CHAIRMAN'S STATEMENT

Introduction

As has been well reported, the condition of the UK housing market has clearly been affected by the combined effects of higher interest rates and the credit squeeze since the autumn of 2007. This has resulted in significantly slower sales activity across the housing market and the new homes industry.

In Redrow, we continue to be focused upon the key elements of our business with particular attention to the tight management control of cost and cash flow. We are continuing with our strategy to differentiate our business through the delivery of a strong product offer that embraces good design and specification for our customers. In conjunction with this we are pursuing our long term approach to sourcing land opportunities at higher margins for the medium term benefit of our business.

Group Results

In the six months ended December 2007, Group turnover was £353.1m (06/07: £387.7m). Group legal completions were 2,111, a reduction of 4.7% on the corresponding period in the last financial year. Profit before tax from continuing operations was £35.8m (06/07: £54.7m) and earnings per share on the same basis were 15.8p (06/07: 24.0p). Basic earnings per share were 14.6p (06/07: 23.8p).

The Board anticipates proposing a 20% increase in the full year dividend in line with its previous commitment. An interim dividend of 9.3p per share will be paid to shareholders on 2 May 2008, representing an increase of 19% (06/07: 7.8p).

Homes

The Homes business legally completed 1,960 new homes in the period (06/07: 2,214) at an average selling price of £162,800 (06/07: £162,400). Turnover from home sales was £319.1m (06/07: £359.6m) reflecting the reduced volume of legal completions which was a consequence of the sales environment in which we were operating.

Our business is focused on creating value either through the development of sites ourselves or through the release of value through land sales which are now separately disclosed within turnover. The 2006/07 results have been restated to reflect this disclosure but there is no impact upon the earnings for either period. In the first six months, turnover relating to land sales was £6.8m (06/07: £21.5m) taking total turnover in the Homes business to £325.9m (06/07: £381.1m).

The gross profit on the sale of homes declined to £59.0m (06/07: £74.2m) which was a result of both the lower number of completions and profitability per home. We have previously highlighted that margins would weaken due to the impact of the higher cost of land on more recently acquired sites but gross margins also came under pressure as pricing became more competitive and selling costs increased. On some sites where construction was nearing completion we accelerated sales to save site overheads in response to the market conditions.

Strong management of cost coupled with the benefits of last year's reorganisation to make our structure more efficient helped reduce overheads in our Homes operations to £19.9m (06/07: £22.7m). Reported overheads also benefited by £1.8m from the impact of a lower share price on long term management bonuses. Overhead recovery was slightly improved at 6.2% of home sales turnover (06/07: 6.3%) despite the lower levels of activity. Operating margins from home sales were 12.3% as compared with 14.3% in the corresponding period in 2006/07.

Activity in the land market reacted to the prevailing sales environment and we became more selective in our land disposals. Profits from land sales in the first half were below our anticipated level at £2.8m and were £5.0m lower than in the corresponding period last year. We have exchanged contracts to sell land which leads us to a current expectation that full year land sale profits will be at a similar level to last year (06/07 full year: £15.1m).

The operating profit in the Homes business for the six months to December 2007 was £41.9m (06/07: £59.3m).

Mixed Use & Regeneration

Our Mixed Use & Regeneration activities performed slightly ahead of our expectations, with turnover of £27.2m (06/07: £6.6m) and an operating profit of £2.4m (06/07: £2.2m). Redrow Regeneration legally completed 151 homes as it finished Phase 1 of the Barking Town Square development. Phase 2 is now under construction and comprises 272 new homes and 40,000 sq ft of commercial space. The first revenues from this phase are expected in 2008/09 with 123 units sold and 22,000 sq ft of the commercial space already pre let. We currently expect our joint venture company established to redevelop land at Watford Junction railway station to submit a planning application in the next twelve months.

As regards Mixed Use activities, we are currently constructing 24,000 sq ft of offices in the first phase of our scheme at Lichfield and further units are under construction at Buckshaw Village, Chorley. At both locations interest in the available units remains encouraging although we expect no significant contribution in the second half. We also have future opportunities for commercial income streams at Vision in Devonport, Cheswick in Bristol and Stratford upon Avon.

Discontinued Activities - Framing Solutions

We announced in September 2007 our intention to exit the Framing Solutions joint venture which manufactured and erected light steel frames for use in residential construction. In line with this objective we completed the disposal of our interest in this business on 3 January 2008 and as a consequence a post tax loss of £1.9m associated with this discontinued operation is reflected in the first half results with no further impact expected.

Profit for the Period

Group operating profit from continuing operations before financing costs was £44.9m (06/07: £61.7m).

Financing costs in the period at £8.7m (06/07: £6.9m) were virtually unchanged from the second half of the last financial year but were higher than the first half of 2006/07 reflecting a combination of higher interest rates and average debt levels. We expect the second half interest charge to be at a broadly similar level to the first half.

After deducting £0.4m representing Redrow's share of the loss in its joint ventures after interest and taxation, the Group's profit before tax from continuing operations was £35.8m (06/07: £54.7m). The tax rate on continuing operations for the full year is expected to be 29.5% and as a consequence, profit for the period from continuing operations was £25.2m (06/07: £38.3m). Taking into account discontinued operations, reported profit for the period was £23.3m (06/07: £37.9m).

Balance Sheet and Return on Capital Employed

The net debt level at the end of December 2007 of £238.0m (Dec 06: £189.2m) was lower than had been anticipated at the time of our Preliminary Results announcement in September as a consequence of our cautious approach to land acquisition. During the last six months net debt increased by £60.4m. The investment in land increased by £5.2m to £646.6m but as a consequence of our limited activity in the land market, land creditors reduced by £31.6m and we expect a further reduction in the second half as we anticipate remaining selective in completing acquisitions of new sites.

