

**THIS DOCUMENT AND ANY ACCOMPANYING DOCUMENTS ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION.**

If you are in any doubt as to the action you should take, you are recommended to seek immediately your own personal financial advice from your stockbroker, bank manager, solicitor, accountant, fund manager or other appropriate independent financial adviser, who is authorised under the Financial Services and Markets Act 2000 (the "FSMA") if you are in the UK or, if not, from another appropriately authorised independent financial adviser.

If you sell or have sold or otherwise transferred all of your Existing Shares (other than ex-rights) held in certificated form before 20 October 2009 (the "Ex-Rights Date") please send this document, together with any Provisional Allotment Letter, if and when received, at once to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee except that such documents should not be sent to any jurisdiction where to do so might constitute a violation of local securities laws or regulations, including but not limited to the United States and the Restricted Territories. If you sell or have sold or otherwise transferred only part of your holding of Existing Shares (other than ex-rights) held in certificated form before the Ex-Rights Date, you should refer to the instruction regarding split applications in Part III of this document and in the Provisional Allotment Letter, if and when received. If you sell or have sold or otherwise transferred all or some of your Existing Shares (other than ex-rights) held in uncertificated form before the Ex-Rights Date, a claim transaction will automatically be generated by Euroclear UK which, on settlement, will transfer the appropriate number of Nil Paid Rights to the purchaser or transferee.

This document, which comprises (a) a circular prepared in compliance with Listing Rule 13 and (b) a prospectus relating to the Rights Issue prepared in accordance with the Prospectus Rules, has been approved by the Financial Services Authority (the "FSA") in accordance with Section 87A of the FSMA and made available to the public in accordance with Rule 3.2 of the Prospectus Rules.

The Provisional Allotment Letters, Nil Paid Rights, Fully Paid Rights and the New Shares have not been and will not be registered under the Securities Act or under any securities laws of any state or other jurisdiction of the United States and may not be offered, sold, resold, taken up, exercised, renounced, transferred or delivered, directly or indirectly, in or into the United States except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States. There will be no public offer in the United States.

The distribution of this document and/or the Provisional Allotment Letters and/or the transfer of the Nil Paid Rights, the Fully Paid Rights and/or the New Shares into jurisdictions other than the UK may be restricted by law. Persons into whose possession these documents come should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. In particular, subject to certain exceptions, such documents should not be distributed, forwarded to or transmitted in or into the United States, the Restricted Territories or any other jurisdiction where the extension or availability of the Rights Issue would or may breach any applicable law. For a description of the restrictions on offers, sales and transfers of the New Shares and the distribution of this document, see Part III—Terms and Conditions of the Rights Issue.

The Existing Shares are listed and admitted to trading on the London Stock Exchange's main market for listed securities. Application will be made to the UK Listing Authority and to the London Stock Exchange for the New Shares (nil paid and fully paid) to be admitted to the Official List of the UK Listing Authority and to trading on the main market for listed securities of the London Stock Exchange, respectively. It is expected that Admission will become effective and that dealings on the London Stock Exchange in the New Shares (nil paid) will commence at 8.00 a.m. (London time) on 20 October 2009.



**REDROW PLC**

*(incorporated and registered in England and Wales with Registered No. 2877315)*

**Proposed 13 for 14 Rights Issue of 148,584,705 New Shares at 105 pence per New Share**

**Proposed acquisition of the Harrow Estates Business and options  
to acquire further land assets from Harrow Estates**

**Notice of General Meeting**

**BofA Merrill Lynch**  
Joint Sponsor and  
Joint Bookrunner

**HSBC**  
Financial Adviser and  
Co-lead Manager

**J.P. Morgan Cazenove**  
Joint Sponsor and  
Joint Bookrunner

**Lloyds TSB Corporate Markets**  
Co-Lead Manager

**RBS Hoare Govett**  
Co-lead Manager

You should read the whole of this document and any documents incorporated herein by reference. Shareholders and any other persons contemplating a purchase of the Nil Paid Rights, the Fully Paid Rights or the New Shares should in particular review the risk factors set out on pages 9 to 22 of this document for a discussion of certain factors that should be considered when deciding on what action to take in relation to the Rights Issue and deciding whether or not to purchase the Nil Paid Rights, the Fully Paid Rights or the New Shares. Your attention is also drawn to the letter from your Chairman which is set out on pages 31 to 39 of this document.

The latest time and date for acceptance and payment in full for New Shares by holders of Nil Paid Rights is expected to be 11.00 a.m. on 3 November 2009. The procedures for delivery of Nil Paid Rights, acceptance and payment are set out in Part III of this document and, for Qualifying Non-CREST Shareholders (other than, subject to certain exceptions as set out in paragraph 2.5 of Part III "Terms and Conditions of the Rights Issue", Shareholders with a registered address in the United States and the Restricted Territories only will also be set out in the Provisional Allotment Letter.

Subject to the passing of the Resolutions, it is expected that Qualifying Non-CREST Shareholders (other than, subject to certain exceptions as set out in paragraph 2.5 of Part III "Terms and Conditions of the Rights Issue", Qualifying Shareholders with a registered address in the United States or one of the Restricted Territories) will be sent a Provisional Allotment Letter on 19 October 2009 and that Qualifying CREST Shareholders (other than, subject to certain exceptions, Qualifying Shareholders with a registered address in the United States or one of the Restricted Territories) will receive a credit to their appropriate stock accounts in CREST in respect of the Nil Paid Rights to which they are entitled on 20 October 2009. The Nil Paid Rights so credited are expected to be enabled for settlement by Euroclear UK as soon as practicable after Admission.

The Underwriters and their affiliates may, in accordance with applicable legal and regulatory provisions, engage in transactions in relation to the Nil Paid Rights, the Fully Paid Rights, the Ordinary Shares and/or related instruments for their own account for the purpose of hedging their underwriting exposure or otherwise. Such activity may include purchases and sales of securities of the Company and related and other securities and instruments (including Ordinary Shares, Nil Paid Rights and Fully Paid Rights). Accordingly, references in the Prospectus to Shares being offered or placed should be read as including any offering or placement of Shares to any of the Underwriters or any of their respective affiliates acting in such capacity. Except as required by applicable law or regulation, the Underwriters do not propose to make any public disclosure in relation to any such transactions.

Notice of a General Meeting of Redrow to be held at the offices of Redrow plc, Redrow House, St David's Park, Flintshire CH5 3RX at 9.00 a.m. on 19 October is set out at the end of this document. A Form of Proxy for use at the General Meeting is enclosed and, to be valid, should be completed, signed and returned so as to be received by Redrow's Registrars, Computershare Investor Services PLC as soon as possible but, in any event, so as to arrive no later than 9.00 a.m. on 17 October. Completion and return of a Form of Proxy will not prevent members from attending and voting in person should they wish to do so.

This document does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to acquire, Provisional Allotment Letters, Nil Paid Rights, Fully Paid Rights or the New Shares offered by any person in any jurisdiction in which it is unlawful for that person to make such an offer or solicitation. The Provisional Allotment Letters, the Nil Paid Rights, the Fully Paid Rights and the New Shares have not been and will not be registered under the Securities Act, or under the securities laws of any state or other jurisdiction of the United States, and may not be offered, sold, taken up, exercised, renounced, resold, transferred or delivered, directly or indirectly, in or into the United States except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States. For a description of the restrictions on offers, sales and transfers of the New Shares and the distribution of this document, see Part III—Terms and Conditions of the Rights Issue.

Each of the Underwriters are acting exclusively for Redrow and no one else in connection with the Rights Issue and will not regard any other person (whether or not a recipient of this document) as its respective client in relation to the Rights Issue and will not be responsible to anyone other than Redrow for providing the protections afforded to its respective clients or for providing advice in relation to the Rights Issue or any matters referred to in this document.

The Company and the Directors, whose names are set out on page 29 of this document, accept responsibility for the information contained in this Prospectus. To the best knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Apart from the responsibilities and liabilities, if any, which may be imposed on the Underwriters by the FSMA, each of the Underwriters accept no responsibility whatsoever and makes no representation or warranty, express or implied, for or in respect of the contents of this document, including its accuracy, completeness or verification or regarding the legality of an investment in the Nil Paid Rights, Fully Paid Rights or the New Shares by an offeree or purchaser thereof under the laws applicable to such offeree or purchaser or for any other statement made or purported to be made by it or on its behalf, by the Company or on its behalf, or by any other person, in connection with Redrow, the Nil Paid Rights, Fully Paid Rights, Provisional Allotment Letters, the New Shares, the Rights Issue or the Harrow Estates Transaction and nothing in this document is, or shall be relied upon as, a promise or representation in this respect, whether as to the past or future. Each of the Underwriters accordingly disclaim to the fullest extent permitted by applicable law all and any responsibility and liability whether arising in tort, contract or otherwise which they might otherwise be found to have in respect of this document or any such statement.



## **Notice to US Investors and Overseas Shareholders**

The Provisional Allotment Letters, the Nil Paid Rights, the Fully Paid Rights and the New Shares have not been approved or disapproved by the US Securities and Exchange Commission, any state securities commission in the United States or any US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Provisional Allotment Letters, the Nil Paid Rights, the Fully Paid Rights or the New Shares or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States.

Subject to certain exceptions, neither this document nor the Provisional Allotment Letter constitutes, or will constitute, or forms or will form, part of any offer or invitation to sell or issue, or any solicitation of any offer to purchase or acquire Nil Paid Rights, Fully Paid Rights and/or New Shares to any person with a registered address, or who is located, in the United States, or to any person with a registered address, or who is located, or resident in any of the Restricted Territories. The Nil Paid Rights, the Fully Paid Rights and the New Shares are being offered outside the United States in reliance on Regulation S under the Securities Act.

The Provisional Allotment Letters, the Nil Paid Rights, the Fully Paid Rights and the New Shares have not been and will not be registered in any Restricted Territory and may not be offered, sold, taken up, exercised, renounced, resold, transferred or delivered, directly or indirectly, within the Restricted Territories except in compliance with any applicable securities laws.

The Provisional Allotment Letters, the Nil Paid Rights, the Fully Paid Rights and the New Shares have not been and will not be registered under the relevant laws of any state or territory of the United States and may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, in or into the United States, except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States. Therefore, subject to certain exceptions, the Provisional Allotment Letters will not be sent to, nor will any Nil Paid Rights be credited to a stock account in CREST on behalf of, any Shareholder with a registered address in the United States.

In addition, until 40 days after the commencement of the Rights Issue, or the procurement of acquirers by the Joint Bookrunners of the New Shares not initially taken up, any offer, sale or transfer of the Nil Paid Rights, the Fully Paid Rights or the New Shares in or into the United States by a dealer (whether or not participating in the Rights Issue) may violate the registration requirements of the US Securities Act.

The Joint Bookrunners may arrange for the offer of New Shares not taken up in the Rights Issue only outside the United States in reliance on Regulation S under the Securities Act.

All Overseas Shareholders and any person (including, without limitation, a custodian, nominee or trustee) who has a contractual or legal obligation to forward this document or any Provisional Allotment Letter, if and when received, or other document to a jurisdiction outside the UK, should read paragraph 2.5 of Part III of this document.

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## SUMMARY

**The following summary information should be read as an introduction to this document. Any investment decision relating to the Rights Issue should be based on the consideration of the document as a whole and not solely on this summarised information. Where a claim relating to the information contained in this document is brought before a court in a member state of the European Economic Area, the claimant may, under the national legislation of that member state where the claim is brought, be required to bear the costs of translating this document before legal proceedings are initiated. Civil liability attaches to those persons who are responsible for this summary, including any translation of this summary, but only if this summary is misleading, inaccurate or inconsistent when read together with other parts of this document.**

### **1 Background to and reasons for the Rights Issue**

The UK housebuilding industry confronted an unprecedented reduction in activity, which began in 2007 and continued throughout 2008, and which has had a material impact on the profitability of the whole sector, including Redrow. Redrow's management team took swift and early measures to adjust its approach to managing the business including a debt refinancing process in September 2008, prudently assessing the net realisable value of land and work in progress in its balance sheet, making significant reductions in its headcount, closing a number of offices and curtailing land acquisition and construction activities to focus on cash generation.

In March 2009, Redrow announced that Bridgemere and Durcan, two companies ultimately controlled by Steve Morgan, had increased their aggregate interest in the Company to 29.9 per cent. and Steve Morgan subsequently re-joined the Board and on 30 June 2009 was appointed Chairman, acting in an executive capacity.

Since the change of management at the end of March 2009, there has been a complete product and land review to reposition Redrow strategically and return the business to its historic strength in traditional family housing.

It is against this background that the Directors believe it is appropriate to raise £150 million of new equity capital (net of expenses) by way of a rights issue to position the Group for growth both now, through the Harrow Estates Transaction, and in the medium term by providing the Company with greater financial flexibility. The Rights Issue is underwritten save in respect of the New Shares that Bridgemere and Durcan will be entitled to acquire (in respect of which they have given an irrevocable undertaking to acquire their entitlement).

The Company has agreed certain amendments to the existing Syndicated Facility Agreement which will become effective upon the Rights Issue becoming unconditional. The Directors believe that these amendments, combined with cash generated from operations going forward will provide Redrow with operational flexibility and the right financial platform to take advantage of strategic opportunities in the land market. Following the Rights Issue and completion of the Harrow Estates Transaction, Redrow expects to be well positioned relative to its competitors and expects to deploy its funds with a renewed focus on return on capital employed and asset turnover.

### **2 Background to and reasons for the Harrow Estates Transaction**

As a private entrepreneur, Steve Morgan established Harrow Estates in 2001. On returning to the Board, Steve Morgan offered Redrow the opportunity to review Harrow Estates' land assets with a view to an acquisition that would complement the Group's strategy. Following an extensive review of all of the sites by the Redrow executive team (comprising for these purposes David Arnold and John Tutte but excluding Steve Morgan), Redrow has agreed to acquire five freehold land assets, to take options over seven further strategic land assets (one of which is subject to a right of first refusal by another potential purchaser) and to acquire the "Harrow Estates" name and members of the Harrow Estates team of land professionals. Redrow expects this acquisition to strengthen its existing capabilities as it represents a good strategic fit and provides opportunities for future income streams and an attractive return on capital employed.

Accordingly, the Company has announced today that it has agreed to acquire the Harrow Estates Business (comprising the Properties and a newly incorporated company which holds, among other assets, certain employees and the "Harrow Estates" name) and has entered into Option Agreements giving it a series of Options, exercisable at its absolute discretion, to acquire further land assets in the future from Harrow Estates and a Promotion Agreement under which certain services will be provided back to Harrow Estates (to be renamed Bridgemere Land plc) in respect of those Option Properties. The total consideration payable in respect of the Harrow Estates Transaction is £15 million.

The Board has considered the Company's own assessment of the Properties, the independent Knight Frank Valuation Report and the prospects of gaining detailed planning consent, affording Redrow the potential to be on site during 2010 on a number of the Properties. Furthermore, the pipeline of Option Properties represents an attractive medium term opportunity to acquire development land at an expected discount to open market value. With respect to the Option Properties, the likely timing and detail of planning consent is difficult to determine and therefore the Option Agreements are considered to be an appropriate way for Redrow to participate in their future potential without locking up significant capital or incurring risk on planning in the meantime. Finally, Harrow Estates is considered one of the industry's market leaders and has an established reputation and track record. The skills of the Harrow Estates team in remediation and planning of sites represent an attractive addition to the skills of Redrow. The Board has given consideration to the above factors in agreeing the terms of the Harrow Estates Transaction.

### **3 Use of proceeds**

In the context of the Company's strategy for growth, the proceeds from the Rights Issue (amounting to approximately £150 million net of expenses) will be used to reduce overall levels of gearing by repaying and cancelling up to £135 million drawn under the existing Syndicated Facility Agreement and to fund the £15 million consideration payable in respect of the Harrow Estates Transaction.

### **4 Current trading and prospects**

On 10 September 2009, Redrow announced its results for the twelve month period ended 30 June 2009 which stated that the new financial year had started positively for Redrow, with the total sales position comfortably ahead of the same period last year. Construction recommenced generally across Redrow's sites in the last quarter of the financial year ended 30 June 2009 and the pace of building has increased to ensure that there are appropriate stock levels to meet the autumn markets. Redrow has reviewed and, where necessary, replanned its owned land bank to meet future needs in line with its strategic re-focus on family housing.

As also announced on 10 September 2009 in respect of its financial results for the year ended 30 June 2009, Redrow undertook a detailed review of the carrying value of the Group's land and work in progress which resulted in a net exceptional cost in respect of the increase in net realisable value provisions of £96.5 million. Although the past 18 months have illustrated that no assurances can be given concerning the UK residential housing market, on the basis of the carrying value of land and work in progress as at 30 June 2009 and the prevailing market conditions, the Directors do not believe any further net writedown of inventory will be required.

### **5 The Group**

The core business of the Group is residential development. This involves the acquisition of land, construction and subsequent marketing and selling of homes. Redrow designs and builds residential housing developments, with the Group's products ranging from affordable and entry-level homes to family and executive homes. Developments range in size from a small number of houses to many hundreds.

### **6 Dividends and dividend policy**

In line with its stated policy that any proposed dividend payments must be at least twice covered by the earnings generated by the business, the Company does not intend to pay a final dividend with respect to the financial year ended 30 June 2009 and it is not currently envisaged that a dividend will be proposed in respect of the new financial year. The policy will be reviewed in due course as appropriate.

### **7 Principal terms of the Rights Issue**

Pursuant to the Rights Issue, the Company is proposing to offer 148,584,705 New Shares, by way of rights, to Qualifying Shareholders (other than, subject to certain exceptions, Qualifying Shareholders with a registered address, or resident or located (as applicable), in the United States or the Restricted Territories), at an Issue Price of 105 pence per New Share, payable in full on acceptance by no later than 11.00 a.m. on 3 November 2009. The Rights Issue is expected to raise approximately £150 million, net of expenses. The Rights Issue will be on the basis of 13 New Shares for every 14 Existing Shares. The Issue Price represents a 55.0 per cent. discount to the closing middle-market price of 233.5 pence per Ordinary Share on 22 September 2009 (being the last business day before the announcement of the Rights Issue), and a 38.8 per cent. discount to the theoretical ex-rights price based on this closing middle-market price.



The Rights Issue is underwritten (save in respect of the New Shares which Bridgemere and Durcan will be entitled to acquire under the Rights Issue) by the Underwriters pursuant to and subject to the terms and conditions of the Underwriting Agreement. The Rights Issue is conditional, *inter alia*, on:

- (i) the passing of the Rights Issue Resolutions (but not the Harrow Estates Transaction Resolution) at the General Meeting;
- (ii) the Underwriting Agreement having become unconditional in all respects, save for the condition relating to Admission; and
- (iii) Admission becoming effective by not later than 8.00 a.m. on 20 October 2009 (or such later time and date as the Company and the Joint Bookrunners may agree).

It is expected that Admission will occur and that dealings in the New Shares (nil paid) will commence on the London Stock Exchange at 8.00 a.m. on 20 October 2009.

**The latest time and date for acceptance and payment in full under the Rights Issue is expected to be 11.00 a.m. on 3 November 2009 (unless Redrow notifies Qualifying Shareholders, through publication of a Supplementary Prospectus, of a later date or unless otherwise announced by the Company).**

Overseas Shareholders should refer to paragraph 2.5 of Part III of this document for further information on their ability to participate in the Rights Issue.

## 8 Selected financial information on Redrow

The table below sets out the Group's summary financial information for the periods indicated.

	Year ended		
	30 June 2009	30 June 2008	30 June 2007 restated <sup>(1)</sup>
	£m	£m	£m
Group revenue .....	301.8	650.1	834.3
Operating (loss)/profit before exceptional items .....	(22.4)	84.5	136.6
Exceptional items .....	(96.6)	(259.4)	—
Operating (loss)/profit before financing costs .....	(119.0)	(174.9)	136.6

Note: (1) Restated in 2008 for change of revenue recognition policy.

Note: Investors should read the whole of this document and should not rely on the summary financial information set out above. The financial information on Redrow has been extracted without material adjustment from Redrow's audited report and accounts for the years ended 30 June 2007, 2008 and 2009.

## 9 Principal terms of the Harrow Estates Transaction

The Company has agreed to acquire the Harrow Estates Business and has entered into the Option Agreements in respect of the Option Properties for a total consideration of £15 million (of which £12.3 million is payable in respect of the Properties, £1.575 million relates to the acquisition of Harrow Estates Newco (which holds certain other Harrow Estates assets) and £1.125 million comprises consideration payable in respect of the grant of the Options). In addition, a Promotion Agreement has been entered into under which certain services will be provided back to Harrow Estates (to be renamed Bridgemere Land plc) in respect of those Option Properties.

Under the Property Purchase Agreements members of the Redrow Group will acquire the freehold interest of five Properties and pursuant to a separate Share Purchase Agreement, Redrow will acquire Harrow Estates Newco, a newly incorporated company which will hold, among other assets, certain employees of Harrow Estates and the "Harrow Estates" name. In addition, on completion of the acquisition of Harrow Estates Newco, it is agreed in the Share Purchase Agreement that Harrow Estates Newco will enter into the Bridgemere House Lease in respect of its use of the Harrow Estates head office.

The Option Agreements grant the Options, exercisable at the absolute discretion of the relevant members of the Redrow Group, to purchase (subject to the conditions therein) the Option Properties from Harrow Estates. Under the Option Agreements the option exercise price shall be 96 per cent. of the open market value of the relevant site (as calculated in accordance with the relevant Option Agreement). The exercise of the Options will

be subject to the related party rules in chapter 11 of the Listing Rules and the approval of Shareholders will be sought where the requisite thresholds require this. If Redrow does not exercise an Option it shall be entitled to up to 4 per cent. of the sale proceeds of the relevant Option Property to compensate Redrow for the management time and overhead costs incurred in promoting that Option Property. The Option in respect of the Ashton New Road Property is subject to a right of first refusal by another potential purchaser.

Under the terms of a Promotion Agreement to which, among others, Harrow Estates and Harrow Estates Newco are party, Harrow Estates Newco will take all action reasonably required to obtain planning permission and other consents necessary to bring the Option Properties to a developable state and will be reimbursed for costs incurred (other than internal costs) in relation to these services.

Certain components of the Harrow Estates Transaction are conditional on shareholder approval as they comprise substantial property transactions under the Companies Act 2006. The Harrow Estates Transaction is also conditional upon Admission taking place and, in the case of the purchase of the Cadishead Property, is also conditional on agreeing the terms of a development agreement as further described in paragraph 3.1.1 of Section A of Part IX of this document. Subject to the fulfilment of these conditions, and although the various components of the Harrow Estates Transaction are not themselves inter-conditional, it is expected that the acquisition of the assets comprising the Harrow Estates Business (other than the Cadishead property) will complete, and the Options granted under the Option Agreements will become unconditional (other than the Ashton New Road Property), immediately following Admission, expected to be on 20 October 2009 and, in the case of the Cadishead Property, shortly thereafter.

## **10 Summary of risk factors**

Shareholders should carefully consider the following key risks:

### ***10.1 Risks relating to Redrow***

#### *10.1.1 Risks relating to the housebuilding market*

- Housing market conditions may fail to recover or deteriorate further.
- Constraints on the availability of, and higher costs of, mortgage funding may have an adverse impact on house sales.
- Land can be an illiquid asset and can therefore be difficult to sell.
- Amounts receivable in respect of land sales may not be recovered.
- The net realisable value of the Group's land bank and work in progress has fallen in the recent past and may continue to do so.
- Compulsory Purchase Orders may be made against Redrow's assets.

#### *10.1.2 Finance*

- Funding may be difficult to obtain and maintain if current economic conditions continue.
- Breach of banking covenants may result in increased financing charges or acceleration of repayment obligations.
- Required levels of investment may exceed available capital in the long term.
- Increased interest rates would increase Redrow's borrowing costs.
- Cancellation rates of exchanged sales contracts and sales reservations were higher in 2008 and 2009 to date compared to Redrow's long-term average rate, and may rise in the future.
- Redrow may be required to increase its contributions to its defined benefit pension scheme in order to fund an increase in the cost of future benefits and/or funding shortfalls.
- There is a risk that a counterparty, such as a bank or other financial institution, with which Redrow has deposited funds may default on its contractual obligations, which may have an adverse impact on Redrow's business.

### *10.1.3 Regulation*

- Inability to secure planning consents on a timely basis may adversely affect Redrow's business.
- Redrow's business is subject to complex and substantial regulations. The regulatory environment in which Redrow operates may change.
- Changes in legislation may impact Redrow's business.
- Adverse tax consequences could occur as a result of changes in tax law or other factors.

### *10.1.4 Risk management/Financial & operational controls/Fraud*

- Failure or deficiencies in Redrow's risk management, financial and commercial controls could result in significant unanticipated costs.
- Errors in evaluating and managing sites may result in losses or a reduced rate of return on property developments.
- Fraudulent activity may result in damage to Redrow's financial performance.
- IT failure may have an adverse impact on Redrow's business.

### *10.1.5 Construction risks*

- Housebuilding is subject to the risk of construction defects which may give rise to contractual or other liabilities and reputational damage.
- The construction of new houses involves health and safety risks. A major health and safety incident could be costly in terms of potential liabilities and reputational damage.
- Natural disasters and severe weather conditions could delay deliveries of homes, increase costs or decrease demand for new homes in affected areas.
- An inability to obtain additional surety bonds could limit Redrow's future growth.

### *10.1.6 Operational risks*

- Failure to design and implement existing and new products and schemes effectively may lead to underperformance of Redrow's business.
- Failure to adopt design improvements and technological advances may adversely impact Redrow's business.
- The housebuilding and home development market is, and could become increasingly, competitive. This may adversely impact Redrow's business.
- The loss of senior management or key personnel may adversely impact Redrow's business.
- Failure to recruit, retain and develop highly-skilled, competent people at all levels, including finding suitable sub-contractors, may have an adverse impact on Redrow's business.
- Redrow's business depends on the continued viability of contractors, sub-contractors, and other service providers.
- Shortages or increased costs of materials and skilled labour could increase costs and delay deliveries and may have an adverse impact on customer relationships.
- Cost reduction programmes, if unsuccessful, and increases in operating and other expenses may adversely affect Redrow's financial performance.

### *10.1.7 Environmental liabilities*

- Ownership, leasing or occupation of land carries potential environmental risks and liabilities that may not be covered by insurance.
- Redrow may be liable to claims for damages as a result of use of hazardous materials.

### *10.1.8 Litigation*

- Housebuilding is a complex activity which can involve litigation and there is no guarantee that a substantial claim brought against Redrow will be covered by its insurance.

#### *10.1.9 Insurance*

- Redrow may suffer uninsured losses or suffer material losses in excess of insurance proceeds.

#### *10.1.10 Relationship with Steve Morgan*

- Steve Morgan will continue to exercise significant control over Redrow after the Harrow Estates Transaction and the Rights Issue and, as a result, he may be able to influence the outcome of important decisions.

### ***10.2 Risks Relating to the Rights Issue and the New Shares***

10.2.1 The Rights Issue may not be successful.

10.2.2 Redrow's share price may fluctuate.

10.2.3 An active trading market in the Nil Paid Rights or the Fully Paid Rights may not develop.

10.2.4 Shareholders who do not acquire New Shares in the Rights Issue will experience dilution in their ownership of Redrow.

10.2.5 Any future issues of Redrow shares would further dilute the holdings of current Redrow Shareholders and a further offering or significant sale of shares could adversely affect the market price of Redrow's shares.

10.2.6 Depending on performance and market conditions, Redrow may not pay out cash dividends in the foreseeable future, or may pay out smaller dividends than the market expects.

10.2.7 Shareholders outside the UK may not be able to participate in future offerings.

10.2.8 The ability of Overseas Shareholders to bring actions or enforce judgments against Redrow or the Directors may be limited.

### ***10.3 Risks Relating to the Harrow Estates Transaction***

10.3.1 The land assets acquired from Harrow Estates may not provide Redrow with the financial returns anticipated.

10.3.2 Environmental and planning issues relating to the Harrow Estates Business may have an adverse impact on Redrow's business.

10.3.3 Shortages or increased costs of land, materials and labour, or errors in evaluating and managing sites, may result in losses or a reduced rate of return.

10.3.4 Failure to retain key members of the Harrow Estates team of land professionals may have an adverse impact on Redrow's business.

## RIGHTS ISSUE STATISTICS

Price per New Share .....	105 pence
Basis of Rights Issue .....	13 New Shares for every 14 Existing Shares
Number of Ordinary Shares in issue at the date of this document .....	160,014,298
Number of New Shares to be issued by the Company <sup>(1)</sup> .....	148,584,705
Number of Ordinary Shares in issue immediately following completion of the Rights Issue . . . .	308,599,003
New Shares as a percentage of the enlarged issued share capital of the Company immediately following completion of the Rights Issue <sup>(1)</sup> .....	48.1%
Estimated net proceeds receivable by the Company after expenses .....	£149.9 million
Estimated expenses of the Rights Issue .....	£6.1 million

Note:

- (1) On the assumption that no further Ordinary Shares are issued as a result of the exercise of any options under any Redrow Employee Share Plans between the posting of this document and the closing of the Rights Issue.

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Each of the times and dates in the table below is indicative only and may be subject to change.

Record Date for entitlement under the Rights Issue for Qualifying CREST Shareholders and Qualifying Non-CREST Shareholders . . . . .	close of business on 15 October 2009
Latest time and date for receipt of Forms of Proxy for the General Meeting . . . . .	9.00 a.m. on 17 October 2009
General Meeting . . . . .	9.00 a.m. on 19 October 2009
Despatch of Provisional Allotment Letters (to Qualifying Non-CREST Shareholders only) . . . . .	19 October 2009
Start of offer period . . . . .	20 October 2009
Expected date of completion of the Harrow Estates Transaction . . . . .	20 October 2009
<b>Dealings in New Shares, nil paid, commence on the London Stock Exchange . . . . .</b>	<b>8.00 a.m. on 20 October 2009</b>
Existing Shares marked “ex” by the London Stock Exchange (expected to be) . . . . .	8.00 a.m. on 20 October 2009
Nil Paid Rights credited to stock accounts in CREST (Qualifying CREST Shareholders only) . . . . .	8.00 a.m. on 20 October 2009
Nil Paid Rights and Fully Paid Rights enabled in CREST . . . . .	8.00 a.m. on 20 October 2009
Recommended latest time for requesting withdrawal of Nil Paid Rights and Fully Paid Rights from CREST (i.e. if your Nil Paid Rights and Fully Paid Rights are in CREST and you wish to convert them to certificated form) . . . . .	4.30 p.m. on 28 October 2009
Latest time for depositing renounced Provisional Allotment Letters, nil or fully paid, into CREST or for dematerialising Nil Paid Rights or Fully Paid Rights into a CREST stock account (i.e. if your Nil Paid Rights and Fully Paid Rights are represented by a Provisional Allotment Letter and you wish to convert them to uncertificated form) . . . . .	3.00 p.m. on 29 October 2009
Latest time and date for splitting Provisional Allotment Letters, nil or fully paid . . . . .	3.00 p.m. on 30 October 2009
<b>Latest time and date for acceptance, payment in full and registration of renunciation of Provisional Allotment Letters . . . . .</b>	<b>11.00 a.m. on 3 November 2009</b>
<b>Dealings in New Shares, fully paid, commence on the London Stock Exchange . . . . .</b>	<b>8.00 a.m. on 4 November 2009</b>
New Shares credited to CREST stock accounts . . . . .	by 4 November 2009
Despatch of definitive share certificates for the New Shares in certificated form . . . . .	by 11 November 2009

**General Notes:**

- (1) The ability to participate in the Rights Issue is subject to certain restrictions relating to Qualifying Shareholders with registered addresses or who are resident or located (as applicable) outside the UK, details of which are set out in Part III of this document.
- (2) The times and dates set out in the expected timetable of principal events above and mentioned throughout this document may be adjusted by Redrow (in consultation with the Joint Bookrunners), in which event details of the new times and dates will be notified to the UK Listing Authority, the London Stock Exchange and, where appropriate, Qualifying Shareholders.
- (3) Different deadlines and procedures for applications may apply in certain cases. For example, if you hold your Existing Shares through a CREST member or other nominee, that person may set an earlier date for application and payment than the dates noted above.
- (4) References to times in this document are to London times unless otherwise stated.

## RISK FACTORS

*The Rights Issue, the Harrow Estates Transaction and any investment in Redrow are subject to a number of risks. Accordingly, investors and prospective investors should carefully consider all of the information set out in this Prospectus and all of the information incorporated by reference into this Prospectus, including, in particular, the risks described below which are all the material risks currently known to the Directors, prior to making an investment decision in Redrow. Redrow's business, financial condition or results of operation could be materially and adversely affected by any of the risks described below. In such case, the market price of the Ordinary Shares, Nil Paid Rights and/or Fully Paid Rights may decline and investors may lose all or part of their investment.*

*These risks should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties. Additional risks and uncertainties that are not presently known to the Directors, or which they deem immaterial, may also have an adverse impact on Redrow's results of operation, financial condition and prospects. The information given is as of the date of this Prospectus and, except as required by the FSA, the London Stock Exchange, the Listing Rules, the Prospectus Rules, the Disclosure and Transparency Rules, the City Code or any other law or regulation, will not be updated. Any forward-looking statements are made subject to the reservations specified under "Forward-looking Statements" on page 23 of this Prospectus.*

**Investors and prospective investors should consider carefully whether an investment in Redrow is suitable for them in light of the information set out in this Prospectus and the information incorporated by reference in this Prospectus and the financial resources available to them.**

### Risks Related to Redrow

#### 1 Risks relating to the housebuilding market

##### 1.1 Housing market conditions may fail to recover or deteriorate further.

Redrow's business is dependent upon the broad condition of the UK residential housing market. The decline in the number of residential property transactions or sales prices, or both, whether due to the impact of macroeconomic factors or otherwise, has had (as described below) a material adverse impact on Redrow's business, financial condition and results of operation. A failure of the housing market to recover from this decline, or a further decline, may also have a material adverse impact on Redrow's business, financial condition and results of operation.

Beginning in mid 2007, and coincident with the ongoing global economic downturn, the UK residential housing market has experienced a substantial decline in the number of transactions and in sales prices. These events have been driven by a number of factors, all of which are beyond Redrow's control, including:

- deteriorating local, national and global macroeconomic conditions;
- rising local and national unemployment;
- declining consumer confidence;
- stagnant or declining wages and/or disposable income;
- increased relative attractiveness of alternatives to new build housing, including existing housing stock and rental accommodation;
- restricted availability of mortgages and other credit;
- adverse sentiment of potential homebuyers and homeowners with regard to the likely future trajectory of and volatility in residential housing prices;
- surveyor's valuations being lower than agreed prices between home sellers and buyers and the consequent adverse impact upon the ability to finance a home purchase; and
- fewer buy-to-let investors in the residential housing market.

Although there are some recent statistics showing a small increase in house prices, this does not necessarily mean that house prices are now going to rise, and indeed they could fall further still, adversely impacting on the UK residential housing market. The UK residential housing market could be further adversely impacted by:

- increased interest rates and further restrictions on the availability of credit;
- declining long-term rates of and demand for home ownership compared to previous levels;



- changes in government regulation or policy, including planning and environmental regulations, resulting in reduced residential property demand as a result of higher housing or energy costs;
- increases in tax rates (including VAT and stamp duty and the expiry of existing VAT and stamp duty relief);
- geopolitical uncertainty; and
- declining rates of household formation.

The future development of the residential housing market is uncertain, and in particular Redrow cannot predict the severity or duration of the present downturn. Any continuation of the ongoing adverse trends in these factors, the failure of current conditions to improve, or the occurrence of other events having an adverse impact on market sentiment, will have a further material adverse impact on Redrow's business, financial condition and results of operation.

Long-term demand for new homes is directly related to population growth and the rate of new household formation. These trends have, in the past, contributed to an increase in home ownership and demand for new homes in the UK, but there is no guarantee that they will continue nor that any future recovery in consumer confidence or improvement in credit availability would result in a recovery of house prices and sales volumes to levels experienced in the past or at all.

