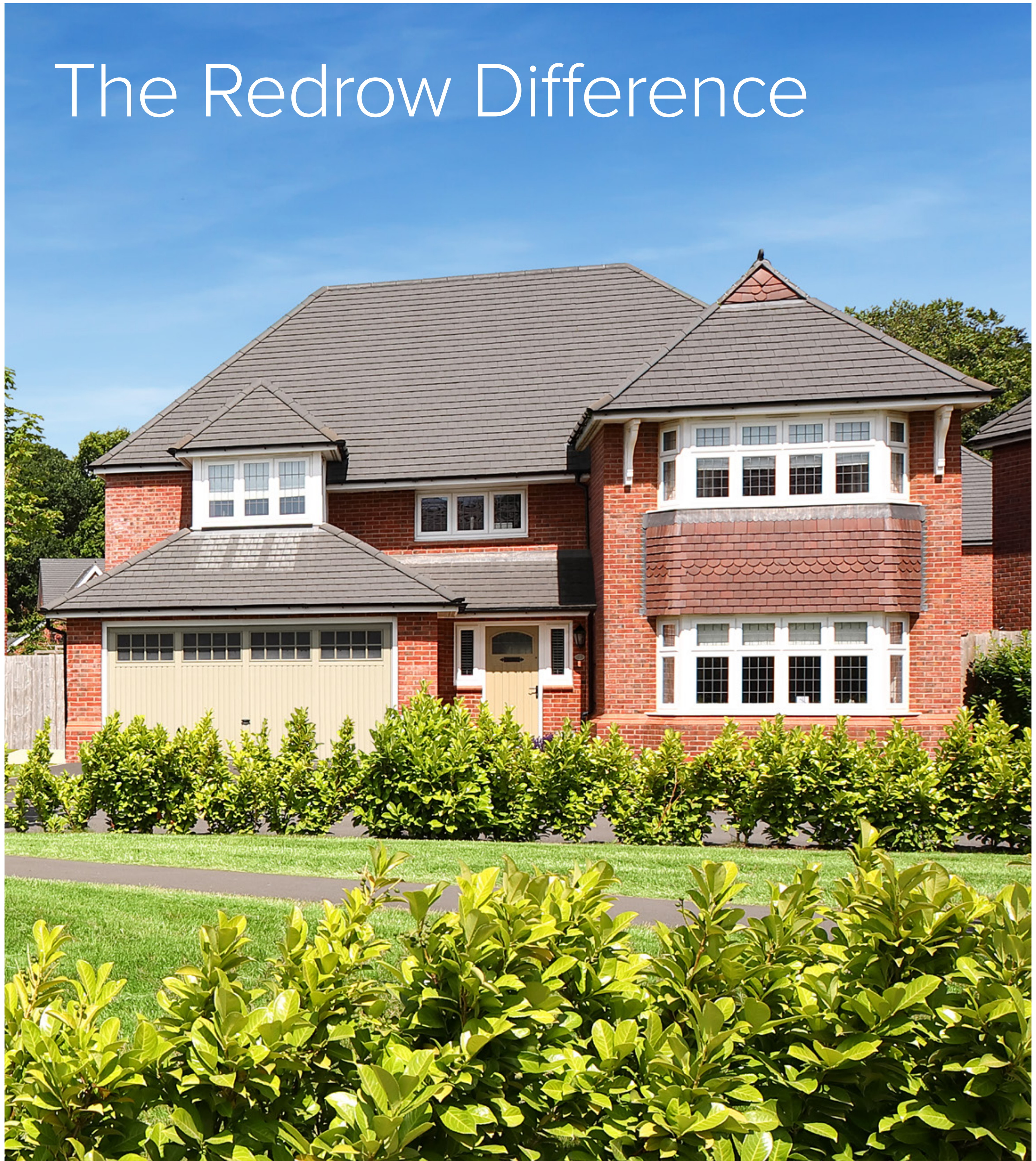
2020
HALF-YEARLY REPORT

REDROW
A BETTER WAY TO LIVE

The Redrow Difference



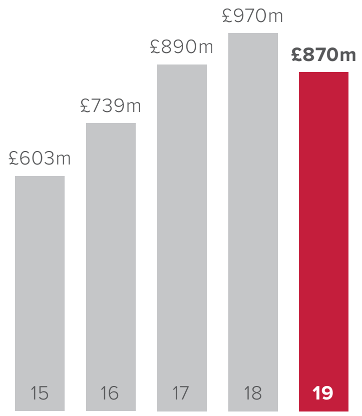
THE RICHMOND HOUSE TYPE FROM THE HERITAGE COLLECTION AT HARTFORD GRANGE, CHESHIRE

Contents

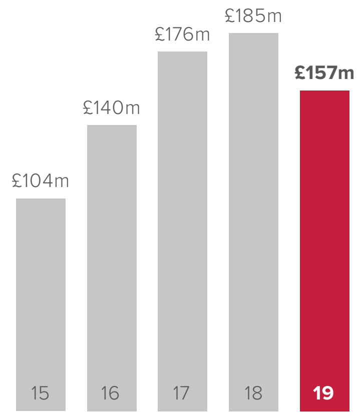
Find more information at:
redrowplc.co.uk

