
+13%



28.5%
ROCE
+0%

* see note 14f

Award highlights



STRATEGIC REPORT

Our Investment Case

**Successful leadership team**

Redrow has a strong, experienced and successful leadership team and is committed to developing the next generation of homebuilders.

15%

of workforce on structured training programmes

226

internal promotions in year

**Placemaking**

We focus on delivering high quality homes and creating attractive, sustainable and vibrant places to live.

£314m

committed to fund improvements to local communities

1,712

affordable homes delivered to our communities

**Excellent product range**

Redrow has an excellent product range which continues to evolve.

c£1.7bn

revenue value of private reservations secured in the year

Creating communities

a key focus

**Expertise in land buying**

Redrow has the expertise and resources to ensure that the right land opportunities are taken to deliver targeted geographic expansion.

c7,400 plots

acquired to add to current land holdings

c2,900 plots added

from forward land to owned land holdings

**Quality and customer service**

By listening to and understanding our customers' requirements, we continue to evolve our product and customer service. We focus on quality, differentiation and value for money for customers.

90.9%

customer recommendation - 5 star status

91%

of employees would recommend Redrow to a friend

**A strong and efficient balance sheet**

Redrow has net assets of c£1.6bn. The Group is focused on delivering superior levels of return on equity and return on capital employed from an efficient use of its capital base.

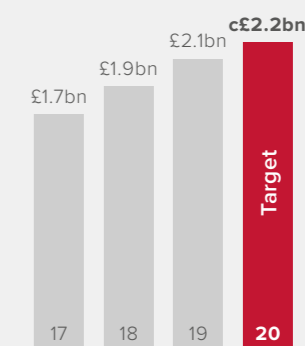
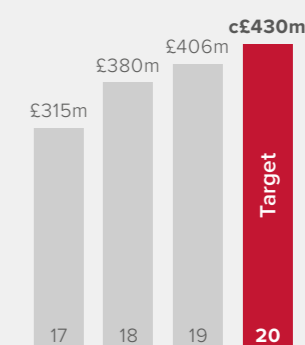
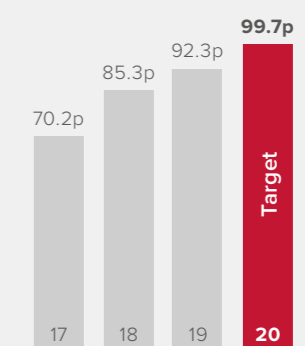
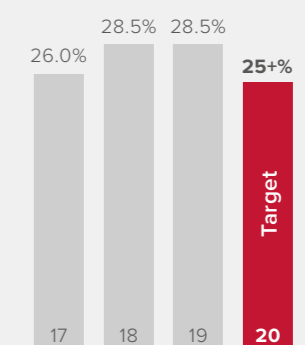
26.5%

return on equity

60.5p per share

cash return to shareholders

Our benchmark for success in 2020

**REVENUE****PROFIT BEFORE TAX****EPS****ROCE**

STRATEGIC REPORT

Our Strategy

To create long-term sustainable value for all our stakeholders by developing thriving communities with high quality homes that provide a better way to live.



Developing Thriving Communities

We develop thriving communities by creating better places to live. There are three strands which support this work:

- Nature for People – increasing biodiversity on our developments and connecting communities with nature on their doorstep;
- Placemaking for Wellbeing – our innovative Placemaking framework sets out eight design principles, which define how we achieve sustainable development on all our sites; and
- Homes for All – building the right homes, in the right places to create cohesive and thriving communities.

Building Responsibly

Ensuring our sites are safe places to work, live and visit is central to our build operations. As we continue to help deliver much-needed new homes, we are also striving to constantly improve our quality and customer service, whilst working to protect the environment. The themes which support this activity are:

- Working Safely and Considerately – creating healthy, safe and considerate working environments;
- Putting Customers First – putting our customers first and striving for excellence in all that we do; and
- Managing Resources – creating homes of enduring quality and working to minimise our environmental impacts.

Valuing People

Our aim is to inspire future industry talent and to support our colleagues at every stage of their career. The two strands which support this work are:

- Valuing and Developing People & Partners – by training and developing people to succeed; driving Redrow colleague and partner advocacy and improving the wellbeing of Redrow's people and creating an inclusive workplace; and
- Inspiring the Next Generation to Build – collaborating with partners to positively impact people and communities through education and engagement activities.

MEASURE	2020 TARGETS	KEY PERFORMANCE INDICATORS	
		2019	2018
EPS	• EPS increasing to 99.7p	92.3p	85.3p
DPS	• DPS of 32p	30.5p	28p
Revenue	• Revenue increasing to c£2.2bn	£2,112m	£1,920m
Sales Outlets	• 135 outlets	129	132
Monies committed to fund improvements to local communities	• Continued investment in local communities • Affordable homes delivered	£314m 1,712	£184m 1,102

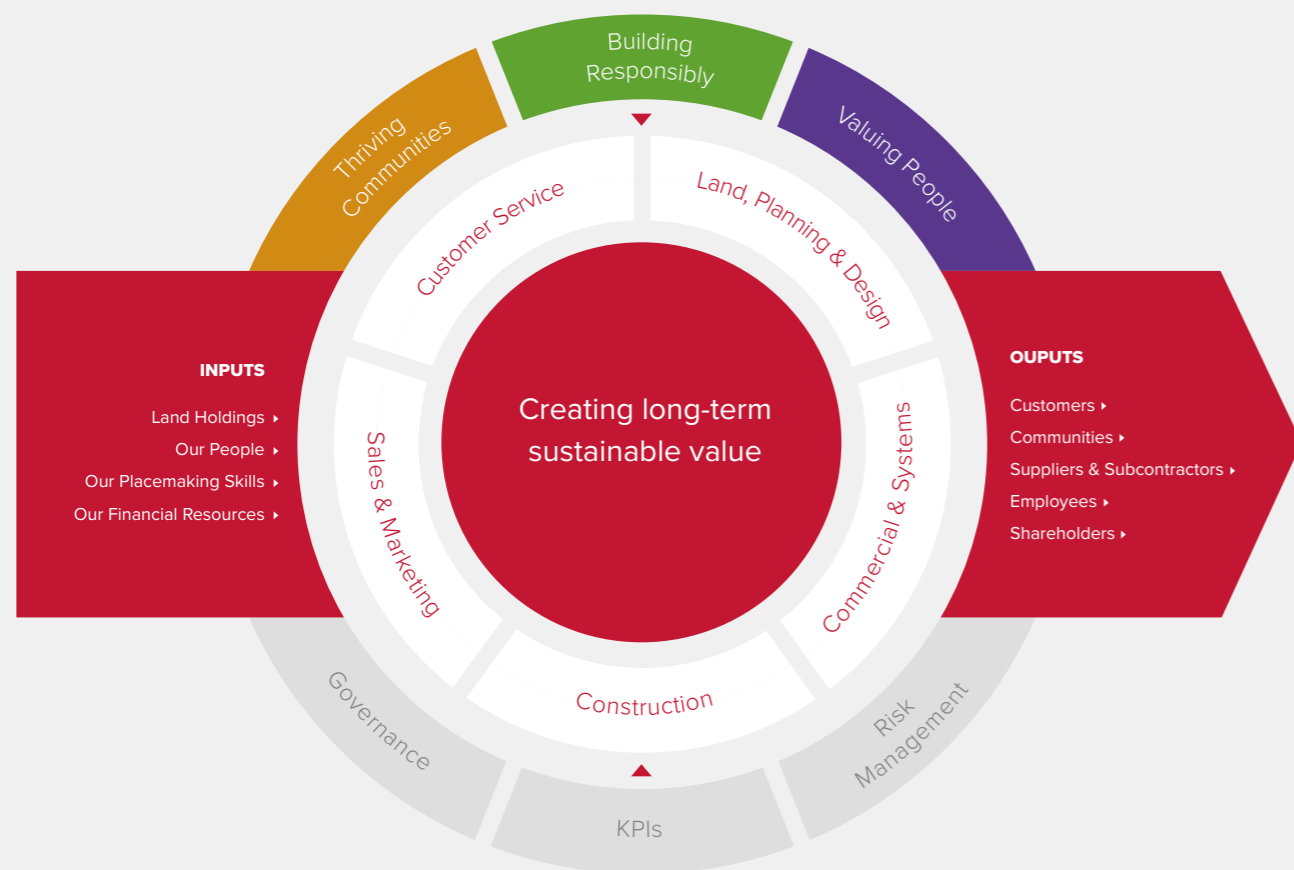
ROCE	• ROCE of 25+%	28.5%	28.5%
Land holding years	• Maintain land holdings at c4 years	4.0 years	4.5 years
Waste diverted from landfill	• >95%	97.7%	96.8%
90% or more customer recommend rating	• HBF 90% customer recommend rating	90.9%	89.1%
Private reservation rate	• Maintain an appropriate balance in availability of product in the right locations	0.66	0.70

Number of trainees	• Maintain level of trainees at 15% of an increasing workforce	15%	15%
Accident incident rate by site	• Accident incident rate by site maintained at 0.3 or below	0.36	0.35

STRATEGIC REPORT

Our Business Model

Our strategy is achieved by channelling our resources through our strategic principles and ensuring these are embedded in our relationships with our primary stakeholders.



→ INPUTS

Land Holdings

The quality and location of our land holdings is a vital component to enable us to deliver sustainable and profitable growth. Our experienced land teams focus on the investment in and promotion of strategic land together with shorter term opportunities receptive to the value we can add through our master planning, placemaking and technical expertise.

Our People

Our employees are at the heart of our business and our continued success and growth is achieved through the talent, hard work and dedication of our people.

Our Placemaking Skills

We recognise that the setting of our homes is of equal importance to the quality and design of the individual homes themselves. We aim to ensure our developments enhance the natural features of the landscape as well as connecting to and sharing amenities with local communities.

Our Financial Resources

Appropriate financial resources are a key enabler to support the delivery of our strategy. We ensure that our strategic delivery is regularly and clearly communicated to our investors and our relationship banks.

OUTPUTS →

Customers

Our customers are fundamental to our business and we take great care to research their needs, listen to their feedback and evolve our carefully designed new homes as lifestyles and aspirations change.

Communities

We adopt a collaborative approach, engaging with community stakeholders to ensure our developments become thriving communities, delivering better places to live.

Suppliers & Subcontractors

We work closely with our experienced suppliers and subcontractors to maintain a strong and reliable supply chain delivering quality products and workmanship.

Employees

Our employees are fundamental to our business; we invest in attracting and retaining talented people with a key focus on training and development to enable our people to build rewarding careers and deliver succession planning for the future.

Shareholders

Our Shareholders are the primary providers of financial resources enabling us to create long-term sustainable value. We aim to provide a balance between capital growth and dividend income to our Shareholders.

STRATEGIC REPORT

Chairman's Statement

"I am delighted to be able to report that Redrow for the sixth consecutive year has delivered record results."



JOHN TUTTE
Executive Chairman

This is my first Chairman's Statement since taking up the role at the beginning of April and I am delighted to be able to report that Redrow for the sixth consecutive year has delivered record results.

The Group completed 6,443 new homes passing the 6,000 milestone for the first time. The Group also celebrated handing-over its 100,000th home last November.

FINANCIAL RESULTS

Group revenue grew by 10% to £2.1bn (2018: £1.9bn) as a result of a 13% rise in legal completions driven by a 55% increase in social housing output which accounted for the average selling price falling by 2% to £324,500 (2018: £332,300). The private average selling price increased by 2% to £389,500 (2018: £380,200) due to geographic mix and a small element of house price inflation.

Gross profit at £504m was £35m above last year: the gross margin reduced slightly to 23.9% mainly due to the increase in the proportion of social housing. With overall house price inflation barely covering underlying cost increases we have instigated a number of cost saving measures to maintain margins.

Operating expenses increased to £93m (2018: £87m) reflecting the investment in the new Thames Valley division which became fully operational at the beginning of July 2019. As a percentage of turnover operating expenses were fractionally lower at 4.4% (2018: 4.5%).

Operating profit was £411m, an 8% increase (2018: £382m) with an operating margin of 19.5% (2018: 19.9%).

Pre-tax profits were a record £406m, up 7% (2018: £380m) and earnings per share increased by 8% to 92.3p.

The Group's excellent trading performance led to strong cash generation and resulted in a cash positive position of £124m (2018: £63m) at the year-end after making a special pay-out of 30p per share under a 'B share' scheme in April. Return on Capital Employed was maintained at 28.5% due to tight control of working capital and negotiating favourable payment terms for land.

Due to the Group's ongoing strong cash position, the Board is proposing a final dividend of 20.5p per share (2018: 19p) making 30.5p for the year (excluding the 'B share' payment): a 9% increase on the prior year. Subject to shareholder approval at the Annual General Meeting, this will be paid on 13th November 2019 to all shareholders on the register as at close of business on 20th September 2019.

MARKET BACKDROP

The wider housing market continues to be affected by the uncertainty surrounding Brexit and the high cost of moving, particularly the burden of Stamp Duty Land Tax. During the year residential property transactions across the UK reduced and are currently running well below historical levels. House price inflation remains subdued with most indices only reporting small rises.

Against this more challenging backdrop, the new homes market has been less affected and remained comparatively resilient. The Group entered the new financial year with a strong order book of £1.02bn: a decrease of £129m largely as a result of previously reported weaker trading towards the end of the first half and lower volumes and average selling prices in London.

Market fundamentals remain encouraging. There is an undersupply of new housing, the mortgage market remains competitive and Help to Buy continues to support buyers of new homes. In the last financial year Help to Buy accounted for 1,881 private reservations (2018: 1,794). The scheme is now being more widely used in London where it has generally replaced investor sales.

The Government made an announcement during the year about the future of Help to Buy. With effect from April 2021 the scheme will only be available to first time buyers and regional price caps are to be introduced. The scheme will end in March 2023. The regional price caps if unaltered, will adversely affect the ability of first time buyers to acquire homes through the scheme in the more affluent areas of the north and midlands – this goes against the initial intention of the scheme when it was launched in 2013, to make homes more affordable across the country. London will be least affected by the changes in 2021 but, unless the scheme is extended or transitional arrangements are put in place, will be impacted most in 2023 as a consequence of the growing take-up and the higher equity loan available in the capital.

The Group's strategy to mitigate the impact of the changes to the Help to Buy scheme in 2021 and its demise in 2023, is to build on the continued success of the Heritage Collection to attract more buyers from the secondary market who would not ordinarily consider new. The Heritage Collection offers the character and space considered by many to be absent from new homes and, when combined with great placemaking, has a broad appeal to a wide range of customers.

LAND AND PLANNING

During the year the Group added 7,371 plots to the owned and contracted land holdings. Of these 2,909 were converted from Forward Land holdings. After taking into account completions, the Group's owned and contracted land holdings with planning increased by 936 plots to 28,566 (2018: 27,630). The Group's Forward Land holdings increased by a net 800 plots to 31,500 (2018: 30,700). The Group is maintaining a cautious approach to land buying and will continue to do so until there is more certainty around Brexit and the outlook for the economy.

This more cautious approach combined with ongoing delays in the planning system, is inevitably having an impact on the rate at which new outlets are coming on-stream. However, our shift to acquiring and developing larger sites offering a wider range of product is helping to mitigate this by delivering better rates of sale.

During the year we launched our placemaking guide "Designing a Better Way to Live". The guide sets out eight design principles that steer our teams to creating truly great places to live – the guide is very much a pragmatic and customer facing response to the Government's growing interest in design quality.

QUALITY AND CUSTOMER SERVICE

The significant investment we have committed to both improving the build quality of our homes and the service our customers receive in recent years is paying-off. Last year we regained our five star status in the annual HBF Customer Satisfaction Survey with a recommendation score of over 90% and a Net Promotor Score of 50.3 – one of the highest in the industry. It is also very pleasing to report that a record 28 of our site managers won NHBC Pride in the Job Awards.

PEOPLE

As our growth moderates in line with our strategy, so does the need to expand the workforce. We created an additional 40 jobs in 2019 and we now directly employ 2,325 people. Of these 15% are trainees. During the year we recruited over 160 trainees including 107 apprentices.

It is encouraging to see a broader range of diversity across our workforce including more female apprentices. It is also a testament to our learning and development programmes that during the year 226 colleagues were promoted to positions of greater responsibility.

Our excellent results are very much down to the hard work and dedication of the Redrow team together with our subcontractors and suppliers, and I am immensely grateful to them all for their ongoing commitment to the business.

BOARD CHANGES

During the year Steve Morgan stepped down from the Board almost ten years to the day since he returned in March 2009. Steve founded the business in 1974. His insightfulness, determination and leadership have been fundamental to the Group's growth and success. We are all indebted to him for his huge contribution to Redrow and the wider housing industry and we wish him all the best for the future.

Debbie Hewitt also stepped down from the Board after nine years' distinguished service. The Board would like to thank Debbie for her significant contribution throughout her tenure and wish her every success for the future.

As part of the reorganisation of the Board following Steve's announcement to step down and my appointment as Executive Chairman, Matthew Pratt was promoted to Chief Operating Officer and appointed to the Board in April 2019. Matthew has worked for the Group for 16 years at all senior management levels and has a wealth of operational knowledge and experience.

For the first time, the Board recently undertook an external evaluation of its performance. Whilst the evaluation concluded the Board and its committees operate well, a number of recommendations to improve performance were suggested and all are being implemented.

OUTLOOK AND SUMMARY

Since the start of the new financial year, trading has been encouraging and the demand for our homes is strong with reservations running ahead of last year. Additionally, we have exchanged contracts for a further PRS scheme at Colindale Gardens adding 347 plots to an already substantial order book.

Over the course of the past year, the Group has worked alongside its supply chain to identify any disruption the business could experience in the event the UK leaves the EU without a deal. Our suppliers have both increased stocks of imported goods and put in place plans to source materials from alternative suppliers.

We are understandably cautious about the post-Brexit future and also the eventual impact of the impending changes to the Help to Buy scheme. We do however, have a clear strategy to continue to grow, albeit more modestly, centred on our award winning Heritage Collection that is so popular across a broad range of buyers.

We entered the new financial year with a strong order book, an excellent balance sheet and a pipeline of new outlets. Notwithstanding the political and economic uncertainty we face, based upon trading over recent weeks, we have every reason to be confident that 2020 will be another successful year for the Group.

JOHN TUTTE
Executive Chairman

4 September 2019

STRATEGIC REPORT

Chief Operating Officer's Review

“The Group continued its successful strategy of growth.”



MATTHEW PRATT
Chief Operating Officer

INTRODUCTION

Having worked for Redrow for the last 16 years, it gives me great pleasure to present this report as Chief Operating Officer following what has been another year of record results.

Over the past year, the Group continued its successful strategy of growth and delivered 6,443 homes in the year, an increase of 13% from the previous year. Accordingly, revenues have risen by 10% to £2.1bn and profit before tax has risen by 7% to £406m (2018: £380m).

As part of our ongoing strategy to grow organically, we have opened a new office in Oxford. The new Thames Valley division will cover the growth areas around the county of Oxfordshire.

To reduce costs and operate more efficiently, we are consolidating our East and West London divisions into one office to be based at our Colindale development, where in time, we will be building a new purpose built office to house all our London operations. By making these changes, we will be able to share a number of functions across the two businesses, such as finance, planning and sales.

We are expanding the team at Harrow Estates who will now also have a satellite operation in the Thames Valley office to focus on the larger sites in the south helping to support our further growth in this area. The expansion of Harrow will also assist the divisions on larger more complicated schemes and forward land.

INVESTING IN PLACES

The land market remains attractive with plenty of opportunities to acquire quality sites in good selling areas. However we continue to exercise some caution in the market and will continue to do so until the wider political uncertainty is clarified.

In 2019 we acquired 7,371 plots of which 2,909 were transferred from our forward land holdings. In the year, our average site size was around 200 plots. As we have mentioned before, these larger sites have the strategic advantage of relieving pressure on replacement by ultimately slowing down the rate of outlet closure. Larger sites also allow much more scope for us as a design driven developer to provide our customers with a more desirable environment to live within. Design of the overall site is just as important to our purchasers in their decision on where to live as the aesthetics of the home they buy.

Our current land holdings have increased by 936 plots despite our more cautious approach to land acquisition. It is pleasing to note our pull through from forward land of 2,909 plots representing just under 40% of all purchases. The current land holdings provide around 4.4 years' supply at our 2019 completions rate.

Overall, our forward land holdings remain strong and will continue to play an essential part in delivering the homes the business needs to maintain our growth projections.

By geography the current land holdings remain weighted to the south of the country and broadly at the same percentages as last year.

Our forward land holdings remain strong in the north due to the history of the business; however, we are continuing to search for more opportunities in the south. The expansion of Harrow, to focus on identified growth areas such as Thames Valley, will ensure forward land makes a valuable contribution across all areas of our operations going forward.

Our current land holdings in Greater London continue to fall reflecting our concerns over the market. London is the most affected by the political uncertainty around Brexit and the end of Help to Buy in 2023 will most profoundly affect the capital. We are particularly cautious about future investment and will continue to de-risk any investment through either PRS or partnership agreements.

The combined estimated GDV of our current and forward land holdings is approximately £20bn.

FOCUSING ON CUSTOMERS

Build Quality

Redrow's aim is to build houses and apartments that our customers are proud to call their homes. We were therefore delighted to achieve an HBF five star award for customer service in their annual survey. In the most recent published 12 month rolling score we continue to trend above the five star builder status with a 92% recommendation score.

Our product is hand built by skilled craftsmen in all weather and consists of many components that require a large number of different trades to install. Notwithstanding this, we recognise that we can still improve our quality to deliver the best possible home every time.

In the year we launched our quality control iPad-based system for our site teams to ensure our hand built product is thoroughly checked and logged for quality. The system allows our site managers to identify faults in the home, record these with marked up photographs showing what corrective works are required. Every subcontractor has access to our portal that provides a detailed list, with photographs of any works requiring rectification. Once remedial works have been completed the subcontractor can close down the instruction by returning a photo of the remediated works. The data from this system will allow us to review common faults and improve our training and specification to prevent repeating faults.

Ultimately the introduction of this system will allow us to identify faults and ensure they are correctly and quickly remediated. The new system will enable us to engage better with our subcontractors leading to improved quality and reductions in cost through shared best practice. The recording of the home at various stages of build also allows us to demonstrate to our customers the inspections we have undertaken and the inner-workings of their new home.

Customer experience

We continually review and ensure our customers are having a great Redrow experience.

In the year, we have enhanced our utilisation of social media as a means of communicating with our customers.

We have recently engaged with Trustpilot where customers can post reviews in addition to the HBF customer survey. Although in its infancy, we have been encouraging customers to leave feedback, and from an initial small number of responses we have now received over 570 reviews and have a Trustpilot rating of 4 out of 5 stars - 'great'.

HEALTH AND SAFETY

We continue to commit to continuous improvement in health and safety. In 2018 we significantly increased our health and safety team and split this into the two distinct areas of responsibility and assurance. The distinction between the roles



STRATEGIC REPORT

Chief Operating Officer's Review *continued*

has allowed us to both support our teams to produce the safest sites and also independently audit the teams for compliance.

In the year, three of our site managers were awarded highly commended at the NHBC annual Health and Safety awards. They were among only 27 site managers nationally who were awarded this achievement showing our commitment to constantly improve our safety with the ultimate aim to have safer sites. We continue to engage with our subcontractor base to ensure they work to the same high standards.

COST INITIATIVES AND MODERN METHODS OF CONSTRUCTION

The business continues to focus on tight build control and reducing costs. Whilst maintaining quality is key to this success, focusing on a number of small initiatives rather than wholesale changes can cumulatively have a significant effect. The business is currently highlighting reducing build times to save costs in overall prelims as well as improving build quality to reduce defects and waste.

Reducing build times is not about expecting trades to build faster; it is about reducing the gaps or standing time when plots are not being work on. By focusing on eliminating the standing time the overall build time reduces.

Whilst we do use modern methods of construction (MMC) across the Group, such as timber frame and steel frame, this is more specific to the site and the product we are building. As referred to above, we are looking at various smaller areas of efficiency rather than wholesale changes and a move to MMC. Although we pride ourselves on our traditional homes being built by skilled craftsmen, wherever possible we look to use off site manufactured components: for example, large off site manufactured arches for houses or the service pods for our multi-storey developments.

Our efforts to improve quality and efficiency do not stop with build. This year we launched our online reservation system. In the past a customer would need to set aside a significant amount of time with a sales consultant to run through all aspects of the property before making a reservation partly to ensure compliance with regulations. This was a time consuming process for all and could be a daunting process for our customers.

Our new system allows the customer to review all the information they require in the comfort of their own home at a pace they are comfortable with, being able to dip in and out of the process until it is complete. Once they have reviewed all the information and agreed and signed the relevant documents online they can progress to paying the reservation fee and securing their property.

Although this process makes the administration easier, it does not undermine the relationship with the sales teams that remains an essential part of the sales process and our service. It is another way where we are enhancing the customer journey whilst both improving the efficiency of onsite staff and strengthening our compliance to regulations.

VALUING PEOPLE

In response to our continued growth we now employ over 2,300 people directly and many more times this through our supply-chain.

In our most recent employee survey 95% of our employees said they were proud to work for Redrow, testimony to our commitment to ensure our employees are engaged with the business.

In the year we have also increased our engagement directly with our subcontractors as well as our own employees. Looking forward, we expect to continue our work with them to improve the wellbeing of all people working on our sites. We have introduced dedicated help lines to support our subcontractors and also arranged Health Kiosks on sites where our subcontractors' personnel can measure their basic health statistics and receive advice.

In response to growing mental health issues across the building industry, we have trained a number of mental health first aiders and have plans and volunteers to train a total of 120.

We have a number of strategic partnerships with colleges across the country. The first group of students have completed their first year of our dedicated housebuilding degree which has been developed in conjunction with Liverpool John Moores University and Coleg Cambria. Our second cohort have commenced and in total we now have 23 people working towards their BSc in Construction Management - Housebuilding.

THE MARKET AND OUTLOOK

The market for new homes remains resilient despite political and economic uncertainty brought about by ongoing conjecture over Brexit.

The business is in excellent shape to react to any changes and challenges we may face with an outstanding product which will not lose its desirability even in a shifting economy.

There remains strong demand for a quality product which continues to be supported by low interest rates.

We are well placed for the future with a strong order book, an excellent product and a dedicated team to deliver for the future.

MATTHEW PRATT
Chief Operating Officer

4 September 2019



COLINDALE GARDENS, NORTH LONDON

STRATEGIC REPORT

Operating Review

LAND, PLANNING & DESIGN

At Redrow we use our planning and design skills to develop our quality land holdings into sustainable and vibrant places to live.

OWNED AND CONTRACTED LAND BY GEOGRAPHY (PLOTS)



	2019	2018
North	5,580	5,331
Central	8,398	7,848
South	11,251	10,356
Greater London	3,337	4,095
Total	28,566	27,630

FORWARD LAND BY CATEGORY (PLOTS)



	2019	2018
Land owned without planning	3,185	2,973
Land contracted without planning	1,281	2,722
Options with housing allocation	9,935	12,257
Options with realistic prospect	17,099	12,748
Total	31,500	30,700

PLACEMAKING

Central Government has placed a new emphasis on the design quality of housing developments and plans to issue new planning guidance on design as well as a 'design manual' later this year. At Redrow we fully embrace the placemaking agenda. We have completed hundreds of new communities over the last 40 years, all of which are instantly recognisable as "Redrow places". Creating a better way to live by producing high quality homes is an integral part of our culture. Our 8 placemaking principles, "Redrow 8", are based on a customer-focused approach to creating better places to live and are well-established across our divisions. By using these principles we will ensure that we leave a legacy of attractive, sustainable and vibrant places to live for generations to come.

This year we launched our placemaking manual "Designing a Better Way to Live". This comprehensive document sets out a series of measurable principles for each of our "Redrow 8" placemaking principles together with case studies giving examples of how we have successfully delivered each of these on a Redrow development. The manual is now being used across the Group to guide and shape all of our new developments to ensure that they consistently meet our high standards for creating great places to live.

Our Group Master Planning team is responsible for working with our divisions and promoting our placemaking approach, thus ensuring through a comprehensive programme of design reviews that all of our developments consistently deliver better places to live. Each layout and completed development is now measured against our principles to generate a 'Redrow 8 score' so that we can monitor the delivery of each of our design objectives. The scoring system also provides a 'health and wellbeing' score based on how the place encourages social interaction, provides for walking and cycling, incorporates nature as well as providing attractive green spaces.

Our Garden Village developments are an important example of how we deliver better places to live. Here our approach to creating great places is inspired by the timeless principles of the original garden city movement such as the integration of generous, accessible and good quality open spaces and the creation of attractive tree-lined streets.

LAND

During the financial year the Group acquired 7,371 plots with planning permission to add to our current (owned and contracted) land holdings. This more than compensated for the 6,443 legal completions in the year and, after the impact of replans too, resulted in us closing the year with 28,566 plots in the current land holdings, a 3% increase on the previous year closing position (2018: 27,630).

Forward land continues to make a significant contribution to land additions and delivered 40% (2018: 37%) of the 7,371 current land additions in the year across 14 sites. In the light of this, we have continued our strategy of strengthening our forward land holdings ending the year with 31,500 plots, a 3% increase on the previous year (2018: 30,700 plots).

DEVELOPING HEALTHY PLACES TO LIVE

Ensuring positive health and wellbeing outcomes for our customers and communities is a key part of our social purpose. We have embedded objectives for delivering healthy places to live within our "Redrow 8" placemaking principles referred to above. These include making our developments easy to get around, to encourage walking and cycling, providing places to go and things to do to help create a sense of community, as well as bringing nature into our developments to benefit physical and mental health. During the year we created c70 hectares of public open space, ranging from parkland, wildlife areas and outdoor sports and fitness facilities. At our Frenchay Gardens development near Bristol, for example, we are creating an outdoor gym, giving the community the opportunity to exercise for free on their doorstep.

Redrow are active members of NHS Healthy New Towns Network and our "Redrow 8" principles have been informed by this and embed the objectives of the NHS ten principles for healthy places. Our "Redrow 8" scoring system enables us to record the degree to which each new development meets our health and wellbeing objectives and we will be able to use this information to ensure we take every opportunity to make our new places as healthy as possible. A great example of this is at our Cherhill View development, Calne where we have built new allotments for the community to grow their own fresh fruit and vegetables.

COMMUNITY ENGAGEMENT

New developments, when done well, can unlock sites and create thriving and prosperous communities. We work alongside the local community to design developments that integrate well into the surrounding area, with a strong local identity. We entered into a 50/50 partnership with LB Wandsworth to deliver the residential-led regeneration of a 1960s built estate in Roehampton, London. We actively engaged with stakeholders, through a series of workshops, providing numerous opportunities for local people to participate in the masterplan development process. In addition we ran a number of community events including the Roehampton 'Feel Good' Festival and Safer Neighbourhood events.

We organise welcome meetings and community events on our developments to help forge new friendships and strengthen existing community networks. At Amington Garden Village, Tamworth we ran a community day to bring customers, staff, stakeholders and council members together to celebrate the new site and discuss future community activities. At our Bloxham Vale development near Banbury we held a 'Brass on the Grass' community day with live entertainment a seven-piece New Orleans-style brass band and refreshments.

BRINGING BENEFITS TO LOCAL COMMUNITIES

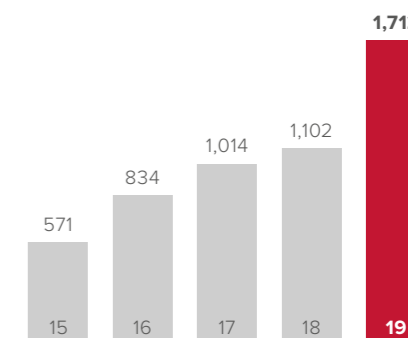
Creating lasting value for society and improving the quality of life for local communities is an important part of what we do. During the year we delivered a wide range of facilities across the country, including new schools, health centres, cycle and public transport routes, community centres and outdoor social spaces. In total we committed £314m to local communities through formal contributions and affordable homes up c70% on last year. For example, at Amington Garden Village we are building a new school and community centre, expanding an existing nature reserve, creating a new community woodland and a series of cycle networks in the area.

Additionally, we also contributed many more hours and donations supporting a wide and diverse variety of local groups in the communities close to our developments. For example our local Community Funds across the country support countless local initiatives including gifting bird boxes and hedgehog hotels to primary schools; new books to a children's hospital; donations to a club which gives visually impaired people access to tennis lessons and to another club helping give deaf and hard of hearing residents the confidence to face social interaction and reduce isolation.

ACHIEVING GAINS FOR NATURE

For many years we have carefully protected wildlife and habitats on our developments, but more recently there has been a growing recognition that across the UK our wildlife is in decline. Everyone must do more - not just to protect what's already there - but to design and create additional, quality habitat for wildlife as a part of our activities. We recognise the opportunities that exist for us to make a difference in this area.

SOCIAL HOUSING LEGAL COMPLETIONS (NO.)



