

Redrow plc

Annual Report 2016

A BETTER
WAY TO LIVE

PRODUCT. PEOPLE. PLACES.

AT REDROW, OUR ENTHUSIASTIC AND COMMITTED TEAM TAKE PRIDE IN THE HOMES WE BUILD FOR OUR CUSTOMERS AND THE COMMUNITIES WE HELP TO CREATE

FIRST-TIME BUYERS

Providing the same build quality and attention to detail for first homes as we do for any other, Redrow ensures that first step on the property ladder comes without compromise. As easy to manage as they are to afford, these homes are a firm foundation on which to build a lifetime of home ownership.

read more on pages 12 to 13

YOUNG PROFESSIONALS

Stylish homes for sharing and socialising, our houses and apartments for young professionals are a cool and cost effective alternative to the expensive rental market. With attractive layouts, these homes are designed for fun, friends and family when the working day is done.

read more on pages 14 to 15

GROWING FAMILIES

Redrow understands the dynamics of family living, bringing everyone together when it counts, in the heart of the home, while allowing plenty of personal space for them to express their own style. From the generous bedrooms to the en-suite that avoids the queue for the bathroom, these are homes designed with family life in mind.

read more on pages 16 to 17

MOVING UP

Redrow executive homes reward endeavour and achievement with exclusive homes of the very highest quality. Four or five bedrooms, large kitchens and socialising areas, formal dining rooms and multiple en-suites, all finished to the finest specification, put these homes in a class of their own. Authentic Arts and Crafts architecture creates an impressive air of stature.

read more on pages 18 to 19

RIGHT SIZERS

Redrow is ready to cater for the evolving needs of our customers throughout their lives, as their children grow and go, or their relationships and living arrangements change. Small enough to be manageable for older homeowners, yet big enough to accommodate visiting family, now with family of their own, these homes are the right size at the right time of life.

read more on pages 20 to 21

BUY-TO-LET INVESTORS

Whatever the fluctuations in the housing market, quality homes, in sought after locations, will always be in demand. Redrow's low-maintenance, high quality properties, with well-planned interiors and superb specification creates both an attractive proposition for tenants and a secure home for buy-to-let investments.

read more on pages 22 to 23

WE PRIDE OURSELVES
ON DELIVERING
QUALITY PLACES TO LIVE
FOR OUR CUSTOMERS
AND VALUE TO OUR
SHAREHOLDERS

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PROFIT
BEFORE TAX

£250m
+23%

EARNINGS
PER SHARE

55.4p
+24%

RETURN ON
EQUITY

26.8%
+2%

OPERATIONAL HIGHLIGHTS

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OUTLETS
AT JUNE

+9%

PRIVATE LEGAL
COMPLETIONS

+12%

PRIVATE
ORDER BOOK

+54%

SOME OF OUR ACHIEVEMENTS

Take a look at our website for the most up-to-date investor information

www.redrowplc.co.uk

OUR INVESTMENT CASE

SUCCESSFUL LEADERSHIP TEAM

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

EXCELLENT PRODUCT RANGE

Redrow has an excellent product range with a strong focus on traditional family housing in our regional businesses and apartment schemes in Greater London.

EXPERTISE IN LAND BUYING

Redrow has the expertise and resources to ensure that the right land opportunities are taken to optimise returns.

15%

OF WORKFORCE ON
STRUCTURED TRAINING
PROGRAMMES

+54%

PRIVATE ORDER BOOK
AT RECORD LEVEL

c12,700 plots

ADDED TO CURRENT
LAND BANK

+116% IN YEAR

+235%

INCREASE IN EMPLOYEES
UNDERTAKING LEADERSHIP
SKILLS TRAINING

HERITAGE, REGENT AND
ABODE COLLECTIONS AND
BESPOKE DEVELOPMENTS

c5,400 plots

FORWARD LAND
CONTRIBUTION TO
OWNED LAND BANK

+172% IN YEAR

OUR BENCHMARK FOR SUCCESS IN 2018

LISTENING TO OUR CUSTOMERS

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

+9%
GROWTH IN OUTLETS
TO 128 AT JUNE 2016

+24%
GROWTH IN HOMES
PRIVATE REVENUE

£17_m
EXTRAS SOLD, A 70%
INCREASE ON 2015 LEVELS

PLACEMAKING

We focus on delivering high quality homes and creating community and physical environments that help promote people's sense of wellbeing.

c240
HECTARES OF PUBLIC
OPEN SPACE CREATED

+14% IN YEAR

£142_m
COMMITTED TO FUND
IMPROVEMENTS TO LOCAL
COMMUNITIES

+11% IN YEAR

A STRONG AND EFFICIENT BALANCE SHEET

Redrow has a strong balance sheet with net assets of over £1bn and a balance of equity and debt. 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.

26.8%
RETURN ON EQUITY

24.2%
RETURN ON CAPITAL
EMPLOYED

OUR BUSINESS MODEL

REDROW PRIDES ITSELF ON BEING A RESPONSIBLE DEVELOPER, CREATING SUSTAINABLE, HIGH QUALITY PLACES TO LIVE AND LONG-TERM VALUE

RISK MANAGEMENT

Our risk management framework provides a structured and consistent process for identifying, assessing and responding to risks, throughout the business.

See our Risks on pages 56 to 61

GOVERNANCE

We remain committed to high standards of governance across all aspects of our business.

See our Governance Report on pages 62 to 96

STRATEGY

Our strategy is to create long-term sustainable value for all our stakeholders by delivering to our communities high quality homes and environments that provide a better way to live.

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

See Our Strategy on pages 08 to 09

RESOURCES

OUR PEOPLE

Our people are at the heart of our business; we invest in attracting and retaining talented staff, providing career development, training and delivering succession planning for the future.

LAND

The quality and location of our land bank is fundamental to delivering sustainable and profitable growth. Our experienced land teams focus on the investment and promotion of strategic land together with shorter term opportunities where we can add value through our master planning and technical expertise.

DESIGN

Good design is at the heart of sustainable development. Our design and technical teams pride themselves on creating well designed, attractive and practical homes within high quality sustainable environments.

CONSTRUCTION

Quality construction underpins our ability to deliver a quality home to our customers. Our efficient and cost effective construction process incorporates carefully researched, high quality proven products, materials and technologies.

FINANCIAL RESOURCES

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

RELATIONSHIPS

CUSTOMERS

Our customers are fundamental to our business and we take great care to research their needs, listen to their feedback and respond with new homes where every detail is carefully considered. This enables us to create high quality homes and engenders loyalty and referral.

COMMUNITIES

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

OUR SUPPLIERS & SUBCONTRACTORS

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

OUR SHAREHOLDERS

Our Shareholders are the primary providers of financial resources enabling us to create long-term sustainable value. We maintain regular, timely and transparent dialogue with our Shareholders.

OUR STRATEGY

DELIVERING A PREMIUM BRAND WITH A HIGH QUALITY PRODUCT FOR OUR CUSTOMERS AND GROWING RETURNS FOR OUR SHAREHOLDERS

	STRATEGY	MEASURE*
GROW OUR BUSINESS RESPONSIBLY	We have a clearly defined growth strategy, to increase revenue, profits and returns to shareholders by increasing outlets and legal completions over the medium-term.	EPS ROE Revenue Sales outlets
MANAGE OUR RESOURCES EFFICIENTLY	To ensure that we grow our business responsibly, we are focused on managing all our resources efficiently and effectively.	ROCE Land bank years Waste diverted from landfill
CREATE BETTER PLACES TO LIVE	We are focused on creating high quality places to live by delivering well designed, well built, attractive homes whilst at the same time enhancing the beneficial characteristics of the local landscape, ecology and communal resources.	Hectares of Public Open Space created Monies committed to fund improvements to local communities
PUT CUSTOMERS FIRST	We are working hard to ensure we are well placed to deliver the best possible customer service and customer experience as our number of customers increases in line with our growth strategy.	90% or more customer recommend rating Private reservation rate
VALUE AND DEVELOP OUR PEOPLE	<p>We are focused on developing the skills of our current team and ensuring we attract both experienced talent and new and enthusiastic young people into our business to underpin our growth objectives. Our training centres, dedicated Learning and Development team and innovative graduate and apprentice programmes play an important role in delivering our strategy.</p> <p>We are dedicated to maintaining the highest standards of health and safety as our business grows. We have again expanded our own in-house dedicated team of Health and Safety professionals to ensure that our teams on site are appropriately trained, supported and audited.</p>	<p>Number of trainees</p> <p>Accident incident rate by site</p>

2018 OBJECTIVES	KEY PERFORMANCE INDICATORS			STRATEGY IN ACTION
	Performance 2016	2015	Comment	
<ul style="list-style-type: none"> • EPS increasing to 62p • ROE of 25% • Revenue increasing to £1.6bn • Increase sales outlets 	55.4p	44.5p	Up 24%	Read more on pages 28 to 31
	26.8%	26.4%	Up 2%	
	£1,382m	£1,150m	Up 20%	
	128	117	Up 9%	
<ul style="list-style-type: none"> • ROCE of 21% • Maintain land bank at c4 years 	24.2%	22.8%	Up 6%	Read more on pages 32 to 35
	4.95 years	3.9 years	Land bank increased due to successful forward land contribution to the owned land bank to support growth strategy	
<ul style="list-style-type: none"> • >95% 	94.8%	92.6%	Up 2% to approaching 2018 objective level	
<ul style="list-style-type: none"> • Continued investment in Public Open Space • Continued investment in local communities 	239ha	209ha	Up 14%	Read more on pages 36 to 39
	£142m	£128m	Up 11%	
<ul style="list-style-type: none"> • HBF 90% customer recommend rating • Maintain an appropriate balance in availability of our portfolio of brands in the right locations 	88.4%	90.2%	Customer recommend rating declined marginally during period of significant growth for the business	Read more on pages 40 to 43
	0.72	0.68	Private reservation rate up 6% on prior year levels	
<ul style="list-style-type: none"> • Maintain level of trainees representing 15% of increasing workforce 	297	243	Trainee numbers up over 20% and maintained at 15% of an increased workforce	Read more on pages 44 to 47
<ul style="list-style-type: none"> • Accident incident rate by site maintained at 0.3 or below 	0.20	0.23	Improvement in accident incident rate although build activity increased	

OUR MARKETS

THE HOUSING MARKET PLAYS AN IMPORTANT ROLE IN THE UK ECONOMY WITH UNDERLYING DEMAND FOR HOUSING BEING FUNDAMENTALLY STRONG

PLANNING

The number of applications granted has increased again and is at its highest level since 2008/09. The approval rate has been maintained at 88%, leading to an increase in the supply of residential land in the market (Chart 1).

SDLT CHANGES

New legislation brought in from 1 April 2016 added an extra 3% to the stamp duty bills of those buying a second or rental property. It will also apply if you haven't sold your existing property when moving house, though in this case a refund of the stamp duty is available if it is sold within three years of purchasing your new home. The aim of the tax is to reduce competition between buy-to-let investors and first time buyers in the starter home market, with the Government promising to invest some of the proceeds into communities where the impact of second homes is more significant.

MORTGAGE APPROVALS

Mortgage approvals are a key indicator of the level of activity in the housing market. There has been a 57% increase in approvals since 2008, when there were 515,000 approvals in the calendar year, with a consistent improvement over the last five years (Chart 2).

Seasonally adjusted figures for the first half of 2016 showed a decrease in the second quarter compared to the first quarter, with 198,000 approvals compared to 216,000 approvals, respectively (Chart 3). The changes in SDLT mentioned earlier are understood to be the reason for this fall.

HOUSING SUPPLY

NHBC new build starts were 126,800 for the year to June 2016 (Chart 4). In the three month period to June the NHBC data showed a 2.5% decrease in starts on the prior year, with a decrease in affordable sector starts (down 17%) mainly offset by an increase in private sector starts (up 2.2%).

In the three months to the end of June 2016, private sector completions were up 6% on the previous year, while affordable sector completions were down 13%, giving an overall increase of 1.4% compared to the three months to June 2015.

RESIDENTIAL TRANSACTIONS

Residential transactions in England and Wales edged up slightly on the prior year, to 1,105,000. There was a sharp increase in transactions in March, followed by a substantial decrease in April, most likely due to the change in SDLT rates noted previously. Housing market volumes have stabilised since those changes (Chart 5).

UK average prices per the Nationwide House Price Index increased by 5.1% in the 12 months to June 2016, slightly up on the 4.1% increase in the 12 months to June 2015. London was again the driving force behind these increases, with prices in the capital up 9.9% over the same period (Chart 6). In recent months prices in Central London have softened whilst the Outer London market remains robust.

ISAS

Help to Buy ISAs were introduced on 1 December 2015 and are available until April 2019 at participating banks for first time buyers to purchase a new build or second hand property up to £250,000 (£450,000 in London). Savers can put away up to £200 a month and the Government will provide a bonus of £50 for every £200 saved, up to a maximum of £3,000, provided that the money saved is used to buy a house.

The 2016 Budget also introduced the Lifetime ISA. This will be available from April 2017 to anyone aged between 18 and 40. Up to £4,000 a year can be saved in the account and the Government will add a bonus of 25% to any savings put in before the saver is 50. The savings can then either be used to purchase a first home, up to the value of £450,000, or saved towards retirement, with all of the savings available tax free after the saver turns 60.

PRODUCT. PEOPLE. PLACES.

FIRST-TIME BUYERS

HELPING TO GET ON THE HOUSING LADDER

The combination of excellent build quality and customer service, along with location and being walking distance from Wilton's shops made it an easy and quick decision for us.

Emily Ludlow
Erskine Park, Wilton

FOR FIRST TIME BUYER EMILY LUDLOW, A NEW BUILD PROPERTY WASN'T ON HER WISH LIST OF 'DREAM BUYS', UNTIL SHE AND HER PARTNER VISITED ERSKINE PARK

With their sights set on buying an old property, they initially went to view a Victorian townhouse. However, when they visited the Redrow Homes development in Wilton near Salisbury less than two weeks later, they decided that the benefits of buying new build were perfectly suited to their first purchase.

They chose a Cadogan style house from Redrow Homes' Regent Collection at Erskine Park. The Erskine Park development was created by the transformation of the former Erskine Barracks Ministry of Defence establishment.

"The combination of excellent build quality and customer service, along with location and being walking distance from Wilton's shops made it an easy and quick decision for us."

Emily has subsequently joined the Redrow team as a sales consultant.

PRODUCT. PEOPLE. PLACES.

YOUNG PROFESSIONALS

CLIMBING TO NEW HEIGHTS

We were attracted to Northway House for many reasons, but were particularly keen on its location near Totteridge & Whetstone tube station. We were also really impressed by the specification and design of the show apartment, with elegant, modern materials and floor to ceiling windows.

Johnny Ho
Northway House, London

FIRST-TIME BUYER COUPLE JOHNNY HO AND GIULIA SORRENTINO WERE KEEN TO GET ONTO THE PROPERTY LADDER AND FOUND THEIR IDEAL APARTMENT AT REDROW LONDON'S NORTHWAY HOUSE DEVELOPMENT

Since leaving university in 2008, freelance cameraman Johnny (30) has lived with his parents, with the aim of saving money to buy a property in London with long-term girlfriend Giulia, who works in the City. By pooling resources, the couple were in a position to pay a deposit of c10% to secure a one bedroom home, bought off plan.

Only 25 minutes from central London, the Northway House Tower Apartments are on the upper floors of a striking development with uninterrupted views.

Designed to capitalise on the unique location and offer contemporary living for couples, young families and professionals, each apartment boasts modern interiors and uninterrupted views of the Hertfordshire countryside, with many offering generously proportioned private terraces and balconies.

"It was obvious it was going to be a high quality development, which gave us the confidence to buy off plan – a lot of the other developments we viewed just didn't come close."

PRODUCT. PEOPLE. PLACES.

GROWING FAMILIES

A LARGER SPACE FOR A GROWING FAMILY

My favourite part of the house is the light and spacious kitchen diner at the back. Or maybe our lovely big garden.

Katy Morgan
Hillcrest, Plymouth

KATY MORGAN AND HER FAMILY HADN'T EXPECTED TO FIND EVERYTHING THEY WERE LOOKING FOR WHEN THEY VISITED REDROW'S HILLCREST DEVELOPMENT IN PLYMOUTH

Having lived in their previous house for 10 years, the Morgans fell in love with the four bedroom Windsor home from Redrow's Heritage Collection as soon as they saw it. With exteriors inspired by the Arts and Crafts movement, these homes marry traditional architecture with contemporary interiors designed for the practicalities of modern family life.

"My favourite part of the house is the light and spacious kitchen diner at the back. Or maybe our lovely big garden; we've got three boys so having plenty of outside space is really important to us. I love our views too."

The family is looking forward to enjoying the two football pitches Redrow is creating to Sport England standards for the Hillcrest community. They already take advantage of the development's central location, appreciating the proximity to the town centre, Plympton and Plymstock, as well as the boys' school and Plymouth Life Centre for swimming.

PRODUCT. PEOPLE. PLACES.

MOVING UP

UPGRADING YOUR LIFESTYLE

The house has lovely high ceilings and beautiful woodwork. And the under-floor heating is amazing.

Claire Walters
Compton Park, Wolverhampton

CLAIRE WALTERS AND HER FAMILY WERE PERFECTLY HAPPY WHERE THEY WERE LIVING, UNTIL A FRIEND MENTIONED HER NEW HOME AT COMPTON PARK AND CLAIRE DECIDED TO TAKE A LOOK

Claire (42) and her husband David (46) were living in a five bedroom house in Wolverhampton with their two children when Claire's friend Rachael told her how happy she was with her new Redrow home and inspired her to visit the Compton Park development.

Claire and David, who runs his own double glazing firm, hadn't been planning to move, until they visited the development show home and decided to buy a Highgrove house type. "We love the space of the Highgrove; our previous house wasn't nearly as big. I really like the idea of the living area at the back of the house being the hub of the family home. The house has lovely high ceilings and beautiful woodwork. And the under-floor heating is amazing. One of the first things David looked at was the windows, which are of the same profile as those we fit so we're happy with those. They're beautiful and very energy efficient, keeping the warm air in and the cold out".

PRODUCT. PEOPLE. PLACES.

RIGHT SIZERS

DOWNSIZING, NOT DOWNGRADING

We wandered around the show home and liked everything we saw; especially the character.

Andrew Church-Taylor
Lawson Rise, Whalley

ORIGINALLY LOOKING TO BUY A COTTAGE, DOWNSIZERS ANDREW AND JEAN CHURCH-TAYLOR WERE WON OVER BY THE EASE AND SIMPLICITY OF A NEW HOME WITH TRADITIONAL TOUCHES

Having sold their large house in Whalley, the couple had set out to buy a cottage in the Ribble Valley, but every property they viewed would have needed a lot of work and upkeep. They had been searching for a smaller home that would still be able to accommodate three grown-up children and their families for Christmas and other events, when a local shop owner suggested they take a look at Redrow's Lawson Rise development.

"A new home hadn't been on our radar, but we went to take a look and were very impressed."

Keen gardeners Andrew and Jean also relished the opportunity to make the garden their own, and returned the next day to sign up for a Balmoral house, in the same Arts and Crafts style as the show home. The cul-de-sac location and stone-fronted design also appealed to the retired solicitor and his wife, a former nurse.

A few minutes' walk from the centre of the village where Andrew was born and where the couple had brought up their children, the development is also close to Clitheroe, surrounded by beautiful Lancashire countryside and boasts easy access to Blackburn, Preston and Burnley.

INVEST IN QUALITY FOR A SOUND FINANCIAL RETURN

It has been a delight. A market researcher would typically call it 'extremely satisfied' and would give it a perfect score of ten!

Josef Wolf

The Summit, Bournemouth

JOSEF WOLF WAS LOOKING FOR AN INVESTMENT PROPERTY HE COULD RETIRE TO IN THE FUTURE AND FOUND HIS IDEAL BOUTIQUE APARTMENT ON BOURNEMOUTH'S POPULAR THE SUMMIT DEVELOPMENT

Josef (43), who works at a software firm in London, wanted to buy an apartment as an investment in the first instance, with a view to retiring there later. Searching in Bournemouth, Josef visited Redrow Homes' luxury development, The Summit. The following day he reserved a one bedroom apartment off plan.

"We visited the plot when there were just concrete floors, the moment we met the site manager, Daryl, and later on the sales advisor, Helyn, we realised that we made the right choice and above all that we were in good hands. Many builders would not be as flexible as Redrow Homes when it comes to buying off plan; we were given dozens of options, from kitchen to bathroom, from sockets to spotlights."

Each home has a private balcony, parking space and is a short walk from the beach, shops and restaurants. The apartments' floor-to-ceiling windows help accentuate the spacious interiors and open-plan layouts, creating a particularly light and airy feel.

CHAIRMAN'S STATEMENT

OUR STRATEGY IS TO CONTINUE TO GROW THE BUSINESS, INCREASING THE NUMBER OF OUTLETS AND HENCE THE NUMBER OF HOMES WE BUILD

I am delighted to report that for the third consecutive year Redrow has delivered a record set of results. Pre-tax profits were £250m, achieved as a result of completing over 4,700 much needed new homes, a 17% increase over last year.

FINANCIAL RESULTS

Group turnover rose by 20% to a record £1.38bn (2015: £1.15bn). Revenue from residential legal completions increased by 26% to £1.36bn (2015: £1.08bn). This was due to a 17% rise in legal completions to 4,716 (2015: 4,022), combined with a 7% rise in average selling price to £288,600 (2015: £269,800).

Gross margin improved by 40 basis points to 24.2% mainly due to 94% of our completions coming from sites purchased post downturn with normal margins.

Operating expenses remained stable at 5.3% of turnover, despite the additional overheads of opening two new divisions (Colindale and South East) at the beginning of the financial year.

Operating profit was £48m higher at £261m (2015: £213m), with the operating margin equating to 18.9% (2015: 18.5%).

Pre-tax profits increased by 23% to a record £250m (2015: £204m) and earnings per share rose 24% to 55.4 pence (2015: 44.5p).

This strong trading performance, together with increasing the level of deferred payments on our land purchases, has enabled us to reduce our net debt to £139m at the end of the financial year, giving gearing of 14% (2015: 18%).

Two key measures of our performance, Return on Capital Employed and Return on Equity, improved to 24.2% (2015: 22.8%) and 26.8% (2015: 26.4%) respectively.

As a result of this excellent performance, and as I reported in my Interim Statement in February, the Board is proposing a final dividend of 6p per share (2015: 4p) making 10p in total for the year, an increase of 67% on 2015. Subject to shareholder approval at the Annual General Meeting, this will be paid on 11 November 2016 to shareholders on the register at the close of business on 23 September.

Last year we updated our medium-term guidance, targeting turnover of £1.6bn, earnings per share of 62p and Return on Equity of 25%. We remain comfortably on schedule to deliver these objectives.

MARKET

Demand for new homes was strong throughout the year. Our growth in output has benefitted from the Government's Help to Buy scheme which has continued to be a major support, not only to Redrow, but to the industry as a whole.

I reported in my Interim Statement in February that the higher end of the market, and in particular Central London, had slowed down, principally as a result of the Stamp Duty changes that came into effect last year and further hikes that came into effect in April this year. Activity in this section of the market remains sluggish; however, Redrow's exposure is very limited and all other areas in which we operate, including Outer London, have shown strong growth. We have seen very little impact as a result of the Brexit vote.

LAND AND PLANNING

Redrow has had a very successful year in acquiring land and obtaining planning permission on our forward land holdings, with the owned and contracted land bank increasing to 26,000 plots. This gives the Group a significant platform for increasing the number of new homes built going forward and to maintain our expansion plans; however obtaining planning through Local Authorities remains tortuous.

We have recently launched a number of significant new sites and have a strong pipeline in the planning process. Our strategy is to continue to grow the business, increasing the number of outlets and hence the number of homes we build. This process is on track and as such I am confident that this will be another year of significant progress for Redrow.

PEOPLE

As a result of the continuing growth of the business, we have also expanded our workforce in the last 12 months from just over 1,600 people to just under 2,000 adding over 300 direct jobs, an increase of 19%. We continue our commitment to training and development and at the end of June employed 297 trainees across all disciplines, up 22% on 2015.

Steve Morgan
Chairman

5 September 2016

The record performances we have achieved in recent years have only been made possible by the hard work and commitment of our people and I would like to thank them for all their efforts in support of the business.

CURRENT TRADING AND OUTLOOK

Redrow entered the new financial year with a record private forward order book of £807m, up 54% on the previous year; including Social Housing, the total forward order book is £897m, up 51%. Sales in the first 10 weeks are very encouraging and up 8% on a strong comparator last year.