REDROW HALF-YEARLY REPORT 2020

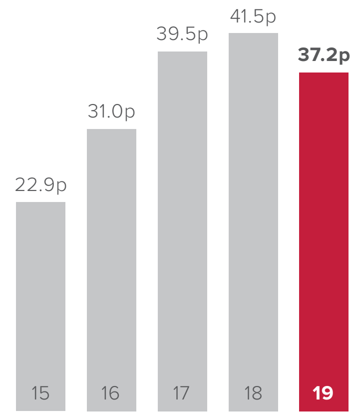
Results Summary



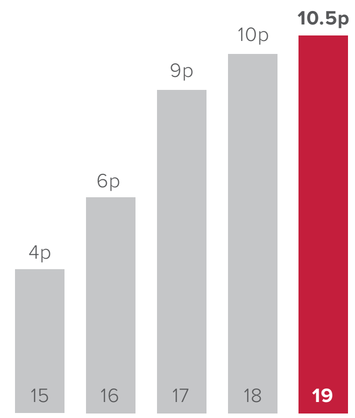
£870m
Revenue
-10%



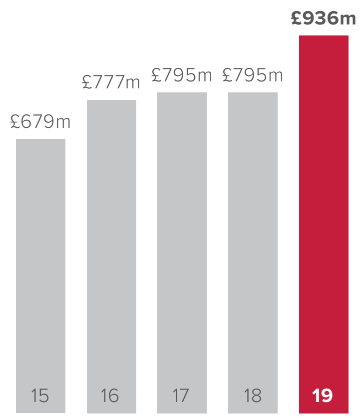
£157m
Profit before tax
-15%



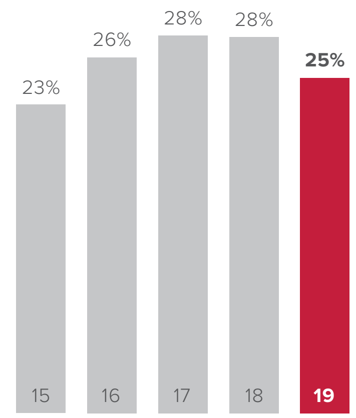
37.2p
Earnings per share
-10%



10.5p
Interim dividend per share
+5%



£936m
Private reservations
+18%



25%
ROCE*
-11%

* see note 13.

Chairman's Statement

"Redrow has once again delivered a robust operational and financial set of results for the first-half of the financial year and traded strongly despite an uncertain political and economic background."

JOHN TUTTE
Executive Chairman

The results are consistent with our expectations highlighted in September, that returns will be considerably more weighted than usual to the second-half due to constrained outlet growth last year and the timing of apartment block completions.

We secured a record number of private reservations in the six months to the end of December and the value of our total forward order book was maintained at December 2018's record level and closed 15% ahead of the opening position at the beginning of July.

OUR FINANCIAL PERFORMANCE

Group revenue was £870m in the first half compared to £970m last year due to legal completions reducing from 2,970 to 2,554. Private completions were down by 99 and social completions were 317 lower and accounted for 19% (2019: 27%) of total completions. The private average selling price was similar to last year at £387,000 (2019: £391,000).

The gross margin was 23.9% (2019: 24%) as the impact of build cost inflation was largely offset by the change in tenure mix.

Overheads increased from £46m to £49m following the opening our new Thames Valley division in July. Operating profit reduced from £187m to £159m, mainly due to the reduced turnover, and pre-tax profit was £157m (2019: £185m). Earnings per share were 37.2p (2019: 41.5p).

Net cash at the end of December 2019 was £14m (2019: £101m) despite paying out £149m in dividends and tax in the first-half (2019: £105m).

Return on Capital Employed reduced to 25% (2019: 28%) in the first-half due to the lower profits.

Given the Group's ongoing strong earnings and cash position, the Board has declared an interim dividend of 10.5p (2019: 10p), a 5% increase on the prior year. The interim dividend will be paid on 9 April 2020 to holders of ordinary shares on the register at the close of business on 6 March 2020.

OPERATING HIGHLIGHTS

The wider housing market continued to be affected by political uncertainty around Brexit and during the run-up to the general election. This had an impact on the time taken to close new homes' sales, particularly where extended chains were involved. Notwithstanding this, the Group achieved a record number of private reservations in the six months to the end of December with the value of reservations up 18% at £936m (2019: £795m). Excluding the Colindale PRS deal we announced in September, the value of reservations was 3% ahead.

At the end of December 2019, we had a total order book of £1.2bn, in line with last year's record level.

Outlets averaged the same as last year at 129 and the weekly sales rate was 0.73 (2019: 0.61) and 0.62 excluding the Colindale PRS sale.

The market was fairly consistent across all of our operating areas with London showing some early signs of improvement. Pricing was stable throughout the period and 36% (2019: 39%) of private buyers utilised Help to Buy.

Our new Thames Valley division made a positive contribution to Group profits in the first-half.

Our long-standing supplier and sub-contractor relationships and cost saving initiatives are helping to ease cost pressures. We anticipate underlying build cost inflation will reduce in calendar year 2020 to around 3% and will be largely offset by modest house price gains.

During 2019 we rolled-out our bespoke tablet-based quality management system. We are now able to better track and measure standards and deal more efficiently with workmanship issues during the build process. Our industry-leading online reservation system is now operating across nearly all of our developments and is proving very popular with our customers. Our customer recommendation score is currently running at 91.8%.

