



Half-yearly Report 2007/08

Results in brief

(Unaudited)

6 months ended
31 December

12 months ended
30 June

2007

Restated
2006

Restated
2007

Redrow plc

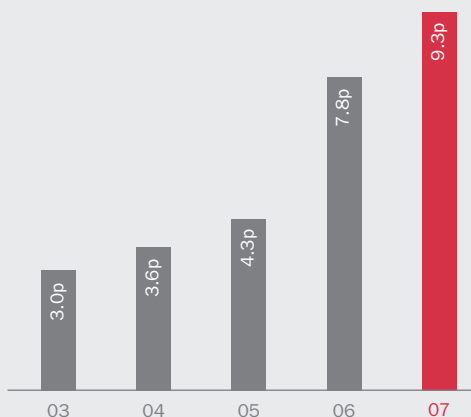
Unit completions	2,111	2,214	4,823
Revenue	£353.1m	£387.7m	£834.3m
Profit before taxation from continuing operations	£35.8m	£54.7m	£121.1m
Profit after taxation from continuing operations	£25.2m	£38.3m	£85.0m
Earnings per share from continuing operations	15.8p	24.0p	53.3p
Interim dividend	9.3p	7.8p	15.6p
Return on capital employed	10.6%	17.8%	19.4%

Financial Calendar

Interim ordinary dividend to be paid	2 May 2008
Interim Management Statement	May 2008
Announcement of results for the year to 30 June 2008	September 2008
Circulation of Annual Report	October 2008
Annual General Meeting	November 2008

Interim dividend per share (p)

■ Interim dividend per share = 9.3p



Redrow at a glance

Redrow trades from 10 regional housing companies, managing in excess of 100 housing developments across England, Scotland and Wales.

Redrow has the capacity to undertake mixed use developments and through Redrow Regeneration focuses on developing flexible partnerships with stakeholders to deliver situation specific mixed use solutions that support and encourage new and sustainable communities.

The Group provides direct employment to approximately 1,300 people and many more through its relationships with subcontractors and suppliers.

Redrow is listed on the London Stock Exchange (Ticker: RDW) in the Household Goods sector and in the FTSE 250.

Product portfolio

Homes

Signature Representing our primary offering to our customers, with one bedroom apartments to five bedroom luxury houses, the Signature range provides styles that allow for flexibility in their elevational treatments to ensure they blend harmoniously with the local environment.

In the City High specification apartment living. Visionary and cutting-edge schemes that provide accommodation for those wanting a contemporary lifestyle.

Debut Ranging from one bedroom apartments to two storey homes; via the use of modern methods of construction and state of the art materials, we are creating handsome and sustainable homes and communities affordable to the first time buyer.

Mixed Use & Regeneration

Mixed Use Our residential and commercial development expertise allows us to unlock mixed use opportunities, creating homes, office, retail, industrial and leisure schemes that respond to planning requirements and satisfy occupier demand.

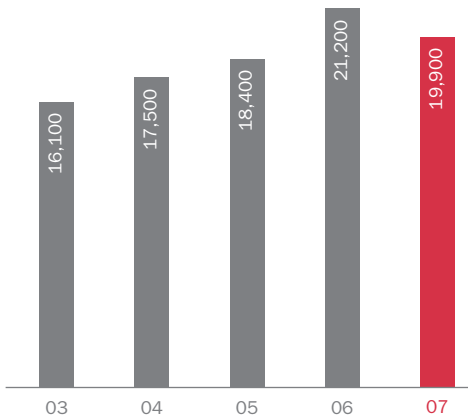
Urban Regeneration Through the dynamic and flexible partnerships we create with stakeholders, we are able to successfully tackle major regeneration schemes that provide sustainable solutions and community benefits to the most demanding of inner-city challenges.



Tiddy Brook Meadows, Tavistock, Devon.

Current Land Bank (plots) - December

■ Current Land Bank = 19,900 plots



Residential v. Mixed Use and Regeneration (Operating Profit) - 6 months ended December 07



Product Portfolio - % of business (Homes Turnover) - 6 months ended December 07



- 1 Signature = 84%
- 2 In the City = 11%
- 3 Debut = 5%

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.