CHIEF EXECUTIVE'S REVIEW

THE GROUP HAS ONCE AGAIN DELIVERED RECORD RESULTS

GROUP PERFORMANCE

The Group has once again delivered record results. Turnover increased by 20% to £1.38bn and pre-tax profits were up 23% to £250m. However, behind these headline results there is a bigger story. This year's integrated Annual Report provides much more detail on the progress we have made across the many parts of our business that have come together to make these outstanding results possible.

Our growth in recent years has been exceptional. Over the past three years legal completions have grown by 67%, turnover by 128% and profit before tax by 262% and our strategy is to continue to grow, albeit we expect the pace to moderate. Our divisions in the South grew most strongly in the year and it is pleasing to report that the new South East division made a valuable contribution to the Group's results in its first year of trading.

MARKET

The market throughout the year was stronger than the previous year which resulted in our average sales per outlet per week increasing by 6% to 0.72 with a seasonally stronger performance in the second-half. The top-end of the market however suffered from the impact of successive SDLT increases and this was particularly notable in London.

In response to the weaker top-end of the market we have focused our land buying and development programmes more towards our mid-range homes that have proven to be so popular with buyers – with many also being able to take advantage of Help to Buy. In London we announced some time ago that our strategy was to concentrate on more affordable apartments in the outer boroughs and it is within these areas we have acquired new sites. We have made good progress working through our legacy of prime London apartments, including Connaught Place, and now have very little exposure to this sector of the market.

DELIVERING MORE HOMES

To deliver more homes the industry needs more outlets. Increasing outlets is essential, but is a huge challenge: it requires talented and determined teams to close land deals and progress sites through what is a long-winded, under-resourced planning system. Despite the frustrations of the system we have a good track record of growing outlets year-on-year. Over the past three years we have increased outlets by nearly 40% from 92 to 128 and we expect the number of outlets to rise in 2017.

To grow outlets you need land. 2016 was a very successful year for land acquisition across the Group. We took advantage of a benign market and benefitted from an exceptional pull-through from the forward land portfolio that included 2,900 plots at Colindale, North London.

PLACEMAKING

Our product distinguishes us from our major competitors. Heritage is and will remain our core collection. We make continuous but subtle changes to the range to ensure it maintains its leading and award winning position in the new homes market.

But creating great places to live is not just about individual homes; it's about much more. It's about Placemaking: designing developments that are sympathetic to the surroundings where our customers can enhance their wellbeing and feel part of a community. It's about creating a Better Way to Live which we adopted as a new strap-line during the year.

We have also worked hard to make our developments more sustainable from an environmental perspective. We are working towards ISO14001 certification for our environmental management systems and became the first major housebuilder to score a maximum rating of 'three trees' in the WWF's Timber Scorecard.

CUSTOMERS

We are a customer focused business and we recognised some time ago that our customers' expectations were rising at a faster rate than we could support. We responded by making a significant investment to raise our game in this area: we expanded our customer service teams, introduced new technology and most recently obtained accreditation from the Institute of Customer Service. It is comforting to know that in a fast growing business such as ours, close to 90% of our discerning customers continue to recommend us.

PEOPLE

It is pleasing to report that a record 24 of our site managers received NHBC Pride in the Job awards in this year's competition. This is a great achievement at a time when the industry has a shortage of skilled trades, managers and technicians: a shortage that we recognised a number of years ago and have been doing more than our share to address ever since.

The wider industry needs to do more to address the skills crisis and I was delighted to accept the opportunity to Chair the Homebuilding Skills Partnership (HSP). The HSP is an HBF initiative and has secured four years of funding from the CITB to help tackle the country's skills shortage. The HSP will be looking to broaden the industry's appeal to attract a more diverse workforce as well as looking at ways to raise standards and productivity.

As we grow we have a responsibility for the welfare of an increasing number of people and we have to ensure our sites are safe places to live and work. We have expanded our Health and Safety teams during the year and despite a significant increase in build output, reduced the number of notifiable accidents per site.

LOOKING TO THE FUTURE

In summary, 2016 was an excellent year for the Group. We are an innovative organisation and our initiatives are aimed at both improving shareholder value and supporting our brand purpose – to create a better way for people to live. We produced a very strong set of record results but of equal importance made significant progress across those parts of the business that are essential to our strategy for sustainable growth. We have an excellent product with a strong brand, we have an operational structure with capacity to grow and expand and a land bank with which to do so. We have talented, dedicated and loyal teams of people that share the same values. The Group is in good shape and well-positioned for the future. I am confident 2017 will be another excellent year for the business.

John Tutte
Group Chief Executive

5 September 2016

OPERATING REVIEW

WE HAVE A CLEARLY DEFINED GROWTH STRATEGY, TO INCREASE REVENUE, PROFITS AND RETURNS TO SHAREHOLDERS BY INCREASING OUTLETS AND LEGAL COMPLETIONS OVER THE MEDIUM-TERM

GROW OUR BUSINESS RESPONSIBLY

2016 PERFORMANCE HIGHLIGHTS

+20% to £1.38bn
REVENUE

+17% to 4,716
LEGAL COMPLETIONS

+9% to 128
OUTLETS

NEW DIVISIONS

At the start of the financial year we opened a new division in the South East and as part of a reorganisation that created a Greater London Region, we established our Colindale Gardens site, which was the former Hendon Police Training Centre, as a standalone division given its scale and importance to the Group. Colindale Gardens was granted planning permission for 2,900 homes at the beginning of this calendar year and has got off to a flying start. We have secured over 300 private sales including 211 private rented sector sales. Construction works are well underway and the first legal completions are on track to be delivered in January 2018.

With the South East and Colindale we now have 13 homes' divisions as well as Harrow Estates, who achieved considerable success in the year obtaining planning permissions on a number of strategic sites and making profits on the disposal of land. Although our existing operational structure has capacity to build over 6,500 homes per year, a number of our divisions will reach maturity in terms of output over the next two years and place a natural brake upon the pace of growth from the existing structure. As more of our businesses reach this stage we have the potential to continue to grow by expanding geographically and opening more new divisions in areas of strong demand. Ultimately our growth comes from increasing the number of outlets from which we operate.

REVENUE

2016 was the seventh successive year of growth in the business: since 2009 revenues have grown by over £1bn and in the past three years alone, revenues have more than doubled to £1.38bn.

STRATEGY IN ACTION – CREATING WOODFORD GARDEN VILLAGE

Redrow acquired an interest in the former BAE Systems Woodford Aerodrome in 2011 following the closure of the facility. The part brownfield site, which is designated greenbelt, extends across 500 acres of land within Stockport MBC and Cheshire East local authority areas. Through policy promotion, the site was identified in emerging local plans for Stockport MBC as a possible strategic mixed use development site suitable for housing.

Harrow Estates used their master planning expertise and worked collaboratively with Stockport MBC to assist in the preparation of the Policy Framework and design guidance for the site which sets out the principles of development.

The main development related planning applications were approved by Stockport MBC in the summer of 2014 and following review by the Secretary of State and finalisation of the S106 agreement, planning permission was granted in January 2015.

The proposals for Woodford Garden Village include 920 homes (with detailed planning permission for the first phase comprising 145 homes); extra care accommodation; local retail; public house; 90,000 sq ft of employment space; c37 ha of public open space including a village green and 108 ha of restored agricultural land.

In addition the development will deliver c£28m of community benefits including on-site and off-site social housing; a new primary school; new bus services; improvements and contributions to footpaths and cycleways – including connections historically severed by the aerodrome. The development will also provide play parks and formal sports pitches and a commitment to a local consultative forum throughout the development lifespan. Woodford Garden Village draws on the latest Government thinking for the delivery of large scale housing projects.

Following the commencement of the demolition of the existing structures and infrastructure works, housebuild started in September 2015. Stockport MBC completed their construction of the major new junction into the site in June 2016 and the Sales Centre and seven show home complex opened shortly afterwards. In addition to the show homes, prospective customers can use a new interactive 3D marketing system to virtually walk the streets of the development and into the homes and gardens to obtain a real sense of how the development will eventually look and feel.

OPERATING REVIEW CONTINUED

As the Group has expanded geographically, volumes and average selling prices have increased in both existing and new divisions. The divisions in the South grew most strongly and it is pleasing to report that the new South East division made a valuable contribution to the Group's results in its first year of trading.

The sale of homes accounted for £1.36bn of turnover with the balance of £21m attributable to land sales including the disposal of two sites by our Harrow Estates subsidiary.

COMPLETIONS

The key driver behind the rise in homes' revenue was the increase in legal completions. Overall completions grew by 17% to 4,716. Private completions were 12% ahead and social completions were 46% up. Social housing accounted for 18% of completions compared to 14% last year. Apartments represented 12% of private completions against 15% last year with the reduction largely being due to the timing of build.

There were 2,538 completions in the second-half, 17% more than the 2,178 delivered in the first-half and in line with the overall growth of the business.

OUTLETS

With the growth in overall average selling prices moderating, revenue growth is more reliant upon volume increases which in turn are dependent on the number of outlets from which the Group operates. Active outlets increased by 9% in the year to 128: the Group opened 54 new outlets and closed 43 giving a net increase of 11. The Group has increased the number of outlets from which it operates by nearly 40% since 2013.

Bringing new outlets on-stream remains a challenge for the industry. Obtaining detailed planning permissions and clearing often superfluous pre-commencement conditions is time consuming and places an unnecessary burden upon scarce local authority resources. Any changes the Government can introduce to reduce red-tape in this part of the planning process will be very much welcomed.

OUR BRAND PURPOSE

Redrow prides itself on consistently delivering excellence in the homes it builds and the communities it creates. To achieve this, everyone in the business at every level is aligned with a clear sense of purpose and how they contribute to the team effort: Redrow's brand purpose.

As one of the fastest growing housebuilders in the UK it is particularly important that everyone joining the business understands this brand purpose and the reason Redrow operates in a certain way: The Redrow Way.

Redrow's philosophy is one of continuous improvement regardless of how good the previous performance level has been. This is an approach shared with many world class businesses and is achieved through the Group wide values of hard work, innovation, passion, attention to detail and the pursuit of excellence. Communication is an essential ingredient and senior management work hard to ensure all staff understand The Redrow Way.

A range of communications tools have been developed to clearly communicate the brand purpose to every member of staff. All of Redrow's marketing messages and materials are consistent in communicating the brand purpose and the Group strapline is completely aligned.

Typically Redrow build a high quality product in aspirational locations, employing people passionate about the business operating in high performance teams. There is a healthy level of competition across the Group, helping to avoid complacency and encouraging improvement and innovation.

SILVER AWARD FROM NEXTGENERATION

We were pleased that our efforts to become more sustainable were recognised with a silver award from NextGeneration, an independent organisation which benchmarks the UK's top 25 housebuilders on their sustainability performance. This year's NextGeneration benchmark saw us moving up into fifth place in the rankings. Our above average score of 71% is up 8% on last year and was calculated by assessing the impact our operations and the products we build have on the environment, society and the economy.

OPERATING REVIEW CONTINUED

TO ENSURE THAT WE GROW OUR BUSINESS RESPONSIBLY, WE ARE FOCUSED ON MANAGING ALL OUR RESOURCES EFFICIENTLY AND EFFECTIVELY

MANAGE OUR RESOURCES EFFICIENTLY

2016 PERFORMANCE HIGHLIGHTS

+6% TO 24.2%
ROCE

+27% TO 4.95 years
LAND BANK YEARS

+172% TO 5,372 plots
FORWARD LAND CONTRIBUTION
TO OWNED LAND BANK

LAND

The Group took advantage of a benign land market during the year to secure 12,724 plots across 46 new sites on attractive terms. After taking into account legal completions, land sales and re-plans, the current owned and contracted land bank with planning increased by 7,784 plots to 26,000 with a Gross Development Value based upon the 2016 average selling price of £7.5bn. The owned current land bank stands at 23,374 plots and represents 4.95 years of output.

Forward land contributed 5,372 plots across ten sites to the owned land bank with Colindale accounting for 2,900 plots. Colindale was acquired unconditionally under contract in December 2013 and obtained planning two years later: the site was transferred to the owned land bank in the second-half of 2016. In addition to successfully pulling through plots from the forward land bank, we also made good progress on securing draft allocations on a number of strategic sites as local authorities work towards meeting the Government's deadline of having Local Plans in place next year.

All regions increased their owned and contracted land banks during the year. The largest gains were in the South, where we have seen most growth in the business and in Greater London, largely as a result of the Colindale site. Elsewhere in London we adopted a cautious approach to land buying focusing on the more affordable Outer London boroughs.

A combination of a benign market with the opportunity to acquire a number of large sites on favourable terms, and a strong pull through from forward land, meant we were able to secure land at margins above our hurdle rates.

STRATEGY IN ACTION – WASTE AND CONSTRUCTION RESOURCE EFFICIENCY

In order to help identify areas to improve our waste and construction resource efficiency further, Redrow commissioned Ethical Partnerships to undertake a programme of independent site inspections on developments in our South East division. A number of opportunities to minimise waste were identified and we have subsequently developed a blueprint for reducing waste on site and improving resource efficiency. Work carried out to date on this blueprint has highlighted the value of integrated action across the business involving construction, commercial, buying and technical teams working together to develop a culture of resource efficiency and waste prevention.

One important component of the blueprint is working with subcontractors to improve their understanding of waste prevention and control. To support this we have become an ambassador for a new UK-wide information campaign that aims to provide practical support to small businesses, helping them manage waste efficiently and meet their Duty of Care obligations. The 'Right Waste, Right Place' campaign, sponsored by the Environment Agency, the Chartered Institution of Wastes Management and the Environmental Services Association, provides practical information and a range of tools to help small businesses identify their current level of compliance.

OPERATING REVIEW CONTINUED

As a result, and despite buying proportionally more land in the south, the average plot cost of the land bank represents just 21% of the private average selling price.

CONSTRUCTION

Build output increased by around 20% in the year as the number of sites under construction grew and the Group positioned itself to meet its growth targets. Although the shortage of skills remains an issue for the industry, there were few instances of trade shortages leading to serious build delays as we continued to work hard to nurture existing and new subcontractors. Some material lead times fluctuated during the year with suppliers at times unable to deliver a reliable service. Our longstanding relationships with a number of key suppliers helped us mitigate the impact of supply issues across a range of materials.

Overall material costs were relatively stable during the year. However, labour rates continued to rise in areas where skill shortages are most acute and as a result, like-for-like build costs increased by about 4%. On top of this, additional costs due to last year's Building Regulation changes and some changes to enhance our specification and improve build times are beginning to emerge. The specification changes will however be recovered through improved selling prices and productivity gains.

ROCE AND CAPITAL TURN

Return on capital employed is a key measure for the Group and is a fundamental consideration when bidding for land.

We target to increase ROCE through both operating margin and capital turn improvements. However, achieving a consistent improvement in capital turn in a growing business is challenging across a portfolio of sites that includes apartment blocks, where work in progress is unavoidably high, and large strategic sites that require early infrastructure provision. Notwithstanding this, in 2016 ROCE increased from 22.8% to 24.2% due to improvements in both operating margins and capital turn.

USING NATURAL AND CONSTRUCTION RESOURCES EFFICIENTLY

Our approach to managing natural resources efficiently

Our plans to develop a net positive environmental approach include making efficiencies in energy and water and reducing carbon emissions from our operations. To assist with managing these aspects, we have started to develop our existing environmental management systems and are working towards certification to ISO14001 by 2018; ensuring continual environmental improvement year-on-year going forward.

Supporting sustainably sourced timber

Promoting responsible forest management and eradicating illegal wood products from our supply chain is a core part of our strategy and we continue our longstanding membership of WWF's Global Forest and Trade Network (GFTN). This year we became the first major UK housebuilder to score a maximum rating of 'three trees' in the WWF's Timber Scorecard. Our purchasing actions in this area send the strongest message of sustainable procurement; between 2011 and 2015 we have seen a 55% increase in the volume of sustainable 'credibly certified' timber incorporated in our homes to 62,031m³. Our usage of timber in accordance with GFTN categories 'credibly certified', 'source assessed and verified' currently stands at 99.83%. (2015: 99.82%).

Julia Young, WWF's Global Forest and Trade Network Manager said:

"Redrow has participated in the WWF Global Forest and Trade Network programme since 2003, and the commitment made to sourcing timber from sustainable forest sources shows great leadership at a time when our natural resources are under great pressure. Redrow's persistence over the years to ensure it knows where all the timber it buys for customer's homes comes from, and that it isn't contributing to forest loss but instead to a future where people and nature thrive, is a great achievement and example to others in the sector."

Energy use, carbon emissions & water

We continue to disclose our carbon emissions and reduction activities to the Carbon Disclosure Project (CDP) annually and have seen a significant increase in our CDP score in the most recent submission. The scoring system reflects progress towards excellence in carbon management by measuring awareness, management and actions taken on climate change.

CDP Score 2014	86C
CDP Score 2015	91C

Our Greenhouse Gas (GHG) emissions expressed in relation to the quantity of build we have undertaken have increased marginally this year to 2.61 tonnes of CO₂e per 100m² (2015: 2.57tCO₂e/100m²). We continue to raise our ambitions in this area and are currently developing a new carbon reduction plan to tackle operational energy use and carbon emissions systematically across the business, with a view to moving towards a net positive approach. Our GHG emissions are independently verified to a limited level of assurance.

Our efforts to reduce water consumption on our sites have paid off this year as we have seen a 30% reduction in site water use to 14.66m³/100m² of build. Some of this decrease is also attributable to improvements in our reporting systems in this area.

Driving down waste

During the year we completed an introductory waste campaign across all of our divisions, investigating key sources of waste generation and developing a blueprint for waste minimisation. These blueprints provide a framework for exploring ways to reduce waste at source, saving materials and money as well as reducing the environmental impacts of waste management. We are already starting to see the benefits of this work since our total waste produced relative to productivity has reduced this year to 9.76 tonnes per 100m² of build (2015: 9.84t/100m²) and the amount of waste we diverted from landfill has increased to 94.8% (2015: 92.6%).

Supply chain collaboration

We are proud of our reputation for supporting our supply chain and this work continued throughout the year as we strengthened links with our suppliers and subcontractors across all aspects of our business. Every year we provide a series of best practice events for our subcontractors and those interested in tendering for work with us. Our North West and Lancashire divisions have recently run such events for Groundworkers and Scaffolders to enable sharing of best practice and provide a platform to discuss and resolve key issues such as skills, performance, quality, health and safety and sustainability. At both events industry and legal specialists were in attendance and there was an opportunity for subcontractors to take part in an 'ask the expert' session.

OPERATING REVIEW CONTINUED

WE ARE FOCUSED ON CREATING HIGH QUALITY PLACES TO LIVE BY DELIVERING WELL DESIGNED, WELL BUILT, ATTRACTIVE HOMES WHILST AT THE SAME TIME ENHANCING THE BENEFICIAL CHARACTERISTICS OF THE LOCAL LANDSCAPE, ECOLOGY AND COMMUNAL RESOURCES

CREATE BETTER PLACES TO LIVE

2016 PERFORMANCE HIGHLIGHTS

+11% to £142_m

MONIES COMMITTED TO FUND
IMPROVEMENTS TO LOCAL COMMUNITIES

+46% to 834_{homes}

SOCIAL HOUSING LEGAL COMPLETIONS

+14% to c240_{hectares}

HECTARES OF PUBLIC OPEN SPACE CREATED

PRODUCT

Our product distinguishes Redrow from its main competitors. We have three house type collections: Heritage, Regent and Abode.

Heritage is the backbone of our business and in 2016 accounted for 79% of the Group's private sales. The Collection combines attractive street elevations with modern spacious internal layouts and a high specification. Although we always ensure it remains faithful to its concept we make continuous but subtle improvements to maintain its market-leading position and to make it more productive to build. The most recent changes have seen the introduction of taller internal doors to complement our higher ceilings and a switch to more aesthetically pleasing hipped roofs on certain house types that have the advantage of reducing build times.

Regent and Abode are two collections that provide higher density housing using similar floorplates. Regent is more traditional in terms of appearance and internal layout whilst Abode offers more contemporary elevations and living spaces. Both have been more widely plotted and we have been successful in using both these collections on larger sites alongside the Heritage Collection to attract a broader market and improve output and return on capital employed.

In addition to our Collections, we have also developed a winning formula for our bespoke apartment schemes, especially in London where we have the expertise and resources to undertake the building of these complex schemes in-house.

We delivered 834 social housing homes in the year, with a value of £86m (2015: 571 homes, £59m).

STRATEGY IN ACTION – REGENERATING COLINDALE

Colindale Gardens, London, NW9, is a 48 acre site formerly owned by the Metropolitan Police. It was acquired by Redrow unconditionally under contract without planning in December 2013.

Following extensive work and consultation on the masterplan to regenerate the site, a detailed planning consent for 888 homes together with an outline consent for a further 2,012 homes, was granted in December 2015 and the agreement on community contributions concluded in February 2016.

In addition to the 2,900 new homes planned for the development, across 24 blocks of apartments and townhouses with a residents' gym and concierge service, there will be 100,000 sq. ft. of commercial and retail space.

c£143m of community benefits are being provided as a result of the development. These include 580 social housing apartments, a primary school, a health centre, a new neighbourhood centre, a nursery, investment in transport improvements, nine acres of public open space and community financial contributions.

Preparatory works began on the site in January 2016 with construction commencing in earnest in March 2016 to deliver a c12 year construction programme.

We expect c450 construction workers on site on an average day when at peak production and the first legal completions are expected in January 2018. Strong sales have been achieved since the Colindale Gardens sales launch, including a 211 unit Private Rental Sector sale.

OPERATING REVIEW CONTINUED

ENERGY EFFICIENT HOMES

Our average home scores 84 out of 100 using the Government sponsored Standard Energy Assessment Procedure (SAP), which compares well to the average for all new homes of 81.

During the year we also increased the proportion of our homes fitted with smart meters and including domestic recycling facilities to 82% and 58% respectively (2015: 79% and 56%).

QUALITY OF CONSTRUCTION

We are focused on delivering quality homes to our customers. This year a record 24 of our site managers have been awarded Pride in the Job Quality Awards, setting the highest standards in housebuilding. 70% of these site managers have come up through Redrow's succession and training initiatives.

PLACEMAKING

Advancing our approach

We focus on building the right homes in the right settings, taking full advantage of the beneficial characteristics of the local landscape, ecology and communal architecture. We have a Group Master Planning team that are charged with the responsibility of upholding our design ethos ensuring, through a comprehensive programme of design reviews, that all of our developments create better places for people to live and work.

We are creating visual maps for our developments to highlight key sustainability features, such as public open space, biodiversity improvements, transport links and renewable energy. We want our customers to know that as well as buying a premium home they are moving into a development which we have sympathetically designed so as to enhance their sense of wellbeing, help them to get in touch with nature and feel part of a community.

The intention is to strengthen and further embed our Placemaking design ethos by establishing a suite of supporting design principles. A framework will be constructed around the design principles to ensure, that through planning, training, communication and review, they are systematically applied throughout Redrow.

Monies committed to fund the improvement of local communities

In 2016, we committed £142m to funding improvements to communities local to our developments, an 11% increase over last year (2015: £128m).

Working with the community and partners

We adopt a collaborative approach to planning consultation, engaging wherever possible with local partners and community stakeholders.

For example, on our Redbridge Park site, part of the Liverpool Housing Partnership, we consulted closely with local ward members and the community. We arranged 'drop-in' sessions where local people could inspect exhibition boards, discuss the proposals in detail and provide feedback. Observations from participants resulted in us exploring options to address concerns over traffic disruption and congestion.

At Wretchwick Green, a forward land site in Bicester, working alongside Wates Developments, we carried out extensive engagement with the Town and District Council, local residents and the wider community. These consultation processes have significantly shaped the proposals for this potential development.

Leisure facilities and green transport

Many of our developments provide opportunities for residents to participate in leisure activities. For example, on our Fleetwood development in Lancashire, we have upgraded public footpaths to become cycleways and are constructing a £1m pedestrian and cycleway bridge.

We part funded and supported the creation of a new report by Carplus on car clubs, in collaboration with the University of the West of England. Our Cheswick Village development, in Bristol, was one of the case studies featured. As well as helping new residents that do not own a car to be more mobile, the report concludes that car clubs can reduce traffic congestion, carbon emissions and improve air quality.

On a number of our developments including Warren Grove, Dawlish, Devon, each home receives a welcome travel pack. The pack, which contains walking and cycling maps, includes a £50 cycle voucher and a £250 public green travel transport voucher.