We continue to invest in creating great places to live that respond to our customers' growing awareness of the environment and the need to address climate change and the threat to biodiversity. As part of this commitment, today we have published our social impact review: Creating Communities - Giving Our Customers a Better Way to Live. The review, which is available on our website, sets out how our business makes a meaningful social impact and strives to leave a positive environmental legacy.

LAND AND PLANNING

We remained active but cautious in the land market in the first-half. The Group acquired 1,946 plots with planning and the owned and contracted land holdings with planning closed at 28,125 plots (June 2019: 28,566 plots). The Group is processing a sizeable pipeline of sites with terms agreed and we therefore expect acquisitions to accelerate in the second-half.

Although our cautious approach to land acquisition during a prolonged period of political and economic uncertainty impacted the rate of outlet growth, our strategy to acquire larger sites has reduced the rate at which outlets are now closing. As a result, we are expecting outlet growth to be strong in the second-half despite ongoing delays in the planning system.

BOARD CHANGES

My appointment as Executive Chairman and Matthew Pratt's promotion to Chief Operating Officer earlier last year were integral to a smooth transition to a more conventional board structure following Steve Morgan's retirement. The transition has gone well, and it is therefore my intention to step back to a non-executive Chairman role from 1st July 2020 and to retire from the board ahead of the AGM in 2021. Matthew Pratt will take up the position of Group Chief Executive with effect from 1st July 2020 and the search for an independent non-executive Chairman to replace me will start towards the end of this calendar year.

I am confident that under Matthew's leadership, supported by Barbara Richmond and the wider executive team, Redrow will continue to go from strength to strength. Barbara recently celebrated ten exceptional years as Group Finance Director.

During the first half we further strengthened the board with the appointment of Nicky Dulieu as a non-executive Director: Nicky's extensive knowledge of retailing and customer service complements the existing Board's wealth of experience.

CURRENT TRADING AND OUTLOOK

The market in the first five weeks of the second-half has been resilient. Private reservations in terms of value are 15% ahead at £180m (2019: £156m). We are currently operating from 134 outlets (2019: 128) and continue to expect to operate from an average of 131 outlets for the full year (2019: 126).

Planned changes to Help to Buy next year will limit the scheme to first-time buyers and introduce regional price caps. Whilst we expect this will see demand increase in the short-term from buyers that will not qualify for the scheme in 2021, we continue to urge government to review the caps that, as they stand, will disadvantage buyers in the North and Midlands.

Due to constrained outlet growth last year and the timing of apartment block completions, we budgeted to deliver significantly more completions than usual in the second-half. We are on-track to do so and our expectations for the full year remain unchanged.

With our very strong order book, a promising start to the second-half and a more stable political outlook, prospects are encouraging and I am confident this will be another year of progress for Redrow

JOHN TUTTE
Executive Chairman

4 February 2020

OAK LEIGH GARDENS, BARROW, LANCASHIRE

The Redrow Difference

At Redrow, we take great pride in doing things differently, striving to create a better way to live for our customers whilst delivering value to our shareholders.

'The Redrow Difference' sets us apart from other new or second-hand properties by offering high quality homes in more desirable places and attracting and retaining great people to deliver on quality and customer experience.

ASH GARDENS, BURCOTE PARK, NORTHAMPTONSHIRE

'The Redrow Difference' is clear right across our business, impacting and improving everything we do. More than just a corporate concept; it's a tangible reality that can be seen on every Redrow development and felt through every touchpoint with the Redrow team. It is the way we do business, with each other, with our suppliers and subcontractors and with our customers.

It not only makes a difference to our homes, but to our bottom line too, boosting our reputation, building our sales and delivering real returns for our shareholders. 'The Redrow Difference' adds value for everyone involved at every stage of the process, as we come together to create something that really stands out in a crowded market.

Homes that make a difference

You can see that Redrow homes are different at first sight. From the Arts and Crafts inspired exteriors, rich in distinctive details, to the family friendly interiors, designed for the way we live today, our homes are both inspirational and aspirational.

CADDINGTON WOODS, BEDFORDSHIRE

We create homes that are not only desirable to own, but also practical to live in, ensuring that the joy of owning a Redrow home never wears off.

'The Redrow Difference' means more space for the ebb and flow of family living, giving everyone the room they need to thrive. It also means a wide range of choices included as standard and more care and consideration is taken over every last detail of every home.

Of course, 'The Redrow Difference' isn't just our vision. We listen carefully to the feedback from our customers to constantly improve our designs and ensure we are giving them exactly what they want in a new home. For example, our Lifestyle homes, within our Heritage Collection, appeals to many of our customers who prefer fewer but larger bedrooms all with en-suite bathrooms.

'The Redrow Difference' means a better quality of life and value for money for our customers.

An award-winning difference

From the homes we build to the customers we serve, 'The Redrow Difference' has led to a number of prestigious awards. These included no less than ten UK Property Awards in November 2019 along with two Youth Builder of the Year awards and those detailed below and on the following pages.

5 STAR HOME BUILDER CUSTOMER SATISFACTION HBF 2019 HOME BUILDERS FEDERATION

NEXT GENERATION GOLD 2019

NHBC Pride in the Job Quality Award 2019

2019 UKCCF AWARDS GOLD WINNER

UNITED KINGDOM PROPERTY AWARDS AWARD WINNER 2019-2020

The Redrow Difference continued

Places that make a difference

At Redrow, placemaking is as important as home building. We don't just build houses, we create communities. Redrow developments are places that promote health and wellbeing and encourage homeowners to make connections with their neighbours and with nature.

