

CHAIRMAN'S STATEMENT

Delivering Value

In the year in which Redrow welcomed its 50,000th customer to their new home, I am pleased to report that we have made significant progress in our strategy to deliver growth and value to shareholders.

Land is the life-blood of our business and I am encouraged to report that in the last twelve months we have increased our current land bank by over 20% to 21,000 plots (2005: 17,300 plots). We also continued to develop our forward land bank which represents one of the cornerstones of our financial returns, thereby strengthening our base to deliver growth in our core business. We have made considerable progress with our new Debut product and, in just eighteen months, have achieved planning for over 1,100 homes as at June 2006. We have secured additional mixed use opportunities at Bristol and Plymouth to complement our continuing success at Buckshaw Village, Chorley and have made major progress on the potential mixed use development at Bishopton, near Glasgow. In Redrow Regeneration, we have commenced construction on our first project at Barking and have made good progress on other major projects.

Financial Performance

We entered the last financial year with a strong forward sales position and this, together with the introduction of Debut, enabled the Group to deliver a sound financial performance in a more challenging and difficult market. These results reflect the impact of this market and the profit before tax for the twelve months to June 2006 was £120.5m compared with £139.0m in the previous year. Turnover from the Homes' operations increased marginally to £765.5m (2005: £753.8m). Our growth strategy enabled us to increase legal completions by 8% to 4,735 (2005: 4,372) which more than offset a reduction in the average selling price to £161,700 (2005: £172,400). This reduction in average selling price was due to geographic and product mix particularly within our In the City developments and the first significant contribution from our open market affordable Debut product. As we had previously indicated, in this prevailing market with lower levels of house price inflation, operating margins reduced within our Homes operations but remained respectable at 17.5% for the year (2005: 19.6%). Operating profits from the Homes operations at £133.8m compared with £147.4m in 2005 for the year as a whole, although its performance was stronger in the second half with operating profits up 2%. Basic earnings per share in the year were 52.9p (2005: 60.7p).

Our balance sheet remains in a robust position providing us with further opportunity to continue to invest in our land bank so as to grow our business. Net debt was £129.8m after increasing the investment in our land bank by a further £63.4m, with our owned land bank growing to 16,750 plots (2005: 15,800). Return on capital employed in the year at 22% (2005: 28.7%) remained significantly ahead of our cost of capital. Gearing was 25% (2005: 23%) and our interest cover at 11.5 times (2005: 12.2 times) remains strong.

Dividend

In December 2003, the Board of Redrow plc made a commitment to increase the dividend in the years to June 2004 and June 2005 by 20% per annum. This underlined the Board's

confidence in the quality and strength of the Company. In September 2004, we extended this commitment for a further year to June 2006, and we therefore propose to increase the final dividend for the year to June 2006 to 8.7p (2005: 7.2p). This will bring the total dividend for the year to 13.0p (2005: 10.8p), representing a 20% increase, with dividend cover standing at 4.1 times earnings.

Our strong financial performance and the progress we have made with our growth strategy provides the Board with the opportunity to continue this progressive dividend policy. I am therefore pleased to advise that the Board has decided to increase the dividend by 20% per annum in each of the next two years so that by November 2008, the dividend will have increased by 2.5 times over a five year period. In addition, we have decided that in future years, the dividend will be rebalanced so that the interim and final dividend will be broadly equal thereby increasing the proportion of dividend paid at the interim stage.

People

In 2006, Redrow secured the Major Homebuilder of the Year Award from Building Magazine. This award was won through the commitment and dedication of the Redrow Team. This team has risen to the challenges presented by recent markets. On behalf of the Board, I would like to thank all those in the Redrow Team, including our suppliers and subcontractors, for their contribution to both these results and the progress made across our business over the last twelve months. Health and safety rightly carries a high profile in our activities and we are delighted to have secured a Gold Award from RoSPA in 2006 to follow the Silver and Bronze awards received in 2005 and 2004 respectively.

Outlook

In the Spring of 2006, we witnessed a recovery in the housing market following eighteen months of weaker demand. We have entered the new financial year with a forward sales position that remains ahead of our historic norm for our core product together with significant forward sales for our Debut product. We are mindful that recent increases in unemployment levels and interest rates could affect customer confidence but sales levels in the early weeks of the new financial year are encouraging. The overall growth within the economy and the commitment of the Redrow Team combined with the quality and effectiveness of our land bank should enable the Group to see continued growth in the level of legal completions in the new financial year both in our core and Debut product ranges. As a consequence we expect 2007 to be a year of further progress for Redrow.

The fundamentals for the industry remain sound with requirements for new homes in many regions being increased, particularly in response to the continuous formation of new households and the need to replace the Nation's ageing housing stock. This provides an environment that gives Redrow an opportunity to capitalise on the strategy we have put in place to deliver growth. We recognise the commitment of the Government to increase the number of new homes, in particular through improving the efficiency of the planning system. The latter however continues to be the major issue in terms of meeting the Government's objectives.

The quality of our current land bank and the positive advancement of a number of our major forward land sites within the planning system provides us with the capability to increase output in our core product range. Our new Debut product continues to go from

strength to strength and we are on track to meet our objective of delivering 2,000 Debut homes per annum by 2010. We continue to derive advantage from mixed use developments and in due course expect to secure benefit from the regeneration opportunities we are pursuing. We have a strategy in place that provides us with the capability to deliver growth and through which we can continue to produce value to shareholders.

Robert Jones
Chairman