Chairman's statement

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



John Fielding Gardens, Llantarnam, South Wales.

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.

Chairman's statement



Cressington Heath, Garston, Liverpool.

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

Responsibility statement

The Directors confirm that, to the best of our knowledge:

- (i) this condensed set of financial statements has been prepared in accordance with IAS 34, as adopted by the European Union;
- (ii) the interim management report contained herein includes a fair review of the information required by DTR 4.2.7 (indication of important events during the first six months and a description of the uncertainties for the remaining six months of the financial year) and DTR 4.2.8 (disclosure of related party transactions and changes therein).

The Directors of Redrow plc are listed in the Redrow plc Annual Report and Accounts for the year ended 30 June 2007.

By order of the Board

Neil Fitzsimmons

Chief Executive

27 February 2008

David Arnold

Group Finance Director

27 February 2008

Independent review report to Redrow plc

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2007, which comprises the income statement, balance sheet, statement of recognised income and expense, cash flow statement and related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of the Disclosure and Transparency Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, 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.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independent review report to Redrow plc

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2007 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.



PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Chartered Accountants

27 February 2008

Manchester

Note:

- a) The maintenance and integrity of the Redrow plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated income statement

(Unaudited)		6 months ended 31 December		12 months ended 30 June	
	Note	2007 £m	Restated 2006 £m	Restated 2007 £m	
Revenue	2	353.1	387.7	834.3	
Cost of sales		(287.6)	(302.4)	(651.3)	
Gross profit		65.5	85.3	183.0	
Administrative expenses		(20.6)	(23.6)	(46.4)	
Operating profit before financing costs	2	44.9	61.7	136.6	
Financial income		2.1	0.3	1.6	
Financial expenses		(10.8)	(7.2)	(16.9)	
Net financing costs	2	(8.7)	(6.9)	(15.3)	
Share of loss of joint ventures after interest and taxation	2	(0.4)	(0.1)	(0.2)	
Profit before tax from continuing operations	2	35.8	54.7	121.1	
Income tax expense	2,3	(10.6)	(16.4)	(36.1)	
Profit for the period from continuing operations	2	25.2	38.3	85.0	
Discontinued operations	16	(1.9)	(0.4)	(0.6)	
Profit for the period	2	23.3	37.9	84.4	
Earnings per share from continuing operations					
- basic	5	15.8p	24.0p	53.3p	
- diluted	5	15.8p	23.9p	53.2p	
Earnings per share including discontinued operations					
- basic	5	14.6p	23.8p	52.9p	
- diluted	5	14.6p	23.7p	52.8p	

Balance sheet

(Unaudited)

		As at 31 December	As at 30 June
	Note	2007 £m	2006 £m
		2007 £m	2007 £m
Assets			
Intangible assets		0.4	0.3
Plant, property and equipment	7	24.6	25.7
Investments		1.7	2.5
Deferred tax assets		3.6	3.6
Derivative financial instruments		0.1	0.5
Retirement benefit surplus	6	7.1	-
Trade and other receivables		4.7	1.4
Total non-current assets		42.2	34.0
Inventories	8	1,020.3	915.0
Investments		0.9	-
Trade and other receivables		18.4	33.2
Derivative financial instruments		0.5	0.3
Cash and cash equivalents	11	2.5	3.6
Total current assets		1,042.6	952.1
Total assets		1,084.8	1,030.5
Equity			
Issued capital	12	16.0	16.0
Share premium		58.3	56.3
Hedge reserve		0.4	0.6
Other reserves		7.9	7.9
Retained earnings		505.6	455.6
Total equity	13	588.2	536.4
Liabilities			
Bank loans	11	209.9	177.1
Trade and other payables	9	31.2	37.3
Deferred tax liabilities		3.0	1.5
Retirement benefit obligations	6	-	2.6
Derivative financial instruments		0.1	-
Long-term provisions		2.2	4.5
Total non-current liabilities		246.4	223.0
Bank overdrafts and loans	11	30.6	15.7
Trade and other payables	9	205.4	197.4
Derivative financial instruments		0.1	-
Current income tax liabilities		14.1	13.6
Total current liabilities		250.2	226.7
Total liabilities		496.6	449.7
Total equity and liabilities		1,084.8	1,073.3