Investment in site infrastructure, coupled with construction momentum from the summer months relative to the sales rates we experienced in the autumn, resulted in work in progress increasing during the period by £25.2m to £358.3m. Our management of work in progress relative to rate of sale is an important focus and construction activity has been reduced where appropriate for the second half of our financial year. We carefully control our exposure to part exchange properties and at December 2007 this investment was only £10.2m as compared with £9.8m at June 2007.

The Group's capital employed was £826.2m (Dec 06: £725.6m) of which £17.5m related to Mixed Use and Regeneration as we continued to carefully manage our investment in speculative commercial development and we completed Phase 1 of the Barking Town Square development in Redrow Regeneration. We will see some increase in the second half as we move forward with construction on Phase 2 of this development.

Return on capital employed for the six month period based upon continuing operations was 11.2% (06/07: 18.0%). Our land acquisition strategy coupled with the controls within the business on work in progress continue to be focused on reducing capital employed in the context of the markets in which we are now operating.

Land Bank

Redrow remains committed to a long term approach to sourcing development opportunities. As at the end of December, the forward land bank stood at 25,750 plots (Dec 2006: 25,000) which were either allocated or have a realistic opportunity to secure planning. Opportunities with the prospect of short term conversion to the current land bank at Exeter, Taunton, Lydney, High Wycombe, Northampton and Kettering comprising over 2,300 plots continue to progress through the planning system.

The major regeneration of the former Royal Ordnance site at Bishopton to the west of Glasgow for some 2,500 new homes and over 100 acres of commercial and mixed use space which we are promoting jointly with the owner BAE Systems was confirmed as a Community Growth Area during the period by the Scottish Executive.

We continue to adopt a prudent accounting approach for our forward land by fully providing for all option and pre-development costs until the land has a planning consent and is acquired by us. Consequently the balance sheet does not recognise the potential value of the options within our forward land bank. Option agreements are effective tools for securing long term supply for the benefit of the business at market values prevailing at the time of acquisition.

Acquisition of land in the current market was marked by a selective approach focused on financial returns, high quality locations and strong product mix. We were able to take advantage in the market to secure improved terms which should benefit the business in the future. The Group’s current land bank was 19,900 plots at the end of December (Dec 2006: 21,200 plots), of which 16,300 plots (Dec 2006: 16,850 plots) were owned with planning with the remainder of 3,600 plots (Dec 2006: 4,350 plots) generally controlled under contract awaiting the grant of a planning consent. Within our Homes business the average plot cost at the end of December 2007 increased to £39,200 (Dec 2006: £33,300), reflecting both the product mix and geographic location with an increased proportion of our land bank in the southern part of England.

Competition in the land market is softening in many areas as developers assess the future direction of the housing market. Our strategy over the coming months will be to remain careful in terms of commitments to new acquisitions until the position regarding the housing market becomes more certain and to position ourselves to be able to take advantage of better margin opportunities as these arise. We anticipate trading from a similar number of outlets in 2008/09 as in the current financial year.

Product and Cost

A key objective in our business is to use our broad product range to provide attractive and sustainable homes for buyers through our design led approach as a point of differentiation. We continue to promote the use of core housetypes to drive efficiency in our construction process, enhance quality and ensure tight management of build cost without impairing the quality of the offering to our customers.

Our strength in central procurement has held like for like housebuild cost increases over the last twelve months to less than 1% and we are constructively engaging with our business partners to reduce our cost base without devaluing the quality of our product. Sub-contractor rates are responding to the current market environment. We are exercising close control over site and office overhead costs to ensure we operate efficiently and effectively.

Sales Market

Sales in the six months to December 2007 were affected by the market conditions and the Group forward sales of 1,694 new homes (Dec 2006: 1,871) were just under 10% lower than at the corresponding date last year.

The interest rate reductions that took place in December and February are welcome. Visitor levels and website activity have picked up in the New Year with cancellation rates showing some improvement as compared with the autumn market. However, prospective buyers are cautious and sales are being affected by the tightening in mortgage availability. Our short term focus remains on implementing sales strategies that are appropriate to each site with a marketing approach that provides reassurance to prospective customers.

Based on our current assessment of the more challenging housing market, we anticipate legal completions for the Group in the financial year to June 2008 being just over 3% lower than our previous expectations, resulting in a 10% reduction as compared with last year. Reflecting the competitiveness of the sales market, net selling prices after incentives are under pressure which will lead to some further weakening in gross margins from home sales over the second half.

Prospects

We continue to promote our long term approach to land acquisition whilst in the short term we exercise caution in the current land market. We are focused on delivering products that offer a mix of homes appropriate to each location and which will appeal to our customer base. The benefits that good design and specification brings to our business in delivering value and in making our product attractive to our customers are integral parts of our heritage which will stand as points of differentiation for Redrow.

Our overall expectation remains that 2008 will present a more difficult trading environment than the industry has experienced for many years with lower levels of confidence in the housing market. It is difficult to assess when confidence will improve as this will depend upon a number of factors including the cost of borrowing, mortgage availability and general economic conditions. However, the fundamental need to increase the supply of new homes in the UK remains a key element in Government policy and is a positive for our future. We have an experienced and committed management team to address the challenges we currently face. Our strategy remains to position Redrow to capitalise on improvements in our markets and to take advantage of the opportunities that will arise when confidence returns.

Alan Bowkett
Chairman