Any or all of these factors could further decrease sales prices and demand for new homes and continue to have a material adverse impact on Redrow's business, financial condition and results of operation.

### ***1.2 Constraints on the availability of, and higher costs of, mortgage funding may have an adverse impact.***

Since the second half of 2007, mortgage credit has been difficult to obtain, due to a number of factors including: the exit of several mortgage providers from the market, the reduction in the number of available mortgage products, increasingly cautious surveyor's valuations on properties, and many lenders requiring increased levels of financial qualification and greater deposits whilst lending lower multiples of income. Two important sources of Redrow's demand, investors and first-time home buyers, are, in general, more affected by these factors than other potential home buyers, which may adversely affect Redrow's business, financial condition and results of operation.

A substantial majority of Redrow's homebuyers finance their home purchases with mortgage financing. The number of residential mortgage originations in 2008 fell by 49 per cent. compared with 2007 (source: Council of Mortgage Lenders). In 2008, mortgage lending volume fell by 61.7 per cent. compared to 2007 (source: Bank of England).

These factors have adversely affected Redrow, and Redrow expects that these factors will continue to have an adverse effect on the volume of Redrow's home sales and the sales prices Redrow achieves and may increase its cancellation rates in the short to medium term.

Even if potential home buyers do not themselves need financing, adverse changes in interest rates and mortgage availability could make it harder for them to sell their existing homes to other potential buyers who need mortgage financing. Decreases in the availability of, and higher costs of, mortgage financing could continue to have a material adverse affect on Redrow's business, financial condition and results of operation.

### ***1.3 Land can be an illiquid asset and can therefore be difficult to sell.***

Land and properties (such as those in which Redrow has invested and may in the future invest) can be relatively illiquid assets, meaning that they may not be easily sold and converted into cash and that any sale may not be capable of being completed quickly without accepting a lower price than may be otherwise offered. Such illiquidity may affect Redrow's ability to value, or dispose of or liquidate part of, its land portfolio in a timely fashion and at satisfactory prices in response to changes in economic, real estate market or other conditions, which could have a material adverse impact on Redrow's business, financial condition and results of operation.

### ***1.4 Amounts receivable in respect of land sales may not be recovered.***

As part of Redrow's normal operations, land which is excess to requirements is sold to other developers or investors. Some of the consideration for such purchases may be payable on deferred terms, in respect of which



Redrow's policy is designed to manage its credit risk by, for example, obtaining a charge over the relevant land. In the event of any default, Redrow may suffer significant financial losses if the amount due cannot be recovered due to the financial condition of the debtor or the value of the underlying security. The risk of default and of the amount due not being recoverable in these circumstances is higher during an economic downturn and in particular during a downturn in the housing market, such as that which is currently affecting the industry. Any inability to recover amounts receivable in respect of land sales could have a material adverse impact on Redrow's business, financial condition and results of operation.

***1.5 The net realisable value of the Group's land bank and work in progress has fallen in the recent past and may continue to do so in the future.***

There is an inherent risk that the value of land owned by Redrow may decline after purchase. The valuation of property is inherently subjective due to the individual nature of each property. Factors such as changes in regulatory requirements and applicable laws (including in relation to building and environmental regulations, taxation and planning), political conditions, the condition of financial markets, the financial condition of customers, potentially adverse tax consequences, and interest and inflation rate fluctuations all mean that valuations are subject to uncertainty. Moreover, all valuations are made on the basis of assumptions which may not prove accurate on any attempt to realise that value and there is no assurance that the valuations of land will reflect actual sale prices of either the land itself or any developments built thereon.

There is also a risk that Redrow will not be able to obtain planning permission on acceptable terms for land held without planning permission. In the event that planning is not achieved, the net realisable value may be less than the carrying value, resulting in the requirement to write down the value. As Redrow holds a number of options over strategic land, although there is no additional expense if Redrow fails to obtain planning permission and develop the land, it may have incurred unnecessary historical expense.

In addition, there is a risk that unforeseen events will have an impact on the value of Redrow's current land bank and that a decline in land value will materially and adversely affect Redrow's business, financial condition and results of operation. The net realisable value of Redrow's land and work-in-progress has fallen significantly and could fall further and the timing of future land purchases will be influential in Redrow's future financial performance. Redrow regularly reviews the value of land holdings and will continue to do so on a periodic basis, which may result in further write-downs. In addition Redrow may amend its accounting policies in a manner resulting in additional write-downs. Write-downs have had, and any further write-downs may have, a material adverse impact on Redrow's business, financial condition and results of operation. Redrow can give no assurances that no further material write-downs in the value of its inventory, resulting in additional charges to income, will be required.

***1.6 Compulsory Purchase Orders may be made against Redrow's assets.***

Any land and property in the United Kingdom may at any time be acquired by a local authority or government department in connection with proposed redevelopment or infrastructure projects. In the event of a compulsory purchase order being made in respect of land and property, compensation would be payable on the basis of the value of all owners' and tenants' proprietary interests in that land and property at the time of the related purchase, as determined by reference to a statutory compensation code. In the case of an acquisition of the whole of that land and property, the relevant freehold, heritable or long leasehold estate and any lease would both be acquired. If the amount received from the proceeds of purchase of the relevant freehold, heritable or long leasehold estate is inadequate to cover the loss of expected cash flow from such property or expected return on the affected developments, Redrow's financial condition and results of operation may be adversely affected. In addition, there may be a delay between the compulsory purchase of land and property and the payment of compensation, the length of which will largely depend upon the ability of the property owner and the entity acquiring the property to agree on the open market value. Any such delay could have a material adverse impact on Redrow's business, financial condition and results of operation.

## **2 Finance**

***2.1 Funding may be difficult to obtain and maintain if current economic conditions continue.***

On completion of the Harrow Estates Transaction, the Rights Issue and the application of the proceeds thereof, Redrow intends to remain partially debt funded and requires appropriate borrowing facilities. Although

Redrow considers that its borrowing facilities (as amended – see paragraph 6 of Part I and paragraph 16.5 of Part XI for further details of the amendments to the existing Syndicated Facility Agreement) are sufficient for its present requirements, if market conditions continue as they are in the longer term, or deteriorate further, any additional borrowing that Redrow requires may be more costly or difficult to obtain. The terms of any new borrowing could also impose conditions on the Group's operations in such a manner that it could have a material impact on Redrow's business, financial conditions and results of operation.

### ***2.2 Breach of banking covenants may result in increased financing charges or acceleration of repayment obligations.***

If current economic conditions continue or deteriorate further with an adverse impact on Redrow's financial condition, Redrow may not, in the longer term, maintain compliance with the covenants in, or could default on, its debt facilities. This could result in increased financing charges, an acceleration of Redrow's obligations to repay those borrowings or in the cancellation of those facilities, any of which could have a material adverse impact on Redrow's business, financial condition and results of operation.

Even if the Group is able to maintain its covenant compliance or avoid default, it may be required to curtail its use of funds for other purposes in order to avoid a breach, which could have a material adverse impact on Redrow's strategy and future growth.

### ***2.3 Required levels of investment may exceed available capital in the long term.***

Redrow's operations require, and will continue to require, cash investment in order to acquire land, fund development projects and anticipate changes in customer preferences through ongoing product development. While the Group has no current intention to do so, it may need to seek additional capital over and above the proceeds raised in the Rights Issue, whether from sales of equity, issuance of debt or additional bank borrowings, for the future growth and development of the business in the longer term. Under the terms of the Syndicated Facility Agreement Redrow is also prohibited from issuing additional debt and obtaining bank borrowings over a certain amount without the consent of the Company's lenders. No assurance can be given as to the availability of such additional capital at the relevant time or, if available, whether it would be on acceptable terms. If Redrow is not successful in obtaining sufficient capital (should it be required to fund its investments), this may have a material adverse impact on Redrow's future growth, business, financial condition and results of operation.

### ***2.4 Increased interest rates would increase Redrow's borrowing costs.***

Redrow uses both fixed and floating rate borrowings to finance its working capital. Interest rates on Redrow's floating rate borrowings are usually set for periods of up to six months. If interest rates rise, the cost of Redrow's floating rate borrowings will increase. In addition, from time to time, the Group uses interest rate swaps to fix the rate of interest on a portion of its borrowings and expenses related to these may rise if prevailing interest rates are higher when the Group's existing fixed rate borrowings mature. Any increase in interest rates could have a material adverse impact on Redrow's business, financial condition and results of operation.

### ***2.5 Cancellation rates of exchanged sales contracts and sales reservations were higher in 2008 and 2009 to date compared to Redrow's long-term average rate, and may rise in the future.***

Cancellation rates of exchanged sales contracts and sales reservations tend to increase when customers suffer a change of circumstance, are unable to sell their existing homes or are unable to obtain mortgages, even when this entails a loss of a reservation fee or deposit. If house prices continue to decline, interest rates increase or other adverse economic conditions are prevailing, home buyers may have an incentive to cancel their contracts with Redrow, even if they might not be entitled to a refund or only be entitled to a partial refund of their deposits. In cases of cancellation, Redrow remarkets the home and usually retains any deposit it is permitted to retain. Increased cancellation rates have had, and may continue to have, an impact on Redrow's business, financial condition and results of operation as a result of lost sales revenue, the costs of remarketing a home and the accumulation of, and costs of maintaining, unsold housing inventory.

### ***2.6 Redrow may be required to increase its contributions to its defined benefit pension scheme in order to fund an increase in the cost of future benefits and/or funding shortfalls.***

Redrow provides retirement benefits for its former and current employees through a defined benefit and defined contribution pension scheme.

Market volatility has had a significant impact on Redrow's pension fund in recent years although currently Redrow's defined benefit pension section of its pension scheme is in surplus based on an IAS19 valuation. This

section is closed to all new entrants and future increases in pensionable salary to members were restricted from 1 July 2009. In the event that the market value of the assets of such pension schemes declines, the value of the assessed liabilities increases or the trustees determine that Redrow's financial position requires a different approach to contributions and deficit reduction, Redrow's contributions may be required to increase. Changes in the investment strategy of the schemes may also result in a requirement to increase Redrow's contributions. In addition, the Pensions Regulator has powers the exercise of which could require Redrow to make additional contributions or put in place other financial support. Increases to Redrow's contributions or other forms of financial support could have a material adverse impact on Redrow's business, financial condition and results of operation.

The cost of funding benefits depends on a number of factors, including the real returns that can be obtained on the assets, future salary levels, life expectancy and inflation rates. These factors may require increases to Redrow's contributions. This could have a material adverse impact on Redrow's business, financial condition and results of operation. A particular risk relating to defined benefit pension schemes is the extent to which allowance will need to be made in the assessed value of the liabilities for evidence of increased life expectancy.

***2.7 There is a risk that a counterparty, such as a bank or other financial institution, with which Redrow has deposited funds may default on its contractual obligations, which may have an adverse impact on Redrow's business.***

There is a credit risk which arises from cash and cash equivalents, including call deposits placed with banks and financial institutions, derivative financial instruments and trade receivables. It represents the risk of financial loss to Redrow where counterparties are unable to meet their obligations. Redrow manages its credit risk centrally in respect of cash and cash equivalents and derivative financial instruments. In respect of placing deposits with banks, financial institutions and funds, individual risk limits are approved by the Board. The Group's exposure to credit risk has decreased overall in 2009 to date compared to 2008 due to the policy of holding lower levels of cash and cash equivalents (although this is offset in part by a small increase in the use of shared equity as a sales incentive). However there is a risk that a bank or financial institution, for example, may default on its contractual obligations which in turn may have an adverse impact on Redrow's business, financial condition and results of operation.

### **3 Regulation**

***3.1 Inability to secure planning consents on a timely basis may adversely affect Redrow's business.***

Certain developments will require new planning consents to be granted by the relevant local planning authority. There can be no certainty that any given application, or broadly equivalent proposal, will result in full planning consent or that a planning consent, if granted, will not be on unduly onerous terms. Local and national planning policies, local urban regeneration strategies and policies on the use of brownfield and greenfield sites and building on greenbelt sites, continue to have a significant impact on the ability of housebuilders to develop sites. Delays to the expected timescale for receipt of planning consents for a site may result in a reduction in the number of homes that are available for sale within the proposed time frame. Planning policies can place restrictions on access to new land and on how land is developed. For example, planning consents can be very specific on matters including the density and types of housing and the availability of car parking spaces. Furthermore, if the requirements imposed by the planners do not coincide with customer preferences there may be a negative impact on demand for the product or anticipated returns may otherwise be reduced. The estimated number of plots and the economic feasibility of development represented by Redrow's strategic land may also be reduced due to planning considerations.

Any failure to obtain such planning consents on acceptable terms or at all could have a material adverse impact on Redrow's business, financial condition and results of operation.

***3.2 Redrow's business is subject to complex and substantial regulations. The regulatory environment in which Redrow operates may change.***

Redrow is required to comply with substantial regulations, administrative requirements and policies which relate to, among other matters, planning, developing, building, land use, fire, health and safety, environment and employment. These regulations often provide broad discretion to the administering authorities. Changes in relevant law, regulations or policies, or the interpretation thereof, or delays in such interpretations being delivered, may give rise to substantial compliance, remediation and/or other costs, and can prohibit or severely

restrict development and housebuilding in certain locations. Ultimately, such factors may delay or increase the cost of Redrow's development or construction, which could have a material adverse impact on Redrow's business, financial condition and results of operation.

Each aspect of the regulatory environment in which Redrow operates is subject to change. Redrow expects that increasingly stringent requirements will be imposed on developers and housebuilders in the future including in respect of building regulations, additional planning requirements, employment laws, health and safety regulations, and environmental and sustainability requirements. Regulatory change results in costs relating to both compliance and adaptation to a new regime, which could have a material adverse impact on Redrow's business, financial condition and results of operation.

In addition, there may also be changes in regulation between the time when initial consents are given and when construction begins, which may cause delays, increase costs and reduce the expected rate of return on a development. Such factors could have a material adverse impact on Redrow's business and results of operation.

### ***3.3 Changes in legislation may impact Redrow's business.***

There is a risk that changes in legislation could result in the requirement for housebuilders to increase the proportion of social housing units or make an increased contribution to S106 agreements, thus reducing the profitability of individual developments. New legislation is being introduced in April 2010 in the form of the Community Infrastructure Levy ("CIL"). Local authorities in England and Wales will be empowered, but not required, to charge a CIL on most types of new development in their area. The levy will be based on simple formulae which relate the amount of the charge to the size and character of the development on which it is being levied. The proceeds of the CIL will be spent on local and sub-regional infrastructure to support the development of the area.

In addition, the code for sustainable homes (the "Code") measures the sustainability of a new home against nine categories of sustainable design, rating the "whole home" as a complete package. The Code uses a rating system to communicate the overall sustainability performance of a new home, setting minimum standards for energy and water use at each level and, within England, replaces the EcoHomes scheme developed by the Building Research Establishment. The Code supports the Government target that all new homes will be zero carbon from 2016. The Code provides valuable information to home buyers, and offers builders a tool with which to differentiate themselves in sustainability terms. However, compliance with the Code is currently resulting in an increase in build costs which may continue in the future and adversely impact profitability.

There are also moves toward the provision of onsite power generation systems which are not currently a feature of Redrow's developments. In the event that these changes result in additional costs that cannot be recovered by increased selling prices, they may have a material adverse impact on Redrow's future growth, business, financial condition and results of operation.

### ***3.4 Adverse tax consequences could occur as a result of changes in tax law or other factors.***

Tax rules, including stamp duty land tax provisions and their interpretation, may change. Any change in Redrow's tax status, in taxation legislation or its interpretation, or in HMRC practice, could (i) affect the value of property held by Redrow, (ii) affect Redrow's ability to provide returns to Shareholders or (iii) alter the post-tax returns to Shareholders.

References in this document concerning the taxation of Redrow are based upon current tax law and practice that is subject to change, possibly with retrospective effect. Any such change may have a material adverse impact on Redrow's business, financial condition or post-tax results of operation.

## **4 Risk management/Financial & operational controls/Fraud**

### ***4.1 Failure or deficiencies in Redrow's risk management, financial and commercial controls could result in significant unanticipated costs.***

Cost estimates made in advance of commencing a development are dependent upon assumptions, estimates and judgments which may ultimately prove to be inaccurate. Whilst Redrow attempts to mitigate this risk by taking reasonable steps to ensure that its risk management and financial and operational procedures, control and systems are appropriate for its businesses, failure or deficiencies in Redrow's risk management, financial and

commercial controls could result in significant unanticipated costs. Such unanticipated costs could arise from, amongst other things, the failure to establish accurately the anticipated cost of sites acquisition or any given development, from unanticipated or unbudgeted costs which arise during the course of development, either due to omission, unforeseen technical conditions, or increases in sub-contractor rates or material costs, and from inadequate contractual arrangements which do not provide for a final and known cost in advance.

#### ***4.2 Errors in evaluating and managing sites may result in losses or a reduced rate of return on property developments.***

In normal market conditions, Redrow purchases a significant number of sites each year and is therefore dependent on its ability to value a large number of transactions accurately. Errors in evaluating a site purchase and the costs incurred in its development, designing the layout of the development, sourcing materials and sub-contractors and managing contractual commitments, or a failure to sell products efficiently and accurately, may result in a reduced rate of return or losses on property developments that could have a material adverse impact on Redrow's business, financial condition and results of operation.

Additionally, Redrow periodically works with other housebuilders on larger consortium projects. The failure or nationalisation of a major housebuilder with whom Redrow is collaborating on such a project may have a material adverse impact on Redrow's business, financial condition and results of operation and on Redrow's relationships with its customers.

#### ***4.3 Fraudulent activity may result in damage to Redrow's financial performance.***

A significant fraud could damage the financial performance of the business and like any business, Redrow runs the risk that employee fraud or other misconduct could occur. The precautions that the Group takes to prevent this, which include:

- systems, policies and procedures designed to segregate duties and minimise opportunity for fraud;
- regular management reporting and challenge;
- internal audit reviews; and
- regular review of insurance programmes

may not be effective in all cases. Employee misconduct could cause significant financial harm or reputational damage to the Group and any liability or loss may not be fully covered by insurance. Similar issues may arise in relation to misconduct by the employees of third parties when the Group employs third parties to provide services for customers. Such fraud or misconduct may have a material adverse effect on Redrow's reputation, business, financial condition and results of operation or prospects.

#### ***4.4 IT failure may have an adverse impact on Redrow's business.***

The Group has established disaster recovery procedures to ensure that the impact of a significant operational breakdown of IT systems upon the business is minimised. Nevertheless, in the event that these procedures fail to operate effectively or the nature of the disruption is beyond that envisaged in the established procedures, there is a risk that Redrow's ability to operate effectively may be adversely affected.

## **5 Construction risks**

### ***5.1 Housebuilding is subject to the risk of construction defects which may give rise to contractual or other liabilities and reputational damage.***

There can be no assurance that any developments Redrow undertakes will be free from defects once completed. Construction defects may occur on projects and developments and may arise some time after completion of that project or development. Although Redrow obtains warranty, guarantee or indemnity protection in its contracts, and has NHBC Insurance Guarantee and arrangements with other insurance providers, these may not cover everything and significant liabilities may not be identified or may only come to light after the expiry of warranty or indemnity periods. Any claims relating to defects arising on a development attributable to Redrow may give rise to contractual or other liabilities which can extend, depending on the relevant contractual or statutory provisions, for a period of up to 12 years or more from completion of the project or development. Unexpected levels of expenditure attributable to defects arising on a development project may have



a material adverse impact on the levels of return generated from a particular project. In addition, severe or widespread incidence of defects giving rise to unexpected levels of expenditure may, to the extent that insurance or redress against sub-contractors does not compensate, have a material adverse impact on Redrow's business, financial condition and results of operation.

Furthermore, widespread defects could generate significant adverse publicity and have a negative impact on Redrow's reputation and Redrow's ability to win new business, which in turn would have a material adverse impact on Redrow's business, financial condition and results of operation.

***5.2 The construction of new houses involves health and safety risks. A major health and safety incident could be costly in terms of potential liabilities and reputational damage.***

A significant health and safety or environmental incident or general deterioration in standards could put Redrow's employees, contractors, the general public and/or the environment at risk as well as damaging Redrow's reputation. Building sites are inherently dangerous places and operating in the housebuilding industry poses certain health and safety risks. Due to Redrow's focus on operational and occupational safety, health and safety regulatory requirements and the number of projects worked on, health and safety performance is critical to the success of all areas of Redrow's business. Any failure in health and safety performance, including any delay in responding to changes in health and safety regulations, as detailed in 3.2 above, may result in penalties for non-compliance with relevant regulatory requirements. Any such failure which results in a major or significant health and safety incident is likely to be costly in terms of potential liabilities incurred as a result. Furthermore, such a failure could generate significant adverse publicity and have a negative impact on Redrow's reputation and its ability to win new business, which in turn may have a material adverse impact on Redrow's business, financial condition and results of operation.

***5.3 Natural disasters and severe weather conditions could delay deliveries of homes, increase costs or decrease demand for new homes in affected areas.***

Some of Redrow's housebuilding operations are located in areas that might be the subject of natural disasters and severe weather conditions, in particular in relation to increased flood risks due to climate change or otherwise. The occurrence of natural disasters or severe weather conditions can delay new home deliveries, increase costs and result in uninsured losses by damaging inventories, reduce the availability of materials and/or have a negative impact on the demand for new homes in affected areas, any of which may have a material adverse impact on Redrow's business, financial condition and results of operation.

***5.4 An inability to obtain additional surety bonds could limit Redrow's future growth.***

Redrow is often required to provide surety bonds, generally to housing authorities or statutory authorities, to secure Redrow's performance under construction contracts, development agreements and other arrangements. It is becoming more difficult to obtain surety bonds in the current economic conditions and growth beyond Redrow's current facilities and additional surety facilities may be required. Redrow's ability to obtain additional surety bonds may be restricted by market conditions though the Group currently has adequate headroom within its existing surety bonding lines and additionally, has access through its Syndicated Facility Agreement, for the provision of letters of credit. The ability to obtain additional surety bonds primarily depends upon Redrow's capitalisation, working capital, past performance, management expertise and certain external factors, including the capacity of the surety market. Surety providers consider such factors in addition to Redrow's performance and claims record and such providers' underwriting standards, which may change from time to time. If Redrow is unable to obtain additional surety bonds when required, it could have a material adverse impact on Redrow's business, financial condition and results of operation.

## **6 Operational risks**

***6.1 Failure to design and implement existing and new products and schemes effectively may lead to underperformance of Redrow's business.***

Redrow's failure to design and build a desirable product for its customers could lead to relative underperformance of Redrow's business. The product mix on new sites is extensively considered by local management, reviewed by the Executive Directors and, if appropriate, adjusted to housing market conditions. Redrow's Product Development Team undertakes regular market reviews and independent market research and design is an integral element of Redrow's business. However, even with the focus on new products in place,

customer preference may change in a way that Redrow's new product and design teams do not anticipate, which may lead to underperformance of Redrow's business, require remediation costs and consequently have an adverse impact on Redrow's business, financial condition and results of operation.

***6.2 Failure to adopt design improvements and technological advances may adversely impact Redrow's business.***

Redrow's product development team use design improvements in the industry and technological advances to improve the products for Redrow's business. Inability to utilise these design improvements and technological advances effectively to ensure delivery of an appealing product at a competitive selling price may have a material adverse impact on Redrow's future growth, business, financial condition and results of operation.

***6.3 The housebuilding and home development market is, and could become increasingly, competitive. This may adversely impact on Redrow's business.***

Redrow's competitors include other local, regional and national housebuilders, some of whom have greater sales and financial resources and lower costs of funds. Many of these competitors also have longstanding relationships with sub-contractors and suppliers in the markets in which Redrow operates. Redrow competes with other housebuilders and developers for buyers, desirable sites, financing, raw materials and skilled labour. Competition in the housebuilding industry has recently reduced because of the downturn, but the industry is historically very competitive as there are relatively low barriers to entry. Increased competition in housebuilding may result in difficulty in acquiring suitable land at acceptable prices, the need for increased selling incentives, delays in construction, lower sales and ultimately lower profit margins or financial returns on developments. Furthermore, there is a risk in an increasingly competitive environment that Redrow may lose existing customers or fail to secure new customers. Any or all of these factors could have a material adverse impact on Redrow's business, financial condition and results of operation.

In addition, pricing competition can come from other housebuilders building new homes, individual homeowners selling their homes, investors disposing of buy-to-let properties and from banks selling repossessed properties. The level of house repossessions has grown in England and Wales by 51 per cent. between the fourth quarter of 2007 and the fourth quarter of 2008 (source: Council of Mortgage Lenders) which Redrow believes has had an adverse impact on house prices and Redrow's selling prices.

***6.4 The loss of senior management or key personnel may adversely impact Redrow's business.***

The Group's future success depends in large part upon the continued service of key members of its senior management team. In particular, Redrow's Chairman, acting in an executive capacity, Steve Morgan, is critical to the overall management of Redrow as well as the development of its products, culture and strategic direction. Redrow does not maintain any key-person life insurance policies. The loss of Steve Morgan and/or other key personnel may have an adverse impact on Redrow's business, financial condition and results of operation.

***6.5 Failure to recruit, retain and develop highly-skilled, competent people at all levels, including finding suitable sub-contractors, may have an adverse impact on Redrow's business.***

The loss of key staff and/or Redrow's failure to attract high quality employees will inhibit Redrow's ability to achieve its business objectives. Key employees, including management team members, are fundamental to Redrow's ability to obtain, generate and manage opportunities. Skilled employees working in the housebuilding and construction industries are highly sought after. Failure to attract and retain such personnel or to ensure that their experience and knowledge is not lost when they leave the business through retirement, redundancy or otherwise may have a material adverse impact on standards of service and on Redrow's business, financial condition and results of operation. As a result of current and anticipated market conditions, Redrow has made a significant number of employees redundant, and reduced the recruitment of new employees, which may have resulted in a loss of knowledge, skill and capacity that could have a material adverse impact on Redrow's business and its ability to manage future business opportunities.

Furthermore, the vast majority of Redrow's work which is carried out on site is performed by sub-contractors. The current very difficult operating environment has resulted in the failure of some sub-contractors' businesses and may result in further failures. In addition, reduced levels of housebuilding have led to some skilled tradesmen leaving the industry to take jobs in other sectors or emigrating. If Redrow's sub-contractors are not able to recruit sufficient numbers of skilled employees, or if Redrow is unable to engage

suitable sub-contractors at commercially reasonable rates in the future, Redrow's developments may suffer from delays and quality issues that could materially adversely impact on Redrow's business, financial condition and results of operation.

***6.6 Redrow's business depends on the continued viability of contractors, sub-contractors, and other service providers.***

Redrow's business operates with a network of key suppliers and sub-contractors in the various regions of the Group, required to provide construction and various other services for the development of Redrow's sites. The network works so that in the event that any supplier or sub-contractor does not perform, others are available that Redrow is able to use. However, such third-party contractors have been and may continue to be adversely affected by economic downturns or recessions, including the current downturn, and if market conditions continue, the failure of several key suppliers or sub-contractors to perform could disrupt Redrow's ability to deliver homes on programme. Redrow may hire a contractor or sub-contractor or enter into supplier agreements with a supplier that subsequently becomes insolvent. This could cause cost overruns and programme delays and could increase the risk that Redrow will be unable to recover costs in relation to any defective work performed by such contractor, to the extent such costs are not covered by insurance or the supplier. Any of these factors could reduce expected returns on a development. The failure to recruit, retain and develop highly-skilled, competent sub-contractors as described in 6.5 above, together with the insolvency or other financial distress of one or more of Redrow's current contractors, could have a material adverse impact on Redrow's business, financial condition and results of operation.

***6.7 Shortages or increased costs of materials and skilled labour could increase costs and delay deliveries and may have an adverse impact on customer relationships.***

Housebuilders are subject to inventory risks related to anticipating consumer demand and supply risks related to the availability and cost of land suitable for housebuilding and the availability and cost of materials and labour. Increased costs or shortages of skilled labour and/or timber, framing, concrete, steel and other building materials could cause increases in construction costs and construction delays. Increases in Redrow's product prices or delays in construction may result in potential customers being less willing or able to purchase homes. If Redrow is unable to pass on any increase in costs to Redrow's customers, as may be the case during challenging trading periods such as the current one, Redrow's margins may reduce, which could accordingly have an adverse impact on Redrow's business, financial condition and results of operation.

***6.8 Cost reduction programmes, if unsuccessful, and increases in operating and other expenses may adversely affect Redrow's financial performance.***

Redrow undertook a major cost restructuring exercise in the year ended 30 June 2009 in response to current economic conditions and to counteract increases in expenses which have occurred without a corresponding increase in revenue. Those benefits may only materialise in 2010 and there is a risk that implementation of cost reduction actions may not yield the anticipated benefits. The cost reduction programme may also impair Redrow's ability to carry on its business effectively at appropriate levels and may be more costly than currently anticipated.

Other factors that could increase Redrow's operating and other expenses include:

- increases in costs of labour and materials;
- increases in sub-contractor and professional services costs;
- unanticipated construction costs including unforeseen ground conditions (for example, the presence of archaeological artefacts or unforeseen geological characteristics), or technical and construction solutions to unforeseen build issues; and
- increases in administrative, regulatory compliance and other central costs.

Any of these factors could result in a material adverse impact on Redrow's business, financial condition and results of operation. While Redrow believes that the measures it has taken are appropriate in the current economic conditions, there can be no assurance that further cost reduction measures will not become necessary or that they can be pursued without impairing Redrow's ability to carry on its business efficiently and at appropriate levels.



## **7 Environmental liabilities**

### ***7.1 Ownership, leasing or occupation of land carries potential environmental risks and liabilities that may not be covered by insurance.***

Redrow may be liable for the costs of removal, investigation or remediation of hazardous or toxic substances located on, under or in a property currently or formerly owned, leased or occupied by the Group, whether or not it caused or knew of the pollution. The costs of any required removal, investigation or remediation of such substances or the costs of defending against environmental claims may be substantial, not covered by insurance and could have an adverse impact on Redrow's reputation or customer willingness to purchase homes in the affected development. The presence of such substances, or the failure to remediate such substances properly, may also adversely affect Redrow's ability to sell the land or to borrow using the land as security. Some of the projects Redrow has developed are located on land that has been contaminated by previous use. No assurances can be given that material claims or liabilities relating to such developments will not arise in the future. Laws and regulations may also impose liability for the release of certain materials from land into the air or water and such release can form the basis for liability to third persons for personal injury or other damages. The occurrence of any of these events could have a material adverse impact on Redrow's business, financial condition and results of operation.

### ***7.2 Redrow may be liable to claims for damages as a result of use of hazardous materials.***

As a housebuilding business with a variety of housebuilding and construction activities, Redrow could be liable for future claims for damages as a result of the past or present use of hazardous materials. Some of these claims could be unknown at the present time, including in respect of environmental contamination or ill-health of employees and sub-contractors. Any claims brought in the future against Redrow could have a material adverse impact on Redrow's business, financial condition and results of operation.

## **8 Litigation**

### ***8.1 Housebuilding is a complex activity which can involve litigation and there is no guarantee that a substantial claim brought against Redrow will be covered by its insurance.***

In the course of Redrow's housebuilding activities, Redrow is exposed to potentially significant litigation including, but not limited to, breach of contract, contractual disputes and also, in the case of housebuilding, defective title or property misdescription. Insurance, if any, may be insufficient to cover the particular claim or loss. Significant litigation may adversely affect Redrow's business, financial condition and results of operation or cause Redrow significant reputational harm. In the experience of the Directors, when market conditions are unfavourable, customers and other parties may be more likely to litigate in relation to disputes or losses, for example, in relation to disputed valuations. While Redrow maintains commercial insurances in an amount it believes is appropriate against risks commonly insured against by persons carrying on similar businesses, there is no guarantee that it will be able to obtain the levels of cover desired by Redrow on acceptable terms in the future. In addition, even with such insurance in place, the risk remains that Redrow may incur liabilities to clients and other third parties which exceed the limits of such insurance cover or are not covered by it. Should such a situation arise it may have a material adverse impact on Redrow's business, results of operation, financial condition or prospects. For further information on material litigation and arbitration proceedings in which Redrow is currently involved, refer to paragraph 15 (Litigation) of Part XI of this document.

## **9 Insurance**

### ***9.1 Redrow may suffer uninsured losses or suffer material losses in excess of insurance proceeds.***

Redrow maintains insurance cover at the level which it believes is right for the needs of the business. However, the insurance may be insufficient to cover the physical damage to property and/or liabilities caused by the incidents that it covers, resulting in losses that may not be fully compensated by insurance. Furthermore, certain types of risks (such as war risk and terrorist acts) may be, or may become in the future, either uninsurable or not economically insurable, or may not be currently or in the future covered by Redrow's insurance policies.

Should an uninsured loss or a loss in excess of insured limits occur, the Group could sustain financial loss or lose capital invested in affected property as well as anticipated future income either from that property development or as a consequence of the loss that the property has on the Group's operations. The latter, for example, could occur with the disruptive impact arising from the loss of the head office building. In addition,

Redrow could be liable to repair damage or meet liabilities caused by uninsured risks. Redrow would also remain liable for any debt or other financial obligation related to affected property. No assurance can be given that material losses or liabilities in excess of insurance proceeds will not occur in the future any of which could have an adverse impact on Redrow's business, financial condition and results of operation.

## **10 Relationship with Steve Morgan**

### ***10.1 Steve Morgan will continue to exercise significant control over Redrow after the Harrow Estates Transaction and the Rights Issue and, as a result, he may be able to influence the outcome of important decisions.***

Immediately following completion of the Harrow Estates Transaction and the Rights Issue, Steve Morgan will continue to own, directly or indirectly, 29.9 per cent. of the issued Ordinary Shares in the Company. As a result, Mr Morgan will be able to exercise significant influence over all matters requiring shareholder approval, including the election of Directors and significant corporate transactions. Although Mr Morgan brings considerable experience, expertise and valuable leadership to the Company, the concentration of ownership may have the effect of preventing investors from influencing important decisions by the Company, delaying or deterring a change in control of the Group, or depriving shareholders of an opportunity to receive a premium for their Ordinary Shares as part of a sale of the Group, and might also affect the market price and liquidity of the Ordinary Shares. Furthermore, Steve Morgan may subsequently sell all or part of his holdings of Ordinary Shares which could affect the price of Ordinary Shares.

## **Risks Relating to the Rights Issue and the New Shares**

### **1 The Rights Issue may not be successful.**

A failure to recapitalise Redrow successfully may result in a reduction in future returns to shareholders in the longer term. In the absence of a successful equity issue, or if there is a further or continued deterioration in Redrow's core housebuilding markets, increased financing costs may mean that Redrow remains more focused on cash generation than on maximising shareholder value, for example, by, if required, selectively liquidating land assets rather than effectively developing them out. This focus on cash generation may have a material adverse impact on Redrow's business, financial condition and results of operation.

### **2 Redrow's share price may fluctuate.**

The market price of the New Shares (including the Nil Paid Rights and the Fully Paid Rights) and/or the Ordinary Shares could be subject to significant fluctuations due to a change in sentiment in the market regarding the New Shares (including the Nil Paid Rights and the Fully Paid Rights) and/or the Ordinary Shares. The fluctuations could result from national and global economic and financial conditions, the market's response to the Rights Issue, market perceptions of Redrow, including when it might recommence payment of dividends on the Ordinary Shares and various other factors and events, including its ability to manage the Syndicated Facility Agreement and raise new capital, regulatory changes affecting Redrow's operations, variations in Redrow's results of operation, business developments of Redrow and/or its competitors and the liquidity of financial markets. Stock markets have recently experienced significant price and volume fluctuations that have affected the market prices for the Ordinary Shares. Furthermore, the reported results of operation of the Group from time to time may be below the expectations of market analysts and investors. Any of these events could result in a decline in the market price of the New Shares (including the Nil Paid Rights and the Fully Paid Rights) and/or the Ordinary Shares.