Statement of recognised income and expense

(Unaudited)	6 months ended 31 December		12 months ended 30 June
	2007 £m	2006 £m	2007 £m
Effective portion of changes in fair value of interest rate cash flow hedges	(1.2)	0.4	1.3
Deferred tax on change in fair value of interest rate cash flow hedges	0.4	(0.1)	(0.4)
Actuarial gains/(losses) on defined benefit pension scheme	0.2	(2.4)	5.8
Deferred tax on actuarial gains/(losses) taken directly to equity	(0.1)	0.7	(1.7)
Net expense recognised directly in equity	(0.7)	(1.4)	5.0
Profit for the period	23.3	37.9	84.4
Total recognised income and expense for the period	22.6	36.5	89.4

Cash flow statement

(Unaudited)

6 months ended
31 December

12 months ended
30 June

	Note	2007 £m	2006 £m	2007 £m
Cash flow from operating activities				
Operating profit before financing costs		44.9	61.7	136.6
Depreciation and amortisation		0.9	1.1	2.3
Adjustment for non-cash items		(2.2)	(3.5)	3.1
Operating profit before changes in working capital and provisions		43.6	59.3	142.0
Decrease/(increase) in trade and other receivables		9.5	(8.3)	(6.3)
Increase in inventories		(31.6)	(65.4)	(139.1)
(Decrease)/increase in trade and other payables		(45.4)	1.4	49.6
Decrease in retirement benefit provision and other provisions		(2.2)	(5.9)	(15.7)
Cash generated from operations		(26.1)	(18.9)	30.5
Interest paid		(8.6)	(5.6)	(13.9)
Tax paid		(13.1)	(17.3)	(35.2)
Net cash from operating activities		(47.8)	(41.8)	(18.6)
Cash flows from investing activities				
Acquisition of plant, property and equipment	7	(1.7)	(2.9)	(5.2)
Proceeds from sale of plant, property and equipment	7	0.8	-	2.6
Interest received		1.5	0.1	0.9
Payments to joint ventures - continuing operations		(0.2)	-	(1.8)
Payments to joint ventures - discontinued operations		(0.4)	(0.4)	(0.5)
Net cash from investing activities		-	(3.2)	(4.0)
Cash flows from financing activities				
Issue of bank borrowings	10	139.0	87.5	170.0
Repayment of bank borrowings	10	(99.0)	(42.0)	(132.0)
Issue costs of bank borrowings		(0.1)	-	(0.1)
Purchase of own shares		-	(0.5)	(0.5)
Dividends paid	4	(12.5)	(13.9)	(26.3)
Proceeds from issue of share capital		0.2	0.1	1.9
Net cash from financing activities		27.6	31.2	13.0
Decrease in net cash and cash equivalents		(20.2)	(13.8)	(9.6)
Net cash and cash equivalents at the beginning of the period		(7.9)	1.7	1.7
Net cash and cash equivalents at the end of the period	11	(28.1)	(12.1)	(7.9)

Notes to the financial statements (unaudited)

Note 1. Accounting policies

The half-yearly financial statements have been prepared using accounting policies and presentation consistent with those applied in the preparation of the Group's consolidated financial statements for the year ended 30 June 2007, apart from the following changes:

a. Revenue Recognition

Sales of residential land holdings have historically not represented a material part of the Group's strategy and, because of this, have not been included within revenue for the Homes' business. With the increased focus on optimising the Group's land bank through land sales and swaps which may form a more frequent part of ordinary trading for Redrow, we have amended our revenue recognition policy to include residential land sales revenue within revenue for the Homes' business. The change in accounting policy does not affect reported cash flows and earnings. The impact is to increase reported revenue by £6.8m (2006: £21.5m).

b. Financial Instruments

The Group adopted IFRS 7 'Financial Instruments: disclosures' on 1 July 2007. IFRS 4, 'Insurance Contracts', revised implementation guidance, is effective when an entity adopts IFRS 7. As this half-yearly report contains only condensed financial statements, and as there are no material financial instrument related transactions in the period, full IFRS 7 disclosures are not required at this stage. The full IFRS 7 disclosures, including the sensitivity analysis to market risk and capital disclosures required by the amendment of IAS 1, will be given in the annual financial statements.

c. New Standards

In addition to the above the following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year ending 30 June 2008:-

IFRIC 10, 'Interims and Impairment,' effective for annual periods beginning on or after 1 November 2006. This interpretation has not had any impact on the timing or recognition of impairment losses as the group already accounted for such amounts using principles consistent with IFRIC 10.