STRATEGIC REPORT

Operating Review *continued*

which is why we are supportive of the Government's plans to mandate biodiversity net gain for new development. We have been working closely with Government bodies to contribute to this emerging agenda; we are members of Greater Manchester Biodiversity Net Gain Task Group and John Tutte, our Executive Chairman sits on the Council for Sustainable Business which has also been considering the issue.

We have been undertaking biodiversity net gain calculations on our developments to enable us to review our current design approach. At our Caddington Woods development, Luton our designs are forecast to achieve a 64% net gain for biodiversity. We are converting this former car park into a new community of 325 homes complete with open spaces designed in partnership with RSPB. The designs consist of native shrubs and species-rich grassland as well as the creation of new wildlife ponds. The development is surrounded by broad-leaved woodland which is being enhanced to provide improved habitat for wildlife and a great natural space for the community to enjoy.

PARTNERING FOR NATURE

We have partnered with The Wildlife Trusts to develop a new Nature for People strategy for Redrow. Throughout the year we have been reviewing our current design approach and working with teams across the business to help co-develop the new strategy document. The strategy will focus on delivering biodiversity net gains and helping connect communities with nature on our developments, as well as ensuring effective ongoing management of green spaces into the future to ensure lasting gains are achieved.

A great example of how we are already leaving a lasting legacy is our Heritage Park development, Penymynydd, North Wales. Here, Redrow gifted an area of land to the Amphibian and Reptile Conservation (ARC) Trust to be developed into a local nature reserve. Previously the land had been a quarry, a pub and agricultural land which provided little wildlife value. Two years later, the site is now rich in wildlife, with surveys showing a 6-fold increase in the Great Crested Newt population, as well as new species such as the rare mud snail. The site will provide opportunities for the local community to enjoy nature for years to come.

We will shortly celebrate five years of fruitful partnership working with the Bumblebee Conservation Trust. In that time we have created several bumblebee flagship projects, advised many other developments, incorporated bee-friendly planting in our show home gardens, trained landscapers and management companies on the right approach for bumblebees, given over 1,500 free memberships of the Trust to our customers - with another c.1,000 due to be given this coming year - and developed a range of bee information for customers and education packs for school children. This year we were delighted to be shortlisted for in the Business Charity Awards for charity partnership in the property & construction category.



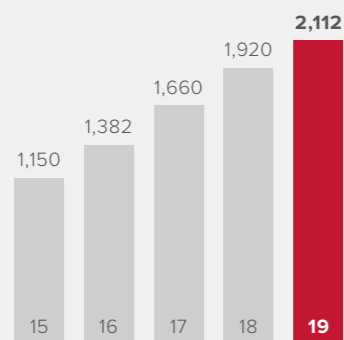
STRATEGIC REPORT

Operating Review *continued*

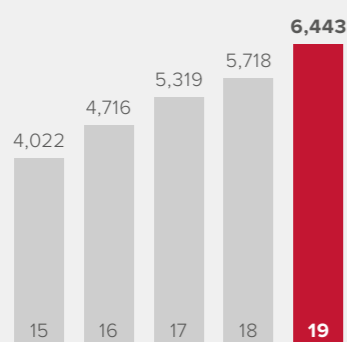
COMMERCIAL & SYSTEMS

We continue to improve our systems and efficiencies, working closely with our suppliers and subcontractors to deliver increasing numbers of our quality homes.

REVENUE (£M)



LEGAL COMPLETIONS (NO.)



GROWING OUR BUSINESS RESPONSIBLY

As we continue to grow and deliver much needed new homes, it is important that we do so in a responsible and sustainable manner.

We are pleased to have achieved a Gold Award from NextGeneration for the fourth consecutive year, remaining in third position in the UK's top 25 housebuilders with an improved score of 82% (2018: 80%). NextGeneration is an independent organisation which benchmarks housebuilders on their sustainability performance with scores based on assessing the environmental and societal impact of our homes and developments.

This year we have also received the NextGeneration Innovation Award in recognition of our commitment to supporting healthy communities by developing a unique social value calculator. As the first developer to carry out research, in conjunction with a research consultancy, on the social value associated with multiple aspects of home building and community creation, our ground-breaking work ensures we have a clearer, more holistic perspective on the impact of placemaking decisions. It also helps us to take a more strategic approach to design and community planning and further our knowledge and perspective on the features and characteristics of a new development which are most likely to make people happier and healthier. The introduction of the calculator has enabled us to have more informed conversations with local authorities and planning teams about our homes and investment in community focused infrastructure.

REVENUE, LEGAL COMPLETIONS AND OUTLETS

Revenue this year exceeded £2bn for the first time at £2.1bn (2018: £1.92bn), a 10% increase. The sale of homes accounted for all but £21m of revenue, which as last year was attributable to land sales (2018: £20m). Growth came from across all our geographical regions other than Greater London which was broadly stable.

We delivered a record 6,443 legal completions in 2019, a 13% increase on 2018 levels (2018: 5,718).

Affordable housing accounted for 27% of legal completion volumes compared to 19% in the previous year and 12% of homes revenue (2018: 7.5%). This increase was expected.

Apartments represented 20% of private legal completion volumes and 19% of private sales revenue, a slight reduction on 2018 levels of 21% volume and 22% revenue respectively.

The Group had 126 active outlets on average in 2019, slightly higher than the 124 in the previous year.

RESPONSIBLE SOURCING AND PROCUREMENT

As partners and active participants of the Supply Chain Sustainability School we are engaging extensively with our supply chain on a range of sustainability issues. We have held a number of briefings and workshops with the School, across our divisions in the past year, to raise the skills and knowledge of our supply chain across a number of important issues.

We have partnered with an external company, Datum RPO, for the supply of agency labour to ensure we have a legally compliant workforce. Regular audits are undertaken of the labour supply chain to prevent non-compliance and potential illegal working practices.

We have achieved the highest possible score in the WWF's 2019 Timber Scorecard, achieving '3 Trees' in the assessment by WWF for the third time in succession. This is in recognition of our work in ensuring that 99.9% of our timber products are responsibly sourced and credibly certified; playing our part in protecting the world's forests.

In addition, we have undertaken a comprehensive supply chain mapping exercise to identify the source/country of origin for the other products used in the construction of our homes, to better understand and investigate potentially high risk products with respect to social and environmental ethics.

Throughout the year we have been continuing to work with our supply chain to assess product packaging and identify opportunities to eliminate or reduce the amount of packaging used - particularly single-use plastics. Where packaging is necessary to protect products and materials we are working with suppliers to find ways to reuse or recover the packaging effectively, as well as examining material compositions. We have long had in place a pallet repatriation scheme and are currently trialling a new approach that will enable the recovery, repair and re-introduction of dedicated pallets for construction products.

VALUING AND DEVELOPING PEOPLE AND PARTNERS

One of our strategic aims is to inspire future industry talent and to support our colleagues at every stage of their career. Training and development is an important aspect of this and consistently 15% of our employees are on structured training programmes with 226 internal promotions in the year.

We continue to evolve our learning and development offerings, many delivered at our dedicated in-house training centre at Tamworth and three satellite centres around the Group. Redrow has now become an approved training organisation with CITB and continues to be an accredited training provider of NHBC courses. As part of our commitment to diversity and

narrowing the gender pay gap, we set up the Redrow Women's Network to inspire and support future female leaders.

Wellbeing is an increasing focus. During the year we launched a major new wellbeing initiative "Mind Your Head", having signed the building mental health charter. Our aim is to ensure we have workplaces which support our employees and subcontractors and to educate everyone to raise awareness of mental health, tackle the stigma and get the conversation started. Our target is to train 120 mental health first aiders by December 2019 and we are on track to achieve this. In addition we will be providing training courses for all Directors and Managers, an e-learning module for all employees and toolbox talks for subcontractors.

We introduced a number of new employee benefits in the year in response to feedback and suggestions provided by the 2018 employee engagement survey. The 2019 employee engagement survey was delivered on our behalf again by an external agency and achieved a 91% response rate (2018:90%). This was followed up with workshops across the Group to share feedback and ideas.

We also introduced a Subcontract Assistance Programme during the year to support subcontractors and their families with advice via an independent helpline. In addition, Redrow became a patron of Youth Build which is a charity that promotes and engages with young people to combat social exclusion through the development of construction based support services.

IMPROVING OUR SYSTEMS AND PROCESSES

It is important that as our business continues to grow and evolve, we continue to invest in improving our systems and processes to support this.

We have a dedicated team of in-house IT specialists including a digital team, systems analysts, software developers, IT security officers, help desk experts and systems accountants based at our Head Office led by our Chief Information Officer. The team work closely with Group and the operational business and major systems improvement projects are sponsored by members of the Executive Management Team.

During the year we became the first housebuilder to offer customers the ability to legally complete the reservation of a new home online with the launch of online reservation to significantly enhance our customer journey.

We have further enhanced our iPad based system for site managers introduced last year to support the drive to improve build quality and to get it right first time.

Another example of improvements for stakeholders was the introduction of our fully interactive online Annual Report 2018 which was the first of its kind for a major housebuilder. It was created by our in-house teams and has been well received, winning the "Best Annual Report Award" at the PRCA City and Financial Awards in February 2019. We would encourage our shareholders to view online if they are able.

STRATEGIC REPORT

Operating Review *continued*

CONSTRUCTION

To meet the demand for new homes, the housebuilding industry must work with Government and the wider community to inspire the next generation to build.

INSPIRING THE NEXT GENERATION AT REDROW

At Redrow, we believe in collaborating with partners to positively impact people and communities through education and engagement activities.

John Tutte, our Executive Chairman, is also chairman of the Home Building Skills Partnership. Part of the Home Builders Federation, this aims to develop, grow and sustain a programme to provide the workforce the industry requires to deliver the further increases in housing supply the country needs. Its focus is on attracting new entrants into the industry and on providing training to develop the qualified workforce needed to construct high quality new homes.

As mentioned last year, Redrow has developed a housebuilding degree course in conjunction with John Moores University and Coleg Cambria. In March 2019 our second cohort of students commenced their studies with a total of 23 Redrow employees now working via this towards obtaining their BSc in Construction Management – Housebuilding.

This year we delivered over 7,100 training days, an increase of 9% on the previous year. As part of our commitment to evolving our learning and development programmes to better support the business as it grows, we introduced two new development programmes for talented site managers and sales consultants in the year. Potential attendees are identified through our divisional succession planning processes and the programme aims to support and develop these talented individuals to progress to managerial roles within the business.

Our Graduate trainees completed two community projects this year, creating wonderful outside spaces for children to play at a primary school in South Wales and an early years centre in North Wales.

BUILDING RESPONSIBLY

This year saw Redrow host its first Building Responsibly Conferences – three regional day-long events held across the country and attended by all of our construction and customer service teams.

With a full complement of our site and customer service managers (CSMs), their assistants and other site-based operatives in attendance, as well as construction managers and health and safety representatives, this required us to cease all building work for a full day and demonstrated our commitment to involving everyone from the ground up in our ongoing efforts to raise standards and get it right first time.

Key themes of the events included health, safety and the environment, build quality, the customer experience and employee engagement, with a special emphasis on mental health first aid training. We also welcomed guest speaker Kyran Bracken, former England World Cup rugby star, who spoke eloquently about teamwork and leading by example, before presenting our inaugural Building Responsibly awards for best overall construction sites in each region and best sites for health, safety and environmental performance.

The conferences also marked the official roll out of two important changes to working practices:

- New iPad technology, specially developed apps and subcontractor portal: Site managers and their assistants inspect the houses at every stage and can now easily and electronically assign work orders to the relevant contractor, attaching photographs and video footage from their iPad if relevant. Subcontractors can accept the work order and share updates, photographs, etc, back via the platform so that site teams and customer services can see the work has been completed, along with any relevant further information. This system allows our site managers to highlight any areas of quality or safety concern instantly, providing photographic evidence, with no need to remember to phone or email the relevant individual later. Site teams can deal with faults more proactively and we have a system that enables us to compile and review data for common faults and to target training for our teams.
- New joint inspection process: Site managers and customer service managers now work together to inspect all properties prior to handover, each of them logging their own issues on their iPads. Whilst they naturally have different areas of concern and focus (CSMs are more likely to focus on finishing, for example), by jointly inspecting they can

better communicate with each other and ensure nothing gets missed. This much closer working relationship is helping us to deliver a higher quality product and also means we have a much more comprehensive digital record of the outcome of each inspection.

With quality at the forefront of all our advances in construction processes, it was particularly pleasing in June 2019 to learn that a record number of our site managers had been recognised in the annual NHBC Pride in the Job Awards. The 12-month selection and judging process identifies site managers who encapsulate skills such as leadership, technical expertise and attention to detail. An impressive 28 of our site managers received Quality Awards and will now compete for the highly coveted Seal of Excellence and Regional Awards this autumn.

In addition our NHBC Construction Quality Assurance Review score increased to 75% from 70% in 2018.

PRODUCT DESIGN

We are active Gold Leaf members of the UK Green Building Council, supporting and contributing to their aim of improving the sustainability of the built environment. During the year we have been involved in events ranging from biodiversity, to zero carbon homes to social value.

Our Internal Product Review Panel meets regularly to evaluate potential new materials, products and suppliers that will help with efficiencies, quality and our sustainability objectives. We use timber frame systems to build a number of properties, which is less labour intensive, has reduced H&S risk, is faster to build and is responsibly sourced. We also install a pre-insulated panelised roofing system on our 2½ storey properties which also has the advantage of reduced reliance on subcontractors and increased build efficiency. The majority of our homes are built using a pre-cast ground floor system incorporating insulated infill blocks. This system has an A+ Green Guide rating and is easier and quicker to build with. Modular construction has been used for the construction of our new Ebbsfleet office.

Tackling climate change and reducing our customer's energy bills are key considerations in the way we design our homes. Our design process focuses on the right layout, materials and products to retain heat within the home. This is done through greater insulation levels throughout the building, high-specification doors and windows, efficient boilers and great care in achieving increased air-tightness. As a result, our homes are 'B' rated, on average, for energy efficiency, comparing to the UK average home which is 'D' rated.

Importantly, we help our customers appreciate how best to live in their new home with a view to reducing their energy bills. We do this face-to-face with them, by showing them the home and its energy efficient features during construction, and by showing them how to operate the features, such as ventilation and zone heating, at handover.

During the year Redrow contributed to the 'Bricks and Water' Inquiry. The inquiry focused on how to build the number of homes we need in England while at the same time ensuring we improve flood resilience and water availability, and avoid costs for future generations. Our homes are industry-leading in terms of water efficiency with a rating of just 105 litres per person per day, which is well below building regulations.

As well as designing our homes to help mitigate climate change, we are also reviewing how they may need to change in the future in order to adapt to the impacts of a changing climate. We have been undertaking advanced modelling of the performance of our homes in different climatic scenarios to understand the potential impacts. The results will inform our designs to help prevent overheating and ensure the continued comfort and wellbeing of our customers.

MANAGING RESOURCES EFFICIENTLY

The construction industry is one of the biggest contributors of waste in the UK and Redrow continues to focus on eliminating and reducing the amount of waste created. A Group-wide project is tackling the root causes of waste and focusing on the efficient use of materials in our homes. As a result, waste has decreased from 10.63 tonnes per 100m² of build in 2018 to 10.15 tonnes/100m² in 2019. Our ongoing membership of the HBF Waste Forum is enabling us to share best practice and knowledge with our industry peers to tackle waste across the sector.

Throughout the year we have been continuing to work with our supply chain to assess product packaging and identify opportunities to eliminate or reduce the amount of packaging used - particularly single-use plastics. Where packaging is necessary to protect products and materials we are working with suppliers to find ways to reuse or recover the packaging effectively, as well as examining material compositions. We have long had in place a pallet repatriation scheme and are currently trialling a new approach that will enable the recovery, repair and re-introduction of dedicated pallets for construction products.

We recognise the importance of using materials efficiently and reducing waste and have initiatives in place to ensure that our remaining waste is reused, recycled or recovered. During the year 97.7% of our waste was diverted from landfill, an increase from 96.8% in 2018 and exceeding our own target of 95%.

We have continued to work with the Community Wood Recycling scheme; a waste wood collection service which also operates as a social enterprise network. 100% of our waste wood collected by the scheme is recycled, recovered or reused by local communities. Our waste wood has been used on small scale community building projects and also utilised to make a range of useful products including bird boxes and dining tables. Our sites in the South East have benefitted significantly from the scheme which has further encouraged a strong culture of reuse within this division. Effective waste management has also been achieved through quarterly waste audits and regular training with site operatives.

STRATEGIC REPORT

Operating Review *continued*

Waste management has also been a focus at our Head Office, as we upgraded our recycling facilities, invested in biodegradable packaging, and started a 'food to fuel' initiative – whereby all our catering waste is transformed into Biogas, a renewable source of energy.

We are on course to meet our 2022 target for reduction carbon intensity with a 3% reduction since our baseline year of 2017. Our 2019 Greenhouse Gas emissions have decreased to 2.42 tonnes of CO₂e per 100m² of build (2018: 2.48 tCO₂e/100m²) - these figures are independently verified to a limited level of assurance.

Our carbon reduction strategy is currently focusing on three key areas. We are working to substantially reduce the amount of diesel used on our construction sites, with a key aim of reducing the time that generators are required and that they are sized appropriately. We have been upgrading our site accommodation and welfare units to provide 'Eco-cabins' across our sites which have improved insulation; double glazed windows; door closers; LED lighting with PIR activation; room and water heaters with thermal cut-out and timers, as well as waterless urinals. We are also currently carrying out audits of energy use in our offices and show homes and will be implementing a programme of improvements in the coming months. We have recently appointed a new supply partner to work with us on managing service utilities and investigate purchasing energy from a renewable energy tariff.

We have been awarded a 'B' grade from our most recent submission to the Carbon Disclosure Project which reflects our positive carbon strategy and programmes for reducing carbon emissions across the business.

HEALTH & SAFETY

Ensuring that our sites are safe places to work, live and visit is central to our build operations. We remain committed to improving our overall Health, Safety & Environmental (HS&E) performance. We restructured in 2018 when we increased resources and reorganised into two distinct areas of responsibility: Assurance & Compliance and Development. This year we have launched a full review of our HS&E Management Systems including a new Assurance Inspection Report, a long term project to digitise data gathering and performance monitoring as well as launching a new HS&E Training Standard and Competency Matrix for all employees.

There has been a slight increase in our accident incident rate per site rate to 0.36 (2018: 0.35). We are committed to continuous improvement in its HS&E performance and processes and have identified four key areas of focus to support this. They are Governance, Leadership, Ownership and Workplaces and we are already seeing the benefits of focusing on these areas.

Three of our sites managers were Highly Commended at the NHBC's annual Health & Safety Awards for demonstrating an outstanding level of health and safety management from planning through to execution. They were among only 27 site managers in the UK to be given this status.

A key element of building responsibly is ensuring that our construction sites are managed in a way that is considerate of the potential impacts on the local area and community, as well as the needs and welfare of the workforce. As a corporate partner of the Considerate Constructors Scheme (CCS), we have committed to signing-up all our developments to the scheme. This means that regular, independent assessments are

undertaken by CCS to determine if our sites are meeting the Scheme's Code of Practice.

Our Lyon Square development in Harrow received two silver awards in the Considerate Constructors National Site Awards 2019, in recognition for the great efforts that the site has put into raising the bar for considerate construction. Only the highest

performing companies and suppliers participating in the national scheme received awards, making this an exceptional achievement.



STRATEGIC REPORT

Operating Review *continued*

SALES & MARKETING

At Redrow we have a reputation for building award winning homes.

MARKETING STRATEGY

During the year Redrow has continued to evolve its marketing strategy with the launch of a national TV advertising campaign.

Titled 'They Say...', the campaign was designed to promote our homes as a premium alternative to the second-hand property market and to challenge outdated perceptions people have about new builds compared to older homes. The content specifically looks to debunk existing myths that were uncovered in a Zoopla Smarter Property Solutions Survey of 600 adults, by applying them to Redrow's homes.

This found that potential buyers consider new build homes to be easy to maintain, more eco-friendly than a resale home and often to include the latest technology, as well as to have a good layout. However, the results did show that the British public perception is that new builds generally have small rooms, are too uniform, and that their look and style is not appealing.

The advert, launched in early June, demonstrates that this is not the case for Redrow by outlining three stand-out benefits of our homes, underpinned by strong proof points, to show that we build "new homes like no other".

Redrow homes are large - Our four-bedroom Henley house-type is over 164 square metres, while the Leamington three-bedroom home is approximately 132 square metres. This is significantly more than the new build national average of 88.9 square metres and greater than the Government's minimum guidelines of 96 square metres.

Redrow homes have character - Each Redrow street scene is carefully designed to be unique, with a mix of different house styles and characteristics. This individual design approach, derived from the Arts & Crafts movement, means that Redrow stands out from other housebuilders and fosters a feeling of characterful personality, often found in second-hand properties, rather than the uniformity seen in many other modern developments.

Redrow homes have soul - Our traditional exteriors are enhanced with the best modern interior designs. Light and airy open plan kitchen, dining and family areas are carefully considered to truly maximise family living spaces and are perfect for entertaining. By including fully finished elements into the build process, we foster early characterisation in a new home to ensure nobody moves into a blank canvas.

The advert is currently being shown across video on demand platforms; All 4 and ITV player, as well as YouTube TrueView. It is also available to view on our website at redrow.co.uk/theysay.

After an initial period of one month across these on demand platforms, the advert was viewed over 2.6 million times. Those that saw it were targeted by geography and demographics as being potential buyers in key areas in which we build. We have committed to investing in this advert into 2020, and will also be continuing to promote it via our social media channels and national email campaigns.

The video was produced by the creative communications company DRPG, who has previously worked on national campaigns for companies including BT, Jaguar Land Rover, Sainsbury's and Worcester Bosch. The advert was shot in a Redrow home, displaying the interiors available across our Collections.

REDROW SHOW HOMES

At Redrow, our show homes are an important aspect of our sales and marketing strategy. We have a dedicated in-house interior design team who design and create show homes to inspire existing and potential customers alike.

THRIVING COMMUNITIES

We aim to make our developments part of the local community and help our customers appreciate the place as well as the home.

For example at Taylor's Chase, Warrington, Cheshire our development site plan signposts key local amenities.



People say new homes
are all the same...

They don't know Redrow

STRATEGIC REPORT

Operating Review *continued*

CUSTOMER SERVICE

We continue to be committed to providing customer service comparable with the very best from the retail and service sectors.

FOCUS ON CUSTOMER SERVICE

In March 2019 we were awarded the top Five Star rating by the Home Builders Federation (HBF), based on a survey of customers in which more than 90% said they would recommend Redrow to a friend.

Indeed, we have increased our customer satisfaction scores year-on-year since the launch of our 'Customer First' strategy in 2015. As well as significantly investing in people and systems, we created a customer journey, which was influenced by the best retailers outside of housebuilding.

As well as the recommend score of more than 90%, we have also achieved a very strong net promoter score (NPS) of 50.3 in the HBF's survey. The NPS is a measurement used globally across many industries to provide an indication of customer satisfaction and our score ranks amongst the best.

We also became the first top ten housebuilder to join the Institute of Customer Service (ICS) and, this year, were nominated for Best Customer Satisfaction Strategy at the UK Customer Satisfaction awards.

We have achieved these accolades following the introduction of a range of customer service focused initiatives, including:

- Customers being engaged throughout their journey to Redrow home ownership, including hard-hat tours, which show future homeowners the care and attention that is going

into the process of building their home. These tours are arranged at pre-plaster stage and help customers gain a detailed insight into their new home.

- Site and Customer Service Managers now use an iPad app when inspecting homes during the build process and beyond. Stages in the inspection process are photographed and automatically communicated to subcontractors. The app is designed in-house and unique to Redrow.
- Customers also benefit from My Redrow, an online members only area, providing a secure dashboard to support their journey and choose their finishes and upgrades to personalise their homes.

Recognising that everyone has a responsibility for customer service, and that it is a Group culture not just a function of the customer service team, our strategy has been driven through all levels of the business. Sales and construction teams have been equally involved in many of the initiatives introduced: from the tone of all ongoing communications with customers whether by phone, text, email or letter, to the hosting of Welcome Parties so customers can meet their new neighbours and to the hard-hat tours.

We've brought in customer-focused experts from other sectors to help us to deliver a positive experience to customers; we've introduced new handover policies and re-engineered the customer journey, while updating the website, developing bespoke customer service management software and introducing brand new web and app platforms to support our customers.

Redrow won the "Large Developer of the Year" at Property Week's RESI Awards and whilst it is good to be recognised so highly within our industry, recognition from our customers of our quality and service is more pleasing.

PRODUCT

Outside of Greater London, our divisions continue to focus on our award winning Heritage Collection which this year contributed 79% of the Group's private sales revenue (2018: 72%). Our Lifestyle Collection within our Heritage range is increasingly popular, being just as spacious as our family homes but with fewer but larger bedrooms, all with en-suite bathrooms.

The Heritage Collection is complemented by our bespoke product which represented 21% of private revenue in the year (2018: 28%). Bespoke product is predominantly apartments and features more strongly in the South and Greater London.

RESERVATIONS AND ORDERBOOK

The Group secured just under £1.7bn of private reservations in the year (2018: £1.7bn) and ended the year with a healthy total closing order book of £1.0bn (2018: £1.1bn). This reduction compared to last year was largely a result of weaker trading towards the end of the first half and lower volumes and average selling prices in London. Private reservations per outlet per week were 0.66 compared to 0.70 in the previous year.

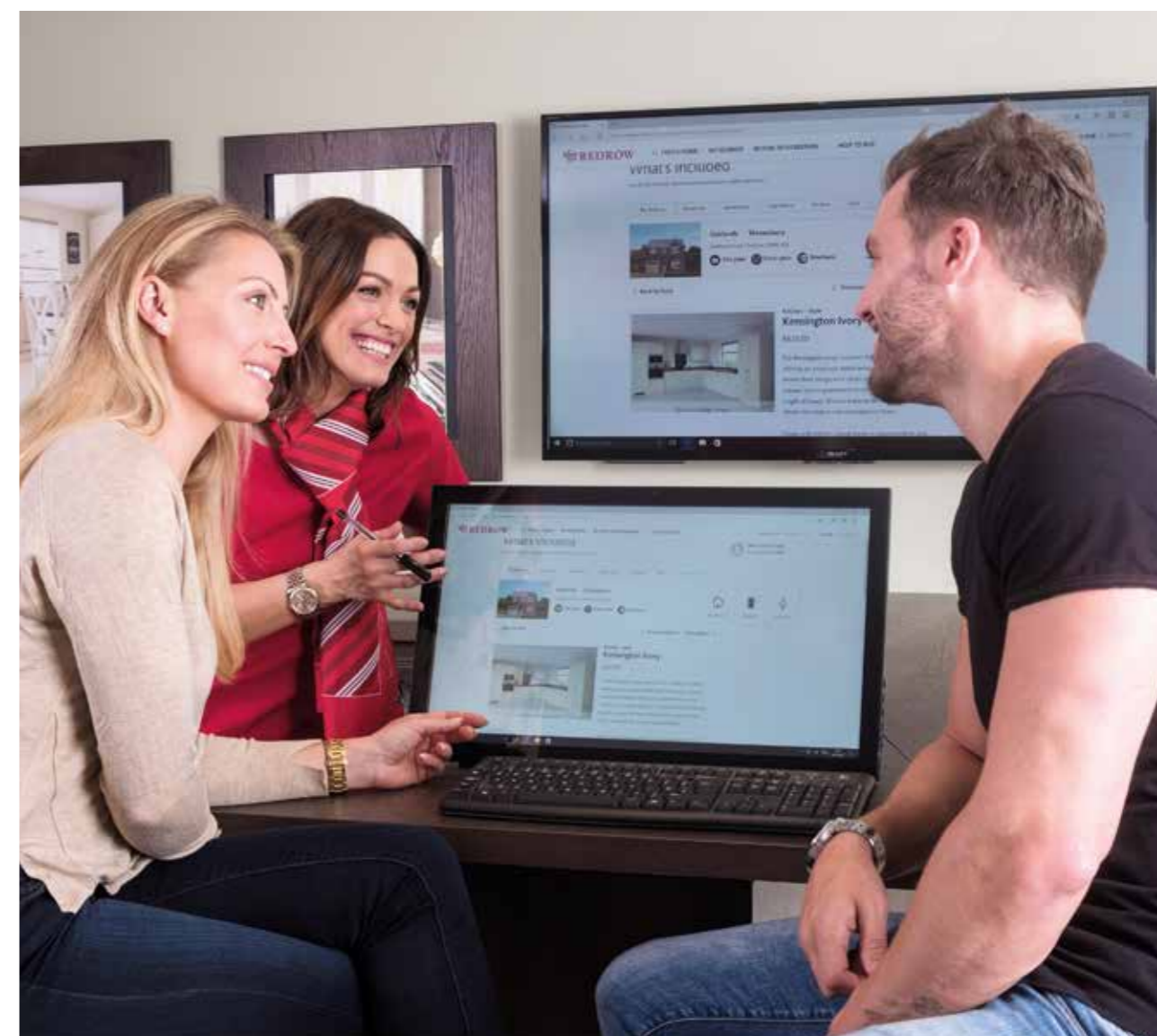
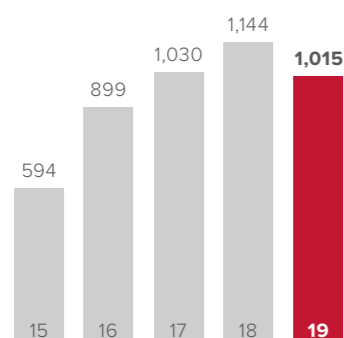
ONLINE REPUTATION

The last decade has seen a huge rise in social media use and, increasingly, customers using it as a primary way to contact us to resolve service issues. While Redrow has been actively

engaging with customers on social media since 2012, we recognised we could improve our responses to enquiries made via our key social media accounts including Facebook, Twitter and LinkedIn.

We have utilised an all-in-one social media management platform, Crowd Control HQ, to decentralise and streamline our activities in this area. Customers contacting us via social media now receive direct communications from their local customer service representative, just as they would if they chose to make contact via an email or by phone. We have increased our response rate significantly and, importantly, the speed at which we respond.

In the year ahead we will continue to focus more closely on online reputation and, particularly, how we feature and participate in online customer review websites such as Trustpilot.

ORDER BOOK (£M)

STRATEGIC REPORT

Financial Review

“Group delivered a record profit before tax of £406m.”



BARBARA RICHMOND
Group Finance Director

PROFITABILITY

This has been another year of record financial results for the Group with revenue exceeding £2bn for the first time at £2.1bn (2018: £1.9bn) and profit before tax of £406m (2018: £380m). This was achieved by completing a record 6,443 new homes (2018: 5,718).

Total Group revenue rose 10% to £2.1bn, with homes revenue increasing by 10% to £2.1bn (2018: £1.9bn) and other revenue from land sales in line with the previous year at £21m (2018: £20m).

As a result gross profit increased by £35m in the year to £504m (2018: £469m) giving a gross margin of 23.9% (2018: 24.4%). This 50 basis point reduction compared to last year is primarily due to the change in tenure mix of our residential housing turnover with 12% of Homes revenue coming from Affordable Homes compared to 7.5% last year.

The continued growth of the business has generated an operating profit for the year of £411m (2018: £382m), an 8% increase on that achieved in 2018. This represents an operating margin of 19.5% (2018: 19.9%). Administrative expenses reduced slightly as a percentage of turnover to 4.4% (2018: 4.5%) although they increased in absolute terms due to our ongoing investment in the business.

Net financing costs at £5m were £2m lower than the prior year due to the improved cash position in 2019. We had an average monthly positive cash balance during the year of £80m, with the equivalent level in 2018 being £22m.

As a result, the Group delivered a record profit before tax of £406m (2018: £380m) for the year with basic earnings per share up 8% at 92.3p (2018: 85.3p).

TAX

The corporation tax charge for the year was £77m (2018: £72m). The Group's tax rate for 2019 was 19% in line with 2018. The normalised rate of tax for the year ending 30 June 2020 is projected to be 18.5% based on rates which are substantively enacted currently.

The Group paid £77m of corporation tax in the year (2018: £74m) following the traditional quarterly pattern. For the financial year ending 30 June 2020 the new legislation for corporation tax payments by very large companies takes effect. This brings instalments for financial year 2020 onwards forward by four months and, for the financial year ending June 2020 only, results in Redrow effectively paying six instalments.

DIVIDENDS

The Board has proposed a 2019 final dividend of 20.5p per share which will be paid on 13 November 2019 to Shareholders on the register on 20 September 2019, subject to Shareholder approval at the 2019 Annual General Meeting. This is an 8% increase on last years' final. The full year dividend is therefore 30.5p (2018: 28p) up 9% on last year and maintains a payout ratio of 33% of earnings (2018: 33%). In addition, we delivered a B share cash return of 30p per share to shareholders during the year.

The Group distributed to shareholders £218m including the B shares (2018: £74m) during the year. Our total cash return to shareholders for the 2019 financial year is 60.5p per share.