'The Redrow Difference' puts as much emphasis on the open spaces where we don't build, as on the places where we do. We work hard to create attractive, interactive street scenes.

We understand that our customers are not just buying a house, they are looking for a lifestyle. That's why we choose our places carefully, close to the amenities and facilities people want and even creating schools, shops and social facilities on our larger developments for not only our customers, but for the benefit of the wider community too.

This placemaking philosophy is driven by the Redrow 8 – eight key principles that underpin 'The Redrow Difference'. These cover everything from individual streets to the wider context of the site in its local area, as well as the interconnections between the two. The Redrow 8 promotes diversity, sustainability, social interaction, environmental awareness and more, to deliver a connected, cohesive quality of life that sets our developments apart.

'The Redrow Difference' delivers a place you can be proud to call home.

PENLANDS GRANGE, HAYWARDS HEATH, WEST SUSSEX

Gold status in the NextGeneration Benchmark

The NextGeneration Benchmark assesses and ranks the sustainability performance of the UK's 25 largest housebuilders. Redrow were awarded Gold Status and retained our position as third best for the fourth year running. Despite new, tougher criteria and weightings introduced this year, Redrow achieved a sustainability score of 76% - significantly higher than the industry average of 32%.

Redrow also received the 2019 NextGeneration Innovation Award in June 2019, recognising our initiatives that go far beyond the criteria used for the benchmark, such as our commitment to supporting healthy communities through our unique social value calculator.

People that make a difference

At Redrow, we know that our product is only ever as good as our people. From the architects who design our homes and the craftspeople who build them, to our sales teams on the ground and our office colleagues who all contribute to making it happen. We know that if we are to make our homes different, we need to make our Group different too, to attract and retain the very best in the business.

'The Redrow Difference' comes in nurturing and developing the talent within our team, offering inspiring opportunities and first-class training to help them become the best they can be. We don't just take care of our team today; we are constantly planning for the future to ensure we have the team in place that we will need to continue to deliver 'The Redrow Difference'.

We are committed to our apprenticeship scheme to give the workforce of tomorrow the skills they need to succeed. No less than 15% of our 2,300-strong team are trainees, building our business by building our people.

'The Redrow Difference' ensures that essential skills are passed on to the next generation to continue our reputation for quality.

LUCA WINKLER, SOUTH MIDLANDS APPRENTICE OF THE YEAR

SALES COLLEAGUES FROM THE NORTH WEST DIVISION

Financial Times Diversity Leaders

Nowhere in our business is difference more important than in the diversity of our team. We actively value difference, promoting equality, diversity and inclusion right across our business.

Our success in this area was acknowledged by the Financial Times Diversity Leaders 2020 Survey, who ranked Redrow as one of the top four companies out of 700 in the construction sector for diversity and inclusion.

We are proud to be one of The FT's Diversity Leaders and have created an ED&I working group to help shape our formal ED&I policy which will be implemented this year.

The Redrow Difference continued

Making a difference for our customers

With customers living increasingly busy lives and with time at a premium, we know that we have to make buying a new Redrow home as simple and straightforward as possible. That's why we have available the very latest technology to allow customers the option to access our products and services at their convenience, at a time that suits them best.

'The Redrow Difference' means customers can now legally complete the reservation of their new home online across the majority of our developments and we are currently working towards an easy, environmentally-friendly paper-free process from initial reservation to final completion. The innovative My Redrow online personal account also allows customers to personalise their homes from a fantastic selection of finishes chosen by our expert interior design team, adding and paying for their finishing touches online from the convenience of their home, at a time that suits them.

We are proud to have received a Five-Star Customer Satisfaction rating from the Home Builders Federation, which means over 90% of customers would recommend Redrow to a friend.

'The Redrow Difference' takes care of our customers through every single step of the buying process with sector leading service and support.

CUSTOMERS COMPLETING AN ONLINE RESERVATION AT HOME

CUSTOMERS WITH SALES CONSULTANT IN SHOW HOME AT THE OAKS, TAYLOR'S CHASE, LANCASHIRE

Social Customer Service Team of the Year

Redrow was awarded the highly coveted Social Customer Service Team of the Year title at the 2019 UKCCF Awards held in September 2019.

The annual awards recognise best practice in contact centres around the UK, rewarding innovation, teamwork, employee engagement and the delivery of high-quality customer experiences.

The judges praised our innovative strategy that allowed customers to directly engage with the most relevant staff member, as opposed to a dedicated social media team, which has significantly increased our response rates.

THE GRANTHAM HOUSE TYPE AT ELM GREEN, WATERLOOVILLE, HAMPSHIRE

FINANCIAL STATEMENTS

Responsibility Statement

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU; and
- the interim management report includes a fair review of the information required by:
  a) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
  b) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

During the period since the approval of the Redrow plc Annual Report for the year ended 30 June 2019, Nicky Dulieu was appointed to the board on 6 November 2019 following the close of the 2019 Annual General Meeting.

