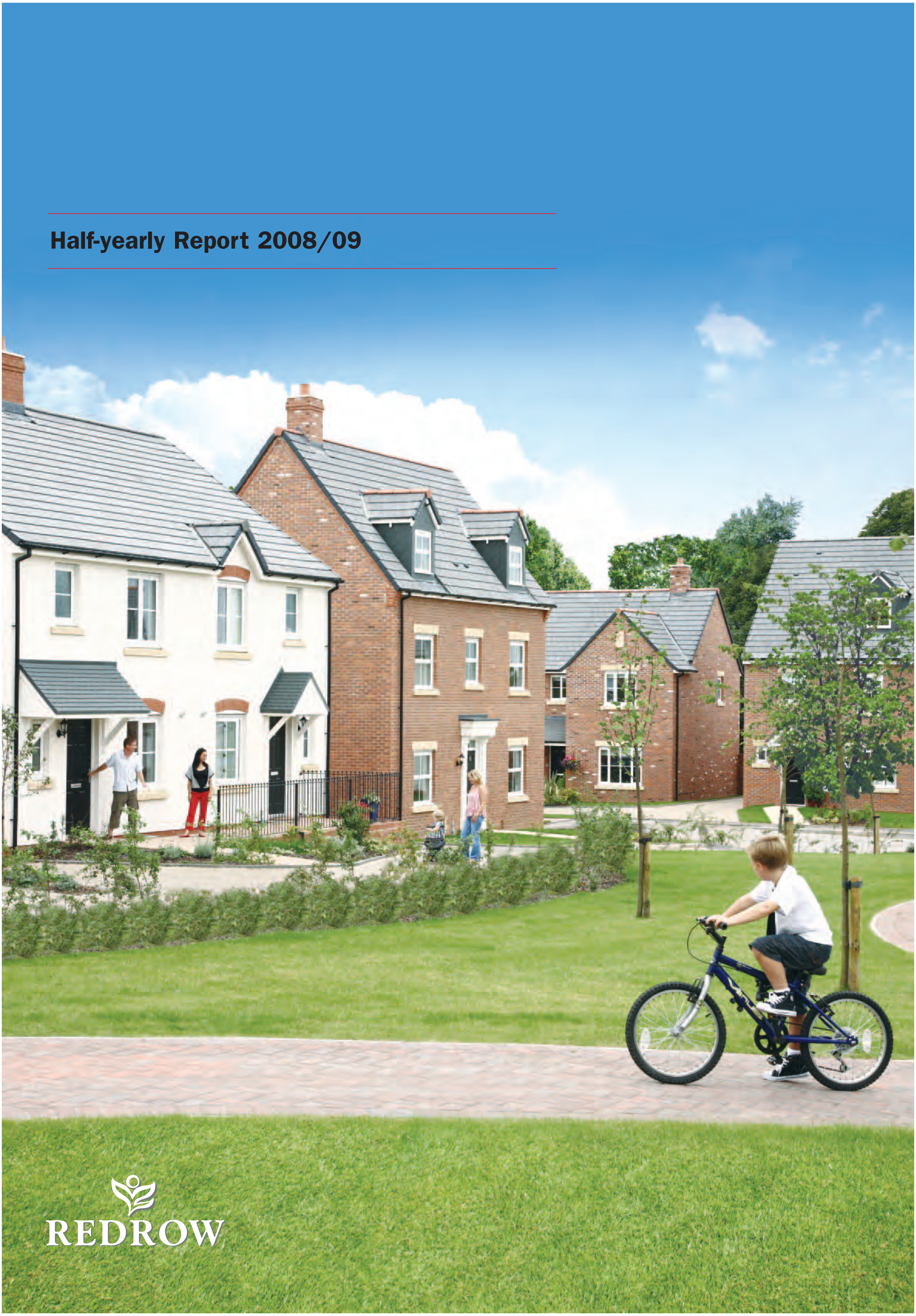
Half-yearly Report 2008/09



REDROW

Redrow is recognised as a leading residential developer in the UK.

We have responded decisively to the current challenging market conditions and are working to position the Group to be best able to take advantage of improvements in the housing market when mortgage availability improves and homebuyer confidence returns.

H1 2008/09 Key figures

	6 months ended 31 December		12 months ended 30 June
	2008	2007	2008
	£m	£m	£m
Revenue	**149.5**	353.1	650.1
Operating (loss)/profit from continuing operations pre-exceptional items	**(8.7)**	44.9	84.5
(Loss)/profit before taxation from continuing operations pre-exceptional items	**(21.2)**	35.8	65.5
(Loss)/profit before taxation from continuing operations	**(46.2)**	35.8	(193.9)
Net assets	**368.4**	588.2	404.6
	Pence	Pence	Pence
(Loss)/earnings per share from continuing operations pre-exceptional items	**(9.6)**	15.8	28.8
(Loss)/earnings per share from continuing operations	**(20.8)**	15.8	(86.3)
Dividend per share	-	9.3	9.3

Financial Calendar

Interim Management Statement	May 2009
Announcement of results for the year to 30 June 2009	September 2009
Circulation of Annual Report	October 2009
Annual General Meeting	November 2009

Chairman's statement

Alan Bowkett, Chairman

> We have been proactive in reducing costs, managing cash flow and securing new finance. Redrow has a clear strategy for the medium term.

INTRODUCTION

Redrow recognised early that the unprecedented speed and severity of the downturn in the housing market would have a very significant impact on short term profitability. We have taken swift and decisive action in response to these market conditions. Nevertheless, the marked reduction in the availability of mortgage finance and its impact on the number of housing transactions and house prices has been strongly felt. This is reflected in our reported results for the six months to December 2008 which show a pre-tax loss of £46.2m (H1 07/08: £35.8m profit) after charging exceptional items. The exceptional items, which total £25.0m, comprise restructuring costs and an increase in net realisable value provisions.