### **3 An active trading market in the Nil Paid Rights or the Fully Paid Rights may not develop.**

An active trading market in the Nil Paid Rights or the Fully Paid Rights may not develop on the London Stock Exchange during the trading period. In addition, because the trading price of the Nil Paid Rights and the Fully Paid Rights depends on the trading price of the Ordinary Shares, the market prices of the Nil Paid Rights and the Fully Paid Rights prices may be volatile and subject to the same risks as noted elsewhere herein.

### **4 Shareholders who do not acquire New Shares in the Rights Issue will experience dilution in their ownership of Redrow.**

If Shareholders do not take up the offer of New Shares in the Rights Issue, their proportionate ownership and voting interests in Redrow will be reduced and the percentage of the total share capital of Redrow that their

Shares represent will be reduced accordingly. Even if a Shareholder elects to sell his unexercised Nil Paid Rights, or such Nil Paid Rights are sold on his behalf, the consideration he receives may not be sufficient to compensate him fully for the dilution of his percentage ownership of the Company's share capital that may be caused as a result of the Rights Issue.

**5 Any future issues of Redrow shares would further dilute the holdings of current Redrow Shareholders and a further offering or significant sale of shares could adversely affect the market price of Redrow's shares.**

Other than the proposed issue of shares under the Rights Issue, Redrow has no current plans for an offering of Redrow shares. However, it is possible that Redrow may decide to offer additional Redrow shares in the future either to raise capital or for other purposes. If Shareholders did not take up such offer of shares or were not eligible to participate in such offering, their proportionate ownership and voting interests in Redrow would be reduced and the percentage of the total share capital of Redrow that their shares represent would be reduced accordingly. An additional offering, or significant sales of Redrow shares by major Shareholders, could have a material adverse impact on the market price of Redrow shares as a whole.

**6 Depending on performance and market conditions, Redrow may not pay out cash dividends in the foreseeable future, or may pay out smaller dividends than the market expects.**

Redrow can only pay cash dividends to the extent that it has distributable reserves available for this purpose. The ability to pay dividends in the future is affected by a number of factors, including Redrow's dividend policy, the performance of the Group, market conditions and the ability to receive sufficient dividends from subsidiaries. The payment of dividends to Redrow by its subsidiaries is, in turn, subject to restrictions, including certain regulatory requirements and the existence of sufficient distributable reserves and cash, which will be determined by the subsidiaries' performance and by market conditions.

In addition, if current market conditions prevail for a sustained period, Redrow's business, financial condition and results of operation may be adversely affected and Redrow may not pay out cash dividends in the foreseeable future, or may pay out smaller dividends than the market expects.

**7 Shareholders outside the UK may not be able to participate in future offerings.**

Securities laws of certain jurisdictions may restrict Redrow's ability to allow participation by Shareholders in future offerings. In particular, holders of Ordinary Shares who are located in the US may not be able to exercise their pre-emption rights unless a registration statement under the Securities Act is effective with respect to such rights or an exemption from the registration requirements is available thereunder. Securities laws of certain other jurisdictions may also restrict Redrow's ability to allow participation by Shareholders in such jurisdictions in any future issue of shares carried out by the Company.

**8 The ability of Overseas Shareholders to bring actions or enforce judgments against Redrow or the Directors may be limited.**

The ability of an Overseas Shareholder to bring an action against Redrow may be limited under law. Redrow is a public limited company incorporated in England and Wales. The rights of holders of Shares are governed by English law and by Redrow's Memorandum and Articles of Association. These rights differ from the rights of shareholders in typical US corporations and some other non-UK corporations. An Overseas Shareholder may not be able to enforce a judgment against some or all of the Directors and executive officers. The majority of the Directors and executive officers are residents of the UK. Consequently, it may not be possible for an Overseas Shareholder to effect service of process upon the Directors and executive officers within the Overseas Shareholder's country of residence or to enforce against the Directors and executive officers judgments of courts of the Overseas Shareholder's country of residence based on civil liabilities under that country's securities laws. There can be no assurance that an Overseas Shareholder will be able to enforce any judgments in civil and commercial matters or any judgments under the securities laws of countries other than the UK against the Directors or executive officers who are residents of the UK or countries other than those in which judgment is made. In addition, English or other courts may not impose civil liability on the Directors or executive officers in any original action based solely on foreign securities laws brought against Redrow or the Directors in a court of competent jurisdiction in England or other countries.

## **Risks Relating to the Harrow Estates Transaction**

### **1 The land assets acquired from Harrow Estates may not provide Redrow with the financial returns anticipated.**

The assets proposed to be acquired in the Harrow Estates Transaction are and will be subject to the same risks described above affecting the existing Redrow business. As a result of these risks, the returns generated by the Harrow Estates Business may not be in line with Redrow's expectations, which could in turn have a material adverse impact on Redrow's business, financial condition and results of operation.

In addition, as a result of the factors described above, a write-down may be required against the carrying value of Redrow's investment in the Harrow Estates Business. Such a write-down may adversely affect Redrow's financial position and may also reduce Redrow's distributable reserves by the extent of the write-down, and consequently affect Redrow's ability to pay dividends in the future.

### **2 Environmental and planning issues relating to the Harrow Estates Business may have an adverse impact on Redrow's business.**

Harrow Estates strategy is to acquire brownfield sites without residential planning consent, remediate the sites and obtain an appropriate planning consent before selling the site to residential developers, such as Redrow. There is a risk that environmental issues which are not identified by Harrow Estates in the due diligence it conducts before acquiring a site or which are not fully identified in terms of the full extent of a site's contamination and remediation requirements could lead to the Harrow Estates Business incurring greater liabilities than anticipated. Harrow Estates may have under-estimated the cost plan and time for the Properties to be remediated and a planning consent obtained. In addition, if planning consent is not obtained at all, Redrow may have overpaid for land acquired in this expectation. Following the Harrow Estates Transaction, these factors could in turn affect Redrow's business, financial condition and results of operation.

### **3 Shortages or increased costs of land, materials and labour, or errors in evaluating and managing sites, may result in losses or a reduced rate of return.**

Harrow Estates is subject to supply risks relating to the availability and cost of land suitable for remediation and to the availability and cost of materials and skilled labour required to perform the necessary work. When purchasing a site, Harrow Estates is dependent on its ability to value the transaction accurately. Errors in evaluating a site purchase and the costs incurred in its remediation and subsequent development, or in the managing of contractual commitments, or an inability to market a site successfully after its regeneration, may result in a reduced rate of return or losses on the development. This could have a material adverse impact on the Harrow Estates Business, and therefore also on Redrow's business, financial condition and results of operation.

### **4 Failure to retain key members of the Harrow Estates team of land professionals may have an adverse impact on Redrow's business.**

Key members of the Harrow Estates team of land professionals, with their considerable planning and technical skills, will be fundamental to Redrow's ability to obtain, generate and manage opportunities presented by the Harrow Estates Transaction. The future success of these opportunities will depend in large part upon the continued service of these key employees. Failure to retain such personnel following the Harrow Estates Transaction, to implement effective succession plans, or to ensure that experience and knowledge is not lost when key employees eventually leave the business, will inhibit Redrow's ability to achieve its objectives in relation to the Harrow Estates Business and may have a material adverse impact on Redrow's business, financial condition and results of operation.

## IMPORTANT INFORMATION

### Presentation of financial information

The Company publishes its financial statements in pounds sterling (“£” or “sterling”). The abbreviation “£m” represents millions of pounds sterling, and references to “pence” and “p” represent pence in the UK.

The financial information presented in a number of tables in this document has been rounded to the nearest whole number or the nearest decimal place. Therefore, the sum of the numbers in a column may not conform exactly to the total figure given for that column. In addition, certain percentages presented in the tables in this document reflect calculations based upon the underlying information prior to rounding, and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

### International Financial Reporting Standards

As required by the Companies Act and Article 4 of the European Union IAS Regulation, the consolidated financial statements of the Group are prepared in accordance with IFRS issued by the IASB and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB as adopted by the European Union.

### Forward-looking statements

This document contains certain forward-looking statements which may include reference to one or more of the following: the Group’s financial condition, results of operations, cash flows, dividends, financing plans, business strategies, operating efficiencies, budgets, capital and other expenditures, competitive positions, growth opportunities for existing products, plans and objectives of management and other matters. Statements in this document that are not historical facts are hereby identified as “forward-looking statements”. Such forward-looking statements, including, without limitation, those relating to future business prospects, revenue, interest costs and income, in each case relating to Redrow or Harrow Estates (as applicable), wherever they occur in this document, are necessarily based on assumptions reflecting the views of Redrow and involve a number of known and unknown risks, uncertainties and other factors that could cause actual results, performance or achievements to differ materially from those expressed or implied by the forward-looking statements. Such forward-looking statements should, therefore, be considered in light of various important factors. Important factors that could cause actual results to differ materially from estimates or projections contained in the forward-looking statements include without limitation: economic and business cycles, the terms and conditions of Redrow’s financing arrangements, competition in Redrow’s principal markets, acquisitions or disposals of businesses or assets and trends in Redrow’s principal business.

These statements are further qualified by the risk factors disclosed in this document that could cause actual results to differ materially from those in the forward-looking statements. See the section of this document entitled “Risk Factors” for further details.

These forward-looking statements speak only as at the date of this document. Nothing in this paragraph is intended to qualify the working capital statement at paragraph 19 of Part XI “Working Capital Statement”. Except as required by the Listing Rules, the Disclosure and Transparency Rules, the Prospectus Rules, the London Stock Exchange, the Part VI Rules or applicable law, Redrow does not have any obligation to update or revise publicly any forward-looking statement, whether as a result of new information, further events or otherwise. Except as required by the FSA, the London Stock Exchange, the Part VI Rules or applicable law, Redrow expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in Redrow’s or Harrow Estates (as applicable) expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this report might not occur.

### Notice to investors in the United States

Subject to certain exceptions, neither this document nor the Provisional Allotment Letter constitutes or will constitute or forms or will form part of any offer or invitation to sell or issue, or any solicitation of any offer to purchase or acquire the Nil Paid Rights, the Fully Paid Rights and/or the New Shares to any Shareholder with a registered address in, or who is located in, the United States. If you are in the United States, subject to certain



limited exceptions, you may not exercise your Nil Paid Rights or Fully Paid Rights and/or acquire any New Shares offered hereby. The Nil Paid Rights, the Fully Paid Rights and the New Shares are being offered outside the United States in reliance on Regulation S.

To the extent that the New Shares are not taken up in the Rights Issue, the Joint Bookrunners may arrange for the offer of the New Shares in accordance with Regulation S.

In addition, until 40 days after the commencement of the Rights Issue or procurement of acquirers by the Joint Bookrunners of the New Shares not initially taken up, any offer, sale or transfer of the Nil Paid Rights, the Fully Paid Rights or the New Shares within the United States by a dealer (whether or not participating in the Rights Issue) may violate the registration requirements of the Securities Act.

The Company reserves the right to treat as invalid any Provisional Allotment Letter (or renunciation thereof) that appears to the Company or its agents to have been executed in or despatched from the United States, or that provides an address in the United States for the acceptance or renunciation of the Nil Paid Rights, Fully Paid Right and/or New Shares, or which does not make the warranty set out in the Provisional Allotment Letter to the effect that the person accepting and/or renouncing the Provisional Allotment Letter does not have a registered address and is not otherwise located in the United States and is not acquiring the Nil Paid Rights, Fully Paid Rights or the New Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Nil Paid Rights, Fully Paid Rights or New Shares in the United States or where the Company believes acceptance of such Provisional Allotment Letter may infringe applicable legal or regulatory requirements. The Company will not be bound to allot (on a non-provisional basis) or issue any Nil Paid Rights, Fully Paid Rights or New Shares to any person with an address in, or who is otherwise located in, the United States in whose favour a Provisional Allotment Letter, any Nil Paid Rights, Fully Paid Rights or New Shares may be transferred or renounced. In addition, the Group and the Joint Bookrunners reserve the right to reject any MTM instruction sent by or on behalf of any CREST member with a registered address in the United States in respect of the Nil Paid Rights or Fully Paid Rights. Any payment made in respect of Provisional Allotment Letters under any of these circumstances will be returned without interest.

Any person in the United States who obtains a copy of this document should inform themselves about and observe any legal restrictions and, subject to certain exceptions, any person in the United States is required to disregard it.

#### **Notice to European Economic Area investors**

In relation to each member state of the European Economic Area which has implemented the Prospectus Directive (each, a “relevant member state”) (except for the UK), with effect from and including the date on which the Prospectus Directive was implemented in that relevant member state (the “relevant implementation date”) no Nil Paid Rights, Fully Paid Rights or New Shares have been offered or will be offered pursuant to the Rights Issue to the public in that relevant member state prior to the publication of a prospectus in relation to the Nil Paid Rights, Fully Paid Rights or the New Shares which has been approved by the competent authority in the relevant member state or, where appropriate, approved in another relevant member state and notified to the competent authority in the relevant member state all in accordance with the Prospectus Directive, except that with effect from and including the relevant implementation date, offers of Nil Paid Rights, Fully Paid Rights and the New Shares may be made to the public in that relevant member state at any time:

- (a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (b) to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than €43 million; and (iii) an annual turnover of more than €50 million, as shown in its last annual or consolidated accounts;
- (c) by the Joint Bookrunners to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive); or
- (d) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Nil Paid Rights, Fully Paid Rights or the New Shares shall result in a requirement for the publication by the Company or any Bank of a prospectus pursuant to Article 3 of the Prospectus Directive.

For this purpose, the expression “an offer of any Nil Paid Rights, Fully Paid Rights or New Shares to the public” in relation to any Nil Paid Rights, Fully Paid Rights or New Shares in any relevant member state means the communication in any form and by any means of sufficient information on the terms of the Rights Issue and any Nil Paid Rights, Fully Paid Rights or New Shares to be offered so as to enable an investor to decide to acquire any Nil Paid Rights, Fully Paid Rights or New Shares as the same may be varied in that relevant member state by any measure implementing the Prospectus Directive in that relevant member state.

In the case of any Nil Paid Rights, Fully Paid Rights or New Shares being offered to a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, such financial intermediary will also be deemed to have represented, acknowledged and agreed that the Nil Paid Rights, Fully Paid Rights or New Shares acquired by it in the Rights Issue have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any Nil Paid Rights, Fully Paid Rights or New Shares to the public other than their offer or resale in a relevant member state to qualified investors as so defined or in circumstances in which the prior consent of the Company and the Joint Bookrunners has been obtained to each such proposed offer or resale.

#### **Notice to investors in Australia**

This document has not been lodged with the Australian Securities & Investments Commission and the Nil Paid Rights, Fully Paid Rights or New Shares are not being offered to the public in Australia. The Nil Paid Rights, Fully Paid Rights or New Shares are being offered in Australia pursuant to certain exemptions under section 708 of the Corporations Act 2001 (Cth) of Australia (“Corporations Act”) which apply to persons falling within the definition of ‘sophisticated investor’ and/or ‘professional investor’ (in each case as set out in section 9 of the Corporations Act) and who agree that they will not offer the Nil Paid Rights, Fully Paid Rights or New Shares for resale in Australia within 12 months of issue unless any such resale offer is exempt from the requirement to issue a disclosure document under section 708 of the Corporations Act.

#### **Notice to investors in Japan**

The Shares have not been and will not be registered under the Financial Instruments and Exchange Law, as amended (the “FIEL”). This document is not an offer of securities for sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or entity organised under the laws of Japan) or to others for reoffer or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements under the FIEL and otherwise in compliance with such law and any other applicable laws, regulations and ministerial guidelines of Japan.

#### **Notice to investors in Switzerland**

This document is being communicated to a small number of selected investors only in or from Switzerland. Each copy of this document is addressed to a specifically named recipient and may not be passed on to third parties. The Nil Paid Rights, Fully Paid Rights or New Shares are not being offered to the public in or from Switzerland, and neither this Prospectus, nor any other offering material in relation to the Nil Paid Rights, Fully Paid Rights or New Shares may be distributed in connection with any such public offering.

#### **Notice to investors in DIFC**

This Prospectus relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority (“DFSA”). This Prospectus is intended for distribution only to persons of a type specified in the Offered Securities Rules of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this Prospectus nor taken steps to verify the information set forth herein and has no responsibility for the Prospectus. The Nil Paid Rights, Fully Paid Rights and New Shares to which this Prospectus relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the Nil Paid Rights, Fully Paid Rights and New Shares offered should conduct their own due diligence on the Company and its securities. If you do not understand the contents of this Prospectus you should consult an authorised financial advisor.

#### **Enforcement of civil liabilities**

The ability of an Overseas Shareholder to bring an action against Redrow may be limited under law. Redrow is a public limited company incorporated in England. The rights of holders of Shares are governed by

English law and by the Redrow Memorandum and Articles of Association. These rights differ from the rights of shareholders in typical US corporations and some other non-UK corporations.

An Overseas Shareholder may not be able to enforce a judgment against some or all of the Directors and executive officers. The majority of the Directors and executive officers are residents of the UK. Consequently, it may not be possible for an Overseas Shareholder to effect service of process upon the Directors and executive officers within the Overseas Shareholder's country of residence or to enforce against the Directors and executive officers judgments of courts of the Overseas Shareholder's country of residence based on civil liabilities under that country's securities laws. There can be no assurance that an Overseas Shareholder will be able to enforce any judgments in civil and commercial matters or any judgments under the securities laws of countries other than the UK against the Directors or executive officers who are residents of the UK or countries other than those in which judgment is made. In addition, English or other courts may not impose civil liability on the Directors or executive officers in any original action based solely on the foreign securities laws brought against Redrow or the Directors in a court of competent jurisdiction in England or other countries.

### **Notice to all investors**

Any person exercising, registering, transferring or renouncing Nil Paid Rights or Fully Paid Rights will be required to represent and warrant to the Company and each of the Joint Bookrunners that, except where proof has been provided to the Company's satisfaction that such person's use of the Provisional Allotment Letter or such person's acceptance will not result in the contravention of any applicable legal requirement in any jurisdiction, such person is not: (a) acquiring, registering, transferring or renouncing the Nil Paid Rights, Fully Paid Rights or New Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Nil Paid Rights, Fully Paid Rights or New Shares into the United States, any Restricted Territory or any other jurisdiction in which it is unlawful to make or accept an offer to acquire the Nil Paid Rights, Fully Paid Rights or New Shares; (b) resident or located (as applicable) within any of the Restricted Territories; (c) located in any jurisdiction in which it is unlawful to make or accept an offer to acquire the New Shares; (d) located within the United States (subject to certain exceptions); nor (e) is applying for the account of a person who is located in the United States, unless (i) the instruction to apply was received from a person outside the United States and (ii) the person giving such instruction has confirmed that it has the authority to give such instruction and either (A) has investment discretion over such account or (B) is an investment manager or investment company that is applying for the New Shares in an "offshore transaction" within the meaning of Regulation S.

Notwithstanding (a) to (e) above, the Company reserves the right to permit any Qualifying Shareholder to take up his rights on the terms and conditions and subject to the requirements set out in paragraph 2.5 of Part III (Terms and Conditions of the Rights Issue) if the Company in its sole and absolute discretion is satisfied that the transaction in question will not result in the contravention of any applicable regulatory or legal requirements in any jurisdiction.

To the extent that New Shares are not taken up in the Rights Issue, the Joint Bookrunners may arrange for the offer of the New Shares in accordance with Regulation S.

The Provisional Allotment Letters, the Nil Paid Rights, the Fully Paid Rights and the New Shares have not been and will not be registered under the relevant laws of any Restricted Territory and may not be offered, sold, taken up, exercised, resold, transferred or delivered, directly or indirectly, within the Restricted Territories, except pursuant to an applicable exemption from registration, and in compliance with, any applicable securities laws.

Any reproduction or distribution of this document, in whole or in part, and any disclosure of its contents or use of any information contained in this document for any purpose other than considering an investment in the Nil Paid Rights, the Fully Paid Rights or the New Shares is prohibited. By accepting delivery of this document, each offeree of the Nil Paid Rights, the Fully Paid Rights or the New Shares agrees to the foregoing.

The New Shares are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under applicable securities laws and regulations. Investors should be aware that they may be required to bear the financial risks of this investment for an indefinite period of time.

The distribution of this document and/or the Provisional Allotment Letters and/or the transfer of the Nil Paid Rights, the Fully Paid Rights and the New Shares into jurisdictions other than the UK may be restricted by law. Persons into whose possession these documents come are required to inform themselves about and observe any



such restrictions including those set out in the preceding paragraphs. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. In particular, such documents should not be distributed, forwarded to or transmitted in or into the United States or, subject to certain exceptions, the Restricted Territories or into any other jurisdiction where the extension or availability of the Rights Issue would breach any applicable law.

All Overseas Shareholders and any person (including, without limitation, a nominee or trustee) who has a contractual or legal obligation to forward this document or any Provisional Allotment Letter, if and when received, or other document to a jurisdiction outside the United Kingdom should read paragraph 2.5.5 of Part III of this document.

The Provisional Allotment Letters, the Nil Paid Rights, the Fully Paid Rights and the New Shares are transferable, except in accordance with, and subject to the restrictions relating to overseas shareholders set out in paragraph 2.5 of Part III of this document. No action has been taken by Redrow, or the Underwriters that would permit an offer of the New Shares or possession or distribution of this document or any other offering or publicity material in any jurisdiction where action for that purpose is required, other than in the UK.

No person has been authorised to give any information or make any representations other than those contained in this document and, if given or made, such information or representations must not be relied upon as having been authorised by Redrow. Neither the delivery of this document nor any acquisition or sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of Redrow since the date of this document or that the information in this document is correct as at any time subsequent to its date.

In making an investment decision, each investor must rely on their own examination, analysis and enquiry of the Company and the terms of the Rights Issue, including the merits and risks involved.

The contents of the websites of the Group do not form part of this document.

Capitalised terms have the meanings ascribed to them in Part XIII of this document.

Certain information in relation to the Group is incorporated by reference into this document as set out in Part XII.

## **General Notice**

None of the Company, the Underwriters, or any of their respective representatives, is making any representation to any offeree or purchaser of the Nil Paid Rights, Fully Paid Rights or New Shares regarding the legality of an investment in the Shares by such offeree or purchaser under the laws applicable to such offeree or purchaser. Each investor should consult with his or her own advisors as to the legal, tax, business, financial and related aspects of a purchase of the Nil Paid Rights, Fully Paid Rights or New Shares.

Nothing contained in this document is intended to constitute investment, legal, tax, accounting or other professional advice. This document is for your information only and nothing in this document is intended to endorse or recommend a particular course of action. You should consult with an appropriate professional for specific advice rendered on the basis of your situation.

## WHERE TO FIND HELP

Part II of this document answers some of the questions most often asked by shareholders about rights issues. If you have further questions, please telephone the Shareholder Helpline on the numbers set out below. This helpline is available from 9.00 a.m. to 5.00 p.m. on any London business day.

### **Shareholder Helpline**

0870 707 1257 (from inside the UK)

or +44 870 707 1257 (from outside the UK)

*Calls to the Shareholder Helpline number are charged at approximately 8 pence per minute (including VAT) from a BT landline. Other service providers' costs may vary. Calls to the Shareholder Helpline number from outside the UK are charged at applicable international rates. Different charges may apply to calls made from mobile telephones and calls may be recorded and monitored randomly for security and training purposes. For legal reasons, the Shareholder Helpline will be unable to give advice on the merits of the Rights Issue or to provide financial, tax or investment advice.*

## DIRECTORS, GROUP SECRETARY, REGISTERED OFFICE AND ADVISERS

### Directors

The Directors and their principal functions are as follows:

<u>Directors</u>	<u>Functions</u>
Steve Morgan	Chairman, acting in an executive capacity
David Arnold	Group Finance Director
John Tutte	Group Managing Director
Alan Jackson	Non-Executive Deputy Chairman, Senior Independent Director and Chairman of the Nomination and Corporate Responsibility Committees
Paul Hampden Smith	Non-Executive Director, and Chairman of the Audit Committee
Debbie Hewitt	Non-Executive Director, and Chairman of the Remuneration Committee

### Group Secretary

Graham Cope

### Registered office

Redrow House, St David's Park, Flintshire CH5 3RX

Telephone: 01244 520044 or, when dialling from outside the UK, +44 1244 520044.

Registered in England and Wales with number 2877315.

**Joint Sponsor and Joint Bookrunner**

**Merrill Lynch International**  
Merrill Lynch Financial Centre  
2 King Edward Street  
London EC1A 1HQ

**Financial Adviser and  
Co-lead Manager**

**HSBC Bank plc**  
8 Canada Square  
London E14 5HQ

**Co-lead Manager**

**RBS Hoare Govett**  
250 Bishopsgate  
London EC2M 4AA

**Auditors and Reporting Accountants**

**PricewaterhouseCoopers LLP**  
101 Barbirolli Square  
Lower Mosley Street  
Manchester M2 3PW

**Legal Advisers to the  
Joint Sponsors, Joint Bookrunners and  
Co-lead Managers**

**Freshfields Bruckhaus Deringer LLP**  
65 Fleet Street  
London EC4Y 1HS

**Joint Sponsor and Joint Bookrunner**

**J.P. Morgan Cazenove**  
20 Moorgate  
London EC2R 6DA

**Co-lead Manager**

**Lloyds TSB Corporate Markets**  
25 Gresham Street  
London EC2V 7HN

**Legal Advisers to Redrow**

**Linklaters LLP**  
One Silk Street  
London EC2Y 8HQ

**Registrars and Receiving Agent**

**Computershare Investor Services PLC**  
The Pavilions  
Bridgwater Road  
Bristol BS99 6ZZ

## PART I

### LETTER FROM THE CHAIRMAN OF REDROW PLC

*(Incorporated and registered in England and Wales with registered no. 2877315)*



*Registered Office:*  
Redrow House  
St David's Park  
Flintshire  
CH5 3RX

23 September 2009

Dear Shareholder

#### **Capital raising by way of a 13 for 14 Rights Issue at 105 pence per New Share to Qualifying Shareholders and the Harrow Estates Transaction**

##### **1 Introduction**

Redrow has today announced a rights issue to raise proceeds of approximately £150 million, net of expenses (the "Rights Issue") and its intention to acquire the Harrow Estates Business together with the grant of Options to Redrow to acquire certain additional land assets owned by Harrow Estates (and to provide certain promotion services in respect of those additional assets) for a total consideration of £15 million (together the "Harrow Estates Transaction"). The terms and conditions of the Rights Issue are set out in full in Part III of this document and the key terms of the Harrow Estates Transaction are set out in Section A of Part IX of this document. The Issue Price for the Rights Issue of 105 pence per New Share represents a 55.0 per cent. discount to the closing middle-market price of 233.5 pence per Ordinary Share on 22 September 2009, being the last business day before the announcement of the Rights Issue, and a 38.8 per cent. discount to the theoretical ex-rights price based on this closing middle-market price.

Bridgemere and Durcan, two companies ultimately controlled by me, currently hold 29.9 per cent. of the issued share capital of the Company. I strongly support the Rights Issue and Bridgemere and Durcan have today entered into an Irrevocable Undertaking (which is described further in paragraph 16.3 of Part XI) to vote in favour of the Resolutions and to take up in full their entitlement of 44.5 million New Shares under the Rights Issue.

The Company is proposing to offer 148,584,705 New Shares by way of the Rights Issue to Qualifying Shareholders other than, subject to certain exceptions, Qualifying Shareholders with a registered address, or located or resident (as applicable), in the United States or the Restricted Territories, at 105 pence per New Share. Qualifying Shareholders are holders of Ordinary Shares on the register of members of the Company at the Record Date.

The Rights Issue will be made on the basis of 13 New Shares at 105 pence per New Share for every 14 Existing Shares held by Qualifying Shareholders at close of business on the Record Date. Save in respect of the New Shares which Bridgemere and Durcan will be entitled to acquire under the Rights Issue, the Rights Issue is underwritten by the Underwriters pursuant to and subject to the terms and conditions of the Underwriting Agreement.

The Rights Issue and the Harrow Estates Transaction are each conditional on the passing by Shareholders of the relevant Resolutions (as further described in paragraph 13 of this letter) at a General Meeting of the Company being convened at the offices of Redrow plc, Redrow House, St David's Park, Flintshire CH5 3RX at 9.00 a.m. on 19 October 2009. In order to take up their entitlement to New Shares, Qualifying Shareholders need to make payment in full on acceptance by no later than 8.00 a.m. on 3 November 2009 (or such later date as may be notified by Redrow through publication of a supplementary prospectus or announcement). The purpose of this letter is to set out the background to, reasons for and details of the Rights Issue and the Harrow Estates Transaction, and to recommend that you vote in favour of the Resolutions set out in the General Meeting Notice at the end of this document.

##### **2 Background to and reasons for the Rights Issue**

The UK housebuilding industry confronted an unprecedented reduction in activity which began in 2007 and continued throughout 2008. In the face of the severity and speed of this deterioration, which has had a material

impact on the profitability of the whole sector, including Redrow, Redrow's management team took swift and early measures to adjust its approach to managing the business.

In September 2008, Redrow reported that it had successfully concluded a debt refinancing process providing an appropriate level of bank facilities and suite of covenants through to 30 September 2011. It also recognised the impact of market conditions on land values and prudently assessed the net realisable value of land and work in progress in its balance sheet—a practice which has been continued in the same manner since that time. The Company made significant reductions in its headcount, closed a number of offices and curtailed land acquisition and construction activities to focus on cash generation.

In March 2009, Redrow announced that Bridgemere and Durcan, two companies controlled by me, had increased their aggregate interest in the Company to 29.9 per cent. It was subsequently proposed that I should re-join the board of Redrow and on 30 June 2009 I was appointed Chairman, acting in an executive capacity. Following consultation with leading shareholders of the Company, the Directors and I agreed a structure which has allowed me to bring my extensive knowledge of the UK housebuilding industry back to Redrow which included putting in place the Relationship Agreement (as further described in paragraph 16.2 of Part XI).

Since the change of management at the end of March 2009, we have commenced a complete product and land review to reposition Redrow strategically and return the business to its historic strength in traditional family housing with a simplified product offering and a premium brand. A new housing range is being designed with attractive external design, enhanced specification and with internal layouts to suit modern day living. This "New Heritage Collection" will be rolled out during the autumn of 2009 and a full sales launch is intended in January 2010. We are re-planning our developments to embrace this new product, which will have the phased effect of eliminating a number of apartments and three storey houses.

The sales market in terms of both price and volume has proved relatively stable since the start of 2009 following the severe downturn in 2008.

It is against this background that the Directors believe it is now appropriate to raise approximately £150 million of new equity capital (net of expenses) by way of the Rights Issue to position the Group for growth through selected land acquisitions both now, through the Harrow Estates Transaction, and in the medium term, by removing the constraints of its existing capital structure.

The Directors believe that the Rights Issue, together with cash generated from operations going forward and available headroom from the Syndicated Facility Agreement, will provide the Company with operational flexibility and the right financial platform to take advantage of strategic opportunities in the land market. Following the Rights Issue and completion of the Harrow Estates Transaction, Redrow expects to be well positioned relative to competitors to acquire quality UK residential development land at cyclically low valuations as part of a cautious and highly selective process once acquirer and vendor expectations in the land market have come more into line. The Company expects to deploy its funds with a renewed focus on return on capital employed and asset turnover.

The Company has been in discussions with its banking syndicate and has agreed certain amendments to its existing Syndicated Facility Agreement, including in particular the relaxation of covenants with regard to land purchases and entering into joint venture structures with landowners. The amendments will become effective upon the Rights Issue becoming unconditional. Further details are set out in paragraph 6 of this letter.

### **3 Background to and reasons for the Harrow Estates Transaction**

I established Harrow Estates in 2001. With its experienced team of land professionals, Harrow Estates focuses on identifying and acquiring brownfield land, taking remedial steps to improve its quality and bringing it through the planning process. Since its foundation, Harrow Estates has established a strong and skilled team. On returning to the Board, I offered Redrow the opportunity to review Harrow Estates' land assets with a view to an acquisition that would complement the Group's strategy. Following an extensive review of all of the sites by the Redrow executive team (comprising for these purposes David Arnold and John Tutte but excluding myself), Redrow has agreed to acquire five freehold land assets, to take options over seven further strategic land assets (one of which is subject to a right of first refusal by another potential purchaser) and to acquire the "Harrow Estates" name and members of the Harrow Estates team of land professionals to strengthen its existing capabilities.

The Redrow executive team (comprising for these purposes David Arnold and John Tutte but excluding myself) conducted extensive due diligence on each of the sites in the Harrow Estates portfolio and undertook a

detailed valuation exercise based on Redrow's usual land acquisition parameters and processes.

The selected freehold land assets are considered appropriate for inclusion in the Redrow land bank because collectively they represent a good strategic fit and provide good opportunities for future income streams and an attractive return on capital employed. In addition, the Redrow executive team (excluding myself) identified a number of further land assets which Redrow would like an option to acquire in the future. The Redrow executive team (excluding myself) considered certain other sites in the Harrow Estates portfolio and concluded that they would not fit with Redrow's strategy and these have therefore been excluded. Redrow will acquire the Harrow Estates name and certain members of the Harrow Estates team of land professionals will transfer to Redrow where they will promote the acquired sites and those under option. In addition, they will use their considerable planning and technical skills to identify new land opportunities. These opportunities represent potential future income streams for Redrow both through land sales to other residential developers and by providing a pipeline of medium and long term land for Redrow's core development business. As well as presenting Redrow with an attractive current and strategic land portfolio together with a skill base to complement its existing business, this transaction means that my UK residential land activities will be channelled exclusively through Redrow once the retained sites that Redrow has chosen not to acquire are disposed of.

Accordingly, the Company has announced today that it has agreed to acquire the Harrow Estates Business (comprising both the Properties and a newly incorporated company which holds, among other assets, certain employees and the "Harrow Estates" name) and has entered into Option Agreements giving it a series of Options, exercisable at its absolute discretion, to acquire further land assets in the future from Harrow Estates. In addition, a Promotion Agreement has been entered into under which certain services will be provided back to Harrow Estates (to be renamed Bridgemere Land plc) in respect of the Option Properties. The total consideration payable in cash in respect of the Harrow Estates Transaction is £15 million, of which £12.3 million is payable in respect of the Properties, £1.575 million relates to the acquisition of Harrow Estates Newco (which holds certain other Harrow Estates assets) and £1.125 million comprises consideration in respect of the grant of the Options. The independent Knight Frank Valuation Report of the Properties is set out in Section B of Part IX of this document. Certain components of the Harrow Estates Transaction require shareholder approval under the Companies Act 2006 and are to be voted on by Redrow Shareholders as further described in paragraph 13 of this letter.

The Board has considered the Company's own assessment of the Properties, the independent Knight Frank Valuation Report and the prospects of gaining detailed planning consent, affording Redrow the potential to be on site during 2010 on a number of the Properties. Furthermore, the pipeline of Option Properties represents an attractive medium term opportunity to acquire development land at an expected discount to open market value. With respect to the Option Properties, the likely timing and detail of planning consent is difficult to determine and therefore the Option Agreements are considered to be an appropriate way for Redrow to participate in their future potential without locking up significant capital or incurring risk on planning in the meantime. Finally, Harrow Estates is considered one of the industry's market leaders and has an established reputation and track record. The skills of the Harrow Estates team in remediation and planning of sites represent an attractive addition to the skills of Redrow. The Board has given consideration to the above factors in agreeing the terms of the Harrow Estates Transaction.

#### **4 Use of proceeds**

In the context of the Company's strategy for growth, the proceeds from the Rights Issue (amounting to approximately £150 million net of expenses) will be used now to reduce overall levels of gearing by repaying and cancelling up to £135 million drawn under the existing Syndicated Facility Agreement and to fund the £15 million consideration payable under the Harrow Estates Transaction.

#### **5 Benefit and financial impact of the Rights Issue and Harrow Estates Transaction**

The Directors expect that the Rights Issue and Harrow Estates Transaction will make a positive contribution to total earnings in the year to 30 June 2010 as a result of the net impact of lower financing charges arising from lower average levels of financial indebtedness, the reduced size of bank facilities and the increased costs assumed by Redrow following the acquisition of the Harrow Estates Business pursuant to the Harrow Estates Transaction. However, the Directors expect that the increased number of Shares in issue following the Rights Issue will have a negative effect on Redrow's earnings per share for the same period.