RETURNS

Net assets at 30 June 2019 were £1,585m (2018: £1,483m), a 7% increase. Capital employed at the same date was £1,461m (2018: £1,420m) up 3%. Our return on capital employed was maintained in the year at 28.5% (2018: 28.5%). Return on equity reduced slightly from 28.0% to 26.5%.

INVENTORIES

Our gross investment in land increased by £76m, or 5% in the year to £1,515m (2018: £1,439m) reflecting our continued success in securing sites to best utilise our product and place making skills on acceptable terms. Approximately 40% of our current land bank additions in 2019 came from our forward land holdings which is in line with the five year average contribution.

Land creditors increased by £51m to £438m at June 2019 (2018: £387m) representing 28% of gross land value (excluding cash on account), a slight increase on last year (2018: 27%).

Our owned plot cost has increased by £3,000 per plot to £74,000 at June 2019 (2018: £71,000), but has been maintained at 19% of the average selling price of private legal completions in the year (2018: 19%).

Our investment in work in progress was broadly in line with 2018 at £782m (2018: £779m). As a percentage of Homes turnover it reduced from 41% to 37%. This reflects the reduced WIP on apartment schemes and the timing of planning leading to a slightly lower than originally expected number of outlets in June 2019.

RECEIVABLES

Trade receivables increased by £21m at June 2019 to £37m (2018: £16m) due primarily to the timing of Help to Buy and Housing Association receipts. Other receivables decreased from £29m to £19m partly due to the timing of the recovery of VAT on land payments.

PAYABLES

Trade payables, customer deposits and accruals decreased by £10m to £442m (2018: £452m) due to reduced levels of Greater London private apartment deposits.

CASH FLOW AND NET CASH/(DEBT)

The cash inflow generated from operations was £371m (2018: £276m). This equates to a cash conversion from EBITDA of 90% in 2019, up from 72% in 2018. This significant cash generation more than funded both the growth in the business and the £111m B share cash return in the year. As a result our net cash balance increased from £63m at the end of June 2018 to £124m at the end of June 2019.

FINANCING AND TREASURY MANAGEMENT

During the year we have maintained our committed unsecured syndicated loan facility of £250m which matures in December 2022.

Redrow remains a UK based housebuilder and therefore the main focus of its financial risk management surrounds the management of liquidity and interest rate risk. Financial management at Redrow is conducted centrally using policies approved by the Board.

(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 six 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 hedging was undertaken in the year and no interest rate swaps are held currently.

PENSIONS

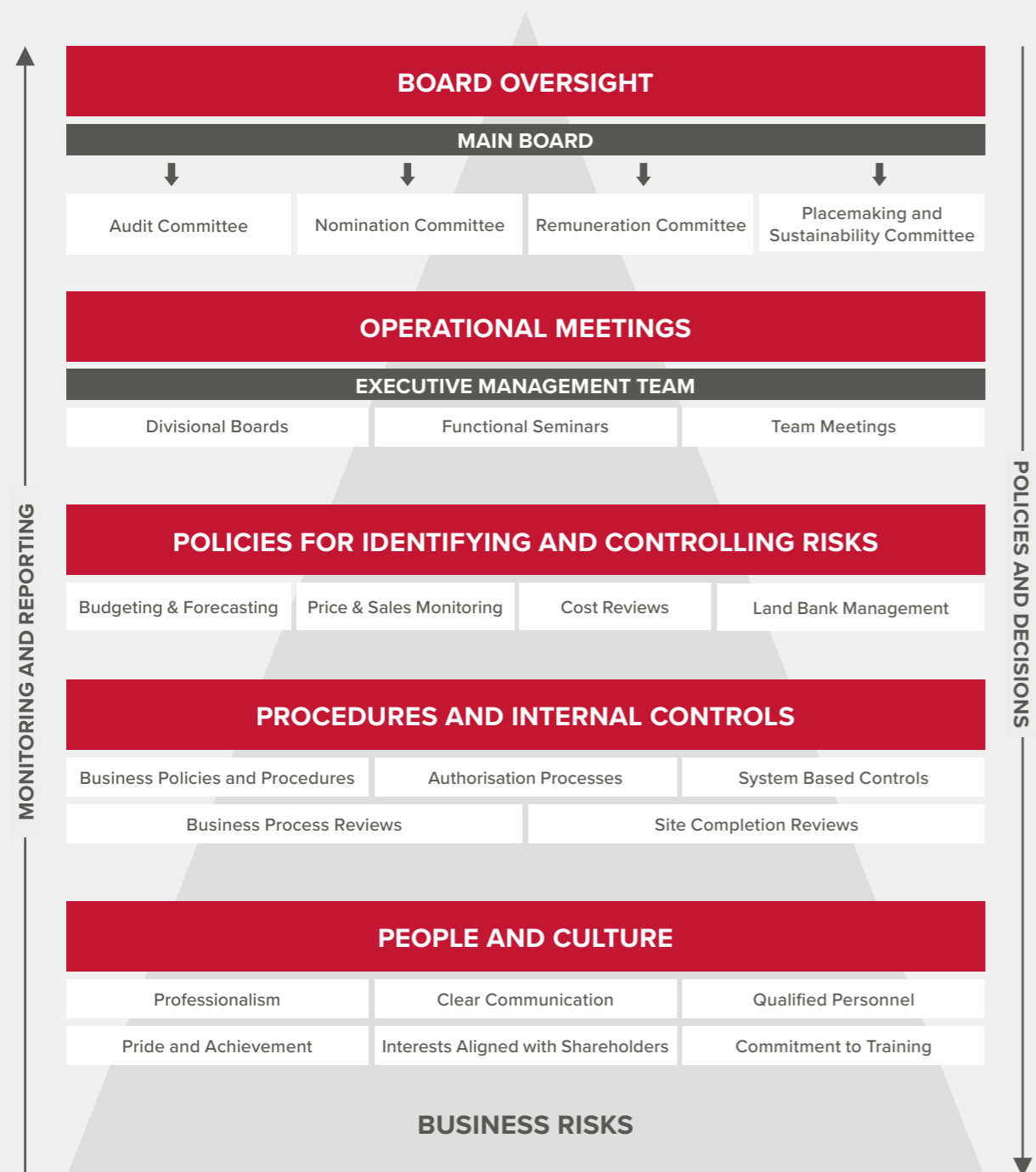
As at June 2019, the Group's financial statements showed a £18m surplus (2018: £22m surplus) in respect of the defined benefits section of The Redrow Staff Pension Scheme (which closed to future accrual with effect from 1 March 2012). The £4m reduction is mainly due to the decrease in the discount rate together with an allowance for GMP equalisation.

BARBARA RICHMOND
Group Finance Director

4 September 2019

Risk Management

HOW WE MANAGE RISK



OUR RISK MANAGEMENT PROCESS

Our Risk Assessment Process

Key Risk Management Objectives:

- To ensure our approach to risk meets the needs of our business and its key stakeholders;
- To effectively communicate our risks and define responsibilities in order to manage risk; and
- To continually evaluate and review the impacts of any potential new risks occurring within our business.

Main Board

- The ultimate responsibility for the effective management of the risks we face in order to achieve our strategic and financial objectives lies with the Main Board;
- Material risks and principal concerns are identified as part of our risk assessment framework, following a detailed review of the Company's strategic objectives;
- These headline risks are then approved by the Board to be included within our risk register;
- The risk register is reviewed formally annually and updated for any new risks identified during our Risk Assessment processes; and
- It is also presented to the Audit Committee for final review and consideration to ensure that it is appropriate and reflects our business risks.

Operational Divisions







- All identified high level risks are then further broken down into components and sub level risks to be considered at the divisional level and Group department level; and
- Internal controls are implemented to mitigate, control and continuously monitor these risks.

Risk Owners & Executive Management Team

- Any new risks identified at divisional level and Group department level are individually assessed and evaluated on their potential impact to the business and its likelihood of occurrence;
- These risks are then communicated to the Risk Owners who will use this assessment to inform their formal view on these risks and all previously identified risks;
- The probability and potential impact for each sub level risk is assessed by the Risk Owners;
- It is then the Risk Owners responsibility to ensure key preventive and detective controls are designed and implemented to address these risks and ensure their inclusion in our risk register; and
- Group Policies and Procedures are updated to reflect any new or improved key controls or processes.







STRATEGIC REPORT

Risk Management *continued*

Risk	Risk Owners	Key Controls and Mitigating Strategies	Risk Movement	Risk	Risk Owners	Key Controls and Mitigating Strategies	Risk Movement
 <p>Housing Market The UK housing market conditions have a direct impact on our business performance.</p> <p>DEVELOPING THRIVING COMMUNITIES</p>	Chief Operating Officer	<p>Market conditions and trends are being closely monitored allowing management to identify and respond to any sudden changes or movements.</p> <p>With underlying build costs continuing to rise and house price inflation remaining subdued we maintain tight controls on costs and continue to build our relationships with key suppliers and broaden our supplier base.</p> <p>Weekly review of sales at Group, divisional and site level.</p> <p>Ensuring strong relationships with lenders and valuers to ensure they recognise our premium product.</p> <p>Ongoing and regular monitoring of Government policy and lobbying as appropriate.</p> <p>Risk has increased due to the continued uncertainty surrounding Brexit and the introduction of the regional price caps for Help to Buy in April 2021.</p>	↑	 <p>Customer Service Failure of our customer service could lead to relative under performance of our business.</p> <p>BUILDING RESPONSIBLY</p>	Group Customer and Marketing Director	<p>My Redrow website to support our customers purchasing their new home.</p> <p>Hard Hat Tours for customers of their new home at an appropriate stage of production.</p> <p>Regular review of our marketing and communications policy at both Group and divisional level.</p> <p>Risk reduced due to improvements in build quality but this was more than offset by the increase in focus on quality and customer service by Government and the media.</p>	↑
 <p>Availability of Mortgage Finance Availability of mortgage finance and increased lending criteria requirements are key factors in the current environment.</p> <p>DEVELOPING THRIVING COMMUNITIES</p>	Group Finance Director	<p>Proactively engage with the Government, Lenders and Insurers to support the housing market.</p> <p>Expert New Build Mortgage Specialists provide updates on and monitoring of regulatory change.</p> <p>The threat of early withdrawal of Help to Buy dissipated in the year.</p>	↓	 <p>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.</p> <p>BUILDING RESPONSIBLY</p>	Group Development Director	<p>Proactive monitoring of the market conditions to implement a clear defined strategy at both Group and divisional level.</p> <p>Experienced and knowledgeable personnel in our land, planning and technical teams.</p> <p>Effective use of our Land Bank Management system to support the land acquisition process and monitor opportunities has led to the risk decreasing overall.</p> <p>Peer review by Legal Directors and use of third party legal resources for larger site acquisitions to reduce risk.</p>	→
 <p>Liquidity and Funding The Group requires appropriate facilities for its short-term liquidity and long-term funding.</p> <p>BUILDING RESPONSIBLY</p>	Group Finance Director	<p>Suitable committed banking facilities with covenants and headroom.</p> <p>Regular communication with our investors and relationship banks, including visits to developments.</p> <p>Regular review of our banking covenants and capital structure.</p> <p>Ensuring our future cash flow is sustainable through detailed budgeting process and reviews.</p> <p>Strong forecasting and budgeting process.</p>	→	 <p>Planning and Regulatory Environment The inability to adapt to changes within the planning and regulatory environment could adversely impact on our ability to comply with regulatory requirements.</p> <p>BUILDING RESPONSIBLY</p>	Group Development Director Group Human Resources Director Group Company Secretary	<p>Close management and monitoring of planning expiry dates and CIL.</p> <p>Well prepared planning submissions addressing local concern and deploying good design.</p> <p>Careful monitoring of the regulatory environment and regular communication of proposed changes across the Group through the Executive Management Team.</p> <p>Proactive approach to the introduction of GDPR with a broad based project team defining and implementing new policies and procedures.</p>	→

STRATEGIC REPORT

Risk Management continued

Risk	Risk Owners	Key Controls and Mitigating Strategies	Risk Movement	Risk	Risk Owners	Key Controls and Mitigating Strategies	Risk Movement
 <p>Appropriateness of Product The failure to design and build a desirable product for our customers at the appropriate price may undermine our ability to fulfil our business objectives.</p> <p>DEVELOPING THRIVING COMMUNITIES</p>	Group Design and Technical Director	<p>Regular review and product updates in response to the demand in the market and assessment of our customer needs.</p> <p>Design focused on high quality build and flexibility to planning changes.</p> <p>Regular site visits and implementation of product changes to respond to demands.</p> <p>Introduction of Internal Product Review Panel.</p> <p>Risk has reduced in the year due to improvements in build quality and the introduction of the Internal Product Review Panel.</p>	↓	 <p>Key Supplier or Subcontractor Failure The failure of a key component of our supply chain to perform due to financial failure or production issues could disrupt our ability to deliver our homes to programme and budgeted cost.</p> <p>BUILDING RESPONSIBLY</p>	Group Commercial Director	<p>Use of reputable supply chain partners with relevant experience and proven track record.</p> <p>Monitoring of subcontract supply chain to maintain appropriate number for each trade to identify potential shortage in skilled trades in the near future.</p> <p>Subcontractor utilisation on sites monitored to align workload and capacity.</p> <p>Materials forecast issued to suppliers and reviewed regularly.</p> <p>Group Monthly Product Development meetings to identify and monitor changes in the regulatory environment.</p>	→
 <p>Attracting and Retaining Staff The loss of key staff and/or our failure to attract high quality employees will inhibit our ability to achieve our business objectives.</p> <p>VALUING PEOPLE</p>	Group Human Resources Director	<p>Personal Development Programmes supported by National training centres at four locations.</p> <p>Graduate training, Undergraduate placements and Apprentice training programmes to aid succession planning.</p> <p>Development of a bespoke housebuilding degree course in conjunction with Liverpool John Moores University and Coleg Cambria.</p> <p>Remuneration strategy in order to attract and retain talent within the business is reviewed regularly and benchmarked.</p> <p>Engagement Team and continued refinement of internal communications platform in addition to annual employee survey to create framework for strong, two-way communication.</p>	→	 <p>Cyber Security Failure of the Group's IT systems and the security of our internal systems, data and our websites can have significant impact to our business.</p> <p>BUILDING RESPONSIBLY</p> <p>The introduction of GDPR has increased the requirements for the control of personal data.</p>	Chief Information Officer	<p>Communication of IT policy and procedures to all employees.</p> <p>Regular systems back up and storage of data offsite.</p> <p>Internal IT security specialists.</p> <p>Use of third party entity to test the Group's cyber security systems and other proactive approach for cyber security including Cyber Essentials Plus accreditation.</p> <p>Compulsory GDPR and IT security online training to all employees within our business.</p>	→
 <p>Health and Safety/ Environment Instances of non-compliance with Health & Safety standards and Environmental regulations could put our people and the environment at risk, ultimately damaging our reputation.</p> <p>BUILDING RESPONSIBLY</p> <p>Increased levels of scrutiny of the housebuilding industry heightens the risk environment.</p>	Group Health and Safety and Environmental Director	<p>Dedicated in-house team operating across the Group to ensure compliance of appropriate Health and Safety standards supported by external professional expertise.</p> <p>Separate focus on Assurance visits to site and proactive management support to develop planning and processes.</p> <p>Monthly Divisional H, S & E Leadership meetings.</p> <p>Tri-annual Group H, S & E Leadership meetings.</p> <p>Internal and external training provided to all employees.</p> <p>Divisional Construction (Design and Management) Regulation (CDM) inspections carried out to assess our compliance with our client duties under CDM.</p> <p>Health and Safety discussion at both Group and divisional level board meetings.</p> <p>CDM competency accreditation requirement as a minimum for contractor selection process.</p>	→	 <p>Fraud/Uninsured Loss A significant fraud or uninsured loss could damage the financial performance of our business.</p> <p>BUILDING RESPONSIBLY</p>	Group Finance Director	<p>Systems, policies and procedures in place which are designed to segregate duties and minimise any opportunity for fraud.</p> <p>Regular Business Process Reviews undertaken to ensure compliance with procedure and policies followed by formal action plans.</p> <p>Timely management reporting.</p> <p>Insurance strategy driven by business risks.</p> <p>Fraud awareness training.</p>	→

STRATEGIC REPORT

Risk Management continued

GROUP NON-FINANCIAL INFORMATION STATEMENT

The table below sets out where key non-financial information can be found within this report:

Reporting requirement	Related policies available on our website	Location in this Annual Report	Page Ref.
Environment	Purchasing of sustainable timber products policy	Directors' Report - Greenhouse Gas Emissions	84
	Environmental policy statement	Placemaking and Sustainability Committee Report – Main Activities During the Year	59
	Health and safety policy statement	Chief Operating Officer's Review – Health and Safety	11 & 12
	Partnering with our supply chain	Operating Review – Commercial and Systems	18 & 19
	A responsible and sustainable developer	Operating Review – Construction	20 to 23
Employees	Diversity and inclusion policy statement	Operating Review – Commercial and Systems	18 & 19
		Corporate Governance Report – Workforce Engagement	48
		Corporate Governance Report – Diversity	48
		Directors' Report – Employees	82 & 83
		Directors' Report – Diversity and Inclusion Policy	83
Social	A responsible and sustainable developer	Operating Review – Land, Planning and Design	14 to 17
		Operating Review – Customer Service	26 & 27
Human rights	Human rights policy statement Slavery and human trafficking statement Partnering with our supply chain	Directors' Report – Human Rights	85
		Directors' Report – Supply Chain	85
Anti-corruption and anti-bribery	Anti-bribery policy statement Whistleblowing policy statement	Audit Committee Report – Bribery Act	54
		Audit Committee Report – Whistleblowing	53 & 54
Business model	A responsible and sustainable developer	Our Strategy	4 & 5
		Our Business Model	6 & 7
Non-financial KPIs	A responsible and sustainable developer Health and safety policy statement Environmental policy statement	Our Strategy	4 & 5

The above policies are applicable to all employees within the Group and are easily accessible both internally and externally. The principles which underpin each of the policies are embedded within the culture of the Group and any behaviour inconsistent with these policies will be investigated and disciplinary action will be taken where warranted.

VIABILITY STATEMENT

In accordance with provision C2.2 of the UK Corporate Governance Code 2016, the Directors have assessed the prospects and viability of the Group.

The Group's investment case, business model and strategy are key to understanding Redrow's future prospects. The Directors' assessment has made reference to our current position, our strategy, the potential impact of the principal risks facing the Group, and the Board's appetite for risk which are to be found in this Report in the Strategic Report. The Group has committed banking facilities through to December 2022.

The Directors have selected a three year timeframe over which to assess the viability of the Group, from 1 July 2019 to 30 June 2022. This timeframe was chosen as it corresponds with the Board's three year planning horizon. On an annual basis, the Directors review the financial forecasts for the Group constructed using a detailed bottom up process incorporating assumptions about the timing of legal completions of new homes and land purchases, selling prices, profitability, working capital requirements and cash flows. The Group also uses a top down model to give another perspective.

The three year plan is stress tested for robust downside scenarios. This involves flexing key assumptions including the impact of reduced average selling prices, sales rates and land prices which could arise from a deterioration in housing market conditions and mortgage availability.

The Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three year period ending 30 June 2022.

STRATEGIC REPORT APPROVAL

The Strategic Report outlined on pages 1 to 37 has been approved by the Board.

By order of the Board

GRAHAM COPE
Company Secretary

4 September 2019



WILTON HILL, WILTSHIRE

GOVERNANCE REPORT

Corporate Governance Report

“High corporate governance standards are essential to the success of a company and the Board is committed to putting in place the requisite mechanisms to take the Company beyond compliance.”

**GRAHAM COPE**

Company Secretary

DEAR SHAREHOLDER

I am delighted to introduce 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 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, meets the requirements of our shareholders and their representative bodies.

We are reporting against the UK Corporate Governance Code (2016 version) (the “Code”) for this report, which was published by the Financial Reporting Council (“FRC”) and is available to view at www.frc.org.uk. We welcomed the publication of the new UK Corporate Governance Code released in 2018 by the FRC, particularly its broader view of corporate governance and renewed focus on long-term sustainable success. The changes in the revised UK Corporate Governance Code are also aligned with the Board's increased focus on engagement with the workforce and more generally the culture needed to sustain long-term success. Throughout the year, the Board have been mindful of the letter and spirit of the revised UK Corporate Governance Code and we look forward to reporting to you on our application of this version next year.

This report has been prepared and approved by the Board and, on behalf of the Board I confirm that during the financial year ended 30 June 2019, the Company applied the principles of, and was compliant with the provisions of the Code other than where stated on page 43 of this report. In this report, we provide not only the regulatory and statutory assurances required from us, but we also try to provide a deeper understanding of the workings of our Board.

This report explains what the Board actually does and describes how it is responsible for setting the codes and values of the Company as well as how it interacts with its shareholders and other key stakeholders. The report also

explains the Company's strategic goals and its performance against them.

We also discuss in this report how the Board monitors its effectiveness in order to ensure that it has the strength and capability to lead the Company to continued success. In 2019, Independent Audit were engaged as an external facilitator to carry out an evaluation of the effectiveness of the Board and each of its committees. The evaluation found that the Board continues to be working well and functioning in an effective way. Details of the external evaluation can be seen on pages 46 to 47.

Since the last report, the composition of the Board has changed significantly. Details of the changes can be found in the Nomination Committee Report on pages 55 to 57, however these are summarised as follows:

- Debbie Hewitt, previously Senior Independent Director, retired from the Board on 7 November 2018, following the conclusion of the 2018 Annual General Meeting;
- Nick Hewson was appointed as Senior Independent Director on 7 November 2018 and became the Chairman of the Nomination Committee at the same time;
- Vanda Murray was appointed as Chair of the Remuneration Committee on 7 November 2018;
- Steve Morgan, the founder of Redrow, retired from his position as Chairman on 31 March 2019;
- John Tutte, previously Group Chief Executive, was appointed as Executive Chairman of the Company on 1 April 2019; and
- Matthew Pratt, previously Regional Chief Executive, was appointed as Chief Operating Officer on 1 April 2019.

Our 2019 Annual General Meeting will be held on Wednesday, 6 November 2019 and the Notice of Annual General Meeting together with Explanatory Notes will be sent to you separately.

Finally on behalf of the Board, for those who wish to attend our 2019 Annual General Meeting, the Board looks forward to meeting with you.

GRAHAM COPE
Company Secretary

4 September 2019

GOVERNANCE REPORT

Board of Directors



Composition of the Board



Length of tenure of Non-Executive Directors



Main Board by Gender



1 **JOHN TUTTE (63)**
EXECUTIVE CHAIRMAN

John Tutte joined the Board of Redrow in July 2002. In September 2009 he was promoted to Group Managing Director and in July 2014 became Group Chief Executive. In April 2019, John was appointed as Executive Chairman following the retirement of Steve Morgan.

John qualified in civil engineering and has amassed more than 40 years' experience within the industry, having previously held the position as Chief Executive of Wilson Connolly plc.

John was appointed to the board of the Home Builders Federation in February 2015. He is also a Chairman of the Home Building Skills Partnership – an initiative between the HBF and CITB to attract and develop a more diverse skilled workforce for the industry and its supply chain.

2 **MATTHEW PRATT (44)**
CHIEF OPERATING OFFICER

Matthew Pratt joined the Board of Redrow in April 2019. He joined Redrow in 2003 as a Chief Quantity Surveyor and later became Managing Director of the Midlands Division. In 2013, Matthew was appointed as a Regional Chief Executive and became a member of the Executive Management Team.

Matthew is a qualified quantity surveyor and graduated with a degree in Construction from Nottingham Trent University. He has 22 years' experience within the industry.

3 **BARBARA RICHMOND (59)**
GROUP FINANCE DIRECTOR

Barbara Richmond joined the Board of Redrow in January 2010, bringing with her a proven track record, with over 20 years' experience as Group Finance Director at a number of UK listed companies including Inchcape plc, Croda International PLC and Whesoe plc.

She has a strong background in both manufacturing and retail, as well as having completed a number of major acquisitions and disposals throughout her career.

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.

4 **GRAHAM COPE (55)**
COMPANY SECRETARY

Graham Cope joined Redrow as Head of Legal in November 2002 and was appointed Company Secretary two months later. He is Company Secretary to the Main Board and Secretary to all Committees.

Graham has over 25 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.

5 **NICK HEWSON (61)**
SENIOR INDEPENDENT DIRECTOR

Nick Hewson joined the Redrow Board in December 2012. His business career to date has been spent mainly in the property industry, from commercial to residential. Nick became the Senior Independent Director of the Company on 7 November 2018, following the conclusion of the 2018 Annual General Meeting.

Nick is a Non-Executive Chairman of Supermarket Income REIT plc and 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.

6 **SIR MICHAEL LYONS (69)**
NON-EXECUTIVE DIRECTOR

Sir Michael Lyons joined the Redrow Board in January 2015. In 2014, he chaired the Lyons Housing Commission to produce a road map for increasing house building in this country.

He is also Chairman of the English Cities Fund, which undertakes large scale urban regeneration schemes in a number of places and is Chairman of SQW Group and a strategic adviser to CBRE.

Prior to this, following a long and distinguished career in local government, Sir Michael completed a four year term as Chairman of the BBC and has held a range of non-executive positions across the three sectors.

7 **VANDA MURRAY (58)**
NON-EXECUTIVE DIRECTOR

The Board appointed Vanda Murray with effect from 1 August 2017. Vanda has substantial Non-Executive Director and Remuneration Committee experience.

She was appointed Non-Executive Chair of Marshalls plc in May 2018 and holds Non-Executive roles with Bunzl plc, where she is Senior Independent Director, Manchester Airports Holdings Limited and Just Childcare Holdings Limited. Vanda is also Pro-Chancellor and Chair of Governors at Manchester Metropolitan University.

Vanda has a BA (Hons) in European Business Administration and a French Business Diploma completed at Neoma Business School in Reims. She is a Fellow of the Chartered Institute of Marketing.

Vanda was awarded an OBE in 2001 for services to business and to exports.

BOARD EXPERIENCE

- Finance
- Property
- Operational
- Sustainability

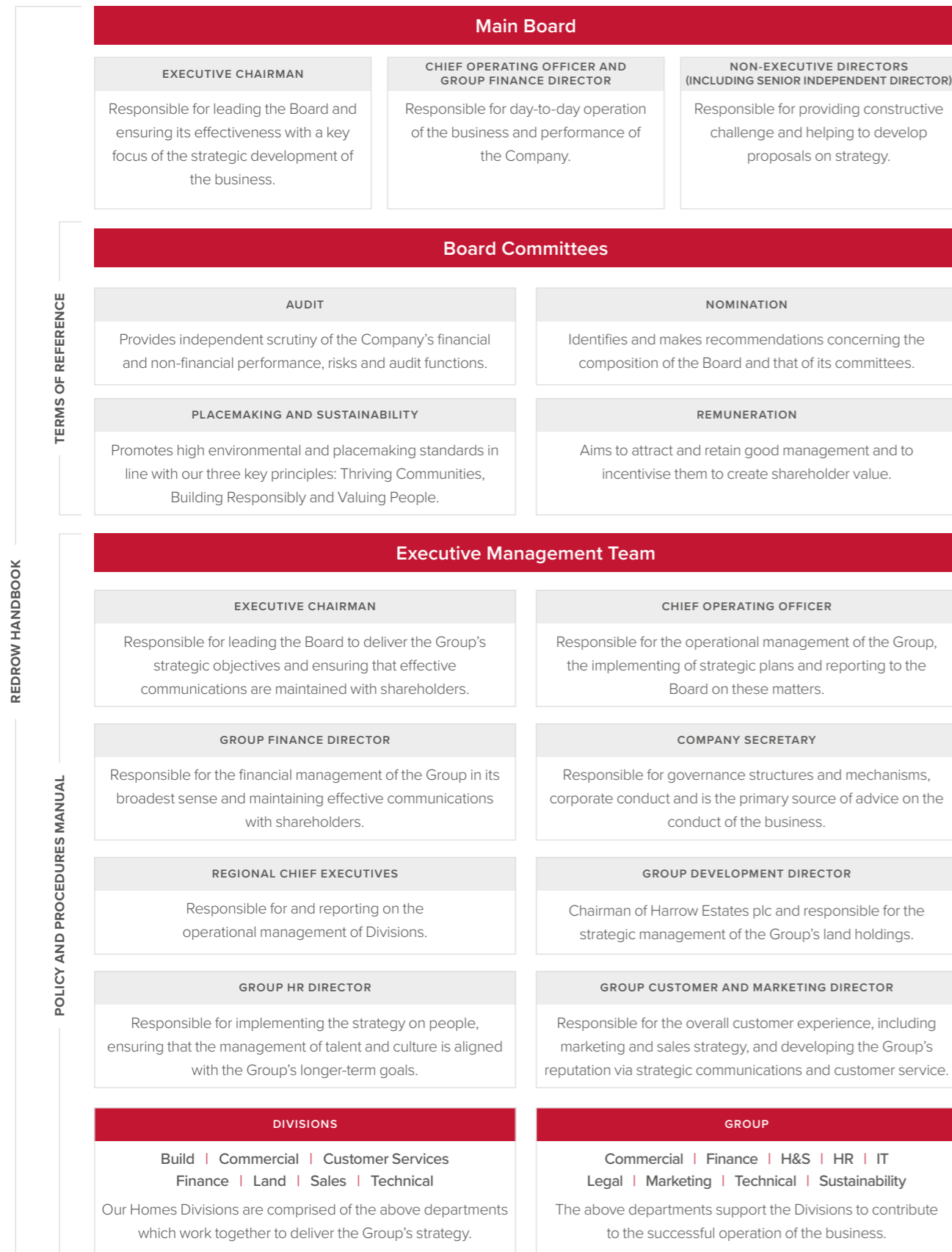
COMMITTEE MEMBERSHIP

- Main Board
- Audit Committee
- Nomination Committee
- Remuneration Committee
- Placemaking and Sustainability Committee

GOVERNANCE REPORT

Corporate Governance Report *continued*

REDROW GOVERNANCE STRUCTURE



REDROW HANDBOOK

POLICY AND PROCEDURES MANUAL

INTRODUCTION

This report sets out the Company's compliance with the Code issued by the Financial Reporting Council and describes how the governance framework is applied by the Company.

COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE

The Directors have considered the contents and requirements of the Code and confirm that throughout the year ended 30 June 2019 the Company has been compliant with the provisions of the Code, as explained further in this report, other than as set out in the table below.

Provision	Reason for non-compliance	Explanation
A.3.1 – the Chairman should be independent upon appointment	John Tutte, previously the Chief Executive, succeeded Steve Morgan as Chairman on 1 April 2019 and therefore did not meet the independence criteria set out in B.1.1 of the Code on appointment	<p>The succession plan for Steve Morgan, being the founder and previous Chairman of the Company, was considered extensively by the Nomination Committee.</p> <p>John Tutte has a wealth of experience and knowledge of the Company and the Board considered it to be in the best interests of the Company for him to succeed Steve as Chairman. The appointment has delivered on the Nomination Committee's objective to provide for a smooth transition following Steve stepping down.</p> <p>Matthew Pratt, previously a Regional Chief Executive of the Company, was appointed as Chief Operating Officer with effect from 1 April 2019, which allowed the Company to maintain a clear division of responsibilities between himself and John Tutte as the Executive Chairman. The division of these responsibilities can be seen on page 44. A written statement of the division of these responsibilities is reviewed and approved by the Board each year.</p> <p>See page 56 for a more detailed explanation of the appointment.</p>

GOVERNANCE STRUCTURE

Governance is a key priority of the Board and the governance structure is set out in the diagram opposite. Each component within the structure is governed by a particular set of rules, whether it is the Redrow handbook, the policies and procedures manual and/or the terms of reference. Each of these are regularly reviewed and are updated in line with best practice and legislative or regulatory changes.

FUTURE GOVERNANCE CONSIDERATIONS

The Board keeps fully apprised of developments in corporate governance given the importance governance plays in the long-term success of a company. There were a number of key developments introduced in 2018, which will apply to the Company's financial year ending 30 June 2020. The developments of particular note were:

- Section 172 reporting – the new requirement to include an explanation in the Annual Report of how the Directors have carried out their statutory duty to act in a way which they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard to key stakeholders (including employees, suppliers, customers and communities); maintaining a reputation for high standards of business conduct; environmental impact; and likely long-term consequences of decisions. Whilst the inclusion
- CEO pay ratio – the new requirement to include the pay of the most senior Executive Director calculated against the 25th, median and 75th percentile of UK employees' pay and presented in the Directors' Remuneration Report, along with a supporting narrative. Such disclosure shall also assist the Remuneration Committee in fulfilling their widened remit of taking into account workforce remuneration and related policies when setting Director remuneration.
- Culture – a renewed focus on culture has been introduced with the 2018 Code, whereby the Board should ensure that there is a culture which aligns values of the Company with strategy and should also assess long-term value preservation. Steps have been implemented during the year to ensure that culture, values and strategy remain high on the Board's agenda.
- Board level workforce representation – the new requirement to ensure that the workforce is represented at Board level to enable the Board to more easily understand the views of the wider workforce. The Board has discussed

of a specific report relating to the section 172 duty is a new requirement, the duty itself was introduced with the Companies Act 2006 and has therefore been carried out by the Directors since its imposition.