THE DIRECTORS OF REDROW PLC AS AT THE DATE OF THIS STATEMENT ARE:

John Tutte
Matthew Pratt
Barbara Richmond
Nicholas Hewson
Sir Michael Lyons
Vanda Murray
Nicky Dulieu

By order of the Board

Graham Cope
Company Secretary

4 February 2020

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

FINANCIAL STATEMENTS

Independent Review Report to Redrow plc

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31st December 2019 which comprises the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31st December 2019 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

The impact of uncertainties due to the UK exiting the European Union on our review

Uncertainties related to the effects of Brexit are relevant to understanding our review of the condensed financial statements. Brexit is one of the most significant economic events for the UK, and its effects are subject to unprecedented levels of uncertainty of consequences, with the full range of possible effects unknown. An interim review cannot be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

The interim financial statements of the group are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted by the EU.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Nick Plumb
For and on behalf of KPMG LLP
Chartered Accountants

KPMG LLP
8 Princes Parade
Liverpool
L3 1QH

4 February 2020

FINANCIAL STATEMENTS

Consolidated Income Statement

	Note	Unaudited 6 months ended 31 December 2019 £m	Unaudited 6 months ended 31 December 2018 £m	Audited 12 months ended 30 June 2019 £m
Revenue		**870**	970	2,112
Cost of sales		**(662)**	(737)	(1,608)
Gross profit		**208**	233	504
Administrative expenses		**(49)**	(46)	(93)
Operating profit		**159**	187	411
Financial income		**1**	1	3
Financial costs		**(3)**	(3)	(8)
Net financing costs		**(2)**	(2)	(5)
Profit before tax		**157**	185	406
Income tax expense	2	**(29)**	(35)	(77)
Profit for the period		**128**	150	329
Earnings per share – basic	4	**37.2p**	41.5p	92.3p
– diluted	4	**37.1p**	41.4p	92.0p

FINANCIAL STATEMENTS

Consolidated Statement of Comprehensive Income

	Note	Unaudited 6 months ended 31 December 2019 £m	Unaudited 6 months ended 31 December 2018 £m	Audited 12 months ended 30 June 2019 £m
Profit for the period		**128**	150	329
Other comprehensive (expense)				
Items that will not be reclassified to profit or loss				
Remeasurements of post employment benefit obligations	5	**(3)**	(5)	(7)
Deferred tax on remeasurements taken directly to equity		**1**	1	1
Other comprehensive (expense) for the period net of tax		**(2)**	(4)	(6)
Total comprehensive income for the period		**126**	146	323

FINANCIAL STATEMENTS

Consolidated Balance Sheet

	Note	Unaudited As at 31 December 2019 £m	Unaudited As at 31 December 2018 £m	Audited As at 30 June 2019 £m
Assets				
Intangible assets		**2**	2	2
Property, plant and equipment		**17**	15	16
Lease right of use assets		**8**	–	–
Investments		**8**	6	6
Deferred tax assets		**4**	4	4
Retirement benefit surplus	5	**17**	16	18
Trade and other receivables		**7**	7	9
Total non-current assets		**63**	50	55
Inventories	6	**2,350**	2,258	2,297
Trade and other receivables		**37**	43	48
Current corporation tax receivables		**14**	–	–
Cash and cash equivalents	8	**89**	102	204
Total current assets		**2,490**	2,403	2,549
Total assets		**2,553**	2,453	2,604
Equity				
Retained earnings at 1 July 2019		**1,481**	1,379	1,379
Profit for the period		**128**	150	329
Other comprehensive (expense) for the period		**(2)**	(4)	(6)
Dividends paid		**(72)**	(70)	(218)
Movement in LTIP/SAYE		**3**	1	(3)
Retained earnings		**1,538**	1,456	1,481
Share capital	10	**37**	37	37
Share premium account		**59**	59	59
Other reserves		**8**	8	8
Total equity		**1,642**	1,560	1,585
Liabilities				
Bank loans	8	**75**	1	80
Trade and other payables	7	**125**	143	167
Deferred tax liabilities		**4**	4	4
Long-term provisions		**8**	9	8
Total non-current liabilities		**212**	157	259
Bank overdrafts and loans	8	**–**	–	–
Trade and other payables	7	**699**	702	726
Current income tax liabilities		**–**	34	34
Total current liabilities		**699**	736	760
Total liabilities		**911**	893	1,019
Total equity and liabilities		**2,553**	2,453	2,604

Redrow plc Registered no. 2877315

FINANCIAL STATEMENTS

Consolidated Statement of Changes in Equity

	Share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m	Total £m
At 1 July 2018	37	59	8	1,379	1,483
Total comprehensive income for the period	–	–	–	146	146
Dividends paid	–	–	–	(70)	(70)
Movement in LTIP/SAYE	–	–	–	1	1
At 31 December 2018 (Unaudited)	**37**	**59**	**8**	**1,456**	**1,560**
At 1 July 2018	37	59	8	1,379	1,483
Total comprehensive income for the period	–	–	–	323	323
Dividends paid	–	–	–	(218)	(218)
Movement in LTIP/SAYE	–	–	–	(3)	(3)
At 30 June 2019 (Audited)	**37**	**59**	**8**	**1,481**	**1,585**
At 1 July 2019	37	59	8	1,481	1,585
Total comprehensive income for the period	–	–	–	126	126
Dividends paid	–	–	–	(72)	(72)
Movement in LTIP/SAYE	–	–	–	3	3
At 31 December 2019 (Unaudited)	**37**	**59**	**8**	**1,538**	**1,642**