## **6 Amendments to the Syndicated Facility Agreement**

We are pleased to confirm that the Company has reached agreement with its banking syndicate to make certain amendments to its £450 million existing Syndicated Facility Agreement. These amendments include a reduction of the total facility size to £250 million and amendments to certain financial and other covenants which will provide the Company with greater flexibility going forward, including in particular the relaxation of covenants with regard to land purchases and entering into joint venture structures with landowners.

The amendments to the existing Syndicated Facility Agreement will become effective when the Rights Issue becomes unconditional. In the event that the Rights Issue does not become unconditional, the existing Syndicated Facility Agreement will continue in place in its existing form. Further details are set out in paragraph 16.5 of Part XI of this document.

## **7 Principal terms of the Rights Issue**

The Company is proposing to offer 148,584,705 New Shares by way of a Rights Issue. The New Shares will be offered to Qualifying Shareholders (other than, subject to certain exceptions, Qualifying Shareholders with a registered address, or located or resident (as applicable), in the Restricted Territories). The Rights Issue is expected to raise approximately £150 million, net of expenses. The Issue Price represents a 55.0 per cent. discount to the closing middle market price of 233.5 pence per Ordinary Share on 22 September 2009 (being the last business day before the announcement of the Rights Issue), and a 38.8 per cent. discount to the theoretical ex-rights price based on this closing middle-market price.

The Rights Issue will be made on the basis of:

### **13 New Shares at 105 pence per New Share for every 14 Existing Shares**

held by Qualifying Shareholders on the Record Date (being the close of business on 15 October 2009).

Entitlements to New Shares will be rounded down to the nearest whole number. The fractional entitlements not allotted to Qualifying Shareholders will be aggregated and placed in the market ultimately for the benefit of the Company. Holdings of Existing Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Rights Issue.

The Rights Issue is underwritten (save in respect of the New Shares which Bridgemere and Durcan will be entitled to acquire under the Rights Issue) by the Underwriters pursuant to and subject to the terms and conditions of the Underwriting Agreement, the principal terms and conditions of which are summarised in paragraph 16.1 of Part XI of this document.

The Rights Issue will result in 148,584,705 New Shares being issued (representing approximately 92.9 per cent. of the existing issued share capital and 48.1 per cent. of the enlarged issued share capital immediately following completion of the Rights Issue).

The Rights Issue is conditional, *inter alia*, upon:

- (i) the passing of the Rights Issue Resolutions (but not the Harrow Estates Transaction Resolution) at the General Meeting;
- (ii) the Underwriting Agreement having become unconditional in all respects (save for the condition relating to Admission) and not having been rescinded or terminated in accordance with its terms prior to Admission; and
- (iii) Admission becoming effective by not later than 8.00 a.m. on 20 October 2009 (or such later time and date as the Company and the Joint Bookrunners may agree).

The New Shares, when issued and fully paid, will rank *pari passu* in all respects with the existing issued Ordinary Shares including the right to receive dividends or distributions made, paid or declared after the date of this document. Application will be made to the UK Listing Authority and to the London Stock Exchange for the New Shares to be admitted to the Official List and to trading on the London Stock Exchange. It is expected that Admission will occur and that dealings in the New Shares (nil paid) on the London Stock Exchange will commence at 8.00 a.m. on 20 October 2009.



Some questions and answers, together with details of further terms and conditions of the Rights Issue, including the procedure for acceptance and payment and the procedure in respect of rights not taken up, are set out in Parts II and III of this document and, where relevant, will also be set out in the Provisional Allotment Letter.

Overseas Shareholders should refer to paragraph 2.5 of Part III of this document for further information on their ability to participate in the Rights Issue.

## **8 Structure of the Rights Issue**

The structure of the Rights Issue is expected to have the effect of creating a merger reserve in an amount approximately equal to the net proceeds of the Rights Issue less the par value of the New Shares issued by the Company. The Company and the Newco Subscriber have agreed to acquire, by direct issue, ordinary shares in Newco. Computershare will receive, into an account set up specifically for the purpose and as agent for and on behalf of the Newco Subscriber, monies from Qualifying Shareholders, or renounees, taking up New Shares under the Rights Issue, and from any persons procured by the Joint Bookrunners to acquire New Shares not taken up by the Underwriters as underwriters. Provided certain conditions are met, the Newco Subscriber will use certain amounts in the Computershare account to acquire by direct issue redeemable preference shares in Newco.

The Company will allot and issue the New Shares to those persons entitled thereto in consideration for the Newco Subscriber transferring its holdings of Ordinary Shares and redeemable preference shares in Newco to the Company. Accordingly, instead of receiving cash as consideration for the issue of the New Shares, at the conclusion of the Rights Issue the Company will own the entire issued share capital of Newco whose only asset will be its cash reserves, which will represent an amount equivalent to the net proceeds of the Rights Issue.

The creation of a merger reserve should increase the Company's distributable reserves which will facilitate any potential return of cash to Shareholders. For a description of the material contracts relating to the Rights Issue structure, see paragraph 16.4 of Part XI of this document.

## **9 Current trading and prospects**

On 10 September 2009, Redrow announced its results for the twelve month period ended 30 June 2009 which stated that the new financial year had started positively for Redrow, with the total sales position comfortably ahead of the same period last year. Construction recommenced generally across Redrow's sites in the last quarter of the financial year ended 30 June 2009 and the pace of building has increased to ensure that there are appropriate stock levels to meet the autumn markets. By the end of December 2009 Redrow intends to launch 12 new developments which were previously held back due to market conditions.

Redrow has reviewed and where necessary replanned its owned land bank to meet future needs in line with its strategic re-focus on family housing. Redrow will invest in its land bank carefully in line with this refocused strategy, and together with the amendments to the Syndicated Facility Agreement and the ongoing review of Redrow's capital structure, this will ensure that Redrow will be well placed to secure new land capable of generating improved financial returns.

As also announced on 10 September 2009 in respect of its financial results for the year ended 30 June 2009, Redrow undertook a detailed review of the carrying value of the Group's land and work in progress which resulted in a net exceptional cost in respect of the increase in net realisable value provisions of £96.5 million. This figure included an element of direct overhead expenses attributable to the process required to achieve the legal completion of homes, as well as an allowance for a fluctuating house price environment. The net realisable value provisions will continue to be reviewed at future reporting dates to assess their appropriateness in the context of prevailing market conditions and the re-assessment of net realisable value and costs. Although the past 18 months have illustrated that no assurances can be given concerning the UK residential housing market, on the basis of the carrying value of land and work in progress as at 30 June 2009 and the prevailing market conditions, the Directors do not believe any further net writedown of inventory will be required.

## **10 Principal terms of the Harrow Estates Transaction**

The Company has agreed to acquire the Harrow Estates Business and has entered into the Option Agreements in respect of the Option Properties for a total consideration of £15 million (of which £12.3 million is payable in respect of the Properties, £1.575 million relates to the acquisition of Harrow Estates Newco (which holds certain other Harrow Estates assets) and £1.125 million comprises consideration payable in respect of the grant of the Options).

Under the Property Purchase Agreements, members of the Redrow Group will acquire the freehold interest of five Properties and pursuant to a separate Share Purchase Agreement, Redrow will acquire Harrow Estates Newco, a newly incorporated company which holds, among other assets, certain employees of Harrow Estates and the “Harrow Estates” name. In addition, on completion of the acquisition of Harrow Estates Newco, it is agreed in the Share Purchase Agreement that Harrow Estates Newco will enter into the Bridgemere House Lease in respect of its use of the Harrow Estates head office.

The Option Agreements grant the Options, exercisable at the absolute discretion of the relevant members of the Redrow Group, to purchase (subject to the conditions therein) the Option Properties from Harrow Estates. Under the Option Agreements, the option exercise price shall be 96 per cent. of the open market value of the relevant site (as calculated in accordance with the relevant Option Agreement). The exercise of the Options will be subject to the related party rules in chapter 11 of the Listing Rules and the approval of Shareholders will be sought where the requisite thresholds require this. If Redrow does not exercise an Option it shall be entitled to up to 4 per cent. of the sale proceeds of the relevant Option Property to compensate Redrow for the management time and overhead costs incurred in promoting that Option Property. In addition, the Option in respect of the Ashton New Road Property is subject to a right of first refusal by another potential purchaser.

Under the terms of a Promotion Agreement, to which, among others, Harrow Estates (to be renamed Bridgemere Land plc) and Harrow Estates Newco are party, Harrow Estates Newco will take all action reasonably required to obtain planning permission and other consents necessary to bring the Option Properties to a developable state and will be reimbursed for costs incurred (other than internal costs) in relation to these services.

Certain components of the Harrow Estates Transaction are conditional on Shareholder approval as they comprise substantial property transactions under the Companies Act 2006. The Harrow Estates Transaction is also conditional upon Admission taking place and, in the case of the purchase of the Cadishead Property, is also conditional on agreeing the terms of a development agreement as further described in paragraph 3.1.1 of Section A of Part IX of this document. Subject to the fulfilment of these conditions, and although the various components of the Harrow Estates Transaction are not themselves inter-conditional, it is expected that the acquisition of the assets comprising the Harrow Estates Business (other than the Cadishead Property) will complete, and the Options granted under the Option Agreements (other than the Option in respect of the Ashton New Road Property) will become unconditional, immediately following Admission, expected to be on 20 October 2009 and, in the case of the Cadishead Property, shortly thereafter.

Further details of the Harrow Estates Transaction, including the independent Knight Frank Valuation Report of the five Properties, are set out in Part IX of this document.

## **11 Dividends and dividend policy**

In line with its stated policy that any proposed dividend payments must be at least twice covered by the earnings generated by the business, the Company does not intend to pay a final dividend in respect of the financial year ended 30 June 2009 and it is not envisaged that a dividend will be proposed in respect of the new financial year. The policy will be reviewed in due course as appropriate.

## **12 General Meeting**

As noted above, completion of the Rights Issue and the Harrow Estates Transaction is subject to a number of conditions, including Shareholders’ approval of the Resolutions being obtained at the General Meeting. Accordingly, you will find set out at the end of this document a notice convening a General Meeting to be held at the offices of Redrow plc, Redrow House, St David’s Park, Flintshire CH5 3RX at 9.00 a.m. on 19 October 2009 at which the Resolutions in connection with the Rights Issue and the Harrow Estates Transaction will be proposed.

## **13 Resolutions**

There are four Resolutions that will be proposed at the General Meeting. The First, Second and Third Resolutions comprise the Rights Issue Resolutions. The fourth Resolution is the Harrow Estates Transaction Resolution.

The First Resolution that will be proposed at the General Meeting is an ordinary resolution to increase the Company’s authorised share capital from £33,000,000, divided into 330,000,000 Ordinary Shares of 10 pence each, to £48,000,000, divided into 480,000,000 Ordinary Shares of 10 pence each (which represents an increase of approximately 45 per cent. in the authorised ordinary share capital of the Company). This will create

additional authorised ordinary share capital which is required to issue the New Shares as part of the Rights Issue and will allow the Company to retain sufficient authorised, but unissued, ordinary share capital for general purposes following the Rights Issue. If the First Resolution is passed, it will only become effective if the Second and Third Resolutions are also passed.

If the First Resolution is passed, the Second Resolution will be proposed, which is an ordinary resolution to grant the Directors authority to allot the New Shares which are the subject of the Rights Issue. An additional authority to allow the Directors to retain sufficient authority to allot new Ordinary Shares for general purposes will be voted on by shareholders at the forthcoming Annual General Meeting on 4 November 2009. The maximum aggregate authority set out in the Second Resolution represents approximately 94 per cent. of the total issued ordinary share capital of the Company as at close of business on 22 September 2009 (being the latest practicable date prior to the date of this document). Assuming the Rights Issue takes place, the maximum aggregate amount of equity securities which the Directors will have authority to allot following completion of the Rights Issue will represent approximately 0.5 per cent. of the total issued ordinary share capital of the Company following the Rights Issue.

If the First Resolution and Second Resolution are passed, the Third Resolution will be proposed. This is a special resolution to authorise the Directors to allot on a non-pre-emptive basis, to the extent applicable, the New Shares in connection with the Rights Issue.

If the First Resolution, Second Resolution and Third Resolution are passed, the Harrow Estates Transaction Resolution will be proposed at the General Meeting to approve certain components of the Harrow Estates Transaction (being the acquisition of the Properties under the Property Purchase Agreements, the acquisition of Harrow Estates Newco and entering into the Bridgemere House Lease under the Share Purchase Agreement and the grant of the Options and any subsequent acquisition of the Option Properties upon exercise of any Option, in each case under the Option Agreements). This resolution is an ordinary resolution and is required as components of the Harrow Estates Transaction referred to above comprise a substantial property transaction within the meaning of Section 190 of the Companies Act 2006.

The Harrow Estates Transaction is therefore conditional on the passing of both the Rights Issue Resolutions and the Harrow Estates Transaction Resolution without material amendment. However, the Rights Issue is conditional only on the passing of the Rights Issue Resolutions and not on the passing of the Harrow Estates Transaction Resolution.

## **14 Overseas Shareholders**

The attention of Overseas Shareholders who have registered addresses outside the UK, or who are citizens of or resident or located in countries other than the UK, and any person (including, without limitation, a custodian, nominee or trustee) who has a contractual or legal obligation to forward this document or any Provisional Allotment Letter, if and when received, or other document to a jurisdiction outside the UK, is drawn to the information in paragraph 2.5 of Part III of this document.

In particular, Qualifying Shareholders who have registered addresses outside the UK, or who are citizens of or residents in or are located in countries other than the UK, should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their entitlements to the Rights Issue.

New Shares will be provisionally allotted (nil paid) to all Qualifying Shareholders, including Overseas Shareholders. However, subject to certain exceptions, Provisional Allotment Letters will not be sent to Qualifying Shareholders with registered addresses in the United States or the Restricted Territories, nor will the CREST stock account of Qualifying Shareholders with registered addresses in the United States or the Restricted Territories be credited.

Notwithstanding any other provision of this document or a Provisional Allotment Letter, Redrow reserves the right to permit any Qualifying Shareholder to take up his rights if Redrow in its absolute discretion is satisfied that the transaction in question will not violate applicable laws.

The provisions of paragraph 2.3.1 of Part III of this document dealing with rights not taken up by Qualifying Shareholders will apply generally to Overseas Shareholders who cannot or do not take up the New Shares provisionally allotted to them.

## 15 UK and US Taxation

Certain information about UK and US taxation in relation to the Rights Issue is set out in Part X of this document. If you are in any doubt as to your tax position, or you are subject to tax in a jurisdiction other than the UK or the US you should consult your own independent tax adviser without delay.

## 16 Action to be taken

### *(a) In respect of the General Meeting*

You will find enclosed with this document a Form of Proxy for use by Shareholders at the General Meeting or any adjournment thereof. Whether or not you intend to be present at the General Meeting, you are requested to complete the Form of Proxy in accordance with the instructions printed on it and return it as soon as possible and in any case so as to be received by Redrow's Registrars, Computershare, no later than 9.00 a.m. on 17 October 2009. The return of a Form of Proxy will not prevent you from attending the meeting and voting in person if you wish.

### *(b) In respect of the Rights Issue*

You are not required to take any action at present in relation to the Rights Issue. If the Resolutions are passed, it is intended that:

- (i) if you are a Qualifying Non-CREST Shareholder, other than, subject to certain exceptions, Shareholders with a registered address in the United States or the Restricted Territories, you will be sent a Provisional Allotment Letter giving you details of your Nil Paid Rights by post on or about 19 October 2009; and
- (ii) if you are a Qualifying CREST Shareholder, other than, subject to certain exceptions, Shareholders with a registered address in the United States or the Restricted Territories, you will receive a credit to your appropriate stock accounts in CREST in respect of the Nil Paid Rights as soon as practicable after 8.00 a.m. on 20 October 2009. Qualifying CREST Shareholders will not be sent a Provisional Allotment Letter.

If you sell or have sold or otherwise transferred all of your Ordinary Shares held (other than ex-rights) in certificated form before 15 October 2009, please forward this document and any Provisional Allotment Letter, if and when received, at once to the purchaser or transferee or the bank, stockbroker or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee, except that such documents should not be sent to any jurisdiction where to do so might constitute a violation of local securities laws or regulations, including, but not limited to, the United States or the Restricted Territories.

If you sell or have sold or otherwise transferred only part of your holding of Existing Shares (other than ex-rights) held in certificated form before the Ex-Rights Date, you should refer to the instruction regarding split applications in Part III of this document and in the Provisional Allotment Letter.

If you sell or have sold or otherwise transferred all or some of your Ordinary Shares (other than ex-rights) held in uncertificated form before the Ex-Rights Date, a claim transaction will automatically be generated by Euroclear UK which, on settlement, will transfer the appropriate number of Nil Paid Rights to the purchaser or transferee.

**The latest time and date for acceptance and payment in full in respect of the Rights Issue is expected to be 11.00 a.m. on 3 November 2009, unless Redrow notifies Qualifying Shareholders, through publication of a supplementary prospectus or announcement, of a later date. The procedure for acceptance and payment is set out in Part III of this document and, in respect of Qualifying Non-CREST Shareholders only, other than, subject to certain exceptions, Shareholders with a registered address in the Restricted Territories, in the Provisional Allotment Letter.**

For Qualifying Non-CREST Shareholders who validly take up their rights, the New Shares will be issued in certificated form and will be represented by definitive share certificates, which are expected to be despatched to the registered address of the person(s) entitled to them by no later than 11 November 2009 (or such later date as may be notified by the Company through publication of a supplementary prospectus).

For Qualifying CREST Shareholders who validly take up their rights, the Registrars will instruct CREST to credit the stock accounts of the Qualifying CREST Shareholders with their entitlements to New Shares. It is expected that this will take place by 8.00 a.m. on 4 November 2009 (or such later date as may be notified by the Company through publication of a supplementary prospectus).

Qualifying CREST Shareholders who are CREST sponsored members should refer to their CREST sponsor regarding the action to be taken in connection with this document and the Rights Issue.

If you are in any doubt as to the action you should take, you should immediately seek your own financial advice from your stockbroker, bank, solicitor, accountant or other independent financial adviser authorised under the FSMA or, if you are outside the UK, by another appropriately authorised independent financial adviser.

## **17 Directors' Recommendation**

The Board has received financial advice from HSBC in the context of the Rights Issue. In providing advice to the Board, HSBC has relied upon the Board's commercial assessments of the Rights Issue and the Group's funding requirements. The Board considers that the Rights Issue, the Harrow Estates Transaction and each of the Resolutions are in the best interests of the Company and the Shareholders of Redrow as a whole.

Accordingly, the Board recommends Shareholders to vote in favour of each of the Resolutions, as the Directors intend to do in respect of their own beneficial shareholdings held at the time of the General Meeting, amounting to 47,962,393 Ordinary Shares in aggregate at the date of this Prospectus, representing approximately 29.97 per cent. of Redrow's current issued ordinary share capital.

## **18 Directors' intentions regarding the Rights Issue**

As stated above, I strongly support the Rights Issue and Bridgemere and Durcan have today entered into the Irrevocable Undertaking to vote in favour of the Resolutions and to take up in full their entitlements under the Rights Issue.

The other Directors are fully supportive of the Rights Issue and the Harrow Estates Transaction and each intends to take up his or her rights in full under the Rights Issue.

## **19 Further Information**

Your attention is drawn to the further information set out in Parts II to XIV of this document. Qualifying Shareholders should read the whole of this document and not rely solely on the information set out in this letter. Shareholders should consider fully and carefully the risk factors associated with Redrow and the Rights Issue set out in the section headed "Risk Factors" on pages 9 to 22 of this document.

Yours sincerely,

Steve Morgan  
Chairman



## PART II

### SOME QUESTIONS AND ANSWERS ABOUT THE RIGHTS ISSUE

*The questions and answers set out in this Part II are intended to be in general terms only and, as such, you should read Part III of this document for full details of what action you should take. If you are in any doubt as to what action you should take, you are recommended to seek immediately your own financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser, duly authorised under the FSMA if you are resident in the UK or, if not, from another appropriately authorised independent financial adviser.*

*This Part II deals with general questions relating to the Rights Issue and more specific questions relating to Ordinary Shares held by persons resident in the UK who hold their Ordinary Shares in certificated form only. If you are an Overseas Shareholder, you should read paragraph 2.5 of Part III of this document and you should take professional advice as to whether you are eligible and/or you need to observe any formalities to enable you to take up your rights. If you hold your Ordinary Shares in uncertificated form (that is, through CREST) you should read Part III of this document for full details of what action you should take. If you are a CREST sponsored member, you should also consult your CREST sponsor. If you do not know whether your Ordinary Shares are in certificated or uncertificated form, please call the Shareholder Helpline between 9.00 a.m. and 5.00 p.m. on any London Business Day on 0870 707 1257 (from inside the UK) or +44 870 707 1257 (from outside the UK). Calls to the Shareholder Helpline number are charged at approximately 8 pence per minute (including VAT) from a BT landline. Other service providers' costs may vary. Calls to the Shareholder Helpline number from outside the UK are charged at applicable international rates. Different charges may apply to calls made from mobile telephones and calls may be recorded and monitored randomly for security and training purposes. For legal reasons, the Shareholder Helpline will be unable to give advice on the merits of the Rights Issue or to provide financial, tax or investment advice.*

Timetable dates in this Part II have been included on the basis of the expected timetable set out on page 8.

#### **1 What is a rights issue?**

A rights issue is a way for companies to raise money. Companies do this by giving their existing shareholders a right to buy further shares in proportion to their existing shareholdings.

The Rights Issue is an offer by Redrow of 148,584,705 New Shares at a price of 105 pence per New Share. If you hold Ordinary Shares on the Record Date, you will be a "Qualifying Shareholder". Qualifying Shareholders who are not Overseas Shareholders will be entitled to buy New Shares under the Rights Issue subject to the terms and conditions set out in this document and, if you hold your Existing Shares in certificated form, the Provisional Allotment Letter (which is due to be sent subsequently). Qualifying Shareholders who are Overseas Shareholders should refer to paragraph 12 of this Part II and paragraph 2.5 of Part III of this document regarding their ability to participate in the Rights Issue.

New Shares are being offered to Qualifying Shareholders (other than, subject to certain exceptions, Shareholders with a registered address, or resident or located (as applicable), in the United States or the Restricted Territories), in the Rights Issue at a discount to the share price on the last business day before the details of the Rights Issue were announced on 23 September 2009. The Issue Price of 105 pence per New Share represents a 55.0 per cent. discount to the closing middle-market price as derived from the London Stock Exchange's Daily Official List of 233.5 pence per Ordinary Share on 22 September 2009, being the last business day prior to the date of announcement of the terms of the Rights Issue, and a 38.8 per cent. discount to the theoretical ex-rights price based on this closing middle-market price. Because of this discount and while the market value of the Existing Shares exceeds the Issue Price, the right to buy the New Shares is potentially valuable.

The Rights Issue is an offer by the Company of 13 New Shares for every 14 Existing Shares held by Qualifying Shareholders.

#### **2 I hold my Existing Shares in certificated form. How do I know if I am eligible to participate in the Rights Issue?**

If you receive a Provisional Allotment Letter you should be eligible to participate in the Rights Issue (as long as you have not sold all of your Existing Shares before 8.00 a.m. on 20 October 2009 (the time when the



Existing Shares are expected to be separated to be marked “ex-rights” by the London Stock Exchange) and, subject to certain exceptions, are not resident or located (as applicable) in the United States or any of the Restricted Territories.

### **3 I am a Qualifying Shareholder with a registered address in the UK and I hold my Existing Shares in certificated form. What are my choices and what should I do with the Provisional Allotment Letter?**

Subject to Shareholders approving the Resolutions at the General Meeting to be held on 19 October 2009, if you hold your Existing Shares in certificated form and do not have a registered address in the United States or the Restricted Territories, you will be sent a Provisional Allotment Letter that shows:

- how many Existing Shares you held at the close of business on 15 October 2009 (the Record Date for the Rights Issue);
- how many New Shares you are entitled to buy; and
- how much you need to pay if you want to take up your right to buy all the New Shares provisionally allotted to you in full.

Subject to certain exceptions, if you have a registered address in the Restricted Territories, you will not receive a Provisional Allotment Letter.

#### *(a) If you want to take up all of your rights*

If you want to take up all of your rights to acquire the New Shares to which you are entitled, all you need to do is send the Provisional Allotment Letter, together with your cheque or banker’s draft for the full amount, payable to Redrow Rights Issue and crossed “A/C payee only”, by post or by hand (during normal business hours) to Computershare, Corporate Actions Projects, Bristol BS99 6AH, to arrive by no later than 11.00 a.m. on 3 November 2009. Within the UK only, you can use the reply-paid envelope which will be enclosed with the Provisional Allotment Letter. Full instructions are set out in Part III of this document and will be set out in the Provisional Allotment Letter. A definitive share certificate will then be sent to you for the New Shares that you take up. Your definitive share certificate for New Shares is expected to be despatched to you by no later than 11 November 2009. You will need your Provisional Allotment Letter to be returned to you if you want to deal in your Fully Paid Rights. Your Provisional Allotment Letter will not be returned to you unless you tick the appropriate box on the Provisional Allotment Letter.

Third party cheques will not be accepted with the exception of building society cheques or banker’s drafts where the building society or bank has confirmed the name of the account holder by stamping or endorsing the cheque or draft to such effect. The account name should be the same as that shown on the application. Post-dated cheques will not be accepted.

#### *(b) If you do not want to take up your rights at all*

If you do not want to take up your rights, you do not need to do anything. If you do not return your Provisional Allotment Letter acquiring the New Shares to which you are entitled by 11.00 a.m. on 3 November 2009, we have made arrangements under which the Joint Bookrunners have severally agreed to endeavour to procure investors to acquire the New Shares which have not been taken up. If the Joint Bookrunners find investors who agree to pay a premium above the Issue Price and the related expenses of procuring those investors (including any applicable brokerage and commissions and amounts in respect of value added tax), you will be sent a cheque for your share of the amount of that premium provided that this is £5.00 or more. Cheques are expected to be despatched on or around 11 November 2009 and will be sent to your existing address appearing on Redrow’s register of members (or to the first-named holder if you hold your Existing Shares jointly). If the Joint Bookrunners cannot find investors who agree to pay a premium over the Issue Price and related expenses or if your entitlement would be less than £5.00, you will not receive any payment and any amounts of less than £5.00 and fractions of a penny will be aggregated and will ultimately accrue for the benefit of the Company. Alternatively, if you do not want to take up your rights, you can sell or transfer your Nil Paid Rights (see paragraph 3(d) below).

#### *(c) If you want to take up some but not all of your rights*

If you want to take up some but not all of your rights and wish to sell some or all of those you do not want to take up, you should first apply to have your Provisional Allotment Letter split by completing Form X on the

Provisional Allotment Letter, and returning it by post or by hand (during normal business hours) to Computershare, Corporate Actions Projects, Bristol BS99 6AH, to be received by 3.00 p.m. on 30 October 2009, together with a covering letter stating the number of split Provisional Allotment Letters required and the number of Nil Paid Rights to be comprised in each split Provisional Allotment Letter. You should then deliver the split Provisional Allotment Letter representing the New Shares that you wish to accept together with your cheque or banker's draft to Computershare, Corporate Actions Projects, Bristol BS99 6AH (see paragraph 3(a) above) to be received by 11.00 a.m. on 3 November 2009. You will need the other split Provisional Allotment Letters to sell the rights you do not wish to take up.

Alternatively, if you only want to take up some of your rights (but not sell some or all of the rest), you should complete Form X on the Provisional Allotment Letter and return it by 11.00 a.m. on 3 November 2009 with a cheque or banker's draft together with an accompanying letter indicating the number of Nil Paid Rights that you wish to take up, in accordance with the provisions set out in the Provisional Allotment Letter.

Further details are set out in Part III of this document and will be set out in the Provisional Allotment Letter.

*(d) If you want to try to sell your rights*

If you want to try to sell all of your rights, you should complete and sign Form X on the Provisional Allotment Letter (if it is not already marked "Original Duly Renounced") and pass the entire letter to your stockbroker, bank manager or other appropriate financial adviser or to the transferee (provided they are not in the Restricted Territories).

If you want to sell some of your rights, you will first need to apply to have your provisional Allotment Letter split (see paragraph 3(c) above).

The latest time and date for selling your rights is 11.00 a.m. on 3 November 2009. Please ensure that you allow enough time so as to enable the person acquiring your rights to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 3 November 2009.

Please note that your ability to sell your rights is dependent on demand for such rights and that the price of Nil Paid Rights will fluctuate.

#### **4 I acquired my Existing Shares prior to the Record Date (15 October 2009) and hold my Existing Shares in certificated form. What if I do not receive a Provisional Allotment Letter?**

If Shareholders approve the Resolutions at the General Meeting to be held on 19 October 2009, and you do not receive a Provisional Allotment Letter but hold your Shares in certificated form, this probably means that you are not eligible to participate in the Rights Issue. Some Non-CREST Shareholders, however, will not receive a Provisional Allotment Letter but may still be eligible to take up their rights to New Shares pursuant to the Rights Issue, namely:

- Qualifying CREST Shareholders who held their Existing Shares in uncertificated form on 15 October 2009 and who have converted them to certificated form;
- Qualifying Non-CREST Shareholders who bought Existing Shares before 15 October 2009 but were not registered as the holders of those Shares at the close of business on 15 October 2009; and
- certain Overseas Shareholders.

If you do not receive a Provisional Allotment Letter but think that you should have received one, please contact the Shareholder Helpline on 0870 707 1257 (from inside the UK) or +44 870 707 1257 (from outside the UK) between 9.00 a.m. and 5.00 p.m. on any London business day. *Calls to the Shareholder Helpline are charged at approximately 8 pence per minute (including VAT) from a BT landline. Other service providers' costs may vary. Calls to the Shareholder Helpline number from outside the UK are charged at applicable international rates. Different charges may apply to calls made from mobile telephones and calls may be recorded and monitored randomly for security and training purposes. For legal reasons, the Shareholder Helpline will be unable to give advice on the merits of the Rights Issue or to provide financial, tax or investment advice.*

**5 If I buy Shares after the Record Date (15 October 2009) will I be eligible to participate in the Rights Issue?**

If you bought Shares after the Record Date but prior to 8.00 a.m. on 20 October 2009 (the time when the Existing Shares are expected to start trading ex-rights on the London Stock Exchange), and, subject to certain exceptions, do not have a registered address in and are not resident or located (as applicable), in a Restricted Territory, you may be eligible to participate in the Rights Issue.

If you are in any doubt, please consult your stockbroker, bank or other appropriate financial adviser, or whoever arranged your share purchase, to ensure you claim your entitlement.

If you buy Shares at or after 8.00 a.m. on 20 October 2009, you will not be eligible to participate in the Rights Issue in respect of those Shares.

**6 I hold my Existing Shares in certificated form. If I take up my rights, when will I receive my New Share certificate?**

If you take up your rights under the Rights Issue, share certificates for your New Shares are expected to be posted by no later than 11 November 2009.

**7 What if the number of New Shares to which I am entitled is not a whole number: am I entitled to fractions of Shares?**

Your entitlement to New Shares will be calculated at the Record Date. If the result is not a whole number, your entitlement will be rounded down to the nearest whole number. The New Shares representing the aggregated fractions that would otherwise be allotted to Qualifying Shareholders will be sold in the market for the benefit of the Company.

**8 Will I be taxed if I take up or sell my rights or if my rights are sold on my behalf?**

Certain information about UK and US taxation is contained in Part X of this Prospectus. If you are in any doubt as to your tax position, or are subject to tax in a jurisdiction other than the UK or the US, you should consult an appropriate professional adviser as soon as possible. Please note, the Shareholder Helpline will not be able to assist you with taxation issues.

**9 I understand that there is a period when there is trading in the Nil Paid Rights. What does this mean?**

If you are a Qualifying Shareholder and, subject to certain exceptions, do not have a registered address in, and are not resident or located (as applicable) in, the United States or any of the Restricted Territories and you do not want to buy the New Shares being offered to you under the Rights Issue, you can instead try to sell or transfer your rights (called “Nil Paid Rights”) to those New Shares and receive the net proceeds of the sale or transfer in cash. This is referred to as dealing “nil paid”. During the Rights Issue offer period (i.e. between 20 October and 3 November 2009), a person can buy or sell Nil Paid Rights subject to market conditions.

Further information on dealing “nil paid” is set out in Section 3(d) of this Part II above.

**10 I hold my Existing Shares in certificated form. What if I want to transfer the New Shares for which I have paid?**

Provided the New Shares have been paid for and you have requested the return of the receipted Provisional Allotment Letter, you can transfer the Fully Paid Rights by completing Form X (the form of renunciation) on the receipted Provisional Allotment Letter in accordance with the instructions set out in the Provisional Allotment Letter until 11.00 a.m. on 3 November 2009. After that time, you will be able to sell your New Shares in the normal way. The share certificate relating to your New Shares is expected to be despatched to you by no later than 11 November 2009. Pending despatch of the share certificate, instruments of transfer will be certified by Computershare against the register.

Further details are set out in Part III of this document.

### **11 What if I hold options under the Redrow Employee Share Plans?**

Options granted under the Redrow Employee Share Plans may be adjusted to compensate for the effect of the Rights Issue, if appropriate. Any such adjustments may also be subject to approval by Redrow's auditors and HMRC, where relevant. Participants will be notified of any adjustments made.

### **12 What should I do if I live outside the UK?**

Your ability to take up rights to New Shares may be affected by the laws of the country in which you live and you should take professional advice as to whether you require any governmental or other consents or need to observe any other formalities to enable you to take up your rights. Qualifying Shareholders with registered addresses, or who are resident or located (as applicable), in the United States or the Restricted Territories are, subject to certain exceptions, not eligible to participate in the Rights Issue (although New Shares will be provisionally allotted to such Qualifying Shareholders). Your attention is drawn to the information in paragraph 2.5 of Part III of this document.

The rights to New Shares of Qualifying Shareholders who are Overseas Shareholders not eligible to participate in the Rights Issue will be treated as not taken up and dealt with as set out in paragraph 3(b) of this Part above.

### **13 Will the Rights Issue affect the future dividends Redrow pays?**

The Board's stated policy is that any proposed dividend payments must be at least twice covered by the earnings generated by the business. Therefore the Group does not intend to pay a final dividend in respect of the financial year ended 30 June 2009 and it is not envisaged that a dividend will be proposed in respect of the current financial year. The dividend policy, which will be reviewed in due course, is aimed at ensuring that Shareholders continue to benefit from the successful growth and strong cash flows of the Group whilst retaining an appropriate percentage of earnings to maintain investment in the Group.

**PART III**  
**TERMS AND CONDITIONS OF THE RIGHTS ISSUE**

**1 Introduction**

The Company is proposing to raise proceeds of approximately £150 million (net of expenses) by way of a rights issue of 148,584,705 New Shares. Subject to, inter alia, the fulfilment or waiver of the conditions of the Underwriting Agreement, the New Shares will be offered by way of rights to acquire New Shares at 105 pence per New Share, payable in full on acceptance, to Qualifying Shareholders (other than, subject to certain exceptions as set out in paragraph 2.5 of Part III “Terms and Conditions of the Rights Issue”, Qualifying Shareholders with a registered address, or resident or located (as applicable), in the United States or the Restricted Territories). The New Shares will be offered to such Qualifying Shareholders on the basis of:

**13 New Shares for every 14 Existing Shares**

held and registered in their name on the Record Date (and so in proportion for any other number of Existing Shares then held) and otherwise on the terms and conditions as set out in this document and, in the case of Qualifying Non-CREST Shareholders, the Provisional Allotment Letters. Qualifying Shareholders are holders of Ordinary Shares on the register of members of the Company at the Record Date.