OPERATING REVIEW CONTINUED

WE ARE WORKING HARD TO ENSURE THAT WE ARE WELL PLACED TO DELIVER THE BEST POSSIBLE CUSTOMER SERVICE AND CUSTOMER EXPERIENCE AS OUR NUMBER OF CUSTOMERS INCREASES IN LINE WITH OUR GROWTH STRATEGY

PUT CUSTOMERS FIRST

2016 PERFORMANCE HIGHLIGHTS

+54% to £807_m
PRIVATE ORDER BOOK

+70% to £17_m
MY REDROW EXTRAS SOLD

+6% to 0.72 per outlet per week
PRIVATE RESERVATION RATE

CUSTOMER SERVICE CULTURE

Training accreditation

It is important that excellent customer service is embedded within our business. To that end, during the year our dedicated Learning and Development team designed a Customer Service Culture course which received a TrainingMark accreditation from the Institute of Customer Service and was delivered to all Redrow Customer Service teams. This course is now part of our Customer Service, Sales and Build induction training and it is intended to extend this to all departments going forward.

In addition, all our Customer Service Heads of Department are currently working towards an Institute of Customer Service coaching qualification designed to enhance the service our teams offer our customers through improved engagement.

Understanding what is important to our customers

Post occupancy evaluation

We work closely with our customers to incorporate their changing needs and aspirations in the design of our homes. Part of this process involves engaging with them once they have lived in the house for a period of time, to ascertain their opinions on various aspects of Redrow living. We have recently taken part in a study commissioned by the Department of Communities and Local Government examining indoor air quality in new homes. The aim of the project is to consider whether existing regulations provide satisfactory indoor air quality and evaluate how this is impacted by occupant behaviour.

OPERATING REVIEW CONTINUED

Understanding what is important to our customers continued

Post occupancy evaluation continued

Customers at our Horsforth Vale development, Yorkshire, helped the project with measurements of air quality over the course of several weeks. Once published, the report should improve understanding on the role and impact of ventilation on our customers and identify opportunities to improve indoor air quality through both design and the provision of information to customers on living in their new home.

Customer research

This year we have carried out several independent studies to delve deeper into what factors our customers consider make a better way to live. Both the adults and the children surveyed felt that the surrounding area and its facilities were important factors, prioritising proximity to schools, good transport links, parks and green space, being near friends and having a good sense of community. These are all aspects that we pride ourselves on developing and improving in the communities in which we operate. The results of the survey will be incorporated in the development of our supporting design principles.

RESERVATION AND ORDER BOOK

The market was seasonably consistent throughout the financial year with no discernible impact leading up to the European referendum. All divisions saw good demand for the Group's product. Whilst the market in Outer London boroughs remained strong, higher-priced property in Central London continued to suffer from successive rises in SDLT. Despite demand being weak for prime London property, the Group made good progress on selling its most expensive apartments and now has very little exposure to this end of the market.

The Group secured £1.56bn of reservations in the year, a 46% increase on the previous year. The increase in the value of reservations was due to a combination of the private average selling price increasing across more reservations. The number of reservations increased as a result of the sales rate per week rising to 0.72 compared to 0.68 in 2015 and the Group operating from more outlets.

Help to Buy remains an attractive incentive for many buyers and supported 34% of private reservations in the year.

The cancellation rate for the year was 15%, a relatively small increase on the previous year.

As a consequence of the strong sales performance, the Group closed the year with a private order book of £807m: £283m and 54% ahead of last year.

STRATEGY IN ACTION – REDROW CUSTOMER FIRST: MADE FOR YOU

As our home sales increase, we're committed to ensuring that every single one of our customers receives the best possible customer experience during the home buying process. To meet their expectations, during the year we launched our new 'Customer First: Made for You' initiative across the Group, creating an enhanced customer journey that guides them from exchange of contracts to Move in Day.

The five stage Made for You journey begins after a **customer exchanges contracts**, with a personalised congratulatory email and an introduction to their Customer Services Manager, who will guide them through the rest of the process.

The next stage is the **Welcome Party**. Here, small groups of customers attend an informal evening allowing them to meet their sales and customer service teams. It is also an excellent opportunity for customers to meet their future neighbours, so they can feel part of a community as soon as they move in.

Nearer to the completion date, a **Redrow Living** event is held. Again for small groups of customers, this makes the transition to living in a new home as easy as possible, with demonstrations of the key features in a Redrow home.

As part of the 'Customer First' initiative, our construction, sales and customer service teams formally inspect the property to ensure a high quality finish. After all internal inspections are complete, the customer is invited to a **Home Preview**, allowing them to familiarise themselves with their new home and highlight any items that need resolving prior to Move in Day.

On **Move in Day**, the final stage of the 'Made for You' journey, customers receive the keys to their brand new home.

Following completion, our customer service team is still on hand, using tailored web and app platforms to support our customers as they settle in to their new home.

OPERATING REVIEW CONTINUED

WE ARE FOCUSED ON DEVELOPING THE SKILLS OF OUR OWN CURRENT TEAM AND ENSURING WE ATTRACT BOTH EXPERIENCED TALENT AND NEW AND ENTHUSIASTIC YOUNG PEOPLE INTO OUR BUSINESS TO UNDERPIN OUR GROWTH OBJECTIVE

VALUE AND DEVELOP OUR PEOPLE

2016 PERFORMANCE HIGHLIGHTS

up over **20%** to c**300**
TRAINEES

Top 100
APPRENTICESHIP EMPLOYER 2015

Employer of the Year
2015 CITB APPRENTICESHIP AWARDS

EMPLOYEES

As we have grown, so has our workforce. During the year we created over 300 new directly employed jobs, increasing our total number of direct employees to 1,962 at June 2016. Many of these new jobs were taken by young people starting out on their careers and entering our industry for the first time.

Given this 19% increase in employee numbers, we are pleased to have again maintained our proportion of trainees at 15% of the increased workforce, with over half of these being trade apprentices.

It is also very satisfying to have been listed as a Top 100 Apprenticeship Employer in the National Apprenticeship Service awards for the third consecutive year. In addition, we were named GB Employer of the Year at the 2015 Construction Industry Training Board Apprenticeship Awards. We have an enviable track record in this area and it is pleasing to see so many of our apprentices taking the next steps on their career paths by moving onto our further site training programmes.

LEARNING AND DEVELOPMENT

Training Centres

Equipping our people with the skills they need is an essential part of growing the business in a responsible and sustainable way. We continue to develop our team at all levels and we completed c4,800 training days during the year, a 24% increase on the previous year. Much of our training is carried out in-house. In addition to our national training centre in the Midlands where our in-house Learning and Development team are based, we have opened a Southern training centre based at our Colindale Gardens development and have added training facilities at our Head Office.

STRATEGY IN ACTION – BUILDING A PARTNERSHIP WITH SOUTH ESSEX COLLEGE

As part of a strategic partnership with the Homes and Communities Agency and Basildon Borough Council, our Eastern division has joined forces with South Essex College in an ongoing alliance, providing a variety of opportunities to help embed classroom based learning, for Construction and the Built Environment students. Site visits, work experience and personal insights from Redrow employees all provide invaluable knowledge of the many career paths available.

Barry Port, project director for our Eastern division, said: "It's important that we continue to attract young people into the industry and it's great to see the students from South Essex College showing such enthusiasm for construction. Trainees make up around 15% of Redrow's direct employees and we're looking to maintain that going forward as the company grows. Who knows, maybe some of the students from the college could be site managers in future."

John Smith, curriculum manager for South Essex College, said: "The site visit was an invaluable experience for the students as for some of them it was the first time they'd been on a live construction project. It was great for them to see how professional and passionate the Redrow team are and how people working in construction should conduct themselves. It's helped the students relate their college work to actual projects and inspire them to achieve better grades and enter the construction industry as a professional. Many of them have asked how to apply for a trainee position within Redrow."

Student Callum Ewing (18) added: "It was great to be on site and to see how everything that we've been learning in the classroom can be applied in practice in the construction of new homes."

OPERATING REVIEW CONTINUED

We have continued investing in our e-learning platform, evolve, with over 80 modules now available.

Our structured approach to succession planning identifies and develops future leaders and senior managers, as well as individuals to fill other business-critical positions. A six-monthly review is conducted across the whole organisation to identify people with the potential to progress in the organisation and we put in place structured development to help them fulfil their potential.

This talent management process not only aids the progression of individuals' careers but also helps the business retain key people for the ongoing growth of the organisation.

In 2016 we more than tripled the number of individuals undertaking structured leadership development. With the introduction of further leadership and talent programmes, such as a mentoring scheme, we will continue to increase our investment in future leaders.

Developing the next generation of housebuilders

Redrow North West division apprentice Liam Sargeant was named GB Apprentice of the Year at the 2015 CITB Apprenticeship Awards. Liam has now been promoted to Trainee Site Assistant.

In addition, 11 graduates from our Trainee Site Assistant Programme, introduced two years ago, are now Assistant Managers, whilst eight Assistants have progressed to Site Manager.

We recognise however that there remains a skills shortage within the construction industry and that it is important we create ongoing partnerships with educational establishments to help address this. For example, Redrow continues to be an employer patron of the West Midlands University Technical College (WMUTC) which provides education for 14 to 18 year-olds across the curriculum but with a focus on the built environment and IT. During the year we hosted 30 students on visits to our developments and Redrow senior management have visited the WMUTC to give lectures and engage with the students on team project work.

This year our Graduate Programme Community Project was to create a Fairy garden for the children at Hope House Children's Hospice in Oswestry. The Graduates were responsible for planning, managing and delivering the project, with the generous support of over 30 suppliers and subcontractors who donated time, money and supplies. The garden transformation was carried out over three days and was a great success.

HEALTH & SAFETY

Accidents

Build output across the Group increased by around 20% during the year but despite this we again reduced the number of notifiable accidents per site from 0.23 in 2015 to 0.20 in 2016. Overall accidents increased by 11% to 318 (2015: 286).

Awards

This year our developments received five awards in the annual NHBC Safety Awards, two more than last year. We have also been recognised for our automated external defibrillator initiative, receiving the Outstanding Organisation Award at the 2015 North West Construction Safety Group Awards.

Contractor engagement

Redrow understands that in order to improve health and safety standards at site level continual engagement on health and safety and environmental matters with our contractor base is essential. Numerous events have taken place over the last 12 months to assist our contractors in maintaining their knowledge of current health and safety issues and transfer this knowledge within their own businesses.

Community engagement

The Health and Safety Team, assisted by our construction and sales teams continues to carry out safety talks at primary and junior schools close to our developments. Our popular mascots 'Buster' and 'Buddy' help us to engage with young children in a fun and informative way. During the year over 500 children have attended these important informative presentations.

EMPLOYEE ENGAGEMENT

Our people are at the heart of our business and we recognise that for them to contribute to the best of their ability they need to work in an environment which is supportive, rewarding and enjoyable. We therefore regularly evaluate employee engagement and use the results to improve working practices. A survey in 2015 by Employee Feedback Ltd put Redrow in the top 25% of the organisations they work with. A further interim mini survey was conducted this year. Employee Feedback Ltd reported employees were now even more engaged than in 2015 advising that there was increased 'satisfaction' with working conditions, job structure and training and even more 'commitment'.

CONNECTING PEOPLE WITH HOMES

CREATING HIGH QUALITY HOMES THAT APPEAL TO A BROAD RANGE OF BUYERS IS KEY TO ENSURING THAT NEW DEVELOPMENTS FLOURISH AND BECOME SUSTAINABLE COMMUNITIES

CONNECTING PEOPLE WITH HOMES

Our development at St Andrew's Park was launched three years ago in Halling, a mid-sized village in the North Downs area of Kent. Situated near to the River Medway and set against a scenic backdrop of chalk cliffs and the 'Blue Lake', this flagship project has transformed a former cement works into a highly desirable place to live.

Before we could start building, the brownfield site required extensive remediation work. In keeping with Redrow's environmental policies, all materials salvaged from this process, including crushed concrete and metal, were either reused or recycled off site.

Today, St Andrew's Park offers everything from two bedroom apartments to substantial family homes, located on a carefully designed development that takes full advantage of its outstanding landscape and ecology.

Our carefully considered approach to placemaking has helped to integrate the development with its beautiful surroundings and the existing community. Footpaths are currently being

installed to link our homes with the lake and wildlife areas and new playgrounds and football pitches are planned to help bring the residents together and encourage a community spirit. In addition, a footbridge will be built to connect with the local village, providing access to shops, a pub and local activities.

The consideration to detail that has gone into St Andrew's Park has not gone unnoticed and c60% of the planned 385 homes on the development have already been sold. Buyers include a mix of first-time buyers, young professionals, growing families and right sizers. The development has also attracted buy-to-let investors looking for properties within commutable distance of London via Ebbsfleet International train station.

From an unsightly shell of a cement works to a vibrant community offering a great quality of life, St Andrew's Park is a great example of what can be achieved through responsible redevelopment of Britain's brownfield sites.

CUSTOMERS ENJOYING THE REDROW WAY OF LIVING AT ST ANDREW'S PARK, HALLING, KENT

Sustainability elements on the development Pond feature

An attenuation pond will be situated to the east of the development. This pond will be used to filter sediment from surface water before being discharged directly to the River Medway.

Wildlife area

Biodiversity enhancements on the development centre on the wildlife area around the existing blue lake which is formed with woodland, herb-rich wet grassland, colonising vegetation and reed beds.

Playground

There will be a children's play area to the south of the development which will consist of a climbing structure, cradle nest, jumping disk, carousels, rotating beam, balancing blocks and timber balancing beams.

Other sustainability features include:

- Energy efficient lighting in all homes and LED lights in street lighting columns
- Bicycle racks available to some properties either in cycle stores (for apartments) or within a shed or garage
- Recycling bins provided by Medway Council
- PV Solar panels
- Good public transport links
- Considerate Constructor Site
- Good proportion of Affordable homes

FIRST-TIME BUYERS

Chloe and Matt Setting up home

Read more on page 50

YOUNG PROFESSIONALS

Melanie and Seyi Moving out of London

Read more on page 50

GROWING FAMILIES

Karen and Terry A bigger home needed

Read more on page 50

MOVING UP

Grace and Jon Moving to be nearer family and friends

Read more on page 51

RIGHT SIZERS

Mike and Linda Wanted a detached home

Read more on page 51

BUY-TO-LET INVESTORS

Dr Nadeem A shrewd investment

Read more on page 51

CONNECTING PEOPLE WITH HOMES

CONTINUED

FIRST-TIME BUYERS

Chloe Ashby (23) and Matt Hacker (29) are first-time buyers who used Help to Buy to make setting up home easier to afford. Chloe is an administrator and Matt is a senior consultant. They purchased a Cambridge house type.

Chloe said: "We were both living at home with our families; I was in Gravesend and Matt in Croydon. We made the decision to buy together because we don't see the benefit of renting. We were open to suggestions but soon realised that buying new meant we wouldn't need to spend money replacing the kitchen, bathroom and lots of other things like in a second hand home.

We really liked the Heritage Collection and did a test run from St Andrew's Park; it's 10 minutes to Ebbsfleet train station for Matt and I get the coach to Canary Wharf. For the price of a four bedroom home here we would only have been able to buy a two bedroom flat in Croydon or Bromley. Help to Buy has enabled us to buy a bigger home so that, looking to the future, if we start a family we won't have to move again. We hope to be here for at least 10 years."

Matt added: "It's a completely different market to London. We could have bought a smaller property closer to work but we decided we'd rather buy a detached house and the commute is only about an hour. We have friends who are starting to move out of London because they're being priced out of the market and get better value further out as long as the commute is ok."

YOUNG PROFESSIONALS

Melanie and Seyi Olubajo moved out of London to take their first step onto the property ladder. Melanie (31) is a teacher, and Seyi (34) is an accountant.

Melanie explained: "We wanted to buy a home of our own, but because of the high prices in London we couldn't afford to buy in Islington where we'd been renting an apartment. We realised that moving to Kent would be more affordable and saved for a year for a deposit.

Moving out of London is a really good option for first-time buyers and professionals like us and an investment in our future, plus the mortgage repayments are lower than the rent we were paying in London. A friend suggested that we came to St Andrew's Park and while we hadn't wanted a new build, we liked the traditional style of the houses and the attention to detail.

We bought a four bedroom detached Oxford like one of the show homes because we liked the aesthetic look of the property, particularly the way the light comes through from the open plan kitchen and dining room when you walk in to the house, it's really homely. It's a good family home and we're thinking about starting a family. When you're renting you're limited as to what you can do to the property, but because this is our home we've been able to put our own stamp on it and make it our own."

GROWING FAMILIES

The Whites, parents Karen (32) and Terry (36), who both work in retail management wanted a bigger home for their growing family. Daughter Sienna is three and since they've moved into their three bedroom Letchworth they've had another child, Darcey.

Karen said: "We were living in a two bedroom terrace with our daughter Sienna and realised we'd need an extra bedroom if we were to have another child. We hadn't looked at new builds to start with and had considered buying an older property to do up. We saw St Andrew's Park online and came to look and were impressed by the size of the properties; they're bigger than the other new builds we viewed. I brought my dad, who's in the building trade, with me to view and he gave Redrow the thumbs up.

We were able to choose the kitchen and add some other features using My Redrow. It was great to be able to get an idea of what it would look like and then keep things in the basket and double checking it in the sales office before confirming the choice. We socialise with friends in Rochester and have a friend who lives in Halling so we'd seen the village lifestyle, everyone seems really friendly. It's close to the A2 but not too close, plus there are good schools nearby for when the children are older."

MOVING UP

Grace Neville, a 31-year-old office manager, moved out of a London apartment to start a family with husband Jon (35), a QA engineer. They purchased a Cambridge house type.

Grace said: "I'm originally from Chatham but we'd been living in a two bedroom apartment in Forest Hill, London, and wanted to start a family, which was never going to happen in London. We decided to move back to Kent to be nearer to family and friends and looked at some new builds but they seemed too modern.

We really liked the traditional look of Redrow's Heritage Collection and decided it was exactly what we wanted. We hadn't really thought about living in Halling but as soon as we visited St Andrew's Park we realised how beautiful it is with a countryside feel, but still close to the motorways. I drive to Ebbsfleet station and then get the high-speed train to work."

RIGHT SIZERS

Retirees Mike and Linda Remon see their four bedroom detached Oxford as an investment. Mike (65) is a former sales and marketing manager and Linda (54) worked in catering.

"We'd previously downsized from a four bedroom detached home to a three bedroom semi but decided we wanted to go back to a detached property," said Mike. "I felt that we were lucky to be in a position to be able to invest our money more wisely in bricks and mortar than in stocks and shares. We'd been looking at St Andrew's Park for some time, but never thought we'd buy a new house. We put our home on the market and had 24 viewings in one day and an instant buyer but nowhere to move to. By coincidence we had an email from Redrow telling us there was a property that had just become available.

We liked the traditional style of the Heritage Collection and the Oxford in particular because of the accommodation it offers. From that point it was an easy decision. I was born and bred in Medway so know the area. The homes are in a rural location close to the Downs and we can walk out into the countryside without having to drive. We're making friends with our new neighbours as, because it's a new development, we're all in the same boat."

BUY-TO-LET INVESTORS

Dr Nadeem Sajjad Raja (49) owns three properties at St Andrew's Park – he lives in one and rents out the others.

Nadeem said: "I was living in a four bedroom Kenilworth and because I had extended family who come to visit I decided to buy a larger property, a detached Cambridge, also with four bedrooms. St Andrew's Park is near to my place of work and convenient for my daughter's school, plus the M2 and M20 are within easy reach and there are convenient links to Kings Cross. It fits really well with my lifestyle and because everything's new I don't need to do anything to the houses, plus they're energy efficient so bills should be lower. They're ideal properties for investment. When I visited the Redrow sales office and saw how quickly the properties were selling I knew it was a favoured area and I would be able to secure tenants quickly so I bought a third house."

"We couldn't have afforded a three bedroom home in London but moving out of the capital to St Andrew's Park meant we were able to buy a four bedroom detached Cambridge."

FINANCIAL REVIEW

THIS IS ANOTHER RECORD BREAKING FINANCIAL YEAR FOR THE GROUP

PROFITABILITY

This was another record breaking financial year for the Group in terms of both revenue and profits.

Total Group revenue increased by 20% to £1.38bn. This comprised private homes revenue which increased by 24% to £1,275m (2015: £1,026m) as a result of a 12% increase in private legal completions and a 10% increase in average selling price, social homes revenue of £86m (2015: £59m) and other revenue of £21m (2015: £65m) from land sales.

As a consequence of the higher revenue, gross profit increased by £60m in the year to £334m (2015: £274m) giving a gross margin of 24.2% (2015: 23.8%). The improvement in gross margin benefitted from a further decrease, from 12% to 6%, in the proportion of our legal completions from provisioned land acquired before the downturn, offset in part by increased levels of social homes legally completed in the year. As reported previously, we expect to legally complete the remaining provisioned plots by the end of the 2017 financial year leaving us with full margin on all our remaining land bank.

Operating profit increased by 23% to £261m (2015: £213m) as a result of the strong revenue growth. This represents an operating margin of 18.9% (2015: 18.5%), just below the 19% target we have set for 2018.

Net financing costs at £11m were £2m higher than the prior year reflecting a £1m increase in bank interest and a £1m increase in imputed interest payable on deferred land creditors as we continue to be successful in negotiating deferred terms on our selected land opportunities.

The Group's record profit before tax of £250m (2015: £204m) for the year generated a basic earnings per share of 55.4p, up 24% on the prior year (2015: 44.5p).

TAX

The corporation tax charge for the year was £50m (2015: £42m). The Group's tax rate for 2016 was 20.0% (2015: 20.75%) and we expect our normalised rate of tax for the year ending 30 June 2017 to be 19.75% based on rates which are substantively enacted currently.

The Group paid £46m of corporation tax in the year (2015: £22m) in the normal quarterly pattern. Payments will continue in the normal quarterly pattern until the new legislation for corporation tax payments by very large companies takes effect for our financial year ending 30 June 2020, when it will bring our instalment payments forward by four months.

DIVIDENDS

As reported at the time of our half year results, the Board has proposed a 2016 final dividend of 6p per share, a 50% increase on last year, which will be paid on 11 November 2016, subject to Shareholder approval at the 2016 Annual General Meeting.

The Group paid dividends totalling £30m (2015: £15m) during the year. This represented a 4.0p per share final dividend for 2015 paid in November 2015 and a 4.0p per share interim dividend for 2016 paid in March 2016.

RETURNS

Net assets at 30 June 2016 exceeded £1bn for the first time at £1,017m, a 20% increase on prior year levels (2015: £849m). Capital employed at 30 June 2016 was £1,156m (2015: £1,003m), up 15%. Despite the increase in capital employed, our capital turn rose to 1.3 times (2015: 1.2 times). As a result of our higher profits and capital turn, our return on capital employed increased from 22.8% to 24.2%, although we expect this to moderate going forward towards our 2018 guidance of 21%, due to ongoing investment in land and work in progress.

Return on equity increased from 26.4% to 26.8%, well ahead of our 2018 guidance of 25%. Again we expect this to moderate towards the 2018 guidance in 2017.

FINANCIAL REVIEW CONTINUED

INVENTORIES

Our investment in land increased to £1,215m (2015: £1,020m), up 19% year on year. However, our owned plot cost has remained unchanged at £68,000 per plot, reducing to 21% of the average selling price of private legal completions in the year (2015: 23%).

Our investment in work in progress increased to £593m (2015: £480m), up 24% year on year. This increase resulted from a combination of a 9% increase in active outlets, a higher number of strategic sites coming into production and an increase in the number of apartment schemes in the South East at later stages of the build process.

Our net realisable value provision on land and work in progress reduced by £9m to £19m in the year. Provisioned plots represented less than 1% of our owned land bank at June 2016 (2015: 2%), and will be eliminated by June 2017.

Land creditors increased by £112m to £378m at June 2016 representing 31% of land inventory (2015: 26%). This reflects favourable land market conditions prevailing during the year.

RECEIVABLES

Trade receivables reduced by £6m during the year to £23m (2015: £29m) with the receipt of shared equity scheme monies.

PAYABLES

Trade payables and accruals increased by £55m to £336m (2015: £281m) due to increased levels of production as a result of our increased outlets.

Current income tax liabilities increased by £5m to £24m at June 2016 (2015: £19m) as a result of our higher profitability.

CASH FLOW AND NET DEBT

Net debt decreased by £15m to £139m at June 2016 (2015: £154m) which is 14% gearing (2015: 18%). This reduction in net debt reflects a cash inflow generated from operations of £130m (2015: £61m) which more than funded the growth in the business, the increased dividend payments and increased corporation tax payments in the year.

FINANCING AND TREASURY MANAGEMENT

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

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

(i) Liquidity

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

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

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

(ii) Interest rate risk

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

Redrow regularly reviews its hedging requirements. No hedging was undertaken in the year.

PENSIONS

As at 30 June 2016, the Group's financial statements showed a £6m surplus (2015: £3m deficit) in respect of the defined benefits section of The Redrow Staff Pension Scheme (which closed to future accrual with effect from 1 March 2012).