In response to market conditions, cost reduction and tight management of cash flow have been key priorities. We are ahead of plan in both these areas having taken the following actions:

- We refinanced our lending arrangements in September 2008 with a syndicated loan facility through to 30 September 2011. The terms of these facilities remain competitive given subsequent adverse movements in the corporate lending markets. We are operating well within our new committed bank facilities with adequate headroom against our covenants.
- We continually review our cost base and have made significant reductions in sales and marketing expenditure, site overheads and administrative expenses. We implemented a rationalisation programme which delivers annual cash savings of £15.1m, including annualised reductions in administrative expenses of £7.5m.
- We prioritised the management of cash flow including restricting land spend to contractual commitments and have successfully reduced inventories. We have reduced the number of unsold stock properties on our Signature and Debut sites by almost 50%.
- We recognised the significant impact the market was having on land values in the last financial year and have further reviewed the carrying value of land and work in progress as at December 2008. As a consequence, we increased provisions in respect of net realisable value which are now equivalent to 45% of historic land cost at the period end.

We are working to position the Company to be best able to take advantage of improvements in the housing market when mortgage availability improves and homebuyer confidence returns.

- In the second half of our financial year we have already taken further steps to reduce our cost base. Our annualised run rate for administrative expenses will be further reduced by £5.0m to £28.5m, representing 40% of its level in 2006/07. We have reduced like for like build costs over the last twelve months by approximately 10% which will be reflected in new construction releases.
- We are ahead of our plan to achieve our debt objectives for June 2009 and 2010. We are well placed to reduce net debt to below £225m at June 2009. The cash generative nature of our current strategy provides the capacity to deliver further debt reductions in the next financial year.
- We continue to draw upon our historic strengths: we are developing our product to enhance its appeal in a competitive marketplace and progressing our forward land bank as a source of opportunity for the future.

We have seen an increase in visitor levels and sale reservations since the start of 2009 consistent with the normal seasonality of our business. An improvement in macro-economic conditions remains fundamental to deliver a recovery in the housing market.

TRADING PERFORMANCE

In the six months to December 2008, our financial performance reflected reduced levels of activity and continued pressure on pricing. Mortgage approvals for house purchase averaged only 31,000 per month in the second half of 2008, a reduction of 67% on the corresponding period in 2007. The weakness in selling prices accelerated and since June 2008 through to the end of 2008 we estimate that pricing deteriorated by some 10%. Leading house price indices indicate that selling prices have decreased by approximately 16% over the 12 months to December 2008 and this is broadly consistent with our own experience. Price falls of nearly 20% have occurred since the peak in August 2007.

In these very challenging markets sales reservations were down 49% compared with the same period last year with 853 sales reservations achieved (H1 07/08: 1,657). Cancellation rates over the six month period ran at 27% partly driven by increased redundancies and concerns about employment prospects in the last months of 2008.

Chairman's statement

Group turnover was £149.5m (H1 07/08: £353.1m) and this primarily reflected a reduction of 51% in the number of legal completions to 1,042 homes (H1 07/08: 2,111) coupled with a 14% reduction in the average selling price to £140,500 (H1 07/08: £162,700). Turnover relating to sales of commercial property and land was £3.2m (H1 07/08: £9.6m).

Pricing pressure and the marked reduction in activity in the housing market had a significant impact on our reported gross margin before exceptional items which decreased to 5.6% in the six months to December 2008 (H1 07/08: 18.5%). We achieved significant reductions in sales and marketing expenditure of 40% and site overheads were 50% lower as compared with the corresponding period last year. The gross profit before exceptional items for the Group was £8.4m (H1 07/08: £65.5m) and included £0.5m (H1 07/08: £0.9m) from commercial property transactions relating to our mixed use and regeneration sites.

Administrative expenses in the period before exceptional items were 17% lower at £17.1m (H1 07/08: £20.6m). We have taken further action in the second half of the financial year in response to the deterioration in economic outlook including the closure of two company operations at Wakefield and Northampton. This will reduce by £5.0m the annualised run rate for administrative expenses to c.£28.5m from the end of June 2009. This represents a level 40% below that of the year ended June 2007. The operating loss before exceptional items was £8.7m (H1 07/08: £44.9m profit).

Financing costs during the first half of the financial year were £12.4m (H1 07/08: £8.7m) including £1.0m of imputed interest on deferred land creditors. Average debt during the period was approximately £275m. The interest charge in the first quarter of the financial year benefited from lower financing costs associated with our previous borrowing arrangements. Lower average debt levels in the second half of the year together with a reduction in LIBOR rates are expected to offset the higher cost of borrowing associated with the refinancing concluded in September 2008. We anticipate that the finance charge in the second half will be slightly below the level in the first half of our financial year.