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the various methods available for such representation and has appointed Vanda Murray as the designated Non-Executive Director responsible for facilitating such engagement.

Throughout the year the Company has been mindful of these developments, along with others, and has accordingly introduced new practices, or adapted existing practices where appropriate. We look forward to reporting fully on these matters in our 2020 Annual Report.

THE BOARD

The Board comprises an Executive Chairman, two Executive Directors and three Independent Non-Executive Directors, one of which acts as the Senior Independent Director.

Executive Chairman and Chief Operating Officer - Division of Responsibilities

The Company has separate roles for the Executive Chairman and Chief Operating Officer, ensuring 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 division of responsibility and accountability between the roles is well defined and using such a balanced approach ensures that no one individual has unfettered powers of decision.

Executive Chairman

John Tutte, as Executive Chairman, is primarily responsible for:

- leading the Board to ensure optimum effectiveness;
- encouraging a culture of openness and debate;
- taking a leading role in determining the Board's composition and structure;
- ensuring that effective communications are maintained with shareholders; and
- meeting with the Non-Executive Directors without the presence of the Executive Management Team.

Chief Operating Officer

Matthew Pratt, as Chief Operating Officer, is responsible for:

- operational management of the Group;
- implementing strategic plans with the assistance of the Executive Management Team;
- ensuring that the visions and values of the Company are properly communicated across the Group; and
- reporting on these to the Board.

These responsibilities held by Matthew Pratt are the responsibilities previously held by John Tutte when he occupied the position of Group Chief Executive of the Company.

Senior Independent Director

Nick Hewson was appointed as the Senior Independent Director on 7 November 2018, having succeeded Debbie Hewitt in this position.

Nick has a wealth of experience as a Non-Executive Director and, having been on the Board since 2012, has a good understanding of the business.

The following additional responsibilities fall within the remit of the Senior Independent Director:

- acting as a sounding board for the Executive Chairman and supporting him in ensuring the Board is effective and that constructive relations are maintained;
- being available to shareholders in order to understand their issues and concerns in order to relay to the Board; and
- leading the evaluation of the performance of the Executive Chairman and obtaining views from other Directors.

Non-Executive Directors

The role of the Non-Executive Directors within the Company is essential in order to view the Group objectively and provide constructive challenge to the Executive Directors and scrutinise performance. They have a good understanding of the business and bring a range of skills and experience to the discussions of the boardroom. The diversity and skills brought into the Company by the Non-Executive Directors is crucial to developing the strategy of the Group.

The Non-Executive Directors play a vital role in occupying seats on the Board's Committees and they are positioned in such way that the Committees benefit from their expertise and background.

Company Secretary

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 and the Company Secretary will assist in arranging such advice.

DIRECTORS' AND OFFICERS' INSURANCE

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

APPOINTMENTS AND RE-ELECTIONS TO THE BOARD

The appointments of the Non-Executive Directors are generally made for three-year terms. Following the assessment on the effectiveness of the Directors, the Nomination Committee will make recommendations to the Board on re-appointments.

The Nomination Committee has recommended the re-appointment of each of the Executive Directors and Non-Executive Directors. The Nomination Committee report can be found on pages 55 to 57.

The Board believes that presently the balance of Non-Executive and Executive Directors is effective and contains the appropriate mix of skills and experience for the Board to continue successfully. The composition is compliant with principle B.1.2 of the Code as the ratio of Independent Non-Executive Directors to Executive Directors, excluding the Chairman, is 3:2 (60%).

The Board, having been informed of the principles and provisions of the Code on election and re-election, including that there should be a formal, rigorous and transparent procedure for the appointment of new directors to the Board, and that re-election is subject to continued satisfactory performance, has decided that all Directors will be submitting themselves for re-election at the Annual General Meeting.

The Board has satisfied itself that all Directors who will be submitting themselves for re-election continue to perform satisfactorily. Details of appropriate Annual General Meeting Resolutions will be found in the Notice of Annual General Meeting which will be sent to shareholders separately.

APPOINTMENTS TO EXTERNAL BOARDS

Prior to Executive Directors and Non-Executive Directors taking on any additional responsibility outside of the Group, an assessment is undertaken to determine whether this will compromise their ability to commit sufficient time to the Company to properly discharge their responsibilities or create any potential conflicts. In making the assessment, the Board considers the mandates attributable to such positions, in line with the scoring mechanism used by Institutional Shareholder Services, to determine whether a person is overboarded. The Board does not consider that any of its Directors are overboarded and is satisfied that sufficient time and energy is devoted to the Company by each Director.

ROLE OF THE BOARD

The Board is responsible for putting in place the strategic plans for the Group and providing the leadership required in order to achieve its vision and goals.

There are matters which the Board delegate to Committees, the Executive Management Team and other relevant management bodies in order to ensure that the Group is operating efficiently and effectively.

In order to ensure that the Board fulfil their statutory duties as Directors, there is a formal schedule of matters reserved specifically for the Board's decisions. The matters reserved include:

- approval of the Group's long-term objectives and strategy;
- approval of the Annual Report, preliminary and half-yearly financial statements, trading updates and the recommendation of dividends;

- approval of any significant changes in accounting policies or practices; any changes relating to capital structure and approval of treasury policies;
- ensuring the maintenance of a sound system of internal control and risk management;
- assessing the prospects and viability of the Group;
- 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 the Group's Health and Safety policy;
- review of overall corporate governance arrangements; and
- appointment and removal of the Company Secretary.

Long-term performance and shareholder value relies on high quality corporate governance and the Board is responsible for maintaining strong governance practices and regularly reviewing the Group's governance structure as illustrated on page 42.

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 the Company's 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 sufficiently in advance of the meetings to allow adequate time for review to enable informed debate and challenge at meetings and include key strategic, operational and financial information.

Where a Director is unable to attend a meeting, they are encouraged to discuss any issues arising with the Executive Chairman or Chief Operating Officer as appropriate. If a Director has a concern about the running of the business, the minutes should accurately reflect this. Should any Director resign from their position as a result of unresolved concerns in the Company, they are requested to submit a written statement to the Executive Chairman outlining their concerns for circulation to the Board. There were no statements received of this nature for the year ended 30 June 2019.

Attendance by individual Directors at Board meetings is set out on page 46.

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 Management 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

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Corporate Governance Report *continued*

TABLE OF ATTENDANCE

Name	Role	Attendance at Meetings
Steve Morgan ¹	Chairman	4/4
John Tutte	Executive Chairman	6/6
Matthew Pratt ²	Chief Operating Officer	2/2
Barbara Richmond	Group Finance Director	6/6
Debbie Hewitt ³	Senior Independent Director	2/2
Nick Hewson	Senior Independent Director	6/6
Sir Michael Lyons	Non-Executive Director	6/6
Vanda Murray	Non-Executive Director	6/6

¹ Steve Morgan stepped down as Chairman on 31 March 2019 and attended all 4 meetings which were held from 1 July 2018 to 31 March 2019.

² Matthew Pratt was appointed as Chief Operating Officer on 1 April 2019 and attended both meetings which were held from 1 April 2019 to 30 June 2019.

³ Debbie Hewitt stepped down as Senior Independent Director on 7 November 2018 and attended both meetings which were held from 1 July 2018 to 7 November 2018.

understanding from outside the Company which enables them to challenge and help develop proposals on the Company's strategy. All Non-Executive Directors holding office during the year ended 30 June 2019 are considered to be independent.

The details of the Directors' respective experience are set out in their biographical profiles on pages 40 to 41.

Under the Code, at least half the Board, excluding the Chairman, should comprise Non-Executive Directors determined by the Board to be independent. The Board currently comprises one Executive Chairman, two Executive Directors and three Independent Non-Executive Directors in compliance with the Code.

RELATIONSHIP AGREEMENT

The Company is party to a Relationship Agreement with Bridgemere Securities Limited and Steve Morgan, which regulates the relationship between the parties and complies with the requirements of the Listing Rules, including Listing Rule 9.2.2AR(2)(a) and Listing Rule 6.1.4DR. In accordance with the requirements of Listing Rule 9.8.4R(14), the Board confirms that the Company complied with the independence provisions set out in the Relationship Agreement during the period under review, and, so far as the Company is aware, Bridgemere Securities Limited, Steve Morgan and their associates complied with the independence provisions set out in the Relationship Agreement during the period under review.

BOARD PERFORMANCE EVALUATION

In line with the Code, each year a formal performance evaluation of the Board and its Committees is undertaken.

Last year, the evaluation highlighted that there was possible scope for a more rigorous evaluation of the performance of the Board. With this in mind, and in accordance with the Code, Independent Audit were engaged to undertake an external formal evaluation of the performance of the Board and each of

its committees during the year ended 30 June 2019. Other than the board evaluation, Independent Audit has not undertaken any work of any kind for the Company.

Given the significant period of change which the Board was going through, with a number of key Board members changing in the year, the Executive Chairman and the Company Secretary met with Independent Audit to discuss the objectives of the review, following which a tailored questionnaire was produced by Independent Audit.

The questionnaire was completed by all members of the Board and each member of its Committees. Members of the Executive Management Team and key external advisors were also invited to participate in the relevant questionnaires. The purpose of widening the participant pool was to gain a deeper understanding of the perception of the Board from non-Board members, which was a useful feedback tool.

Independent Audit compiled a report on the effectiveness of the Board following receipt of all responses and they were invited to display their findings at the meeting of the Board in June 2019. In summary, the results were very positive with interaction between members of the Board and Committees and the Executive Management Team continuing to be strong. The main observations from the evaluation were:

- the Board works on a basis of trust and openness and is making the right impact;
- the quality of chairmanship was highly regarded in promoting inclusive discussions;
- meeting arrangements were rated highly, with sensible agendas and useful board papers;
- there was unanimous agreement that the organisation has a good focus on compliance and the Board have good oversight of the Group's financial health, organisational controls and cyber risks; and

- Board members were clear on what the Board wants to achieve and there is a good balance between short-term performance and long-term consequences.

The evaluation also identified the following areas for improvement which will continue to be addressed over the coming year:

- renewed focus on preparing for crises which could impact the Group and ensuring that contingencies and mitigations are in place;
- ensuring that the Board allocates sufficient time to overseeing organisational culture to ensure that it aligns with the Board's expectations; and
- possible scope for further consideration of how emerging technology in the market could bring strategic opportunities and risks.

As a result, the Board considers that it continues to operate effectively with meetings to facilitate and debate decision making.

2018 Evaluation

Recommendations	Action taken
Continued focus on longer term strategic objectives of the Group	More time dedicated to dealing specifically with the Group's long-term strategic objectives in the Board meeting.
Further consideration for the longer term succession planning of the Executive Management Team	Remained as a priority on the Board's agenda, recognising that careful succession planning of key personnel is an important factor to the long-term success of the Company.
Scope for a more rigorous evaluation of performance	During the year, Independent Audit were engaged to conduct a formal external review of the Board and each of its Committees and they were invited to display the findings of the evaluation directly to the Board.

PROFESSIONAL DEVELOPMENT

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 the Executive Management Team and the divisional Management Teams.

The Company Secretary assists the Executive Chairman in the co-ordination of the comprehensive induction programme of all Directors 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. The programme is tailored accordingly to:

- provide an understanding of their role within the Company;
- build an understanding of how the Board operates within the structure of the Group;
- introduce key Group personnel and external advisors;
- enhance their knowledge of the Group's culture and business; and
- if applicable, prepare the Director for Committee memberships by additionally providing induction material relevant to the specific committee.

Ongoing training continues after appointment and the Executive Chairman endeavours to review the training and development needs of the Directors at least annually. The aim is to ensure the further enrichment of their skills and experience so that they continue to fulfil their role effectively on the Board and its Committees.

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

The Executive Chairman and all Non-Executive Directors had an annual appraisal conducted by the Senior Independent Director.

COMMITTEES

The Board is supported by Audit, Nomination, Remuneration and Placemaking and Sustainability Committees and their memberships, roles and activities are set out in separate reports; the Audit Committee report can be found on pages 50 to 54; the Nomination Committee report on pages 55 to 57; the Directors' Remuneration Committee report on pages 60 to 79 and the Placemaking and Sustainability Committee report can be found on pages 58 to 59.

Each Committee 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 and the Nomination Committee are chaired by Nick Hewson, the Remuneration Committee is chaired by Vanda Murray and the Placemaking and Sustainability Committee is chaired by Sir Michael Lyons.

The Board completed a performance evaluation of each of its Committees during the financial year ended 30 June 2019. The evaluation reports were discussed at a meeting of the Committees and it was concluded that they were contributing and functioning effectively and were complying with their Terms of Reference.

GOVERNANCE REPORT

Corporate Governance Report *continued*

CAPITAL STRUCTURE

The information of the capital structure of the Company is included in the Directors' Report on pages 81 to 82.

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 an important consideration as part of the selection criteria used to assess candidates to achieve a balanced Board.

The table below sets out the current position of the Company on a gender basis.

	Female	Male
Main Board	2 (33%)	4 (67%)
Executive Management Team	2 (22%)	7 (78%)
Direct reports to Executive Management Team	12 (34%)	23 (66%)
Redrow employees at June 2019	810 (35%)	1,515 (65%)

WORKFORCE ENGAGEMENT

The Board believes that greater engagement with the workforce is essential to preserving long-term value. Valuing People is a fundamental part of the Group's strategy and understanding the views of employees and actively encouraging their participation sits highly on the Board's agenda. During the year, the Company has:

1. Enhanced employee communication via the new intranet, Engage

Engage is available for all employees of the Company and is now the hub for sharing news and communications across the business. It encourages employees to actively participate and have a voice in decisions being made by the Company.

2. Introduced employee engagement meetings

Each department across the business has an elected representative who attends regular engagement meetings to put forward the views and ideas of the department. Each employee has access to their engagement representative and has the opportunity to discuss matters arising from these meetings. All meeting materials and action plans following meetings are made available to all employees via Engage.

3. Implemented changes following feedback from employees through the INsight survey

The INsight survey is distributed annually to all employees and in 2019 there was a 91% participant rate. The feedback from employees was anonymised.

Following the results, workshops were carried out with each team to discuss the findings and feedback was collated by the Engagement team. Resulting from the feedback, commitments and themes for the year were posted on Engage with regular progress reports posted on these.

The following are just a few examples of changes made as a result of employee engagement through the INsight survey:

- Enhanced maternity and paternity leave;
- Introduction of flexible working; and
- Introduction of enhanced flexible holidays.

4. Introduced a direct communication channel to the Board

Employees now have the opportunity to email the Board and Executive Management Team to ask them any question relating to the business. Employees have the option to anonymise their name, division and job title. All questions asked are discussed at the next Board meeting and responses are posted on Engage for all employees to view.

The objective of such an initiative was to ensure that the Board is reachable at all levels across the business and to reinforce the culture of openness and transparency throughout the Group.

5. Increased focus on the promotion of share ownership through employee share plans

The Company supports employee share ownership at all levels as it directly aligns employee interests with those of shareholders.

Share ownership encourages employees to take a wider view of the Group. Thinking like a shareholder, as well as an employee, provides for a deeper perspective and encourages the workforce to be more inquisitive as to whether they can individually and collectively improve to create even more shareholder value.

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.

During the year ended 30 June 2019, the Chairman, the Chief Executive Officer/Chief Operating Officer and the Group Finance Director, together with the Senior Independent Director, also held a number of meetings with significant shareholders and subsequently briefed the Board on issues discussed at these meetings.

Following the full year and half-yearly results' announcement in September 2018 and February 2019, the Executive Chairman and the Group Finance Director met current and potential significant shareholders. This included visits to London and

feedback from these meetings was independently collated and disseminated to the Board.

Last year the Annual General Meeting took place at the offices of Instinctif Partners in London. All Directors attended the Annual General Meeting on 7 November 2018, save for Barbara Richmond who was unable to attend the meeting due to an unexpected medical condition and therefore sent her apologies. Barbara was fully apprised of the matters of the meeting upon her return.

Shareholders are encouraged to attend the 2019 Annual General Meeting, which presents an opportunity for all shareholders attending to ask questions formally during the meeting and informally afterwards to the Directors.

Formal notification of the 2019 Annual General Meeting will be sent to Shareholders at least 21 working days in advance.

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

GRAHAM COPE
Company Secretary

4 September 2019

GOVERNANCE REPORT

Audit Committee Report

“The Committee is responsible for overseeing the Group’s reporting processes, and the audit thereof, both internal and external, by providing independent scrutiny, monitoring and reviewing of the effectiveness of the Company’s internal controls and risk management systems.”



NICK HEWSON
Chairman of the
Audit Committee

COMMITTEE MEMBERSHIP AND MEETINGS

The three Members of the Committee are Independent Non-Executive Directors. Nick Hewson, the Senior Independent Director, is Chairman of the Committee and is a Fellow of the Institute of Chartered Accountants in England and Wales. Biographies of the Members of the Committee can be found on pages 40 to 41.

The Board believes that Nick Hewson has the requisite financial qualifications

and experience to chair the Committee and the balance of the Committee has the appropriate level of experience to fulfil its Terms of Reference and the requirements of the Code.

Debbie Hewitt retired as a Member of the Board and the Committee with effect from 7 November 2018.

The Group Finance Director and the Chief Information Officer attend meetings by invitation and both were present at all the meetings in the year ended 30 June 2019. The external Auditors, PricewaterhouseCoopers LLP (“PwC”), and the Finance Director – Group Services, who had the responsibility for Internal Audit of the Company, were also in attendance at all meetings.

Table of Attendance

Name	Role	Attendance at Meetings
Nick Hewson	Chairman	4/4
Debbie Hewitt ¹	Member	1/1
Sir Michael Lyons	Member	4/4
Vanda Murray	Member	4/4

¹ Debbie Hewitt attended the meeting which was held prior to her retirement as a Member of the Committee.

The Committee met four times in the year ended 30 June 2019 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 has also had the opportunity to meet separately with the external Auditors and Internal Audit following the final audit and the review of the year ended 30 June 2019 financial statements. No matters of concern were raised within these discussions. The Committee Chairman met with the Engagement Partner of the external Auditors. He also met with the Finance Director – Group

Services to discuss Internal Audit matters. The Company Secretary acts as Secretary to the Committee.

RESPONSIBILITIES AND TERMS OF REFERENCE

The key responsibilities of the Committee are:

- monitoring the timeliness and integrity of the financial statements and 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 having regard to the long-term prospects and viability of the Company;
- reviewing and overseeing the effectiveness of Internal Audit;
- monitoring the timeliness of the tender process for the external Auditors, considering what is in the best interests of the members of the Company, and facilitating the tendering process at least every ten years;
- making recommendations to the Board in relation to the appointment and removal of the external Auditors and approving the remuneration and terms of engagement;
- determining the criteria used in order to assess the quality of the external audit and reporting on any significant issues considered in relation to the financial statements;
- reviewing and monitoring the external Audit process and independent activity of the external Auditors as well as the nature and scope of the external Audit and its effectiveness;
- reviewing the Company’s procedures for detecting fraud and the adequacy of its systems and controls for the prevention of bribery;
- reviewing the Company’s procedures for data management and cyber resilience;
- reviewing the Company’s procedures and controls for the prevention of tax evasion and the facilitation of tax evasion; and
- reviewing the Company’s procedures for raising concerns.

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

AUDIT COMMITTEE REPORTING ON SIGNIFICANT ISSUES

The primary areas of judgement and estimation uncertainty which were considered and challenged by the Committee and how these were addressed are set out below in the paragraphs titled (i) Valuation of inventory and (ii) Defined benefit pension scheme valuation.

The Group Finance Director and Finance Director – Group Services are available to attend meetings 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 the external Auditors’ testing of controls and processes for estimating as well as the adequacy of disclosures that management propose to be made in financial statements.

(i) Valuation of inventory

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 and any forward land against which provisions have been made.

(ii) 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 judgement areas made including relevant actuarial advice that has been received. In addition, the Committee also reviews the external Auditors’ report benchmarking pension actuarial assumptions. The Scheme was in surplus as at 30 June 2019.

The Committee concluded that appropriate judgements had been applied in determining the estimates and that adequate disclosures had been made.

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 2018	A review of the full year 2018 results, including the Annual Report and a report from the external Auditors; Consideration of the Group risk assessment process, viability statement and a going concern review; Tender process for the appointment of the new external Auditors, strategy and timetable discussed and agreed; Discussion regarding the latest Business Performance Review; A review of the compliance with the Anti-Bribery Policy; and An update on cyber security.
November 2018	An evaluation of the presentations received following the tender for the new external Auditors; and The recommendation to the Board of the appointment of the new external Auditors.
February 2019	A review of the 2019 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 2019 and associated fees; A review of the Risk Register; Discussion regarding the latest Business Performance Review; A review of the effectiveness of the external Audit process; A review of the independence and objectivity of the external Auditors; A further update on cyber security; and An update on compliance with the General Data Protection Regulation 2018.
June 2019	A review of the appropriateness of the Group’s accounting policies; Discussions regarding business continuity of the Group; 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 the Group’s Anti-Facilitation of Tax Evasion Policy; A review of internal controls across the whole business; An update on Internal Audit and its strategy; Discussion regarding the latest Business Performance Review; An update on insurance cover for the Group; A review of the Terms of Reference of the Committee; Undertook a Performance Evaluation of the Committee; and A further update on cyber security and compliance with the General Data Protection Regulation 2018.
September 2019	A review of the full year 2019 results, including the Annual Report and a report from the external Auditors; and Consideration of the Group risk assessment process, viability statement and a going concern review.

GOVERNANCE REPORT

Audit Committee Report *continued*

AUDIT INDEPENDENCE

PwC were appointed as the Company's external Auditors in 1999 following their merger with Coopers & Lybrand who were appointed in 1987. The current Audit Partner from PwC, Arif Ahmad, commenced his tenure following the conclusion of the audit of the year ended 30 June 2015.

Due to the length of time that PwC have been the Company's external Auditor, and in recognition of the Order of the Competition and Markets Authority in relation to FTSE 350 companies which would require the Company to change its statutory auditor for the June 2020 audit, the Committee considered that it was prudent to undertake a tender of the external Audit in 2018 so as to be able to implement the proposed changes well before 2020.

In mid-2018, the Company commenced a formal tender process for the appointment of the new external Auditors. The tender process was supervised by the Audit Committee, which made a recommendation to the Board on the appointment of the replacement external Auditors.

Following the conclusion of the tender process, the Company announced on 9 November 2018 that the Board had approved the proposed appointment of KPMG LLP as the Company's external Auditor for the financial year commencing 1 July 2019. The appointment remains subject to approval by shareholders at the Annual General Meeting to be held on 6 November 2019 and should the resolution be passed, the appointment will take effect from the conclusion of that meeting. Other than providing internal audit services to Marshalls plc, of which Vanda Murray is appointed as Chair, KPMG LLP has no connection to the Members of the Committee.

PwC were reappointed as the external Auditors by shareholders at the 2018 Annual General Meeting and will resign as Auditor at the conclusion of the 2019 Annual General Meeting.

The Committee confirms that there were no contractual obligations that acted to restrict the Committee's choice of external Auditors.

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 Auditors' 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 Auditors' 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 have the Company purchased liability insurance for them.

Non-audit services provided by the external Auditors during the year ended 30 June 2019 comprised audit related assurance

services, in the form of an independent review of the half-yearly statements and taxation compliance services in the form of iXBRL tagging.

All non-audit service fees for the work undertaken in the financial year were approved by the Committee in line with the above formal policy. As a result of this policy and additional discussions with the external Auditors, the Committee is satisfied that the independence of PwC was not compromised because of this additional work.

Details of fees paid to PwC for audit and non-audit purposes are disclosed on page 103.

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, and 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 the Group. The Executive Directors, the Company Secretary, Regional Chief Executives, Group Human Resources Director, Group Customer and Marketing Director and Group Development Director ("the Executive Management Team") 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;
- the Group 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 the meetings of the Board, Executive Management Team and divisional boards. 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 are tested.

Throughout the year, the Committee carried out assessments of internal control by considering documentation from the Executive Directors and the internal audit function as well as taking into consideration events since 30 June 2019. The internal controls extended to the financial reporting process and the preparation of consolidated financial statements. The basis for the preparation of consolidated financial statements has been undertaken in accordance with the Company's Accounting policies as set out on pages 98 to 102.

The Committee therefore confirms that it is satisfied that the system of 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 and more often as necessary. The updated and reviewed Risk Register is then discussed and approved by the Committee. In addition, the Executive Management Team, through its regular meetings, reviews key areas of risk on an ongoing basis and considers whether the internal controls identified in relation to those risks remain appropriate.

INSURANCE

The Board has appointed an experienced broker to advise on and co-ordinate all insurance matters across the Group and

they liaise closely with appropriate Group personnel at head office and within the divisions and report 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 the external Auditors 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 Review, a risk-based programme that was designed, based on the Risk Register, to be carried out regularly at each division of the Group. 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 and these reports are then discussed at the next Committee meeting. In addition the Committee at its meetings reviews the progress made by the relevant division, following the completion of a Business Process Review, against the Internal Audit process.

The Company has in place a business planning process whereby each land transaction, following completion of the development, is tested against its original appraisal to ascertain its performance and to improve cash flow forecasting. These Post Completion Reports are provided to the Committee and are discussed at each meeting.

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 allows concerns to be raised anonymously and includes a non-retaliation policy whereby all concerns raised in good faith will be protected, as will those against whom claims are made which turn out to be unfounded.

The policy contains the contact details of the Company Secretary and Senior Independent Director and also includes an independent reporting hotline where independent and confidential advice can be provided on whistleblowing matters.

During the year, the Company Secretary reported to the Committee on any alleged or suspected wrongdoings reported through the whistleblowing procedures or otherwise. All such incidents in the year were investigated and disciplinary action was taken against the relevant employees where warranted.

GOVERNANCE REPORT

Audit Committee Report *continued*

The Whistleblowing Policy is formally reviewed and approved each year by the Committee. During the year, there were no changes made to the policy.

BRIBERY ACT

Following the introduction of the Bribery Act 2010 the Company put in place a formal 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. There were no changes made to the policy during the year.

The policy contains the definition of bribery and corruption, providing examples of how this could work in the context of the Company's industry and also offering guidance as to what would be considered acceptable behaviour. The policy deals with all matters of bribery and corruption and clarifies the Company's strict approach to any form of facilitation payment or conflict of interest.

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 the Company's internal e-learning facility, each employee will be required to complete a mandatory compliance test which reminds each employee of their obligations.

Each division across the Group maintains its own Gift Register whereby all gifts received over the relevant threshold must be recorded. Gift authorisation forms must be formally approved and retained by each division. Regular reviews of the Gift Register are undertaken in order to detect any potential issues arising under The Bribery Act. A combined Group-wide register is provided to the Committee to allow risk assessments to be carried out by the Committee.

THE CRIMINAL FINANCES ACT

Following the introduction of the Criminal Finances Act 2017 on 30 September 2017, the Company put in place a policy relating to the facilitation of tax evasion. The policy is applicable to every employee and the Employee Handbook, which is provided to each new employee, includes reference to the policy and the Group's zero-tolerance stance on tax evasion and its facilitation. As with the Bribery Act policy, the Company Secretary ensures that the policy is complied with and reports to the Committee on matters falling within the policy.

The Anti-Facilitation of Tax Evasion policy is formally reviewed and approved each year by the Committee. There were no changes made to the policy during the year.

PERFORMANCE EVALUATION

During the year, Independent Audit carried out an evaluation of the Audit Committee.

Having discussed the objectives of the evaluation with the Executive Chairman and Company Secretary, Independent Audit produced a questionnaire bespoke to the Audit Committee. The Members of the Committee, as well as those people who regularly attend the Committee meetings by invitation, were invited to participate in the evaluation.

A report was presented to the Members of the Audit Committee by Independent Audit. The findings of the evaluation were discussed and the Committee was found to be effective, concluding that it had fulfilled its remit and had in place appropriate Terms of Reference.

The evaluation highlighted that the Committee was particularly strong in actively supporting the external Auditor through guidance and making sure they have the right understanding. It was also agreed that the Committee maintains a clear focus and benefits from good and open discussions with a clear picture of the operation of the risk management framework.

The review found that the existing and rigorous assessment of the performance of the external Auditor might be codified and systematised so as to ensure that all aspects of the performance of the external Auditor were covered and a codified and therefore consistent record of progress could be tracked and reported. The Committee agreed to implement these recommendations to coincide with the appointment of the new Auditor.

The Company has complied with the provisions of The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 for the year ended 30 June 2019.

NICK HEWSON
Chairman of the Audit Committee

4 September 2019

GOVERNANCE REPORT

Nomination Committee Report

"Identifying the requirements of the business and nominating suitable candidates compatible with those requirements is a key priority of the Committee. Careful succession planning for the Board and Senior Executives is crucial to the long-term success of the Company."



NICK HEWSON
Chairman of the
Nomination
Committee

COMMITTEE MEMBERSHIP
AND MEETINGS

All Members of the Committee are Independent Non-Executive Directors with Nick Hewson, the Senior Independent Director, being Chair of the Committee. The other Members of the Committee during the period ended 30 June 2019 were Debbie Hewitt, Sir Michael Lyons and Vanda Murray.

Debbie Hewitt retired as a Member of the Board and the Committee with

effect from 7 November 2018.

The biographies of the Members of the Committee can be found at pages 40 to 41.

Table of Attendance

Name	Role	Attendance at Meetings
Debbie Hewitt ¹	Chairman	2/2
Nick Hewson	Chairman	3/3
Sir Michael Lyons	Member	3/3
Vanda Murray	Member	3/3

¹ Debbie Hewitt attended both meetings which were held prior to her retirement as a Member of the Committee.

The Committee met three times during the year ended 30 June 2019. For all meetings and where necessary, papers were circulated sufficiently in advance to allow proper consideration of all matters for discussion. The 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 for further recruitment to the Board or proposing changes to the existing Board;
- reviewing the leadership needs of the Company, both executive and non-executive, ensuring appropriate succession planning for Directors and other senior executives within the business;

- leading the process for Board appointments, ensuring they are conducted on merit and against objective criteria;
- making recommendations to the Board, including on appointment of Executive Directors and Non-Executive Directors to the Board, the re-appointment of Directors, the re-election of Directors at the Annual General Meeting and the membership of the Audit, Nomination, Remuneration and Placemaking and Sustainability Committees;
- ensuring that a formal, structured and tailored induction programme is undertaken by any newly appointed member of the Board;
- reviewing annually the time required from the Non-Executive Directors;
- satisfying itself with regard to succession planning for the Board and senior management, taking into account the challenges and opportunities facing the Company and future skills and expertise needed on the Board including development and training; and
- ensuring suitable candidates for the Board are identified through an appropriate recruitment process, giving due regard to the benefits of diversity, including gender and ethnicity, and recommended for appointment.

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

MAIN ACTIVITIES DURING THE YEAR

During the year to 30 June 2019 the Committee undertook the following activities:

- a review of the structure, size and composition of the Board;
- a review of executive succession. The Committee concluded that the present Board balance and composition remains appropriate but that it will be kept under review;
- an assessment of the Board composition and effectiveness with specific regard given to the retirement of Steve Morgan on 31 March 2019;
- an assessment of the needs of the Board, followed by the recommendation of the appointment of John Tutte as Executive Chairman and Matthew Pratt as the Chief Operating Officer;
- a review and recommendation that the Directors stand for re-election at the conclusion of the 2019 Annual General Meeting in accordance with UK Corporate Governance Code; and
- a review of the Committee's Terms of Reference.

GOVERNANCE REPORT

Nomination Committee Report

Where appropriate, the Directors were not present and did not vote when any individual proposals were discussed.

SUCCESSION

Executive Chairman and Chief Operating Officer

The appointment of the Executive Chairman and Chief Operating Officer is paramount to the effectiveness of the Board and the Company and the Board has spent a significant amount of time putting in place a long-term succession plan for the previous Chairman and Group Chief Executive.

Steve Morgan and John Tutte have been instrumental to the success of Redrow and careful planning of the Nomination Committee and the Board was necessary in order to ensure that the Company was positioned in the best way possible for continued growth and success.

The decision making process for both positions is detailed below.

Chairman

The succession plan for the Chairman has been a priority of the Nomination Committee for some time, particularly given that the founder of the Company had occupied this position for the past 10 years, in both an executive and a non-executive capacity.

When returning to the Company as Executive Chairman in 2009, Steve Morgan led the Group to growth and success through a difficult period for the industry. Given this track record, the Board values how instrumental the Chairman can be in leading the Company to create value for stakeholders and society alike.

The Nomination Committee developed a list of characteristics which were deemed essential for the succession of the Chairman role. This list was used to aid the succession plan and included the following:

- The capability to lead the Board and engage successfully with key stakeholders;
- An understanding of the key stakeholders of the Group;
- A developed understanding of the long-term strategy of the Group and a commitment to deliver that strategy; and
- Proven experience within, and a developed understanding of, the housebuilding and construction industry.

Given the history of the Company, and the position to be filled following Steve Morgan's departure, the Nomination Committee felt that such an adjustment to the Board necessitated continuity.