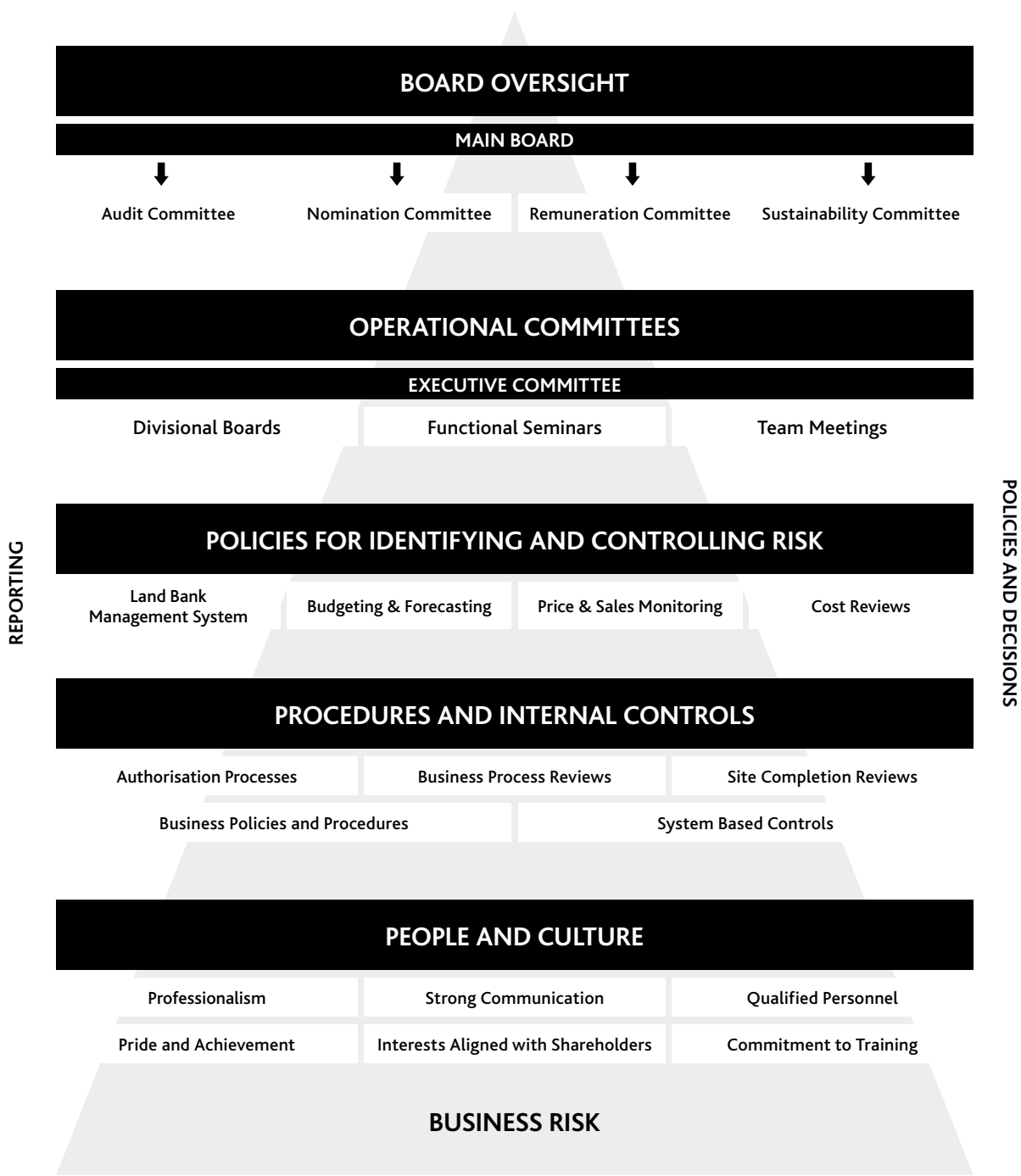
The £9m improvement is mainly due to improvements in returns on scheme assets which more than offset actuarial losses arising from changes in financial assumptions.

Barbara Richmond
Group Finance Director

5 September 2016

RISK MANAGEMENT

HOW WE MANAGE RISK



OUR RISK MANAGEMENT PROCESS

The Main Board is responsible for setting the strategic and financial objectives and identifying the principal risks and material concerns which could impact the future success of the Group.

The Risk Register is compiled using the principal risks and material concerns and is reviewed annually to ensure it is up to date.

Once approved, the risks identified in the register are proactively eliminated or mitigated by updating the policies and procedures, monthly management meetings and weekly operational meetings.

If new risks are identified during the year, their potential impact is assessed and appropriate controls developed and implemented, as required.



The principal risks and material concerns are identified following a critical review of the strategic objectives. The headline risks and material concerns are broken down into component parts and sub level risks.

These risks are then reviewed by each Divisional Board, looking at the risks and the controls, together with an assessment of the probability and impact of each risk following the mitigation achieved from our controls.

The Risk Owners use the feedback from the Divisions to inform their formal review of their risks. The Risk Owner ensures we have both preventative controls and detective controls.

The Risk Register is reviewed by the Audit Committee to ensure the risks are relevant and appropriate to the business.

RISK MANAGEMENT CONTINUED

CATEGORY	RISK	RISK OWNER	KEY CONTROLS AND MITIGATING STRATEGIES	RISK MOVEMENT
GROW OUR BUSINESS RESPONSIBLY	Housing Market conditions The conditions within the UK housing market are fundamental to Redrow's business performance.	Group Chief Executive	Close monitoring of, and proactive management response to, key indicators of the housing market. Group and Divisional review of weekly sales. Monitoring of competitor performance and incentives given. Regular review and improvement of the product range in response to changes in market conditions.	
	Availability of mortgage finance Lending criteria and deposit requirements for mortgages remain key issues in the current environment.		Proactively engage with the Government, lenders and insurers to support the new and second hand housing market. Support Government initiatives such as Help to Buy. Experienced New Build Mortgage Specialist panel provide regular updates in respect of regulatory changes.	
MANAGE OUR RESOURCES EFFICIENTLY	Liquidity and funding The Group requires appropriate facilities for its short-term liquidity and long-term funding needs.	Group Finance Director	Bank facilities with appropriate covenants and headroom obtained. Capital structure regularly reviewed. Regular communication with investors and relationship banks. Robust forecasting and budgeting process providing a clear view of future cash flows.	
PUT CUSTOMERS FIRST	Customer service The failure of our customer services may undermine Redrow's ability to fulfil its business objectives.	Regional Chief Executive	Successful implementation of Customer First initiative to further improve our customer engagement. Customer experience enhanced with My Redrow supporting our customers when purchasing a new home.	
MANAGE OUR RESOURCES EFFICIENTLY	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	Clearly defined strategy and hurdle rates at a Group and Divisional level. Proactive monitoring of market conditions and focus on forward land. Strong, experienced and knowledgeable land, planning and technical teams. Utilisation of external lawyers with appropriate Professional Indemnity Insurance for larger site acquisitions. Introduction of new Land Bank Management system.	

CATEGORY	RISK	RISK OWNER	KEY CONTROLS AND MITIGATING STRATEGIES	RISK MOVEMENT
MANAGE OUR RESOURCES EFFICIENTLY	Planning and regulatory environment The ability to respond and adapt to the changing planning and regulatory environment is key to Redrow's future business performance.	Group Development Director	Close monitoring of planning environment by strong, experienced management team. Good local knowledge at a Divisional level. Well prepared, high quality planning submissions addressing local concerns and demonstrating good design.	
CREATE BETTER PLACES TO LIVE	Appropriateness of product The failure to design and build a desirable product for our customers at the appropriate price may undermine Redrow's ability to fulfil its business objectives.	Group Design and Technical Director	Design is an integral part of our business. Focus on high build quality, with regular site visits being undertaken. Product changes implemented during the year have improved our flexibility to planning changes.	
VALUE AND DEVELOP OUR PEOPLE	Attracting and retaining staff The loss of key staff and our failure to attract high quality employees may inhibit Redrow's ability to achieve its business objectives.	Group Human Resources Director	National training centre supported by two new locations. Remuneration strategy reviewed regularly and benchmarked to attract and retain talented staff. Personal Development Programmes. Graduate training, undergraduate placement and apprentice training programmes. Proactive succession planning. Strong communication through InSight e-magazine and two way communication enhanced with Employee Survey.	
VALUE AND DEVELOP OUR PEOPLE	Health and safety/environment A significant Health and Safety or environmental incident may put people, the environment and Redrow's reputation at risk.	Group Health and Safety Director	Dedicated Health & Safety team operating across the Group to ensure appropriate standards are applied. Regular site visits and audits are undertaken, by dedicated Health & Safety team. All staff receive appropriate training through in-house and external programmes. Divisional Construction, Design and Management Regulations (CDM) Client inspections carried out to comply with our client duties under CDM. Minimum permit to work procedures and contractor supervision requirements now specified and enforced. Divisional monthly Board packs include Health & Safety monitoring forms and formal out of hours inspection records.	

RISK MANAGEMENT CONTINUED

CATEGORY	RISK	RISK OWNER	KEY CONTROLS AND MITIGATING STRATEGIES	RISK MOVEMENT
GROW OUR BUSINESS RESPONSIBLY	Key supplier, main contractor or subcontractor failure The failure or inability to expand capacity of a key supplier, main contractor or subcontractor may disrupt Redrow's ability to manage its production process in an efficient and cost effective manner.	Group Commercial Director	Experienced supply chain partners with good reputation and strong track record.	
			Proactive monitoring of supplier, main contractor and subcontractor quality through annual assessments.	
			Group Monthly Product Development meetings to monitor any changes to the regulatory environment.	
			The shortage of skilled trades is mitigated by the monitoring of the subcontract supply chain to maintain the appropriate number of companies for each trade. Subcontractor utilisation on sites is monitored to ensure workload and capacity are aligned.	
GROW OUR BUSINESS RESPONSIBLY	Cyber security Failure of the Group's IT systems and the security of our internal systems, data and our websites.	IT Director	Proactive approach to cyber security.	
			Regular third party testing of the Group's cyber security systems.	
			Accredited cyber essentials plus.	
MANAGE OUR RESOURCES EFFICIENTLY	Fraud/uninsured losses A significant fraud or uninsured loss could damage the financial performance of Redrow.	Finance Director Operations	Systems, policies and procedures have been designed to segregate duties and minimise the opportunity for fraud.	
			Regular Business Process Reviews followed by formal action plans are undertaken to ensure compliance with policies and procedures.	
			Timely management reporting and challenge.	
			Business driven insurance strategy.	

VIABILITY STATEMENT

In accordance with provision C.2.2 of the UK Corporate Governance Code 2014, 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 March 2020.

The Directors have selected a three year timeframe over which to assess the viability of the Group, from 1 July 2016 to 30 June 2019. 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 2019.

STRATEGIC REPORT APPROVAL

The Strategic Report outlined on pages 03 to 61 has been approved by the Board.

By order of the Board

Graham Cope
Company Secretary

5 September 2016

CORPORATE GOVERNANCE

THE BOARD IS COMMITTED TO COMPLYING WITH CORPORATE GOVERNANCE GUIDELINES AND TO MAINTAINING HIGH STANDARDS OF CORPORATE GOVERNANCE

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 governance across all aspects of our business. This Report on corporate governance sets out and explains in clear terms the processes in place which are essential for delivery of long-term success, while ensuring that the Company complies with all applicable laws and regulations and, of course, meeting the requirements of our shareholders and their representative bodies.

This report has been prepared and approved by the Board and, on behalf of the Board I confirm that during the financial year ended 30 June 2016, the Company was compliant with the provisions of the UK Corporate Governance Code other than as set out in this report. This report also explains what the Board of Directors actually does and describes how it is responsible for setting the codes and values of the Company, thereby ensuring that the Company is run in the best interests of our shareholders and other stakeholders and how it interacts with its shareholders and explains the Company's strategic goals and performance against them.

The Board continues to believe that the balance of Non-Executives and Executive Directors has worked well. A number of Board meetings have been held in a number of the divisions during the year and have included open discussions with the Management Teams on such matters as people, land, sales outlets, sales and our product.

There have been no changes in corporate governance best practice during the financial year ended 30 June 2016.

Our 2016 Annual General Meeting will be held on Wednesday, 9 November 2016 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 2016 Annual General Meeting, the Board looks forward to meeting with you.

Graham Cope
Company Secretary

BOARD OF DIRECTORS

AN ACTIVE, COMMITTED BOARD OF DIRECTORS WITH DIVERSE AND COMPLEMENTARY SKILL SETS

STEVE MORGAN (63)
CHAIRMAN

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

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

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

Steve is a Fellow of the Chartered Institute of Building and holds five Honorary Degrees. He was awarded an OBE in 1992 for services to the construction industry and a CBE in 2016 for philanthropy.

JOHN TUTTE (60)
GROUP CHIEF EXECUTIVE

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

STRENGTHS AND SKILLS: 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.

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

John was appointed to the board of the Home Builders Federation in February 2015.

BARBARA RICHMOND (56)
GROUP FINANCE DIRECTOR

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

STRENGTHS AND SKILLS: 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.

GRAHAM COPE (52)
COMPANY SECRETARY

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

Graham is Company Secretary to the Main Board and Secretary to all Committees.

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

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

SIR MICHAEL LYONS (66)
NON-EXECUTIVE DIRECTOR

LIZ PEACE (63)
NON-EXECUTIVE DIRECTOR

DEBBIE HEWITT (53)
SENIOR INDEPENDENT DIRECTOR

NICK HEWSON (58)
NON-EXECUTIVE DIRECTOR

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

STRENGTHS AND SKILLS: Sir Michael joined the Redrow Board in January 2015. He recently 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.

STRENGTHS AND SKILLS: Liz joined the Redrow Board in September 2014. She spent 13 years as the CEO of the British Property Federation and also had a long and distinguished career in the Civil Service.

She is currently a Non-Executive Director of Morgan Sindall Group plc and The Howard de Walden Estate. She is also a Trustee of the Peabody Trust and a Trustee and Chair of the property charity Land Aid.

Liz was awarded a CBE in the 2008 New Year's Honours List.

STRENGTHS AND SKILLS: Debbie joined the Redrow Board in August 2009. She has a wealth of board experience in executive and non-executive roles.

She is currently the Non-Executive Chairman of Moss Bros plc, The Restaurant Group plc, White Stuff and Visa UK.

She is also Non-Executive Director of NCC plc, BGL and Domestic & General.

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

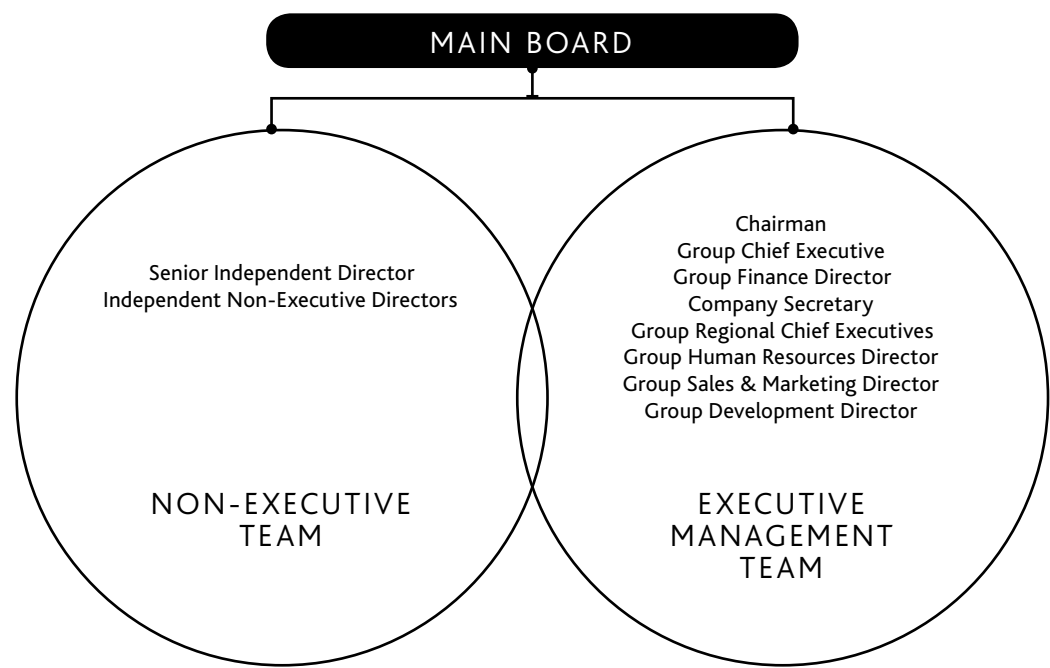
STRENGTHS AND SKILLS: Nick joined the Redrow Board in December 2012. His business career to date has been spent mainly in the property industry, from commercial to residential.

Nick is currently a Non-Executive Director of Croma 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.

CORPORATE GOVERNANCE CONTINUED

THE BOARD IS COMMITTED TO COMPLYING WITH CORPORATE GOVERNANCE GUIDELINES AND TO MAINTAINING HIGH STANDARDS OF CORPORATE GOVERNANCE



INTRODUCTION

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

The Directors have considered the contents and requirements of the Code and confirm that throughout the year ended 30 June 2016, the Company has been compliant with the provisions of the Code other than as set out in this Report.

THE BOARD

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

Steve Morgan, as Chairman, is responsible for leadership of the Board and ensuring its effectiveness on all aspects of its role. The role of John Tutte, as Group Chief Executive, ensures that there is a clear division of responsibilities at the head of the Company between the running of the Board and the operational responsibility for the running of the Company’s business as required by the Code. This balanced approach also ensures no one individual has unfettered powers of decision.

The governance structure is set out in the diagram above.

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. Where appropriate, the Board delegates decisions to the Executive Management Team and other relevant management bodies.

BOARD MEETINGS

The Board meets regularly and frequently, not less than six times during the year and maintains a close dialogue, as appropriate, between meetings. Board meetings are held at Head Office or Divisional Offices when visits are frequently made to a selection of developments accompanied by the local Management Team. Board papers are distributed in advance of the meetings to allow adequate time for review and

preparation and include key strategic, operational and financial information. Attendance by individual Directors at Board meetings are set out below.

Details of internal control and risk management processes are included in the Audit Committee Report on pages 70 to 73.

BOARD BALANCE AND INDEPENDENCE

The Board considers that it is of a size and has a balance of skills, knowledge and experience that is appropriate for its business. The Executive Team provides the Board with an appropriate view of the detail of the business and the benefit of their significant collective experience of the UK housebuilding industry and that enables it to discharge their respective duties and responsibilities effectively. The Non-Executive Directors bring a wealth of experience and understanding from outside the Company which enables them to challenge and help develop proposals on the Company's strategy. All Non-Executive Directors holding office during the year ended 30 June 2016 are considered to be independent.

Details of the Directors' respective experience is set out in their biographical profiles on pages 64 to 65.

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

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

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 AND PROFESSIONAL DEVELOPMENT

The Board undertook an internal formal evaluation of its own performance during the year ended 30 June 2016. This started with a questionnaire designed to assess performance and ongoing effectiveness across key areas in the year ended 30 June 2016 and to maintain visibility and progress during the financial year. Following the completion of the questionnaire, a report was presented to the Board and discussed and, as a result, the Board considers that it continues to operate effectively with meetings to facilitate and debate decision making.

The evaluation also considered succession planning for the Executive Team.

The Board recognises that a structured appraisal process and good training are important requirements across the Group. The Board receives regular presentations and briefings from those responsible for key Group disciplines. In addition, the Board maintains close working relationships with Divisional Management Teams.

Table of Attendance

Name	Role	Attendance at Meetings
Steve Morgan	Chairman	6/6
John Tutte	Group Chief Executive	6/6
Barbara Richmond	Group Finance Director	6/6
Debbie Hewitt	Senior Independent Director	6/6
Nick Hewson	Non-Executive Director	6/6
Liz Peace	Non-Executive Director	6/6
Sir Michael Lyons	Non-Executive Director	6/6

All details for the Directors are provided on pages 64 to 65.

CORPORATE GOVERNANCE CONTINUED

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

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

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

All Independent Non-Executive Directors had an annual appraisal conducted by the Senior Independent Director.

COMMITTEES

The Board is supported by Audit, Nomination, Remuneration and Sustainability Committees and their memberships, roles and activities are set out in separate reports; the Audit Committee Report can be found on pages 70 to 73; the Nomination Committee Report on page 74; the Directors' Remuneration Committee Report on pages 77 to 91; and the Sustainability Committee Report can be found on pages 75 to 76.

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 is chaired by Nick Hewson, the Remuneration and the Nomination Committees are chaired by Debbie Hewitt and the Sustainability Committee by Liz Peace.

The Board completed a performance evaluation of its Committees during the financial year ended 30 June 2016 and it was concluded they were contributing and functioning effectively and were complying with their terms of reference.

GOVERNANCE AT WORK IN THE BUSINESS

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

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

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

The Chairman is primarily responsible for:

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

The Chief Executive is responsible for:

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

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

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

APPOINTMENTS AND RE-ELECTIONS TO THE BOARD

The Nomination Committee has recommended the re-appointment of the Executive and Non-Executive Directors. The Nomination Committee Report can be found on page 74.

Under the Company's Articles of Association, all Directors are subject to re-election at their first General meeting after appointment. The Board having been informed of the conditions of the Code on 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.

CAPITAL STRUCTURE

The information of the capital structure of the Company is included in the Directors' Report on page 93.

DIVERSITY

The principle of boardroom diversity is strongly supported by the Board. It is the Board's policy that appointments to the Board will always be based on merit, so that the Board has the right individuals in place and recognises that diversity is seen as an important consideration as part of the selective criteria used to assess candidates to achieve a balanced Board.

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

	Female	Male
Main Board	3 (43%)	4 (57%)
Executive Management Team	2 (20%)	8 (80%)
Direct reports to Executive Management Team	10 (29%)	25 (71%)
Redrow employees at June 2016	648 (33%)	1,314 (67%)

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 2016, the Chairman, the Group Chief Executive and the Group Finance Director, together with the Senior Independent Director, also held a number of meetings with significant shareholders and subsequently briefed the Board on issues discussed at these meetings.

Following the full year and half-yearly results' announcement in September 2015 and February 2016, the Chairman, Group Chief Executive and Group Finance Director met current and potential significant shareholders. This included visits to London and Edinburgh and feedback from these meetings was independently collated and disseminated to the Board.

The Annual General Meeting takes place at a venue close to the Company's Head Office. All Directors attended the Annual General Meeting on 10 November 2015. Shareholders are encouraged to attend the 2016 Annual General Meeting, which represents an opportunity for all shareholders attending to table questions formally during the meeting and informally afterwards to the Company's Directors.

Formal notification of the 2016 Annual General Meeting is sent to shareholders at least 21 working days in advance. It is the Company's policy to propose a separate Resolution at the Annual General Meeting on each substantive issue.

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

Graham Cope
Company Secretary

5 September 2016

AUDIT COMMITTEE REPORT

THE COMMITTEE'S PRINCIPAL RESPONSIBILITIES LIE IN REVIEWING THE GROUP'S FINANCIAL REPORTING, OVERSEEING THE APPOINTMENT AND WORK OF THE EXTERNAL AUDITORS AND REVIEWING REDROW'S INTERNAL CONTROL PROCESSES

COMMITTEE MEMBERSHIP AND MEETINGS

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

The Group Finance Director and Finance Director – Group Services attend meetings by invitation and both were present at all the meetings in the year ended 30 June 2016. The external Auditors, PricewaterhouseCoopers LLP ('PwC'), and the Finance Director (Operations) who has responsibility for Internal Audit, were also in attendance at all meetings.

The Committee met three times in the year ended 30 June 2016 and a summary of the principal activities of the Committee are listed below.

Detailed papers and information were circulated sufficiently in advance of meetings to allow proper consideration of the matters for discussion. The Committee also met separately with the external Auditors and Internal Audit following the final audit and the review of the year ended 30 June 2016 financial statements. No matters of concern were raised within these discussions. The Committee Chairman also met privately with the Engagement Partner of the external Auditors and the Finance Director (Operations) to discuss Internal Audit matters. The Group Company Secretary acts as Secretary to the Committee.

Table of Attendance

Name	Role	Attendance at Meetings
Nick Hewson	Chairman	3/3
Debbie Hewitt	Member	3/3
Liz Peace	Member	3/3
Sir Michael Lyons	Member	3/3

RESPONSIBILITIES AND TERMS OF REFERENCE

The key responsibilities of the Committee are:

- monitoring the integrity of the financial statements of the accompanying reports to the shareholders and Corporate Governance Statements including reviewing the findings of external Auditors;

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

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

AUDIT COMMITTEE REPORTING ON SIGNIFICANT ISSUES

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

Net realisable value of inventories

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

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

Defined benefit pension scheme valuation

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

In addition the Committee also reviews the findings of PwC's testing of pension scheme assets and liabilities.