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year ending 30 June 2008 and have not been early adopted:

IFRIC 14, IAS 19 - 'The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction' effective for annual periods beginning on or after 1 January 2008.

Notes to the financial statements (unaudited)

Basis of preparation

The condensed consolidated half-yearly financial information for the half-year ended 31 December 2007 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34, 'Interim financial reporting' as adopted by the European Union. The half-yearly condensed consolidated report should be read in conjunction with the annual financial statements for the year ended 30 June 2007, which have been prepared in accordance with IFRS's as adopted by the European Union.

These half-yearly financial results do not comprise statutory accounts within the meaning of section 240 of the Companies Act 1985. Statutory accounts for the year ended 30 June 2007 were approved by the Board of Directors on 10 September 2007 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph, and did not contain any statement under section 237 of the Companies Act 1985.

Note 2a. Segmental information - Income

	6 months ended 31 December	12 months ended 30 June	
	2007 £m	Restated 2006 £m	Restated 2007 £m
Revenue			
Homes - home sales	319.1	359.6	757.0
- land sales	6.8	21.5	38.6
	325.9	381.1	795.6
Mixed Use & Regeneration	27.2	6.6	38.7
	353.1	387.7	834.3
Homes - gross profit	61.8	82.0	174.7
Homes - administrative expenses	(19.9)	(22.7)	(45.0)
Homes - operating profit	41.9	59.3	129.7
Mixed Use & Regeneration - operating profit	2.4	2.2	6.6
	44.3	61.5	136.3
Add back share of joint venture operating losses	0.6	0.2	0.3
Operating profit before financing costs	44.9	61.7	136.6
Net financing costs	(8.7)	(6.9)	(15.3)
	36.2	54.8	121.3
Share of loss of joint ventures after interest and taxation	(0.4)	(0.1)	(0.2)
Profit before tax from continuing operations	35.8	54.7	121.1
Income tax expense	(10.6)	(16.4)	(36.1)
Profit for the period from continuing operations	25.2	38.3	85.0
Discontinued operations	(1.9)	(0.4)	(0.6)
Profit for the period	23.3	37.9	84.4

Notes to the financial statements (unaudited)

Note 2b. Segmental information - Balance sheet

	2007 £m	As at 31 December 2006 £m	As at 30 June 2007 £m
Segment assets			
Homes	1,066.7	955.4	1,018.3
Mixed Use & Regeneration	25.2	28.4	43.2
Framing Solutions - share of joint venture	0.9	1.8	1.8
	1,092.8	985.6	1,063.3
Elimination of inter-segment items	(10.5)	(3.1)	(2.2)
	1,082.3	982.5	1,061.1
Cash and cash equivalents	2.5	3.6	12.2
Consolidated total assets	1,084.8	986.1	1,073.3
Segment liabilities			
Homes	245.1	239.5	269.8
Mixed Use & Regeneration	7.4	6.9	21.4
	252.5	246.4	291.2
Elimination of inter-segment items	(10.5)	(3.1)	(2.2)
	242.0	243.3	289.0
Borrowings	240.5	192.8	189.8
Consolidated total liabilities	482.5	436.1	478.8
Current income tax liabilities	14.1	13.6	16.7
Total equity	588.2	536.4	577.8

Note 3. Income Taxes

Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the year to 30 June 2008 is 29.5%, taking into consideration the reduction in the corporation tax rate from 30% to 28% from 1 April 2008.