With this in mind and to remain focused on what has proved to be a successful long-term strategy of the Group, John Tutte was deemed to be the ideal successor for the position. Having worked with Steve Morgan for a number of years, the Board felt that it was essential to retain his skills and experience to lead the Company successfully through the period of change. As such, there was

therefore no open advertisement, nor was an external search consultancy engaged, in respect of the chairmanship role.

John Tutte joined the Board in July 2002. In September 2009 he was promoted to Group Managing Director and in July 2014 became Group Chief Executive. He qualified in civil engineering and has amassed more than 40 years' experience within the industry, having previously held the position of Chief Executive of Wilson Connolly plc.

The Committee recognises that ordinarily the Group Chief Executive should not go on to become Chairman (per provision A.3.1 of the Code), however for the reasons outlined, John Tutte was deemed the most suitable person for the role.

The separation of roles at the head of the Company has been maintained, with the Executive Chairman being responsible for running the Board and the Chief Operating Officer being responsible for the operational management of the Company's business. Further information on the division of responsibilities between the Executive Chairman and the Chief Operating Officer can be found on page 44.

Chief Operating Officer

As in the case of succession in the chairman role, criteria were drawn up by the Nomination Committee and the Board to aid the succession plan for the Group Chief Executive and the conclusions were that the following qualities would be necessary in any candidate:

- A deep understanding of the values and culture of the Group;
- A long-standing knowledge and understanding of the housebuilding and construction industry;
- The ability to manage successfully the operations of the Group; and
- The ability to form relationships with key stakeholders of the Company.

A key component of the Group's strategy is Valuing People and the Group possesses a talented employee base in which great focus is placed on development. As such, the Board greatly supports promotion from within, provided that the needs of the role and the qualities required can be clearly met.

Following this process, Matthew Pratt was identified as the ideal person to occupy the new position of Chief Operating Officer of the Group. He joined the Company in 2003 as a Chief Quantity Surveyor and later became Managing Director of the Midlands Division. In 2013, he was appointed as a Regional Chief Executive and became a member of the Executive Management Team.

Matthew Pratt has amassed over 22 years' experience within the industry and understands the needs of the Company. Having spent 16 years within the Group, he understands the culture and values of the Group and brings stability and continuity for our key stakeholders.

Senior Independent Director and Chair of the Nomination and Remuneration Committees

The Board considers that succession planning of the Board and its Committees is extremely important and believes that it currently has a good balance and diversity among its Non-Executive Directors, with each of them having relevant skills derived from serving in a range of executive and non-executive positions over many years.

On 7 November 2018, Nick Hewson replaced Debbie Hewitt as the Senior Independent Director and Chair of the Nomination Committee. Nick Hewson has substantial experience as a Non-Executive Director and, having been on the Board since December 2012, has a good understanding of the business of the Group.

Debbie Hewitt was also succeeded by Vanda Murray in her position as Chair of the Remuneration Committee. Vanda Murray has extensive Remuneration Committee experience, having held Chair positions of the Remuneration Committees in Bunzl plc and Fenner plc. She joined the Remuneration Committee of the Company on 1 August 2017 and spent a significant amount of time shadowing Debbie Hewitt, which put her in good stead to take on the role of Chair of the Remuneration Committee.

DIVERSITY

The principle of boardroom diversity is strongly supported and recognised 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 the Board recognises that diversity is an important consideration forming part of the selection criteria used to assess candidates so as to achieve a balance on the Board. With this in mind, the Board currently has not imposed a diversity quota.

The Group Human Resources Director attends the monthly Executive Management Team meetings and provides a monthly HR report which provides key statistics on Group employees as well as providing updates on employee engagement and recruitment. She reports to the Nomination Committee at least twice a year to provide an update on progress.

Gender Diversity

The Committee continues to note the target of 33% female representation on boards outlined in the 2015 Hampton-Alexander review. Following the retirement of Debbie Hewitt from the Board in November 2018, the current female representation on the Board is 33%, remaining in line with this target.

The Board believes in the benefits of cognitive diversity, from a wide range of complementary skills. The Committee will continue to aspire to maintain a diverse Board with recruitment and selection of talented individuals and with a broad range of appropriate skills, irrespective of gender or otherwise.

Ethnic Diversity

The Committee continues to monitor and review reports and recommendations relating to the composition of boards and diversity, including the Parker Review and the McGregor-Smith Review on ethnic diversity.

The Committee believes that all levels of the business should reflect a diverse workforce and that appointments to the Board will always be based on merit. The Board strictly prohibits any bias towards any particular ethnicity, creed, religious belief or otherwise.

As a national housebuilder, the Company is present in many different communities and the Board believes that the Group's workforce should be reflective of the communities we work in and the customers we create homes for, including in respect of ethnicity.

Further details of the steps taken by the Company to increase diversity and raise awareness of the importance of an inclusive workforce can be found on page 83.

PERFORMANCE EVALUATION

As part of the external Board evaluation, Independent Audit also carried out an evaluation of the Nomination Committee.

Having discussed the objectives of the evaluation with the Executive Chairman and Company Secretary, Independent Audit produced a questionnaire bespoke to the Nomination Committee. The Members of the Committee, as well as those people who regularly attend the Committee meetings by invitation, were invited to participate in the evaluation.

A report was presented to the Members of the Nomination Committee at the Board meeting in June 2019. The findings of the evaluation were discussed and the Committee was found to be effective, concluding that it had fulfilled its remit and had in place appropriate Terms of Reference.

The evaluation highlighted that the Committee was particularly strong in ensuring that the Board is of the right size, with a good mix of personalities and core skills. It also found that the Committee could have a deeper involvement in the oversight of talent management within the Company so as to grant exposure to the boardroom and Non-Executive Directors to potential successors. Key actions were agreed by the Committee to maintain progress on this. Throughout the year, good progress has been made on the longer-term succession planning of the Executive Management Team and this will remain a priority for the coming year.

NICK HEWSON
Chairman of the Nomination Committee

4 September 2019

GOVERNANCE REPORT

Placemaking and Sustainability Committee Report

“The Committee focuses on measuring the alignment of Group practices with the three themes for long-term sustainable value creation: Developing Thriving Communities, Building Responsibly and Valuing People.”



SIR MICHAEL LYONS
Chairman of the Placemaking and Sustainability Committee

COMMITTEE MEMBERSHIP AND MEETINGS

The Members of the Committee during the financial year comprised Sir Michael Lyons, who was Chairman of the Committee, Nick Hewson, Senior Independent Director, Matthew Pratt, Chief Operating Officer, Robert MacDiarmid, Group Sustainability Director, and Karen Jones, Group Human Resources Director.

Robert MacDiarmid retired as a member of the Committee on 30 June 2019.

Table of Attendance

Name	Role	Attendance at Meetings
Sir Michael Lyons	Chairman	3/3
Nick Hewson	Member	3/3
Matthew Pratt	Member	3/3
Robert MacDiarmid	Member	3/3
Karen Jones ¹	Member	2/3

¹ Due to unforeseen circumstances, Karen Jones was unable to attend one meeting of the Committee, however she was fully apprised of the matters discussed therein.

The Committee met three times during the year ended 30 June 2019. For all meetings, papers were circulated sufficiently in advance to allow proper consideration of all matters for discussion. The 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 Company's approach to sustainability and to review and approve the sustainability targets proposed by management;
- to assess the impact of the Company's 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;

- to have regard to environmental corporate social responsibility and community issues, including environmental management systems, waste and recycling management systems and energy and carbon management;
 - to ensure that the Company is continuing to create great places to live and making social, economic and environmental contributions to local areas by setting well-designed homes and amenities within attractive shared spaces;
 - to review, in advance of each meeting, a sustainability performance scorecard provided by the Sustainability Team, which assists the Committee to more clearly evaluate the relationship between the sustainability initiatives in place, or being considered, and the related performance levels being achieved;
 - to ensure that the Company supports its people on a learning and development pathway to deliver high quality products and services;
 - to ensure that there is sufficient encouragement and support given to Company employees so that they can realise their capability to contribute to the social, environment and economic health of our communities and having regard to promoting and maintaining the highest degree of physical, mental and social wellbeing in the workplace;
 - to ensure that the Company continues to be an employer of choice in the industry, valuing and respecting its diversity; providing both advantage, and equality of opportunity in recruitment, development, recognition and reward;
 - to review the Company's policies and reporting with regard to personnel recruitment, development and succession planning to ensure a sustainable and engaged workforce;
 - to have regard to the Company's involvement in the community, and the Company's policy on charitable donations and activities;
 - to have regard to the Company's developments in customer engagement and service to ensure its values are upheld; and
 - to adhere to the Company's three key principles of sustainability: Developing Thriving Communities, Building Responsibly and Valuing People.
- The Committee regularly reviews its Terms of Reference; these were last reviewed in June 2019 and are published on the Group's website (redrowplc.co.uk).

MAIN ACTIVITIES DURING THE YEAR

During the year ended 30 June 2019 the principal activities of the Committee were as follows:

- considered and approved action plans for the three sustainability themes (Developing Thriving Communities, Building Responsibly and Valuing People) and measured progress against each;
- discussed and approved the “Redrow 8” placemaking principles and its associated guide;
- regularly reviewed the placemaking and sustainability scorecard which measures progress against the sustainability targets of the Company;
- discussed the utilisation of the Company's membership of the NHS Healthy Towns Network in delivering healthier places to live through careful planning and design;
- analysed the publication showcasing the learning from the NHS England Healthy New Towns programme and the application of this learning within the Group;
- reviewed the social impact assessment and discussed utilising the research results to inform the development of a forecasting calculator in projecting the social value that a development by the Company could bring to the area;
- discussion of the work of the Biodiversity Working Group and its progress on the development of the draft of the new biodiversity strategy for the Company;
- reviewed and discussed the progress on resource efficiency projects, including the Company's approach to action on climate change and supporting a new waste minimisation campaign;
- reviewed the initiatives being undertaken in recruitment, retention and development of the employees of the Company;
- supported the Company in signing the Building Mental Health pledge whereby the Company would train mental health first aiders across the Group and implement an awareness campaign on the importance of mental health;
- supported the flexible working pilot following valuable feedback from the employee engagement mechanisms;
- monitored and reviewed the Group's health, safety and environmental performance;
- reviewed progress on the increased communication across the Group following the implementation of the new intranet, Engage;
- regularly reviewed the prospective developments in the legislative and regulatory environments;
- monitored and reviewed the Company's response to environmental legislation and regulation, ensuring the appropriate risk mitigation controls were being implemented, monitored and evaluated;

- monitored the suitability of internal and external communication of sustainability and placemaking related activities;
- supported the formulation of a health and wellbeing strategy which is being developed to improve the wellbeing of the Group's people and create a more inclusive workplace; and
- continued to review and evaluate the Group's collaboration with education partners, which is aiming to positively impact people and communities.

PERFORMANCE EVALUATION

As part of the external Board evaluation, Independent Audit also carried out an evaluation of the Committee in the form of a bespoke questionnaire. The Members of the Committee were invited to participate in the evaluation.

A report was presented to the Members of the Committee at the Board meeting in June 2019. The findings of the evaluation were discussed and the Committee was found to be effective, concluding that it had fulfilled its remit and had in place appropriate Terms of Reference.

The evaluation highlighted that the Committee benefits from a good Chairman and has engaging and focused discussions. It also found that the Committee was particularly strong in assessing the quality of external reporting on environmental goals and performance and supports the Board well in thinking through how environmental change impacts strategy. The review offered a number of suggestions for the future shape of the work of the Committee which will be considered further by the Committee. Ensuring adherence with the placemaking framework and assessing the risks and responsibilities around the communities in which the Company operates will remain priorities for the coming year.

SIR MICHAEL LYONS
Chairman of the Placemaking and Sustainability Committee

4 September 2019

GOVERNANCE REPORT

Directors' Remuneration Report

"I am pleased to present the Directors' Remuneration Report for the year ended 30 June 2019."



VANDA MURRAY OBE
Chair of the Remuneration Committee

This is my first report to you as Chair of the Redrow Remuneration Committee. I joined the Redrow Board and Remuneration Committee on 1 August 2017 and formally took over the Chair of the Committee following the AGM on 7 November 2018 and a smooth handover process, for which I would like to thank my predecessor, Debbie Hewitt.

This remuneration report is split into three sections:

Annual Statement

The annual statement with a new 'At a Glance' section sets out an overview of how our policy operates and what we paid for the year ended 30 June 2019

Remuneration Policy

A summary of the policy that was approved by shareholders at the 2017 AGM

Annual Report on Remuneration

This describes how the policy was implemented for 2018/19 and the proposed implementation for the next financial year

REWARDING PERFORMANCE

As set out in detail in the Operating and Financial Reviews, the year ended 30 June 2019 was another successful year for Redrow.

KEY STRATEGIC HIGHLIGHTS	KPIs WE USE TO MEASURE PERFORMANCE		2019 RESULTS	
		PBT		↑ 7% TO £406M
		ROCE		UNCHANGED AT 28.5%
		CURRENT LAND HOLDINGS		↑ 3% TO C28,600 PLOTS
		OUTLETS OPENED		43 OUTLETS OPENED
		EPS		↑ 67% OVER 3 YEARS TO 92.3P

A sixth consecutive year of record results

Annual bonus

This strong performance resulted in maximum payment for three of the 2018/19 bonus measures (ROCE, outlets opened and land holdings) whilst the PBT delivered of £406m, was on-target for the year. This resulted in a bonus outcome of 85.0% of salary, half of which will be deferred in shares.

LTIP

LTIP awards were granted in 2016 and were subject to stretching EPS and ROCE conditions measured over the three years ending 30 June 2019. EPS for the year was 92.3p and ROCE was 28.5% resulting in both measures exceeding their stretch targets and therefore the LTIP award will vest in full in September 2019.

Despite the uncertainty of Brexit, the housebuilding sector has performed strongly in recent years with high customer demand underpinned by low interest rates and Government initiatives for first time buyers. This has led to higher than typical incentive outcomes at Redrow and amongst our peers. The Remuneration Committee considers carefully the alignment of pay and performance and each year we take into account the prevailing internal and external conditions when setting one and three-year incentive targets.

Overall, the Committee is satisfied that the 2018/19 annual bonus and 2016 LTIP targets were sufficiently stretching and that the resulting outcomes are appropriate in the light of company performance. Therefore, the Committee decided not to apply any discretion to the incentive outcomes.

ALIGNING OUR SHORT-TERM PRIORITIES

Each year we review the choice of annual bonus measures to ensure they remain relevant and reflect the business strategy which is based on delivering strong financial results through 'Protecting the Future' and 'Building Responsibly'. The Committee has made some changes to the measures that will apply for 2019/20.

	2020	2019	
Financial			
Profit Before Tax	50%	30%	ROCE remains an important KPI and will continue to feature in the LTIP but for the Annual bonus PBT is to be used as it is the primary measure of short-term financial performance.
ROCE	–	30%	
Protecting the Future			
Land	10%	20%	The GDV of land acquired remains important and prioritising a strong order book will provide focus on sales volume.
Order Book	10%	–	
Outlets Opening	–	20%	
Building Responsibly			
Customer Service	15%	–	As set out on pages 26 to 27, we strive to constantly improve our quality and customer service, an important lead indicator of performance.
Health & Safety (H&S)	5%	–	Consistent with our commitment to continuous improvement in H&S, this has been introduced as a bonus target.
Personal			
Individual objectives	10%	–	These will comprise strategy-related objectives which are tailored to each Executive Director.

We believe the inclusion of Customer Service and Health & Safety, as well as personal objectives, provides a more rounded assessment of management's performance while continuing to have a high weighting towards financial results. In particular, the Committee is keen to ensure that lead indicators are included to ensure a more balanced approach to performance assessment. The revised measures are felt to be more appropriately aligned with our overall business strategy and vision.

BOARD CHANGES

Nearly 45 years after founding Redrow, Steve Morgan stepped down as Chairman and John Tutte became Executive Chairman from 1 April 2019. John Tutte's salary and remuneration terms were unchanged following the change in role. His salary was reviewed as usual for 2019/20 with the result that it will be increased by 2.0%, which is less than the general workforce increases effective from 1 July 2019.

The Board was pleased to promote internally with Matthew Pratt joining the Board as Chief Operating Officer on the same date. Matthew's salary has been set at £410,000p.a. which reflected his experience and his responsibilities for the operational management of the Group and the implementation of strategic plans. His salary will next be eligible for a review at the usual 2020 review date. Matthew's pension contribution has been set at a lower rate of 10% of salary. The Committee will consider directors' pension contributions as part of the policy review for approval in 2020.

With the successful implementation of the Group's succession plans, Barbara Richmond's role on the Board has taken on greater importance and the Committee concluded that a salary adjustment was required to reflect the changing strategic needs and objectives of the Group, the broad responsibilities she undertakes which have expanded to include sales initiatives, IT, procurement and M&A; and the need to retain and reward Barbara at a time when there have been several Finance Director board changes in our sector. The Remuneration Committee is aware of the scrutiny surrounding above workforce increases to directors' salaries but concluded that it was appropriate to increase Barbara's salary by 9.5% to £370,000 p.a., effective from 1 July 2019.

GOVERNANCE REPORT

Directors' Remuneration Report

UK CORPORATE GOVERNANCE CODE

The Committee has considered the various changes to the regulatory environment as they relate to executive remuneration and welcomes the new UK Corporate Governance Code (the "new Code"). The Committee has adopted a number of changes early and preparatory steps have already been taken in respect of the following:

- The Committee's Terms of Reference have been updated to reflect the expanded scope required by the new Code including responsibility for setting remuneration for the Chairman, Executive Directors, below Board members of the executive team and the Company Secretary. The terms were updated to require the Committee to take account of Group-wide remuneration and policies when setting executive pay – workforce pay was reviewed in advance of setting directors' pay for the current year.
- The operation of the annual bonus plan and the LTIPs have been reviewed to ensure that the Committee has necessary discretion to override formulaic outcomes (as required by the new Code).
- The malus and clawback provisions in the annual bonus plan and LTIP have also been reviewed to ensure they reflect emerging good practice; and
- The appointment of myself as the designated Non Executive Director to facilitate workforce engagement.

LOOKING FORWARD

This year we will be reviewing our remuneration policy to take account of the significant changes to the remuneration landscape and the evolution of good practice features which have been encouraged by the new Code, institutional shareholders and shareholder bodies. As part of this review, we will be consulting with a range of stakeholders which will include our largest shareholders. A new policy will be put to a shareholder vote at the November 2020 AGM.

At the 2018 AGM, the Directors' Remuneration Report received 99.35% votes in favour. I look forward to your support at the upcoming AGM.

VANDA MURRAY OBE

Chair of the 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.

AT A GLANCE

Remuneration principles

Our governing principles on executive remuneration are based on the five principles below.



Our remuneration policy

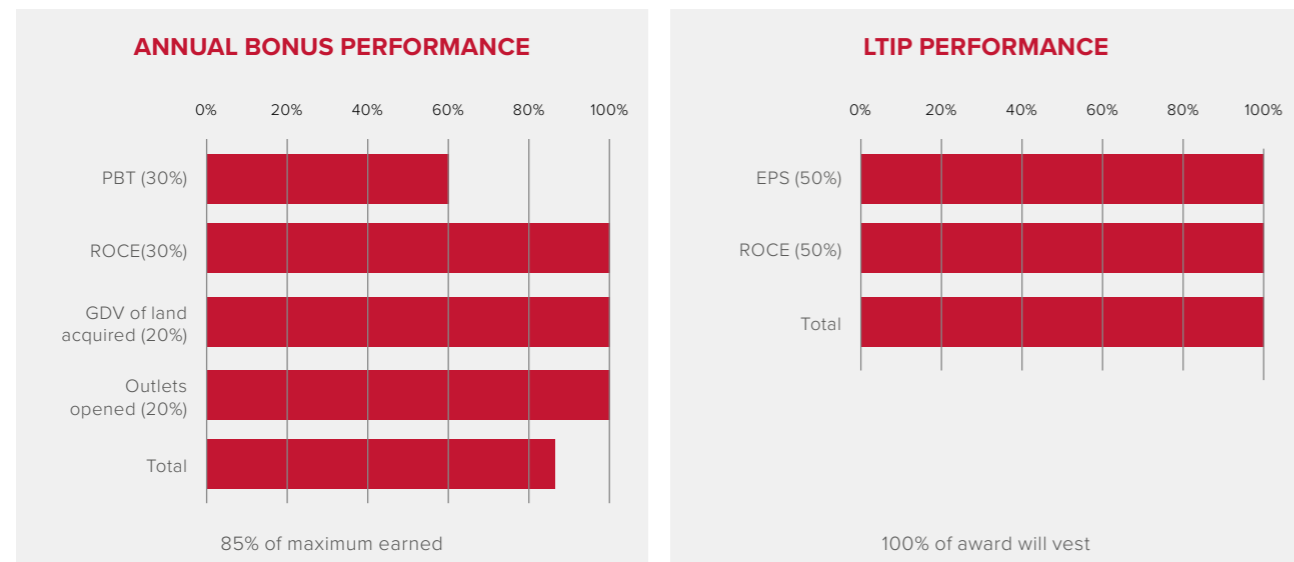
Summary of our policy and how remuneration is delivered over time.

	Component	Policy	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Fixed Pay	Salary	Salary increases normally in line with wider workforce	Salary paid					
	Benefits	Car allowance and standard insurance benefits	Benefits paid					
	Pension	DC or cash supplement up to 20% of salary	Pension provision	→				
Variable pay – at risk	Annual Bonus	Max 100% of salary 50% of any bonus deferred into shares		Annual Bonus cash paid				
	LTIP	Max 150% of salary 3 year performance period + 2 year holding period		Deferred Bonus award	50% vests	50% vests		
Other policy elements	Shareholding guideline	200% of salary	All net of tax deferred bonus and LTIP awards held until guideline has been met					
	Recovery and withholding	Annual bonus and LTIP	Up to fifth anniversary of payment or vesting					

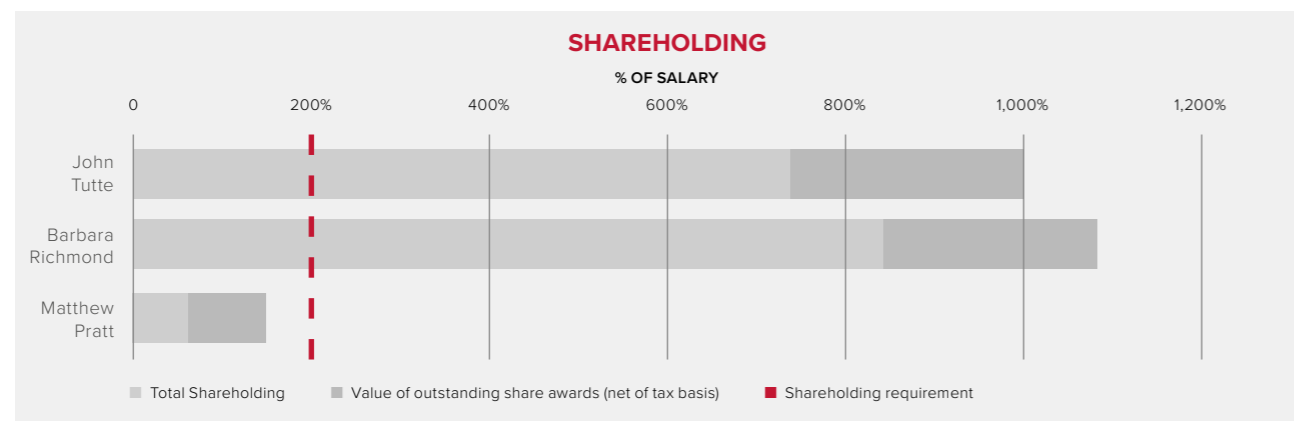
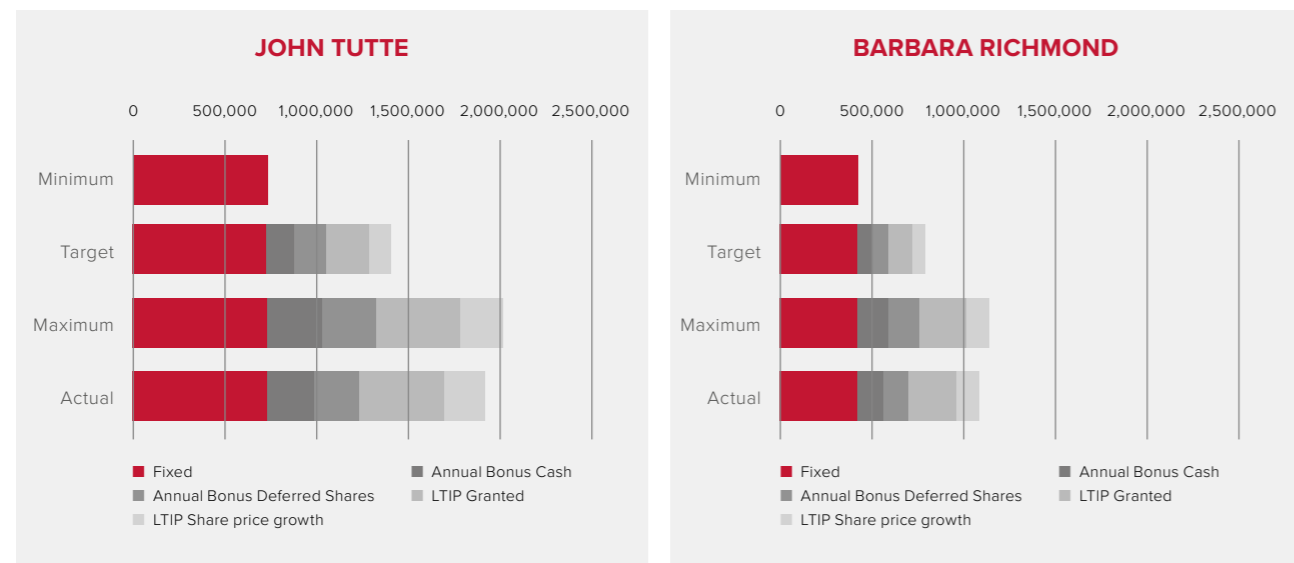
GOVERNANCE REPORT

Directors' Remuneration Report

Performance outcomes



Remuneration outcomes



THE REMUNERATION POLICY

The Remuneration Policy became effective following shareholder approval at the 2017 Annual General Meeting. An extract of the Remuneration Policy table (with updated references, where relevant) and supporting disclosures is reproduced below for information only. The full Remuneration Policy is contained on pages 79 to 86 of the 2017 Annual Report, which is available in the Investor Relations section of the Group's website, investors.redrowplc.co.uk/reports-and-presentations.

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.	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): <ul style="list-style-type: none"> 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, and where appropriate any tax payable thereon. 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

GOVERNANCE REPORT

Directors' Remuneration Report continued

THE REMUNERATION POLICY CONTINUED

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.	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 2019/20 performance measures are: <ul style="list-style-type: none"> – 50% based on profit before tax; – 10% based on Closing private order book; – 10% based on land acquired; – 15% on Customer Service; – 5% based on health and safety; and – 10% on personal objectives. 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. No bonus will be payable for performance below threshold levels set by the Committee. The Committee has discretion to adjust the level of payout 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.	Awards may be made under the Redrow plc 2014 Long Term Incentive Plan (LTIP). Awards are normally in the form of nil-cost options. 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). Awards normally vest subject to the satisfaction of performance conditions measured over a period of at least three years. Vested award will normally be subject to an additional holding period of two years. Clawback provisions apply. Awards 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 released following the holding period, on such basis as the Committee may determine, which may assume the reinvestment of these dividends in shares on a cumulative basis.	The maximum award which may be granted in respect of a financial year will normally not exceed 150% of salary. However, in exceptional circumstances only, the Committee may make awards of up to 200% of salary.	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: <ul style="list-style-type: none"> – 50% based on earnings per share (EPS); and – 50% based on return on capital employed (ROCE) For threshold performance, 20% of salary would normally vest. 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. Performance conditions applicable to LTIP awards may be amended if an event occurs which cause the Committee to consider that an amended performance condition would be more appropriate and not materially less difficult to satisfy.

Charitable donations

Where an individual waives any current or future right or entitlement to a remuneration payment or other benefit, which they would otherwise be eligible to receive under any of the components set out in the Policy Table on pages 65 to 67, 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.

Executive shareholding guidelines

Executive Directors are expected to build and retain a shareholding in the Group at least equivalent to 200% of base salary. Until the shareholding guideline has been met Executives will be required to retain all deferred bonus shares and LTIP shares on a net of tax basis.

Clawback

For awards under the annual bonus plan (including deferred share awards) and awards made since the introduction of the 2014 LTIP, the Committee has discretion to clawback awards in the event of a material misstatement of the Company's audited financial results or employee misconduct. For awards to be made in 2019/20, additional triggers relating to an error in the calculation of a performance condition, reputational damage suffered and any other events the Committee considers specifically relevant to Redrow will also apply.

GOVERNANCE REPORT

Directors' Remuneration Report *continued***Clawback** *continued*

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, if a participant's gross misconduct has resulted in the material misstatement of the Group financial statements (or the financial statements of one of its subsidiaries), any unexercised awards will lapse immediately and the participant will forfeit any shares previously acquired under awards made under that plan.

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
John Tutte	01/04/19	12 months	12 months
Barbara Richmond	18/01/10	6 months	12 months
Matthew Pratt	01/04/19	6 months	6 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 and letters of appointment 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 6 months from both the Director and the Company initially and thereafter, 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. This policy applies to Matthew Pratt who was appointed to the Board on 1 April 2019, after the approval of this Remuneration Policy and was appointed on 6 months' 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	Date of initial appointment	Current date of appointment
Nick Hewson	Non-Executive	01/12/12	01/12/18
Sir Michael Lyons	Non-Executive	06/01/15	06/01/18
Vanda Murray	Non-Executive	01/08/17	01/08/17

ANNUAL REMUNERATION REPORT**STATEMENT OF IMPLEMENTATION FOR 2019**

This section summarises how the Committee intends to operate the Remuneration Policy for the year ending 30 June 2020.

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.

The Remuneration Committee has decided to increase Barbara Richmond's salary by 9.5% to £370,000 to reflect her continuing strong contribution since joining the Company in January 2010 and the importance of her role following changes to the composition of our Board. The Remuneration Committee is aware of the scrutiny surrounding significant increases to directors' salaries and has demonstrated a prudent approach to executive pay changes but believes that an adjustment is required in this case. In taking this decision, the Remuneration Committee considered the following:

- Barbara's role will take greater importance following Steve Morgan's departure and John Tutte's move to Executive Chairman;
- The broad responsibilities Barbara undertakes which have expanded to include sales initiatives, IT, procurement and M&A;
- The importance of retaining Barbara particularly given the recent high turnover of finance directors in the housebuilding sector; and
- Salary levels for finance directors in the sector and in FTSE 250 companies of a broadly similar size. This was not a driver behind the proposal but was considered to provide the Committee with assurance that the proposed salary was not ahead of the market rate for the role.

In April 2019, Matthew Pratt joined the Board as Chief Operating Officer and John Tutte became Executive Chairman. On appointment, Matthew's salary had been set at £410,000 p.a., which reflected his experience and his responsibilities for the operational management of the Group and the implementation of strategic plans. His salary shall remain unchanged for 2020. On the move to Executive Chairman, John Tutte's salary was unchanged. His salary was reviewed as usual and will increase by 2.0% which is less than the general workforce increases effective from 1 July 2019.

The salaries for 2020 are effective from 1 July 2019 and are as follows:

£'000	1 July 2019	1 July 2018	Change
John Tutte	610	598	2.0%
Barbara Richmond	370	338	9.5%
Matthew Pratt	410	410	0%

Pension

John Tutte and Barbara Richmond will continue to receive a contribution towards pension of 20% of salary. Matthew Pratt's pension contribution was agreed at a lower rate of 10% of salary which was a reduction from his previous package which carried a contribution of 15%. His 10% contribution level was set prior to The Investment Association's update in January 2019 which recommended that pension contributions for new joiners should be in line with the majority of the workforce. The Remuneration Committee will consider directors' pension contribution levels as part of the forthcoming 2020 Remuneration Policy review.

Annual bonus

Following a review of bonus measures in light of the Group's short to medium term objectives, the Committee has decided to make changes to the measures that will apply for 2019/20.

The measures support the three key strategic objectives – delivering financial results, protecting the future and building responsibly.

GOVERNANCE REPORT

Directors' Remuneration Report *continued*Annual bonus *continued*

	2020	2019	
Financial			
Profit Before Tax	50%	30%	ROCE remains an important KPI and will continue to feature in the LTIP but for the Annual bonus PBT is to be used as it is the primary measure of short-term financial performance.
ROCE	–	30%	
Protecting the Future			
Land	10%	20%	The GDV of Land acquired remains important and prioritising a strong order book will provide focus on sales volume.
Order Book	10%	–	
Outlets Opening	–	20%	
Building Responsibly			
Customer Service	15%	–	As set out on pages 26 to 27, we strive to constantly improve our quality and customer service, an important lead indicator of performance. Consistent with our commitment to continuous improvement in H&S, this has been introduced as a bonus target.
Health & Safety (H&S)	5%	–	
Personal			
Individual objectives	10%	–	These will comprise strategy-related objectives which are tailored to each Executive Director.

