

CHAIRMAN'S STATEMENT

This is my first statement as Chairman of Redrow plc following my appointment in July 2007 and I am delighted to be taking on this important role. Redrow possesses many strong attributes especially the quality of its land holdings, its attention to design and innovation and the experience and capabilities of its people. The Group continues to invest in and further enhance these important areas so as to take advantage of the opportunities in its market place.

2006/07 Performance

The UK new homes market in 2006/07 was stable but competitive in an interest rate environment that saw four rate increases in the period. The planning regime continues to be inefficient and grows in complexity and as elsewhere in our industry, this resulted in delays in bringing new outlets on stream. In response, the business focused on delivering an appropriate rate of sale from its developments to optimise returns and to support the forward order book for 2007/08, with overall forward sales up 6.4% at June 2007.

Group turnover increased by 3.3% to £795.7m (2006: £770.1m). Legal completions increased by 1.9% to 4,823 new homes and there was a strong contribution from our Mixed Use and Regeneration activities. Operating profit was 2.9% higher at £136.6m (2006: £132.8m) with the operating margin in the Homes business in line with expectations at 17.1% (2006: 17.5%). There was continued investment in the land bank and the number of owned plots with planning consent increased to 17,700 plots (2006: 16,750). This investment, together with the increase in interest rates, resulted in higher financing costs at £15.3m (2006: £11.5m). The Group made a profit before tax of £120.5m and basic earnings per share of 52.9p, both unchanged from the previous year.

The level of capital employed in the business grew over the last twelve months, principally as we increased our investment in land by £118.4m to £641.4m to support our future growth. As a consequence, return on capital employed declined to 19.4% (2006: 22.0%), still well ahead of the Group's comparable cost of capital. At June 2007, gearing was 30.7% (2006: 25.3%) so providing the capacity for further investment in our land bank.

Dividend

The twelve months to June 2007 represented the first year of our two year commitment to increase the dividend by 20% per annum. The dividend for the year will be 15.6 pence per share (2006: 13.0p), subject to shareholder approval at the Annual General Meeting. The proposed final dividend of 7.8 pence per share reflects the rebalancing of the dividend payment made in 2006/07 to improve the timing of cash flows to shareholders through a higher interim dividend payment. In the last five years, the dividend has increased at a compound growth rate of over 20% per annum and we have reduced our dividend cover from 6.4 times to its present level of 3.4 times.

The Board

There have been significant changes in the composition of the Board since the last Annual Report. With much sadness we announced in April the death of my predecessor as Chairman, Robert Jones. Robert is remembered with much fondness having been a Director for nearly ten years and Chairman since October 2000. Jim Martin, who was our Senior Non-Executive Director, acted as Interim Chairman at short notice and after ten years of service as a Non-Executive Director stands down on 11 September 2007. The Board wishes to acknowledge the important contributions of both Robert and Jim to Redrow's development. I would like to thank Jim for his stewardship in the intervening period and for his invaluable advice upon my appointment. Brian Duckworth, who has served on the Board since June 2002, has taken on the position of Senior Non-Executive Director.

This year also sees two long standing Executive Directors leave the business. Each has played a significant part in making Redrow one of the UK's leading residential developers. Paul Pedley has been an integral part of Redrow for over 22 years as Finance Director, Managing Director, Chief Executive and since August 2005, Executive Deputy Chairman. He has been a leading figure in the industry for many years and in 2006 was awarded an OBE for services to business in Wales. Paul will retire on 30 September 2007. Barry Harvey was with the Company for over twelve years and for the last nine as a Director of Redrow plc in the role of Northern Regional Chairman. Barry stood down from the Board on 29 June 2007. The Board wishes to record its appreciation for the long and distinguished service given by both Paul and Barry to Redrow. I am delighted that David Campbell-Kelly has joined the senior management team as Northern Regional Chairman having been with Redrow for 13 years and for the last 8 years as a Managing Director and more recently as a Regional Chairman.

We have been fortunate to be joined by two excellent new Non-Executive Directors on the Board. Denise Jagger joined the Board on 17 January 2007 and Bob Bennett was appointed on 1 May 2007. Bob has since taken on responsibility for Chairmanship of the Audit Committee. We look forward to their contribution to the continuing success of Redrow in the coming years.

Governance and Corporate Social Responsibility

Redrow recognises its responsibility to its shareholders and other stakeholders and there is a detailed report on corporate governance and an update on our work in the area of corporate social responsibility within the Annual Report. We recognise the increasing importance of sustainability issues which we are affording a greater focus in our operations. Alongside our peer group and stakeholders from other sectors we have embraced the Government's 2016 Zero Carbon Commitment. Redrow is the only housebuilder to be a member of the World Wildlife Fund's UK Forest and Trade Network and we work with that organisation to increase our use of timber from well managed and sustainable sources. We believe in providing a safe environment for everyone on our sites and were delighted to secure a Gold Award from the Royal Society for Prevention of Accidents (RoSPA) for Health and Safety for the second successive year.

Finally, we continue to invest in our people at all levels to allow them to develop their skills and to support our business objectives. The Redrow Team in the widest sense is responsible for achieving success within the business. We would like to thank not only our own employees but also our suppliers, sub-contractors, consultants and advisers for their commitment in making Redrow successful.

Looking Forward

The UK economy overall appears relatively resilient with employment levels remaining strong. We entered the new financial year with a much stronger position in terms of implementable planning consents so that the outcome for Redrow in 2007/08 will largely depend on the strength of the markets in which we operate. Some lead indicators suggest that the increases in interest rates since August 2006 are beginning to have a dampening effect on the market and we have positioned the business to best respond to prevailing conditions.

The industry in which we operate is increasingly in the public eye. The shortage and affordability of homes, together with the requirement to respond to the challenge of sustainability, become ever more prominent issues. We are witnessing an unprecedented level of new initiatives from Government and we also have the market study into UK housebuilding by the Office of Fair Trading taking place over the next twelve months.

With challenge comes opportunity and Redrow has clear strategies for the core components of its business: a long term approach to land acquisition, a development philosophy based on high quality design and a commitment to developing the skills of our employees. This leaves us well placed to capitalise on the opportunities available in our markets for the benefit of our shareholders.

Alan Bowkett
Chairman