▲ Y Dolydd, St. David's Park, Flintshire

EXCEPTIONAL ITEMS

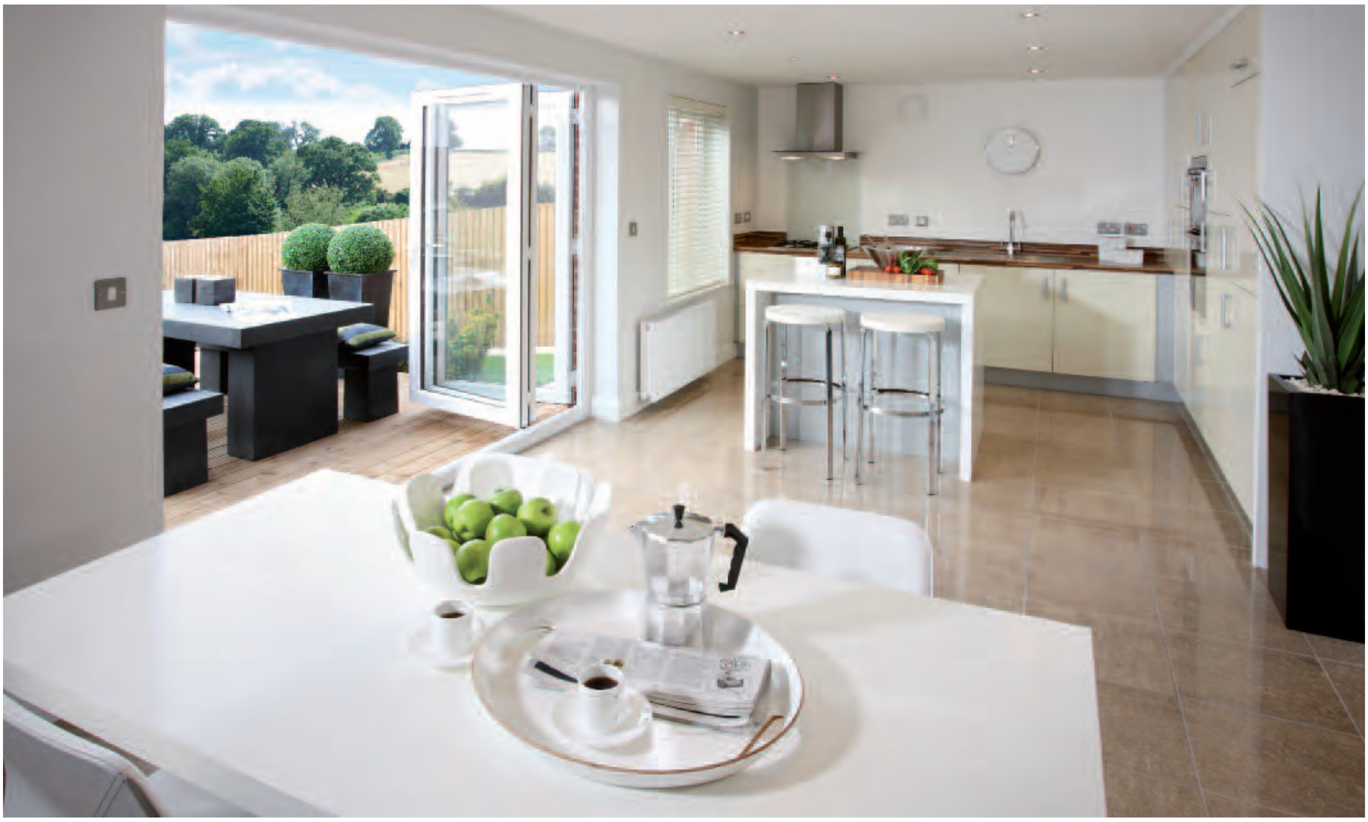
We had already taken steps to reduce our cost base during July and August 2008 which included the closure of two operating companies. Regrettably, this action resulted in a reduction of 350 employees. In response to lower levels of construction activity we revised operational practices to reduce site related costs resulting in additional redundancies. In the twelve months to December 2008 we reduced our headcount by 43% to 740 employees.

The Directors would like to thank all our staff for the professional way in which this rationalisation was conducted and to record our appreciation of the commitment to Redrow of those colleagues who were unfortunate to lose their positions. The cost of the steps taken in the first half of the financial year was £3.1m and has been included in the accounts for the six months to December 2008 as an exceptional item. There is a related pension curtailment credit of £1.8m as a result of the reduction in the number of active members in the defined benefits section of the scheme, which has also been included within exceptional items. There will be an exceptional charge in the second half of 2008/09 of approximately £1.8m in relation to the further rationalisation of our cost base which we implemented in early 2009. Following the conclusion of this rationalisation our total number of employees will be close to 650.

We have also recognised an exceptional charge of £23.7m relating to the net realisable value of land and work in progress. We have reviewed the selling prices and associated marketing costs relating to plots on land in development as compared with the carrying value of land and work in progress. The review reflects market movements in selling prices since the previous assessment included in the accounts as at June 2008, taking into account appropriate pricing adjustments to enhance sales reservation rates where this is considered necessary. As at December 2008, the overall level of NRV provision was £267.5m which was equivalent to 45% of the Group's historic land cost of £596.0m.

RESULT FOR THE PERIOD

The Group incurred a loss before tax from continuing operations and before exceptional items of £21.2m (H1 07/08: £35.8m profit) with the adjusted loss per share on an equivalent basis at 9.6p (H1 07/08: earnings per share of 15.8p). The loss before taxation from continuing operations after exceptional items was £46.2m (H1 07/08: £35.8m profit) with a basic loss per share on the same basis of 20.8p (H1 07/08: earnings per share of 15.8p).



▲ New kitchen layout and specification

LAND BANK AND WORK IN PROGRESS

The key component of our capital employed of £637.5m as at December 2008 (Dec 2007: £826.2m) is land and work in progress which amounted to £688.5m (Dec 2007: £1,020.3m). We have reduced our investment in land and work in progress by £67.4m over the last six months. Our inventories primarily relate to residential development with only £17.6m (Dec 2007: £11.5m) invested in the commercial development elements of our mixed use and regeneration schemes.

No new binding commitments were made to acquire land in the period and our contractual obligations reduced from 1,550 plots at June 2008 to 750 plots at December 2008 (Dec 2007: 2,800 plots). Full provision is made for pre-development costs incurred on contracted sites until a planning consent is secured and the site is acquired. In the last six months we acquired 530 plots on three sites with historic contractual commitments and achieved outline planning for 350 plots on a long-term land holding in our forward land bank. We have a further 400 owned plots in our forward land bank where we do not yet have planning.

Although the land market was extremely subdued over the last six months, we pursued selected opportunities to generate cash from our land bank. We disposed of 200 plots for £2.4m (Dec 2007: £6.8m) securing a profit of £0.6m (Dec 2007: £2.8m). Our owned land bank (including Regeneration plots) held with planning at December 2008 was 14,550 plots (Dec 2007: 16,300 plots) with a plot cost of £24,600 after net realisable value provisions (Dec 2007: £38,600).

At December 2008, our forward land bank under option with a realistic prospect of securing a planning consent was 25,000 plots (Dec 2007: 25,750 plots) including 8,500 allocated plots. Reviews of housing requirements across a number of regions are leading to improvements in the prospects for existing sites under our control as well as new sites being identified. Our option land bank continues to be carried at nil value in our accounts with all option payments and associated promotion costs provided for until a planning consent is obtained and the land is acquired by us.

We maintained a strong focus on managing build expenditure and selling stock properties, achieving a significant reduction of £47.3m in our work in progress in the period.