MAIN ACTIVITIES DURING THE YEAR

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

The principal activities undertaken are shown in Table 1 below.

AUDIT INDEPENDENCE

PwC were appointed Auditors in 1999 having succeeded Coopers & Lybrand who were appointed in 1987. The current Audit Partner from PwC commenced his tenure following the conclusion of the year ended 30 June 2015 audit.

At its meeting in February 2016 the committee considered whether to retain PwC as auditor and concluded that, in view of the quality of service provided and the cost effectiveness of the work carried out, it would be appropriate to retain them.

The Committee does not currently have a formal policy on re-tendering of the external Audit.

However following the Order of the Competition and Markets Authority in relation to FTSE 350 companies the Company will be required to change its statutory auditor by June 2020. The Committee has had initial discussions regarding its future policy, strategy and timing for tendering of the external Audit.

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

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

TABLE 1

September 2015	A review of the full year 2015 results, including the Annual Report and a report from the external Auditors; and consideration of the Group risk assessment process and a going concern review.
February 2016	A review of the 2016 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 2016 and associated fees; A review of the effectiveness of the external Audit process; A review of the independence and objectivity of the external Auditors; and A review of the Committee's effectiveness.
June 2016	A review of the appropriateness of the Group's accounting policies; A review of the Risk Register; A review of the Group's Whistleblowing Policy; A review of the Group's Anti-Bribery Policy; A review of internal controls across the whole business; An update on Internal Audit, its strategy and a review of the Internal Audit timetable for 2017; and Initial discussions regarding the future tendering of the external Audit in compliance with the Order of the Competition and Markets Authority.
September 2016	A review of the full year 2016 results, including the Annual Report and a report from the external Auditors; and consideration of the Group risk assessment process and a going concern review.

AUDIT COMMITTEE REPORT CONTINUED

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

Details of fees paid to PwC are disclosed on page 111.

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 Redrow. The Executive Directors, the Company Secretary, Regional Chief Executives, Group Human Resources Director, Group Sales and Marketing Director and Group Development Director ('the Executive Board') meet monthly to discuss the Group's key issues, risks and opportunities. The Divisions also hold monthly board meetings which are attended on a rotational basis by the Executive Directors.

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

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

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

Throughout the year, the Committee has carried out assessments of internal control by considering documentation from the Executive Directors and the internal audit function as well as taking into consideration events since the year end.

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 Group's Accounting policies as set out on pages 106 to 110.

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

INSURANCE

The Board has appointed an experienced broker to advise on and co-ordinate all insurance matters across the Group and they liaise closely with appropriate Redrow 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 preventative or detective and identifies owners for each high level risk. Feedback on the risks and controls is actively encouraged and is facilitated by links on the Group's intranet to ensure the risks listed remain relevant and accurate. The Register itself is regularly maintained and is reviewed by the Committee annually.

The Internal Audit strategy is discussed with PwC and discussed and agreed with the Committee. Suggested control improvements and any control weaknesses identified are followed up as appropriate. The cornerstone of the Internal Audit work undertaken is the Business Process Reviews. A risk-based programme was designed based on the Risk Register. The Business Process Review programme looks to provide assurance to the Group, by testing internal controls and reviewing specific risks, as well as seeking out

best practice and sharing it across the Group and identifying business process improvements. Committee Members receive an Executive Summary of each Business Process Review report.

WHISTLEBLOWING

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

BRIBERY ACT

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

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

PERFORMANCE EVALUATION

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

Nick Hewson

Chairman of the Audit Committee

5 September 2016

NOMINATION COMMITTEE REPORT

THE COMMITTEE REVIEWS THE SIZE, STRUCTURE, BALANCE AND COMPOSITION OF THE BOARD, OVERSEES BOARD AND SENIOR EXECUTIVE SUCCESSION PLANNING AND IDENTIFIES AND NOMINATES FOR APPROVAL CANDIDATES TO FILL BOARD VACANCIES

COMMITTEE MEMBERSHIP AND MEETINGS

All Members of the Committee are Independent Non-Executive Directors with Debbie Hewitt, the Senior Independent Director, being Chair of the Committee. The other Members of the Committee during the year ended 30 June 2016 were Nick Hewson, Liz Peace and Sir Michael Lyons.

The Committee met twice during the year ended 30 June 2016. For all meetings, papers were circulated sufficiently in advance to allow proper consideration of all matters for discussion. The Group Company Secretary acts as Secretary to the Committee.

Table of Attendance

Name	Role	Attendance at Meetings
Debbie Hewitt	Chairman	2/2
Nick Hewson	Member	2/2
Liz Peace	Member	2/2
Sir Michael Lyons	Member	2/2

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 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 Sustainability Committees;

- ensure that a formal structured and tailored induction programme is undertaken by any newly appointed member of the Board; and
- reviewing annually the time required from the Non-Executive directors.

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

MAIN ACTIVITIES DURING THE YEAR

During the year ended 30 June 2016 the Committee undertook the following activities:

- the approval and appointment of Nick Hewson, Matthew Pratt and Robert MacDiarmid to the Sustainability Committee;
- a review of the structure, size and composition of the Board. The Committee subsequently concluded that the present Board balance and composition remains appropriate but that it will be kept under review;
- recommended that the Directors stand for re-election at the 2016 Annual General Meeting in accordance with UK Corporate Governance Code; and
- reviewed the Committee's Terms of Reference.

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

PERFORMANCE EVALUATION

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

Debbie Hewitt

Chairman of the Nomination Committee

5 September 2016

SUSTAINABILITY COMMITTEE REPORT

THE COMMITTEE ASSESSES THE IMPACT OF COMPANY OPERATIONS ON THE ENVIRONMENT AND COMMUNITIES AFFECTED BY ITS ACTIVITIES

COMMITTEE MEMBERSHIP AND MEETINGS

The Members of the Committee comprise:

Liz Peace, – Chair of the Committee and an Independent Non-Executive Director,

Nick Hewson – Independent Non-Executive Director,

Matthew Pratt – Northern & Central Regional Chief Executive,

Karen Jones – Group Human Resources Director, and

Robert MacDiarmid – Group Research and Sustainability Director.

Nigel Smith left the business during the course of the financial year and was replaced by Robert MacDiarmid.

The Committee met three times during the year ended 30 June 2016. For all meetings, papers were circulated sufficiently in advance to allow proper consideration of all matters for discussion. The Group Company Secretary acts as Secretary to the Committee.

Table of Attendance

Name	Role	Attendance at Meetings
Liz Peace	Chairman	3/3
Nick Hewson	Member	2/2
Matthew Pratt	Member	2/2
Robert MacDiarmid	Member	2/2
Karen Jones	Member	3/3
Nigel Smith	Member	1/1

RESPONSIBILITIES AND TERMS OF REFERENCE

The key responsibilities of the Committee are:

- to develop and monitor the Group's approach to sustainability and to review and approve the sustainability targets proposed by management;
- to assess the impact of the Group'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 management systems, recycling and energy management;
- to ensure that the Group Sustainability Director produces in advance of each meeting a sustainability performance scorecard to assist 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 Group supports its people on a learning and development pathway to deliver high quality products and services and to ensure that there is sufficient encouragement and support given to Group 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 well-being in the workplace;
- to ensure that the Group 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 Group'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 Group's involvement in the community, and the Company's policy on charitable donations and activities; and
- to have regard to the Group's developments in customer engagement and service to ensure its values are upheld.

The Committee regularly reviews its Terms of Reference; these were last reviewed in May 2016 and are published on the Group's website (www.redrowplc.co.uk).

SUSTAINABILITY COMMITTEE REPORT CONTINUED

MAIN ACTIVITIES DURING THE YEAR

During the year ended 30 June 2016 the principal activities of the Committee were as follows:

- debated and approved a re-alignment of the Group's sustainability aspirations to focus not only on environmental stewardship and improvement but also on a broader contribution to economic, physical and social wellbeing. Set in hand action to further integrate these aspirations into the Group's core strategy through the creation of high level business principles and supporting objectives;
- approved the procurement process to obtain a software solution which will enable more efficient and effective sustainability data collection and reporting;
- supported a programme of visits across all Divisions to discuss waste management and outline plans to tackle resource efficiency going forward;
- monitored the internal communication of community, wellbeing and environmental issues and approved the publication of 'In the Loop' a new quarterly, in-house, sustainability magazine;
- monitored a programme of internal engagement that took place with all the Green Teams to determine their continuing value and to propose actions to re-invigorate the teams. A new broader programme entitled 'Pathfinder' which addresses social as well as environmental issues was launched in August 2016;
- monitored and reviewed the Group's response to legislation and regulation by requiring that a programme of site reviews across all Divisions was planned and implemented to check the continuing appropriateness of environmental risk mitigation measures;

- oversaw the findings from customer research on purchasing intentions in respect to sustainable homes to improve communication on this issue to prospective buyers;
- approved the expansion of the sustainability team, with an additional team member being added during the year, to increase the Company's focus on the social and community aspects of sustainability; and
- approved the proposal to transition the environmental management system from BS8555 to BS EN ISO 14001:2015.

PERFORMANCE EVALUATION

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

Liz Peace

Chairman of the Sustainability Committee

5 September 2016

DIRECTORS' REMUNERATION REPORT

I am pleased to present the Directors' Remuneration Report for the year ended 30 June 2016.

At the Annual General Meeting on 10 November 2014 our Directors' Remuneration Policy was put to a binding shareholder vote, which was approved by over 95% of the votes cast. The Remuneration Committee believes that this approved Policy continues to reflect our overall remuneration philosophy set out below and is working effectively to drive and reward the exceptional performance that the business is delivering. We are therefore not proposing any changes to our Remuneration Policy this year. As shareholders are now familiar with it, the full Policy is not included in this year's report but a summary is provided in the form of a Policy table (which explains how our framework operates) and is set out on pages 79 to 80. We will be submitting a Policy for shareholder approval at the 2017 AGM in line with the three year cycle set out in the regulations.

The Annual Remuneration Report (pages 82 to 91) provides details on the remuneration we paid in respect of 2016 and how we intend to operate our policies in 2017. It will be submitted to an advisory shareholder vote at the 2016 Annual General Meeting.

OUR PHILOSOPHY – ALIGNING REWARD WITH PERFORMANCE

Our Remuneration strategy has been designed to reflect the needs of a UK based, capital intensive, housebuilder, with ambitious growth plans. We make long-term investments, which are differentiated by the constant innovation and quality of our product. Successfully acquiring land, achieving planning consent, opening outlets, building quality homes and selling and handing them over on time, are all critical success factors and feature as part of our management incentive programmes.

We adopt clear, simple and market competitive remuneration arrangements. The alignment of executive remuneration with the objectives of our shareholders has been the principal focus, ensuring remuneration structures are fully attuned to the business strategy. We aim to balance the short, medium and long-term components of our remuneration, to ensure that we motivate and retain our executives and keep them focused on delivering long-term, sustainable growth. The annual bonus encourages performance in key areas of strategic focus for the business and the Long Term Incentive Plan (LTIP) reflects our market related growth and return ambitions.

Based on these principles, our remuneration framework, as codified in our Remuneration Policy, includes the components shown in the table below.

FIXED COMPONENTS			VARIABLE COMPONENTS	
SALARY	BENEFITS	PENSION	ANNUAL BONUS	LTIP
Market competitive			Maximum 100% of salary	Maximum 100% of salary
– Reflect nature of role, and skills and experience			– Balanced scorecard of key performance measures – for example, PBT, ROCE, land bank, order book	– Based on stretching long-term EPS and ROCE targets
			– 50% deferred into shares – half vest after one year and half after two years	– Subject to clawback for five years following vesting
			– Cash and shares subject to clawback for five years following payment/vesting	
SHAREHOLDING GUIDELINES				
– 100% of salary to be built up over five years from appointment				

DIRECTORS' REMUNERATION REPORT CONTINUED

We keep our policies under review to ensure they remain appropriate in the face of evolving best practice, regulatory developments and market data. We will do so again during the year ahead, ahead of submitting our Policy to shareholders at the 2017 AGM, as referred to earlier.

2016 OUTCOMES – AN OUTSTANDING YEAR

As described in detail on pages 03 to 61 of this Annual Report, 2016 was another outstanding year for Redrow, which saw:

- Record profits of £250m before tax
- Legal completions increasing by 17%
- Record turnover of £1.38bn, up 20%
- Underlying EPS increasing to 55.4p
- ROCE increasing to 24.2%
- Closing private order book increasing to £807m
- c12,700 plots added to the current land bank

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

- Based on exceptional performance, with the targets for maximum payment exceeded for all four of the annual bonus measures (PBT, ROCE, land bank, order book), the Committee determined that the annual bonus should pay out at the maximum level of 100% of salary for all of the Executive Directors. 50% of this will be paid in shares and half of these will be deferred for a period of one year and the remaining half deferred for two years; and
- EPS of 55.4p and ROCE of 24.2% in 2016 were both significantly above the targets for maximum vesting of 48p and 20%, respectively. The Committee therefore determined that the 2013 LTIP award should vest in full on 24 September 2016.

The Committee has considered and reaffirmed the policy introduced in 2014 that, given the highly competitive nature of the sector, annual bonus performance targets remain commercially sensitive immediately following the year end. Therefore, subject to the Committee determining that they are no longer commercially sensitive, it is intended that bonus targets will be disclosed on

a two year delayed basis. In line with this policy, the targets for 2016 will be disclosed in the 2018 report, and this report contains the bonus targets for the 2014 financial year.

REMUNERATION DECISION FOR 2017

The Committee has decided to award salary increases to the Chairman, Chief Executive and Finance Director of 2.5%, effective from 1 July 2016. The average increase for all other employees across the business was 3.6%.

The annual bonus and LTIP will operate in line with the Policy. The annual bonus will continue to be based on a balanced scorecard of equal performance measures – PBT, ROCE and a measure based on the number of outlets opened (replacing the previously used measure based on order book to better align with strategic and operational priorities for the year). We will consider including a fourth measure, land bank, once current market conditions stabilise. The EPS and ROCE target ranges for the 2017 LTIP award are set out on page 86 of this report.

SHAREHOLDER ENGAGEMENT

We remain committed to an ongoing and transparent dialogue with our shareholders on the issue of executive remuneration. In putting in place our current Policy, I engaged with a number of our major shareholders and their valuable feedback was taken into account by the Committee in finalising the Policy. November 2015 was the first advisory vote on the Remuneration Report since the Policy was applied in November 2014, and 99.58% of votes cast were in favour. We will continue to engage with our shareholders on any significant changes to Policy.

The Annual Report on Remuneration will again be put to an advisory vote at the Annual General Meeting in November 2016. The year ended 30 June 2016 was another year of significant progress for Redrow and in this context, we look forward to receiving your support on our approach to remuneration at this Annual General Meeting.

Debbie Hewitt
Chairman of the Remuneration Committee

REMUNERATION POLICY

The Remuneration Policy became effective following shareholder approval at the 2014 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 62 to 68 of the 2014 Annual Report and Accounts which is available in the investor relations section of the Group's website, <http://investors.redrowplc.co.uk/>.

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 housebuilding sector. Salaries are normally reviewed annually, with any changes effective at the start of the financial year. Salaries effective from 1 July 2016 are shown on page 83 of the Annual Remuneration Report.	There is no prescribed maximum salary. Any salary increases will normally be in line with those of the wider workforce. The Committee has discretion to award larger increases where it considers this appropriate, such as to reflect (for example): – a significant change in the size and complexity of the Company; – an increase in scope and responsibility of the role, or a change in role; – an Executive Director being moved to market positioning over time; and – an Executive Director falling below competitive market positioning.	N/A
Benefits	To provide a market competitive benefits package to support the Director in fulfilling their role.	Benefits may include: a company car (or equivalent cash allowance), private medical insurance, permanent health insurance, fixed term group income protection and a death in service benefit. Executive Directors may also participate in all-employee share plans on the same basis as other employees. The Committee has discretion to include, where it considers it appropriate to do so, other benefits to reflect specific individual circumstances, such as housing, relocation, travel, or other expatriate allowances.	Benefit provision, for which there is no prescribed monetary maximum, is set at an appropriate level for the specific nature and location of the role. Participation in all employee share plans is subject to statutory limits.	N/A
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

DIRECTORS' REMUNERATION REPORT CONTINUED

Component	Purpose/Link to Strategy	Operation	Maximum	Performance Framework
Annual Bonus	<p>A variable pay opportunity which motivates and rewards annual performance and delivery of the strategy on an annual basis.</p> <p>Deferral aligns reward with long-term value of Redrow shares.</p>	<p>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.</p> <p>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.</p> <p>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.</p> <p>In future years, the Committee retains the discretion to change the deferred amount and/or lengthen the deferral period.</p> <p>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).</p> <p>Clawback provisions apply to both the cash and deferred elements (see section below).</p>	100% of salary	<p>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.</p> <p>The current performance measures are disclosed on page 83 of the Annual Remuneration Report.</p> <p>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.</p> <p>The Committee has discretion to adjust the level of pay out if the outcome from a formulaic assessment does not appropriately reflect underlying business performance.</p>
Long Term Incentive Plan ('LTIP')	<p>Designed to motivate and reward long-term performance and delivery of the strategy, and provide alignment with Redrow shareholders.</p>	<p>Awards may be made under the Redrow plc 2014 Long Term Incentive Plan (LTIP).</p> <p>Awards are normally in the form of nil-cost options and vest subject to the satisfaction of performance conditions measured over a period of at least three years.</p> <p>The Committee may also determine that awards are made in the form of conditional share awards or as an equivalent cash award (which in all other respects mirrors the terms of the LTIP).</p> <p>Clawback provisions apply (see section below).</p> <p>Awards under the 2015 LTIP may incorporate the right to receive (in cash or shares) the aggregate value of dividends paid on vested shares between the vesting date and the date on which the awards are satisfied, on such basis as the Committee may determine, which may assume the reinvestment of these dividends in shares on a cumulative basis.</p> <p>Dividend amounts are not paid on any awards until such time as the performance conditions are achieved and shares vest.</p>	<p>The maximum award which may be granted in respect of a financial year will normally not exceed 100% of salary.</p> <p>However, in exceptional circumstances only, the Committee may make awards of up to 200% of salary.</p>	<p>The LTIP is based on performance measures aligned to the creation of long-term shareholder value, measured over a performance period of at least three years. The current performance measures are:</p> <ul style="list-style-type: none"> • 50% based on earnings per share (EPS); and • 50% based on return on capital employed (ROCE) <p>For threshold performance, 20% of the maximum vests.</p> <p>The Committee retains discretion to include additional or alternative financial performance measures and/or adjust the weightings in future years to reflect prevailing strategic or operational objectives of the business aligned with shareholder value creation.</p> <p>Performance conditions applicable to 2015 LTIP awards may be amended if an event occurs which causes the Committee to consider that an amended performance condition would be more appropriate and not materially less difficult to satisfy.</p>

Where an individual waives any current or future right or entitlement to a remuneration payment or other benefit which he would otherwise be eligible to receive under any of the components set out in the Policy Table on pages 79 and 80, the Committee may determine that a charitable donation, which is, in its opinion, equivalent to the value of that payment or benefit, may be made by the Company.

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

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

CLAWBACK

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

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

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

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

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

SERVICE CONTRACTS

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

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

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

DIRECTORS' REMUNERATION REPORT CONTINUED

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

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

Name	Position	Date of initial appointment	Current date of appointment
Debbie Hewitt	Senior Independent Director	21/08/09	19/08/15
Nick Hewson	Non-Executive	01/12/12	1/12/15
Liz Peace	Non-Executive	01/09/14	01/09/14
Sir Michael Lyons	Non-Executive	06/01/15	06/01/15

ANNUAL REMUNERATION REPORT

The tables below set out the remuneration for the Directors in respect of 2016. Further discussion of each of the components, including the intended operation of the policy for 2017, 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 2016 is shown in the table below (with the prior year comparative).

£'000	Salary		Benefits(ii)		Pension(iii)		Annual bonus(iv)		LTIP(v)		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Steve Morgan(i)	15	15	36	38	–	–	–	–	–	–	51	53
John Tutte	555	540	16	16	111	108	555	540	651	1,151	1,888	2,355
Barbara Richmond	314	305	16	15	63	61	314	305	436	768	1,143	1,454

- (i) Steve Morgan draws a nominal salary of £15k per annum which he donates via Payroll Giving to the Morgan Foundation, a UK registered charity of which Steve Morgan is a trustee.

The Company also made a donation to the Morgan Foundation of £698k in respect of 2016 (2015: £678k). This donation amount is made up of a notional salary of £460k (being the balance of Steve Morgan's notional salary of £475k less the £15k nominal salary) and £238k (being an amount in respect of the cash annual bonus which Steve Morgan waived his entitlement to). The notional cash bonus represents half of the total bonus for 2016, calculated using the notional salary of £475k and a bonus percentage of 100% of maximum, equivalent to that earned by John Tutte and Barbara Richmond.

The remaining half of Steve Morgan's 2016 bonus amount (£238k) is deferred into cash awards over notional Redrow shares, and will become exercisable as described in footnote (iv) below. Steve Morgan's 2013 LTIP award, also structured as a cash award over notional Redrow shares, will vest in full on 24 September 2016 based on performance to the 2016 financial year (as described in the section below). The value of this award (calculated using the average share price over the last three months of 2016 in accordance with footnote (v) below) is £717k (2015: £1,271k). Steve Morgan currently intends to waive his entitlement to these awards at a future point (at any time during the relevant exercise period). A donation to the Morgan Foundation may be made by the Company of an amount equivalent to the cash value of the awards over notional Redrow shares at that time. Any such donation will be disclosed in the relevant remuneration report.

Further details on the donation to the Morgan Foundation are given in the Directors' Report on page 94 and in note 22 to the financial statements.

- (ii) Benefits include a fully expensed company car (or equivalent cash allowance) and private health insurance.
- (iii) Pension includes the value of the cash allowance paid to John Tutte and Barbara Richmond in respect of the relevant year.
- (iv) Annual bonus represents the full value of the bonus awarded in respect of the relevant financial year. Half of the bonus is deferred into Redrow shares, which vests in two tranches of 50% each, on the first and second anniversaries of the grant date, subject to continued employment. For Steve Morgan, deferral is in the form of cash awards over notional Redrow shares.
- (v) LTIP represents the value of the LTIP award which vests in respect of a performance period ending in the relevant financial year. The 2016 column includes the value of the 2013 LTIP award which will vest in full on 24 September 2016, using the average share price over the last three months of 2016. The 2015 column includes the vested value of the 2012 LTIP award (which vested at 100% of maximum), based on the share price on the date of vesting (23 October 2015).

The fees of the Non-Executive Directors in respect of 2016 are shown in the table below (with the prior year comparative).

£'000	Fees	
	2016	2015
Debbie Hewitt	70	68
Nick Hewson	45	45
Liz Peace (i)	45	38
Sir Michael Lyons (ii)	45	22

(i) Liz Peace was appointed to the Board on 1 September 2014

(ii) Sir Michael Lyons was appointed to the Board on 6 January 2015

KEY COMPONENTS OF REMUNERATION

The following sections describe how the Committee implemented key elements of the policy in 2016 and how the policy is intended to operate in 2017.

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 average increase for all Redrow employees on 1 July 2016 was 3.6% of which 2.5% was awarded as an annual increment. The Committee decided to award base salary increases for the Executive Directors of 2.5%, effective 1 July 2016, as follows:

£'000	2017	2016	Change
Steve Morgan	487	475	2.5%
John Tutte	569	555	2.5%
Barbara Richmond	322	314	2.5%

Annual bonus

The maximum bonus opportunity for the Executive Directors during 2016 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 equally weighted key performance measures. The scorecard combines measures which represent an appropriate balance between 'backward looking' financial performance (PBT and ROCE) and 'forward looking' strategic and operational measures (land bank and order book) which support shareholder value creation over the medium to long-term.

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

As described in detail on pages 03 to 61 of this Annual Report, 2016 was another outstanding year for Redrow. As a result of the targets for maximum payment being exceeded for all four of the measures, the Committee determined that the bonus should pay out at the maximum level, resulting in bonus awards to the Executive Directors as shown in the Single Total Figure of Remuneration on page 82.