FINANCIAL STATEMENTS

Consolidated Statement of Cash Flows

	Note	**Unaudited 6 months ended 31 December 2019 £m**	**Unaudited 6 months ended 31 December 2018 £m**	Audited 12 months ended 30 June 2019 £m
Cash flows from operating activities				
Operating profit		**159**	187	411
Depreciation and amortisation		**3**	1	3
Adjustment for non-cash items		**(3)**	(1)	(7)
Decrease/(increase) in trade and other receivables		**13**	1	(6)
Increase in inventories		**(53)**	(40)	(79)
(Decrease)/increase in trade and other payables		**(74)**	(3)	50
(Decrease)/increase in provisions		**–**	–	(1)
Cash inflow generated from operations		**45**	145	371
Interest paid		**(1)**	(1)	(2)
Tax paid		**(77)**	(35)	(77)
Net cash (outflow)/inflow from operating activities		**(33)**	109	292
Cash flows from investing activities				
Acquisition of software, property, plant and equipment		**(3)**	(1)	(4)
Interest received		**–**	–	1
Net payments to joint ventures		**(2)**	–	–
Net cash (outflow) from investing activities		**(5)**	(1)	(3)
Cash flows from financing activities				
Issue of bank borrowings		**75**	1	80
Repayment of bank borrowings		**(80)**	(5)	(5)
Purchase of own shares		**–**	–	(10)
Dividends paid	3	**(72)**	(70)	(218)
Net cash outflow from financing activities		**(77)**	(74)	(153)
(Decrease)/increase in net cash and cash equivalents		**(115)**	34	136
Net cash and cash equivalents at the beginning of the period		**204**	68	68
Net cash and cash equivalents at the end of the period	8	**89**	102	204

FINANCIAL STATEMENTS

Notes to the Half-Yearly Financial Information

1. ACCOUNTING POLICIES

Basis of preparation

The condensed consolidated half-yearly financial information for the half-year ended 31 December 2019 has been prepared on a going concern basis in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34, 'Interim financial reporting' as adopted by the European Union. The half-yearly condensed consolidated report should be read in conjunction with the annual consolidated financial statements for the year ended 30 June 2019, which have been prepared in accordance with IFRSs as adopted by the European Union.

This half-yearly financial information does not comprise statutory accounts within the meaning of section 435 of the Companies Act 2006. This condensed half-yearly financial information has been reviewed, not audited. The comparative figures for the financial year ended 30 June 2019 are not the Group's statutory accounts for that financial year. Audited statutory accounts for the year ended 30 June 2019 were approved by the Board of Directors on 4 September 2019 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 (2) or (3) of the Companies Act 2006.

The principal accounting policies adopted in the preparation of this condensed half-yearly financial information are included in the annual consolidated financial statements for the year ended 30 June 2019. The accounting policies are consistent with those followed in the preparation of the financial statements to the year ended 30 June 2019 with the exception of one main new accounting standard which has been adopted by the Group from 1 July 2019.

IFRS 16, 'leases' is the standard that has replaced the guidance in IAS 17. Under IAS 17, the Group did not have any finance leases only operating leases which were off balance sheet. IFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a lease right of use asset for virtually all lease contracts. Under IFRS 16, a contract is, or contains a lease, if the contract conveys the right to control the use of the identified asset in exchange for consideration. This standard is effective for the Group for the year ending 30 June 2020.

The Group has a number of leases in relation to cars, photocopiers and some office properties which have been brought onto the balance sheet as a result of the adoption of IFRS 16. The Group has used the modified retrospective method to implement IFRS 16. Under this approach, comparative information is not restated. Rather at 1 July 2019, the Group recognised the accumulative effect of the initial application as an adjustment to the opening balance sheet, increasing both fixed assets and liabilities by £8m. Discount rates are used in the calculation of the lease liability. For photocopier leases, the discount rates implicit in the lease have been used. For cars, the discount rate has been estimated across the asset type based on a sample of implicit rates provided by the lessor. For the office property leases an estimate has been used based on adjusted borrowing rates.

As at 31 December 2019, lease right of use assets on the balance sheet were £8m.

There were no other key judgements or estimates made in assessing the impact of IFRS 16 on the Group.

The preparation of condensed half-yearly financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may subsequently differ from these estimates. In preparing this condensed half-yearly financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements for the year ended 30 June 2019.

After making due enquiries and in accordance with the FRC's 'Going Concern and Liquidity Risk: Guidance for Directors of UK Companies 2009', the Directors have a reasonable expectation that the Group has adequate resources to continue trading for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing the condensed consolidated half-yearly financial information.

The main operation of the Group is focused on housebuilding. As it operates entirely within the United Kingdom, the Group has only one reportable business and geographic segment. After considering the requirements of IFRS 15 to present disaggregated revenue, the Group does not believe there is any disaggregation criteria applicable to its one reportable business and geographic segment. There is no material difference between any assets or liabilities held at cost and their fair value.

Principal risks and uncertainties

As with any business, Redrow plc faces a number of risks and uncertainties in the course of its day to day operations.