On Signature and Debut sites, we have reduced the number of unsold stock properties by almost 50% to 353. The carrying value of part exchange properties at December 2008 was only £7.8m (Dec 2007: £10.2m).

Construction expenditure on our two ‘In the City’ projects and our Regeneration scheme at Barking resulted in build expenditure of £17.4m in the last six months. Construction on both ‘In the City’ developments is now complete and we have 384 completed properties for sale as at 31 December 2008 with a further 77 unsold properties on the regeneration scheme at Barking. There remains further construction expenditure of £16.0m on this project over the period to March 2010. This segment of the market remains more difficult than traditional housing and we continue to pursue opportunities to generate cash from these developments.

CASH FLOW AND FUNDING

We managed our cash flow in the last six months to meet our debt reduction plan and as a result our debt was below our anticipated level at December 2008. We achieved cash generation of just under £25m before our committed land spend of £66.1m and reorganisation costs. Net debt at the end of December 2008 was £269.1m (Dec 2007: £238.0m).

Chairman's statement

Since June 2008, we have paid £12.7m in respect of contracted land payments and land creditor payments of £53.4m. Land creditors at December 2008 were £53.2m (Dec 2007: £92.6m) and we anticipate a further reduction to approximately £45m at June 2009. In addition, the marked reduction in construction activity resulted in trade creditors and accruals reducing by approximately £40.0m in the last six months. Cash flow in the second half of the year will benefit from significantly reduced committed land payments estimated at £18.0m and with construction output levels stabilising we would expect the impact of trade creditor and accrual movements to be much diminished. Committed land payments in 2009/10 reduce to £28.1m.

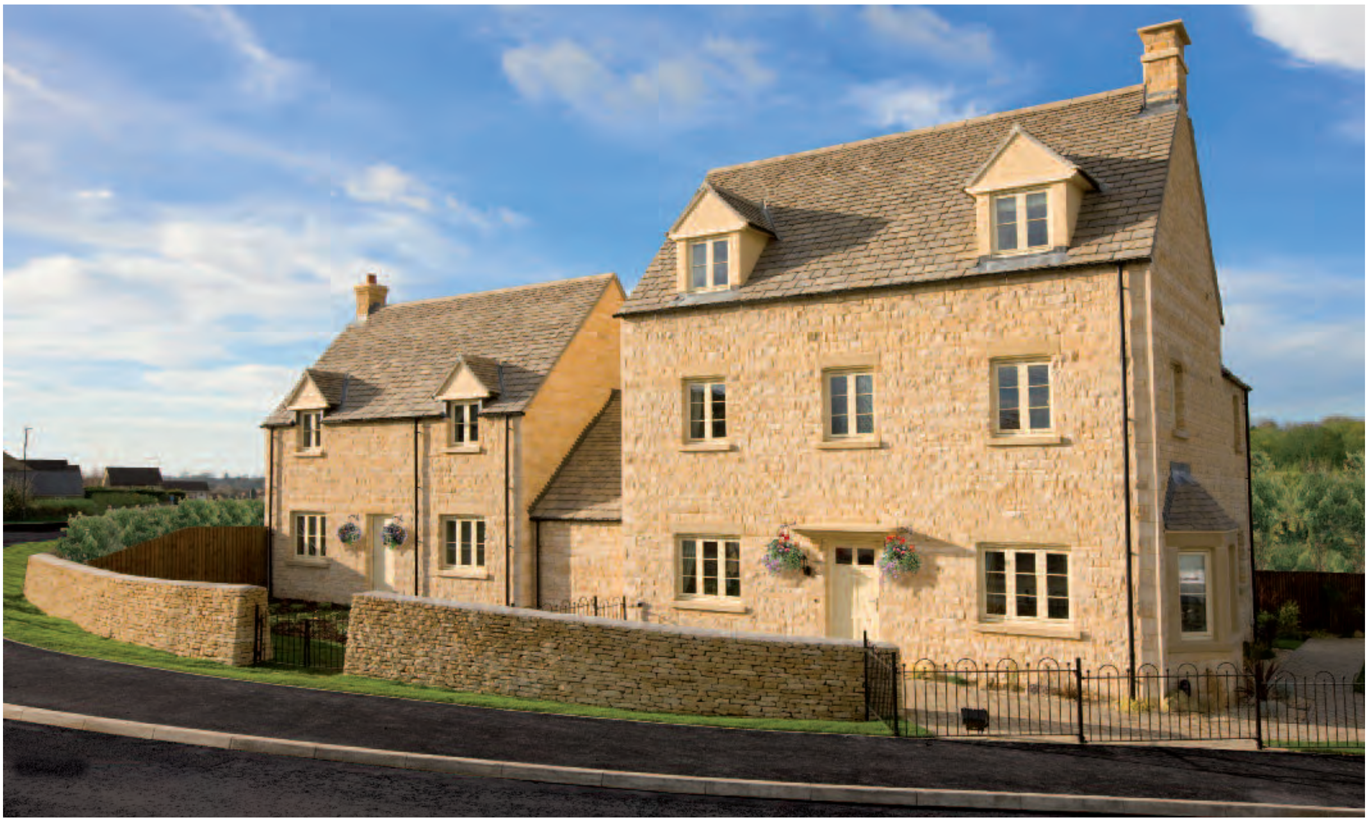
During the first half of the financial year we received a tax repayment of £13.5m. A further tax repayment of £27.5m was received in January 2009 relating to the carry back of losses arising in the year ended June 2008 to the preceding year. This receipt will contribute to our anticipated reduction of debt in the second half of our financial year and we now expect to be ahead of our debt reduction plan as at June 2009.

As at December 2008, the net assets of Redrow were £368.4m (Dec 2007: £588.2m) with gearing of 73% (Dec 2007: 40%). The net assets per share at the balance sheet date were 230.2p (Dec 2007: 367.9p) as compared with the Company's closing share price on 20 February 2009 of 124.5p. This represented a 46% discount to the net assets per share with net assets exceeding the Group's market capitalisation by £169m at that date. In accordance with our policy set out in the 2008 Annual Report, the Company will not be paying an interim dividend.