Note 4. Dividends

	6 months ended 31 December	12 months ended 30 June	
	2007 £m	2006 £m	2007 £m
Amounts recognised as distributions to equity holders in the period:			
2006 final dividend paid of 8.7p per share	-	13.9	13.9
2007 interim dividend paid of 7.8p per share	-	-	12.4
2007 final dividend paid of 7.8p per share	12.5	-	-
	12.5	13.9	26.3

The Directors have declared an interim dividend of 9.3p per share (2006: 7.8p) which was approved by the board on 27 February 2008. This gives an interim dividend of £14.9m (2006: £12.4m) which will be paid on 2 May 2008 to shareholders whose names are on the Register of Members at the close of business on 7 March 2008. The shares will become ex-dividend on 5 March 2008.

In accordance with IAS 10 'Events after the Balance Sheet Date' the interim dividend has not been included as a liability as at 31 December 2007.

Notes to the financial statements (unaudited)

Note 5. Earnings per share

The basic earnings per share calculation for the 6 months ended 31 December 2007 is based on the weighted number of shares in issue during the period of 159.8m (2006: 159.4m) excluding those held in trust under the Redrow Long Term Incentive Plan, which are treated as cancelled.

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

6 months ended 31 December 2007

	Earnings £m	No. of shares millions	Per share pence
Basic earnings per share for continuing operations	25.2	159.8	15.8
Effect of share options and SAYE	-	0.1	-
Diluted earnings per share for continuing operations	25.2	159.9	15.8

Basic earnings per share including discontinued operations is 14.6p (diluted - 14.6p).

6 months ended 31 December 2006

	Earnings £m	No. of shares millions	Per share pence
Basic earnings per share for continuing operations	38.3	159.4	24.0
Effect of share options and SAYE	-	0.4	(0.1)
Diluted earnings per share for continuing operations	38.3	159.8	23.9

Basic earnings per share including discontinued operations is 23.8p (diluted - 23.7p).

12 months ended 30 June 2007

	Earnings £m	No. of shares millions	Per share pence
Basic earnings per share for continuing operations	85.0	159.5	53.3
Effect of share options and SAYE	-	0.4	(0.1)
Diluted earnings per share for continuing operations	85.0	159.9	53.2

Basic earnings per share including discontinued operations is 52.9p (diluted - 52.8p).

Note 6. Pensions

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

Total amounts credited/(charged) against income during the period:

	6 months ended 31 December	12 months ended 30 June	
	2007 £m	2006 £m	2007 £m
Amounts included within the income statement			
Period operating costs			
Current service cost	(1.0)	(1.3)	(2.4)
Financing costs			
Expected return on assets	2.5	2.0	4.1
Interest cost	(1.9)	(1.7)	(3.4)
	(0.4)	(1.0)	(1.7)
Amounts recognised in the Statement of Recognised Income and Expense (SORIE)			
Actuarial gains/(losses)	0.2	(2.4)	5.8
	(0.2)	(3.4)	4.1
Amounts recognised in the balance sheet			
Present value of the defined benefit obligation	(67.8)	(71.9)	(66.2)
Fair value of the Scheme's assets	74.9	69.3	72.3
Asset/(liability) in the balance sheet	7.1	(2.6)	6.1

Note 7. Plant, property and equipment

During the period, the Group spent approximately £1.3m on new office premises and a further £0.4m on office equipment.

The Group also disposed of office premises with a carrying value of £0.5m for proceeds of £0.6m, and disposed of plant and machinery with a carrying value of £0.2m for proceeds of £0.2m.

Notes to the financial statements (unaudited)

Note 8. Inventories

	As at 31 December		As at 30 June
	2007 £m	2006 £m	2007 £m
Land for development	646.6	576.5	641.4
Work in progress	358.3	323.8	333.1
Stock of showhomes	15.4	14.7	14.2
	1,020.3	915.0	988.7

Note 9. Land creditors (included in trade and other payables)

	As at 31 December		As at 30 June
	2007 £m	2006 £m	2007 £m
Due within one year	61.4	52.9	75.4
Due in more than one year	31.2	37.3	48.8
	92.6	90.2	124.2

Note 10. Borrowings and loans

	6 months ended 31 December		12 months ended 30 June
	2007 £m	2006 £m	2007 £m
Opening net book amount	170.0	132.0	132.0
Issue of bank borrowings	139.0	87.5	170.0
Repayment of bank borrowings	(99.0)	(42.0)	(132.0)
Closing net book amount	210.0	177.5	170.0

At 31 December 2007, the Group had total unsecured bank borrowing facilities of £525.0m, representing £480.0m committed facilities and £45.0m uncommitted facilities.