DIRECTORS' REMUNERATION REPORT CONTINUED

The Committee and Board of Redrow consider that, given the highly competitive nature of the sector, the annual bonus performance targets remain commercially sensitive in the period following the relevant financial year and it would therefore be inappropriate to disclose the targets at that point. Therefore, after careful consideration, the Committee's policy on bonus target disclosure continues to be that, subject to the Committee determining that they are no longer commercially sensitive, it is intended that bonus targets will be disclosed in the Annual Remuneration Report on a two year delayed basis. Therefore, the targets for the 2016 bonus will be disclosed in the 2018 report. The targets for the 2015 bonus will be disclosed next year (2017). In line with this policy, the Committee has confirmed that the targets for the 2014 annual bonus are no longer commercially sensitive and are therefore disclosed in the following table:

	% of bonus opportunity	2014 Target Range			Actual 2014 performance	Payout (% of total bonus opportunity)
		Threshold payout (10% of maximum)	Target payout (50% of maximum)	Maximum payout		
PBT	25%	£109M	£117m	£125m	£133m	25%
ROCE	25%	14.1%	15.6%	17.1%	18.0%	25%
Land bank	25%	Based on a combination of targets for year-end active outlets and Gross Development Value purchased in the year			53 active outlets/ £1,640m GDV	25%
Order book	25%	£260m	£275m	£300m	£482m	25%
Total	100%					100%

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. Steve Morgan's notional cash award is subject to the same deferral schedule. Clawback provisions for both the cash and deferred share elements will apply.

For 2017, the annual bonus will operate on the same basis as for 2016, assessed using a balanced scorecard of measures. Private order book will be replaced by outlets opened to better reflect operational priorities and we will reflect on an appropriate land bank measure to reflect current market conditions. In line with the policy outlined above, it is the current intention that the targets will be disclosed in the 2019 Annual Remuneration Report provided the Committee is comfortable they are no longer sensitive.

Long Term Incentive Plan (LTIP)

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

The vesting of LTIP awards is based on performance of EPS and ROCE, pre-exceptional, with 50% relating to performance of each measure.

The Committee believes that these two measures are transparent, are easy to understand, track and communicate, are cost effective to measure and fundamentally aligned to the strategic ambitions that have been communicated to the market:

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

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

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

The sections below summarise details of the LTIP awards which vested in respect of 2016 (2013 awards) and which were granted during the 2016 financial year. The final section provides details of awards which will be made during the 2017 financial year.

LTIP awards vesting in respect of 2016

The LTIP awards granted in September 2013 were based on performance over the three year performance period ending in 2016. Based on performance against the EPS and ROCE targets set when the award was granted, summarised in the table below, the Committee determined that the 2013 LTIP awards will vest in full on 24 September 2016. The value of these vested awards is included in the 2016 LTIP column of the Single Total Figure of Remuneration on page 82.

Award vesting level (for each component)	EPS for 2016	ROCE for 2016
Nil	Below 39p	Below 16.1%
10%	39p	16.1%
30%	43.5p	18.1%
50%	48p or above	20% or above
Vesting between the points above is on a sliding scale basis		
Actual performance	55.4p	24.2%
Vesting (% of total award)	50%	50%

LTIP awards granted during 2016

The LTIP awards granted in September 2015 will vest in September 2018 based on performance over the three year performance period ending in 2018 as follows:

Award vesting level (for each component)	EPS for 2018	ROCE for 2018
Nil	Below 62.5p	Below 18.0%
10%	62.5p	18.0%
30%	69.4p	20.0%
50%	76.3p or above	22.0% or above
Vesting between the points above is on a sliding scale basis		

SCHEME INTERESTS AWARDED DURING 2016 (AUDITED)

The following table sets out details of LTIP awards to Executive Directors during the 2016 financial year.

Executive Director	Type of interest	Basis of award	Face value	Threshold vesting (% of maximum)	End of performance period
Steve Morgan	LTIP (cash)	100% of salary	£475k	20%	30 June 2018
John Tutte	LTIP	100% of salary	£555k	20%	30 June 2018
Barbara Richmond	LTIP	100% of salary	£314k	20%	30 June 2018

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

DIRECTORS' REMUNERATION REPORT CONTINUED

The face value has been calculated using the average share price used to determine the number of shares awarded, being 494p (the average, over the three days to the date of grant, 14 September 2015).

Awards under the 2014 LTIP were made at 100% of the base salary for the current financial year in line with the rules of that scheme.

LTIP awards to be granted during 2017

Awards in the 2017 financial year will be made at the level of 100% of salary and will be subject to the following EPS and ROCE performance targets, measured over the three year period ending in 2019:

Award vesting level (for each component)	EPS for 2019	ROCE for 2019
Nil	Below 74.1p	Below 21.0%
10%	74.1p	21.0%
30%	82.4p	23.0%
50%	90.6p or above	25.0% or above
Vesting between the points above is on a sliding scale basis		

Shareholding guidelines and share interests

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

STATEMENT OF SHAREHOLDING AND SCHEME INTERESTS (AUDITED)

The following table sets out the shareholding (including connected persons) of the Directors in the Company as at 30 June 2016 and current interests in long-term incentives.

	Number of shares beneficially held at 30 June 2016	Shareholding as % of salary	Guideline met?
Executive Directors			
Steve Morgan	149,386,045	120,000%	Yes
John Tutte	299,619	206%	Yes
Barbara Richmond	231,954	282%	Yes
Non-Executive Directors			
Debbie Hewitt*	21,605		
Nick Hewson*	19,000		
Liz Peace	3,400		
Sir Michael Lyons	3,000		

* On 1 July 2016 Debbie Hewitt increased her shareholding to 30,687 and Nick Hewson increased his shareholding to 20,500.

Shareholding as a percentage of salary is calculated using the shareholding and base salary as at 1 July 2016 and the average share price for the final quarter of 2016.

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

	Awards held at 1 July 2015	Grant Date	Share Price on Grant £	Award Vested	Awards granted in year	Awards exercised in year	Awards held at 30 June 2016	Exercise Price £	From	To
John Tutte										
SAYE 2015	8,163	30/10/14	2.76	–	–	–	8,163	2.21	01/01/18	01/07/18
LTIP 2012	246,164	23/10/12	1.54	246,164	–	–	246,164		23/10/15	22/10/22
LTIP 2013	166,316	24/09/13	2.37	–	–	–	166,316		24/09/16	24/09/23
LTIP 2014	189,474	08/09/14	2.85	–	–	–	189,474		08/09/17	08/09/24
LTIP 2015	–	14/09/15		–	112,348	–	112,348		14/09/18	14/09/25
DEF BONUS 2012	62,459	23/10/12	1.54	62,459	–	–	62,459		23/10/13	22/10/22
DEF BONUS 2013	66,526	24/09/13	2.37	66,526	–	–	66,526		24/09/14	24/09/23
DEF BONUS 2014	71,053	08/09/14	2.85	71,053	–	–	71,053		08/09/15	08/09/24
DEF BONUS 2015	–	14/09/15	4.94	–	54,656	–	54,656		14/09/15	14/09/25
	810,155			446,202	167,004	–	977,159			
Barbara Richmond										
SAYE 2014	4,545	11/11/13	2.48	–	–	–	4,545	1.98	01/01/17	01/07/17
SAYE 2015	4,081	30/10/14	2.76	–	–	–	4,081	2.21	01/01/18	01/07/18
LTIP 2011	159,889	21/09/11	1.10	159,889	–	–	159,889		21/09/14	20/09/21
LTIP 2012	164,322	23/10/12	1.54	164,322	–	–	164,322		23/10/15	22/10/22
LTIP 2013	111,579	24/09/13	2.37	–	–	–	111,579		24/09/16	24/09/23
LTIP 2014	107,018	08/09/14	2.85	–	–	–	107,018		08/09/17	08/09/24
LTIP 2015	–	14/09/15	4.94	–	63,462	–	63,462		14/09/18	14/09/25
DEF BONUS 2012	41,693	23/10/12	1.54	41,693	–	–	41,693		23/10/13	22/10/22
DEF BONUS 2013	44,632	24/09/13	2.37	44,632	–	–	44,632		24/09/14	24/09/23
DEF BONUS 2014	47,719	08/09/14	2.85	47,719	–	–	47,719		08/09/15	08/09/24
DEF BONUS 2015	–	14/09/15	4.94	–	30,870	–	30,870		14/09/18	14/09/25
	685,478			458,255	94,332	–	779,810			
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		24/09/16	24/09/23
LTIP 2014	162,105	08/09/14	2.85	–	–	–	162,105		08/09/17	08/09/24
LTIP 2015	–	14/09/15	4.94	–	96,154	–	96,154		14/09/18	14/09/25
DEF BONUS 2012	137,897	23/10/12	1.54	137,897	–	–	137,897		23/10/13	22/10/22
DEF BONUS 2013	73,263	24/09/13	2.37	73,263	–	–	73,263		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	–	14/09/15	4.94	–	46,761	–	46,761		14/09/18	14/09/25
	1,352,045			1,006,782	142,915	–	1,494,960			

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

- (i) The performance conditions attached to 2010 LTIP awards were EPS, ROCE and TSR over the three year performance period to 2014. As disclosed in the 2013 Directors' Remuneration Report, these awards vested at 19% of maximum on 18 February 2014.
- (ii) The performance conditions attached to 2011 LTIP awards are EPS and ROCE over the three year performance period to 2014. As disclosed in the 2014 Directors' Remuneration Report, these awards vested in full on 21 September 2014.
- (iii) The performance conditions attached to 2012 LTIP awards are EPS and ROCE over the three year performance period to 2015. As disclosed in the 2015 Directors' Remuneration Report, these awards vested in full on 23 October 2015.
- (iv) The performance conditions attached to 2013 LTIP awards are EPS and ROCE over the three year performance period to 2016. As disclosed on page 85, these awards will vest in full on 24 September 2016.
- (v) The performance conditions attached to the 2014 LTIP awards were disclosed in the 2015 Directors' Remuneration Report.
- (vi) The performance conditions attached to the 2015 LTIP awards are shown on page 85.
- (vii) There are no further performance conditions attached to the exercise of the deferred bonus awards.
- (viii) Between 1 July 2016 and 5 September 2016 (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.

DIRECTORS' REMUNERATION REPORT CONTINUED

Pension

John Tutte is a deferred member of the Redrow Staff Pension Scheme (now closed to future accrual) and details of entitlements under this plan are set out below. He also receives a pension allowance supplement of 20% of salary. Barbara Richmond receives a pension allowance supplement equivalent to 20% of salary. The value of these cash supplements is included in the pension column of the Single Total Figure of Remuneration Table on page 82. John Tutte and Barbara Richmond are also covered by fixed term group income protection and death in service benefit.

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

TOTAL PENSION ENTITLEMENTS (AUDITED)

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

Director	Normal retirement date	Accrued benefit at 30 June 2016 £	Benefits paid to Director during period up to 30 June 2016 £	Defined Benefit accrued during period up to 30 June 2016 £
John Tutte	24 June 2021	53,437	Nil	Nil

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

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

NON-EXECUTIVE DIRECTOR FEE POLICY

The Senior Independent Director receives an annual fee of £70k. All other Non-Executive Directors receive an annual fee of £45k.

SUPPORTING DISCLOSURES AND ADDITIONAL CONTEXT

Percentage change in remuneration of Group Chief Executive

The table below shows the percentage change in the salary, benefits and annual bonus of the Group Chief Executive and of all Redrow employees who qualify for participation in the Company's bonus and benefits plans between 2015 and 2016.

	Group Chief Executive	All Redrow employees
Salary	2.8%	3.9%
Benefits	nil%	-9.7%
Annual bonus	2.8%	-1.5%

Relative importance of spend on pay

The chart below shows total employee remuneration and distributions to shareholders, in respect of 2016 and 2015 (and the difference between the two).

£m	2016	2015	Change (%)
Total employee remuneration	100	81	+23%
Distributions to shareholders	37	22	+68%

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 total dividend in respect of each financial year (see note 5 to the financial statements). This represents 10 pence per share in respect of 2016 compared to 6 pence per share in respect of 2015.

Performance graph and table

The chart below shows the TSR of Redrow in the seven year period to 30 June 2016 against the TSR of the FTSE 250 and FTSE Small Cap. TSR refers to share price growth with re-invested dividends. The Committee believes the FTSE 250 and FTSE Small Cap indices are the most appropriate indices against which the TSR of Redrow should be measured.

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

	2010	2011	2012	2013	2014	2015	2016
Name	Steve Morgan	Steve Morgan	Steve Morgan	Steve Morgan	Steve Morgan	John Tutte	John Tutte
Remuneration/donations*	£592k	£582k	£855k	£1,050k	£1,922k	£2,355k	£1,888k
Bonus (% of Maximum)	52%	50%	100%	80%	100%	100%	100%
LTIP vesting (% of Maximum)	0%	0%	0%	19%	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 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 94 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).

DIRECTORS' REMUNERATION REPORT CONTINUED

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 £148k during 2016.

Consideration of directors' remuneration – Remuneration Committee and advisors

The Remuneration Committee is comprised solely of Non-Executive Directors and comprises Debbie Hewitt as Chairman, Nick Hewson, Liz Peace and Sir Michael Lyons.

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

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

The Committee meets as often as is required but at least twice per year. The Committee met three times during the course of the financial year ended 30 June 2016 and details of Committee attendance are set out in the table below.

Table of Attendance

Name	Role	Attendance at Meetings
Debbie Hewitt	Chairman	3/3
Nick Hewson	Member	3/3
Liz Peace	Member	3/3
Sir Michael Lyons	Member	3/3

The Committee retained Deloitte LLP as independent advisor to the Committee during the year. Deloitte LLP was originally appointed by the Committee in 2010 following a selection process undertaken by the Committee. Deloitte LLP is a member of the Remuneration Consultants Group and as such voluntarily operates under the Code of Conduct in relation to executive remuneration consulting in the UK. The Committee is comfortable that the Deloitte LLP engagement partner and team that provide remuneration advice to the Committee do not have connections with Redrow plc that may impair their objectivity and independence. The fees charged by Deloitte LLP for the provision of independent advice to the Committee during 2016 were £12k. Deloitte LLP also provides the Company with tax advisory services but does not have any other connection with the Company.

Statement of voting at Annual General Meeting

At the Annual General Meeting held on 10 November 2015, votes cast by proxy and at the meeting in respect of directors' remuneration are shown in the table.

Resolution	Votes For		Votes Against		Total votes cast	Votes Withheld
	No.	%	No.	%		
Approval of Remuneration Report for year ended 30 June 2015	310,350,439	99.58	1,299,387	0.42	311,649,826	2,829,085

By order of the Board

Debbie Hewitt

Chairman of the Remuneration Committee

5 September 2016

DIRECTORS' REPORT

THE DIRECTORS HAVE PLEASURE IN PRESENTING TO THE SHAREHOLDERS THEIR REPORT AND AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE 12 MONTHS ENDED 30 JUNE 2016

RESULTS AND DIVIDENDS

The Group made a profit after tax of £200m (2015: £162m). An interim dividend of 4.0p (2015: 2.0p) per share was paid on 31 March 2016. The Board proposes to pay on 11 November 2016, subject to shareholder approval at the 2016 Annual General Meeting, a final dividend of 6.0p (2015: 4.0p) per share in respect of the year ended 30 June 2016 to shareholders on the Register as at the close of business on 23 September 2016. The Company's dividend re-investment plan gives shareholders the opportunity to re-invest their dividends.

ACCOUNTING REFERENCE DATE

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 26 June 2016 (2015: 28 June 2015). 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.

ANNUAL GENERAL MEETING

Notice of the 2016 Annual General Meeting to be held on Wednesday, 9 November 2016 will be sent to shareholders separately. Members wishing to vote should return forms of proxy to the Company's Registrar not less than 48 hours before the time for holding the meeting.

CORPORATE GOVERNANCE

The Board remains committed to high standards of corporate governance; details relating to the Company's compliance with the UK Corporate Governance Code are given in the Corporate Governance Report on pages 62 to 96.

DIRECTORS

The Directors of the Company during the year to the date of signing together with their biographical details on pages 64 and 65.

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 77 to 91.

Formal appraisals of the Executive Directors were undertaken during the financial year and the Non-Executive Directors underwent an annual appraisal conducted by the Senior Independent Non-Executive Director. In addition, the Non-Executive Directors met without the Executive Directors to undertake an appraisal of the Board.

The Board confirms that Steve Morgan, John Tutte and Barbara Richmond, who stand for re-appointment as Executive Directors and Debbie Hewitt, Nick Hewson, Liz Peace and Sir Michael Lyons who stand for re-appointment 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, except for Steve Morgan where the notice period is six months.

In accordance with the UK Corporate Governance Code, all the Directors will retire at the Annual General Meeting to be held on Wednesday, 9 November 2016, 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 7.

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

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

Authority was given to the Directors at last year's Annual General Meeting to allot unissued shares up to an aggregate nominal amount of £12,326,665 equivalent to approximately 33% of the Company's issued share capital and up to a further aggregate nominal amount of £12,326,665 in connection with an offer by way of a rights issue. The authority was not exercised during the period ending 30 June 2016 or prior to the date of this Report. The Company has no current intention of exercising the authority but nevertheless as this authority expires at the forthcoming Annual General Meeting the Directors will be seeking new authorities as set out in the Notice of Meeting.

VOTING AND TRANSFER OF SHARES

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

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

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

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

SUBSTANTIAL HOLDINGS IN THE COMPANY

As at 5 September 2016, the Company has been advised of the following notifiable interests of 3% or more in its ordinary shares:

Bridgemere Securities Limited (including Steve Morgan)	149,386,045	40.40%
Toscalfund Asset Management LLP	36,427,860	9.85%
Schroders plc	24,499,172	6.62%
Vidacos Nominees	18,770,138	5.08%
FIL Limited	17,343,977	4.69%
BlackRock Inc	15,277,577	4.13%

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

At 5 September 2016, no change in these holdings had been notified, nor, according to the registrar of members, did any other shareholder at that date have a notifiable holding of issued share capital.

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 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.

DIRECTORS' REPORT CONTINUED

The Company places considerable importance on the provision of training and development of its employees and completed 4,787 training days during the year ended 30 June 2016, including those which support the Company's induction process.

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

Employee share ownership is encouraged through savings related schemes.

CHARITABLE AND POLITICAL DONATIONS

The Group made no political donations but paid £0.8m in charitable donations during the year, being £0.7m 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 £0.7m donation during the year to the 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 Environmental and Sustainability Team. 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 2016 was £0.4m (2015: £0.5m).

GREENHOUSE GAS EMISSIONS

This disclosure in the form of the table below 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.

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. Emissions have been calculated using the UK Government's GHG Conversion Factors for Company Reporting: 2015 and 2016 respectively.

GREENHOUSE GAS EMISSIONS

Greenhouse gas ('GHG') emissions data for the period 1 July 2015 to 30 June 2016 are set out in the table below.

Emissions from:	Current Reporting Year (1 July 15 to 30 June 16)	Comparison Year (1 July 14 to 30 June 15)	Units
Scope 1 activities:			
• Combustion of fuel at our offices and sites			
• Business use of Redrow-owned and leased vehicles	10,607	8,636	tonnes of CO ₂ e
Scope 2 activities:			
• All purchased electricity	2,814	2,899	tonnes of CO ₂ e
Total Greenhouse Gas Emissions:			
• (Scope 1 + Scope 2)	13,421	11,535	tonnes of CO ₂ e
Our preferred intensity ratio:			
Total Greenhouse Gas emissions relative to build:	2.61	2.57	tonnes of CO ₂ e per 100m ² of build

INDEPENDENT AUDITORS

A resolution to reappoint PricewaterhouseCoopers LLP as external Auditors will be proposed at the Annual General Meeting on Wednesday, 9 November 2016.

PROVISION OF INFORMATION TO AUDITORS:

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

- (a) 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
- (b) he has taken all of the steps that he ought to have taken as a Director in order to make himself aware of any such relevant audit information and to establish that the Company's Auditors are aware of that information.

GOING CONCERN

The Directors acknowledge 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 52 to 55, the Group maintains adequate committed banking facilities. As stated in note 14 to the financial statements, at 30 June 2016, the Group had £135m 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 2017. 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.

An assessment of the Group's viability has been undertaken by the Directors and is summarised on page 61.

By order of the Board

Graham Cope
Company Secretary
Redrow plc
Registered no: 2877315

5 September 2016

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

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

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

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

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

- the Group financial statements, which have been prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Strategic Report contained on pages 03 to 61 includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

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

Steve Morgan, Chairman
 John Tutte, Group Chief Executive
 Barbara Richmond, Group Finance Director
 Debbie Hewitt, Senior Independent Non-Executive Director
 Nick Hewson, Non-Executive Director
 Liz Peace, Non-Executive Director
 Sir Michael Lyons, Non-Executive Director

By order of the Board

Graham Cope
 Company Secretary

5 September 2016

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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF REDROW PLC

Report on the financial statements

Our opinion

In our opinion:

- 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 2016 and of the Group's profit and the Group's and the Company's cash flows for the 12 months then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

What we have audited

The financial statements, included within the Annual Report, comprise:

- the Group and Company balance sheets as at 30 June 2016;
- the consolidated income statement and consolidated statement of comprehensive income for the 12 months then ended;
- the Group and Company statement of cash flows for the 12 months then ended;
- the Group and Company statement of changes in equity for the 12 months then ended;
- the accounting policies; and
- the notes to the financial statements, which include other explanatory information.

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

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

Materiality

Our audit approach

Overview

- Overall Group materiality: £12.5 million which represents 5% of profit before tax.

Audit scope

- Net realisable value of inventories.

- Valuation of pension scheme surplus.

Areas offocus

The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ('ISAs (UK & Ireland)').

We designed our audit by determining materiality and assessing 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. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as 'areas of focus' in the table on page 98. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

INDEPENDENT AUDITORS' REPORT CONTINUED

TO THE MEMBERS OF REDROW PLC

Area of focus	How our audit addressed the area of focus
<p>Net realisable value of inventories</p> <p>See the Accounting Policies and Financial Risk Management sections for the directors' disclosures of related accounting policies and key accounting estimates. See note 13 for the detailed disclosures on the inventory provision.</p> <p>The Group carries historic net realisable value provisions against the value of inventories, represented by land and work-in-progress. £19 million of these provisions remain at the year end in relation to sites which have not yet completed. This constitutes the whole inventory provision as at the year end. The calculation of these provisions involves a number of estimates, the most significant of which are forecast movements in the sales prices of plots and expected build costs. These assumptions could have a significant impact on the level of provisions recognised.</p> <p>The carrying value of the remaining inventory balance is subject to estimates, in particular over the likelihood of planning consent being granted for the proposed developments. As this can have a significant impact on whether the value of the land is impaired, this is also an area of focus for us.</p>	<p>For sites impacted by the exceptional net realisable value provisions, we compared forecast sales prices to actual prices achieved post year-end and assessed the accuracy of management's historical forecasts by comparing net realisable values recognised in the prior year with actual sales prices achieved in the current year. We assessed expected market trends with reference to independent third party house price indices and our independently formed assumption. We also identified and tested any significant differences between budgeted and actual build costs recognised in the year. We did not identify any material differences between management's estimations and actual results or independent indices.</p> <p>We tested management's controls over the process for estimating the expected remaining build costs, including the budgeting and review processes. We also inspected evidence of the Board's review of forecast sales prices used in this provision model. We did not identify any significant deficiencies of control in this process.</p> <p>We performed sensitivity analysis to identify the impact that changes in key assumptions, notably the overall market house price variance assumption, have on the provision calculation in challenging management on the overall levels of provisioning. We also considered the adequacy of the disclosures made in the financial statements regarding the provisions. We considered the assumptions used in the calculation of the provisions and the disclosures made to be appropriate.</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>Valuation of pension scheme surplus</p> <p>See the Accounting Policies and Financial Risk Management sections for the directors' disclosures of related accounting policies and key accounting estimates. See note 7 for the detailed disclosures on the pension scheme surplus.</p> <p>The Group operates a defined benefit pension scheme with a net surplus of £6 million at the year end. This surplus is derived from assets with a gross value of £122 million less the present value of obligations of £116 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 on the expected returns on investments.</p> <p>Unfavourable changes in any of the key actuarial assumptions could lead to a material movement in the calculated net position.</p>	<p>We obtained and read the actuarial report that was prepared by an independent firm of actuaries and used by the directors in estimating the value of the Group's surplus in respect of the scheme.</p> <p>We tested the completeness and accuracy of the pension scheme membership data provided to management's actuary on which the pension surplus is calculated, comparing the data to the underlying payroll systems. We noted no material exceptions from our testing.</p> <p>We challenged the key assumptions used in that actuarial valuation, being the discount rate, future RPI inflation, mortality rates and expected returns on investments by comparing them to internally-generated typical ranges used for such assumptions, taking into account the industry in which the Group operates and other specific characteristics of this pension scheme. The actuarial assumptions were within the typical ranges for similar pension schemes.</p> <p>The pension scheme assets are invested in a mixture of pooled funds, individual equities, government and corporate bonds and cash. We obtained independent confirmations of the existence and valuation of all of the scheme assets from the external investment managers and tested the valuations of a sample of these assets by agreeing them to valuations obtained from independent third party sources.</p> <p>We also confirmed the Group's right to recognise the net surplus by reviewing the scheme documentation. 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 geographic structure of the Group, the accounting processes and controls, and the industry in which the group operates.