The above measures support our aim for customer service excellence while maintaining focus on quality land investment which will drive long term profitability. We believe the inclusion of Health & Safety, as well as personal objectives provides a more rounded assessment of management's performance while continuing to have a high weighting towards financial results. The revised measures are felt to be more appropriately aligned with our overall business strategy and vision.

It is the current intention that the targets will be disclosed in the FY 2020 Remuneration Report provided the Committee is comfortable they are no longer commercially sensitive at the time.

LTIP awards to be granted during 2020

LTIP awards in the FY 2020 financial year will be made at the level of 150% of salary. Consistent with previous years, the 2020 LTIP awards will be subject to EPS and ROCE metrics, each with a 50% weighting.

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.

Both measures have a three-year performance period ending on 30 June 2022 and the targets are set out in the table below:

Award vesting level as % of salary (for each component)	EPS for 2022	ROCE for 2022
Nil	Below 105.0p	Below 23.4%
10%	105.0p	23.4%
30%	110.0p	24.4%
75%	115.0p or above	25.4% or above

Vesting between the points above is on a sliding scale basis

The Remuneration Committee has considered carefully the targets to apply for each measure by taking into account internal and external forecasts. Taking these factors into account, the Committee decided it is appropriate to set an EPS target that is lower than for the awards made last year given the announced changes to the Help to Buy scheme from 2021 and continuing macroeconomic uncertainty. The Committee is satisfied the EPS targets are suitably stretching given the stretch target of 115p would require a 25% growth on 2019 EPS, which itself was a record year.

As a ratio measuring how efficiently the Company is at using its capital to generate profit, it is unrealistic to assume that ROCE can be maintained at its exceptional current level without affecting the Group's ability to grow in the longer-term. Whilst the ROCE targets are lower than those set for last year's award, the Committee believe they are demanding after taking into account the outlook for the market, cost pressures and the need to invest for the future.

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.

In line with our Policy, these awards will be subject to an additional two year post-vesting holding period.

Non-Executive Director Fees

The base fee for a Non-Executive Director remains unchanged at £55k p.a. The Company pays an additional fee of £10k p.a. to Committee Chairs and an additional fee of £10k p.a. to the Senior Independent Director.

OUTCOMES IN RESPECT OF 2019

The tables below set out the remuneration for the Directors in respect of 2019. Further discussion of each of the components 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 2019 is shown in the table below (with the prior year comparative):

£'000	Salary		Benefits ⁽ⁱⁱⁱ⁾		Annual bonus ^(iv)		LTIP ^(v)		Pensions ^(vi)		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
John Tutte ⁽ⁱ⁾	598	583	16	16	508	564	681	670	120	117	1,923	1,950
Barbara Richmond	338	330	19	17	287	319	385	378	68	66	1,097	1,110
Matthew Pratt ⁽ⁱⁱ⁾	103	–	5	–	87	–	175	–	10	–	380	–

- (i) John Tutte served as Chief Executive Officer during FY 2018 and until 1 April 2019 when he became Executive Chairman. His remuneration terms remained unchanged on his change of role.
- (ii) Matthew Pratt was appointed to the Board as Chief Operating Officer on 1 April 2019. His remuneration relates to his period on the Board except for the 2019 LTIP value which is in relation to the award he was granted in September 2016 when he was not on the Board.
- (iii) Benefits include a fully expensed company car (or equivalent cash allowance) and private health insurance.
- (iv) Annual bonus represents the full value of the bonus awarded in respect of the relevant financial year. Details of performance targets are set out below. 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.
- (v) LTIP represents the value of the LTIP award which vests in respect of the 3-year performance period ending in the relevant financial year. The 2019 column includes the value of the 2016 LTIP award which will vest in full on 12 September 2019, using the average share price over the last three months of FY 2019 including any dividend equivalent paid. The 2018 column includes the vested value of the 2015 LTIP award (which vested at 100% of maximum), based on the share price on the date of vesting (14 September 2018).
- (vi) Pension includes the value of the cash allowance paid to John Tutte and Barbara Richmond in respect of the relevant year and for Matthew Pratt, the contribution from 1 April 2019 to 30 June 2019.

The fees of the Non-Executive Directors in respect of 2019 are shown in the table below (with the prior year comparative).

£'000	Fees	
	2019	2018
Steve Morgan ⁽ⁱ⁾	7	8
Debbie Hewitt ⁽ⁱⁱ⁾	26	75
Nick Hewson	72	63
Sir Michael Lyons	65	63
Vanda Murray	61	50
Liz Peace ⁽ⁱⁱⁱ⁾	–	8

GOVERNANCE REPORT

Directors' Remuneration Report *continued*

SINGLE TOTAL FIGURE OF REMUNERATION TABLE (AUDITED) CONTINUED

- (i) Steve Morgan served as Non-Executive Chairman from 1 July 2018 until his retirement from the Board on 31 March 2019. The disclosure in this table and footnote are in reference to that period. Steve Morgan drew a nominal fee of £10k per annum which he donated via Payroll Giving to The Steve Morgan Foundation, a UK registered charity of which Steve Morgan is a trustee. The Company also made a donation in 2019 to The Steve Morgan Foundation of £218k (2018: £218k) (being the balance for this period of Steve Morgan's notional annual fee of £300k per annum less the £10k nominal fee)
- (ii) Debbie Hewitt retired as a Non-Executive Director on 7 November 2018.
- (iii) Liz Peace retired as a Non-Executive Director on 31 August 2017.

Annual bonus

The maximum bonus opportunity for the Executive Directors during 2019 continued to be 100% of salary, in line with the Remuneration Policy. This was based on the achievement of stretching targets under a balanced scorecard of four key performance measures. The scorecard combined measures which represent an appropriate balance between 'backward looking' financial performance (PBT and ROCE) and 'forward looking' strategic and operational measures (land holdings and outlet openings) which support shareholder value creation over the medium to long-term.

	% of bonus opportunity	Rationale
PBT	30%	A fundamental measure of annual profitability
ROCE	30%	A measure of how effectively we use our capital base
Land holdings	20%	Measures the foundation for our future growth
Outlets opened	20%	A fundamental indicator of future growth

As described in detail on pages 1 to 37 of this Annual Report, 2019 was another outstanding year for Redrow.

As a result of the targets for maximum payment for three of the measures (ROCE, outlets opened and land holdings) being exceeded and performance on PBT on-target for the year, the Committee determined that the bonus should pay out at 85.0% of maximum, resulting in bonus awards to the Executive Directors as shown in the Single Total Figure of Remuneration on page 71.

The 2019 targets and outcomes are disclosed in the following table:

	2019 Target Range				Actual 2019 performance	Payout (% of total bonus opportunity)
	% of bonus opportunity	Threshold payout (10% of maximum)	Target payout (50% maximum)	Maximum payout		
PBT	30	£386m	£406m	£426m	£406m	15%
ROCE	30	23.3%	24.5%	25.7%	27.5%*	30%
GDV of land acquired	20	£2.0bn	£2.1bn	£2.2bn	£2.3bn	20%
Outlets opened in year	20	38	40	42	43	20%
Total	100%					85%

* Calculated on a rolling monthly basis.

The Committee is satisfied that the bonus outcome is reflective of the results delivered by the business during the year.

Executive Directors are 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. Clawback and malus provisions for both the cash and deferred share elements will apply.

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 sections below summarise details of the LTIP awards which vested in respect of 2019 (2016 awards) and which were granted during the 2019 financial year.

LTIP awards vesting in respect of 2019

The LTIP awards granted in September 2016 were based on performance over the three year performance period ending 30 June 2019. Based on performance against the EPS and ROCE targets set when the award was granted, summarised in the table following, the Committee determined that these awards will vest in full on 12 September 2019.

Award vesting level as a % of share options granted (for each component)	EPS for 2019*	ROCE for 2019
Nil	Below 74.99p	Below 21.0%
10%	74.99p	21.0%
30%	83.39p	23.0%
50%	91.69p or above	25% or above
Vesting between the points above is on a sliding scale basis		
Actual performance	92.3p*	28.5%
Vesting (% of total award)	50%	50%

* As outlined in the Cash Return Circular published during the year. An upwards adjustment of the EPS performance target was necessary to neutralise the effect of the return of cash and share consolidation. See pages 81 to 82.

The Remuneration Committee is satisfied that this very strong performance over the last three years warrants full vesting.

The estimated value of these vested awards is included in the 2019 LTIP column of the Single Total Figure of Remuneration on page 71.

SCHEME INTERESTS AWARDED DURING 2019 (AUDITED)

The following table sets out details of LTIP awards to Executive Directors during the 2019 financial year.

Executive Director	Number of awards granted	Basis of award	Face value ¹	Threshold vesting (% of maximum)	Vesting date
John Tutte	152,370	150% of salary	£897k	20%	September 2021
Barbara Richmond	86,122	150% of salary	£507k	20%	September 2021

¹ The face value has been calculated using the average share price used to determine the number of shares awarded, being 588.7p (the average, over the three days to the date of grant).

Awards to John Tutte and Barbara Richmond are made in the form of nil-cost options.

The LTIP awards granted on 11 September 2018 will vest in September 2021 based on performance over the three year performance period ending 30 June 2021 as follows:

Award vesting level as a % of share options granted (for each component)	EPS for 2021	ROCE for 2021
Nil	Below 110.25p	Below 25.8%
6.67%	110.25p	25.8%
20%	115.50p	26.8%
50%	120.75p or above	27.8% or above

Vesting between the points above is on a sliding scale basis. An upwards adjustment of the EPS performance targets for the unvested LTIPs was necessary to neutralise the effect of the return of cash and share consolidation on these awards. See pages 81 to 82.

Deferred Bonus Plan awards, being 50% of the bonus earned relating to FY2018 performance, were granted during the year as set out below:

Executive Director	Number of awards granted	Face value ¹	Portion of bonus deferred	Vesting date
John Tutte	47,923	£282k	50%	50% in September 2019 and 50% in September 2020
Barbara Richmond	27,062	£159k	50%	50% in September 2019 and 50% in September 2020

¹ The face value has been calculated using the average share price used to determine the number of shares awarded, being 588.7p (the average, over the three days to the date of grant).

GOVERNANCE REPORT

Directors' Remuneration Report continued

Steve Morgan's retirement

During the year, Steve Morgan served as Non-Executive Chairman until his retirement from the Board on 31 March 2019. Steve received a nominal fee of £7k for the 9 month period he was in office and he donated this via Payroll Giving to The Steve Morgan Foundation, a UK registered charity of which Steve Morgan is a trustee. The Company also made a donation in 2019 to The Steve Morgan Foundation of £218k (being the balance for this period of Steve Morgan's notional annual fee of £300k per annum (£225k for 9 months) less the £7k nominal fee). Steve did not receive any payment for loss of office.

In September 2016, while Steve occupied the role of Executive Chairman, he was granted a cash LTIP award over 118,867 shares. Under the shareholder approved LTIP rules, his transition from Executive to Non-Executive Chairman was not a 'leaver' event as he continued to be an office holder. On retiring from the Board on 31 March 2019, Steve was considered by the Remuneration Committee to be a good leaver. As such, his award will vest on the normal vesting date (12 September 2019) and will be subject to pro rating based on his service to 31 March 2019 relative to the three year performance period to 30 June 2019. EPS and ROCE performance resulted in 100% of the award capable of vesting. The pro rata reduction will result in 108,961 awards vesting on 12 September 2019 and this will be receivable in cash.

Shareholding guidelines and share interests

Under our shareholding guidelines, Executive Directors are expected to build and retain a shareholding in the Group at least equivalent to 200% of base salary. Until the shareholding guideline has been met Executives will be required to retain all deferred bonus shares and LTIP shares on a net of tax basis. As shown in the table below, John Tutte and Barbara Richmond meet this guideline. *Matthew Pratt exceeded his assigned shareholding guideline prior to his promotion to Chief Operating Officer. As noted above, Matthew is expected to retain all Deferred Bonus Plan and LTIP shares on a net of tax basis until the shareholding guideline is met. Non-Executive Directors are not subject to shareholding guidelines.

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 2019 and current interests in long-term incentives.

	Number of shares beneficially held at 30 June 2019	Shareholding as % of salary	Guideline met?
Executive Directors			
John Tutte	755,686	723%	Yes
Barbara Richmond	534,122	842%	Yes
Matthew Pratt	43,515	62%	No *
Non-Executive Directors			
Steve Morgan (resigned from the Board on 31 March 2019)			
Held through Bridgemere Securities Limited	69,939,090		
Held by other parties connected with Steve Morgan ⁽ⁱ⁾	36,714,285		
Total	106,653,375		
Debbie Hewitt (resigned from the Board on 7 November 2018) ⁽ⁱⁱ⁾			
Nick Hewson	19,523		
Sir Michael Lyons	2,857		
Vanda Murray	3,333		

(i) Steve Morgan holds no beneficial interest in these ordinary shares.

(ii) The shareholding shown for Debbie Hewitt is as at the date of her resignation from the Board.

Shareholding as a percentage of salary is calculated using the shareholding and base salary as at 1 July 2019 and the average share price for the final quarter of the financial year ended 30 June 2019.

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

	Awards held at 30 June 2018	Grant Date	Share Price on Grant £	Award Vested	Awards granted in year	Awards Exercised in year	Awards held at 30 June 2019	Exercise Price £	From	To
John Tutte										
SAYE 2017	3,673	30/10/17	6.12	–	–	–	3,673	4.90	01/01/21	01/07/21
LTIP 2015	112,348	14/09/15	4.94	112,348	–	(112,348)	–		14/09/18	14/09/25
LTIP 2016	138,882	12/09/16	4.097	–	–	–	138,882		12/09/19	12/09/26
LTIP 2017	147,346	15/11/17	5.935	–	–	–	147,346		15/11/20	15/11/27
LTIP 2018	–	10/09/18	5.42	–	152,370	–	152,370		10/09/21	10/09/28
DEF BONUS 2016	33,866	12/09/16	4.097	33,866	–	(33,866)	–		12/09/17	12/09/26
DEF BONUS 2017	45,159	11/09/17	6.30	22,580	–	(22,580)	22,579		11/09/18	11/09/27
DEF BONUS 2018	–	10/09/18	5.42	–	47,923	–	47,923		10/09/19	10/09/28
	481,274			168,794	200,293	(168,794)	512,773			
Barbara Richmond										
SAYE 2016	2,812	28/10/16	4.00	–	–	–	2,812	3.20	01/01/20	01/07/20
SAYE 2017	1,836	30/10/17	6.12	–	–	–	1,836	4.90	01/01/21	01/07/21
LTIP 2015	63,462	14/09/15	4.94	63,462	–	(63,462)	–		14/09/18	14/09/25
LTIP 2016	78,472	12/09/16	4.097	–	–	–	78,472		12/09/19	12/09/26
LTIP 2017	83,404	15/11/17	5.935	–	–	–	83,404		15/11/20	15/11/27
LTIP 2018	–	10/09/18	5.42	–	86,122	–	86,122		10/09/21	10/09/28
DEF BONUS 2016	19,130	12/09/16	4.097	19,130	–	(19,130)	–		12/09/17	12/09/26
DEF BONUS 2017	25,516	11/09/17	6.30	12,758	–	(12,758)	12,758		11/09/18	11/09/27
DEF BONUS 2018	–	10/09/18	5.42	–	27,062	–	27,062		10/09/19	10/09/28
	274,632			95,350	113,184	(95,350)	292,466			
Matthew Pratt										
SAYE 2017	3,673	30/10/17	6.12	–	–	–	3,673	4.90	01/01/21	01/07/21
LTIP 2016	30,022	12/09/16	4.097	–	–	–	30,022		12/09/19	12/09/26
LTIP 2017	23,168	15/11/17	5.935	–	–	–	23,168		15/11/20	15/11/27
LTIP 2018	–	10/09/18	5.42	–	23,951	–	23,951		10/09/21	10/09/28
DEF BONUS 2016	17,574	12/09/16	4.097	17,574	–	(17,574)	–		12/09/17	12/09/26
DEF BONUS 2017	23,693	11/09/17	6.30	11,847	–	(11,847)	11,846		11/09/18	11/09/27
DEF BONUS 2018	–	10/09/18	5.42	–	27,858	–	27,858		10/09/19	10/09/28
	98,130			29,421	51,809	(29,421)	120,518			
Steve Morgan*										
LTIP 2010	78,625	18/02/11	1.30	78,625	–	(78,625)	–		18/02/14	19/04/21
LTIP 2011	367,012	21/09/11	1.10	367,012	–	(367,012)	–		21/09/14	20/09/21
LTIP 2012	271,739	23/10/12	1.54	271,739	–	(271,739)	–		23/10/15	22/10/22
LTIP 2013	183,158	24/09/13	2.37	183,158	–	(183,158)	–		24/09/16	24/09/23
LTIP 2014	162,105	08/09/14	2.85	162,105	–	(162,105)	–		08/09/17	08/09/24
LTIP 2015	96,154	14/09/15	4.94	96,154	–	(96,154)	–		14/09/18	14/09/25
LTIP 2016	118,867	12/09/16	4.097	–	–	–	118,867		12/09/19	12/09/26
DEF BONUS 2012	137,897	23/10/12	1.54	137,897	–	(137,897)	–		23/10/13	22/10/22
DEF BONUS 2013	73,264	24/09/13	2.37	73,264	–	(73,264)	–		24/09/14	24/09/23
DEF BONUS 2014	78,246	08/09/14	2.85	78,246	–	(78,246)	–		08/09/15	08/09/24
DEF BONUS 2015	46,761	14/09/15	4.94	46,761	–	(46,761)	–		14/09/16	14/09/25
DEF BONUS 2016	57,969	12/09/16	4.097	57,969	–	(57,969)	–		12/09/17	12/09/26
DEF BONUS 2017	38,651	11/09/17	6.30	38,651	–	(38,651)	–		11/09/18	11/09/27
	1,710,448			1,591,581	–	(1,591,581)	118,867			

GOVERNANCE REPORT

Directors' Remuneration Report *continued*

STATEMENT OF SHAREHOLDING AND SCHEME INTERESTS (AUDITED) CONTINUED

- i. The performance conditions attached to the 2017 LTIP awards were disclosed in the 2018 Directors' Remuneration Report.
- ii. The performance conditions attached to the 2018 LTIP awards are shown on page 73.
- iii. There are no further performance conditions attached to the exercise of the deferred bonus awards.
- iv. Between 1 July 2019 and 3 September 2019 (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.
- * All scheme interests held by Steve Morgan are receivable in cash on terms which in all other respects mirror those for other Executive Directors.

GAINS MADE BY DIRECTORS ON SHARE OPTIONS

The table below outlines the notional gains made by Directors on share options exercised during the year, calculated as at the exercise date.

Executive Director	Scheme	No. shares exercised	Date of exercise	Mid price on date of exercise (pence)	Notional gain on exercise (£'000)
John Tutte	LTIP 2015	112,348	17/09/18	622.65	699.53
	DEF BONUS 2016	33,866	06/02/19	626.85	212.29
	DEF BONUS 2017	22,580	06/02/19	626.85	141.54
		168,794			1,053.36
Barbara Richmond	LTIP 2015	63,462	17/09/18	622.65	395.15
	DEF BONUS 2016	19,130	06/02/19	626.85	119.92
	DEF BONUS 2017	12,758	06/02/19	626.85	79.97
		95,350			595.04
Matthew Pratt	DEF BONUS 2016	17,574	04/01/19	521.38	91.63
	DEF BONUS 2017	11,847	04/01/19	521.38	61.77
		29,421			153.40

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 and Matthew Pratt receives a contribution of 10% of salary. The value of these cash supplements is included in the pension column of the Single Total Figure of Remuneration Table on page 71. John Tutte, Barbara Richmond and Matthew Pratt are also covered by fixed term group income protection and death in service benefit.

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 2019 £	Benefits paid to Director during period up to 30 June 2019 £	Defined Benefit accrued during period up to 30 June 2019 £
John Tutte	24 June 2021	56,912	Nil	Nil
Matthew Pratt	6 July 2040	15,106	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.

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 2018 and 2019.

	Executive Chairman	All Redrow employees
Salary	2.0%	2.31%
Benefits	Nil%	13.9%
Annual bonus	(6.7%)	(15.7%)

Relative importance of spend on pay

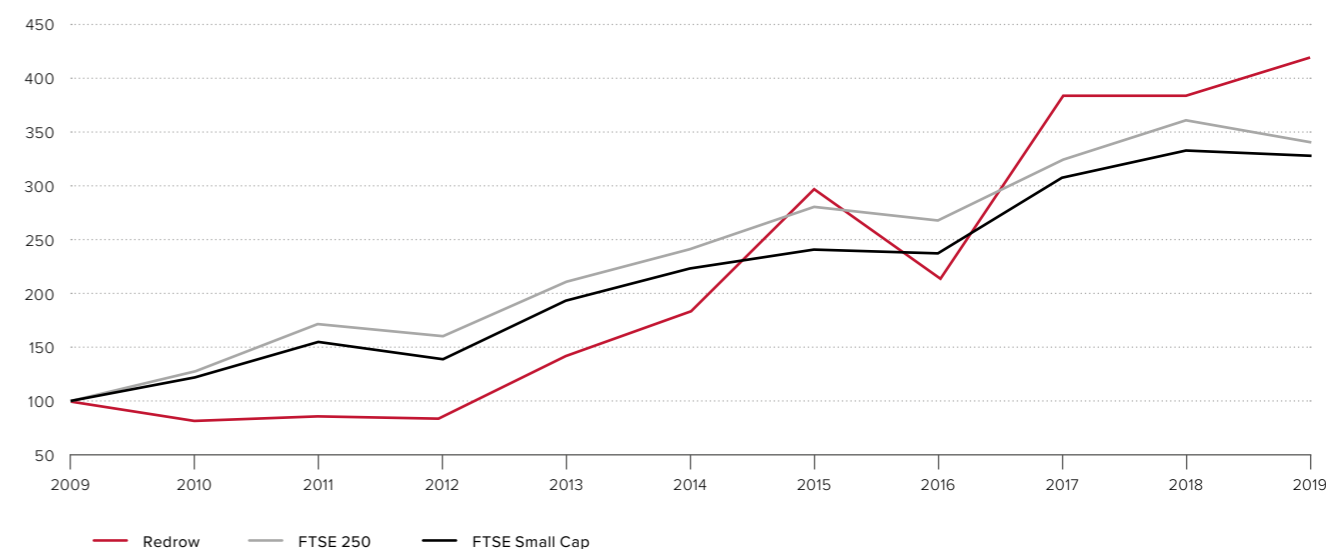
The table below shows total employee remuneration and distributions to shareholders, in respect of 2019 and 2018 (and the difference between the two).

£m	2019	2018	Change (%)
Total employee remuneration	141	139	1.4%
Distributions to shareholders	220	103	113.6%

Total employee remuneration represents amounts included in note 7a to the accounts in respect of wages, social security, pension and incentive costs for all Group employees. Distributions to shareholders include the cash returns in respect of each financial year (see note 5 to the financial statements). This represents 60.5 pence per share in respect of 2019 including the B share cash return compared to 28 pence per share in respect of 2018.

Performance graph and table

The chart below shows the TSR of Redrow in the ten-year period to 30 June 2019 against the TSR of the FTSE 250. TSR refers to share price growth with re-invested dividends. The Committee believes the FTSE 250 index is the most appropriate index against which the TSR of Redrow should be measured, as it is a constituent of the FTSE 250.



GOVERNANCE REPORT

Directors' Remuneration Report *continued*

SUPPORTING DISCLOSURES AND ADDITIONAL CONTEXT CONTINUED

The table below provides remuneration data for the Executive Chairman/Group Chief Executive (as applicable) for each of the nine financial years over the equivalent period.

	2011	2012	2013	2014	2015	2016	2017	2018	2019
Name	Steve Morgan	Steve Morgan	Steve Morgan	Steve Morgan	John Tutte	John Tutte	John Tutte	John Tutte	John Tutte
Remuneration/donations*	£582k	£855k	£1,050k	£1,922k	£2,355k	£1,916k	£2,463k	£1,950k	£1,923k
Bonus (% of Maximum)	50%	50%	80%	100%	100%	100%	100%	96.7%	85%
LTIP vesting (% of Maximum)	0%	0%	19%	100%	100%	100%	100%	100%	100%

* For Steve Morgan, this value includes the nominal salary and benefits disclosed in the Single Total Figure of Remuneration table as well as Company donations to The Steve 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 84 and in note 22 to the financial statements. It also includes the value of deferred bonus and vested LTIP cash awards in respect of each relevant year (calculated in accordance with the methodology applicable to the Single Total Figure of Remuneration Table).

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 is a non-executive director of Lonza Group Ltd and in line with the Committee's policy, she is entitled to retain the fees from this appointment. She received fees of £169k during 2019 (£169k during 2018). This represented 240,000 Swiss Francs in both years.

Consideration of directors' remuneration – Remuneration Committee and advisors

The Remuneration Committee is comprised solely of Non-Executive Directors and comprises Vanda Murray as Chair, Nick Hewson and Sir Michael Lyons. Debbie Hewitt stepped down from the Committee at the AGM on 7 November 2018.

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 Executive Committee 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 2019 and details of Committee attendance are set out in the following table.

TABLE OF ATTENDANCE

Name	Role	Attendance at Meetings
Vanda Murray	Chair	4/4
Nick Hewson	Member	4/4
Sir Michael Lyons	Member	4/4
Debbie Hewitt ¹	Chair	1/1

¹ Debbie Hewitt retired from the Board following the close of the AGM on 7 November 2018 at which point, Vanda Murray became Chair of the Remuneration Committee.

The Committee received advice from Deloitte LLP until February 2019. Following a selection process undertaken by the Committee, the Remuneration Committee appointed FIT Remuneration Consultants LLP ("FIT") as its independent advisor and FIT provided advice to the Committee for the remainder of the year. Both FIT and Deloitte LLP are members of the Remuneration Consultants Group and as such voluntarily operate under the Code of Conduct in relation to executive remuneration consulting in the UK. The Committee is comfortable that neither the FIT nor Deloitte LLP engagement partners and teams that provided remuneration advice to the Committee have connections with Redrow plc that may impair their objectivity and independence. The fees charged by FIT and Deloitte LLP for the provision of independent advice to the Committee during 2019 were £24k and £2k respectively. During the year, Deloitte LLP provided the Company with tax advisory services but does not have any other connection with the Company. FIT provided no other services to the Company.

Statement of voting at Annual General Meeting

At the Annual General Meeting held on 6 November 2018, votes cast by proxy and at the meeting in respect of directors' remuneration report are shown in the table.

Resolution	Votes For		Votes Against		Total votes cast exc withheld	Votes withheld
	No.	%	No.	%		
Approval of Directors' Remuneration Report for year ended 30 June 2018	293,829,228	99.35%	1,909,852	0.65%	295,739,080	598,132

By order of the Board

VANDA MURRAY OBE
 Chair of the Remuneration Committee

4 September 2019

GOVERNANCE REPORT

Directors' Report

OTHER STATUTORY DISCLOSURES

The Companies Act 2006 ("the Act") requires the Directors to present a fair review of the business during the year to 30 June 2019 and of the position of the Company at the end of the financial year together with the financial statements, Auditors' Report and a description of the principal risks and uncertainties which the Company faces. The Strategic Report can be found on pages 1 to 37 of the Annual Report. The FCA's Disclosure Guidance and Transparency Rules require certain information to be included which can be found in the Corporate Governance Report on pages 38 to 86.

There were no significant events since the balance sheet date. An indication of likely future developments in the business of the Company and details of the Company's use of financial instruments for risk management purposes are included in the Strategic Report.

The Corporate Governance Report and the Strategic Report, together with the Notice of Annual General Meeting including the explanatory notes and sections of the Annual Report incorporated by reference, form part of the Directors' Report which is presented in accordance with, and with reliance upon, applicable English company law. The liabilities of the Directors in connection with this report shall be limited as provided by English Law.

The table opposite sets out where key information can be found in the Annual Report.

Subject	Page Reference
Dividends	See note 5 of the financial statements on page 104.
Capital Structure (details of the issued share capital)	See note 17 of the financial statements on page 123.
Directors	<ul style="list-style-type: none"> See page 46 detailing the Directors who served during the year, along with their meeting attendance. Biographical details of the Directors of the Company who are seeking election and re-election at the 2019 AGM are set out on pages 40 to 41. Details of Directors' interests, including interests in the Company's shares, are disclosed in the Directors' Remuneration report on page 74.
Employment Policies of the Company	Details of the Company's employment policies may be found in the Directors' Report on pages 82 to 83.
The Redrow Benefit Trust Report (the "Employee Benefit Trust")	Details of the shares held by the Employee Benefit Trust may be found in the Directors' Report on page 82.
Environmental, social and governance (ESG) disclosures	Details of the Company's approach to social and to diversity and ESG disclosures governance can be found in the Directors' Report on pages 80 to 85.
Redrow plc Long Term Incentive Plan (LTIP)	Details of the Company's LTIP are set out in note 7d of the consolidated financial statements on pages 106 to 109 and the Directors' Remuneration Report on pages 60 to 79.
Greenhouse gas emissions	All disclosures of the Company's greenhouse gas emissions, as required to be disclosed under Schedule 7 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (pursuant to the Act, Strategic Report and directors' report Regulations 2013), are contained in the Directors' Report on page 84.

The Directors have pleasure in presenting to the shareholders their report and audited consolidated financial statements for the 12 months ended 30 June 2019.

RESULTS, DIVIDENDS AND RETURN OF CASH

The Group made a profit after tax of £329m (2018: £308m). An interim dividend of 10.0p (2018: 9.0p) net per share was paid on 9 April 2019. In addition to the interim dividend, the Company returned 30p net per share on 16 April 2019 via a B Share Scheme.

The Board proposes to pay on 13 November 2019, subject to shareholder approval at the 2019 Annual General Meeting, a final dividend of 20.5p (2018: final dividend: 19.0p) net per share in respect of the year ended 30 June 2019 to shareholders on the Register as at the close of business on 20 September 2019. The Company's dividend re-investment plan gives shareholders the opportunity to re-invest their dividends.

ANNUAL GENERAL MEETING

Notice of the 2019 Annual General Meeting to be held on Wednesday, 6 November 2019 will be sent to shareholders separately. Members wishing to vote, but who cannot attend the meeting, should return forms of proxy to the Company's Registrar not less than 48 hours before the time for holding the meeting. The formal notice convening the Annual General Meeting, together with explanatory notes, will be found in a separate circular which will be sent to shareholders separately and will be available on the Company's website. Shareholders will also find with the Notice of Annual General Meeting a form of proxy for use in connection with 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 Report on pages 38 to 86.

DIRECTORS

The Directors of the Company during the year to the date of this report, along with their meeting attendance, are listed on page 46. The current Directors are listed on pages 40 to 41 together with their biographical details.

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 60 to 79.

Formal appraisals of the Executive Directors were undertaken during the financial year. All the Non-Executive Directors underwent an annual appraisal conducted by the Senior Independent Non-Executive Director. The Board confirms that John Tutte and Barbara Richmond, who stand for reappointment as Executive Directors, Matthew Pratt who stands for appointment as an Executive Director and Nick Hewson, Sir Michael Lyons and Vanda Murray who stand for reappointment as Non-Executive Directors, continue to be effective and demonstrate the appropriate commitment to their roles.

The Executive Directors have formal service agreements and termination of their employment may be effective by 12 months'

notice given by the Company for John Tutte and Barbara Richmond and 6 months' notice given by the Company for Matthew Pratt.

In accordance with the UK Corporate Governance Code, all of the Directors, will retire at the Annual General Meeting to be held on Wednesday, 6 November 2019 and, being eligible, offer themselves for re-appointment.

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 by way of 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 and applicable English company law. The Articles of Association can only be amended, or new Articles adopted, by a resolution passed by shareholders in general meeting by at least three quarters of the votes cast.

CAPITAL STRUCTURE

The Company has an issued share capital of 352,190,420 ordinary shares of 10.5 pence each. 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 in respect of resolutions which are taken on a poll.

In March 2019, a Circular was published providing details of the return of capital to shareholders by way of a B Share Scheme. On 27 March 2019, at a General Meeting of the Company shareholders approved a return of capital of 30 pence per share, accompanied by a share capital consolidation whereby shareholders received 20 new ordinary shares of 10.5 pence each for every 21 existing ordinary shares of 10 pence held at 6pm on 5 April 2019.

In order to ensure that a whole number of new ordinary shares was created following the implementation of the share consolidation, 3 existing ordinary shares were issued by the Company to the Employee Benefit Trust on 29 March 2019. The total number of shares in issue at 6pm on 5 April 2019 was 369,799,941 ordinary shares of 10 pence each. Following the consolidation, the total number of shares in issue at the opening of markets on 8 April 2019 was 352,190,420 ordinary shares of 10.5 pence each.