Note 11. Analysis of net debt

	As at 31 December	As at 30 June	
	2007 £m	2006 £m	2007 £m
Cash and cash equivalents	2.5	3.6	12.2
Bank overdrafts and loans - current liabilities	(30.6)	(15.7)	(20.1)
	(28.1)	(12.1)	(7.9)
- non-current liabilities - bank loans	(210.0)	(177.5)	(170.0)
- issue costs	0.1	0.4	0.3
	(238.0)	(189.2)	(177.6)

Note 12. Share capital

	As at 31 December	As at 30 June	
	2007 £m	2006 £m	2007 £m
Authorised			
330,000,000 ordinary shares of 10p each	33.0	33.0	33.0
Allotted, called up and fully paid	16.0	16.0	16.0

Number of ordinary
shares of 10p each

Movement in the period was as follows

At 1 July 2007 159,827,039

Share options exercised 58,682

At 31 December 2007 159,885,721

Notes to the financial statements (unaudited)

Note 13. Reconciliation of movements in consolidated equity

	6 months ended 31 December	12 months ended 30 June	
	2007 £m	2006 £m	2007 £m
Profit for the period	23.3	37.9	84.4
Dividends on equity shares	(12.5)	(13.9)	(26.3)
Other recognised income and expense relating to the period (net)	(0.7)	(1.4)	5.0
Shares issued at a premium	0.2	0.1	1.9
Movement in LTSIP/SAYE	0.1	(0.1)	(1.0)
Net increase in equity	10.4	22.6	64.0
Opening equity	577.8	513.8	513.8
Closing equity	588.2	536.4	577.8

Note 14. Contingent liabilities

Performance bonds, financial guarantees in respect of certain deferred land creditors and other building or performance guarantees have been entered into in the normal course of business.

Note 15. Related parties

Within the definition of IAS 24 'Related Party Disclosures', the Board and key management personnel are related parties, being identified as the Main Board together with Group Senior Management. Summary key management remuneration is as follows:

	6 months ended 31 December	12 months ended 30 June	
	2007 £m	2006 £m	2007 £m
Short-term employee benefits	1.0	1.2	3.2
Post-employment benefits	0.2	0.2	0.5
Share-based payment	-	-	0.7
	1.2	1.4	4.4

There have been no other material transactions with key management personnel.

The Group did not undertake any transactions with The Waterford Park Company Limited or The Waterford Park Company (Balmoral) Limited joint ventures. The Group's loans to its joint ventures are summarised below:

	As at 31 December	As at 30 June	
	2007 £m	2006 £m	2007 £m
Loans to joint ventures	1.9	0.4	1.8

Notes to the financial statements (unaudited)

Note 16. Discontinued operations - disposal of interest in joint venture

On 3 January 2008, the Group completed the disposal of its interest in its Framing Solutions joint venture. The loss on disposal has been included in the half-yearly results for the period and disclosed accordingly as discontinued operations. Financial information relating to the business for the period is as follows:

	6 months ended 31 December	2006	12 months ended 30 June
	2007 £m	£m	2007 £m
Revenue	1.6	1.8	3.9
Expenses	(2.2)	(2.3)	(4.8)
Loss before tax	(0.6)	(0.5)	(0.9)
Tax on loss	0.2	0.1	0.3
Loss after tax on discontinued operations	(0.4)	(0.4)	(0.6)
Loss on disposal	(2.0)	-	-
Tax on disposal	0.5	-	-
	(1.5)	-	-
Share of loss after interest and taxation on Framing Solutions joint venture	(1.9)	(0.4)	(0.6)

Investing cash flows for discontinued operations amounted to an outflow of £0.4m in the period.

The Group reported net loans outstanding at December 2007 with Framing Solutions of £nil (December 2006: £1.2m; June 2007: £1.4m).

The Group undertook transactions with its Framing Solutions joint venture in the normal course of business during the financial period. This consisted of the purchase of lightweight steel frames totalling £2.4m (2006: £2.9m). At the end of the period, the balance owed to Framing Solutions by the Group was £1.7m (2006: £1.5m).



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