PROSPECTS AND STRATEGY

We entered the new calendar year with forward sales of 1,000 homes which was 41% lower than the prior year (Dec 2007: 1,694). We have been mildly encouraged by the improvement in sales reservation rates we have seen in the first 8 weeks of 2009 which essentially reflects the normal seasonal uplift in the market. Visitor levels in 2009 have been running ahead of those in the Autumn selling market. Net sales reservations of private homes have averaged 50 per week over the last four weeks and have been achieved at prices in line with our expectations. We now have just over 80% of our anticipated legal completions sold representing turnover of £245.0m for 2008/09. Net sales reservations since 1 July 2008 have been taken at an average selling price of £142,700.

The Government and the newly formed Homes and Communities Agency is continuing to provide welcome support to the industry. However, our industry needs further assistance particularly to facilitate improvements in the availability of credit and we would encourage the Government to implement the findings of its report into mortgage liquidity published in November 2008 as soon as possible. We were successful in our bid under the Homebuy Direct initiative which will provide funding for equity support for first time buyers on 630 properties across 33 of our developments in England.



Centuria, Cirencester

The UK and global economies continue to experience great turbulence with the extent and length of the current recession difficult to predict. The economic situation has deteriorated in recent months and is likely to remain very challenging for the remainder of 2009. We are cautious as to the prospects for 2010.

Affordability is improving and residential property is beginning to look attractive for either cash buyers or those purchasers able to commit a high proportion of equity in the current interest rate environment. However, lenders are still increasing the equity requirement for borrowers which makes it more difficult for many potential homebuyers to secure a mortgage. In addition, the spectre of unemployment is increasing within the economy which is likely to continue to restrain confidence.

These unprecedented economic conditions require decisive actions and clarity of approach both for the short term and to position Redrow to benefit when improvement takes place. We have been proactive in reducing costs, managing cash flow and securing new finance.

- We have a motivated sales team focused on cash generation in line with our debt reduction plan that continues to achieve reductions in unsold work in progress.

- Our construction teams have embraced new operational practices to improve efficiency in response to lower levels of activity. This has reduced our fixed cost base whilst maintaining the quality of our product and continuing to provide a safe working environment.

- We are achieving reductions in construction costs as new subcontract orders are being placed at significantly lower rates and material costs have eased. We estimate that like for like housebuild costs have reduced by approximately 10% as compared with a year ago.

- Our land and planning teams are delivering and exploring opportunities to use the reduced carrying value of our land bank to release capital and are working to secure longer-term land opportunities that provide control of sites with limited risk and capital investment until there is greater clarity in the market.

- We are introducing new specifications and improved internal designs into our new homes which aligned with our design-led approach will enhance their appeal to our customers and differentiate our product.

- We have reviewed product mix and design on sites and planning applications have been submitted with further applications in the pipeline, to improve the marketability and offering to our target customers.

Redrow has a clear strategy for the medium term. We will continue our commitment to forward land and to the improvement of our core product to offer a compelling proposition to homebuyers. We have retained a structure of six operating companies with effective support services and skills maintained in the business. This structure will be able to accommodate growth and meet the increasingly complex nature of our industry when market conditions improve. There remains a requirement for new homes in the UK that meet the aspirations and needs of customers when economic and homebuyer confidence is restored. This will provide opportunities for Redrow to use its skills, its land holdings and its product for the benefit of its shareholders.

Alan J. Bowkett

Alan Bowkett
Chairman

Responsibility statement

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

(i) this condensed set of half-yearly 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 their impact on the condensed set of financial statements and a description of the principal risks and uncertainties for the remaining six months of the financial year) and DTR 4.2.8 (disclosure of material 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 2008. There have been no changes in the Directors holding office since June 2008.

By order of the Board

Neil Fitzsimmons
Chief Executive
23 February 2009

David Arnold
Group Finance Director
23 February 2009

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 2008, which comprises the consolidated income statement, balance sheet, statement of recognised income and expense, cash flow statement and related notes to the financial statements. 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.

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 2008 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
23 February 2009
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) Continuing operations		Note	2008 Pre-exceptional items £m	2008 Exceptional items Note 2 £m	6 months ended 31 December 2008 Total £m	6 months ended 31 December 2007 Total £m	12 months ended 30 June 2008 Total Note 17 £m
Revenue			149.5	-	149.5	353.1	650.1
Cost of sales			(141.1)	(23.7)	(164.8)	(287.6)	(789.0)
Gross (loss)/profit			8.4	(23.7)	(15.3)	65.5	(138.9)
Administrative expenses			(17.1)	(1.3)	(18.4)	(20.6)	(36.0)
Operating (loss)/profit before financing costs			(8.7)	(25.0)	(33.7)	44.9	(174.9)
Financial income			1.6	-	1.6	2.1	4.5
Financial expenses			(14.0)	-	(14.0)	(10.8)	(22.5)
Net financing costs			(12.4)	-	(12.4)	(8.7)	(18.0)
Share of loss of joint ventures after interest and taxation			(0.1)	-	(0.1)	(0.4)	(1.0)
(Loss)/profit before tax from continuing operations			(21.2)	(25.0)	(46.2)	35.8	(193.9)
Income tax credit/(expense)		3	5.9	7.0	12.9	(10.6)	55.9
(Loss)/profit for the period from continuing operations			(15.3)	(18.0)	(33.3)	25.2	(138.0)
Discontinued operations		16	-	-	-	(1.9)	(1.9)
(Loss)/profit for the period			(15.3)	(18.0)	(33.3)	23.3	(139.9)
(Loss)/earnings per share from	**- basic**	5	(9.6p)		(20.8p)	15.8p	(86.3p)
continuing operations	**- diluted**	5	(9.6p)		(20.8p)	15.8p	(86.3p)
(Loss)/earnings per share including	**- basic**	5	(9.6p)		(20.8p)	14.6p	(87.5p)
discontinued operations	**- diluted**	5	(9.6p)		(20.8p)	14.6p	(87.5p)