GOVERNANCE REPORT

Directors' Report *continued*

CAPITAL STRUCTURE CONTINUED

369,799,941 newly created B shares of 0.1 pence each were allotted and issued on 8 April 2019. No application was made to the UK Listing Authority or to the London Stock Exchange for any of the B shares to be admitted to the Official List or to trading on the main market of the London Stock Exchange for listed securities or any other recognised exchange.

The B shares were purchased by Barclays on 9 April 2019 for the consideration of 30 pence per share. Following the purchase, the B shares were reclassified as Deferred shares and were immediately repurchased and cancelled by 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 £12,326,664.60 equivalent to approximately 33% of the Company's issued share capital and up to a further aggregate nominal amount of £12,326,664.60 in connection with an offer by way of a rights issue. The authority was not exercised during the period ended 30 June 2019 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 Annual General 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 percentage or number of votes, deadlines for exercising voting rights and arrangements by which the Company's co-operation, financial rights carried by securities are held by a person other than the holder of the securities.

Zedra Trust Company (Guernsey) Limited, as trustee of the Employee Benefit Trust, held 9,113,757 shares (2.59%) in the Company as at 30 June 2019 on trust for the benefit of employees of the Company. The voting rights attaching to the shares held by the Employee Benefit Trust are exercisable by the Trustee and there are no restrictions on the exercise of the voting of, or acceptance of any offer relating to those shares. The Employee Benefit Trust agreed to waive its right to the final dividend over 2.4m shares being part of its total shareholding.

SUBSTANTIAL HOLDINGS IN THE COMPANY

As at 30 June 2019, the Company has been advised of the following notifiable interests in its ordinary shares, in accordance with Rule 5 of the Disclosure Guidance and Transparency Rules (the "DTRs").

Notifiable Person	Number of Ordinary Shares		% of voting rights
	Pre-consolidation	Post-consolidation	
Bridgemere Securities Limited ¹	73,436,045	69,939,090	19.86%
The Steve Morgan Foundation ¹	25,950,000	24,714,285	7.02%
Vidacos Nominees/HSBC ¹	18,770,138	17,876,321	5.08%
Standard Life Aberdeen plc ¹	18,629,926	17,742,786	5.04%
St. James's Place plc ²	N/A	17,572,528	4.99%

¹ The Company was notified of these interests prior to the 20 for 21 share consolidation on 8 April 2019. The figure displayed in the post-consolidation column for these persons has been calculated by applying the 20:21 consolidation ratio to number of voting rights contained within their most recent notification to the Company under DTR 5.1. The figure displayed in the pre-consolidation column represents the number of voting rights last notified to the Company by the respective Shareholder in accordance with DTR 5.1.

² St. James's Place plc notified that their interest had fallen below 3% of the voting rights on 17 July 2019.

In line with the relevant rules the table above does not include notifications received from investment firms where the interest has fallen below 5%, or from non-investment firms where the interest has fallen below 3%.

Other than as noted above, no changes in the above holdings had been notified.

CHANGE OF CONTROL

The Company's banking facilities require repayment in the event of a change of control. In addition the Company's employee share incentive schemes contain provisions, whereby, upon a change of control, outstanding options and awards would vest and become exercisable by the relevant employees, subject to the rules of the schemes.

There are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment in event of a takeover bid.

EMPLOYEES

The Company's employment policies do not discriminate between employees or potential employees on the grounds of gender, sexual orientation, age, colour, creed, ethnic origin, religious beliefs, pregnancy or maternity or trade union membership. It is Company policy to give full and fair consideration to applications for employment by, and the employment and training needs of, disabled persons (and in

the case of employment needs, persons who become disabled whilst employed by the Company) where requirements may be adequately covered by these persons and to comply with any current legislation with regard to disabled persons.

The Company places considerable importance on the provision of training and development of its employees through training@redrow. Training is administered at a purpose built in-house training facility at Tamworth. Training@redrow completed 7,155 training days during the year ended 30 June 2019, 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 'Engage', the Redrow intranet. Employees are consulted on a regular basis so that employee views may be taken into account when decisions are made that may affect their interests. See page 48 for further details on the Company's approach to employee engagement.

DIVERSITY AND INCLUSION POLICY

The Company recognises that our continued success depends upon our ability to recruit the right people, retain them and help them to reach their full potential.

The Company believes that attracting a diverse range of skills and abilities will enable us to meet the challenge of the growing skills gap in the sector.

The Company is firmly committed to giving every potential recruit and employee the same opportunities irrespective of their gender, race, ethnic or national origin, disability, age, sexuality, religious belief, marital status or social class.

As such the Company opposes all forms of unlawful or unjust discrimination and requires all colleagues to comply with legislation in this area and strive for best practice.

The Company embeds this through awareness and training in the following policies:

- Diversity and Inclusion Policy
- Employee Policy
- Recruitment and Selection Policy
- Disciplinary and Grievance Policy and Procedures

During the year, the Company implemented a number of initiatives which the Board believes will further increase the diversity of our workforce. Some examples of these initiatives follow:

1. Redrow Women's Network

As part of the Company's commitment to diversity and narrowing the gender pay gap, in 2019 the first Redrow Woman's Network was set up to inspire and support women across the Group. It is also a valuable feedback tool for the Company which allows the Board to understand the challenges that women face on their career path.

2. Redrow Educational Partnership

The Redrow Educational Partnership offers resources, support and work experience to schools across the country. The activities undertaken within this initiative aims to address stereotypes within the industry and highlight the wide spectrum of roles within the housebuilding industry.

3. Mentoring Scheme

One of the challenges which the Company is faced with is the progression of women through the business into senior roles. During the year, the Group implemented a mentoring scheme to ensure that all female trainees have the benefit of a mentor once they have completed their initial programme. Whilst it is appreciated that gender is just one of many diversity characteristics, the Board believes that this is a good starting point and, following a review of the success of the programme, it is expected that the scheme will be extended to wider employees.

4. Training

A number of our employees, including mentors within the mentor scheme, have attended training on unconscious bias and the importance of a diverse and inclusive workforce. Mentors are encouraged to discuss the importance of these issues with their mentees in order to embed the message early on in the careers of our workforce. The more openly that these issues are discussed, the easier it is to create a culture of diversity across the Group.

5. Enhanced Parental Leave

In September 2018, the Company introduced enhanced parental leave benefits for all employees which the Board believes will contribute to employee retention for both females and males.

6. Sponsorship and Membership

In 2019, the Company sponsored the Inspire Summit, an annual conference and exhibition exploring how to make the construction, engineering and housing sectors more diverse and inclusive. The Board believes that working with such events keeps the conversation about the importance of a diverse and inclusive workforce open and current.

During the year, the Company also became a member of WISE (Women in Science and Engineering), a Community Interest Company which provides support to employers, educators and training providers who are seeking to improve their gender balance, including engagement and advancement of women.

GOVERNANCE REPORT

Directors' Report *continued*

GREENHOUSE GAS EMISSIONS

Greenhouse gas ("GHG") emissions data for the period 1 July 2018 to 30 June 2019 are set out in the table below.

Emissions from:	Year ended 30 June 19	Year ended 30 June 18	Units
Scope 1 activities:			
• Direct emissions from combustion of fuels and business travel	12,478	12,006	tonnes of CO ₂ e
Scope 2 activities:			
• Indirect emissions from purchased electricity	1,985	2,275	tonnes of CO ₂ e
Total Greenhouse Gas Emissions:			
• (Scope 1 + Scope 2)	14,463	14,281	tonnes of CO ₂ e
Intensity ratio:			
Total emissions per 100m ² of build	2.42	2.48	tonnes of CO ₂ e per 100m ² of build

The Company is taking steps to create and sustain a diverse and inclusive culture across the Group and is committed to being proactive in working to attract and retain a more diverse workforce.

METHODOLOGY

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.

Emissions have been calculated using the UK Government's Greenhouse Gas Conversion Factors for Company Reporting. Reported Scope 2 emissions are calculated using the location-based method.

This inventory of greenhouse gas emissions has been verified by SGS to a limited level of assurance, in accordance with ISO 14064-3:2006, as meeting the requirements of the Greenhouse Gas Protocol – A Corporate Accounting and Reporting Standard. Further details and the independent assurance report can be found at redrowplc.co.uk/building-responsibly/managing-our-resources-efficiently.

CHARITABLE AND POLITICAL DONATIONS

The Group made no political donations but paid £0.4m in charitable donations during the year, being £0.3m in respect of national charities and £0.1m in support of local charities. The Company and its employees are actively involved in fundraising activities for specific charities. The Company made a £0.3m donation during the year to The Steve Morgan Foundation, a UK registered charity of which Steve Morgan is a Trustee. This is included within the charitable donations in respect of national charities noted above.

RESEARCH AND DEVELOPMENT

The Company has a centralised Product Development Team charged with identifying and evaluating new construction techniques and products. In addition, the Company has a centralised Sustainability Team, as these 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 ended 30 June 2019 was £0.6m (2018: £0.6m).

INDEPENDENT AUDITORS

In 2018, the Company commenced a tender process for the appointment of new Auditors. The tender process was supervised by the Audit Committee, who made a recommendation to the Board on the appointment of the replacement Auditor.

Following the conclusion of the formal tender process, the Company announced on 9 November 2018 that the Board had approved the proposed appointment of KPMG LLP as the Company's Auditor for the financial year commencing 1 July 2019. The appointment remains subject to approval by shareholders at the Annual General Meeting to be held on 6 November 2019, and should the resolution be passed, the appointment will take effect from the conclusion of that meeting.

PricewaterhouseCoopers LLP were reappointed as the external Auditors by shareholders at the 2018 Annual General Meeting and will resign as Auditor following the conclusion of the 2019 Annual General Meeting.

HUMAN RIGHTS

The Board values and appreciates the contribution made by all employees at every level and is committed to protecting and respecting human rights. Each employee is treated fairly and equally and the Company has measures in place to ensure that the Group is free from discrimination. Throughout the Group there is a zero-tolerance approach to any form of harassment or bullying; forced or involuntary labour; and child labour in any form. The Board is invested in the development of employees and has put in place measures to protect both their physical and mental wellbeing.

The Company embeds its commitments to the protection of human rights through its Human Rights Policy.

SUPPLY CHAIN

The Company conducts its operations with respect to the interests and human rights of those employed in our supply chain. The Group works collaboratively with its supply chain to develop relationships based on honesty, openness, respect and fairness. In addition, the Group supports its supply chain by, among other things, improving their knowledge of sustainability through training and working with subcontractors to attract new entrants into the industry and supporting their training needs.

Due diligence is conducted on our supply chains to ensure that the values of the partners which we are working with are aligned with the Group's commitments to high ethical business standards. The Company embeds these commitments and expectations through its policy, Partnering with our Supply Chain.

QUALIFYING THIRD PARTY INDEMNITY PROVISIONS

During the course of the financial year ended 30 June 2019, qualifying third party indemnity provisions were in place. The Company agreed to indemnify the Directors, former Directors and the Company Secretary of the Company and Associated Companies (as defined in Section 256 of the Companies Act 2006), to the extent permitted by law and the Articles of Association, against any liability arising in connection with: any negligence, default, breach of duty or breach of trust by them; and their duties, powers or office, including in connection with the activities of the Company or Associated Company in its capacity as a trustee of an occupational pension scheme.

The above indemnity provisions remain in force at the date of this report. In addition, the Company maintains directors' and officers' insurance for each Director of the Company and its Associated Companies.

PROVISION OF INFORMATION TO AUDITORS

Each Director in office at the date the Directors' report is approved, confirms that:

- so far as the Director is aware, there is no relevant audit information (as defined in section 418(3) of the Companies Act 2006) of which the Company's Auditors are unaware; and
- they have taken all of the steps that they ought to have taken as a Director in order to make themselves aware of any such 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 pages 28 to 29, the Group maintains adequate committed banking facilities. As stated in note 14 to the financial statements, at 30 June 2019, the Group had £170m 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 2020. 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 confirmed headroom within both financial covenants and facilities.

Accordingly, they 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

4 September 2019

GOVERNANCE REPORT

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial 12 month period. Under that law, the Directors have prepared the Group financial statements and Company financial statements, in each case, in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group and the Company for that period. In preparing these financial statements, the Directors are required to:

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

The Directors are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company 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.

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.

RESPONSIBILITY STATEMENT

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

- the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and the Company's position and performance, business model and strategy;
- 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 profit of the Group; and
- the Strategic Report, contained on pages 1 to 37 includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principle risk and uncertainties that it faces.

The Directors of the Company who were in office during the year and up to the date of signing the financial statements were:

Steve Morgan ⁽ⁱ⁾	Chairman
John Tutte	Executive Chairman
Matthew Pratt	Chief Operating Officer
Barbara Richmond	Group Finance Director
Debbie Hewitt ⁽ⁱⁱ⁾	Senior Independent Director and Non-Executive Director
Nick Hewson	Senior Independent Director and Non-Executive Director
Sir Michael Lyons	Non-Executive Director
Vanda Murray	Non-Executive Director

- (i) Steve Morgan stepped down as Chairman on 31 March 2019.
(ii) Debbie Hewitt stepped down as Senior Independent Director and Non-Executive Director on 7 November 2018.

By order of the Board

GRAHAM COPE
Company Secretary

4 September 2019

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

FINANCIAL STATEMENTS

Independent Auditors' Report

To the Members of Redrow plc

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion, Redrow plc's Group financial statements and Company financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and of the Company's affairs as at 30 June 2019 and of the Group's profit and the Group's and the Company's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- 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.

We have audited the financial statements, included within the 2019 Annual Report (the "Annual Report"), which comprise: the Group and Company balance sheets as at 30 June 2019; the consolidated income statement, the Group and Company statements of comprehensive income, the Group and Company statements of cash flows, and the Group and Company statements of changes in equity for the 12 month period then ended; the accounting policies; and the notes to the financial statements.

Our audit approach

Overview



- Overall Group materiality: £20.3 million (2018: £19.0 million), based on 5% of profit before tax.
- Overall Company materiality: £11.2 million (2018: £7.8 million), based on 1% of total assets.

- Three financially significant companies in the Group.
- The components where we performed our audit work, accounted for 100% of revenue and 98% of profit before tax.

- Valuation of inventory (Group).
- Valuation of pension scheme surplus (Group and Company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to the London Stock Exchange Listing Rules, UK Health and Safety legislation, UK pensions legislation and

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Company.

Other than those disclosed in note 2 to the financial statements, we have provided no non-audit services to the Group or the Company in the period from 1 July 2018 to 30 June 2019.

FINANCIAL STATEMENTS

Independent Auditors' Report *continued*

To the Members of Redrow plc

UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to bonus targets and long term incentive plan of key management, where there may be incentive for manipulation of profits, which could be achieved through the manipulation of estimates such as inventory provisions and accruals. Audit procedures performed by the Group engagement team included:

- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Challenging assumptions and judgements made by management in their significant accounting estimates (see procedures outlined in the key audit matters section of our report); and
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations including journal entries which inflated the Group's results for the period with unusual offset entries and journal entries impacting work in progress with unusual offset entries to detect any unusual capitalisation of costs.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
<p>Valuation of inventory (Group)</p> <p>See the Accounting Policies for the Directors' disclosures of related accounting policies and key accounting estimates. See note 13 for the detailed disclosures on the inventory balance at year end.</p> <p>The Group holds inventory in the form of land for development, work in progress and showhomes with a carrying value of £2,297m, net of provisions.</p> <p>The carrying value of inventory is determined by reference to a number of assumptions and judgements, which are subject to levels of estimation. These include regular updates to site appraisals for latest sales prices and costs to complete, the availability of mortgage financing for customers, the availability of Government schemes aiding first-time buyers, and assessments of the likelihood of obtaining planning permission on land held for development.</p> <p>Changes in any of these key judgements could lead to a material change in the carrying value of inventory.</p>	<p>We obtained a detailed understanding of management's process for preparing a forecast for each site, this being the basis for profit recognition in the Consolidated Income Statement.</p> <p>We tested management's control over the approval of the initial forecast and monitoring of changes to forecasts over the course of development of the site.</p> <p>We tested management's controls over the process for estimating the expected remaining build costs, including the budgeting and review processes.</p> <p>We have also attended a divisional commercial meeting as well as reviewed evidence throughout the year of meetings held to understand and observe the process for discussing build progress at individual sites, updating cost to complete accruals, investigating build variances, and any potential issues with planning permission on sites held.</p> <p>We inspected evidence of the Board's review of divisional management's forecast sales prices.</p> <p>We have observed a sample of site assessments performed at month ends to determine the progress of the site build.</p>

Key audit matter	How our audit addressed the key audit matter
<p>Valuation of pension scheme surplus (Group and Company)</p> <p>See the Accounting Policies for the Directors' disclosures of related accounting policies and key accounting estimates. See note 7e for the detailed disclosures on the pension scheme surplus.</p> <p>The Group operates a defined benefit pension scheme with a net surplus of £18 million at the year end. This surplus is derived from assets with a gross value of £148 million less the present value of obligations of £130 million, both of which are significant in the context of the overall balance sheet and the results of the Group.</p> <p>The valuation of this net surplus is dependent on the application of significant judgements in the actuarial assumptions, in particular discount rates, future Retail Price Index ('RPI') inflation and mortality rates, and the expected returns on investments.</p> <p>Changes in any of the key actuarial assumptions could lead to a material movement in the calculated net surplus.</p>	<p>We did not identify any significant deficiencies of control during these procedures.</p> <p>We reviewed management's forecasts to identify any non-profitable sites, assessing management's assumptions relating to these sites and ensuring adequate provisions were included for them. 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. All sites identified through this procedure or requiring a provision were included in management's provision.</p> <p>We tested a sample of additions and land for development to purchase documentation and traced payments made to bank.</p> <p>For significant sites that have not yet been developed, we considered the latest stage of planning applications and assessed the accuracy of management's historical estimates by comparing previous estimated impairments to actual outturns achieved. We did not identify any material differences between management's estimations and actual results achieved.</p> <p>No material differences were identified from our testing performed.</p> <p>We obtained and read the IAS19 valuation report that was prepared by the Group's independent firm of actuaries and used by the Directors in calculating the value of the Group's surplus in respect of the defined benefit pension scheme.</p> <p>We have considered the pension scheme membership data provided to management's actuary in relation to deferred members on which the pension surplus is calculated.</p> <p>We used our own actuarial experts to assess the judgemental assumptions within the valuation report, specifically the discount rate, future RPI inflation, mortality rates and expected returns on investments. The results of our audit work indicated that the financial and demographic assumptions were within a reasonable range.</p> <p>We reviewed management's assessment of the right to recognise the net pension surplus under the requirements of IFRIC 14 and in light of the Scheme Rules are satisfied that it is appropriate to recognise the surplus.</p> <p>No material differences were identified from our testing performed.</p>

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

FINANCIAL STATEMENTS

Independent Auditors' Report *continued*

To the Members of Redrow plc

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Company financial statements
Overall materiality	£20.3 million (2018: £19.0 million).	£11.2 million (2018: £7.8 million).
How we determined it	5% of profit before tax.	1% of total assets.
Rationale for benchmark applied	We believe that profit before tax is the primary measure used by the shareholders in assessing the performance of the Group, and is a generally accepted auditing benchmark.	We believe that total assets is the primary measure used by the shareholders in assessing the position of the Holding Company, and is a generally accepted auditing benchmark.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £1.4 million and £17.1 million. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £1.0 million (Group audit) (2018: £0.9 million) and £0.6 million (Company audit) (2018: £0.4 million) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the Directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors' identification of any material uncertainties to the Group's and the Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Group's trade, customers, suppliers and the wider economy.
We are required to report if the Directors' statement relating to going concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 June 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. (CA06)

The Directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

We have nothing material to add or draw attention to regarding:

- The Directors' confirmation on pages 30 to 37 of the Annual Report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The Directors' explanation on page 85 of the Annual Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the Directors' statement that they have carried out a robust assessment of the principal risks facing the Group and statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the "Code"); and considering whether the statements are consistent with the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit. (Listing Rules)

FINANCIAL STATEMENTS

Independent Auditors' Report *continued*

To the Members of Redrow plc

Other Code Provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the Directors, on page 86, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Company obtained in the course of performing our audit.
- The section of the Annual Report on pages 50 to 54 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The Directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. (CA06)

Responsibilities for the financial statements and the audit**Responsibilities of the Directors for the financial statements**

As explained more fully in the Statement of Directors' Responsibilities set out on page 86, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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.

OTHER REQUIRED REPORTING**Companies Act 2006 exception reporting**

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
- certain disclosures of directors' remuneration specified by law are not made; 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.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the members on 5 January 1987 to audit the financial statements for the year ended 30 June 1987 and subsequent financial periods. The period of total uninterrupted engagement is 33 years, covering the years ended 30 June 1987 to 30 June 2019.

ARIF AHMAD**(Senior Statutory Auditor)**

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

4 September 2019

FINANCIAL STATEMENTS

Consolidated Income Statement

For the 12 months ended 30 June

	Note	2019 £m	2018 £m
Revenue		2,112	1,920
Cost of sales		(1,608)	(1,451)
Gross profit		504	469
Administrative expenses		(93)	(87)
Operating profit	2	411	382
Financial income	3	3	3
Financial costs	3	(8)	(10)
Net financing costs		(5)	(7)
Share of profit of joint ventures after interest and taxation	10	–	5
Profit before tax		406	380
Income tax expense	4	(77)	(72)
Profit for the year		329	308
Earnings per share – basic	6	92.3p	85.3p
– diluted	6	92.0p	85.2p

FINANCIAL STATEMENTS

Statement of Comprehensive Income

For the 12 months ended 30 June

	Note	Group		Company	
		2019 £m	2018 £m	2019 £m	2018 £m
Profit for the year		329	308	486	1
Other comprehensive (expense)/income					
Items that will not be reclassified to profit or loss					
Remeasurements of post employment benefit obligations	7e	(7)	22	(7)	22
Deferred tax on actuarial losses/(gains) taken directly to equity		1	(4)	1	(4)
Other comprehensive (expense)/income for the year net of tax		(6)	18	(6)	18
Total comprehensive income for the year	18	323	326	480	19

FINANCIAL STATEMENTS

Balance Sheets

As at 30 June

	Note	Group		Company	
		2019 £m	2018 £m	2019 £m	2018 £m
Assets					
Intangible assets	8	2	2	–	–
Property, plant and equipment	9	16	15	–	–
Investments	10	6	6	–	–
Deferred tax assets	11	4	4	–	–
Retirement benefit surplus	7e	18	22	18	22
Trade and other receivables	12	9	8	–	–
Total non-current assets		55	57	18	22
Inventories	13	2,297	2,218	–	–
Trade and other receivables	12	48	42	890	675
Current corporation tax		–	–	1	–
Cash and cash equivalents	14f	204	68	212	89
Total current assets		2,549	2,328	1,103	764
Total assets		2,604	2,385	1,121	786
Equity					
Retained earnings at 1 July 2018/2017		1,379	1,131	646	701
Profit for the year		329	308	486	1
Other comprehensive (expense)/income for the year		(6)	18	(6)	18
Dividend paid	5	(218)	(74)	(218)	(74)
Movement in LTIP/SAYE		(3)	(4)	–	–
Retained earnings at 30 June 2019/2018	18	1,481	1,379	908	646
Share capital	17	37	37	37	37
Share premium account	18	59	59	59	59
Other reserves	18	8	8	7	7
Total equity		1,585	1,483	1,011	749
Liabilities					
Bank loans	14	80	5	80	5
Trade and other payables	15	167	178	–	–
Deferred tax liabilities	11	4	5	–	–
Long-term provisions	16	8	9	–	–
Total non-current liabilities		259	197	80	5
Trade and other payables	15	726	671	30	30
Current income tax liabilities		34	34	–	2
Total current liabilities		760	705	30	32
Total liabilities		1,019	902	110	37
Total equity and liabilities		2,604	2,385	1,121	786

The financial statements on pages 94 to 126 were approved by the Board of Directors on 4 September 2019 and were signed on its behalf by:

JOHN TUTTE
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	
		2019 £m	2018 £m	2019 £m	2018 £m
Profit for the year		329	308	486	1
Other comprehensive (expense)/income for the year		(6)	18	(6)	18
Total comprehensive income relating to the year (net)		323	326	480	19
Dividend paid	5, 18	(218)	(74)	(218)	(74)
Movement in LTIP/SAYE	18	(3)	(4)	–	–
Net increase/(decrease) in equity		102	248	262	(55)
Opening equity		1,483	1,235	749	804
Closing equity		1,585	1,483	1,011	749

The above items are presented net of tax where appropriate. See note 4 and note 11 for information on income tax and deferred tax expense.

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:

	2019 £m	2018 £m
Holding company	(14)	1
Subsidiary companies	343	307
	329	308

FINANCIAL STATEMENTS

Statement of Cash Flows

For the 12 months ended 30 June

	Note	Group		Company	
		2019 £m	2018 £m	2019 £m	2018 £m
Cash flows from operating activities					
Operating profit/(loss)		411	382	(6)	(2)
Depreciation and amortisation		3	3	–	–
Adjustment for non-cash items		(7)	(6)	(2)	(2)
(Increase)/decrease in trade and other receivables		(6)	(5)	285	270
Increase in inventories		(79)	(175)	–	–
Increase in trade and other payables		50	76	–	3
(Decrease)/increase in provisions		(1)	1	–	–
Cash inflow generated from operations		371	276	277	269
Interest paid		(2)	(4)	(12)	(3)
Tax paid		(77)	(74)	–	–
Net cash inflow from operating activities		292	198	265	266
Cash flows from investing activities					
Acquisition of software, property, plant and equipment		(4)	(2)	–	–
Interest received		1	–	1	4
Net receipts from joint ventures – continuing operations		–	26	–	–
Net cash (outflow)/inflow from investing activities		(3)	24	1	4
Cash flows from financing activities					
Issue of bank borrowings		80	5	80	5
Repayment of bank borrowings		(5)	(90)	(5)	(90)
Purchase of own shares		(10)	(12)	–	–
Dividend paid		(218)	(74)	(218)	(74)
Net cash (outflow) from financing activities	5	(153)	(171)	(143)	(159)
Increase in net cash and cash equivalents		136	51	123	111
Net cash and cash equivalents at the beginning of the year		68	17	89	(22)
Net cash and cash equivalents at the end of the year	19	204	68	212	89

FINANCIAL STATEMENTS

Accounting Policies

BASIS OF PREPARATION

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 2019, 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.

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

The principal accounting policies have been applied consistently other than for the effect of applying new standards.

The principal accounting policies are outlined below:

IMPACT OF NEW STANDARDS AND INTERPRETATIONS

a) New and amended standards adopted by the Group. The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 July 2018:

- IFRS 9 'Financial instruments'.
- IFRS 15 'Revenue from contracts with customers'.
- IFRS 9 'Financial instruments' came into effect for accounting periods beginning on or after 1 January 2018 and replaces IAS 39. It affects the classification, measurement, impairment and de-recognition of financial instruments. There is no material effect to the Group from applying IFRS 9.
- IFRS 15 'Revenue from contracts with customers' became effective for accounting periods beginning on or after 1 January 2018. This standard is a converged standard replacing IAS 18 'Revenue', IAS 11 'Construction Contracts' and a number of revenue related interpretations from the IASB and FASB. It establishes a comprehensive framework for determining how and when revenue is recognised. Under IFRS 15 there has been no change to the point of revenue recognition for the Group as the transfer of control and the

contractual performance obligations are deemed satisfied on the legal completion of the homes or the built segment of homes in respect of certain Housing Association and Private Rented Sector contracts. The Group does not recognise revenue on the proceeds from the disposal of properties taken in part exchange against a new home. The net profit or loss on disposal is shown within gross profit. The gross proceeds and net profit/loss are immaterial. This treatment has not changed under IFRS 15 as the Group considers properties taken in part exchange to be incidental to its main activity and therefore outside the scope of IFRS 15.

b) The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 July 2018 and have not been early adopted:

- IFRS 16 'Leases'. This standard replaces the current guidance in IAS 17 and is a far-reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group has a number of operating leases, mainly in relation to cars and some office properties, which will be required to be brought onto the balance sheet together with corresponding assets. IFRS 16 'Leases' will be effective for the Group from 1 July 2019. The Group intends to use the modified retrospective method to implement IFRS 16. Under this approach comparative information is not restated. Rather, at the date of the initial application of this standard, the Group will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity as at 1 July 2019. This is not material with fixed assets and liabilities increasing by £8m and £8m respectively.

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 30 June 2019 (2018: 1 July 2018). 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

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. 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

The Group applies IFRS 11 to all joint arrangements. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. Redrow plc has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

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 the transfer of control to the customer on legal completion.

In respect of social housing, the Group enters into contracts for the sale of social housing either at an agreed price or at a discount to open market value. Payment for these properties is made by the purchaser, either on legal completion of the unit or, in certain circumstances on a staged basis. Revenues in all cases are recognised on the transfer of control to the customer on legal completion of the built segment of homes.

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.

FINANCIAL STATEMENTS

Accounting Policies *continued***INCOME AND DEFERRED TAX CONTINUED**

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.

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, excluding private customer deposits).

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. These include infrastructure and development costs such as roads and sewers, including contributions to other community benefits such as schools, medical centres and community centres.

Total land costs are allocated to the private housing on a development as, in the case of amenity land and social housing land, neither has sufficient contribution from sales of the precise area of the land to cover the land costs and are a planning requirement of the development.

Provisions are established to write down land where the estimated net sales proceeds less costs 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 options, conditional contracts and land owned without planning is initially recognised in inventory at cost. It is reviewed regularly for impairment.

EMPLOYEE BENEFITS**a. Pension obligation**

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

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 IFRS 9. 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.

FINANCIAL STATEMENTS

Accounting Policies *continued*

FINANCIAL INSTRUMENTS CONTINUED

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.

f. Deposits

New property deposits from private customers are held within Trade and Other payables until the legal completion of the related property or the rescission of the sale contract.

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.

FINANCIAL STATEMENTS

Notes to the Financial Statements

1. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Judgements and estimates 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 have not made any individual critical accounting judgements that are material to the Group. Management considers the key sources of estimation uncertainty 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 2019. Reasonably foreseeable changes in the assumptions used would not have a significant impact on the net realisable value.

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.

The primary risks the Group is exposed to by the defined benefit pension scheme are the movement in corporate bond yields, the market's long-term expectations for inflation and movement in mortality rates. The scheme closed to future accrual with effect from 1 March 2012. See Note 7e.

2. REVENUE AND OPERATING PROFIT**a. Revenue**

An analysis of the Group's revenue is as follows:

	2019 £m	2018 £m
Revenue from the sale of new housing	2,091	1,900
Revenue from the sale of land	21	20
	2,112	1,920

b. Operating profit

	Note	2019 £m	2018 £m
Operating profit is stated after charging:			
Inventories expensed in the year	13	1,526	1,375
Depreciation	9	3	2
Amortisation	8	–	1
Operating leases – plant and machinery		3	3
– other		1	1
Research and development expenditure		1	1
Auditors' remuneration – fees payable to the Company's Auditors for audit services ⁽ⁱ⁾		–	–
– fees payable to the Company's Auditors for other services ⁽ⁱⁱ⁾		–	–

Fees payable to the Company's Auditors comprise:

- (i) fees payable for the audit of parent company and consolidated financial statements £30,000 (2018: £30,000) and fees payable for the audit of the Company's subsidiaries pursuant to legislation £147,750 (2018: £157,000).
- (ii) Auditors' remuneration for other services comprised £20,000 (2018: £20,000) in respect of an independent review of the half-yearly financial statements (Audit related assurance services), £9,100 (2018: £9,100) in respect of iXBRL tagging (Taxation compliance services) and £1,130 (2018: £1,130) in respect of 'PwC Inform', an on-line technical accounting guide (other services).

FINANCIAL STATEMENTS

Notes to the Financial Statements *continued*

3. NET FINANCING COSTS

	2019 £m	2018 £m
Interest payable on bank loans	(2)	(4)
Imputed interest on deferred land creditors	(6)	(6)
Financial costs	(8)	(10)
Other interest receivable	3	3
Financial income	3	3
Net financing costs	(5)	(7)

4. INCOME TAX EXPENSE

	2019 £m	2018 £m
Current tax charge		
UK Corporation Tax	77	73
Deferred tax		
Origination and reversal of temporary differences	–	(1)
Total income tax charge income statement	77	72
Reconciliation of tax charge for the year		
Profit before tax	406	380
Tax calculated at UK Corporation Tax rate at 19.0% (2018: 19.0%)	77	72
Tax charge for the year	77	72
Deferred tax recognised directly in equity		
Relating to pension scheme	(1)	4
	(1)	4

Current income tax credit in the Company is £3m (2018: £nil).

Information on the impact of future tax rate changes is included in note 11.

5. DIVIDENDS

The following dividends were paid by the Group:

	2019 £m	2018 £m
Prior year final dividend per share of 19.0p (2018: 11.0p); Current year interim dividend per share of 10.0p (2018: 9.0p)	107	74
B share dividend 30.15p (2018: nil pence)	111	–
	218	74

The Board made an additional cash return of 30 pence per share through a B share scheme. Each shareholder at the record date was issued with one B share for every existing ordinary share held at the time. Barclays Bank PLC (or a subsidiary thereof) (acting as principal, and not as agent, nominee or trustee for Redrow plc) made an offer to purchase the B shares for an amount of 30 pence per B share (free of all expenses and commissions). The Company accepted the offer on behalf of shareholders and paid a single dividend to Barclays as holder of all the B shares of 30.15p per share.