The principal risks and uncertainties facing the Group are outlined within our half-yearly report 2020. We have reviewed the risks pertinent to our business in the six months to 31 December 2019 and which we believe to be relevant for the remaining six months to 30 June 2020. The only material change from those outlined in our Annual Report 2019 is the political uncertainty around Brexit which has decreased following the recent election.

2. INCOME TAXES

Income tax charge is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year (18.5% (2019: 19.0%)). Deferred taxation balances have been valued at 17% being the corporation tax rate from 1 April 2020 substantively enacted on 6 September 2016.

3. DIVIDENDS

A dividend of £72m was paid in the six months to 31 December 2019 (six months to 31 December 2018: £70m).

4. EARNINGS PER SHARE

The basic earnings per share calculation for the six months ended 31 December 2019 is based on the weighted number of shares in issue during the period of 344m (31 December 2018: 362m) excluding those held in trust under the Redrow Long Term Incentive Plan, which are treated as cancelled.

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

6 months ended 31 December 2019 (Unaudited)

	Earnings £m	Number of shares millions	Per share pence
Basic earnings per share	**128**	**344**	**37.2**
Effect of share options and SAYE	**–**	**1**	**(0.1)**
Diluted earnings per share	**128**	**345**	**37.1**

6 months ended 31 December 2018 (Unaudited)

	Earnings £m	Number of shares millions	Per share pence
Basic earnings per share	150	362	41.5
Effect of share options and SAYE	–	1	(0.1)
Diluted earnings per share	150	363	41.4

12 months ended 30 June 2019 (Audited)

	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

FINANCIAL STATEMENTS

Notes to the Half-Yearly Financial Information continued

5. PENSIONS

The amounts recognised in respect of the defined benefit section of the Group's Pension Scheme are as follows:

	Unaudited 6 months ended 31 December 2019 £m	Unaudited 6 months ended 31 December 2018 £m	Audited 12 months ended 30 June 2019 £m
Amounts included within the consolidated income statement			
Period operating costs			
Scheme administration expenses	**–**	1	(1)
Net interest on defined benefit liability	**–**	–	1
	–	1	–
Amounts recognised in the consolidated statement of comprehensive income			
Return on scheme assets excluding interest income	**1**	(5)	13
Actuarial gains arising from change in financial assumptions	**(3)**	–	(20)
Actuarial gains arising from change in demographic assumptions	**(1)**	–	–
Actuarial gains arising from experience adjustments	**–**	–	–
	(3)	(5)	(7)
Amounts recognised in the consolidated balance sheet			
Present value of the defined benefit obligation	**(134)**	(112)	(130)
Fair value of the Scheme's assets	**151**	128	148
Surplus in the consolidated balance sheet	**17**	16	18

6. INVENTORIES

	Unaudited As at 31 December 2019 £m	Unaudited As at 31 December 2018 £m	Audited As at 30 June 2019 £m
Land for development	**1,464**	1,460	1,515
Work in progress	**814**	723	715
Stock of showhomes	**72**	75	67
	2,350	2,258	2,297

7. LAND CREDITORS (INCLUDED IN TRADE AND OTHER PAYABLES)

	Unaudited As at 31 December 2019 £m	Unaudited As at 31 December 2018 £m	Audited As at 30 June 2019 £m
Due within one year	**229**	244	271
Due in more than one year	**125**	143	167
	354	387	438

8. ANALYSIS OF NET CASH/(DEBT)

	Unaudited As at 31 December 2019 £m	Unaudited As at 31 December 2018 £m	Audited As at 30 June 2019 £m
Cash and cash equivalents	**89**	102	204
Bank overdrafts	**–**	–	–
Net cash and cash equivalents	**89**	102	204
Bank loans	**(75)**	(1)	(80)
	14	101	124

Net cash excludes land creditors and lease liabilities arising under IFRS 16.

9. BANK FACILITIES

At 31 December 2019, the Group had total unsecured bank borrowing facilities of £253m, representing £250m committed facilities and £3m uncommitted facilities.

The Group's syndicated loan facility matures in December 2022.

10. ISSUED SHARE CAPITAL

Allotted, called up and fully paid

	£m
At 31 December 2018 - 369,799,938 ordinary shares of 10p each (unaudited)	37
At 30 June 2019 - 352,190,420 ordinary shares of 10.5p each (audited)	37
At 31 December 2019 - 352,190,420 ordinary shares of 10.5p each (unaudited)	**37**

	Number of ordinary shares of 10.5p each
At 1 July 2019 and 31 December 2019	**352,190,420**

11. CONTINGENT LIABILITIES

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.

12. RELATED PARTIES

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:

	Unaudited 6 months ended 31 December 2019 £m	Unaudited 6 months ended 31 December 2018 £m	Audited 12 months ended 30 June 2019 £m
Short-term employee benefits	**3**	3	5
Share-based payment charges	**1**	1	2
	4	4	7

FINANCIAL STATEMENTS

Notes to the Half-Yearly Financial Information continued

12. RELATED PARTIES (CONTINUED)

The Group did not undertake any material transactions with Menta Redrow Limited or Menta Redrow (II) Limited. The Group's loans to its joint ventures are summarised below:

	Unaudited		Audited
	As at 31 December		As at 30 June
	2019 £m	**2018 £m**	**2019 £m**
Loans to joint ventures	**7**	4	4

13. ALTERNATIVE PERFORMANCE MEASURES

Redrow uses return on capital employed (ROCE) as one of its financial measures. The Directors consider this to be an important indicator of whether the Group is achieving appropriate returns on its invested capital. As this is not defined or specified by IFRSs, a definition and calculation is provided below:

Capital employed is defined as total equity plus net debt or minus net cash.