The Group comprises one principal trading company and a number of smaller subsidiaries and joint ventures, all of which are based in the UK.

We performed audits of the Company and all of the Group's subsidiaries and joint ventures. This gave us the evidence we needed for our opinion on the Group financial statements. All work was performed by the Group engagement team.

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 on the financial statements as a whole.

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

Overall group materiality	£12.5 million (2015: £10 million).
How we determined it	5% of profit before tax.
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 agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.6 million (2015: £0.5 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

Under the Listing Rules we are required to review the directors' statement, set out on page 96, in relation to going concern. We have nothing to report having performed our review.

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to the directors' statement about whether they considered it appropriate to adopt the going concern basis in preparing the financial statements. We have nothing material to add or to draw attention to.

As noted in the directors' statement, the directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. The going concern basis presumes that the Group and Company have adequate resources to remain in operation, and that the directors intend them to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the directors' use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's and Company's ability to continue as a going concern.

Other required reporting

Consistency of other information

Companies Act 2006 reporting

In our opinion:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

In our opinion:

- the information given in the Corporate Governance Statement set out on pages 62 to 69 with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements.

INDEPENDENT AUDITORS' REPORT CONTINUED

TO THE MEMBERS OF REDROW PLC

ISAs (UK & Ireland) reporting

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

<ul style="list-style-type: none"> information in the Annual Report is: <ul style="list-style-type: none"> materially inconsistent with the information in the audited financial statements; or apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group and Company acquired in the course of performing our audit; or otherwise misleading. 	We have no exceptions to report.
<ul style="list-style-type: none"> the statement given by the directors on page 96, in accordance with provision C.1.1 of the UK Corporate Governance Code (the 'Code'), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's and Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Company acquired in the course of performing our audit. 	We have no exceptions to report.
<ul style="list-style-type: none"> the section of the Annual Report on page 70, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee. 	We have no exceptions to report.

The directors' assessment of the prospects of the group and of the principal risks that would threaten the solvency or liquidity of the group

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to:

<ul style="list-style-type: none"> the directors' confirmation on page 96 of the Annual Report, in accordance with provision C.2.1 of the Code, 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. 	We have nothing material to add or to draw attention to.
<ul style="list-style-type: none"> the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated. 	We have nothing material to add or to draw attention to.
<ul style="list-style-type: none"> the directors' explanation on page 96 of the Annual Report, in accordance with provision C.2.2 of the Code, 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 material to add or to draw attention to.

Under the Listing Rules we are required to review the directors' statement that they have carried out a robust assessment of the principal risks facing the Group and the directors' 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 Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit. We have nothing to report having performed our review.

Adequacy of accounting records and information and explanations received

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

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

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Directors' Remuneration Report – Companies Act 2006 opinion

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

Other Companies Act 2006 reporting

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

Corporate governance statement

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

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to ten further provisions of the Code. We have nothing to report having performed our review.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

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

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

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

What an audit of financial statements involves

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's and the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

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

Arif Ahmad (Senior Statutory Auditor)

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

5 September 2016

CONSOLIDATED INCOME STATEMENT

FOR THE 12 MONTHS ENDED 30 JUNE

	Note	2016 £m	2015 £m
Revenue		1,382	1,150
Cost of sales		(1,048)	(876)
Gross profit		334	274
Administrative expenses		(73)	(61)
Operating profit	2	261	213
Financial income	3	3	3
Financial costs	3	(14)	(12)
Net financing costs		(11)	(9)
Share of profit of joint ventures after interest and taxation	10	–	–
Profit before tax		250	204
Income tax expense	4	(50)	(42)
Profit for the year		200	162
Earnings per share – basic	6	55.4p	44.5p
– diluted	6	55.2p	44.4p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE 12 MONTHS ENDED 30 JUNE

	Note	Group		Company	
		2016 £m	2015 £m	2016 £m	2015 £m
Profit for the year		200	162	201	158
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Remeasurements of post employment benefit obligations	7e	8	8	8	8
Deferred tax on actuarial gains taken directly to equity		(2)	(2)	(2)	(2)
Other comprehensive income for the year net of tax		6	6	6	6
Total comprehensive income for the year	18	206	168	207	164

BALANCE SHEETS

AS AT 30 JUNE

	Note	Group		Company	
		2016 £m	2015 £m	2016 £m	2015 £m
Assets					
Intangible assets	8	2	2	–	–
Property, plant and equipment	9	17	12	–	–
Investments	10	25	17	–	–
Deferred tax assets	11	5	5	2	4
Retirement benefit surplus	7	6	–	6	–
Trade and other receivables	12	12	13	–	–
Total non-current assets		67	49	8	4
Inventories	13	1,808	1,500	–	–
Trade and other receivables	12	36	39	918	741
Current income tax receivables		–	–	–	1
Cash and cash equivalents	14	135	56	134	56
Total current assets		1,979	1,595	1,052	798
Total assets		2,046	1,644	1,060	802
Equity					
Share capital	17	37	37	37	37
Share premium account	18	59	59	59	59
Other reserves	18	8	8	7	7
Retained earnings	18	913	745	701	524
Total equity		1,017	849	804	627
Liabilities					
Bank loans	14	230	150	230	150
Trade and other payables	15	156	84	–	–
Deferred tax liabilities	11	2	1	–	–
Retirement benefit obligations	7	–	3	–	3
Long-term provisions	16	7	7	–	–
Total non-current liabilities		395	245	230	153
Bank overdrafts and loans	14	44	60	–	–
Trade and other payables	15	566	471	25	22
Current income tax liabilities		24	19	1	–
Total current liabilities		634	550	26	22
Total liabilities		1,029	795	256	175
Total equity and liabilities		2,046	1,644	1,060	802

The financial statements on pages 102 to 133 were approved by the Board of Directors on 5 September 2016 and were signed on its behalf by:

Steve Morgan
Director

Barbara Richmond
Director

Redrow plc Registered Number 2877315

STATEMENT OF CHANGES IN EQUITY

FOR THE 12 MONTHS ENDED 30 JUNE

	Note	Group		Company	
		2016 £m	2015 £m	2016 £m	2015 £m
Profit for the year		200	162	201	158
Other comprehensive income for the year		6	6	6	6
Total comprehensive income relating to the year (net)		206	168	207	164
Dividend paid	18	(30)	(15)	(30)	(15)
Movement in LTIP/SAYE	18	(8)	–	–	–
Net increase in equity		168	153	177	149
Opening equity		849	696	627	478
Closing equity		1,017	849	804	627

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:

	2016 £m	2015 £m
Holding company	12	8
Subsidiary companies	188	154
	200	162

STATEMENT OF CASH FLOWS

FOR THE 12 MONTHS ENDED 30 JUNE

	Note	Group		Company	
		2016 £m	2015 £m	2016 £m	2015 £m
Cash flows from operating activities					
Operating profit/(loss)		261	213	(2)	(2)
Depreciation and amortisation		1	1	–	–
Adjustment for non-cash items		(5)	(5)	–	–
Operating profit/(loss) before changes in working capital and provisions		257	209	(2)	(2)
Decrease/(increase) in trade and other receivables		7	(2)	11	30
Increase in inventories		(308)	(343)	–	–
Increase in trade and other payables		174	196	3	2
Increase in provisions		–	1	–	–
Cash inflow generated from operations		130	61	12	30
Interest paid		(6)	(6)	(5)	(6)
Tax paid		(46)	(22)	–	–
Net cash inflow from operating activities		78	33	7	24
Cash flows from investing activities					
Sale of business		–	9	–	–
Acquisition of software, property, plant and equipment		(6)	(1)	–	–
Interest received		–	–	21	19
Net payments to joint ventures – continuing operations		(11)	(6)	–	–
Net cash (outflow)/inflow from investing activities		(17)	2	21	19
Cash flows from financing activities					
Issue of bank borrowings		230	150	230	150
Repayment of bank borrowings		(150)	(175)	(150)	(175)
Purchase of own shares		(16)	(2)	–	–
Dividend paid		(30)	(15)	(30)	(15)
Net cash inflow/(outflow) from financing activities		34	(42)	50	(40)
Increase/(decrease) in net cash and cash equivalents		95	(7)	78	3
Net cash and cash equivalents at the beginning of the year		(4)	3	56	53
Net cash and cash equivalents at the end of the year	19	91	(4)	134	56

ACCOUNTING POLICIES

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 2016, 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 in the periods presented and are outlined below:

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of Redrow plc and all its subsidiaries, together with the Group's share of the results and share of net assets of jointly controlled entities i.e. the financial statements of Redrow plc and entities controlled by Redrow plc (and its subsidiaries). Control is achieved where Redrow plc has the power to govern the financial and operating policies of an entity. Redrow plc's accounting reference date is 30 June. Consistent with the normal monthly reporting process, the actual date to which the balance sheet has been drawn up is 26 June 2016 (2015: 28 June 2015). 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 legal completion.

Profit is recognised on legal completion.

Segmental Reporting

The main operation of the Group is focused on housebuilding.

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

Exceptional Items

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

Net Financing Costs

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

Income and Deferred Tax

Income tax comprises current tax and deferred tax.

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

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

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

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

Intangible Assets – Computer Software

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

Property, Plant and Equipment

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

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

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

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

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

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

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

Non-current Assets Held for Sale

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

Investment in Subsidiary Companies

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

Leases

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

Inventories

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

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

ACCOUNTING POLICIES CONTINUED

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 IAS 39. The difference between the fair value and the nominal value is amortised over the deferment period via financing costs.

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

b. Derivative financial instruments and hedge accounting

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

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

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

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

c. Loans and receivables

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

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

d. Cash and cash equivalents

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

e. Borrowings and trade payables

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

Onerous Contracts

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

Share Capital

Ordinary shares are classed as equity.

Dividend Distribution

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

Impact of New Standards and Interpretations

a. New 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 2015:

- Amendment to IAS 19 regarding defined benefit plans. These narrow scope amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. Published November 2013, effective date: annual periods beginning on or after 1 July 2014 endorsed for periods on or after 1 February 2015.
- Annual improvements 2013 (endorsed for annual periods on or after 1 January 2015) The amendments include changes from the 2011-2-13 cycle of the annual improvements project that affect 4 standards: IFRS 1, 'First time adoption' IFRS 3, 'Business combinations' IFRS 13, 'Fair value measurement' and IAS 40, 'Investment property'.

b. The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 July 2015 and have not been early adopted. With the exception of IFRS 16 'Leases' these are not expected to have a material impact on the Group financial statements:

- Amendment to IFRS 11, 'Joint arrangements' on acquisition of an interest in a joint operation. This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions. Published May 2014, effective date: annual periods beginning on or after 1 January 2016.
- Amendment to IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets', on depreciation and amortisation. In this amendment the IASB has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. Published May 2014, effective date: annual periods beginning on or after 1 January 2016.

- IFRS 14, 'Regulatory deferral accounts'. IFRS 14, 'Regulatory deferral accounts' permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items. Published January 2014, effective date: annual periods beginning on or after 1 January 2016.
- Amendments to IAS 27, 'Separate financial statements' on the equity method. These amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Published August 2014, effective date: annual periods beginning on or after 1 January 2016.
- Amendment to IAS 1, 'Presentation of financial statements' on the disclosure initiative. These amendments are as part of the IASB initiative to improve presentation and disclosure in financial reports. Effective for annual periods beginning on or after 1 January 2016, subject to EU endorsement. Published December 2014, effective date: annual periods beginning on or after 1 January 2016.
- Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28, 'Investments in associates and joint ventures'. These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. Published September 2014, effective date: annual periods beginning on or after 1 January 2016.
- IAS Amendments to IAS 7, Statement of cash flows on disclosure initiative. These amendments to IAS 7 introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved. Published February 2016 effective date: annual periods beginning on or after 1 January 2017.
- Amendments to IFRS 2, 'Share-based payments', on clarifying how to account for certain types of share-based payment transactions (effective 1 January 2018). This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority. Published June 2016, effective date: annual periods beginning on or after 1 January 2018.

ACCOUNTING POLICIES CONTINUED

Impact of New Standards and Interpretations continued

- IFRS 15 'Revenue from contracts with customers'. IFRS 15, 'Revenue from contracts with customers' is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally. Published May 2014, effective date: annual periods beginning on or after 1 January 2017.
- Amendment to IFRS 15, 'Revenue from contracts with customers'. These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard. Published April 2016, effective date: annual periods beginning on or after 1 January 2018.
- IFRS 9 'Financial instruments'. This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model. Published July 2014, effective date: annual periods beginning on or after 1 January 2018.
- Amendments to IFRS 9, 'Financial instruments', regarding general hedge accounting. These amendments to IFRS 9, 'Financial instruments', bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. Published November 2013, effective date: annual periods beginning on or after 1 January 2018.
- 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; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. 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. Published January 2016, effective annual periods beginning on or after 1 January 2019 with earlier application permitted if IFRS 15, 'Revenue from Contracts with Customers', is also applied. The Group has not yet assessed the full impact of this standard.
- Amendment to IFRS 10 and IAS 28 on investment entities applying the consolidation exception. These amendments clarify the application of the consolidation exception for investment entities and their subsidiaries. Published December 2014, effective date: annual periods beginning on or after 1 January 2016.

NOTES TO THE FINANCIAL STATEMENTS

1. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management considers the key sources of estimation uncertainty and critical accounting judgements relate to:

Carrying value of inventories

The Group carries inventories at the lower of cost and net realisable value less cash on account.

Due to the nature of development timescales, it is routinely necessary to estimate costs to complete and future revenues and to allocate non-unit specific development costs between units legally completing in the current financial year and in future periods. A full review of the net realisable value of inventories was undertaken by the Group as at 30 June 2016. 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.

2. Operating profit

	Note	2016 £m	2015 £m
Operating profit is stated after charging:			
Inventories expensed in the year	13	992	826
Depreciation	9	1	1
Operating leases – plant and machinery		2	2
– other		1	1
Research and development expenditure		1	1
Auditors' remuneration – fees payable to Company's Auditors for audit services (i)		–	–
– fees payable to Company's Auditors for other services (ii)		–	–

Fees payable to Company's Auditors comprise:

- (i) fees payable for the audit of parent company and consolidated financial statements £30,000 (2015: £30,000) and fees payable for the audit of the Company's subsidiaries pursuant to legislation £145,000 (2015: £117,000).
- (ii) Auditors' remuneration for other services comprised £20,000 (2015: £20,000) in respect of an independent review of the half-yearly financial statements (Audit related assurance services), and £8,000 (2015: £8,000) in respect of iXBRL tagging (Taxation compliance services).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

3. Net financing costs

	2016 £m	2015 £m
Interest payable on bank loans	(8)	(7)
Net interest expenses – pension scheme (note 7e)	–	–
Imputed interest on deferred land creditors	(6)	(5)
Financial costs	(14)	(12)
Other interest receivable	3	3
Financial income	3	3
Net financing costs	(11)	(9)

4. Income tax expense

	2016 £m	2015 £m
Current tax charge		
UK Corporation Tax at 20.00% (2015: 20.75%)	51	41
Deferred tax		
Origination and reversal of temporary differences	(1)	1
Impact of changes in deferred tax rate	–	–
Total income tax charge in income statement	50	42
Reconciliation of tax charge for the year		
Profit before tax	250	204
Tax calculated at UK Corporation Tax rate of 20.00% (2015: 20.75%)	50	42
Impact of change in deferred tax rate	–	–
Short-term temporary differences	–	–
Tax charge for the year	50	42
Deferred tax recognised directly in equity		
Relating to pension scheme	(2)	(2)
	(2)	(2)

Current income tax payable in the Company is £1m (2015: receivable £1m).

5. Dividends

The following dividends were paid by the Group:

	2016 £m	2015 £m
Prior year final dividend per share of 4.0p (2015: 2.0p); Current year interim dividend per share of 4.0p (2015: 2.0p)	30	15
	30	15

The Board decided to propose a final dividend of 6.0p per share in respect of 2016 (£22m (2015: £15m)). 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 2016 is based on the weighted average number of shares in issue during the period of 361m (2015: 364m) excluding those held in trust under the Redrow Long Term Incentive Plan (9m shares (2015: 6m 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 2016

	Earnings £m	Number of shares millions	Per share pence
Basic earnings per share	200	361	55.4
Effect of share options and SAYE	–	1	(0.2)
Diluted earnings per share	200	362	55.2

For the 12 months ended 30 June 2015

	Earnings £m	Number of shares millions	Per share pence
Basic earnings per share	162	364	44.5
Effect of share options and SAYE	–	1	(0.1)
Diluted earnings per share	162	365	44.4

7. Employees

a. Cost (including Directors)

	2016 £m	2015 £m
Wages and salaries	79	64
Social security costs	11	8
Other pension costs	7	7
Share-based payments	3	2
	100	81

b. Number

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

	2016 Number	2015 Number
Directors and administrative staff	778	629
Other personnel	1,088	901
	1,866	1,530

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.

Summary key management remuneration is as follows:

	2016 £m	2015 £m
Salaries and short-term employee benefits	4	4
Share-based payments	2	2
	6	6

In addition, the Redrow Staff Pension scheme paid £14,541 (2015: £14,411) to Steve Morgan in his capacity as an active Scheme pensioner.

Detailed disclosure of Directors' emoluments and interests in shares are included in the Directors' Remuneration Report on pages 77 to 91, 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.

	2016	2015
Options granted during the year	679,476	1,172,005
Date of grant	1 January 2016	1 January 2015
Fair value at measurement date	£1.75	£1.01
Share price	£4.63	£2.76
Exercise price	£3.70	£2.21
Option life (contract length)	3/5 years	3/5 years
Expected dividend yield	2.1%	2.7%
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.

7. Employees continued

d. Share-based payments continued

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 14 September 2015 were granted to a limited number of Senior Executives. The scheme is discussed in greater detail within the Directors' Remuneration Report.

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

	2016	2015
Options granted during the year	175,810	377,194
Date of grant	14 September 2015	8 September 2014
Fair value at the measurement date	£4.65	£2.53
Share price	£4.95	£2.75
Exercise price	£0.00	£0.00
Expected volatility	N/A [†]	N/A [†]
Option life	3 years	3 years
Expected dividend yield	2.1%	2.7%
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 14 September 2015 comprises £4.65 in respect of non-market based performance conditions.

The fair value at the measurement date of the LTIP granted on 8 September 2014 comprises £2.53 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.

	2016 Tranche 1	2016 Tranche 2	2015 Tranche 1	2015 Tranche 2
Options granted during the year	471,023	471,136	625,688	625,634
Date of grant	14 September 2015	14 September 2015	8 September 2014	8 September 2014
Fair value at the measurement date	£4.87	£4.75	£2.69	£2.62
Share price	£4.95	£4.95	£2.75	£2.75
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	1.7%	2.1%	2.2%	2.4%
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.

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 2016:

Type of scheme	Date of grant	Number of options 2016	Number of options 2015	Exercise price
Long Term Share Incentive 2011	21 September 2011	159,889	159,889	–
Long Term Share Incentive 2012	23 October 2012	544,757	544,757	–
Long Term Share Incentive 2013	24 September 2013	368,842	368,842	–
Long Term Share Incentive 2014	8 September 2014	377,194	377,194	–
Long Term Share Incentive 2015	14 September 2015	175,810	–	–
Deferred Bonus Incentive 2012 – Tranche 1	23 October 2012	16,130	54,341	–
Deferred Bonus Incentive 2012 – Tranche 2	23 October 2012	122,981	168,035	–
Deferred Bonus Incentive 2013 – Tranche 1	24 September 2013	99,984	159,060	–
Deferred Bonus Incentive 2013 – Tranche 2	24 September 2013	159,490	395,052	–
Deferred Bonus Incentive 2014 – Tranche 1	8 September 2014	278,849	572,585	–
Deferred Bonus Incentive 2014 – Tranche 2	8 September 2014	505,847	572,537	–
Deferred Bonus Incentive 2015 – Tranche 1	14 September 2015	428,506	–	–
Deferred Bonus Incentive 2015 – Tranche 2	14 September 2015	428,603	–	–
Company Share Option Plan	21 November 2008	95,920	161,865	£1.25
Save As You Earn	1 January 2010	1,836	1,836	£1.42
Save As You Earn	1 January 2011	21,514	180,874	£0.98
Save As You Earn	1 January 2012	202,317	234,416	£0.95
Save As You Earn	1 January 2014	772,612	863,174	£1.98
Save As You Earn	1 January 2015	982,351	1,139,027	£2.21
Save As You Earn	1 January 2016	638,482	–	£3.70

The total share options outstanding at 30 June 2016 under the LTIP, Deferred Bonus Incentive Plan, Company Share Option Plan and the Save As You Earn schemes represent 1.7% of the issued share capital (2015: 1.6%).

7. Employees continued

d. Share-based payments continued

Movements in the year

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

	Number of options 2016	Weighted average exercise price 2016	Number of options 2015	Weighted average exercise price 2015
Long Term Share Incentive scheme:				
Outstanding at the beginning of the year	1,450,682	–	1,665,139	–
Lapsed during the year	–	–	–	–
Exercised during the year	–	–	(591,651)	–
Granted during the year	175,810	–	377,194	–
Outstanding at the end of the year	1,626,492	–	1,450,682	–
Exercisable at the end of the year	704,646	–	159,889	–
Deferred Bonus Incentive scheme:				
Outstanding at the beginning of the year	1,921,610	–	1,295,187	–
Lapsed during the year	(61,617)	–	(67,586)	–
Exercised during the year	(761,763)	–	(557,313)	–
Granted during the year	942,159	–	1,251,322	–
Outstanding at the end of the year	2,040,389	–	1,921,610	–
Exercisable at the end of the year	677,434	–	381,436	–
Company Share Option Plan:				
Outstanding at the beginning of the year	161,865	£1.25	263,780	£1.25
Lapsed during the year	–	–	–	£1.25
Exercised during the year	(65,945)	£1.25	(101,915)	£1.25
Outstanding at the end of the year	95,920	£1.25	161,865	£1.25
Exercisable at the end of the year	95,920	£1.25	161,865	£1.25
Save As You Earn scheme:				
Outstanding at the beginning of the year	2,419,327	£1.91	2,153,643	£0.98
Lapsed during the year	(274,917)	£1.77	(146,637)	£1.83
Exercised during the year	(204,774)	£1.10	(759,684)	£0.96
Granted during the year	679,476	£3.70	1,172,005	£2.21
Outstanding at the end of the year	2,619,112	£2.39	2,419,327	£1.91
Exercisable at the end of the year	–	–	3,402	£0.95

The weighted average share price at the date of exercise of share options exercised during the year was £4.40 (2015: £3.34).

The options outstanding at 30 June 2016 had a range of exercise prices of £nil to £3.70 (2015: £nil to £2.21) and a weighted average remaining contractual life of 5.5 years (2015: 6.0 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 £3m (2015: charge £2m).

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 credit for the year was £1m (2015: credit of £1m). A credit of £8m related to the defined benefit section of the Scheme (2015: credit of £7m), with £nil being charged to the income statement (2015: charge of £1m) and a credit of £8m to the statement of comprehensive income (2015: credit of £8m). The charge arising from the defined contribution section was £7m (2015: £6m).

Triennial valuation

A full independent triennial actuarial valuation of the defined benefit section of the Scheme was undertaken at 1 July 2014 using the Projected Unit Method. In the opinion of the Actuary, there was a deficit of £20m in the defined benefit section of the Scheme, based on the Trustees' technical provisions assumptions with the Scheme's assets representing 82% of the Scheme's technical provisions. As at 1 July 2014 the value of the defined benefit section of the Scheme's assets was £92m. The previous triennial valuation was undertaken as at 1 July 2011 and reported a deficit of £10m.

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 2014. This valuation has been updated to 30 June 2016 by a qualified actuary for the purposes of these financial statements.

Based on the recovery plan agreed for the 1 July 2014 actuarial valuation, the Group expects to contribute £1m to the Scheme in the year ending 30 June 2017.

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

	2016	2015
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	2.8%	3.2%
Rate of increase of benefits in payment (lesser of 2.5% per annum and RPI) ²	2.0%	2.2%
Discount rate	3.0%	3.8%
Inflation assumption – RPI	2.8%	3.2%
– CPI	1.8%	2.2%

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

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

The mortality tables used in the actuarial valuation were as follows (which make allowance for projected further improvements in mortality):

For male members: SAPS CMI_2015 1.25% Long Term Trend (2015: SAPS CMI_2014 1.25% Long Term Trend)

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

Pensioner currently aged 65: Male 22.2 years (2015: Male 22.4 years)
 Future pensioner when aged 65: Male 23.5 years (2015: Male 23.7 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					
	2016 £m Quoted market price in active market	2016 £m No quoted market price in active market	2016 £m Total	2015 £m Quoted market price in active market	2015 £m No quoted market price in active market	2015 £m Total
Equities	33	2	35	33	–	33
Property	–	–	–	1	–	1
Debt instruments	64	–	64	48	–	48
Other	9	3	12	8	4	12
Cash	9	–	9	7	–	7
Insurance policies	–	2	2	–	2	2
Total market value of assets	115	7	122	97	6	103
Present value of obligations			(116)			(106)
Surplus/(deficit) in the Scheme			6			(3)

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

	2016 %	2015 %
Deferred members	73	72
Pensioner members	27	28
	100	100

All benefits are vested at 30 June 2016 (unchanged from 30 June 2015).