**Dates in this Part III have been included on the basis of the expected timetable set out on page 8.**

The Issue Price of 105 pence per New Share represents a 55.0 per cent. discount to the closing middle-market price of an Ordinary Share as derived from the London Stock Exchange Daily Official List of 233.5 pence per Existing Share on 22 September 2009, being the last business day prior to the date of announcement of the terms of the Rights Issue, and a 38.8 per cent. discount to the theoretical ex-rights price based on this closing middle-market price.

Qualifying Shareholders who do not take up any of their entitlements to New Shares will have their proportionate shareholdings in Redrow diluted by approximately 48.1 per cent. Those Qualifying Shareholders who take up their rights in full will, subject to fractions, have the same proportionate voting and distribution rights as held by them on the Record Date.

The Nil Paid Rights (also described as New Shares, nil paid) are entitlements to acquire the New Shares subject to payment of the Issue Price. The Fully Paid Rights are entitlements to receive the New Shares, for which payment has already been made.

Holdings of Existing Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Rights Issue. Entitlements to New Shares will be rounded down to the next lowest whole number and fractions of New Shares will not be provisionally allotted to Qualifying Shareholders. Such fractions will be aggregated and, if possible, sold in the market. The net proceeds of such sales (after deduction of expenses) will ultimately accrue for the benefit of Redrow.

This document constitutes the offer of New Shares to all Qualifying CREST Shareholders, other than, subject to certain exceptions as set out in paragraph 2.5 of Part III “Terms and Conditions of the Rights Issue”, Qualifying Shareholders with a registered address, or resident or located (as applicable), in the United States or the Restricted Territories, and, together with the Provisional Allotment Letter, all Qualifying Non-CREST Shareholders, other than, subject to certain exceptions as set out in paragraph 2.5 of Part III “Terms and Conditions of the Rights Issue”, Qualifying Shareholders with a registered address, or resident or located (as applicable), in the United States or the Restricted Territories, to whom Provisional Allotment Letters are despatched. The crediting of Nil Paid Rights to a stock account in CREST does not constitute an offer to Shareholders in any jurisdiction.

Any person exercising, registering, transferring or renouncing Nil Paid Rights or Fully Paid Rights represents and warrants to the Company and each of the Underwriters that, except where proof has been provided to the Company’s satisfaction that such will not result in the contravention of any applicable legal requirement in any jurisdiction, (a) such person is not acquiring, registering, transferring or renouncing the Nil Paid Rights, Fully Paid Rights or New Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Nil Paid Rights, Fully Paid Rights or New Shares into the United States, any Restricted Territory or any other jurisdiction in which it is unlawful to make or accept an offer to acquire the Nil Paid Rights, Fully Paid Rights or New Shares; (b) such person is not resident or located (as applicable) within any of

the Restricted Territories (c) such person is not located in any jurisdiction in which it is unlawful to make or accept an offer to acquire the Nil Paid Rights, Fully Paid Rights or New Shares; (d) such person is not located within the United States (subject to certain exceptions); nor (e) is such person applying for the account of a person who is located in the United States, unless (i) the instruction to apply was received from a person outside the United States; and (ii) the person giving such instruction has confirmed that it has the authority to give such instruction and either (A) has investment discretion over such account or (B) is an investment manager or investment company that is applying for the New Shares in an “offshore transaction” within the meaning of Regulation S.

Notwithstanding (a) to (e) above, the Company reserves the right to permit any Qualifying Shareholder to take up his rights if the Company in its sole and absolute discretion is satisfied that the transaction in question will not result in the contravention of any applicable regulatory or legal requirements in any jurisdiction.

**The attention of Overseas Shareholders or any person (including, without limitation, custodians, nominees and trustees) who has a contractual or other legal obligation to forward this document into a jurisdiction other than the UK is drawn to paragraph 2.5 below. Although New Shares will be provisionally allotted to all Qualifying Shareholders, the offer of New Shares will not be made into certain territories. Subject to the provisions of paragraph 2.5, Qualifying Shareholders with a registered address in the United States or the Restricted Territories are not being sent this document, nor will they be sent Provisional Allotment Letters.**

Applications will be made to the UK Listing Authority and to the London Stock Exchange for the New Shares (nil paid and fully paid) to be admitted to the Official List and to trading on the London Stock Exchange’s main market for listed securities respectively. It is expected that Admission will become effective on 20 October 2009 and that dealings in the New Shares, nil paid, will commence on the London Stock Exchange at 8.00 a.m. on that date. The New Shares and the Existing Shares are in registered form and can be held in certificated form or uncertificated form via CREST.

The Existing Shares are already admitted to CREST. No further application for admission to CREST is required for the New Shares and all of the New Shares when issued and fully paid may be held and transferred by means of CREST.

Applications will be made for the Nil Paid Rights and the Fully Paid Rights to be admitted to CREST. Euroclear UK requires the Company to confirm to it that certain conditions (imposed by the CREST Manual) are satisfied before Euroclear UK will admit any security to CREST. It is expected that these conditions will be satisfied, in respect of the Nil Paid Rights and the Fully Paid Rights, on Admission. As soon as practicable after satisfaction of the conditions, the Company will confirm this to Euroclear UK.

The ISIN for the New Shares will be the same as that of the Existing Shares being GB0007282386 . The ISIN code for the Nil Paid Rights is GB00B4P67J89 and for the Fully Paid Rights is GB00B4NYDN07.

None of the New Shares is being made available to the public other than pursuant to the Rights Issue.

The Rights Issue has been underwritten (save in respect of the New Shares which Bridgemere and Durcan will be entitled to acquire under the Rights Issue) by the Underwriters pursuant to, and subject to the terms and conditions of the Underwriting Agreement and is conditional, *inter alia*, upon:

- (i) the passing of the Rights Issue Resolutions at the General Meeting (but not the Harrow Estates Transaction Resolution);
- (ii) the Underwriting Agreement having become unconditional in all respects (save for the condition relating to Admission) and not having been rescinded or terminated in accordance with its terms prior to Admission; and
- (iii) Admission becoming effective by not later than 8.00 a.m. on 20 October 2009 (or such later date as the Company and the Joint Bookrunners may agree).

The Underwriting Agreement is conditional upon certain matters being satisfied or not breached prior to Admission and may be terminated by the Joint Bookrunners prior to Admission upon the occurrence of certain specified events, in which case the Rights Issue will not proceed. The Underwriting Agreement is not capable of termination following Admission. The Joint Bookrunners may arrange sub-underwriting in relation to the New Shares. A summary of certain terms and conditions of the Underwriting Agreement is contained in paragraph 16.1 of Part XI of this document.



The Underwriters and their affiliates may, in accordance with applicable legal and regulatory provisions, engage in transactions in relation to the Nil Paid Rights, the Fully Paid Rights, the Ordinary Shares and/or related instruments for their own account for the purpose of hedging their underwriting exposure or otherwise. Such activity may include purchases and sales of securities of the Company and related and other securities and instruments (including Ordinary Shares, Nil Paid Rights and Fully Paid Rights). Except as required by applicable law or regulation, the Underwriters do not propose to make any public disclosure in relation to any such transactions.

Subject, *inter alia*, to the conditions referred to above being satisfied (other than, in relation to subparagraph (i) below, the condition relating to Admission) and save as provided in paragraph 2.5 below, it is intended that:

- (i) Provisional Allotment Letters in respect of Nil Paid Rights will be despatched to Qualifying Non-CREST Shareholders (other than, subject to certain exceptions, Qualifying Shareholders with a registered address in the United States or the Restricted Territories) on 19 October 2009;
- (ii) Computershare will instruct Euroclear UK to credit the appropriate stock accounts of Qualifying CREST Shareholders (other than, subject to certain exceptions, Qualifying Shareholders with a registered address in the United States or the Restricted Territories) with such Qualifying Shareholders' entitlements to Nil Paid Rights with effect from 8.00 a.m. on 20 October 2009;
- (iii) the Nil Paid Rights and the Fully Paid Rights will be enabled for settlement by Euroclear UK on 20 October 2009, as soon as practicable after the Company has confirmed to Euroclear UK that all the conditions for admission of such rights to CREST have been satisfied;
- (iv) New Shares will be credited to the relevant Qualifying CREST Shareholders who validly take up their rights as soon as practicable after 8.00 a.m. on 4 November 2009; and
- (v) share certificates for the New Shares will be despatched to Qualifying Non-CREST Shareholders who validly take up their rights by no later than 11 November 2009.

The New Shares will, when issued and fully paid, rank *pari passu* in all respects with the Existing Shares, including the right to receive all dividends or other distributions made, paid or declared after the date of this document.

All documents including Provisional Allotment Letters (which constitute temporary documents of title) and cheques and certificates posted to, by or from Qualifying Shareholders and/or their transferees or renounees (or their agents, as appropriate) will be posted at such persons' own risk.

Qualifying Shareholders taking up their rights by completing a Provisional Allotment Letter or by sending a Many-To-Many ("MTM") instruction to Euroclear UK will be deemed to have given the representations and warranties set out in paragraph 2.5.5 of this Part III.

## 2 Action to be taken

**The action to be taken in respect of the New Shares depends on whether, at the relevant time, the Nil Paid Rights or the Fully Paid Rights in respect of which action is to be taken are in certificated form (that is, are represented by Provisional Allotment Letters) or are in uncertificated form (that is, are in CREST).**

If you are a Qualifying Non-CREST Shareholder other than, subject to certain exceptions, a Qualifying Shareholder with a registered address, or resident or located (as applicable), in the United States or a Restricted Territory, please refer to paragraph 2.1 and paragraphs 2.3 to 2.8 below.

If you are a Qualifying CREST Shareholders, other than, subject to certain exceptions, a Qualifying Shareholder with a registered address, or resident or located (as applicable), in the United States or a Restricted Territory, please refer to paragraph 2.2 and paragraphs 2.3 to 2.8 below and to the CREST Manual for further information on the CREST procedures referred to below.

If you are a Qualifying Shareholder who has a registered address in, or who is resident or located (as applicable) in the United States or a Restricted Territory, or you hold Ordinary Shares on behalf of, or for the benefit of, such a person (were they a Qualifying Shareholder), please refer to Section 2.5.5 of this Part.

**CREST sponsored members should refer to their CREST sponsors, as only their CREST sponsors will be able to take the necessary actions specified below to take up the entitlements or otherwise to deal with the Nil Paid Rights or Fully Paid Rights of CREST sponsored members.**

## **2.1 Action to be taken by Qualifying Non-CREST Shareholders in relation to the Nil Paid Rights represented by Provisional Allotment Letters**

All enquiries in relation to the Provisional Allotment Letters should be addressed to the Shareholder Helpline on 0870 707 1257 (+44 870 707 1257 if you are calling from outside the UK) between 9.00 a.m. and 5.00 p.m. Monday to Friday (except bank holidays). *Calls to the Shareholder Helpline are charged at approximately 8 pence per minute (including VAT) from a BT landline. Other service providers' costs may vary. Calls to the Shareholder Helpline from outside the UK are charged at applicable international rates. Different charges may apply to calls made from mobile telephones and calls may be recorded and monitored randomly for security and training purposes. For legal reasons, the Shareholder Helpline will be unable to give advice on the merits of the Rights Issue or to provide financial, tax or investment advice.*

### **2.1.1 General**

Provisional Allotment Letters are expected to be despatched to Qualifying Non-CREST Shareholders, other than, subject to certain exceptions, Qualifying Shareholders with a registered address in the United States or the Restricted Territories, on 19 October 2009. Each Provisional Allotment Letter will set out:

- (i) the holding at the Record Date of Existing Shares in certificated form on which a Qualifying Non-CREST Shareholder's entitlement to New Shares has been based;
- (ii) the aggregate number and cost of New Shares in certificated form which have been provisionally allotted to that Qualifying Non-CREST Shareholder;
- (iii) the procedures to be followed if a Qualifying Non-CREST Shareholder wishes to dispose of all or part of his entitlement or to convert all or part of his entitlement into uncertificated form; and
- (iv) instructions regarding acceptance and payment, consolidation, splitting and registration of renunciation.

On the basis that Provisional Allotment Letters are posted on 19 October 2009, and that dealings in Nil Paid Rights commence on 20 October 2009, **the latest time and date for acceptance and payment in full will be 11.00 a.m. on 3 November 2009.**

If the Rights Issue is delayed so that Provisional Allotment Letters cannot be despatched on 19 October 2009, the expected timetable, as set out at the front of this document, will be adjusted accordingly and the revised dates will be set out in the Provisional Allotment Letters and announced through a Regulatory Information Service. All references in this Part III should be read as being subject to such adjustment.

### **2.1.2 Procedure for acceptance and payment**

#### ***(i) Qualifying Non-CREST Shareholders who wish to accept in full***

**Holders of Provisional Allotment Letters who wish to take up all of their entitlements** must return the Provisional Allotment Letter, together with a cheque or banker's draft in pounds sterling, made payable to Redrow Rights Issue and crossed "A/C payee only", for the full amount payable on acceptance, in accordance with the instructions printed on the Provisional Allotment Letter, by post or by hand (during normal business hours only) to Computershare, Corporate Actions Projects, Bristol BS99 6AH, so as to arrive as soon as possible and in any event so as to be received by not later than 11.00 a.m. on 3 November 2009. A reply-paid envelope will be enclosed with the Provisional Allotment Letter for this purpose and for use in the UK only. If you post your Provisional Allotment Letter within the UK by first-class post, it is recommended that you allow at least four days for delivery. Once you have posted your Provisional Allotment Letter duly completed with payment in this manner, you will have accepted the offer to acquire the number of New Shares specified on your Provisional Allotment Letter.

#### ***(ii) Qualifying Non-CREST Shareholders who wish to accept in part***

**Holders of Provisional Allotment Letters who wish to take up some but not all of their Nil Paid Rights and wish to try to sell some or all of those rights which they do not want to take up**, should first apply for split Provisional Allotment Letters by completing Form X on the Provisional Allotment Letter and returning it, together with a covering letter stating the number of split Provisional Allotment Letters required and the number of Nil Paid Rights or Fully Paid Rights (if appropriate) to be comprised in each split Provisional Allotment

Letter, by post or by hand (during normal business hours only) to Computershare, Corporate Actions Projects, Bristol BS99 6AH by 3.00 p.m. on 30 October 2009, the last date and time for splitting Nil Paid Rights or Fully Paid Rights. The Provisional Allotment Letter will then be cancelled and exchanged for the split Provisional Allotment Letters required. Such holders of Provisional Allotment Letters should then deliver the split Provisional Allotment Letter representing the rights they wish to take up to Computershare together with a cheque or banker's draft in pounds sterling for this number of rights, payable to Redrow Rights Issue and crossed "A/C payee only" to arrive by 11.00 a.m. on 3 November 2009, the last date and time for acceptance. The further split Provisional Allotment Letters (representing the New Shares the Qualifying Non-CREST Shareholder does not wish to take up) will be required in order to sell those rights not being taken up—see paragraph 2.1.6 below for further details.

**Alternatively, holders of Provisional Allotment Letters who wish to take up some of their rights, without selling or transferring the remainder,** should complete Form X on the original Provisional Allotment Letter and return it, together with a covering letter confirming the number of rights to be taken up and a cheque or banker's draft in pounds sterling to pay for this number of New Shares, by post or by hand (during normal business hours only) to Computershare, The Corporate Actions Projects, Bristol BS99 6AH. In this case, the Provisional Allotment Letter and payment must be received by Computershare, The Corporate Actions Projects, Bristol BS99 6AH by 3.00 p.m. on 30 October 2009, the last date and time for splitting Nil Paid Rights.

*(iii) Company's discretion as to validity of acceptances*

Subject to the following sentence, if payment is not received in full by 11.00 a.m. on 3 November 2009, the provisional allotment will be deemed to have been declined and will lapse. The Company may elect, with the consent of the Joint Bookrunners, but shall not be obliged, to treat as valid acceptances in respect of which remittances for the full amount due are received through the post prior to 11.00 a.m. on 3 November 2009 from an authorised person (as detailed in Section 31(2) of FSMA), specifying the number of New Shares to be acquired and containing an undertaking by that person to lodge the relevant Provisional Allotment Letter, duly completed, in due course.

The Company may also (in its sole discretion) treat a Provisional Allotment Letter as valid and binding on the person(s) by whom or on whose behalf it is lodged even if it is not completed in accordance with the relevant instructions or is not accompanied by a valid power of attorney where required.

The Company reserves the right to treat as invalid any acceptance or purported acceptance of the New Shares that appears to the Company to have been executed in, dispatched from, or that provided an address for delivery of definitive share certificates for New Shares in, the United States or the Restricted Territories.

A Qualifying Non-CREST Shareholder who makes a valid acceptance and payment in accordance with this paragraph 2 is deemed to request that the New Shares to which they will become entitled be issued to them on the terms set out in this document and subject to the Memorandum and Articles of Association.

By completing and delivering a Provisional Allotment Letter, a Qualifying Non-CREST Shareholder will be deemed to have represented and agreed certain matters as set out in section 2.5 of this Part III, and agrees and acknowledges that (i) the Underwriters are acting exclusively for the Company and no one else in connection with the Rights Issue and the listing of the New Shares and will not be responsible to anyone other than the Company for providing the protections afforded to their respective clients for providing advice in connection with the Rights Issue, the listing of the New Shares or the contents of this document; (ii) apart from the responsibilities and liabilities, if any, which may be imposed on any of the Underwriters by FSMA or the regulatory regime established thereunder, none of the Underwriters has any responsibility or liability whatsoever and makes no representation or warranty, express or implied, for the contents of this document including its accuracy, completeness or verification or for any other statement made or purported to be made by any of them or on behalf of any of them, by the Company or on its behalf, or by any other person in connection with the Company, the New Shares, the Rights Issue or the Harrow Estates Transaction and nothing in this document shall be relied upon as a promise or representation in this respect, whether as to the past or the future and none of the Underwriters shall have any liability whatsoever to such Qualifying Shareholder, whether arising in tort, contract or otherwise (save as referred to above) in respect of this document or any such statement; (iii) the Qualifying Shareholder has not relied on the Underwriters or any person affiliated with the Underwriters in connection with any investigation of the accuracy of any information contained in this Prospectus or their investment decision; and (iv) it has relied only on the information contained in this document, and that no person has been authorised to give any information or to make any representation concerning the Company or its subsidiaries or the Nil Paid

Rights, Fully Paid Rights or New Shares (other than as contained in this document) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company or the Underwriters.

*(iv) Payments*

All payments must be in pounds sterling and made by cheque or banker's draft made payable to Redrow Rights Issue and crossed "A/C payee only". Cheques or banker's drafts must be drawn on a bank or building society or branch of a bank or building society in the UK or Channel Islands which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques and banker's drafts to be cleared through the facilities provided by any of those companies or committees and must bear the appropriate sort code in the top right-hand corner. Such payments will be held by Computershare on trust for the Newco Subscriber, who is acting as principal in respect of such monies. Third party cheques will not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has confirmed the name of the account holder by stamping or endorsing the cheque or draft to such effect. The account name should be the same as that shown on the application. Post-dated cheques will not be accepted. Cheques or banker's drafts will be presented for payment upon receipt. The Joint Bookrunners and the Company reserve the right to instruct Computershare to seek special clearance of cheques and banker's drafts to allow value to be obtained for remittances at the earliest opportunity. No interest will be paid on payments made before they are due. It is a term of the Rights Issue that cheques shall be honoured on first presentation and the Company may elect to treat as invalid acceptances in respect of which cheques are not so honoured. All documents, cheques and banker's drafts sent through the post will be sent at the risk of the sender. Payments via CHAPS, BACS or electronic transfer will not be accepted.

If the New Shares have already been allotted to a Qualifying Non-CREST Shareholder prior to any payment not being so honoured upon first presentation or such acceptances being treated as invalid, the Newco Subscriber has authorised the Company to (in its absolute discretion as to manner, timing and terms) make arrangements for the sale of such New Shares on behalf of such Qualifying Non-CREST Shareholders and hold the proceeds of sale (net of the Company's reasonable estimate of any loss it has suffered as a result of the same and of the expenses of the sale, including, without limitation, any stamp duty or SDRT payable on the transfer of such New Shares, and of all amounts payable by such Qualifying Non-CREST Shareholders pursuant to the terms of the Rights Issue in respect of the acquisition for such New Shares) on behalf of such Qualifying Non-CREST Shareholders. None of the Company or the Underwriters or any other person shall be responsible for, or have any liability for, any loss, expense or damage suffered by such Qualifying Non-CREST Shareholders as a result.

*2.1.3 Money Laundering Regulations*

It is a term of the Rights Issue that, to ensure compliance with the Money Laundering Regulations, the Registrars, Computershare, may require verification of the identity of the person by whom or on whose behalf a Provisional Allotment Letter is lodged with payment (which requirements are referred to below as the "verification of identity requirements"). The person(s) (the "acceptor") who, by lodging a Provisional Allotment Letter with payment, as described above, accept(s) the allotment of the New Shares (the "relevant shares") comprised in such Provisional Allotment Letter (being the provisional allottee or, in the case of renunciation, the person named in such Provisional Allotment Letter) shall thereby be deemed to agree to provide the Registrars and/or the Company with such information and other evidence as they or either of them may require to satisfy the verification of identity requirements.

If the Registrars determine that the verification of identity requirements apply to an acceptance of an allotment and the verification of identity requirements have not been satisfied (which the Registrars shall in their absolute discretion determine) by 11.00 a.m. on 3 November 2009, the Company may, in its absolute discretion, and without prejudice to any other rights of the Company, treat the acceptance as invalid or may confirm the allotment of the relevant shares to the acceptor but (notwithstanding any other term of the Rights Issue) such shares will not be issued to him or registered in his name until the verification of identity requirements have been satisfied (which the Registrars shall in their absolute discretion determine). If the acceptance is not treated as invalid and the verification of identity requirements are not satisfied within such period, being not less than seven days after a request for evidence of identity is despatched to the acceptor, as the Company may in its absolute discretion allow, the Company will be entitled to make arrangements (in its absolute discretion as to manner, timing and terms) to sell the relevant shares (and for that purpose the Company will be expressly authorised to act as agent of the acceptor). Any proceeds of sale (net of expenses) of the relevant shares which shall be issued to and registered in the name of the purchaser(s) or an amount equivalent to the original payment, whichever is



the lower, will be held by the Company on trust for the acceptor, subject to the requirements of the Money Laundering Regulations. The Registrars are entitled in their absolute discretion to determine whether the verification of identity requirements apply to any acceptor and whether such requirements have been satisfied. Neither the Company nor the Company's Registrars will be liable to any person for any loss suffered or incurred as a result of the exercise of any such discretion or as a result of any sale of relevant shares.

**Return of a Provisional Allotment Letter with the appropriate remittance will constitute a warranty from the acceptor that the Money Laundering Regulations will not be breached by acceptance of such remittance. If the verification of identity requirements apply, failure to provide the necessary evidence of identity may result in your acceptance being treated as invalid or in delays in the despatch of a receipted fully paid Provisional Allotment Letter or a share certificate.**

The verification of identity requirements will not usually apply:

- (i) if the acceptor is an organisation required to comply with the Money Laundering Directive 2005/60/EC of the European Parliament and of the EC Council of 26 October 2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing; or
- (ii) if the acceptor is a regulated UK broker or intermediary acting as agent and is itself subject to the Money Laundering Regulations; or
- (iii) if the acceptor (not being an acceptor who delivers his acceptance in person) makes payment by way of a cheque drawn on an account in the name of such acceptor; or
- (iv) if the aggregate acquisition price for the relevant shares is less than €15,000 (approximately £13,600).

Where the verification of identity requirements apply, please note the following as this will assist in satisfying the requirements. Satisfaction of the verification of identity requirements may be facilitated in the following ways:

- (a) if payment is made by cheque or banker's draft in pounds sterling drawn on a branch in the UK of a bank or building society and bears a UK bank sort code number in the top right-hand corner, the following applies. Cheques should be made payable to Redrow Rights Issue and crossed "A/C payee only". Third party cheques will not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has confirmed the name of the account holder by stamping or endorsing the building society cheque/banker's draft to such effect. The account name should be the same as that shown on the application;
- (b) if the Provisional Allotment Letter is lodged with payment by an agent which is an organisation of the kind referred to in (a) above or which is subject to anti money laundering regulation in a country which is a member of the Financial Action Task Force (the non-European Union members of which are Argentina, Australia, Brazil, Canada, Hong Kong, Iceland, Japan, Mexico, New Zealand, Norway, the Russian Federation, Singapore, South Africa, Switzerland, Turkey, the United States of America and, by virtue of their membership of the Gulf Co-operation Council, Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the UAE), the agent should provide written confirmation with the Provisional Allotment Letter that it has that status and a written assurance that it has obtained and recorded evidence of the identity of the persons for whom it acts and that it will on demand make such evidence available to the Registrars or the relevant authority; or
- (c) if a Provisional Allotment Letter is lodged by hand by the acceptor in person, he should ensure that he has with him evidence of identity bearing his photograph (for example, his passport) and evidence of his address.

In order to confirm the acceptability of any written assurance referred to in (c) above or any other case, the acceptor should contact the Registrars.

#### *2.1.4 Dealings in Nil Paid Rights*

Assuming the Rights Issue becomes unconditional, dealings in the Nil Paid Rights on the London Stock Exchange are expected to commence at 8.00 a.m. on 20 October 2009. A transfer of Nil Paid Rights can be made by renunciation of the Provisional Allotment Letter in accordance with the instructions printed on it and delivery of the letter to the transferee. The latest time and date for registration of renunciation of Provisional Allotment Letters, nil paid, is expected to be 11.00 a.m. on 3 November 2009.

### *2.1.5 Dealings in Fully Paid Rights*

After acceptance of the provisional allotment and payment in full in accordance with the provisions set out in this document and the Provisional Allotment Letter, the Fully Paid Rights may be transferred by renunciation of the relevant Provisional Allotment Letter and delivering it, by post or by hand (during normal business hours) to Computershare, by not later than 11.00 a.m. on 3 November 2009. To do this, Qualifying Non-CREST Shareholders will need to have their fully paid Provisional Allotment Letters returned to them after acceptance has been effected by Computershare. However, fully paid Provisional Allotment Letters will not be returned to Qualifying Non-CREST Shareholders unless their return is requested by ticking the appropriate box on the Provisional Allotment Letter. After 3 November 2009, the New Shares will be in registered form and transferable in the usual way (see paragraph 2.1.9 below).

### *2.1.6 Renunciation and splitting of Provisional Allotment Letters*

Holders of Provisional Allotment Letters who wish to transfer all of their Nil Paid Rights or, after acceptance of the provisional allotment and payment in full, Fully Paid Rights comprised in a Provisional Allotment Letter should (save as required by the laws of certain overseas jurisdictions) complete and sign Form X on the Provisional Allotment Letter (if it is not already marked "Original Duly Renounced") and pass the entire Provisional Allotment Letter to their stockbroker or bank or other appropriate financial adviser or to the transferee or to Computershare, provided that a transferee must not have a registered address in, or be resident or located (as applicable) in, a Restricted Territory. Once a Provisional Allotment Letter has been renounced, the letter will become a negotiable instrument in bearer form and the Nil Paid Rights or Fully Paid Rights (as appropriate) comprised in the Provisional Allotment Letter may be transferred by delivery of the Provisional Allotment Letter to the transferee. The latest time and date for registration of renunciation of Provisional Allotment Letters, fully paid, is 11.00 a.m. on 3 November 2009.

If a holder of a Provisional Allotment Letter wishes to transfer some of the Nil Paid Rights or (if appropriate) Fully Paid Rights registered in his name, or wishes to transfer all of the Nil Paid Rights or (if appropriate) Fully Paid Rights registered in his name but to different persons, he must have the Provisional Allotment Letter split, for which purpose he or his agent must complete and sign Form X on the Provisional Allotment Letter. The Provisional Allotment Letter must then be delivered by post or by hand (during normal business hours only) to Computershare, by not later than 3.00 p.m. on 30 October 2009, to be cancelled and exchanged for the split Provisional Allotment Letters required. The number of split Provisional Allotment Letters required and the number of Nil Paid Rights or (as appropriate) Fully Paid Rights to be comprised in each split letter should be stated in an accompanying letter. Form X on split Provisional Allotment Letters will be marked "Original Duly Renounced" before issue. In order to take up or transfer Nil Paid Rights or (if appropriate) Fully Paid Rights registered by a split Provisional Allotment Letter, Shareholders should follow the relevant instructions elsewhere in this Part III as they apply to a Provisional Allotment Letter.

The Company reserves the right to refuse to register any renunciation in favour of any person in respect of which the Company believes such renunciation may violate applicable legal or regulatory requirements, including (without limitation) any renunciation in the name of any person with an address outside the UK.

### *2.1.7 Registration in names of persons other than Qualifying Shareholders originally entitled*

In order to register Nil Paid Rights or Fully Paid Rights in certificated form in the name of someone other than the Qualifying Shareholders(s) originally entitled, provided that neither the Qualifying Shareholder nor the renounee is in a Restricted Territory, the renounee or his agent(s) must complete Form Y on the Provisional Allotment Letter (unless the renounee is a CREST member who wishes to hold such Fully Paid Rights in uncertificated form, in which case Form X and the CREST Deposit Form must be completed (see paragraph 2.2 below)) and deliver the entire Provisional Allotment Letter, when fully paid, by post or by hand (during normal business hours) to Computershare, by not later than the latest time for registration of renunciations, which is expected to be 11.00 a.m. on 3 November 2009. Registration cannot be effected unless and until the New Shares comprised in a Provisional Allotment Letter are fully paid.

The New Shares comprised in several renounced Provisional Allotment Letters may be registered in the name of one holder (or joint holders) if Form Y on the Provisional Allotment Letter is completed on one Provisional Allotment Letter (the "Principal Letter") and all the Provisional Allotment Letters are delivered in one batch. Details of each Provisional Allotment Letter (including the Principal Letter) should be listed in the Consolidated Listing Form adjacent to Forms X and Y of the Principal Letter and the allotment number of the Principal Letter should be entered in the space provided on each of the other Provisional Allotment Letters.



### *2.1.8 Deposit of Nil Paid Rights or Fully Paid Rights into CREST*

The Nil Paid Rights or Fully Paid Rights represented by the Provisional Allotment Letter may be converted into uncertificated form, that is, deposited into CREST (whether such conversion arises as a result of a renunciation of those rights or otherwise). Similarly, Nil Paid Rights or Fully Paid Rights held in CREST may be converted into certificated form (that is, withdrawn from CREST). Subject as provided in the next following paragraph or in the Provisional Allotment Letter, normal CREST procedures and timings apply in relation to any such conversion. You are recommended to refer to the CREST Manual for details of such procedures.

The procedure for depositing the Nil Paid Rights represented by the Provisional Allotment Letter into CREST, whether such rights are to be converted into uncertificated form in the name(s) of the person(s) whose name(s) and address appear(s) on page 1 of the Provisional Allotment Letter or in the name of a person or persons to whom the Provisional Allotment Letter has been renounced, is as follows:

- (a) form X and the CREST Deposit Form (both on the Provisional Allotment Letter) will need to be completed and the Provisional Allotment Letter deposited with the CREST Courier and Sorting Service ("CCSS"). In addition, the normal CREST Stock Deposit procedures will need to be carried out, except that it will not be necessary to complete and lodge a separate CREST Transfer Form (prescribed under the Stock Transfer Act 1963) with the CCSS; and
- (b) only the whole of the Nil Paid Rights or the Fully Paid Rights represented by the Provisional Allotment Letter may be deposited into CREST. If you wish to deposit some only of the Nil Paid Rights or the Fully Paid Rights represented by the Provisional Allotment Letter into CREST, you must first apply for split Provisional Allotment Letters by following the instructions in paragraph 2.1.6 above. If the rights represented by more than one Provisional Allotment Letter are to be deposited, the CREST Deposit Form on each Provisional Allotment Letter must be completed and deposited. The Consolidation Listing Form (as defined in the Regulations) must not be used.

A holder of the Nil Paid Rights (or, if appropriate, the Fully Paid Rights) represented by a Provisional Allotment Letter who is proposing to convert those rights into uncertificated form (whether following a renunciation of such rights or otherwise) is recommended to ensure that the conversion procedures are implemented in sufficient time to enable the person holding or acquiring the Nil Paid Rights (or, if appropriate, the Fully Paid Rights) in CREST following the conversion to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 3 November 2009. **In particular, having regard to processing times in CREST and on the part of Computershare, the latest recommended time for depositing a renounced Provisional Allotment Letter (with Form X and the CREST Deposit Form on the Provisional Allotment Letter duly completed) with the CCSS in order to enable the person acquiring the Nil Paid Rights (or, if appropriate, the Fully Paid Rights) in CREST as a result of the conversion to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 3 November 2009 is 3.00 p.m. on 29 October 2009.**

When Form X and the CREST Deposit Form (on the Provisional Allotment Letter) have been completed, the title to the Nil Paid Rights or the Fully Paid Rights represented by the Provisional Allotment Letters will cease to be renounceable or transferable by delivery, and for the avoidance of doubt any entries in Form Y will not subsequently be recognised or acted upon by Computershare. All renunciations or transfers of Nil Paid Rights or Fully Paid Rights must be effected through the CREST system once such Nil Paid Rights or Fully Paid Rights have been deposited into CREST.

CREST sponsored members should contact their CREST sponsor as only their CREST sponsor will be able to take the necessary action to take up the entitlement or otherwise to deal with the Nil Paid Rights or Fully Paid Rights of the CREST sponsored member.

### *2.1.9 Issue of New Shares in definitive form*

Definitive share certificates in respect of the New Shares to be held in certificated form are expected to be despatched by post by 11 November 2009, at the risk of the persons entitled thereto, to Qualifying Non-CREST Shareholders who have validly taken up their rights (or their transferees who hold Fully Paid Rights in certificated form), or in the case of joint holdings, to the first-named Shareholders, at their registered address (unless lodging agent details have been completed on the Provisional Allotment Letter). After despatch of the definitive share certificates, Provisional Allotment Letters will cease to be valid for any purpose whatsoever. Pending despatch of definitive share certificates, instruments of transfer of the New Shares will be certified by Computershare against the register.

## **2.2 Action to be taken by Qualifying CREST Shareholders in relation to Nil Paid Rights and Fully Paid Rights in CREST**

### *2.2.1 General*

It is expected that each Qualifying CREST Shareholder other than, subject to certain exceptions, Qualifying Shareholders with a registered address in the United States or the Restricted Territories will receive a credit to his stock account in CREST of his entitlement to Nil Paid Rights on 20 October 2009. It is expected that such rights will be enabled by 8.00 a.m. on 20 October 2009. The CREST stock account to be credited will be an account under the participant ID and member account ID that apply to the Existing Shares in uncertificated form held at the close of business on the Record Date by the Qualifying CREST Shareholder in respect of which the Nil Paid Rights are provisionally allotted.

The Nil Paid Rights will constitute a separate security for the purposes of CREST and can accordingly be transferred, in whole or in part, by means of CREST in the same manner as any other security that is admitted to CREST.

If, for any reason, it is impracticable to credit the stock accounts of Qualifying CREST Shareholders, or to enable the Nil Paid Rights on 20 October 2009, Provisional Allotment Letters shall, unless the Company determines otherwise, be sent out in substitution for the Nil Paid Rights which have not been so credited or enabled and the expected timetable as set out in this document will be adjusted as appropriate. **References to dates and times in this document should be read as subject to any such adjustment.** The Company will make an appropriate announcement to a Regulatory Information Service giving details of any revised dates **but Qualifying CREST Shareholders may not receive any further written communication.**

**CREST members who wish to take up their entitlements in respect of or otherwise to transfer Nil Paid Rights or Fully Paid Rights held by them in CREST should refer to the CREST Manual for further information on the CREST procedures referred to below. If you are a CREST sponsored member, you should consult your CREST sponsor if you wish to take up your entitlement as only your CREST sponsor will be able to take the necessary action to take up your entitlements or otherwise to deal with your Nil Paid Rights or Fully Paid Rights.**

### *2.2.2 Procedure for acceptance and payment*

#### *(i) MTM instructions*

CREST members who wish to take up all or some of their entitlement in respect of Nil Paid Rights in CREST must send (or, if they are CREST sponsored members, procure that their CREST sponsor sends) an MTM instruction to Euroclear UK that, on its settlement, will have the following effect:

- (a) the crediting of a stock account of Computershare under the participant ID and member account ID specified below, with the number of Nil Paid Rights to be taken up;
- (b) the creation of a settlement bank payment obligation (as this term is defined in the CREST Manual), in accordance with the RTGS payment mechanism (as this term is defined in the CREST Manual), in favour of the RTGS settlement bank of Computershare in pounds sterling in respect of the full amount payable on acceptance in respect of the Nil Paid Rights referred to in paragraph 2.2.2(i)(a) above; and
- (c) the crediting of a stock account of the accepting CREST member (being an account under the same participant ID and member account ID as the account from which the Nil Paid Rights are to be debited on settlement of the MTM instruction) of the corresponding number of Fully Paid Rights to which the CREST member is entitled on taking up his Nil Paid Rights referred to in paragraph 2.2.2(i)(a) above.