Balance sheet

(Unaudited)		As at 31 December		As at 30 June
		2008	2007	2008
	Note	£m	£m	£m
Assets				
Intangible assets		0.3	0.4	0.4
Plant, property and equipment	7	17.3	24.6	22.7
Investments		2.3	1.7	2.0
Deferred tax assets		46.8	3.6	32.4
Derivative financial instruments		-	0.1	0.5
Retirement benefit surplus	6	1.9	7.1	-
Trade and other receivables		5.6	4.7	5.4
Total non-current assets		74.2	42.2	63.4
Non-current assets available for sale	7	2.9	-	-
Inventories	8	688.5	1,020.3	755.9
Investments		-	0.9	-
Trade and other receivables		8.9	18.4	13.5
Derivative financial instruments		-	0.5	0.8
Current income tax receivables		21.9	-	35.5
Cash and cash equivalents	11	10.2	2.5	127.1
Total current assets		732.4	1,042.6	932.8
Total assets		806.6	1,084.8	996.2
Equity				
Issued capital	12	16.0	16.0	16.0
Share premium		58.7	58.3	58.7
Hedge reserve		(2.1)	0.4	0.9
Other reserves		7.9	7.9	7.9
Retained earnings		287.9	505.6	321.1
Total equity	13	368.4	588.2	404.6
Liabilities				
Bank loans	11	243.8	209.9	337.5
Trade and other payables	9	19.0	31.2	24.1
Deferred tax liabilities		1.2	3.0	1.0
Retirement benefit obligations	6	-	-	0.2
Derivative financial instruments		1.0	0.1	-
Long-term provisions		2.6	2.2	2.1
Total non-current liabilities		267.6	246.4	364.9
Bank overdrafts and loans	11	35.5	30.6	12.9
Trade and other payables	9	133.2	205.4	213.8
Derivative financial instruments		1.9	0.1	-
Current income tax liabilities		-	14.1	-
Total current liabilities		170.6	250.2	226.7
Total liabilities		438.2	496.6	591.6
Total equity and liabilities		806.6	1,084.8	996.2

Statement of recognised income and expense

(Unaudited)	6 months ended 31 December 2008 £m	6 months ended 31 December 2007 £m	12 months ended 30 June 2008 £m
Effective portion of changes in fair value of interest rate cash flow hedges	(4.2)	(1.2)	(0.4)
Deferred tax on change in fair value of interest rate cash flow hedges	1.2	0.4	0.1
Actuarial gains/(losses) on defined benefit pension scheme	-	0.2	(8.3)
Deferred tax on actuarial gains/(losses) taken directly to equity	-	(0.1)	2.3
Net expense recognised directly in equity	(3.0)	(0.7)	(6.3)
(Loss)/profit for the period	(33.3)	23.3	(139.9)
Total recognised (expense)/income for the period	(36.3)	22.6	(146.2)

Cash flow statement

(Unaudited)	Note	6 months ended 31 December 2008 £m	6 months ended 31 December 2007 £m	12 months ended 30 June 2008 £m
Cash flow from operating activities				
Operating (loss)/profit before financing costs		(33.7)	44.9	(174.9)
Depreciation and amortisation		0.4	0.9	2.1
Adjustment for non-cash items		(0.4)	(2.2)	(10.4)
Operating (loss)/profit before changes in working capital and provisions		(33.7)	43.6	(183.2)
Decrease in trade and other receivables		4.4	9.5	13.7
Decrease/(increase) in inventories		67.4	(31.6)	232.8
Decrease in trade and other payables		(86.9)	(45.4)	(46.7)
(Decrease)/increase in employee benefits and provisions		(1.6)	(2.2)	5.0
Cash generated from operations		(50.4)	(26.1)	21.6
Interest paid		(10.2)	(8.6)	(18.0)
Tax repaid/(paid)		13.5	(13.1)	(24.4)
Net cash from operating activities		(47.1)	(47.8)	(20.8)
Cash flows from investing activities				
Acquisition of plant, property and equipment		-	(1.7)	(2.4)
Proceeds from sale of plant, property and equipment	7	1.8	0.8	3.1
Interest received		1.2	1.5	1.8
Payments to joint ventures - continuing operations		(0.3)	(0.2)	(1.0)
Payments (to)/from joint ventures - discontinued operations		-	(0.4)	0.6
Net cash from investing activities		2.7	-	2.1
Cash flows from financing activities				
Issue of bank borrowings	10	248.0	139.0	266.5
Repayment of bank borrowings	10	(337.5)	(99.0)	(99.0)
Issue costs of bank borrowings		(5.6)	(0.1)	-
Dividends paid	4	-	(12.5)	(27.3)
Proceeds from issue of share capital		-	0.2	0.6
Net cash from financing activities		(95.1)	27.6	140.8
(Decrease)/increase in net cash and cash equivalents		(139.5)	(20.2)	122.1
Net cash and cash equivalents at the beginning of the period		114.2	(7.9)	(7.9)
Net cash and cash equivalents at the end of the period	11	(25.3)	(28.1)	114.2

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 2008.

a. New Standards

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year ending 30 June 2009 and have not been early adopted:

- IAS 23 (Amendment): Borrowing Costs effective from 1 January 2009. This amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of the asset, removing the option to immediately expense such costs. The Group is assessing the applicability of this amendment, and if applicable, its impact.
- IFRS 2 (Amendment): Share based Payment
- IFRS 3 (Amendment): Business Combinations
- IFRS 8: Operating Segments

b. Standards and interpretations in issue but not relevant

- IFRIC 7: Applying the restatement approach under IAS 29
- IFRIC 8: Scope of IFRS 2
- IFRIC 9: Reassessment of embedded derivatives
- IFRIC 11: IFRS 2 – Group and treasury share transactions
- IFRIC 12: Service concession arrangements
- IFRIC 13: Customer loyalty programmes
- IFRIC 17: Distributions of non-cash assets to owners
- IAS 1 (Amendment): Presentation of financial statement (on liquidation)

Basis of preparation

The condensed consolidated half-yearly financial information for the half-year ended 31 December 2008 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 2008, which have been prepared in accordance with IFRSs as adopted by the European Union.

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.

These half-yearly financial results do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 30 June 2008 were approved by the Board of Directors on 8 September 2008 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 498 of the Companies Act 2006.