The Board decided to propose a final dividend of 20.5p per share in respect of 2019 (£72m (2018: 19.0p, £70m)). The dividend has not been provided for and there are no income tax consequences.

6. EARNINGS PER ORDINARY SHARE

The basic earnings per share calculation for the year ended 30 June 2019 is based on the weighted average number of shares in issue during the period of 356m (2018: 361m) excluding those held in trust under the Redrow Long Term Incentive Plan (9m shares (2018: 9m 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 2019

	Earnings £m	Number of shares millions	Per share pence
Basic earnings per share	329	356	92.3
Effect of share options and SAYE	–	2	(0.3)
Diluted earnings per share	329	358	92.0

For the 12 months ended 30 June 2018

	Earnings £m	Number of shares millions	Per share pence
Basic earnings per share	308	361	85.3
Effect of share options and SAYE	–	1	(0.1)
Diluted earnings per share	308	362	85.2

7. EMPLOYEES

a. Cost (including Directors)

	Group		Company	
	2019 £m	2018 £m	2019 £m	2018 £m
Wages and salaries	109	106	3	3
Social security costs	15	15	1	2
Other pension costs	10	9	–	–
Share-based payments	7	9	1	2
	141	139	5	7

b. Number

The monthly average number of persons employed by the Group was:

	Group		Company	
	2019 Number	2018 Number	2019 Number	2018 Number
Directors and administrative staff	896	960	8	9
Other personnel	1,408	1,348	–	–
	2,304	2,308	8	9

FINANCIAL STATEMENTS

Notes to the Financial Statements *continued*

7. EMPLOYEES CONTINUED

c. Key management remuneration

Key management personnel, as defined under IAS 24 'Related party disclosures', are identified as the Executive Management Team and the Non-Executive Directors.

Summary key management remuneration is as follows:

	2019 £m	2018 £m
Salaries and short-term employee benefits	5	5
Share-based payments	2	3
	7	8

In addition, the Redrow Staff Pension scheme paid £15,756 (2018: £15,246) to The Steve Morgan Foundation on behalf of 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 60 to 79, 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.

The SAYE schemes have been valued using the Black-Scholes pricing model.

	2019	2018
Options granted during the year	712,217	824,208
Date of grant	1 January 2019	1 January 2018
Fair value at measurement date	£2.03	£2.31
Share price	£5.78	£6.13
Exercise price	£4.62	£4.90
Option life (contract length)	3/5 years	3/5 years
Expected dividend yield	3.38%	4.03%
Risk free interest rate	1.5%	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 Incentive scheme (LTIP)

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 LTIP on 10 September 2018 were granted to a limited number of Senior Executives. The scheme is discussed in greater detail within the Directors' Remuneration Report.

7. EMPLOYEES CONTINUED

d. Share-based payments continued

The LTIP has been valued using the Black-Scholes pricing model.

	2019	2018
Options granted during the year	335,604	321,012
Date of grant	10 September 2018	15 November 2017
Fair value at the measurement date	£5.97	£5.20
Share price	£5.97	£5.85
Exercise price	£0.00	£0.00
Expected volatility	N/A[†]	N/A [†]
Option life	3 years	3 years
Expected dividend yield	3.38%	4.03%
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 LTIP granted on 10 September 2018 comprises £5.97 in respect of non-market based performance conditions.

The fair value at the measurement date of the LTIP granted on 15 November 2017 comprises £5.20 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.

	2019 Tranche 1	2019 Tranche 2	2018 Tranche 1	2018 Tranche 2
Options granted during the year	575,210	575,349	450,047	449,915
Date of grant	10 September 2018	10 September 2018	11 September 2017	11 September 2017
Fair value at the measurement date	£5.97	£5.97	£6.11	£5.87
Share price	£5.97	£5.97	£6.33	£6.33
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	3.38%	3.74%	3.38%	3.74%
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.

FINANCIAL STATEMENTS

Notes to the Financial Statements continued

7. EMPLOYEES CONTINUED

d. Share-based payments continued

Share options outstanding

The following share options were outstanding at 30 June 2019:

Type of scheme	Date of grant	Number of options 2019	Number of options 2018	Exercise price
Long Term Share Incentive 2015	14 September 2015	–	175,810	–
Long Term Share Incentive 2016	12 September 2016	308,714	308,714	–
Long Term Share Incentive 2017	15 November 2017	321,012	321,012	–
Long Term Share Incentive 2018	10 September 2018	335,604	–	–
Deferred Bonus Incentive 2012 – Tranche 1	23 October 2012	4,656	4,656	–
Deferred Bonus Incentive 2012 – Tranche 2	23 October 2012	4,656	4,656	–
Deferred Bonus Incentive 2013 – Tranche 1	24 September 2013	4,642	6,562	–
Deferred Bonus Incentive 2013 – Tranche 2	24 September 2013	4,642	8,374	–
Deferred Bonus Incentive 2014 – Tranche 1	8 September 2014	3,615	15,619	–
Deferred Bonus Incentive 2014 – Tranche 2	8 September 2014	10,133	34,851	–
Deferred Bonus Incentive 2015 – Tranche 1	14 September 2015	18,055	56,179	–
Deferred Bonus Incentive 2015 – Tranche 2	14 September 2015	18,059	76,860	–
Deferred Bonus Incentive 2016 – Tranche 1	12 September 2016	45,774	183,390	–
Deferred Bonus Incentive 2016 – Tranche 2	12 September 2016	59,868	622,100	–
Deferred Bonus Incentive 2017 – Tranche 1	11 September 2017	56,651	417,174	–
Deferred Bonus Incentive 2017 – Tranche 2	11 September 2017	378,972	417,053	–
Deferred Bonus Incentive 2018 – Tranche 1	10 September 2018	554,139	–	–
Deferred Bonus Incentive 2018 – Tranche 2	10 September 2018	554,270	–	–
Company Share Option Plan	21 November 2008	–	35,970	£1.25
Save As You Earn	1 January 2012	–	32,999	£0.95
Save As You Earn	1 January 2014	–	136,228	£1.98
Save As You Earn	1 January 2015	137,678	154,273	£2.21
Save As You Earn	1 January 2016	85,540	391,882	£3.70
Save As You Earn	1 January 2017	768,706	886,247	£3.20
Save As You Earn	1 January 2018	635,764	752,871	£4.90
Save As You Earn	1 January 2019	665,318	–	£4.62

The total share options outstanding at 30 June 2019 under the LTIP, Deferred Bonus Incentive Plan, Company Share Option Plan and the Save As You Earn schemes represent 1.4% of the issued share capital (2018: 1.4%).

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 2019	Weighted average exercise price 2019	Number of options 2018	Weighted average exercise price 2018
Long Term Share Incentive scheme:				
Outstanding at the beginning of the year	805,536	–	1,113,175	–
Lapsed during the year	–	–	(26,239)	–
Exercised during the year	(175,810)	–	(602,412)	–
Granted during the year	335,604	–	321,012	–
Outstanding at the end of the year	965,330	–	805,536	–
Exercisable at the end of the year	–	–	–	–
Deferred Bonus Incentive scheme:				
Outstanding at the beginning of the year	1,847,474	–	2,207,002	–
Lapsed during the year	(285,500)	–	(205,409)	–
Exercised during the year	(994,401)	–	(1,054,081)	–
Granted during the year	1,150,559	–	899,962	–
Outstanding at the end of the year	1,718,132	–	1,847,474	–
Exercisable at the end of the year	230,751	–	391,147	–
Company Share Option Plan:				
Outstanding at the beginning of the year	35,970	£1.25	77,935	£1.25
Lapsed during the year	(35,970)	£1.25	–	£1.25
Exercised during the year	–	£1.25	(41,965)	£1.25
Outstanding at the end of the year	–	–	35,970	£1.25
Exercisable at the end of the year	–	–	35,970	£1.25
Save As You Earn scheme:				
Outstanding at the beginning of the year	2,334,500	£3.66	2,567,073	£2.81
Lapsed during the year	(295,938)	£4.08	(297,925)	£3.54
Exercised during the year	(457,773)	£2.98	(758,856)	£2.15
Granted during the year	712,217	£4.62	824,208	£4.90
Outstanding at the end of the year	2,293,006	£4.04	2,334,500	£3.66
Exercisable at the end of the year	12,604	£3.70	6,228	£2.34

The weighted average share price at the date of exercise of share options exercised during the year was £6.07 (2018: £6.21).

The options outstanding at 30 June 2019 had a range of exercise prices of £nil to £4.90 (2018: £nil to £4.90) and a weighted average remaining contractual life of 5.3 years (2018: 5.5 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 £7m (2018: charge £9m).

FINANCIAL STATEMENTS

Notes to the Financial Statements *continued*

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 £16m (2018: credit of £13m). A charge of £7m related to the defined benefit section of the Scheme (2018: credit of £22m), with £nil being charged to the income statement (2018: charge of £nil) and a charge of £7m to the statement of comprehensive income (2018: credit of £22m). The charge arising from the defined contribution section was £9m (2018: £9m).

Triennial valuation

A full independent triennial actuarial valuation of the defined benefit section of the Scheme was undertaken at 1 July 2017 using the Projected Unit Method. As at 1 July 2017, in the opinion of the Actuary, there was a deficit of £15m in the defined benefit section of the Scheme, based on the Trustees' technical provisions assumptions with the Scheme's assets representing 90% of the Scheme's technical provisions. As at 1 July 2017 the value of the defined benefit section of the Scheme's assets was £126m. The previous triennial valuation was undertaken as at 1 July 2014 and reported a deficit of £20m.

Defined benefit scheme – IAS 19R valuation

Redrow recognises 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 2017. This valuation has been updated to 30 June 2018 by a qualified actuary for the purposes of these financial statements.

The Group agreed a recovery plan for the 1 July 2014 actuarial valuation: it agreed to contribute £1.1m per annum to the Scheme from 1 July 2014 to 30 June 2020 and £1.5m per annum from 1 July 2020 to 30 June 2026. During the 2017 financial year, the Group agreed to increase its contributions to £3.0m per annum from 1 January 2018. As a result, the Group expects to contribute £3.0m to the Scheme in the year ending 30 June 2020.

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

	2019	2018
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	3.1%	2.9%
Rate of increase of benefits in payment (lesser of 2.5% per annum and RPI) ²	2.1%	2.0%
Discount rate	2.3%	2.9%
Inflation assumption – RPI	3.3%	3.1%
– CPI	2.3%	2.1%

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 and female members: SAPS CMI_2018 1.50% Long Term Trend (2018: SAPS CMI_2017 1.25% Long Term Trend)

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

Pensioner currently aged 65: Male 21.9 years (2018: Male 22.0 years) Female 23.9 years (2018: Female 23.9 years)
 Future pensioner when aged 65: Male 23.2 years (2018: Male 23.0 years) Female 25.2 years (2018: Female 25.0 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.

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					
	2019 £m Quoted market price in active market	2019 £m No quoted market price in active market	2019 £m Total	2018 £m Quoted market price in active market	2018 £m No quoted market price in active market	2018 £m Total
Equities	53	–	53	49	–	49
Debt instruments	67	–	67	50	–	50
Other	15	–	15	16	–	16
Cash	11	–	11	16	–	16
Insurance policies	–	2	2	–	2	2
Total market value of assets	146	2	148	131	2	133
Present value of obligations			(130)			(111)
Surplus in the Scheme			18			22

The defined benefit obligation can be approximately attributed to the scheme members as follows:

	2019 %	2018 %
Deferred members	71	68
Pensioner members	29	32
	100	100

All benefits are vested at 30 June 2019 (unchanged from 30 June 2018).

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

	Group and Company	
	2019 £m	2018 £m
Amounts included within the income statement:		
Administrative expenses		
Past service cost	(1.0)	–
Net interest on defined benefit liability	1.0	–
	–	–
Amounts recognised in the statement of comprehensive income:		
Return on scheme assets excluding interest income	13	5
Actuarial gains arising from changes in demographic assumptions	–	1
Actuarial movements arising from changes in financial assumptions	(20)	11
Actuarial gains arising from experience adjustments	–	5
	(7)	22
	(7)	22

FINANCIAL STATEMENTS

Notes to the Financial Statements continued

7. EMPLOYEES CONTINUED

e. Retirement benefit schemes continued

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

	Group and Company	
	2019 £m	2018 £m
Balance sheet surplus		
At start of year	22	(2)
Amounts (charged)/credited against statement of comprehensive income	(7)	22
Employer contributions paid	3	2
At end of year	18	22
Changes in the present value of the defined benefit obligation:		
At start of year	111	130
Past service cost	1	–
Interest expense	3	3
Benefit payments	(5)	(5)
Actuarial (gains) arising from changes in demographic assumptions	–	(1)
Actuarial movements arising from changes in financial assumptions	20	(11)
Actuarial gains arising from experience adjustments	–	(5)
At end of year	130	111
Changes in the fair value of the Scheme's assets:		
At start of year	133	128
Interest income	4	3
Return on scheme assets excluding interest income	13	5
Normal employer contributions	3	2
Benefit payments	(5)	(5)
At end of year	148	133

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 110). All figures are before allowing for deferred tax.

Item	Approximate impact 2019	Approximate impact 2018
Present value of defined benefit obligation (£m)		
Discount rate -25 basis points	136.9	116.5
Discount rate +25 basis points	123.0	105.2
Price inflation rate -25 basis points	123.2	105.4
Price inflation rate +25 basis points	136.7	116.4
Post-retirement mortality assumption -1 year age adjustment	133.9	114.0
Weighted average duration of defined benefit obligation (in years)		
Discount rate -25 basis points	21.30	20.43
Discount rate +25 basis points	21.52	20.38

8. INTANGIBLE ASSETS

The Group

	Goodwill £m	Software £m	Total £m
Cost			
At 1 July 2017	1	2	3
Additions	–	1	1
At 30 June 2018	1	3	4
Additions	–	–	–
At 30 June 2019	1	3	4
Accumulated amortisation			
At 1 July 2017	–	1	1
Charge	–	1	1
At 30 June 2018	–	2	2
Charge	–	–	–
At 30 June 2019	–	2	2
Net book value			
At 30 June 2019	1	1	2
At 30 June 2018	1	1	2
At 30 June 2017	1	1	2

FINANCIAL STATEMENTS

Notes to the Financial Statements continued

9. PROPERTY, PLANT AND EQUIPMENT

The Group

	Freehold property £m	Plant and machinery £m	Fixtures and fittings £m	Total £m
Cost				
At 1 July 2017	17	3	8	28
Additions	–	–	1	1
At 30 June 2018	17	3	9	29
Additions	2	–	2	4
At 30 June 2019	19	3	11	33
Accumulated depreciation				
At 1 July 2017	4	3	5	12
Charge	–	–	2	2
At 30 June 2018	4	3	7	14
Charge	1	–	2	3
At 30 June 2019	5	3	9	17
Net book value				
At 30 June 2019	14	–	2	16
At 30 June 2018	13	–	2	15
At 30 June 2017	13	–	3	16

10. INVESTMENTS

a. Investments

	Group		Company	
	2019 £m	2018 £m	2019 £m	2018 £m
Joint ventures	6	6	–	–
	6	6	–	–

10. INVESTMENTS CONTINUED

b. Investments in joint ventures

	Group		Company	
	2019 £m	2018 £m	2019 £m	2018 £m
Share of joint venture net assets:				
Current assets	6	7	–	–
Current liabilities	(2)	(3)	–	–
Non-current liabilities	(2)	(2)	–	–
Net assets	2	2	–	–
Loans from Group companies ⁽ⁱ⁾	4	4	–	–
	6	6	–	–
Share of post-tax profits from joint ventures:				
Revenue	1	38	–	–
Cost of sales	(1)	(31)	–	–
Gross profit	–	7	–	–
Administrative expenses	–	–	–	–
Operating profit	–	7	–	–
Finance costs	–	(1)	–	–
Profit before tax	–	6	–	–
Taxation	–	(1)	–	–
	–	5	–	–

(i) £4m of the loans to joint ventures are secured (2018: £4m).

The Group's joint venture investments are:

- its 50% shareholding in the ordinary share capital of Menta Redrow Limited and Menta Redrow (II) Limited, both companies incorporated in Great Britain with a 30 June year end. Menta Redrow Limited and Menta Redrow (II) Limited were formed to pursue redevelopment opportunities in Croydon.

c. Investments in subsidiary undertakings

	Company £m
At 1 July 2018 and 30 June 2019	–

The principal subsidiary company is Redrow Homes Limited. All subsidiary companies are incorporated in Great Britain except Redrow Homes (Park Heights) Limited which is incorporated in Jersey. A full list of subsidiary undertakings as at 30 June 2019 is shown on page 116. The capital of all the subsidiary companies, consisting of ordinary shares, is wholly owned by HB (HDG) Limited which in turn is wholly and directly owned by Redrow plc.

The principal activity of Redrow Homes Limited, Redrow Real Estate Limited, Redrow Regeneration plc, The Waterford Park Company Limited and The Waterford Park Company (Balmoral) Limited is residential development. The principal activity of Harrow Estates plc is land acquisition, development and resale. HB (HDG) Limited is an intermediate holding company. St David's Park Limited principal activity is business park maintenance services. Those subsidiaries marked with † are non-trading.

All the subsidiaries registered office is Redrow House, St David's Park, Flintshire, CH5 3RX apart from those marked (i) and (ii) whose registered offices are as follows:

- (i) c/o TLT LLP, 140 West George Street, Glasgow, G2 2HG
- (ii) 13 Castle Street, St. Helier, Jersey, JE4 5UT

FINANCIAL STATEMENTS

Notes to the Financial Statements continued

10. INVESTMENTS CONTINUED

c. Investments in subsidiary undertakings continued

Subsidiaries

Name	Company Number	Name	Company Number
HB (HDG) Limited	1990709	HB (1995) Limited ^{(i)†}	SC155021
Redrow Homes Limited	1990710	Redrow Homes (Wallyford) Limited ^{(i)†}	SC205159
Harrow Estates plc	6825371	St David's Park Limited	2479183
Redrow Real Estate Limited	3996541	PB0311 Limited [†]	7577839
Redrow Regeneration plc	5405272	Debut Freeholds Limited [†]	4638403
Redmira Limited [†]	7587765	Tay Homes (Western) Limited [†]	2806562
HB (NW) Limited [†]	1189328	Tay Homes (Northern) Limited [†]	2708575
HB (LCS) Limited ^{(i)†}	SC38052	Tay Homes (Midlands) Limited [†]	2183136
HB (MID) Limited [†]	2469449	Tay Homes (North West) Limited [†]	2189721
HB (SW) Limited [†]	3522335	Redrow Homes (Park Heights) Limited ^{(ii)†}	66240
HB (SWA) Limited [†]	2230870	Redrow Construction Limited [†]	1375826
HB (Y) Limited [†]	2293006	Poche Interior Design Limited [†]	2169473
HB (ESTN) Limited [†]	4017345	Redrow (Shareplan) Limited [†]	3520984
HB (WM) Limited [†]	3379746	Cadmoore Limited [†]	3977222
HB (SM) Limited [†]	3522321	Redrow (Sudbury) Limited [†]	4558070
HB (SN) Limited [†]	537405	The Waterford Park Company Limited	5429823
HB (WC) Limited [†]	4984069	The Waterford Park Company (Balmoral) Limited	6047122
HB (WX) Limited [†]	1940936	HB (Herne Bay No 1) Limited [†]	7743649
HB (EM) Limited [†]	2827161	HB (Herne Bay No 2) Limited [†]	9163243
HB (CD) Limited [†]	2034733	Redrow Homes East Midlands Limited [†]	4219459
HB (GRPS) Limited [†]	2898913	Radleigh Construction Limited [†]	4219460
HB (CPTS) Limited [†]	1079513	Radleigh Homes Limited [†]	4210633
HB (SE) Limited [†]	3988594	Radbourne Edge (Holdings) Limited [†]	8737345
HB (CSCT) Limited ^{(i)†}	SC231364	Redrow Langley Limited [†]	7306461
HB (SC) Limited ^{(i)†}	SC74732	Radleigh (Hackwood) Limited [†]	8131049

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:

	Imputed interest £m	Short-term temporary differences £m	Total £m
Deferred tax assets			
At 1 July 2017	3	2	5
Charge to income	–	(1)	(1)
Charge to equity	–	–	–
At 30 June 2018	3	1	4
Charge to income	–	–	–
Charge to equity	–	–	–
At 30 June 2019	3	1	4

11. DEFERRED TAX ASSETS AND LIABILITIES CONTINUED

	Employee benefits £m	Short-term temporary differences £m	Total £m
Deferred tax liabilities			
At 1 July 2017	–	(3)	(3)
Credit to income	–	2	2
Charge to equity	(4)	–	(4)
At 30 June 2018	(4)	(1)	(5)
Credit to income	–	–	–
Credit to equity	1	–	1
At 30 June 2019	(3)	(1)	(4)

The Group has no material unrecognised deferred tax assets.

A Corporation Tax rate of 20% from 1 April 2016 was substantively enacted on 2 July 2013. Changes to reduce the Corporation Tax rate to 19% from 1 April 2017 and to 18% from 1 April 2020 were substantively enacted on 26 October 2015. A further change to reduce the rate to 17% from 1 April 2020 was substantively enacted on 6 September 2016. Deferred tax balances have been valued at 17%.

12. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2019 £m	2018 £m	2019 £m	2018 £m
Non-current assets				
Trade receivables (net)	9	8	–	–
	9	8	–	–
Current assets				
Trade receivables (net)	28	8	–	–
Amounts due from subsidiary companies	–	–	890	675
Other receivables	19	29	–	–
Prepayments and accrued income	1	5	–	–
	48	42	890	675

Trade receivables due after more than one year are stated after an allowance of £5m has been made (2018: £7m) in respect of expected credit losses. This allowance is based on an estimate of default rates. £1m provision was made during the year (2018: £nil). £nil was utilised (2018: £1m). £nil provision was released during the year (2018: £nil) but £3m provision was transferred to be held against current trade assets (2018: £nil). Current trade assets are therefore stated after an allowance of £3m (2018: £nil) in respect of expected credit losses.

Trade and other receivables due between one and two years are £3m (2018: £2m), between two and five years are £6m (2018: £6m) and due in more than five years are £nil (2018: £nil). The Group holds a charge over the underlying assets. 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.

Amounts due from subsidiary companies are unsecured, repayable on demand and carry interest at market rate on trading balances.

FINANCIAL STATEMENTS

Notes to the Financial Statements *continued*

14. FINANCIAL RISK MANAGEMENT CONTINUED

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 2019, the Group had total unsecured bank borrowing facilities of £253m, representing £250m committed facilities and £3m uncommitted facilities.

The Group's cash surpluses arise from 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 from time to time 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 were no interest rate swaps in place in 2019 or 2018.

The following table shows the profile of interest bearing debt together with its effective interest rates.

	2019				2018					
	Effective interest rate %	Total £m	Zero to one year £m	One to two years £m	Two to five years £m	Effective interest rate %	Total £m	Zero to one year £m	One to two years £m	Two to five years £m
Bank loans – floating rate	2.3	80	–	–	80	2.6	5	–	–	5
		80	–	–	80		5	–	–	5

For the year ended 30 June 2019, 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 less than £1m (2018: £1m).

b. Maturity of bank loans and borrowings

The maturity of bank loans and borrowings is as below:

The Group

	2019		2018	
	Bank overdraft £m	Bank loans £m	Bank overdraft £m	Bank loans £m
Due between two and five years	–	85	–	5
	–	85	–	5

Maturities above include estimated interest payable to the maturity of the facilities.

14. FINANCIAL RISK MANAGEMENT CONTINUED

b. Maturity of bank loans and borrowings *continued*

The Company

	2019		2018	
	Bank overdraft £m	Bank loans £m	Bank overdraft £m	Bank loans £m
Due between two and five years	–	85	–	5
	–	85	–	5

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 2019.

At the year end, the Group and Company had £170m (2018: £245m) of undrawn committed bank facilities available.

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

c. Amounts due in respect of development land

The Group's policy permits land purchases to be made on deferred payment terms. In accordance with IFRS 9, the deferred creditor is recorded at fair value and nominal value is amortised over the deferral 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 deferral.

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
2019	438	446	271	137	38
2018	387	394	209	144	41

d. Maturity of trade and other payables

These represent current liabilities due within one year.

FINANCIAL STATEMENTS

Notes to the Financial Statements continued

14. FINANCIAL RISK MANAGEMENT CONTINUED

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	
	2019 £m	2018 £m	2019 £m	2018 £m
Held at Banks with at least an A credit rating per Standard & Poor	204	68	212	89
	204	68	212	89

No credit limits were exceeded during the reporting year 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.

The total capital levels and gearing ratios as at 30 June 2019 and 30 June 2018 are as follows:

	2019 £m	2018 £m
Total borrowings	80	5
Less cash and cash equivalents	(204)	(68)
Net (cash)	(124)	(63)
Equity	1,585	1,483
Total capital	1,461	1,420
Operating profit adjusted for joint ventures	411	388
ROCE (Operating profit as above as a percentage of opening and closing total capital)	28.5%	28.5%
Gearing ratio	N/A	N/A

g. Fair values

At 30 June 2019 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	
	2019 £m	2018 £m	2019 £m	2018 £m
Non-current liabilities				
Amounts due in respect of development land	167	178	–	–
	167	178	–	–
Current liabilities				
Trade payables	347	336	–	–
Amounts due in respect of development land	271	209	–	–
Customer deposits	27	52	–	–
Amounts owed to subsidiary companies	–	–	14	14
Other payables	7	7	–	–
Other taxation and social security	6	3	–	–
Accruals and deferred income	68	64	16	16
	726	671	30	30

Amounts due to subsidiary companies are unsecured, repayable on demand and bear interest at market rate on trading balances.

16. LONG-TERM PROVISIONS

The Group

	Onerous contracts £m	Other £m	Total £m
At 1 July 2018	1	8	9
Provisions created during the year	–	–	–
Provisions released during the year	–	(1)	(1)
Provisions utilised during the year	–	–	–
At 30 June 2019	1	7	8

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

	Number of ordinary shares
As at 1 July 2018 (ordinary shares of 10p each)	369,799,938
As at 30 June 2019 (ordinary shares of 10.5p each)	352,190,420

On 8 April 2019, 369,799,941 B shares of 0.1 pence each were allotted and issued to shareholders on the basis of 1 B share for every existing ordinary share of 10 pence each held at the record date. Following the purchase by Barclays of all of the B shares, and payment by the Company of a single dividend to Barclays as holder of all of the B shares, the B shares were reclassified as deferred shares of 0.1 pence and were immediately repurchased and cancelled by the Company.

Alongside the B Share Scheme, on 8 April 2019 the issued share capital of the Company was consolidated. Each shareholder at the record date received 20 new ordinary shares of 10.5 pence each for every existing 21 ordinary shares of 10 pence each held.

On 29 March 2019, in order to ensure that a whole number of new ordinary shares was created following the implementation of the share consolidation, 3 existing ordinary shares were issued by the Company to the Employee Benefit Trust. Following the consolidation, the total number of shares in issue is 352,190,420 ordinary shares of 10.5 pence each.

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

FINANCIAL STATEMENTS

Notes to the Financial Statements *continued*

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 2017	37	59	8	1,131
Total comprehensive income	–	–	–	326
Dividends paid	–	–	–	(74)
Movement in respect of LTIP/SAYE	–	–	–	(4)
At 30 June 2018	37	59	8	1,379
Total comprehensive income	–	–	–	323
Dividends paid	–	–	–	(218)
Movement in respect of LTIP/SAYE	–	–	–	(3)
At 30 June 2019	37	59	8	1,481

Other reserves

Other reserves consists of a £7m Capital redemption reserve (2018: £7m) and a £1m Consolidation reserve (2018: £1m).

Undistributable reserves

Other reserves are not available for distribution.

The Company

	Share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m
At 1 July 2017	37	59	7	701
Total comprehensive income	–	–	–	19
Dividends paid	–	–	–	(74)
At 30 June 2018	37	59	7	646
Total comprehensive income [†]	–	–	–	480
Dividends paid	–	–	–	(218)
At 30 June 2019	37	59	7	908

[†] Includes dividends received from subsidiary companies.

Other reserves

Other reserves consists of a £7m Capital redemption reserve (2018: £7m).

Undistributable reserves

Other reserves are not available for distribution.

19. MOVEMENT IN NET CASH

The Group

	At 1 July 2018 £m	Cash flow £m	At 30 June 2019 £m
Cash and cash equivalents	68	136	204
Bank loans	(5)	(75)	(80)
Net cash	63	61	124

The Company

	At 1 July 2018 £m	Cash flow £m	At 30 June 2019 £m
Cash and cash equivalents	89	123	212
Bank loans	(5)	(75)	(80)
Net cash	84	48	132

20. OPERATING LEASE COMMITMENTS

	2019 £m	2018 £m
Within one year	3	3
Within two to five years	5	4
Later than five years	1	1

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. Management estimate that the bonds and guarantees amount to £136m (2018: £117m) at the year end and consider the possibility of a cash outflow in settlement to be remote.

FINANCIAL STATEMENTS

Notes to the Financial Statements *continued***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 60 to 79. 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 £0.3m (Company £0.3m), primarily relating to the donation to The Steve Morgan Foundation as described in the Directors' Remuneration Report on pages 60 to 79 and 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 2019, 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 2019 was £890m (2018: £675m). The amount owed to subsidiary undertakings at 30 June 2019 was £14m (2018: £14m).

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.

During the year, the Group received £nil loan repayments from its joint ventures, Menta Redrow Limited and Menta Redrow (II) Limited. It also received a £1.7m dividend from Menta Redrow Limited. The Group's loans to its joint ventures are disclosed in note 10.

FINANCIAL STATEMENTS

Glossary

DPS

Dividend Per Share

Forward Land

Land which is owned or controlled by Redrow, generally under option, which is being promoted through the planning system in order to ultimately achieve a residential planning consent

GDPR

General Data Protection Regulation

GDV

Gross Development Value

HBF

Home Builders Federation

NHBC

National House Building Council

PRS

Private Rented Sector

Sales Outlet

A development with new homes for sale, comprising a discreet sales area and with a planned selection of new homes available

SDLT

Stamp Duty Land Tax

NPPF

National Planning Policy Framework

HOW KEY PERFORMANCE INDICATOR MEASURES ARE CALCULATED:**Accident incident rate by site**

No. of notifiable accidents in financial year divided by average no. of sites

Earnings per share (EPS)

Profit attributable to ordinary equity shareholders (excluding exceptional items and deferred tax rate changes) divided by the weighted average no. of ordinary shares in issue during the financial year

HBF customer satisfaction rating

Independent HBF customer satisfaction rating score

Land holding years

No. of plots in owned land holdings at 30 June divided by no. of legal completions in financial year

Number of trainees

No. of trainees at 30 June

Private reservation rate

No. of private reservations per week in financial year divided by average no. of sales outlets

Return on capital employed (ROCE)

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

Return on equity (ROE)

Profit before tax before exceptional items adjusted for joint ventures as a percentage of opening and closing net assets

Revenue

Revenue per consolidated income statement

Sales outlets

No. of sales outlets open at 30 June

SHAREHOLDER INFORMATION

Corporate and Shareholder Information

SHAREHOLDER DISCOUNTS

The Company offers a discount of 1% to Shareholders off the purchase price of a new Redrow home. In order to qualify for the discount a purchaser must hold a minimum of 2,500 ordinary shares in Redrow plc for a minimum of 12 months prior to the date of reservation, subject to a cap of £5,000.

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

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SHAREHOLDER INFORMATION

Five Year Summary

12 months ended 30 June

	2015 £m	2016 [†] £m	2017 £m	2018 £m	2019 £m
Revenue	1,150	1,382	1,660	1,920	2,112
Operating profit	213	261	322	382	411
Operating profit as a percentage of turnover	18.5%	18.9%	19.4%	19.9%	19.5%
Profit before tax	204	250	315	380	406
Net assets	873 [†]	1,041	1,235	1,483	1,585
Net cash/(debt)	(154)	(139)	(73)	63	124
Gearing – net debt as a percentage of capital and reserves	17.6% [†]	13.3%	5.9%	N/A	N/A
Return on capital employed – operating profit before exceptional items adjusted for joint ventures as a percentage of opening and closing capital employed	22.8%	23.7%	26.0%	28.5%	28.5%
Return on equity	26.4%	26.1%	27.7%	28.0%	26.5%
Number of legal completions	4,022	4,716	5,319	5,718	6,443
Earnings per ordinary share	44.5p	55.4p	70.2p	85.3p	92.3p
Dividends paid per ordinary share inc cash return	4.0p	8.0p	12.0p	20.0p	59.0p
Net assets per ordinary share	236.1p [†]	281.5p	334.0p	401.0p	450.0p

[†] Restated to reflect change in accounting policy.