#### *(ii) Contents of MTM instructions*

The MTM instruction must be properly authenticated in accordance with Euroclear UK's specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- (a) the number of Nil Paid Rights to which the acceptance relates;
- (b) the participant ID of the accepting CREST member;
- (c) the member account ID of the accepting CREST member from which the Nil Paid Rights are to be debited;

- (d) the participant ID of Computershare, in its capacity as a CREST receiving agent. This is RA64;
- (e) the member account ID of Computershare, in its capacity as a CREST receiving agent. This is Redrow;
- (f) the number of Fully Paid Rights that the CREST member is expecting to receive on settlement of the MTM instruction. This must be the same as the number of Nil Paid Rights to which the acceptance relates;
- (g) the amount payable by means of the CREST assured payment arrangements on settlement of the MTM instruction. This must be the full amount payable on acceptance in respect of the number of Nil Paid Rights referred to in paragraph 2.2.2(ii)(a) above;
- (h) the intended settlement date. This must be on or before 11.00 a.m. on 3 November 2009;
- (i) the Nil Paid Rights ISIN number which is GB00B4P67J89;
- (j) the Fully Paid Rights ISIN number which is GB00B4NYDN07;
- (k) the Corporate Action Number for the Rights Issue. This will be available by viewing the relevant corporate action details in CREST; and
- (l) contact name and telephone number in the shared note field.

*(iii) Valid acceptance*

An MTM instruction complying with each of the requirements as to authentication and contents set out in paragraph 2.2.2(ii) above will constitute a valid acceptance where either:

- (a) the MTM instruction settles by not later than 11.00 a.m. on 3 November 2009; or
- (b) at the discretion of the Company:
  - (I) the MTM instruction is received by Euroclear UK by not later than 11.00 a.m. on 3 November 2009; and
  - (II) a number of Nil Paid Rights at least equal to the number of Nil Paid Rights inserted in the MTM instruction is credited to the CREST stock member account of the accepting CREST member specified in the MTM instruction at 11.00 a.m. on 3 November 2009.

An MTM instruction will be treated as having been received by Euroclear UK for these purposes at the time at which the instruction is processed by the Network Providers' Communications Host (as this term is defined in the CREST Manual) at Euroclear UK of the network provider used by the CREST member (or by the CREST sponsored member's CREST sponsor). This will be conclusively determined by the input time stamp applied to the MTM instruction by the Network Providers' Communications Host.

*(iv) Representations, warranties and undertakings of CREST members*

A CREST member or CREST sponsored member who makes a valid acceptance in accordance with this paragraph 2.2.2 represents, warrants and undertakes to the Company and the Underwriters that he has taken (or procured to be taken), and will take (or will procure to be taken), whatever action is required to be taken by him or by his CREST sponsor (as appropriate) to ensure that the MTM instruction concerned is capable of settlement at 11.00 a.m. on 3 November 2009. In particular, the CREST member or CREST sponsored member represents, warrants and undertakes that, at 11.00 a.m. on 3 November 2009 (or until such later time and date as the Company may determine), there will be sufficient Headroom within the Cap (as those terms are defined in the CREST Manual) in respect of the cash memorandum account to be debited with the amount payable on acceptance to permit the MTM instruction to settle. CREST sponsored members should contact their CREST sponsor if they are in any doubt.

If there is insufficient Headroom within the Cap (as those terms are defined in the CREST Manual) in respect of the cash memorandum account of a CREST member or CREST sponsored member for such amount to be debited or the CREST member's or CREST sponsored member's acceptance is otherwise treated as invalid and New Shares have already been allotted to such CREST member or CREST sponsored member, the Joint Bookrunners or the Company may (in its absolute discretion as to the manner, timing and terms) make arrangements for the sale of such New Shares on behalf of that CREST member or CREST sponsored member and hold the proceeds of sale (net of the Company's reasonable estimate of any loss that has been suffered as a result of the acceptance being treated as invalid and of the expenses of sale, including, without limitation, any

stamp duty or SDRT payable on the transfer of such New Shares, and of all amounts payable by the CREST member or CREST sponsored member pursuant to the Rights Issue in respect of the acquisition of such New Shares) on behalf of such CREST member or CREST sponsored member. None of the Company, the Underwriters, or any other person shall be responsible for, or have any liability for, any loss, expense or damage suffered by such CREST member or CREST sponsored member as a result.

By making a valid acceptance in accordance with the procedures set out in this paragraph 2.2, a Qualifying CREST Shareholder will be deemed to have represented and agreed certain matters as set out in paragraph 2.5 of this Part III, and agrees and acknowledges that (i) the Underwriters are acting exclusively for the Company and no one else in connection with the Rights Issue and the listing of the New Shares and will not be responsible to anyone other than the Company for providing the protections afforded to their respective clients for providing advice in connection with the Rights Issue, the listing of the New Shares or the contents of this document; and (ii) apart from the responsibilities and liabilities, if any, which may be imposed on any of the Underwriters by FSMA or the regulatory regime established thereunder, none of the Underwriters has any responsibility or liability whatsoever and makes no representation or warranty, express or implied, for the contents of this document including its accuracy, completeness or verification or for any other statement made or purported to be made by any of them or on behalf of any of them, by the Company or on its behalf, or by any other person in connection with the Company, the New Shares, the Rights Issue or the Harrow Estates Transaction and nothing in this document shall be relied upon as a promise or representation in this respect, whether as to the past or the future and none of the Underwriters shall have any liability whatsoever to such Qualifying Shareholder, whether arising in tort, contract or otherwise (save as referred to above) in respect of this document or any such statement (iii) the Qualifying Shareholder has not relied on the Underwriters or any person affiliated with the Underwriters in connection with any investigation of the accuracy of any information contained in this Prospectus or their investment decision; and (iv) it has relied only on the information contained in this document, and that no person has been authorised to give any information or to make any representation concerning the Company or its subsidiaries or the Nil Paid Rights, Fully Paid Rights or New Shares (other than as contained in this document) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company or the Underwriters.

*(v) CREST procedures and timings*

CREST members and CREST sponsors (on behalf of CREST sponsored members) should note that Euroclear UK does not make available special procedures in CREST for any particular corporate action. Normal system timings and limitations will therefore apply in relation to the input of an MTM instruction and its settlement in connection with the Rights Issue. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST sponsored member, to procure that his CREST sponsor takes) the action necessary to ensure that a valid acceptance is received as stated above by 11.00 a.m. on 3 November 2009. In connection with this, CREST members and (where applicable) CREST sponsors are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

*(vi) CREST member's undertaking to pay*

A CREST member or CREST sponsored member who makes a valid acceptance in accordance with the procedures set out in this paragraph 2.2.2, (a) undertakes to pay to Computershare, or procure the payment to Computershare of, the amount payable in pounds sterling on acceptance in accordance with the above procedures or in such other manner as Computershare may require (it being acknowledged that, where payment is made by means of CREST RTGS payment mechanism, the creation of an RTGS payment obligation in pounds sterling in favour of Computershare's RTGS settlement bank (as defined in the CREST Manual) in accordance with the RTGS payment mechanism shall, to the extent of the obligation so created, discharge in full the obligation of the CREST member (or CREST sponsored member) to pay the amount payable on acceptance) and (b) requests that the Fully Paid Rights and/or New Shares to which he will become entitled be issued to him on the terms set out in this document and subject to the Memorandum and Articles of Association of the Company. Such payment will be held by Computershare on trust for Newco Subscriber who is acting as principal in respect of such monies.

If the payment obligations of the relevant CREST member or CREST sponsored member in relation to such New Shares are not discharged in full and such New Shares have already been allotted to the CREST member or CREST sponsored member, the Joint Bookrunners or the Company may (in their absolute discretion as to manner, timing and terms) make arrangements for the sale of such Shares on behalf of the CREST member or CREST sponsored member and hold the proceeds of sale (net of the Company's reasonable estimate of any loss

that has been suffered as a result of the same and of the expenses of the sale, including, without limitation, any stamp duty or SDRT payable on the transfer of such Shares, and of all amounts payable by such CREST member or CREST sponsored member pursuant to the terms of the Rights Issue in respect of the acquisition of such Shares) or an amount equal to the original payment of the CREST member or CREST sponsored member. None of the Company or the Underwriters or any other person shall be responsible for, or have any liability for, any loss, expense or damage suffered by the CREST member or CREST sponsored member as a result.

*(vii) Company's discretion as to rejection and validity of acceptances*

The Company, with the consent of the Joint Bookrunners, may agree in its absolute sole discretion to:

- (a) reject any acceptance constituted by an MTM instruction, which is otherwise valid, in the event of breach of any of the representations, warranties and undertakings set out or referred to in this paragraph 2.2.2. Where an acceptance is made as described in this paragraph 2.2.2, which is otherwise valid, and the MTM instruction concerned fails to settle by 11.00 a.m. on 3 November 2009 (or by such later time and date as the Company and the Joint Bookrunners have determined), the Company and the Joint Bookrunners shall be entitled to assume, for the purposes of their right to reject an acceptance contained in this paragraph 2.2.2, that there has been a breach of the representations, warranties and undertakings set out or referred to in this paragraph 2.2.2 unless the Company is aware of any reason outside the control of the CREST member or CREST sponsor (as appropriate) for the failure to settle;
- (b) treat as valid (and binding on the CREST member or CREST sponsored member concerned) an acceptance which does not comply in all respects with the requirements as to validity set out or referred to in this paragraph 2.2.2;
- (c) accept an alternative properly authenticated dematerialised instruction from a CREST member or (where applicable) a CREST sponsor as constituting a valid acceptance in substitution for, or in addition to, an MTM instruction and subject to such further terms and conditions as the Company and the Joint Bookrunners may determine;
- (d) treat a properly authenticated dematerialised instruction (in this paragraph 2.2.2(vii)(d), the "first instruction") as not constituting a valid acceptance if, at the time at which Computershare receives a properly authenticated dematerialised instruction giving details of the first instruction, either the Company or Computershare has received actual notice from Euroclear UK of any of the matters specified in Regulation 35(5)(a) of the Regulations in relation to the first instruction. These matters include notice that any information contained in the first instruction was incorrect or notice of lack of authority to send the first instruction; and
- (e) accept an alternative instruction or notification from a CREST member or CREST sponsored member or (where applicable) a CREST sponsor, or extend the time for acceptance and/or settlement of an MTM instruction or any alternative instruction or notification, if, for reasons or due to circumstances outside the control of any CREST member or CREST sponsored member or (where applicable) CREST sponsor, the CREST member or CREST sponsored member is unable validly to take up all or part of his Nil Paid Rights by means of the above procedures. In normal circumstances, this discretion is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or of any part of CREST) or on the part of facilities and/or systems operated by Computershare in connection with CREST.

### *2.2.3 Money Laundering Regulations*

If you hold your Nil Paid Rights in CREST and apply to take up all or part of your entitlement as agent for one or more persons and you are not a UK or EU regulated person or institution (e.g. a UK financial institution), then, irrespective of the value of the application, Computershare is entitled to take reasonable measures to establish the identity of the person or persons (or the ultimate controller of such person or persons) on whose behalf you are making the application. You must therefore contact Computershare before sending any MTM instruction or other instruction so that appropriate measures may be taken.

Submission of an MTM instruction which constitutes, or which may on its settlement constitute, a valid acceptance as described above constitutes a warranty and undertaking by the applicant to provide promptly to Computershare any information Computershare may specify as being required for the purposes of the verification of the identity requirements in the Money Laundering Regulations or the FSMA. Pending the provision of such information and other evidence as Computershare may require to satisfy the verification of identity requirements,



Computershare, having consulted with the Company, may take, or omit to take, such action as it may determine to prevent or delay settlement of the MTM instruction. If such information and other evidence of identity has not been provided within a reasonable time, then Computershare will not permit the MTM instruction concerned to proceed to settlement but without prejudice to the right of the Company, the Joint Bookrunners to take proceedings to recover any loss suffered by it as a result of failure by the applicant to provide such information and other evidence.

#### *2.2.4 Dealings in Nil Paid Rights in CREST*

Assuming the Rights Issue becomes unconditional, dealings in the Nil Paid Rights on the London Stock Exchange are expected to commence at 8.00 a.m. on 20 October 2009. A transfer (in whole or in part) of Nil Paid Rights can be made by means of CREST in the same manner as any other security that is admitted to CREST. The Nil Paid Rights are expected to be disabled in CREST by 11.00 a.m. on 3 November 2009.

#### *2.2.5 Dealings in Fully Paid Rights in CREST*

After acceptance of the provisional allotment and payment in full in accordance with the provisions set out in this document, the Fully Paid Rights may be transferred by means of CREST in the same manner as any other security that is admitted to CREST. The last time for settlement of any transfer of Fully Paid Rights in CREST is expected to be 9.30 a.m. on 3 November 2009. The Fully Paid Rights are expected to be disabled in CREST by 11.00 a.m. on 3 November 2009. After 3 November 2009, the New Shares will be registered in the name(s) of the person(s) entitled to them in the Company's register of members and will be transferable in the usual way (see paragraph 2.2.7 below).

#### *2.2.6 Withdrawal of Nil Paid Rights or Fully Paid Rights from CREST*

Nil Paid Rights or Fully Paid Rights held in CREST may be converted into certificated form (that is, withdrawn from CREST). Normal CREST procedures (including timings) apply in relation to any such conversion.

The recommended latest time for receipt by Euroclear UK of a properly authenticated dematerialised instruction requesting withdrawal of Nil Paid Rights or, if appropriate, Fully Paid Rights from CREST is 4.30 p.m. on 28 October 2009, so as to enable the person acquiring or (as appropriate) holding the Nil Paid Rights or, if appropriate, Fully Paid Rights following the conversion to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 3 November 2009. You are recommended to refer to the CREST Manual for details of such procedures.

#### *2.2.7 Issue of New Shares in CREST*

Fully Paid Rights in CREST are expected to be disabled in CREST after the close of CREST business on 3 November 2009, (the latest date for settlement of transfers of Fully Paid Rights in CREST). New Shares (in definitive form) will be issued in uncertificated form to those persons registered as holding Fully Paid Rights in CREST at the close of business on the date on which the Fully Paid Rights are disabled. Computershare will instruct Euroclear UK to credit the appropriate stock accounts of those persons (under the same participant ID and member account ID that applied to the Fully Paid Rights held by those persons) with their entitlements to New Shares with effect from the next business day (expected to be 4 November 2009).

#### *2.2.8 Right to allot/issue in certificated form*

Despite any other provision of this document, the Company reserves the right to allot and/or issue any Nil Paid Rights, Fully Paid Rights or New Shares in certificated form. In normal circumstances, this right is only likely to be exercised in the event of an interruption, failure or breakdown of CREST (or of any part of CREST) or on the part of the facilities and/or systems operated by Computershare in connection with CREST.

### **2.3 Procedure in respect of rights not taken up and withdrawal**

#### *2.3.1 Procedure in respect of New Shares not taken up*

If an entitlement to New Shares is not validly taken up by 11.00 a.m. on 3 November 2009, in accordance with the procedure laid down for acceptance and payment, then that provisional allotment will be deemed to have



been declined and will lapse. The Joint Bookrunners have severally agreed to endeavour to procure, by not later than the second business day after 3 November 2009, acquirers by way of direct issue for all of those New Shares not taken up (other than the New Shares which Bridgemere and Durcan will be entitled to acquire under the Rights Issue) at a price per New Share which is at least equal to the aggregate of the Issue Price and the expenses of procuring such acquirers (including any applicable brokerage and commissions and amounts in respect of value added tax).

Notwithstanding the above, the Joint Bookrunners may cease to endeavour to procure any such acquirers if, in their opinion, it is unlikely that any such acquirers can be procured at such a price and by such a time. If and to the extent that acquirers for New Shares by way of direct issue cannot be procured on the basis outlined above, the relevant New Shares (other than the New Shares which Bridgemere and Durcan will be entitled to acquire under the Rights Issue) will be acquired by the Underwriters or their sub-underwriters at the Issue Price pursuant to the terms of the Underwriting Agreement.

Any premium over the aggregate of the Issue Price and the expenses of procuring acquirers (including any applicable brokerage and commissions and amounts in respect of value added tax) shall be paid (subject as provided in this paragraph 2.3):

- (i) where the Nil Paid Rights were, at the time they lapsed, represented by a Provisional Allotment Letter, to the person whose name and address appeared on the Provisional Allotment Letter;
- (ii) where the Nil Paid Rights were, at the time they lapsed, in uncertificated form, to the person registered as the holder of those Nil Paid Rights at the time of their disablement in CREST; and
- (iii) where an entitlement to New Shares was not taken up by an Overseas Shareholder (and (i) and (ii) do not apply), to that Overseas Shareholder.

New Shares for which acquirers are procured on this basis will be reallocated to the acquirers and the aggregate of any premiums (being the amount paid by the acquirers after deducting the Issue Price and the expenses of procuring the acquirers including any applicable brokerage and commissions and amounts in respect of value added tax), if any, will be paid (without interest) to those persons entitled (as referred to above) pro rata to the relevant lapsed provisional allotments, save that amounts of less than £5.00 per holding and fractions of a pence will not be so paid but will be aggregated and retained by the Company. Cheques for the amounts due will be sent by post, at the risk of the person(s) entitled, to their registered addresses (or the registered address of the first-named holder in the case of joint holders), provided that, where any entitlement concerned was held in CREST, the amount due will, unless the Company (in its absolute discretion) otherwise determines, be satisfied by the Company procuring the creation of an assured payment obligation in favour of the relevant CREST member's (or CREST sponsored member's) RTGS settlement bank in respect of the cash amount concerned in accordance with the RTGS payment mechanism.

Any transactions undertaken pursuant to this paragraph 2.3 or paragraph 2.5.1 below shall be deemed to have been undertaken at the request of the persons entitled to the lapsed provisional allotments or other entitlements and none of the Company or the Underwriters or any other person shall be responsible or have any liability whatsoever for any loss, expense or damage (whether actual or alleged) arising from the terms or timing of any such acquisition, any decision not to endeavour to procure acquirers or the failure to procure acquirers on the basis so described. The Joint Bookrunners will be entitled to retain any brokerage fees, commissions or other benefits received in connection with these arrangements.

### *2.3.2 Withdrawal rights*

Persons who have the right to withdraw their acceptances under Section 87Q(4) of the FSMA after a supplementary prospectus (if any) has been published and who wish to exercise such right of withdrawal must do so by lodging a written notice of withdrawal (which shall include a notice sent by facsimile or any other form of electronic communication), which must include the full name and address of the person wishing to exercise such statutory withdrawal rights and, if such person is a CREST member, the participant ID and the member account ID of such CREST member, with Computershare so as to be received no later than two business days after the date on which the supplementary prospectus was published, withdrawal being effective as at receipt of the written notice of withdrawal. Notice of withdrawal given by any other means or which is deposited with or received by Computershare after the expiry of such period will not constitute a valid withdrawal. Furthermore, the Company will not permit the exercise of withdrawal rights after acceptance of the offer and payment by the relevant Qualifying Shareholder of its acquisition in full and the allotment of the New Shares to such Qualifying Shareholder therefore becoming unconditional. In such circumstances, Qualifying Shareholders are advised to consult their professional advisers.

Provisional allotments of entitlements to New Shares which are the subject of a valid withdrawal notice will be deemed to be declined. Such entitlements to New Shares will be subject to the provisions of paragraph 2.3.1 above as if the entitlement had not been validly taken up.

## **2.4 Taxation**

The information contained in Part X of this document is intended only as a general guide to the current tax position in the UK and the US and Qualifying Shareholders should consult their own tax advisers regarding the tax treatment of the Rights Issue in light of their own circumstances.

## **2.5 Overseas Shareholders**

This document has been approved by the FSA, being the competent authority in the UK. It is expected that Shareholders in each member state of the European Economic Area will be able to participate in the Rights Issue.

### **2.5.1 General**

**The offer of Nil Paid Rights, Fully Paid Rights and New Shares and the distribution of this Prospectus or any other document relating to the Rights Issue (including a Provisional Allotment Letter) to persons located or resident in, or who are citizens of, or who have registered addresses in a jurisdiction other than the UK or which are corporations, partnerships or other entities organised under the laws of countries other than the UK, or to persons who are nominees of or custodians, trustees or guardians for any such persons or entities may be affected by the laws of the relevant jurisdiction. Those persons should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their rights.**

It is the responsibility of all persons (including, without limitation, custodians, nominees and trustees) outside the UK receiving this Prospectus and/or a Provisional Allotment Letter and/or credit of Nil Paid Rights to a stock account in CREST or who have a contractual or legal obligation to forward this document to a jurisdiction outside the UK or hold Ordinary Shares for the account or benefit of any such person to satisfy themselves as to the full observance of the laws of any relevant territory in connection with the taking up of rights under the Rights Issue, including obtaining all necessary governmental or other consents that may be required observing all other requisite formalities and paying any issue, transfer or other taxes due in such territories. The comments set out in this paragraph 2.5 are intended as a general guide only and any Overseas Shareholder who is in doubt as to his position should consult his professional advisers without delay.

This paragraph 2.5.1 sets out the restrictions applicable to Qualifying Shareholders who have registered addresses outside the UK, who are located in, or are citizens or residents of, countries other than the UK, or who are persons (including, without limitation, custodians, nominees and/or trustees) who have a contractual or legal obligation to forward this document to a jurisdiction outside the UK or who hold Ordinary Shares for the account or benefit of any such person.

New Shares will be provisionally allotted (nil paid) to all Qualifying Shareholders, including all Overseas Shareholders. However, Provisional Allotment Letters have not been, and will not be, sent to, and Nil Paid Rights will not be credited to CREST accounts of, Overseas Shareholders with registered addresses in the United States or any Restricted Territory, or to their agents or intermediaries, except where the Company is satisfied that such action would not result in the contravention of any registration or other legal requirement in such jurisdiction.

Receipt of this document and/or a Provisional Allotment Letter or the crediting of the Nil Paid Rights to a stock account in CREST will not constitute an offer in those jurisdictions in which it would be illegal to make an offer and, in those circumstances, this document and/or a Provisional Allotment Letter must be treated as sent for information only (and should not be copied or redistributed). No person receiving a copy of this document and/or a Provisional Allotment Letter and/or receiving a credit of Nil Paid Rights to a stock account in CREST in any territory other than the UK may treat the same as constituting an invitation or offer to him, nor should he in any event use the Provisional Allotment Letter or deal with Nil Paid Rights or Fully Paid Rights in CREST unless, in the relevant territory, such an invitation or offer could lawfully be made to him and the Provisional Allotment Letter or Nil Paid Rights or Fully Paid Rights in CREST could lawfully be used or dealt with without contravention of any unfulfilled registration or other legal or regulatory requirements.

Accordingly, persons (including, without limitation, custodians, nominees and trustees) receiving a copy of this document and/or a Provisional Allotment Letter or whose stock account in CREST is credited with Nil Paid

Rights or Fully Paid Rights should not, in connection with the Rights Issue, distribute or send the same, or transfer Nil Paid Rights or Fully Paid Rights, to any person in or into any jurisdiction where to do so would or might contravene local security laws or regulations. If a Provisional Allotment Letter or a credit of Nil Paid Rights or Fully Paid Rights in CREST is received by any person in any such territory, or by his agent or nominee, he must not seek to take up the rights referred to in the Provisional Allotment Letter or in this document or renounce the Provisional Allotment Letter or transfer the Nil Paid Rights or Fully Paid Rights in CREST unless the Company determines that such actions would not violate applicable legal or regulatory requirements and has informed that person. Any person (including, without limitation, custodians, nominees and trustees) who does forward this document or a Provisional Allotment Letter or transfer Nil Paid Rights or Fully Paid Rights into any such territories (whether pursuant to a contractual or legal obligation or otherwise) should draw the recipient's attention to the contents of this paragraph 2.5.

The Company, with the consent of the Joint Bookrunners, reserves the right to treat as invalid any acceptance or purported acceptance of the offer of Nil Paid Rights, Fully Paid Rights or New Shares and will not be bound to allot (on a non provisional basis) or issue any New Shares in respect of any acceptance or purported acceptance of the offer of New Shares which:

- (i) appears to the Company or its agents to have been executed, effected or despatched in a manner which may involve a breach of the laws or regulations of any jurisdiction or if it believes or they believe that the same may violate applicable legal or regulatory requirements
- (ii) appears to the Company or its agents to have been executed, effected or despatched from the United States or the Restricted Territories; or
- (iii) in the case of a Provisional Allotment Letter, provides an address for delivery of the definitive share certificates for New Shares or, in the case of a credit of New Shares in CREST, to a CREST member or CREST sponsored member whose registered address is in the United States or the Restricted Territories or any other jurisdiction outside the UK in which it would be unlawful to deliver such share certificates or make such a credit or if the Company believes or its agents believe that the same may violate applicable legal or regulatory requirements.

The attention of Qualifying Shareholders with registered addresses, or who are resident or located (as applicable), in the United States or the Restricted Territories, or holding shares on behalf of persons with such addresses or located in such jurisdiction is drawn to this paragraph 2.5.1.

Entitlements to New Shares which are not taken up by Qualifying Shareholders with registered addresses or who are resident or located (as applicable) in the United States or the Restricted Territories will be aggregated with entitlements to New Shares which have not been taken up by other Qualifying Shareholders and acquirers may be procured in respect of those New Shares as described in paragraph 2.3.1 above. The net proceeds of such acquisitions (after deduction of expenses) will be paid to the relevant Qualifying Shareholders pro-rated to their holdings of Existing Shares at the Record Date as soon as practicable after receipt, except that (i) individual amounts of less than £5.00 per holding and (ii) amounts in respect of fractions of a pence will not be distributed but will be retained by the Company. None of the Company, the Underwriters or any other person shall be responsible or have any liability whatsoever for any loss, expense or damage (actual or alleged) arising from the terms or the timing of the acquisition, any decision not to endeavour to procure acquirers or the failure to procure acquirers.

Overseas Non-CREST Shareholders should note that all acquisition monies must be paid in pounds sterling by cheque or banker's draft and should be drawn on a bank in the UK, made payable to Redrow Rights Issue and crossed "A/C payee only".

## 2.5.2 *United States*

The Provisional Allotment Letters, Nil Paid Rights, the Fully Paid Rights and the New Shares have not been and will not be registered under the Securities Act or under any relevant securities laws of any state or other jurisdiction of the United States and may not be offered, sold, pledged, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, in or into the United States except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States.

Accordingly, the Company is not extending the Rights Issue into the United States unless an exemption from the registration requirements of the Securities Act is available and, subject to certain exceptions, none of

this document, the Provisional Allotment Letter or the crediting of Nil Paid Rights to a stock account in CREST constitute, or will constitute, form, or will form, part of any offer or an invitation to sell or issue, or any solicitation of any offer to purchase or acquire, any Nil Paid Rights, Fully Paid Rights or New Shares in the United States. Subject to certain limited exceptions, neither this document nor a Provisional Allotment Letter will be sent to any Qualifying Shareholder with a registered address, or who is located, in the United States. Subject to certain limited exceptions, Provisional Allotment Letters or renunciations thereof sent from or post-marked in the United States will be deemed to be invalid and all persons acquiring New Shares and wishing to hold such Shares in registered form must provide an address outside the United States for registration of the New Shares issued upon exercise thereof. Although Nil Paid Rights will be credited to the CREST accounts of all Qualifying CREST Shareholders who hold their Shares through nominees with a UK address, such crediting of Nil Paid Rights does not constitute an offer to such Shareholders and any such Qualifying CREST Shareholders will not be entitled to take up rights in the Rights Issue unless such action would not result in the contravention of any registration or other legal requirement in any jurisdiction.

In addition, subject to certain exceptions, any person exercising Nil Paid Rights or Fully Paid Rights must make the representations and warranties set out in paragraphs 2.5.5(i) or 2.5.5(ii), as appropriate. Accordingly, subject to certain exceptions, the Company reserves the right to treat as invalid (i) any Provisional Allotment Letter (or renunciation thereof) that appears to the Company or its agents to have been executed in or despatched from the United States, or that provides an address in the United States from the acceptance or renunciation of the Rights Issue, or which does not make the representations and warranties set out in paragraph 2.5.5(i) or where the Company believes acceptance of such Provisional Allotment Letter may infringe applicable legal or regulatory requirements, and (ii) any MTM Instruction which (a) appears to the Company to have been despatched from the United States, any of the Restricted Territories or otherwise in a manner which may involve a breach of the laws of any jurisdiction or they or their agents believe may violate any applicable legal or regulatory requirement; or (b) does not make the representations and warranties set out in paragraph 2.5.5(ii). The attention of persons holding for the account of persons located in the United States or located or resident in any of the Restricted Territories is directed to such paragraphs. The Company will not be bound to allot (on a non-provisional basis) or issue any Nil Paid Rights, Fully Paid Rights or New Shares to any person with an address in, or who is otherwise located in, the United States in whose favour a Provisional Allotment Letter or any Nil Paid Rights, Fully Paid Rights or New Shares may be transferred or renounced.

In addition, until 40 days after the commencement of the Rights Issue or procurement of acquirers of the New Shares, not taken up, by the Joint Bookrunners, an offer, sale or transfer of the Nil Paid Rights, the Fully Paid Rights or the New Shares within the United States by a dealer (whether or not participating in the Rights Issue) may violate the registration requirements of the Securities Act.

### *2.5.3 The Restricted Territories*

Due to restrictions under the securities laws of the Restricted Territories, and subject to certain exemptions, no copies of this document and Provisional Allotment Letters will be sent to, and no Nil Paid Rights will be credited to a stock account in CREST of, Qualifying Shareholders with registered addresses in the Restricted Territories. Subject to certain exceptions, the Provisional Allotment Letters, the Nil Paid Rights, the Fully Paid Rights and the New Shares may not be transferred or sold to, or renounced or delivered in, the Restricted Territories. No offer of New Shares is being made to the public by virtue of this document or the Provisional Allotment Letters into the Restricted Territories. In particular, although Nil Paid Rights may be credited to the CREST accounts of Qualifying CREST Shareholders who hold their Shares through a nominee with a UK address, such crediting of Nil Paid Rights does not constitute an offer to Shareholders in any jurisdiction.

#### *(i) Australia*

This document has not been and will not be lodged with the Australian Securities & Investments Commission and the Nil Paid Rights, Fully Paid Rights or New Shares are not being offered to the public in Australia.

Any person in Australia taking up New Shares by exercising Nil Paid Rights or Fully Paid Rights must represent and warrant to the Company in writing that: (A) he is either a “sophisticated investor” or a “professional investor” (in each case as defined under section 9 of the Corporations Act) to whom an exemption under section 708 of the Corporations Act applies; and (B) that, he will not offer any of the Nil Paid Rights, Fully Paid Rights or New Shares for resale in Australia within 12 months of issue unless any such resale offer is exempt from the requirement to issue a disclosure document under section 708 of the Corporations Act.

Although Nil Paid Rights may be credited to the CREST accounts of Qualifying CREST Shareholders with registered addresses, or resident, in Australia, the crediting of Nil Paid Rights does not constitute an offer to Shareholders. Qualifying CREST Shareholders with registered addresses, or resident, in Australia will not be entitled to take up rights in the Rights Issue and New Shares unless such action would not result in the contravention of any registration or other legal requirement in Japan or any other jurisdiction.

*(ii) Japan*

The Rights Issue of New Shares offered hereby has not been and will not be registered under the Financial Instruments and Exchange Law of Japan (the “Financial Instruments and Exchange Law”). Accordingly, no Nil Paid Rights, Fully Paid Rights or New Shares will be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exception from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Law and other relevant laws and regulations of Japan.

Although Nil Paid Rights may be credited to the CREST accounts of Qualifying CREST Shareholders with registered addresses, or resident, in Japan, the crediting of Nil Paid Rights does not constitute an offer to Shareholders. Qualifying CREST Shareholders with registered addresses, or resident, in Japan will not be entitled to take up rights in the Rights Issue and New Shares unless such action would not result in the contravention of any registration or other legal requirement in Japan or any other jurisdiction.

*(iii) Switzerland*

This document is being communicated in or from Switzerland to a small number of selected investors only. Each copy of this document is addressed to a specifically named recipient and may not be passed on to third parties. The Nil Paid Rights, Fully Paid Rights and New Shares are not being offered to the public in or from Switzerland, and neither this Prospectus, nor any other offering material in relation to the Nil Paid Rights, Fully Paid Rights or New Shares, may be distributed in connection with any such public offering.

Although Nil Paid Rights may be credited to the CREST accounts of Qualifying CREST Shareholders with registered addresses, or resident, in Switzerland, the crediting of Nil Paid Rights does not constitute an offer to Shareholders. Qualifying CREST Shareholders with registered addresses, or resident, in Switzerland will not be entitled to take up rights in the Rights Issue unless invited to do so by the Company and unless such action would not result in the contravention of any registration or other legal requirement in Switzerland or any other jurisdiction.

*2.5.4 Overseas territories other than member states of the EEA, the United States and the Restricted Territories*

Provisional Allotment Letters will be posted to Overseas Shareholders who are Qualifying Non-CREST Shareholders other than, subject to certain exceptions, to Qualifying Shareholders with a registered address in one of the Restricted Territories and Nil Paid Rights will be credited to the CREST stock accounts of Qualifying CREST Shareholders, other than, subject to certain exceptions, Qualifying Shareholders with registered addresses in the Restricted Territories. Such Qualifying Shareholders may, subject to the laws of the relevant jurisdictions, accept their rights under the Rights Issue in accordance with the instructions set out in this document and, if relevant, the Provisional Allotment Letter. Such Qualifying Shareholders will not be entitled to take up rights in the Rights Issue if to do so would result in the contravention of any registration or other legal requirement in any jurisdiction.

**Qualifying Shareholders who have registered addresses in or who are resident or located in countries other than the UK should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their rights.**

**If you are in any doubt as to your eligibility to accept the offer of New Shares or to deal with Nil Paid Rights or Fully Paid Rights, you should contact your appropriate professional adviser immediately.**



### 2.5.5 Representations and warranties relating to Overseas Shareholders

#### (i) Qualifying Non-CREST Shareholders

Any person exercising rights pursuant to a Provisional Allotment Letter or requesting registration or renunciation of the New Shares comprised therein represents and warrants to the Company and each of the Underwriters that, except where proof has been provided to the Company's satisfaction that such person's use of the Provisional Allotment Letter will not result in the contravention of any applicable legal requirement in any jurisdiction: (a) such person is not acquiring, registering or renouncing the Nil Paid Rights, the Fully Paid Rights or the New Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Nil Paid Rights, the Fully Paid Rights or the New Shares into the United States, any Restricted Territory or any other jurisdiction in which it is unlawful to make or accept an offer to acquire the Nil Paid Rights, the Fully Paid Rights or the New Shares; (b) such person is not resident or located (as applicable) within any of the Restricted Territories; (c) such person is not located in any jurisdiction in which it is unlawful to make or accept an offer to acquire the New Shares; (d) such person is not located within the United States (subject to certain exceptions); nor (e) is such person applying for the account of a person who is located in the United States, unless (i) the instruction to apply was received from a person outside the United States; and (ii) the person giving such instruction has confirmed that it has the authority to give such instruction and either (A) has investment discretion over such account or (B) is an investment manager or investment company that is applying for the New Shares in an "offshore transaction" within the meaning of Regulation S.