NOTE 2. EXCEPTIONAL ITEMS

The £25.0m exceptional operating items in the period are comprised as follows:

	£m
Cost of sales	
NRV provision (note 8)	(23.7)
Administrative expenses	
Restructuring costs	(3.1)
Pension curtailment gain arising from restructuring	1.8
	(1.3)
Exceptional operating items	(25.0)

NOTE 3. INCOME TAXES

Income tax credit/(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 2009 is 28.0% (2008: 29.5%).

NOTE 4. DIVIDENDS

	6 months ended 31 December		12 months ended 30 June
	2008 £m	2007 £m	2008 £m
Amounts recognised as distributions to equity holders in the period:			
2007 final dividend paid of 7.8p per share	-	12.5	12.5
2008 interim dividend paid of 9.3p per share	-	-	14.8
	-	12.5	27.3

In line with its stated policy, the Group will not be paying an interim dividend in the current financial year. In the previous financial year, the Directors declared an interim dividend of 9.3p per share, giving an interim dividend of £14.8m, which was paid on 2 May 2008.

In accordance with IAS 10 'Events after the Balance Sheet Date' the interim dividend for the prior year was not 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 2008 is based on the weighted number of shares in issue during the period of 160.0m (2007: 159.8m) 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 2008	Earnings £m	No. of shares millions	Per share pence
Basic earnings per share for continuing operations post exceptional items	(33.3)	160.0	(20.8)
Effect of share options and SAYE	-	-	-
Diluted earnings per share for continuing operations post exceptional items	(33.3)	160.0	(20.8)

6 months ended 31 December 2007	Earnings £m	No. of shares millions	Per share pence
Basic earnings per share for continuing operations post exceptional items	25.2	159.8	15.8
Effect of share options and SAYE	-	0.1	-
Diluted earnings per share for continuing operations post exceptional items	25.2	159.9	15.8

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

12 months ended 30 June 2008	Earnings £m	No. of shares millions	Per share pence
Basic earnings per share for continuing operations post exceptional item	(138.0)	159.9	(86.3)
Effect of share options and SAYE	-	-	-
Diluted earnings per share for continuing operations post exceptional item	(138.0)	159.9	(86.3)

Basic and diluted earnings per share including discontinued operations is (87.5p) post exceptional item.

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 2008 £m	6 months ended 31 December 2007 £m	12 months ended 30 June 2008 £m
Amounts included within the income statement			
Period operating costs			
Current service cost	(0.8)	(1.0)	(1.8)
Curtailments (note 2)	1.8	-	0.3
Financing costs			
Expected return on assets	2.6	2.5	5.2
Interest cost	(2.4)	(1.9)	(4.0)
	1.2	(0.4)	(0.3)
Amounts recognised in the Statement of recognised income and expense (SORIE)			
Actuarial gains/(losses)	-	0.2	(8.3)
	1.2	(0.2)	(8.6)
Amounts recognised in the balance sheet			
Present value of the defined benefit obligation	(63.3)	(67.8)	(72.4)
Fair value of the Scheme's assets	65.2	74.9	72.2
Asset/(liability) in the balance sheet	1.9	7.1	(0.2)

NOTE 7. PLANT, PROPERTY AND EQUIPMENT

During the period the Group disposed of office premises with a carrying value of £1.8m for proceeds of £1.8m.
In addition, the Group transferred office premises with a carrying value of £2.9m to non-current assets available for sale.

NOTE 8. INVENTORIES

	As at 31 December 2008 £m	As at 31 December 2007 £m	As at 30 June 2008 £m
Land for development	369.2	646.6	385.4
Work in progress	303.3	358.3	350.6
Stock of showhomes	16.0	15.4	19.9
	688.5	1,020.3	755.9

Land and work in progress are stated net of net realisable value provisions summarised as follows:

	Land £m	Work in progress £m	Total £m
Provision at 1 July 2008	223.4	36.0	259.4
Utilised/released pre exceptional in period	(13.0)	(2.6)	(15.6)
Exceptional NRV provision recognised in period (note 2)	16.4	7.3	23.7
Provision at 31 December 2008	**226.8**	**40.7**	**267.5**

Notes to the financial statements (unaudited)

NOTE 9. LAND CREDITORS (INCLUDED IN TRADE AND OTHER PAYABLES)

	As at 31 December 2008 £m	As at 31 December 2007 £m	As at 30 June 2008 £m
Due within one year	34.2	61.4	68.5
Due in more than one year	19.0	31.2	24.1
	53.2	92.6	92.6

NOTE 10. BORROWINGS AND LOANS

	6 months ended 31 December 2008 £m	6 months ended 31 December 2007 £m	12 months ended 30 June 2008 £m
Opening net book amount	337.5	170.0	170.0
Issue of bank borrowings	248.0	139.0	266.5
Repayment of bank borrowings	(337.5)	(99.0)	(99.0)
Closing net book amount	248.0	210.0	337.5

At 31 December 2008, the Group had total unsecured bank borrowing facilities of £480.0m, representing £450.0m committed facilities and £30.0m uncommitted facilities.

NOTE 11. ANALYSIS OF NET DEBT

		As at 31 December 2008 £m	As at 31 December 2007 £m	As at 30 June 2008 £m
Cash and cash equivalents		10.2	2.5	127.1
Bank overdrafts and loans				
- current liabilities		(35.5)	(30.6)	(12.9)
		(25.3)	(28.1)	114.2
- non-current liabilities	- bank loans	(248.0)	(210.0)	(337.5)
	- issue costs	4.2	0.1	-
		(269.1)	(238.0)	(223.3)

NOTE 12. SHARE CAPITAL

	As at 31 December 2008 £m	As at 31 December 2007 £m	As at 30 June 2008 £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 2008	160,012,013
Share options exercised	-
At 31 December 2008	**160,012,013**