ROCE - at half year end, this is calculated as operating profit for the 12 months to December before exceptional items as a percentage of the average of current year December and prior year December capital employed.

	December 2019 £m		December 2018 £m
Operating Profit			
6 months to December 2019	159	6 months to December 2018	187
12 months to June 2019	411	12 months to June 2018	382
6 months to December 2018	(187)	6 months to December 2017	(175)
12 months to December 2019	**383**	12 months to December 2018	394
Capital Employed			
Total equity December 2019	1,642	Total equity December 2018	1,560
Net cash December 2019	(14)	Net cash December 2018	(101)
Capital employed December 2019	**1,628**	Capital employed December 2018	1,459
Total equity December 2018	1,560	Total equity December 2017	1,343
Net cash December 2018	(101)	Net debt December 2017	35
Capital employed December 2018	**1,459**	Capital employed December 2017	1,378
Average capital employed	**1,544**	Average capital employed	1,419
ROCE %	**25%**	ROCE %	28%

14. GENERAL INFORMATION

Redrow plc is a public limited company incorporated and domiciled in the UK and has its primary listing on the London Stock Exchange.

The registered office address is Redrow House, St David's Park, Flintshire, CH5 3RX.

Financial Calendar

Interim dividend record date	6 March 2020
Interim dividend payment date	9 April 2020
Announcement of results for the year to 30 June 2020	9 September 2020
Final dividend record date	25 September 2020
Circulation of Annual Report	28 September 2020
Annual General Meeting	6 November 2020
Final dividend payment date	13 November 2020

15. SHAREHOLDER ENQUIRIES

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

Registrars Department
The Pavilions
Bridgwater Road
Bristol
BS99 6ZZ
Shareholder helpline: 0370 707 1257

FINANCIAL STATEMENTS

Notes to the Half-Yearly Financial Information continued

16. RISKS AND RISK MANAGEMENT

	Risk	Risk Owners	Key Controls and Mitigating Strategies
DEVELOPING THRIVING COMMUNITIES	**Housing Market** The UK housing market conditions have a direct impact on our business performance.	Chief Operating Officer	Market conditions and trends are being closely monitored allowing management to identify and respond to any sudden changes or movements. With underlying build costs continuing to rise and house price inflation remaining relatively subdued we maintain tight controls on costs and continue to build our relationships with key suppliers and broaden our supplier base. Weekly review of sales at Group, divisional and site level. Ensuring strong relationships with lenders and valuers to ensure they recognise our premium product. Ongoing and regular monitoring of Government policy and lobbying as appropriate. Following the recent election delivering a strong majority, there is a clearer view of the direction of Brexit. Although clear guidance is a benefit to the economy there remain considerable unknowns surrounding the UK leaving the EU.
DEVELOPING THRIVING COMMUNITIES	**Availability of Mortgage Finance** Availability of mortgage finance and increased lending criteria requirements are key factors in the current environment.	Group Finance Director	Proactively engage with the Government, Lenders and Insurers to support the housing market. Expert New Build Mortgage Specialists provide updates on and monitoring of regulatory change. The threat of early withdrawal of Help to Buy dissipated.
BUILDING RESPONSIBLY	**Liquidity and Funding** The Group requires appropriate facilities for its short-term liquidity and long-term funding.	Group Finance Director	Suitable committed banking facilities with covenants and headroom. Regular communication with our investors and relationship banks, including visits to developments. Regular review of our banking covenants and capital structure. Ensuring our future cash flow is sustainable through detailed budgeting process and reviews. Strong forecasting and budgeting process.

	Risk		Key Controls and Mitigating Strategies
	Customer Service Failure of our customer service could lead to relative under performance of our business.	Group Customer and Marketing Director	My Redrow website to support our customers purchasing their new home. Hard Hat Tours for customers of their new home at an appropriate stage of production. Regular review of our marketing and communications policy at both Group and divisional level.
	Land Procurement The ability to purchase land suitable for our products and the timing of future land purchases are fundamental to the Group's future performance.	Group Development Director	Proactive monitoring of the market conditions to implement a clear defined strategy at both Group and divisional level. Experienced and knowledgeable personnel in our land, planning and technical teams. Effective use of our Land Bank Management system to support the land acquisition process and monitor opportunities has led to the risk decreasing overall. Peer review by Legal Directors and use of third party legal resources for larger site acquisitions to reduce risk.
BUILDING RESPONSIBLY	**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.	Group Development Director Group Human Resources Director Group Company Secretary	Close management and monitoring of planning expiry dates and CIL. Well prepared planning submissions addressing local concern and deploying good design. Careful monitoring of the regulatory environment and regular communication of proposed changes across the Group through the Executive Management Team. Proactive approach to the introduction of GDPR with a broad based project team defining and implementing new policies and procedures.

FINANCIAL STATEMENTS

Notes to the Half-Yearly Financial Information continued

16. RISKS AND RISK MANAGEMENT (CONTINUED)

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

Redrow plc
Redrow House, St. David's Park, Flintshire CH5 3RX
Telephone: 01244 520044
redrow.co.uk