The Company and the Underwriters may treat as invalid any acceptance or purported acceptance of the allotment of New Shares comprised in, or the renunciation or purported renunciation of, a Provisional Allotment Letter if it: (a) appears to the Company to have been executed in or despatched from the United States or the Restricted Territories or otherwise in a manner which may involve a breach of the laws of any jurisdiction or if it believes the same may violate any applicable legal or regulatory requirement; (b) provides an address in the United States or the Restricted Territories for delivery of definitive share certificates for New Shares (or any jurisdiction outside the UK in which it would be unlawful to deliver such certificates); or (c) purports to exclude the warranty required by this paragraph 2.5.5.

#### (ii) Qualifying CREST Shareholders

A CREST member or CREST sponsored member who makes a valid acceptance in accordance with the procedures set out in this Part III or who transfers Nil Paid Rights or Fully Paid Rights, represents and warrants to the Company and the Underwriters that, except where proof has been provided to the Company's satisfaction that such person's acceptance will not result in the contravention of any applicable legal requirement in any jurisdiction: (a) such person is not acquiring or transferring the Nil Paid Rights, the Fully Paid Rights or the New Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Nil Paid Rights, the Fully Paid Rights or the New Shares into the United States, any Restricted Territory or any other jurisdiction in which it is unlawful to make or accept an offer to acquire the Nil Paid Rights, Fully Paid Rights or New Shares; (b) such person is not resident or located (as applicable) within any of the Restricted Territories; (c) such person is not in any jurisdiction in which it is unlawful to make or accept an offer to acquire the New Shares; (d) such person is not located within the United States (subject to certain exceptions); nor (e) is such person applying for the account of a person who is located in the United States, unless (i) the instruction to apply was received from a person outside the United States; and (ii) the person giving such instruction has confirmed that it has the authority to give such instruction and either (A) has investment discretion over such account or (B) is an investment manager or investment company that is applying for the New Shares in an "offshore transaction" within the meaning of Regulation S.

The Company and the Underwriters may treat as invalid any MTM instruction that: (a) appears to the Company to have been despatched from the United States, any of the Restricted Territories or otherwise in a manner which may involve a breach of the laws of any jurisdiction or they or their agents believe may violate any applicable legal or regulatory requirement; or (b) purports to exclude the warranty required by this paragraph.

### 2.5.6 Waiver

The provisions of this paragraph 2.5 and of any other terms of the Rights Issue relating to Overseas Shareholders may be waived, varied or modified as regards specific Qualifying Shareholders(s) or on a general basis by the Company in its absolute discretion (with the consent of the Joint Bookrunners). Subject to this, the provisions of this paragraph 2.5 supersede any terms of the Rights Issue inconsistent herewith. References in this



paragraph 2.5 to Qualifying Shareholders shall include references to the person or persons executing a Provisional Allotment Letter and, in the event of more than one person executing a Provisional Allotment Letter, the provisions of this paragraph 2.5 shall apply to them jointly and to each of them. Despite any other provision of this document or a Provisional Allotment Letter, the Company reserves the right to permit any Qualifying Shareholder to take up his rights if the Company in its absolute discretion is satisfied that the transaction in question is exempt from or not subject to any legislation or regulations that would otherwise give rise to restrictions on that Qualifying Shareholder being able to take up rights. If the Company is so satisfied, the Company will arrange for the relevant Qualifying Shareholder to be sent a Provisional Allotment Letter if he/she is a Qualifying Non-CREST Shareholder or, if he/she is a Qualifying CREST Shareholder, arrange for Nil Paid Rights to be credited to the relevant CREST stock account.

## ***2.6 Times and dates***

The Company shall, in its discretion and after consultation with its financial and legal advisers (and with the consent of the Joint Bookrunners), be entitled to amend the dates that Provisional Allotment Letters are despatched or dealings in Nil Paid Rights commence or amend or extend the latest date for acceptance under the Rights Issue and all related dates set out in this document and in such circumstances shall notify the UK Listing Authority, and make an announcement via a Regulatory Information Service approved by the UK Listing Authority and, if appropriate, to Shareholders **but Qualifying Shareholders may not receive any further written communication.**

If a supplementary prospectus is issued by the Company after Admission and two or fewer business days prior to the date specified as the latest time and date for acceptance and payment in full under the Rights Issue specified in this document (or such later date as may be agreed between the Company and the Joint Bookrunners), the latest date for acceptance under the Rights Issue shall be extended to the date that is three business days after the date of issue of such supplementary prospectus (and the dates and times of principal events due to take place following such date shall be extended accordingly).

## ***2.7 Governing law***

The terms and conditions of the Rights Issue as set out in this document and the Provisional Allotment Letter, and any non-contractual obligations related thereto, shall be governed by, and construed in accordance with, English law.

## ***2.8 Jurisdiction***

The courts of England and Wales are to have exclusive jurisdiction to settle any dispute which may arise out of or in connection with the Rights Issue, this document, or the Provisional Allotment Letter or any non-contractual obligation arising out of or in connection with this document. By accepting, or purporting to accept, rights under the Rights Issue in accordance with the instructions set out in this document and, in the case of Qualifying Non-CREST Shareholders only, the Provisional Allotment Letter, Qualifying Shareholders irrevocably submit to the jurisdiction of the courts of England and Wales and waive any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum.

## PART IV

### MARKET OVERVIEW

#### 1 Introduction

There has been a major decline in the UK housing market during 2007 and 2008, with a substantial reduction in housebuilding volumes as a result of, inter alia, the lack of availability of mortgage credit, weakness in the global economy, the current recessionary economic and financial environment and falling consumer confidence. In recent months tentative signs of recovery appear to have emerged although this is not necessarily indicative of a sustained upward trend.

#### 2 Recent developments

The UK economy entered a recession in the second half of 2008. Gross Domestic Product (“GDP”) fell 0.8 per cent. in the second quarter of 2009, representing a 5.6 per cent. fall compared with the same period in 2008, the worst performance for economic growth since records began in 1955 (Source: Office for National Statistics).

The UK housebuilding market entered into a downturn in approximately the third quarter of 2007 (prior to the onset of the UK recession) following five successive increases in the Bank of England’s base rate of interest (between August 2006 and July 2007) and, the commencement of the global “credit crisis”. Market conditions in the UK housebuilding sector deteriorated most noticeably after October 2007, when the extent of the problems at the mortgage lender Northern Rock became apparent, mortgage finance became harder to secure and consumer confidence began to weaken rapidly. The Nationwide Building Society House Price index first reported a monthly fall in prices of UK housing shortly thereafter.

In 2008, the UK housebuilding market saw a subdued first quarter followed by a sharp decline in April and continued to weaken throughout the remainder of the year. This slowdown was driven by the worsening of a number of key factors, which had emerged in late 2007, including: a lack of availability of credit and the tightening of mortgage lending criteria; adverse media coverage of the housebuilding market; loss of consumer confidence, arising from concerns about job security and falling house prices; and cautious valuations by surveyors for the purpose of mortgage lending. The total value of loans approved for house purchases during 2008 was £69.7 billion, which represented a fall of 61.74 per cent. compared to 2007 (£181.8 billion) (Source: The Bank of England).

Gross mortgage lending continued to weaken during 2008 and early 2009, due largely to weaker re-mortgaging activity. National house price indices have reflected these deteriorating market conditions with sharp declines over the course of 2008 and early 2009. However, some indicators suggest that there has been some improvement in market conditions in recent months. The Bank of England reduced its base interest rates sharply during the course of 2008 and further reductions in 2009 have seen the base rate reduced from 5.50 per cent. in January 2008 to an all time low of 0.5 per cent. in March 2009, the level at which it has remained to the date of this prospectus. Following the cuts in base rates, there have been increases in gross mortgage lending in recent months. (Source: Council for Mortgage Lenders) The price of a typical house rose by 1.6 per cent. in August 2009, building upon the improving trend seen during the previous several months (Source: Nationwide House Price Index). In August 2009, the three month on three month rate of change rose to 3.3 per cent., which represented the highest level of price appreciation since February 2007. Prices have risen by 3.2 per cent. for the first eight months of 2009 (Source: Nationwide Building Society House Price Index, “Nationwide”), a significant improvement from trends seen at the turn of the year, when most house price indicators were pointing to a repeat of the large declines seen in 2008. (Source: Nationwide).

Recent statistics that suggest average house prices are now rising are not necessarily indicative of a sustained trend and prices could fall further. The recent trend has taken place against a background of transaction activity that is historically very low. Although mortgage approvals have risen from the all-time record low reached in November 2008, the industry-wide number of mortgages approved for house purchases is still approximately 55 per cent. below its long-run average and some 33 per cent. below the trough reached in the 1990s downturn (Source: Nationwide House Price Index). Such a low level of mortgage approvals would normally be associated with falling house prices. Alongside the low level of mortgage approvals, however, there continues to be a fall in stock of properties available for sale, as potential sellers and housebuilders have responded to depressed demand conditions by reducing the supply of property coming onto the market. Consequently, it may be that house price stability is the result of constrained supply rather than stronger demand.

The UK Government recognises the importance of the housebuilding industry to the wider UK economy and launched a number of initiatives during 2008 in an attempt to stimulate the housing market and to support housebuilding volumes in the face of the downturn. In September 2008, a £1 billion Homeowner Support Package was launched that provided substantial funding for the Homebuy Direct shared equity scheme, which aims to help first-time buyers to purchase their own homes. At the same time, the UK Government also introduced a temporary increase in the threshold at which stamp duty is paid on the purchase of residential property from £125,000 to £175,000 (currently scheduled to expire on 31 December 2009). In the 2009 Budget, the Chancellor of the Exchequer announced further support for homeowners and home buyers, including a £600m funding package of measures to increase housing supply aimed at encouraging housebuilders to develop sites that are currently inactive, an extension of the Homebuy Direct shared equity scheme, social housing investment and an extension of the previously announced increased stamp duty threshold until the end of 2009. (Source: UK Government)

The housebuilding industry's response to the downturn was to reduce the rate of land purchases and to reduce stock and WIP. Consequently, the number of homes on which construction started during 2008 fell to 106,894 (2007: 200,697) (Source: National House-Building Council ("NHBC")). This compares to forecast average household formations of 252,000 per annum for England alone and the UK Government's ambition to build 3 million new homes by 2020. (Source: NHBC and UK Government)

NHBC figures show that housebuilding activity is at a historically low level but that the year-on-year decline in applications to build is becoming less pronounced. For the three months to the end of June 2009, NHBC reported the fourth successive rolling quarter-on-quarter rise in the number of applications from builders to start building new homes in the UK, providing further indications of a mild recovery in housebuilding. For the three months to the end of June 2009, 21,637 applications were received by the NHBC from the combined private and public sectors, 12 per cent. up on the three month period to the end of May 2009 (19,286). This represents a 28 per cent. reduction in the number of applications compared to the same period a year ago, while in the three months to the end of April and May 2009, the year-on-year drop in applications was 53 per cent. and 43 per cent. respectively. (Source: NHBC)

### **3 Market history**

The UK housebuilding market is cyclical in nature. Between circa 1988 and 1993, the most recent substantial downturn, annual private house purchase completions fell by 29 per cent. from 207,420 to 146,700 (source: Department of Communities and Local Government ("DCLG")). The causes of the downturn experienced in the late 1980s and early 1990s were attributed to several factors including: an artificial boom in both volumes and prices in the lead up to the UK Government's removal of double mortgage tax relief in August 1988; the poor state of the economy, with unemployment ultimately rising to 10 per cent. in 1992; and an increase in the Bank of England's base interest rate from 7.4 per cent. in May 1988 to a peak of 15 per cent. in October 1989. Following that downturn, UK new-build house prices remained broadly stable for several years but, between 1996 and 2008, they increased by approximately 160 per cent., a compound annual growth rate exceeding 8 per cent. (source: DCLG). The growth in prices was stimulated by falling borrowing costs and more easily available credit. The number of UK new-build private house purchase completions remained relatively stable during the 1990s and then increased by 28 per cent. over six years, from 152,330 in 2001 to 195,360 in 2007 (source: DCLG), as private builders increased production to benefit from rising demand and prices.

### **4 Competitive environment**

The housebuilding market is highly competitive, characterised by a large number of companies competing for land, customers and skilled sub-contractors. A shortage of land and restrictive planning processes, in addition to economies of scale, have combined to drive the sector to consolidate significantly in recent years, resulting in fewer, but larger, companies operating within the market as competitor companies merged or were bought, in part to access land bank portfolios. In addition, business combinations have enabled cost reduction plans to be implemented, whilst simultaneously improving the efficiency of interaction with both customers and planning authorities.

As a consequence of the current downturn, a number of companies within the housebuilding sector have directed their focus towards cash flow generation and cost savings, which have included office closures and severe reductions in head-count.

Redrow considers its principal publicly listed competitors to be the UK housebuilders Barratt Developments PLC, Bellway p.l.c., Bovis Homes Group PLC, Persimmon Plc and Taylor Wimpey plc. In addition, there are a number of privately owned housebuilders such as Miller Homes, Crest Nicholson and Countryside Properties that also compete in the volume housebuilding sector.

## PART V

### INFORMATION ON REDROW

#### 1 Introduction

In 1974 Steve Morgan formed a company which has today become one of the UK's leading national housebuilders. Redrow plc became a public company in May 1994 when it floated on the London Stock Exchange, and is today a member of the FTSE 250. The Group consists of nine regional offices that operate throughout the UK and employed 686 people directly as at 30 June 2009 and provides employment for many more through its sub-contractors and suppliers.

The core business of the Group is residential development. This involves the acquisition of land, construction and subsequent marketing and selling of homes. Redrow designs and builds residential housing developments, with the Group's products ranging from affordable and entry-level homes to family and executive homes. Developments range in size from a small number of houses to many hundreds.

In addition, the Group engages in mixed use projects that include commercial, leisure, industrial and residential property. It builds developments using contractors and sub-contractors and sells the properties predominantly through employed staff. Revenue is determined from housebuilding activities by sales volumes and realised selling prices.

In the current highly competitive environment, the Board believes that Redrow differentiates itself through the maximisation of land opportunities, added value through the design process, delivery of customer satisfaction, achievement of high build quality, and its leading sales and marketing skills.

Redrow is committed to developing quality living and working environments, with the objective of delivering sustainable and profitable growth, and creating value for its shareholders.

#### 2 History of the Group

In the early 1970s Steve Morgan secured a £5,000 loan from his father which he used to start his business. Following this, the first Redrow company was incorporated in November 1974. In 1979 Redrow won the tender for the Presthaven Sands Holiday Village and subsequent related contracts. Following this, Redrow entered the civil engineering industry with a corporate acquisition but switched emphasis and moved towards providing private housing and housing association schemes in 1982 and entered the South East market in September 1985.

In April 1988 a strategic decision was made by Steve Morgan to withdraw from the South East market and by the time a significant decline in the housing market occurred later that year, Redrow had sold most of its land holdings and housing stock in the region. The timing of the withdrawal coincided with the peak of the market and avoided a potentially difficult time for the Company. Redrow subsequently acquired Lancashire based Whelmar Holdings.

In 1993 Redrow launched the original "Heritage" range, acquired Costain Homes for £25 million and re-entered the South East market in doing so. Redrow floated on the London Stock Exchange in May 1994.

The 1990s were a successful time for Redrow and when a revised "Heritage" range was launched in 1997, Redrow was awarded the 1997 House Builder of the Year by Express Newspapers (the only major award voted by customers).

In response to the Government's restrictive PPG 3 (Planning Policy Guidance) which emphasised the importance of social housing provision and provided that 60 per cent. of all new housing should be built on "brownfield" sites, the Group launched the "In the City" brand of apartments in 2000, and secured a number of high profile development opportunities. Later that year the Board carried out a share buyback of 30 per cent. of the Company's ordinary share capital.

When Steve Morgan decided to step down from the Board in October 2000, the business was in a strong position with an excellent reputation for quality, outstanding product, and a low cost high quality land bank.

In 2005, Redrow launched the "Debut" brand as a range of affordable homes for customers whose aspirations had been left largely unaddressed by the market. The Group's range then comprised the core product

“Signature” range, major apartment schemes delivered through the “In the City” range, and the new affordable “Debut” product, together with the ongoing mixed use and regeneration activities.

Faced with significantly declining markets in 2007 and 2008, the mixed use and regeneration business was scaled back and combined with the homes business. A small team was retained to progress existing schemes and investment in new schemes was suspended. The decision was also taken to concentrate on core competencies and historic strengths and the Group withdrew from Framing Solutions, a joint venture company that manufactured and erected light steel frames for use in residential construction.

Having left the business in 2000, Steve Morgan increased his stake in Redrow (held via Bridgemere and Durcan) to 29.9 per cent. in March 2009. Later that month he returned to Redrow, bringing with him extensive experience and knowledge of the housebuilding industry and implementing a new executive structure which will allow Redrow to build upon its existing strategy, focused around the core values of product differentiation and land development. Mr Morgan agreed to return initially as Deputy Chairman of the Group, and then succeeded Alan Bowkett as Chairman, acting in an executive capacity, on 30 June 2009.

The Group appointed Alan Jackson, as Non Executive Deputy Chairman, and Debbie Hewitt and Paul Hampden Smith as Non Executive Directors on 19 August 2009.

On 14 September 2009 Redrow announced that John Tutte, previously one of the Group’s regional chairmen, would be appointed with immediate effect as Group Managing Director, assuming responsibility for management of each of the regional operating companies of the Group.

### **3 Redrow’s reaction to the market downturn**

#### **3.1 Mid 2007 – early 2009**

Redrow recognised in mid 2007 that its markets were coming under pressure and took early measures to adjust its approach to managing the business. However, the severity and speed of the deterioration in the housebuilding market in 2008 had a significant impact on short term profitability and necessitated an adjustment in strategy to one more highly focused on the management of cash flow and reduction of costs.

These measures included:

- Restricting land acquisition activities to reduce future cash commitments and exposure to falling land values;
- Reassessing the net realisable value of land and work-in-progress in the Group’s balance sheet in light of the impact of current market conditions on land values;
- Reducing the headcount and rationalising of its operational structure to reduce cost base;
- Establishing revised debt facilities in September 2008 of £450 million to extend the maturity date and set covenants appropriate to the prevailing trading environment; and
- Decreasing stock by selling down its existing inventory of completed houses.

#### **3.2 Spring 2009 onwards**

Following the trading conditions experienced in the industry in the last eighteen months, Redrow commenced a review in March 2009 of all aspects of the business, including sales, product and construction, intending to refocus the business on its historic strength in traditional family housing built around a core range of housetypes, taking actions appropriate to the economic conditions. As a consequence, the “New Heritage Collection” was developed. The “New Heritage Collection” will concentrate more on the construction of family housing drawing on the Group’s historical strengths in this segment of the home building market and less on apartments and three storey housing. The Group also evaluated the carrying value of land and work-in-progress which as at 30 June 2009 was £566.3 million.

Redrow conducted a review of existing planning permissions with a view to submitting planning applications for re-plans which it believes will enhance the value of the existing sites. In addition, Redrow has continued to promote its strategic land assets through the planning process in order to provide a portfolio of high quality sites from which it can benefit when the market recovers.



## **4 Current strategy**

In order to position Redrow to take advantage of further opportunities as the housebuilding market recovers, and credit availability and consumer confidence is restored, Redrow's strategy is to focus on:

- the launch of the "New Heritage Collection" which represents a return to family housing and for which Redrow is replanning its land bank accordingly;
- delivering a superior return on capital employed by increasing speed of build, optimising its land bank and moving away from capital intensive developments; and
- re-entering the land market to enhance the Group's land bank.

The strategic focus, as outlined above, together with the Harrow Estates Transaction, will complement the Group's forward land bank which continues to progress positively through the planning system. Redrow's land strategy, coupled with its approach to differentiating product through the quality of specification and design are intended to improve sales rates in due course and will enable Redrow to optimise value for shareholders when homebuyer confidence improves and the market returns to more normal levels of activity. The ability to achieve these objectives is a benefit of the relative scale of the Group's business, with the executive team able to work closely with the regional design teams and management in the operating companies.

## **5 Key Strengths**

Redrow's key strengths include the following:

### ***5.1 Land and planning***

Redrow's existing high quality land bank and the ability and expertise which the Redrow team possesses to acquire and obtain planning consents for further suitable land are fundamental strengths essential to its overall strategy.

Redrow buys its land strategically, planning for both the present and the future. It has a large in-house land team which enables it to maintain a high quality land bank.

Redrow draws on extensive expertise in land acquisition to liaise with planning authorities and create successful development proposals. Redrow has the experience and ability to achieve planning permissions in challenging circumstances and deliver value to landowners.

### ***5.2 Product quality***

The quality of the product offered to the customer using thoughtful differentiated design, modern methods of construction that improve build quality, and carefully crafted layouts that optimise space is another of Redrow's key strengths.

Differentiation of Redrow's product based on design has been a fundamental point of distinction for Redrow and an integral part of its historic success. Redrow reinforces this strength by focusing the Group's design expertise on:

- housing that reflects the aspirations of customers;
- strong architectural themes; and
- spacious and light interiors for contemporary living, including open plan designs.

### ***5.3 Leadership and management structure***

Steve Morgan's return to the business in March 2009 has brought a return of dynamic leadership to Redrow. Mr Morgan's leadership and motivation of the established management team is critical to the development of the Group's culture and strategic direction.

Redrow's flat senior management structure, with its Group Managing Director sitting on both the executive and main Boards, ensures that there is direct and consistent communication of policy and strategy between the Board and the subsidiary companies. This structure also fosters a coherent approach to implementing the Group's strategy.



## **6 Business overview**

Redrow is a leading developer of high quality houses with the business operating through nine regional offices, each of which has its own board of directors, reporting into the Group Managing Director who sits on the Board. The regional offices manage approximately 75 housing developments, currently at various stages of construction, throughout Great Britain.

The housing development process comprises a number of stages which are managed by a range of departments with the assistance of several support functions.

### **6.1 Land and Planning Departments**

Redrow categorises its high quality land bank into two distinct categories – its current land bank, and its forward land bank. The current land bank consists of owned land with the benefit of planning permission or land held under contract. The forward land comprises land owned without planning permission and strategic land. Strategic land is principally controlled under option agreements which provide a pipeline of potential future land supply. It is promoted by Redrow through the planning system with a view to obtaining a residential planning consent. Once such consent is obtained the land is generally acquired at a discount to open market value at the time of purchase which reflects the Redrow team's time, skills and experience in steering the land through the planning system and delivering appropriate planning consents. Redrow has a proven track record of pulling strategic land through into the current land bank.

The operating companies in the Redrow Group each have a team or an individual who is responsible for the purchase of land within authority levels and guidelines (which specify minimum criteria for profitability and return on capital employed) as laid down by the Board.

Forward land transactions are led by regional teams, under a planning director, who identify suitable opportunities, which are then subject to approval within authority levels and guidelines laid down by the Board. Redrow's highly experienced planning team ensures that each development is planned to unlock value for its shareholders.

Redrow's well established legal team controls and manages the legal process from land acquisition through to the conveyancing of individual properties. In Scotland, due to its unique legal system, the departments' work is outsourced to Scottish solicitors.

Redrow has a dedicated technical department that handles all aspects of the design process from planning the layout of individual developments through to the provision of advice to the construction department. The department is supported by regional centres of design excellence and a Group technical department with primary responsibility for house type design. The department also ensures that the Company complies with all aspects of current building regulations.

### **6.2 Product design**

In recent years the core business of the Group has been developing residential houses under the "Signature" brand with over 90 per cent. of plots owned with planning consent being on "Signature" sites. Redrow also developed the "In the City" range of apartments and "Debut" range aimed at first time buyers. However with the Company's new direction, the "New Heritage Collection" is being designed with attractive external design, enhanced specification and internal layouts to suit modern day living and will be rolled out during autumn 2009 with a full sales launch intended for January 2010. Redrow's intention is that the "New Heritage Collection" will ultimately replace the existing product range as it is introduced across the Group. Redrow is replanning developments to embrace this new product which will have the phased effect of significantly reducing the number of apartments and three storey houses. The "New Heritage Collection" is expected to return Redrow to its former premium branding position and, over time, will strengthen average selling prices.

Redrow's product development team identifies and evaluates new construction techniques and products in which environmental and sustainability issues play a prominent role. Redrow seeks to ensure that its developments are sustainable and satisfy the needs of its target customers for a good quality of life today, without compromising the quality of life for future generations.

The Group is working closely with its supplier partners to identify cost effective changes in specification that will provide enhanced value to homebuyers. The Group has reviewed internal layouts of its core house types

to optimise the use of space and provide accommodation that recognises the lifestyle of the Group's target customers. The Group continues to encourage the development of skills in design through its Directors of Design and Centres of Design.

### **6.3 Construction**

Responsibility for the management of construction on new developments sits with the construction department. Redrow's on-site construction teams comprise a small site management team who manage sub-contracted trades such as ground workers, bricklayers, plumbers, joiners and electricians. It is the site manager's responsibility to ensure that the quality of construction and workmanship meets Redrow's exacting standards.

During the on-site activity process, and indeed throughout the business as a whole, health and safety considerations are of paramount importance. The Group has a health and safety director who manages the in-house health and safety team and is proud to have been awarded a ROSPA Gold Medal for four consecutive years from 2005/6 to 2008/9.

Responsibility for customer care also falls under the remit of the construction department. Redrow is committed to providing the customer with a high quality product and its objective is to engage with customers to ensure that they have a positive homebuying experience. Redrow's customer care team provides a comprehensive after sales service to ensure that customers' concerns are addressed as quickly and efficiently as possible.

### **6.4 Sales and Marketing**

The sales and marketing department is responsible for the preparation and management of advertising campaigns and the design of the sales brochures. They also oversee advertising, both in the press and on Redrow's website.

Each development has a dedicated sales consultant, overseen by a sales manager, who has intimate knowledge of the product offering on a particular development and of the local market. The sales consultant handles the sales process from initial enquiry through to legal completion, and ensures that the customer is fully updated with the progress of his/her new home.

The Group marketing department co-ordinates advertising concepts, market research/website design, brochure design and liaises closely with the Group technical department and sales departments.

The show homes on each development are an integral marketing tool to the sales process. Show home interior design is handled by external experts, who develop imaginative designs to meet the requirements of modern day living and work alongside sales directors and their sales departments.

## **7 Financing and capital structure**

The Directors believe that the combination of cash generated from operations going forward and available headroom from the amended Syndicated Facility Agreement will provide the Company with operational flexibility and the right financial platform to take advantage of strategic opportunities in the land market. Following the Rights Issue, Redrow expects to be well positioned to acquire quality UK residential development land at cyclically low valuations. Redrow intends to undertake a cautious and highly selective acquisition process once acquirer and vendor expectations in the market place have come more into line. The Company expects to deploy its funds with a renewed focus on return on capital employed and asset turnover.

In the context of the Company's strategy for growth, the proceeds from the Rights Issue will be used to reduce overall levels of gearing and to fund the Harrow Estates Transaction. The Company has reached agreement with its banking syndicate to make certain amendments to its existing Syndicated Facility Agreement including a relaxation of covenants with regard to land purchases and entering into joint venture structures with landowners. The amendments to the Syndicated Facility Agreement will become effective when the Rights Issue becomes unconditional. In the event that the Rights Issue does not become unconditional, the Syndicated Facility Agreement will continue in place in its existing form. Further details are set out in paragraph 16.5 of Part XI of this document.

## **8 Relationship with Steve Morgan**

Steve Morgan returned to Redrow in March 2009 bringing with him experience, knowledge of the housebuilding industry and enthusiasm with a reputation for making key strategic decisions at the right times.

The directors believe that his continued service is critical to the overall management of Redrow and the development of its products, culture and strategic direction. Mr Morgan was initially appointed to the Board as Deputy Chairman and on 30 June 2009 he was appointed Chairman, acting in an executive capacity. Mr Morgan's other principal business interests are his ownership of Harrow Estates and of Wolverhampton Wanderers Football Club.

The similarity of the nature of Harrow Estates and Redrow's business and the potential for competing interests meant that it was necessary for Mr Morgan's contractual relationship with Redrow to be documented by the Relationship Agreement between Redrow, Harrow Estates and Mr Morgan. The Relationship Agreement, which will continue in place following completion of the Harrow Estates Transaction, is discussed further in paragraph 16.2 of Part XI of this document.

## **9 Current trading and prospects**

On 10 September 2009, Redrow announced its results for the twelve month period ended 30 June 2009 which stated that the new financial year has started positively for Redrow, with the total sales position comfortably ahead of the same period last year. Construction recommenced generally across Redrow's sites in the last quarter of the financial year and the pace of building has increased to ensure that there are appropriate stock levels to meet the autumn markets. By the end of December 2009 Redrow intends to launch 12 new developments which were previously held back due to market conditions.

Redrow has reviewed and where necessary replanned its owned land bank to meet future needs in line with its strategic re-focus on family housing. Redrow will invest in its land bank carefully in line with this refocused strategy, and together with the amendments to the Syndicated Facility Agreement and continued review of Redrow's capital structure, this will ensure that the Company is well placed to secure new land capable of generating improved financial returns.

As also announced on 10 September 2009 in respect of its financial results for the year ended 30 June 2009, Redrow undertook a detailed review of the carrying value of the Group's land and work in progress which resulted in a net exceptional cost in respect of the increase in net realisable value provisions of £96.5 million. This figure included an element of direct overhead expenses attributable to the process required to achieve the legal completion of a home, as well as an allowance for the fluctuating house price environment. The net realisable value provisions will continue to be reviewed at future reporting dates to assess their appropriateness in the context of prevailing market conditions and the re-assessment of net realisable value and costs. Although the past 18 months have illustrated that no assurances can be given concerning the UK residential housing market, on the basis of the carrying value of land and work in progress as at 30 June 2009 and the prevailing market conditions, the Directors do not believe any further net writedown of inventory will be required.

**PART VI**  
**OPERATING AND FINANCIAL REVIEW OF REDROW**

*The following operating and financial review is intended to convey the Director's perspective on the operating performance and financial condition of the Group as measured in accordance with IFRS as adopted by the EU. The discussion should be read in conjunction with Part VII "Financial Information on Redrow" and the audited financial statements (including the accompanying notes) of the Company for the years ended 30 June 2009, 30 June 2008 and 30 June 2007 and incorporated by reference in this Prospectus. The Company is required to comply with IFRS as adopted by the EU and its accounting policies have been established accordingly. The following discussion contains forward-looking statements that have been based on the current projections and expectations about future events of the Group. Actual results may differ materially from those anticipated in these forward-looking statements as a result of many important factors, including those set forth under "Risk Factors", and elsewhere in this Prospectus. Please refer to "Forward-Looking Statements" on page 23.*

**1 Business performance and operating and financial review**

The Business Review of Redrow plc for the year ended 30 June 2009 is incorporated by reference into this document. The Business review of Redrow plc can be found in the Annual Report and Accounts for 2009 in the section "Business review" at pages 8 to 22.

The Chief Executive and Finance Director's business review of Redrow plc for 2008 is incorporated by reference into this document and can be found in the Annual Report and Accounts for 2008 in the section "Chief Executive and Finance Director's business review" at pages 10 to 22.

The Chief Executive's and Finance Director's business review of Redrow plc for 2007 is incorporated by reference into this document and can be found in the Annual Report and Accounts for 2007 in the section "Chief Executive and Finance Director's business review" at pages 12 to 29.

Please refer to Part XII for a list which enables investors to identify easily specific items of information which have been incorporated by reference into this document.

**2 Capitalisation and indebtedness**

***Statement of Capitalisation and Indebtedness***

The following table sets out the capitalisation and indebtedness of the Group as at 30 June 2009 and has been extracted from the Group's audited consolidated financial statements for the year ended 30 June 2009, incorporated by reference in Part VII "Financial Information on Redrow" of this document.

	<b>Audited as at 30 June 2009</b>
	<b>£m</b>
<b>Total current debt</b>	
Unguaranteed/unsecured .....	66.9
	<u>66.9</u>
<b>Total non-current debt</b>	
Unguaranteed/unsecured .....	165.2
<b>Total indebtedness<sup>(1)</sup></b> .....	<b><u>232.1</u></b>
<b>Equity<sup>(2)</sup></b>	
Issued capital .....	16.0
Share premium .....	58.7
Hedge reserve .....	(2.1)
Other reserves .....	7.9
<b>Total capitalisation</b> .....	<b><u>80.5</u></b>

(1) The Group's debt is shown net of unamortised costs.

(2) Capital and reserves do not include the profit and loss reserve.

### Statement of Net Indebtedness

The following table sets out the consolidated net indebtedness of the Group as at 30 June 2009 and has been extracted from the Group's audited consolidated financial statements for the year ended 30 June 2009, incorporated by reference in Part VII "Financial Information on Redrow" of this document.

	<u>Audited as at 30 June 2009</u>
	<u>£m</u>
Cash at bank and cash in hand .....	17.5
<b>Liquidity</b> .....	<b>17.5</b>
Current bank debt .....	16.9
Current portion of non current debt .....	50.0
<b>Current financial debt</b> .....	<b>66.9</b>
<b>Net current financial indebtedness</b> .....	<b>49.4</b>
Non current bank loans .....	165.2
Bonds issued .....	—
Other non current loans .....	—
<b>Non current financial indebtedness</b> .....	<b>165.2</b>
<b>Net financial indebtedness<sup>(1)</sup></b> .....	<b>214.6</b>

(1) The Group's debt is shown net of unamortised costs.

There has been no material change to the capitalisation of the Redrow Group since 30 June 2009.

As at 30 June 2009, a bank guarantee for £5.3 million had been issued in support of a land creditor.

Performance bonds issued by surety companies and supported by a counter indemnity from the Group totalled £73.3 million as at 30 June 2009.

The Group has no indirect indebtedness.

The Group also has derivative financial instruments not reflected in the tables above. The audited fair value of the Group's interest rate swaps at 30 June 2009 was a liability of £2.9m. £2.2 million is within current liabilities and £0.7 million is within non-current liabilities.

### 3 Liquidity and capital resources

As a UK based housebuilder, the main focus of Redrow's financial risk management lies with liquidity and interest rate risk.

In September 2008, the Group successfully concluded its bank refinancing to replace facilities which were due to mature in Autumn 2009. The Syndicated Facility Agreement dated 4 September 2008 consisted of an unsecured £175,000,000 amortising term loan scheduled to be fully repaid by March 2011 and an unsecured £275,000,000 revolving credit facility maturing in September 2011. The facilities agreed in September 2008 had a suite of covenants and pricing appropriate to the market conditions prevailing at that time and which are considered competitive today having been negotiated prior to the further significant tightening in the banking market which followed the collapse of Lehman Brothers.

Redrow has reached agreement with its banking syndicate to make certain amendments to the Syndicated Facility Agreement. These amendments include a reduction of the total facility size to £250,000,000, together with amendments to certain financial and other covenants, which will provide the Company with greater flexibility going forward. The amendments to the Syndicated Facility Agreement will become effective when the Rights Issue becomes unconditional. In the event that the Rights Issue does not become unconditional, the Syndicated Facility Agreement will continue in place in its existing form. Please refer to paragraph 6 of Part I and paragraph 16.5 of Part XI of this document for further details.

In addition to the committed facilities, the Group also has further uncommitted bank facilities which are used to assist in day to day cash management.

The Group keeps its facilities under constant review and maintains regular contact with its banks and advisors to ensure that its facilities remain appropriate to strategic and operational objectives and market conditions.