NOTE 13. RECONCILIATION OF MOVEMENTS IN CONSOLIDATED EQUITY

	6 months ended 31 December 2008 £m	6 months ended 31 December 2007 £m	12 months ended 30 June 2008 £m
(Loss)/profit for the period	(33.3)	23.3	(139.9)
Dividends on equity shares	-	(12.5)	(27.3)
Other recognised income and expense relating to the period (net)	(3.0)	(0.7)	(6.3)
Shares issued at a premium	-	0.2	0.6
Movement in LTSIP/SAYE	0.1	0.1	(0.3)
Net (decrease)/increase in equity	(36.2)	10.4	(173.2)
Opening equity	404.6	577.8	577.8
Closing equity	368.4	588.2	404.6

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 2008 £m	6 months ended 31 December 2007 £m	12 months ended 30 June 2008 £m
Short-term employee benefits	0.9	1.0	2.4
Post-employment benefits	0.2	0.2	0.4
Share-based payment charges	-	-	(0.3)
	1.1	1.2	2.5

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:

	6 months ended 31 December 2008 £m	6 months ended 31 December 2007 £m	12 months ended 30 June 2008 £m
Loans to joint ventures	3.0	1.9	2.7

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 was included in the half-yearly results for the 6 months ended 31 December 2007 and disclosed accordingly as discontinued operations. The Group's share of the loss after interest and taxation totalled £1.9m.

NOTE 17. CONSOLIDATED INCOME STATEMENT - 12 MONTHS ENDED 30 JUNE 2008

		2008 Pre-exceptional item £m	2008 Exceptional item £m	2008 Total £m
Revenue		650.1	-	650.1
Cost of sales		(529.6)	(259.4)	(789.0)
Gross (loss)/profit		120.5	(259.4)	(138.9)
Administrative expenses		(36.0)	-	(36.0)
Operating (loss)/profit before financing costs		84.5	(259.4)	(174.9)
Financial income		4.5	-	4.5
Financial expenses		(22.5)	-	(22.5)
Net financing costs		(18.0)	-	(18.0)
Share of loss of joint ventures after interest and taxation		(1.0)	-	(1.0)
(Loss)/profit before tax from continuing operations		65.5	(259.4)	(193.9)
Income tax credit/(expense)		(19.5)	75.4	55.9
(Loss)/profit for the period from continuing operations		46.0	(184.0)	(138.0)
Discontinued operations		(1.9)	-	(1.9)
(Loss)/profit for the period		44.1	(184.0)	(139.9)
Earnings per share from	**- basic**	28.8p		(86.3p)
continuing operations	**- diluted**	28.8p		(86.3p)
Earnings per share including	**- basic**	27.6p		(87.5p)
discontinued operations	**- diluted**	27.6p		(87.5p)

NOTE 18. POST BALANCE SHEET EVENT

Following the 31 December 2008 half year end, the Group entered into consultation with staff to make further reductions in headcount, including the closure of two operating company offices.

It is anticipated that the restructuring will deliver annualised savings in administrative expenses of circa £5.0m. The cost of implementation is estimated to amount to circa £1.8m which will represent an exceptional charge in the second half of the financial year.

NOTE 19. GENERAL INFORMATION

Redrow plc is a public limited company incorporated and domiciled in the UK and has its primary listing on the London Stock Exchange.

The registered office address is Redrow House, St David's Park, Flintshire, CH5 3RX.

Risks Review

The following table sets out the principal risks and uncertainties identified by the Company as having the potential to affect its future performance.

Risks

Risk	Description	How we manage our risks
HOUSING MARKET CONDITIONS	The nature of the conditions within the UK housing market is fundamental to Redrow's business performance	• Close monitoring of, and proactive management response to, lead indicators of the housing market • Regional spread of operations diversifies risks to local markets • Product mix targeted on sectors of housing demand
LIQUIDITY AND FUNDING	The Group is partly debt funded and requires appropriate borrowing facilities both in quantum and structure of covenants	• Bank facilities with appropriate covenants and headroom for a range of market conditions • Regular contact and communication with relationship banks • Focus on cash generation • Regular cash flow projections and forecast covenant testing
ATTRACTING AND RETAINING STAFF	The loss of key staff and/or our failure to attract and retain high quality employees will influence Redrow's ability to achieve its business objectives	• Appropriate remuneration packages for market conditions with performance targets aligned to business objectives • In-house training centre provides a focus for training activities across all disciplines • Structured management training programmes
KEY SUPPLIER OR SUBCONTRACTOR FAILURE	The failure of a key supplier or subcontractor to perform could disrupt Redrow's ability to deliver homes on programme	• Develop relationships with suppliers and subcontractors with strong track record and reputation • Regular financial review of major suppliers and subcontractors • Close monitoring of supplier and subcontractor performance through six monthly assessment process
RESPONDING TO PRODUCT CHANGES IN THE HOUSING MARKET	The design and build of a desirable product for our customers will influence the relative performance of our business	• The product mix on sites is extensively considered by local management, reviewed by Executive Directors and is adjusted to market conditions • Product Development Team undertakes regular market reviews and independent market research on specification and house types • Design is an integral element of our business with Directors of Design in our regions working within Centres of Design Excellence
ABILITY TO SECURE PLANNING ON A TIMELY BASIS	The ability to obtain detailed planning consents on key sites will influence anticipated production levels	• Strong and knowledgeable land, planning and technical teams • Broad spread of developments going through the planning system at any one time • High quality planning submissions which address local concerns and demonstrate good design
TIMING OF PROCUREMENT OF LAND	The timing of future land purchases will be influential in the Group's future financial performance	• Close monitoring of market conditions by experienced management team • Good local knowledge and contacts • Sourcing and prioritising forward land opportunities
HEALTH & SAFETY/ ENVIRONMENTAL	A significant Health & Safety or environmental incident or general deterioration in standards could put people and/or the environment at risk as well as damaging Redrow's reputation	• Dedicated Health & Safety team operates across the Group to ensure appropriate standards are applied with regular site inspections and audits • Group has established an Environmental Management System and has introduced a site Environmental audit process • All staff receive appropriate training through our in-house programme
FRAUD/UNINSURED LOSSES	A significant fraud or uninsured loss could damage the financial performance of the business	• Systems, policies and procedures designed to segregate duties and minimise opportunity for fraud • Regular management reporting and challenge • Internal Audit reviews • Regular review of insurance programme

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