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

	Group and Company	
	2016 £m	2015 £m
Amounts included within the income statement:		
Administrative expenses		
Scheme administration expenses	–	(1)
Net interest on defined benefit liability	–	–
	–	(1)
Amounts recognised in the statement of comprehensive income:		
Return on scheme assets excluding interest income	18	10
Actuarial gains/(losses) arising from changes in demographic assumptions	1	(1)
Actuarial losses arising from changes in financial assumptions	(11)	(4)
Actuarial gains arising from experience adjustments	–	3
	8	8
	8	7

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

7. Employees continued

e. Retirement benefit schemes continued

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

	Group and Company	
	2016 £m	2015 £m
Balance sheet surplus/(deficit)		
At start of year	(3)	(11)
Amounts credited against statement of comprehensive income	8	7
Employer contributions paid	1	1
At end of year	6	(3)
Changes in the present value of the defined benefit obligation:		
At start of year	106	105
Interest expense	4	4
Benefit payments	(4)	(5)
Actuarial (gains)/losses arising from changes in demographic assumptions	(1)	1
Actuarial losses arising from changes in financial assumptions	11	4
Actuarial gains arising from experience adjustments	–	(3)
At end of year	116	106
Changes in the fair value of the Scheme's assets:		
At start of year	103	94
Interest income	4	4
Return on scheme assets excluding interest income	18	10
Scheme administration expenses	–	(1)
Normal employer contributions	1	1
Benefit payments	(4)	(5)
At end of year	122	103

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

Item	Approximate impact on 2016 surplus	Approximate impact on 2015 deficit
Increase/reduce discount rate by 0.25%	+£6m/-£7m	-£6m/+£6m
Increase/reduce inflation by 0.25% (assumed affects deferred and pensioner increases)	-£7m/+£6m	+£6m/-£5m
Members assumed to live one year longer in retirement	-£3m	+£3m
The above sensitivities are applied to adjust the defined benefit obligation at the end of the reporting period. Whilst the analysis does not take account of the full distribution of cashflows expected under the scheme, it does provide an approximation to the sensitivity assumptions shown.		
No changes have been made to the method and assumptions used in the analysis from those used in the previous period.		

Note that some of the changes illustrated above may take the actuarial basis outside a reasonable range.

8. Intangible assets

Group

	Goodwill £m	Software £m	Total £m
Cost			
At 1 July 2014	1	2	3
Additions	–	–	–
At 30 June 2015	1	2	3
Additions	–	–	–
At 30 June 2016	1	2	3
Accumulated amortisation			
At 1 July 2014	–	1	1
Charge	–	–	–
At 30 June 2015	–	1	1
Charge	–	–	–
At 30 June 2016	–	1	1
Net book value			
At 30 June 2016	1	1	2
At 30 June 2015	1	1	2
At 30 June 2014	1	1	2

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

9. Property, plant and equipment Group

	Freehold property £m	Plant and machinery £m	Fixtures and fittings £m	Total £m
Cost				
At 1 July 2014	13	3	7	23
Additions	–	–	1	1
Transfer from Non-current assets held for resale	1	–	–	1
Disposals	–	–	(3)	(3)
At 30 June 2015	14	3	5	22
Additions	3	–	3	6
Disposals	–	–	(1)	(1)
At 30 June 2016	17	3	7	27
Accumulated depreciation				
At 1 July 2014	3	3	6	12
Charge	–	–	1	1
Disposals	–	–	(3)	(3)
At 30 June 2015	3	3	4	10
Charge	–	–	1	1
Disposals	–	–	(1)	(1)
At 30 June 2016	3	3	4	10
Net book value				
At 30 June 2016	14	–	3	17
At 30 June 2015	11	–	1	12
At 30 June 2014	10	–	1	11

10. Investments

a. Investments

	Group		Company	
	2016 £m	2015 £m	2016 £m	2015 £m
Joint ventures	25	17	–	–
Subsidiary companies	–	–	–	–
	25	17	–	–

10. Investments continued

b. Investments in joint ventures

	Group		Company	
	2016 £m	2015 £m	2016 £m	2015 £m
Share of joint venture net assets:				
Current assets	24	14	–	–
Current liabilities	(6)	(5)	–	–
Non-current liabilities	(19)	(10)	–	–
Net (liabilities)	(1)	(1)	–	–
Loans from Group companies ⁽ⁱ⁾	26	18	–	–
	25	17	–	–
Share of post-tax profits from joint ventures:				
Revenue	–	–	–	–
Cost of sales	–	–	–	–
Gross profit	–	–	–	–
Administrative expenses	–	–	–	–
Operating profit	–	–	–	–
Finance costs	–	–	–	–
Profit before tax	–	–	–	–
Taxation	–	–	–	–
	–	–	–	–

⁽ⁱ⁾ £26m of the loans to joint ventures are secured (2015: £15m).

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.
- in August 2015 the Group purchased the remaining 50% shareholding in the ordinary share capital of The Waterford Park Company Limited, a company incorporated in Great Britain with a 30 June year end, making it a subsidiary from that date.

c. Investments in subsidiary undertakings

	Company £m
At 1 July 2015 and 30 June 2016	–

The principal subsidiary company is Redrow Homes Limited. All subsidiary companies are incorporated in Great Britain except Redrow Homes(Park Heights) Limited and Blue Capital (Jersey) Limited which are incorporated in Jersey. A full list of subsidiary undertakings as at 30 June 2016 is shown on page 124. 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.

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 (SC) Limited	SC74732
Redrow Homes Limited	1990710	HB (1995) Limited	SC155021
Harrow Estates plc	6825371	Redrow Homes (Wallyford) Limited	SC205159
Redrow Real Estate Limited	3996541	Redrow Homes (London) Limited	7472674
Redrow Regeneration plc	5405272	St David's Park Limited	2479183
Redmira Limited	7587765	PB0311 Limited	7577839
HB (NW) Limited	1189328	Debut Freeholds Limited	4638403
HB (LCS) Limited	SC38052	Tay Homes (Western) Limited	2806562
HB (MID) Limited	2469449	Tay Homes (Northern) Limited	2708575
HB (SW) Limited	3522335	Tay Homes (Midlands) Limited	2183136
HB (SWA) Limited	2230870	Tay Homes (North West) Limited	2189721
HB (Y) Limited	2293006	Redrow Homes (Park Heights) Limited	66240
HB (ESTN) Limited	4017345	Blue Capital (Jersey) Limited	110509
HB (WM) Limited	3379746	Redrow Construction Limited	1375826
HB (SM) Limited	3522321	Poche Interior Design Limited	2169473
HB (SN) Limited	537405	Redrow (Shareplan) Limited	3520984
HB (WC) Limited	4984069	Imagelines Limited	3520986
HB (WX) Limited	1940936	Cadmoore Limited	3977222
HB (EM) Limited	2827161	Redrow (Sudbury) Limited	4558070
HB (CD) Limited	2034733	The Waterford Park Company Limited	5429823
HB (GRPS) Limited	2898913	The Waterford Park Company (Balmoral) Limited	6047122
HB (CPTS) Limited	1079513	HB (Herne Bay No 1) Limited	7743649
HB (SE) Limited	3988594	HB (Herne Bay No 2) Limited	9163243
HB (CSCT) Limited	SC231364		

11. Deferred tax assets and liabilities

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

	Employee benefits £m	Imputed interest £m	Share-based payment £m	Short-term temporary differences £m	Losses carried forward £m	Total £m
Deferred tax assets						
At 1 July 2014	3	3	–	1	1	8
Charge to income	–	–	–	–	(1)	(1)
Charge to equity	(2)	–	–	–	–	(2)
At 30 June 2015	1	3	–	1	–	5
Credit to income	–	–	–	1	–	1
Charge to equity	(1)	–	–	–	–	(1)
At 30 June 2016	–	3	–	2	–	5

	Employee benefits £m	Imputed interest £m	Share-based payment £m	Short-term temporary differences £m	Losses carried forward £m	Total £m
Deferred tax liabilities						
At 1 July 2014	–	–	–	(1)	–	(1)
Credit to income	–	–	–	–	–	–
Credit to equity	–	–	–	–	–	–
At 30 June 2015	–	–	–	(1)	–	(1)
Credit to income	–	–	–	–	–	–
Charge to equity	(1)	–	–	–	–	(1)
At 30 June 2016	(1)	–	–	(1)	–	(2)

The Group has no material unrecognised deferred tax assets. The deferred tax balances in the Company relate to a deferred tax asset arising on retirement benefit obligations of £2m (2015: £4m).

11. Deferred tax assets and liabilities continued

A Corporation Tax rate of 20% from 1 April 2015 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. Deferred tax balances have been valued at the rate of 19%. A further change to reduce the rate to 17% from 1 April 2020 was announced in the Chancellor's Budget on 16 March 2016. As this change had not been substantively enacted at the balance sheet date its effects are not included in these financial statements. The overall effect of these changes, if they had applied to the deferred tax balance at the balance sheet date, would not be significant to the Group.

12. Trade and other receivables

	Group		Company	
	2016 £m	2015 £m	2016 £m	2015 £m
Non-current assets				
Trade receivables (net)	12	13	–	–
	12	13	–	–
Current assets				
Trade receivables (net)	11	16	–	–
Amounts due from subsidiary companies	–	–	918	741
Other receivables	21	19	–	–
Prepayments and accrued income	4	4	–	–
	36	39	918	741

Trade receivables due after more than one year are stated after an allowance of £9m has been made (2015: £13m) in respect of estimated irrecoverable amounts. This allowance is based on an estimate of default rates. £nil provision was made during the year (2015: £1m). £1m was utilised (2015: £nil). £3m provision was released during the year (2015: £nil). It is not considered that a material amount of current asset trade receivables are overdue for payment.

Trade and other receivables due between two and five years are £9m (2015: £6m) and due in more than five years are £3m (2015: £7m). 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.

13. Inventories

	Group		Company	
	2016 £m	2015 £m	2016 £m	2015 £m
Land for development	1,215	1,020	–	–
Work in progress	600	463	–	–
Stock of showhomes	54	54	–	–
	1,869	1,537	–	–
Payments on account	(61)	(37)	–	–
	1,808	1,500	–	–

Inventories of £992m net of £9m net realisable value provision utilisation, were expensed in the year (2015: £826m net of £20m net realisable value provision utilisation). Work in progress includes £3m (2015: £3m) in respect of part exchange properties. Land held for development in the sum of £232m is subject to a legal charge as security in respect of deferred consideration (2015: £102m).

The carrying value of undeveloped land where net realisable value has been determined on the basis of a sale of land in its current state is £nil (2015: £nil). Of the net realisable value provision of £19m (2015: £28m), £9m (2015: £17m) is attributed to land and £10m (2015: £11m) is attributed to work in progress.

As discussed in note 1, the Group considers the carrying value of inventories to be a critical accounting judgement.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

13. Inventories continued

The net realisable value provision movement is analysed below:

	Total £m
As at 1 July 2015	28
Utilised during the year	(9)
Created during the year	3
Released during the year	(3)
As at 30 June 2016	19

The net realisable value provision relates to land with residential planning consent.

The net realisable value provisions of £3m and £3m created and released in the year are the result of our review at the balance sheet date in the context of prevailing market conditions and the re-assessment of selling prices and costs. They represent the creation of additional provisions against sites acquired pre June 2009 and the reduction of provisions already in place against such sites as required.

14. Financial risk management

The Group's financial instruments comprise cash and cash equivalents, bank loans and overdrafts, derivative financial instruments and various items included within trade receivables and trade payables which arise during the normal course of business.

The tables below provide a summary of financial assets and liabilities by category.

The accounting policies for financial instruments have been applied to the following items:

The Group

	2016 Loans and receivables £m	2015 Loans and receivables £m
Assets per the balance sheet		
Non-current trade and other receivables	12	13
Current trade and other receivables	32	35
Cash and cash equivalents	135	56
	179	104
	2016 Other financial liabilities £m	2015 Other financial liabilities £m
Liabilities per the balance sheet		
Bank loans and overdrafts	274	210
Trade payables and other payables	291	226
Land creditors	378	266
	943	702

Other financial liabilities are at amortised cost.

14. Financial risk management continued
The Company

	2016 Loans and receivables £m	2015 Loans and receivables £m
Assets per the balance sheet		
Cash and cash equivalents	134	56
Amounts due from subsidiary companies	918	741
	1,052	797
	2016 Other financial liabilities £m	2015 Other financial liabilities £m
Liabilities per the balance sheet		
Bank loans and overdrafts	230	150
Amounts owed to subsidiary companies	14	14
	244	164

The Group's activities expose it to a variety of financial risks.

Financial risk management is conducted centrally using policies approved by the Board. Market risk is negligible due to the Group's limited exposure to equity securities (some limited exposure arises through the Redrow Staff Pension Scheme's investment portfolio) and the associated price risk. Its foreign exchange exposure is negligible given the nature of the Group's business and its exclusive UK activities.

a. Liquidity risk and interest rate risk

Liquidity risk is the risk that the Group does not have sufficient financial resources to meet its obligations as they fall due. Liquidity risks are managed through the regular review of cash forecasts and by maintaining adequate committed banking facilities to ensure appropriate headroom.

At 30 June 2016, the Group had total unsecured bank borrowing facilities of £368m, representing £365m 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 was no ineffectiveness to be recorded in respect of these cash flow hedges in 2016 or 2015.

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

	2016				Effective interest rate %	2015			
	Effective interest rate %	Total £m	Zero to one year £m	One to two years £m		Total £m	Zero to one year £m	One to two years £m	Two to five years £m
Bank overdraft	2.0	44	44	–	2.0	60	60	–	–
Bank loans – floating rate	2.3	230	–	–	2.7	150	–	–	150
		274	44	–		210	60	–	150

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

14. Financial risk management continued

a. Liquidity risk and interest rate risk continued

The notional principal amounts in respect of the interest rate swaps together with their maturities are given in the table below:

	Balance at 30 June £m	Zero to one year £m	One to two years £m
2016	–	–	–
2015	–	–	–

For the year ended 30 June 2016, 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 £3m (2015: £2m).

b. Maturity of bank loans and borrowings

The maturity of bank loans and borrowings is as below:

The Group

	2016 Bank overdraft £m	2016 Bank loans £m	2015 Bank overdraft £m	2015 Bank loans £m
Due within one year	44	–	60	–
Due between one and two years	–	–	–	–
Due between two and five years	–	247	–	164
	44	247	60	164

Maturities above include estimated interest payable to the maturity of the facilities.

The Company

	2016 Bank overdraft £m	2016 Bank loans £m	2015 Bank overdraft £m	2015 Bank loans £m
Due within one year	–	–	–	–
Due between one and two years	–	–	–	–
Due between two and five years	–	247	–	164
	–	247	–	164

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 2016.

At the year end, the Group and Company had £135m (2015: £215m) of undrawn committed bank facilities available.

There is no material difference between the fair value of the bank overdrafts and bank loans and their carrying values as shown in the balance sheet.

14. Financial risk management continued

c. Amounts due in respect of development land

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

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

The maturity profile of the total contracted cash payments in respect of amounts due in respect of land creditors at the balance sheet date is as follows:

	Balance at 30 June £m	Total contracted cash payment £m	Due less than one year £m	Due between one and two years £m	Due between two and five years £m
2016	378	386	222	83	81
2015	266	273	182	33	58

d. Maturity of trade and other payables

These represent current liabilities due within one year.

e. Credit risk

Credit risk arises from cash and cash equivalents, including call deposits with banks and financial institutions, derivative financial instruments and trade receivables. It represents the risk of financial loss where counterparties are unable to meet their obligations.

Credit risk is managed centrally in respect of cash and cash equivalents and derivative financial instruments. In respect of placing deposits with banks and financial institutions and funds, individual risk limits are approved by the Board. The table below shows the cash and cash equivalents as at the balance sheet date:

	Group		Company	
	2016 £m	2015 £m	2016 £m	2015 £m
Held at Banks with at least an A- credit rating per Standard & Poor	135	56	134	56
	135	56	134	56

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

14. Financial risk management continued

f. Capital management continued

The total capital levels and gearing ratios as at 30 June 2016 and 30 June 2015 are as follows:

	2016 £m	2015 £m
Total borrowings	274	210
Less cash and cash equivalents	(135)	(56)
Net debt	139	154
Equity	1,017	849
Total capital	1,156	1,003
Gearing ratio	14%	18%

g. Fair values

At 30 June 2016 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	
	2016 £m	2015 £m	2016 £m	2015 £m
Non-current liabilities				
Amounts due in respect of development land	156	84	–	–
Other payables	–	–	–	–
	156	84	–	–
Current liabilities				
Trade payables	286	221	–	–
Amounts due in respect of development land	222	182	–	–
Amounts owed to subsidiary companies	–	–	14	14
Other payables	5	5	–	–
Other taxation and social security	3	3	–	–
Accruals and deferred income	50	60	11	8
	566	471	25	22

16. Long-term provisions

The Group

	Onerous contracts £m	Other £m	Total £m
At 1 July 2015	2	5	7
Provisions created during the year	–	1	1
Provisions released during the year	–	–	–
Provisions utilised during the year	–	(1)	(1)
At 30 June 2016	2	5	7

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

	2016 £m	2015 £m
Authorised		
480,000,000 ordinary shares of 10p each (2015: 480,000,000)	48	48
Issued and fully paid	37	37
		Number of ordinary shares of 10p each
As at 1 July 2015 and 30 June 2016		369,799,938

Options granted to Directors and employees under the LTIP, the CSOP and the SAYE schemes are set out in note 7d.

18. Share capital, share premium account and reserves

The Group

	Share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m
At 1 July 2014	37	59	8	592
Total comprehensive income	–	–	–	168
Dividends paid	–	–	–	(15)
Movement in respect of LTIP/SAYE	–	–	–	–
At 30 June 2015	37	59	8	745
Total comprehensive income	–	–	–	206
Dividends paid	–	–	–	(30)
Movement in respect of LTIP/SAYE	–	–	–	(8)
At 30 June 2016	37	59	8	913

Other reserves

Other reserves consists of a £7m Capital redemption reserve (2015: £7m) and a £1m Consolidation reserve (2015: £1m).

Undistributable reserves

Other reserves are not available for distribution.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

18. Share capital, share premium account and reserves continued

The Company

	Share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m
At 1 July 2014	37	59	7	375
Total comprehensive income	–	–	–	164
Dividends paid	–	–	–	(15)
At 30 June 2015	37	59	7	524
Total comprehensive income [†]	–	–	–	207
Dividends paid	–	–	–	(30)
At 30 June 2016	37	59	7	701

[†] Includes dividends received from subsidiary companies.

Other reserves

Other reserves consists of a £7m Capital redemption reserve (2015: £7m).

Undistributable reserves

Other reserves are not available for distribution.

19. Movement in net (debt)/cash

The Group

	At 1 July 2015 £m	Cash flow £m	At 30 June 2016 £m
Cash and cash equivalents	56	79	135
Bank overdrafts	(60)	16	(44)
Net cash and cash equivalents	(4)	95	91
Bank loans	(150)	(80)	(230)
Net debt	(154)	15	(139)

The Company

	At 1 July 2015 £m	Cash flow £m	At 30 June 2016 £m
Cash and cash equivalents	56	78	134
Bank overdrafts	–	–	–
Net cash and cash equivalents	56	78	134
Bank loans	(150)	(80)	(230)
Net debt	(94)	(2)	(96)

20. Operating lease commitments

	2016 £m	2015 £m
Within one year	3	3
Within two to five years	4	3
Later than five years	2	–

21. Contingent liabilities

The Company has guaranteed the bank borrowings of its subsidiaries. Performance bonds, financial guarantees in respect of certain deferred land creditors and other building or performance guarantees have been entered into in the normal course of business.

22. Related party transactions

Within the definition of IAS 24 'Related party disclosures', the Board and key management personnel are related parties. Detailed disclosure of the remuneration of the Board is given in the Directors' Remuneration Report on pages 77 to 91. 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 £1.6m (Company £0.7m), primarily relating to the donation to the Morgan Foundation as described in the Directors' Remuneration Report on page 82 and additionally in respect of the Group, relating to the purchase of six units at the Stretton Green site for £860k 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.

On 9 May 2016 at a General Meeting an ordinary resolution was passed by the shareholders approving a Substantial Property Transaction in the form of the sale of 6 units at Stretton Green, Tilston, Malpas, Cheshire (numbers 25, 26 and 28 to 31) by Redrow Homes Limited, a subsidiary of the Company, to Steve Morgan, the Chairman of the Board of the Company, in accordance with a sale contract dated 8 April 2016 (as described in the Company's circular to shareholders dated 13 April 2016). Following shareholder approval the transaction was legally completed on 22 June 2016.

As at 30 June 2016, 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 2016 was £918m (2015: £741m). The amount owed to subsidiary undertakings at 30 June 2016 was £14m (2015: £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.

The Group did not undertake any transactions with Menta Redrow Limited and Menta Redrow (II) Limited joint ventures. The Group's loans to its joint ventures are disclosed in note 10.

GLOSSARY

NPPF

The National Policy Planning Framework

HBF

Home Builders Federation

NHBC

National House Building Council

CITB

Construction Industry Training Board

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

How Key Performance Indicator Measures are Calculated:

Land bank years

No. of plots in owned land bank at 30 June divided by
no. of legal completions in financial year

Sales outlets

No. of sales outlets open at 30 June

Private reservation rate

No. of private reservations per week in financial
year divided by average no. of sales outlets

Revenue

Revenue per consolidated income statement

Number of trainees

No. of trainees at 30 June

HBF customer satisfaction rating

Independent HBF customer satisfaction rating score

Accident incident rate by site

No. of notifiable accidents in financial year divided by
average no. of sites

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

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

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: www.redrow.co.uk

Dividend Tax Allowance

From 6 April 2016 dividend tax credits will be replaced by an annual £5,000 tax-free allowance on dividend income across an individual's entire share portfolio. Above this amount, individuals will pay tax on their dividend income at a rate dependent on their income tax bracket and personal circumstances. The Company will continue to provide registered shareholders with a confirmation of the dividends paid by Redrow plc and this should be included with any other dividend income received when calculating and reporting total dividend income received. It is the shareholder's responsibility to include all dividend income when calculating any tax liability.

This change was announced by the Chancellor, as part of the UK Government Budget in July 2015. If you have any tax queries, please contact a Financial Advisor.

Group Contacts

Officers and advisers

Company Secretary

Graham Cope

Registered Office

Redrow House
St. David's Park
Flintshire
CH5 3RX
Registered Number 2877315

Registrars

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol
BS99 6ZZ

Stockbrokers

Barclays
5 The North Colonnade
Canary Wharf
London
E14 4BB

Peel Hunt
Moor House
120 London Wall
London
EC2Y 5ET

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
101 Barbirolli Square
Lower Mosley Street
Manchester
M2 3PW

Solicitors

Linklaters LLP
One Silk Street
London
EC2Y 8HQ

Financial Public Relations Consultants

Instinctif Partners
65 Gresham Street
London
EC2V 7NQ

FIVE YEAR SUMMARY

12 MONTHS ENDED 30 JUNE

	2012 £m	2013* £m	2014 £m	2015 £m	2016 £m
Revenue	479	605	864	1,150	1,382
Operating profit before exceptional items	48	73	138	213	261
Operating profit before exceptional items as a percentage of turnover	10.0%	12.1%	15.9%	18.5%	18.9%
Profit before tax	43	69	133	204	250
Net assets	562	609	696	849	1,017
Net debt	(14)	(91)	(172)	(154)	(139)
Gearing – net debt as a percentage of capital and reserves	2.5%	14.9%	24.8%	18.1%	13.7%
Return on capital employed – operating profit before exceptional items adjusted for joint ventures as a percentage of opening and closing capital employed	8.7%	12.2%	18.0%	22.8%	24.2%
Return on equity	8.4%	12.3%	20.5%	26.4%	26.8%
Number of legal completions	2,458	2,827	3,597	4,022	4,716
Earnings per ordinary share	9.7p	14.6p	28.3p	44.5p	55.4p
Dividends paid per ordinary share	–	–	2.0p	4.0p	8.0p
Net assets per ordinary share	151.8p	165.0p	188.1p	229.5p	275.0p

* Restated to reflect the application of IAS 19R – Employee Benefits.