The table below shows Redrow's net debt position at 30 June 2009, 2008 and 2007:

	As at 30 June		
	2009	2008	2007
	(£m)	(£m)	(£m)
Cash and cash equivalents	17.5	127.1	12.2
Bank overdrafts	(16.9)	(12.9)	(20.1)
	0.6	114.2	(7.9)
Bank loans	(218.0)	(337.5)	(170.0)
Issue costs	2.8	—	0.3
	(214.6)	(223.3)	(177.6)
Net debt as a % of equity	73.1%	55.2%	30.7%

At 30 June 2008, the Group held £127.1m in cash and cash equivalents principally in interest bearing AAA money market funds to ensure appropriate levels of liquidity throughout its refinancing negotiations. Following the Group's refinancing in September 2008, these cash and cash equivalents were significantly reduced and continued at a relatively low level for the remainder of the financial year. As at 30 June 2009, cash and cash equivalents totalled £17.5m, an adequate level for short term operational needs.

There has been no material change to the net debt of the Group between 30 June 2009 and 22 September 2009 (being the latest practicable date prior to publication of this document).

### 3.1 Cash flow analysis for the Group for 2009, 2008 and 2007

The selected cash flow information for the Group for the years ended 30 June 2009, 2008 and 2007 below has been extracted, with the addition of further enhanced disclosure, from the Group's 2009, 2008 and 2007 Financial Statements.

	2009	2008	2007
	(£m)	(£m)	(£m)
Operating (loss)/profit before financing costs	(119.0)	(174.9)	136.6
Depreciation and amortisation	2.6	2.1	2.3
Adjustment for non-cash items:			
—employment benefit provision	(11.5)	(7.1)	6.7
—land creditors re discount arising from IAS39 application	(1.1)	(2.7)	0.9
—other	(0.7)	(0.6)	(4.5)
<b>Operating (loss)/profit before changes in working capital and provisions</b>	<b>(129.7)</b>	<b>(183.2)</b>	<b>142.0</b>
(Increase)/decrease in trade and other receivables	(0.6)	13.7	(6.3)
Decrease/(increase) in inventories	189.6	232.8	(139.1)
(Decrease)/increase in trade and other payables	(75.2)	(46.7)	49.6
Increase/(decrease) in provisions and employee benefits	3.8	5.0	(15.7)
<b>Cash (outflow)/inflow generated from operations</b>	<b>(12.1)</b>	<b>21.6</b>	<b>30.5</b>
Interest paid	(20.9)	(18.0)	(13.9)
Tax received/(paid)	40.4	(24.4)	(35.2)
<b>Net cash from operating activities</b>	<b>7.4</b>	<b>(20.8)</b>	<b>(18.6)</b>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment	(0.4)	(2.4)	(5.2)
Proceeds from sale of plant and equipment	2.1	3.1	2.6
Interest received	2.7	1.8	0.9
Payments to joint ventures—continuing operations	(0.3)	(1.0)	(1.8)
Payments from/(to) joint ventures—discontinued operations	0.0	0.6	(0.5)
<b>Net cash from investing activities</b>	<b>4.1</b>	<b>2.1</b>	<b>(4.0)</b>
<b>Cash flows from financing activities</b>			
Issue of bank borrowings	218.0	266.5	170.0
Repayment of bank borrowings	(337.5)	(99.0)	(132.0)
Issue costs of bank borrowings	(5.6)	—	(0.1)
Purchase of own shares	—	—	(0.5)
Dividends paid	—	(27.3)	(26.3)
Proceeds from issue of share capital	—	0.6	1.9
<b>Net cash from financing activities</b>	<b>(125.1)</b>	<b>140.8</b>	<b>13.0</b>
<b>(Decrease)/increase in net cash and cash equivalents</b>	<b>(113.6)</b>	<b>122.1</b>	<b>(9.6)</b>
Net cash and cash equivalents at the beginning of the period	114.2	(7.9)	1.7
<b>Net cash and cash equivalents at the end of the period</b>	<b>0.6</b>	<b>114.2</b>	<b>(7.9)</b>



Net cash and cash equivalents decreased by £113.6m during the year ended 30 June 2009 compared to a £122.1m increase in 2008 and a £9.6m decrease in 2007.

### *3.1.1 Cash flows from operating activities*

In the financial year ended 30 June 2009 there was a cash outflow from operations of £12.1m (2008: £21.6m inflow) and this reflected the operating loss for the year which was almost entirely offset by a net reduction in working capital. Cash generated from the reduction in inventory was £189.6m (2008: £232.8m). As a result of both payments in respect of land commitments and the marked reduction in build activity on site which resulted in a reduction in amounts owed to sub-contractors and suppliers, there was a cash outflow of £75.2m in respect of trade and other payables (2008: £46.7m).

Redrow's net cash from operations decreased slightly to an inflow of £21.6m in 2008 from an inflow of £30.5m in 2007. This reflected primarily the decrease in profit on ordinary activities before finance costs pre the exceptional net realisable value provisions together with an adverse movement in trade and other payables reflecting the lower levels of build activity in 2008.

Over 2008 and 2007, before the exceptional net realisable value provision against inventories, inventories increased by £26.6m. This increase in inventories was due primarily to an increase in work in progress as a result of the rapid deterioration in market conditions which more than offset reductions in the land bank over the period.

In the financial year ended 30 June 2009, there was a £7.4m cash inflow from operating activities (2008: £20.8m outflow) which benefited from the receipt of £40.4m in corporation tax refunds on corporation tax previously paid. This reflected the refund of on-account corporation tax payments for the year ended 30 June 2008 and refunds arising from the carry back of losses which arose in the year ended 30 June 2008 against profits made and taxed in the year ended 30 June 2007. This compared with £24.4m of corporation tax paid in 2008.

### *3.1.2 Cash flows from investing activities*

Net cash from investing activities improved from a £2.1m net inflow in 2008 to a £4.1m net inflow in 2009. This reflected reduced expenditure on the acquisition of property and equipment, proceeds from the sale of property, plant and equipment, which primarily related to the disposal of a surplus office, and increased interest receivable.

Net cash from investing activities improved from a £4.0m net outflow in 2007 to a £2.1m net inflow in 2008. This reflected reduced expenditure on the acquisition of property and equipment, increased proceeds from the sale of property, plant and equipment, which included the disposal of Redrow's in-house site accommodation and site facilities to a third party plant hire provider, and increased interest receivable. In 2008 Redrow disposed of its interest in the Framing Solutions joint venture resulting in a net cash inflow of £0.6m.

### *3.1.3 Cash flows from financing activities*

Net cash from financing activities was an outflow of £125.1m in the financial year ended 30 June 2009, compared to an inflow of £140.8m in 2008. This reflected net repayments in bank loans of £119.5m and the £5.6m issue costs in respect of the refinancing concluded in September 2008. Net cash from financing activities was an inflow of £140.8m in 2008, an increase of £127.8m from £13.0m in 2007. This reflected net drawdowns on bank loans of £167.5m.

## **3.2 External sources of funding, financing and indebtedness**

Treasury management is conducted centrally using policies approved by the Board who receive a monthly report on treasury activity. The Group defines total capital as equity plus net debt where net debt is calculated as total borrowings less cash and cash equivalents. The Group monitors capital on the basis of the level of returns achieved on its capital base and, with respect to its financing structure, the gearing ratio. This is defined as net debt divided by equity.

The Group concluded its refinancing on 4 September 2008 and as at 30 June 2009, facilities consisted of an unsecured £175m amortising term loan (£150m outstanding as at 30 June 2009) scheduled to be repaid in full by March 2011 and an unsecured £275m revolving credit facility due to mature in September 2011. In addition, Redrow has access to uncommitted overdraft facilities.

Equity, retained profits and committed revolving credit facilities have been used historically to finance investment in fixed assets and land and work in progress.

Strict controls exist over the use of derivatives, with the Group entering into simple risk management products, almost exclusively sterling denominated swaps, to manage its interest rate risk. The Group does not undertake any speculative or trading activity in either financial instruments or foreign currencies.

### 3.2.1 Bank borrowings

Redrow's bank loans and overdrafts are set out in the table below as at 30 June 2009, 2008 and 2007:

	As at 30 June		
	2009	2008	2007
	(£m)	(£m)	(£m)
Bank overdraft repayable on demand . . . . .	16.9	12.9	20.1
Bank loans . . . . .	218.0	337.5	170.0
	<u>234.9</u>	<u>350.4</u>	<u>190.1</u>
Amounts due for settlement within one year . . . . .	66.9	12.9	20.1
Amounts due for settlement between one and two years . . . . .	100.0	177.5	—
Amounts due for settlement between two and five years . . . . .	68.0	160.0	170.0
	<u>234.9</u>	<u>350.4</u>	<u>190.1</u>

Bank borrowings are arranged at floating rates of interest although certain simple interest rate swaps are undertaken.

Bank borrowings at £234.9m, before deducting unamortised fees, at 30 June 2009 were £115.5m lower than at 30 June 2008. This reflected the use of a significant amount of the cash and cash equivalents held at 30 June 2008 to reduced bank borrowings following the completion of the Group's refinancing in September 2008.

### 3.2.2 Financial assets and liabilities

The following table sets out the carrying values of Redrow's financial assets and liabilities at 30 June 2009, 2008, and 2007:

	As at 30 June		
	2009	2008	2007
	(£m)	(£m)	(£m)
<b>Financial assets</b>			
Derivative financial instruments <sup>(1)</sup> . . . . .	—	1.3	1.7
Non-current trade and other receivables . . . . .	6.3	5.4	4.1
Current trade and other receivables . . . . .	11.0	10.0	24.6
Cash and cash equivalents . . . . .	17.5	127.1	12.2
	<u>34.8</u>	<u>143.8</u>	<u>42.6</u>
<b>Financial liabilities</b>			
Bank loans & overdrafts net of issue costs . . . . .	232.1	350.4	189.8
Derivative financial instruments <sup>(1)</sup> . . . . .	2.9	—	—
Trade payables and other creditors . . . . .	87.3	115.5	126.6
Land creditors . . . . .	53.4	92.6	124.1
	<u>375.7</u>	<u>558.5</u>	<u>440.5</u>

Note:

(1) Derivative financial instruments are carried at fair value and all the derivative financial instruments are designated as hedging instruments and are floating sterling to fixed sterling.

### 3.2.3 Pensions

The Redrow Staff Pension Scheme comprises two sections: a funded, self-administered defined benefits section and a funded defined contribution section, the former of which is contracted out of the State Earnings Related Pensions Scheme. The defined benefits section is closed to new entrants.

The formal triennial valuation of the defined benefits section of the pension scheme as at 1 July 2008 was concluded in July 2009. As part of this process the Group recognised that, whilst the defined benefit pension arrangements were viewed by members as an attractive and valuable benefit, increasing costs arising from longer life expectancy, falling interest rates and poor returns on assets potentially made future funding unsustainable. After consultation with the active members of the defined benefits section of the scheme, it was agreed that from 1 July 2009 increases in pensionable salary will be limited to the lower of base salary increases, increases in inflation, or 2.5 per cent. This action enabled the Group to keep the defined benefits section open to future accrual for current members whilst ensuring Group costs are appropriately controlled.

As at 30 June 2009, the Group financial statements showed a £2.8m surplus (2008: £0.2m deficit) in respect of the defined benefit section of the pension scheme, as calculated on an IAS 19 basis. The following table provided a reconciliation of this movement.

	<b>£m</b>
Deficit per IAS 19 at 1 July 2008 .....	(0.2)
Income statement credit for the year to June 2009 .....	13.2
Actuarial gains on liabilities .....	0.9
Actuarial loss on assets .....	(12.8)
Normal employer contributions .....	<u>1.7</u>
Surplus per IAS 19 as at 30 June 2009 .....	<u><u>2.8</u></u>

The Income statement credit for the year to June 2009 of £13.2m includes a pension curtailment gain of £3.4m as a result of the redundancies of a significant number of defined benefit pension scheme members during the year ended 30 June 2009 and £11.6m as result of the pensionable salary capping agreement. This is offset, in part, by a £0.5m past service cost.

#### **4 Financial Market Risk**

The Group's activities expose it to a variety of financial risks some of which are outlined below. For further information on risk factors affecting the Company please refer to the section titled "Risk Factors" on pages 9 to 22 of this document.

Financial risk management is conducted centrally using policies approved by the Board. The use of derivatives is limited and strictly controlled and these are not used for speculative or trading purposes.

##### **4.1 Foreign currency risk**

The Group's foreign exchange exposure is negligible given the nature of the Group's business and its exclusive UK activities.

##### **4.2 Interest rate risk**

The Group is exposed to interest rate risk as it borrows money at floating rates (see paragraph 2.4 of "Risk Factors" section entitled "Increased interest rates would increase Redrow's borrowing costs" for further discussion). The Group's interest rate risk arises primarily from long term borrowings. In order to manage its interest rate risk, the Group enters into simple risk management products, almost exclusively interest rate swaps. All interest rate swaps are sterling denominated.

In order to measure the risk, floating rate borrowings are forecast on a daily basis and the expected interest cost for the year is forecast on a bi-monthly basis and compared to budget and previous rolling forecasts using management's expectations of expected prevailing interest rates. Interest expense volatility remained within acceptable limits throughout the year.

###### **4.2.1 Hedge accounting**

Hedging activities are reported to the Board on a monthly basis. These constitute sterling denominated interest rate swaps which are arranged so as to match with the underlying borrowings to which they relate. There was no ineffectiveness to be recorded in respect of these cashflow hedges in 2009, 2008 and 2007.

The notional principal amounts in respect of the interest rate swaps as at 30 June 2009, together with their maturities and the comparatives for 2008 are shown below:

	<u>Balance at 30 June</u>	<u>0-1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>
	£m	£m	£m	£m
2009 .....	100.0	50.0	50.0	—
2008 .....	87.5	12.5	50.0	25.0

As at 30 June 2009, the fixed interest rates vary from 4.8 per cent. to 5.76 per cent. excluding borrowing margin (2008: 4.95 per cent. to 6.31 per cent.) and the floating rates are 3 month LIBOR.

#### 4.2.2 *Interest rate sensitivity*

For the year ended 30 June 2009, the Company estimates that a general increase of 1 per cent. in interest rates applying for the full year would have decreased the Group's profit before tax by £1.7m (2008: £1.8m).

#### 4.3 *Liquidity Risk*

Liquidity risk is the risk that the Group does not have sufficient financial resources to meet its obligations as they fall due. Liquidity risks are managed through the regular review of cash flow forecasts and by maintaining adequate committed banking facilities to ensure adequate headroom. Please refer to paragraph 2.1 of the "Risk Factors" section entitled "Funding may be difficult to obtain and maintain if current economic conditions continue" for further discussion on these risks.

As at 30 June 2009, the Group had £207.0m (2008: £142.5m) of undrawn committed bank facilities available.

#### 4.4 *Credit Risk*

Credit risk arises from cash and cash equivalents, including call deposits with banks and financial institutions, derivative financial instruments and trade receivables. It represents the risk of financial loss where counterparties are unable to meet their obligations. Please refer to paragraph 2.7 of the "Risk Factors" section entitled "There is a risk that a counterparty, such as a bank and other financial institution, with which Redrow has deposited funds may default on its contractual obligations, which may have an adverse impact on Redrow's business." for further discussion of this risk.

Credit risk is managed centrally in respect of cash and cash equivalents and derivative financial instruments. In respect of placing deposits with banks and financial institutions and funds, individual risk limits are approved by the Board. Cash and cash equivalents held at June 2009, June 2008 and June 2007 were placed with AAA or AA credit rated counterparties. No credit limits were exceeded in the three year period or subsequently and the Group does not anticipate any losses from non-performance by these counterparties.

There is no specific concentration of credit risk in respect of home sales as the exposure is spread over a considerable number of customers. In respect of trade receivables, the amounts presented in the balance sheet are stated after adjusting for any doubtful receivables, based on the judgement of the Group's management through using both previous experience and knowledge of the current position of any more substantial debtors or category of debtors.

The Group's exposure to credit risk has decreased overall in 2009 compared to 2008 due to the policy of holding lower levels of cash and cash equivalents although this is offset in part by a small increase in the use of shared equity as a sales incentive.

**PART VII**  
**FINANCIAL INFORMATION ON REDROW**

**Historical Financial Information**

The audited consolidated financial statements of Redrow and its subsidiaries included in the Annual Report and Accounts for the year ended 30 June 2009 and the years ended 30 June 2008 and 30 June 2007 are incorporated by reference into this document.

PricewaterhouseCoopers LLP of 101 Barbirolli Square, Lower Mosley Street, Manchester M2 3PW has issued unqualified audit opinions on the consolidated financial statements of Redrow and its subsidiaries for each of the financial periods ended 30 June 2009, 30 June 2008 and 30 June 2007. The audit opinion for the Group for the year ended 30 June 2009 is set out on page 57 of the Annual Report and Accounts 2008/09. The audit opinion for the Group for the year ended 30 June 2008 is set out on page 53 of the Annual Report and Accounts 2007/08. The audit opinion for the Group for the year ended 30 June 2007 is set out on page 52 of the Annual Report and Accounts 2006/07. Note that the 30 June 2007 consolidated financial statements were restated at 30 June 2008 for a change of revenue recognition policy.

See Part XII of this document for further details about information that has been incorporated by reference into this document.

## PART VIII

### UNAUDITED PRO FORMA FINANCIAL INFORMATION

#### 1 Section A: Unaudited pro forma financial information

The unaudited pro forma statement of net assets in this Part VIII is based on the audited consolidated net assets of the Group as at 30 June 2009 and has been prepared to illustrate the effect of the Rights Issue and the Harrow Estates Transaction on the consolidated net assets of the Group as if it had taken place on 30 June 2009. The unaudited pro forma statement of net assets has been prepared on the basis of the Group's accounting policies, in accordance with International Financial Reporting Standards as adopted by the EU (IFRSs as adopted by the EU) on the basis set out in the notes below and in accordance with Annex I and Annex II of the PD Regulation.

The unaudited pro forma statement of net assets has been prepared for illustrative purposes only and, because of its nature, it addresses a hypothetical situation and does not represent the Group's actual financial position or results.

	Audited net assets as at 30 June 2009	Pro forma adjustment Rights issue	Unaudited pro forma net assets as at 30 June 2009
	Note 1	Note 2	
	£m	£m	£m
<b>Assets</b>			
Intangible assets	0.3	1.6	1.9
Property, plant and equipment	14.5	—	14.5
Investments	2.1	—	2.1
Deferred tax assets	76.7	—	76.7
Derivative financial instruments	—	—	—
Retirement benefit surplus	2.8	—	2.8
Trade and other receivables	6.3	—	6.3
<b>Total non-current assets</b>	<b>102.7</b>	<b>1.6</b>	<b>104.3</b>
Non-current assets available for sale	3.9	—	3.9
Inventories	566.3	14.0	580.3
Trade and other receivables	13.9	—	13.9
Derivative financial instruments	—	—	—
Current income tax receivables	—	—	—
Cash and cash equivalents	17.5	—	17.5
<b>Total current assets</b>	<b>601.6</b>	<b>14.0</b>	<b>615.6</b>
<b>Total assets</b>	<b>704.3</b>	<b>15.6</b>	<b>719.9</b>
<b>Liabilities</b>			
Bank loans	165.2	(84.9)	80.3
Trade and other payables	26.3	—	26.3
Derivative financial instruments	0.7	—	0.7
Deferred tax liabilities	1.4	—	1.4
Retirement benefit obligations	—	—	—
Long-term provisions	8.9	—	8.9
<b>Total non-current liabilities</b>	<b>202.5</b>	<b>(84.9)</b>	<b>117.6</b>
Bank overdrafts and loans	66.9	(50.0)	16.9
Trade and other payables	135.3	0.6	135.9
Derivative financial instruments	2.2	—	2.2
Current income tax liabilities	3.9	—	3.9
<b>Total current liabilities</b>	<b>208.3</b>	<b>(49.4)</b>	<b>158.9</b>
<b>Total liabilities</b>	<b>410.8</b>	<b>(134.3)</b>	<b>276.5</b>
<b>Net assets</b>	<b>293.5</b>	<b>149.9</b>	<b>443.4</b>

#### Notes

- (1) The historical financial information has been extracted, without material adjustment, from the Group's audited consolidated financial statements for the year ended 30 June 2009 which are incorporated by reference in Part VII "Financial Information on Redrow" of this document.



- (2) An adjustment has been made to reflect the net proceeds of the rights issue of £149.9 million, based on the issue of 148,584,705 new ordinary shares at an issue price of 105 pence per share, less estimated issue costs of £6.1 million which include underwriting fees, legal fees, accountants' fees and irrecoverable VAT.

The net proceeds of the rights issue have been assumed to be applied

- as to £15.0 million, as consideration for the Harrow Estates Transaction (comprising goodwill of £1.6 million and inventories of £13.4 million).
- as to £134.9 million, in part prepayment of the Group's existing current and non-current borrowings.

Note:

- (i) the inventories addition of £14.0 million includes stamp duty land tax of £0.6 million on the site purchases, the liability for which is included in current trade and other payables.
  - (ii) the net proceeds of £134.9 million will decrease current bank overdrafts and loans by £50.0 million and reduce non-current bank loans by £84.9 million.
- (3) No adjustment has been made to reflect the trading results of the Group since 30 June 2009.
- (4) The Harrow Estates Transaction has been accounted for in line with IFRS 3, in line with Group accounting policies as at 30 June 2009. No difference is expected following adoption of IFRS 3 (Revised) for the year ending 30 June 2010.

## 2 Section B: Report on the Unaudited pro forma financial information



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(J.P. Morgan Cazenove Limited and Merrill Lynch International each a **“Sponsor”** and together the **“Joint Sponsors”**)

23 September 2009

Dear Sirs

### **Redrow plc (the “Company”)**

We report on the pro forma statement of net assets (the **“Pro forma financial information”**) set out in Part VIII of the Company's prospectus dated 23 September 2009 (the **“Prospectus”**) which has been prepared on the basis described in the notes to the Pro forma financial information, for illustrative purposes only, to provide information about how the proposed rights issue might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the financial statements for the period ended 30 June 2009. This report is required by item 20.2 of Annex I to the PD Regulation and is given for the purpose of complying with that PD Regulation and for no other purpose.

### **Responsibilities**

It is the responsibility of the directors of the Company to prepare the Pro forma financial information in accordance with item 20.2 of Annex I to the PD Regulation.

It is our responsibility to form an opinion, as required by item 7 of Annex II to the PD Regulation Rules as to the proper compilation of the Pro forma financial information and to report our opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro forma financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

PricewaterhouseCoopers LLP is a limited liability partnership registered in England with registered number OC303525. The registered office of PricewaterhouseCoopers LLP is 1 Embankment Place, London WC2N 6RH. PricewaterhouseCoopers LLP is authorised and regulated by the Financial Services Authority for designated investment business.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and for any responsibility arising under item 5.5.3R(2)(f) of the Prospectus Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 23.1 of Annex I to the PD Regulation, consenting to its inclusion in the Prospectus.

### **Basis of opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro forma financial information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

### **Opinion**

In our opinion:

- (a) the Pro forma financial information has been properly compiled on the basis stated; and
- (b) such basis is consistent with the accounting policies of the Company.

### **Declaration**

For the purposes of Prospectus Rule 5.5.3 R(2)(f), we are responsible for this report as part of the Prospectus and we declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with Item 1.2 of Annex I to the PD Regulation.

Yours faithfully

PricewaterhouseCoopers LLP  
Chartered Accountants

**PART IX**  
**SECTION A**  
**INFORMATION RELATING TO THE HARROW ESTATES TRANSACTION**

**1 Background to the Harrow Estates Business and the Option Properties**

***1.1 Introduction***

Harrow Estates is a company ultimately controlled by Steve Morgan and is one of the country's leading urban regeneration specialists, with extensive expertise in brownfield sites including remediation, master planning and delivery of land and property for both investment and strategic purposes. Harrow Estates established management and in-house team of experienced professionals, has, over the last eight years, helped the business move rapidly from a start up business to one with a market leading reputation amongst its blue chip clients for its ability to purchase land on an unconditional basis. Often adopting the role of 'Master Developer', Harrow Estates undertakes all aspects of the regeneration process from land acquisition, remediation and gaining planning approvals to the development and subsequent marketing of sites.

***1.2 History of Harrow Estates***

Harrow Estates was established by Steve Morgan in 2001. Until September 2006, sales and purchases of land for Bridgemere Estates Limited (a company ultimately controlled by Steve Morgan) and its group companies were undertaken by Harrow Estates operating as the managing agent of the Bridgemere group companies for Bridgemere's brownfield land development business. Harrow Estates acquired the first site in its own name in September 2006 and accordingly does not have any historic or contingent liability in connection with the sites it acquired for Bridgemere prior to that date.

As Bridgemere's agent, Harrow Estates negotiated the purchase and sale of sites, made planning applications, conducted planning negotiations, and dealt with, amongst other things, remediation contractors and regulatory authorities. Historically, Harrow Estates has been paid for these services by Bridgemere in the form of management fees.

More recently, Harrow Estates has become the principal land trading company of Bridgemere, dealing with external land purchases, and at the same time the whole portfolio of Bridgemere's development sites was transferred from the other Bridgemere group companies to Harrow Estates.

***1.3 Business Overview***

Harrow Estates has gained a good reputation for dealing with sites that have complex contamination issues which often require complex remediation techniques as well as asbestos removal and demolition. Harrow Estates believes that obtaining early stakeholder involvement is key to delivering the site for development. Harrow Estates agrees the remedial strategy for the site in advance of commencing reclamation works, thus enabling a proactive contractor approach to delivery of the site. Harrow Estates selects the consultant team to meet the specific challenges presented by a particular site. Harrow Estates' panel of consultants, many of whom are recognised as experts in their field and provide advice to Government, are chosen for their specific expertise.

Harrow Estates' planning team seeks to ensure the efficient balancing of all issues related to the use and development of land. Harrow Estates believes that careful management of the planning process also ensures full and timely compliance with stakeholder engagement and all planning and environmental regulations, ensuring the overall attractiveness of the site at the point of disposal.

Harrow Estates' technical team oversees all aspects of the remediation of contaminated sites and has a respected reputation for successfully delivering sites for development. The technical team has experience in a wide variety of development and reclamation disciplines. Engaging with all stakeholder groups and working alongside specialist consultants and contractors, the team seeks to ensure that sites are delivered cost effectively and in accordance with industry best practice.

Harrow Estates seeks to maintain its reputation by ensuring that all contractors are evaluated against rigorous criteria of ability, qualifications, experience and consistency with Harrow Estates' approach. A good health and safety record is also required. Work undertaken by Harrow Estates' partners is continuously monitored throughout the life of the active regeneration period to ensure suitability and compliance.

As part of Harrow Estates' ethos of working for a better environment, its stated policy is to reclaim and remediate sites, often incentivising contractors to retain as much material as possible by treating contaminated materials on site. Typically, in excess of 90 per cent. of contaminated material and demolition material are remediated or recycled on-site, with off-site disposal being kept to a minimum.

Harrow Estates uses its experience of contaminated brownfield sites to seek to ensure that environmental issues relating to dust, noise, odour and vibration are mitigated at source. Harrow Estates policy is to engage with site neighbours and public community groups and ensure that its contractors are appropriately accredited.

#### ***1.4 Site Acquisition***

Harrow Estates' preferred approach historically has been to acquire land on a completely unconditional basis permitting vendors to achieve a definitive exit. Joint venture regeneration partnerships with both private and public sectors can however also bring Harrow Estates' expertise and resources to bear and this is seen as an increasing source of opportunity.

Every project is different and upon each acquisition Harrow Estates seeks to assemble a bespoke team of professionals equipped to deliver the development in an effective and timely manner.

## **2 Background to and reasons for the Harrow Estates Transaction**

As a private entrepreneur Steve Morgan established Harrow Estates in 2001. With its experienced team of land professionals, Harrow Estates focuses on identifying and acquiring brownfield land, taking remedial steps to improve its quality and bringing it through the planning process. Since its foundation, Harrow Estates has established a strong and skilled team. On returning to the Board, Steve Morgan offered Redrow the opportunity to review Harrow Estates' land assets with a view to an acquisition that would complement the Group's strategy. Following an extensive review of all of the sites by the Redrow executive team (comprising for these purposes David Arnold and John Tutte but excluding Steve Morgan), Redrow has agreed to acquire five freehold land assets, to take options over seven further strategic land assets (one of which is subject to a right of first refusal by another potential purchaser) and to acquire the Harrow Estates name and members of the Harrow Estates team of land professionals to strengthen its existing capabilities.

The Redrow executive team (comprising for these purposes David Arnold and John Tutte but excluding Steve Morgan) conducted extensive due diligence on each of the sites in the Harrow Estates portfolio and a detailed valuation exercise based on Redrow's usual land acquisition parameters and processes. The selected freehold land assets are considered appropriate for inclusion in the Redrow land bank because collectively they represent a good strategic fit and provide opportunities for future income streams and an attractive return on capital employed. In addition, the Redrow executive team (excluding Steve Morgan) identified a number of further land assets which Redrow would like an option to acquire in the future. The Redrow executive team (excluding Steve Morgan) considered certain other sites in the Harrow Estates portfolio and concluded that they would not fit with Redrow's strategy for growth and these have therefore been excluded. Redrow will acquire the Harrow Estates name and certain members of the Harrow Estates team of land professionals will transfer to Redrow where they will promote the acquired sites and those under option. In addition, they will use their considerable planning and technical skills to identify new land opportunities. These opportunities will represent both potential future income streams for Redrow through land sales to other residential developers as well as providing a pipeline of medium and long term land for Redrow's core development business.

The Board has considered the Company's own assessment of the Properties, the independent Knight Frank Valuation Report and the prospects of gaining detailed planning consent affording Redrow the potential to be on site during 2010 on a number of the Properties. Furthermore, the pipeline of Option Properties represents an attractive medium term opportunity to acquire development land at an expected discount to open market value. With respect to the Option Properties, the likely timing and detail of planning consent is difficult to determine and therefore the Option Agreements are considered to be an appropriate way for Redrow to participate in their future potential without locking up significant capital or incurring risk on planning in the meantime. Finally, Harrow Estates is considered one of the industry's market leaders and has an experienced reputation and track record. The skills of the Harrow Estates team in remediation and planning of sites represent an attractive addition to the skills of Redrow. The Board has given consideration to the above factors in agreeing the terms of the Harrow Estates Transaction.

### **3 The key terms of the Harrow Estates Transaction**

Members of the Redrow Group and Harrow Estates have entered into a series of agreements under which members of the Redrow Group have agreed to purchase the Harrow Estates Business. In addition, members of the Redrow Group have been granted Options to purchase the Option Properties and it has been agreed that certain promotion services will be provided back to Harrow Estates (to be renamed Bridgemere Land plc) in respect of these Option Properties. The principal terms of the agreements entered into are set out below.

Although the various components of the Harrow Estates Transaction are not technically inter-conditional, they are each (other than the purchase of the Cadishead Property) only conditional upon (i) the passing of the Harrow Estates Transaction Resolution and (ii) Admission. Other than in the case of the purchase of the Cadishead Property, each of the components of the Harrow Estates Transaction will therefore become unconditional at the same time and will be capable of becoming effective and/or completing immediately after Admission. The purchase of the Cadishead Property is expected to complete shortly thereafter as further described in paragraph 3.1.1 below.

#### **3.1 The Property Purchase Agreements**

Under the Property Purchase Agreements, members of the Redrow Group have agreed to acquire the following sites (the “Properties”):

##### **3.1.1 Land at Hayes Road, Cadishead, Manchester (8 acres)**

This site is a former tar distillery and chemical plant acquired from Clariant Chemicals and has the benefit of outline planning consent for the redevelopment of the site for residential purposes. The remediation process, which was the subject of a separate engineering consent, has now concluded and final verification protocols are being progressed. However, the Environment Agency has already accepted that the site no longer poses a significant risk to groundwater.

The Property that Redrow will acquire comprises half of the overall site. Harrow Estates has agreed the sale of the other half of this site to another residential developer. Redrow proposes to submit a detailed planning application which will increase the level of family housing proposed on the site. The purchaser of the other half of the development is expected to do the same.

As well as the conditions relating to completion to which all of the Property Purchase Agreements are subject and which are further described below, the purchase of this Property is conditional upon the terms of a joint development agreement having been agreed between Redrow and the residential developer who has agreed the acquisition of the other half of the site and it is expected that such condition will be fulfilled and that the sale and purchase of this Property will complete within a short period following Admission.

The purchase price payable in respect of this Property is £4.0 million and it is anticipated that this Property will provide an expected 127 plots in the future.

##### **3.1.2 Land at Sommerfeld Road, Trench Lock, Telford, Shropshire (21 acres)**

This Property was previously occupied by various industrial activities since the 1800s, including heavy engineering works, chemical works and more recently a rubber works.

Following the completion of baseline assessments, an outline planning application is currently under consideration by the Local Planning Authority for the redevelopment of the site for residential purposes. This planning application has the benefit of the planning officer’s recommendation that it be approved. In the interim, all structures and sub-structures on site have been demolished to enable commencement of remediation works upon receipt of a satisfactory planning consent.

The purchase price payable in respect of this Property is £4.8 million and it is anticipated that this Property will provide an expected 250 plots in the future.

##### **3.1.3 Land at Club Lane, Illingworth, Halifax, West Yorkshire (6.6 acres)**

This Property, which benefits from an outline planning consent for residential development, has already been the subject of a successful and verified demolition and remediation process and is available for immediate development.



The purchase price payable in respect of this Property is £800,000 and it is anticipated that this Property will provide an expected 89 plots in the future.

#### *3.1.4 Land at School Lane, Hartford, Cheshire (Phase 1) (3 acres)*

Previously a farm, this small site located in Cheshire offers the opportunity for a small enclave of 14 large family houses (including the refurbishment of the existing farmhouse) and 6 affordable houses within an established and highly regarded residential area. The Property, which is located within the existing settlement boundary, is currently the subject of pre-application negotiations with the Local Planning Authority although part of the site already has planning consent for residential development.

The purchase price payable in respect of this Property is £1.9 million and it is anticipated that this Property will provide an expected 20 plots in the future.

#### *3.1.5 Land at Upper Church Lane, Tipton, West Midlands (8.2 acres)*

This Property was acquired by Harrow Estates with the benefit of a long term lease to Sigmacast Iron Limited as a longer term development opportunity. The Property provided an income return for a number of years allowing Harrow Estates to negotiate a change of use to residential. Harrow Estates renegotiated the lease terms to a short term lease and then, following adoption of an Action Area Plan for the locality, Harrow Estates submitted an application for a wholly residential development. An outline planning consent has been issued by the Local Planning Authority for up to 121 residential dwellings and a Section 106 Agreement has been completed. Vacant possession of the site has been obtained and it is currently in the process of demolition and remediation.

The purchase price payable in respect of this Property is £800,000 and it is anticipated that this Property will provide an expected 121 plots in the future.

The purchase of each of the Properties contemplated by the Property Purchase Agreements comprises a substantial property transaction for the purposes of Section 190 of the Companies Act 2006 and accordingly the approval of shareholders in a general meeting is required. Completion of the purchase of the Properties is therefore conditional on obtaining shareholder approval which will be sought under the Harrow Estates Transaction Resolution at the General Meeting. In addition, completion is conditional upon Admission taking place which, other than in the case of the Cadishead Property, is expected to take place immediately after Admission occurs. In the case of the land at Cadishead Property, completion is also conditional upon agreeing the terms of a development agreement as described above.

The aggregate consideration payable by Redrow under the Property Purchase Agreements is £12.3 million.

The independent Knight Frank Valuation Report of the Properties is set out in Section B of this Part IX. This report is included in this document to present information as to how the Company has arrived at the consideration to be offered in respect of the Properties only and, for the avoidance of doubt, is not included in order to comply with CESR guidance for property companies.

### **3.2 The Share Purchase Agreement**

Under the Share Purchase Agreement, Redrow Holdings Limited (a subsidiary of Redrow) has agreed to acquire the entire issued share capital of Brand New Co (420) Limited (“Harrow Estates Newco”), a newly incorporated company, the assets of which will, on completion, include certain employees of Harrow Estates. These employees include the following key individuals in addition to a further complement of 8 staff.

#### *3.2.1 Jennie Daly—Managing Director*

Jennie is responsible for all Harrow Estates activities and heads Harrow Estates expansion programme, particularly the sourcing of new opportunities. Jennie joined Harrow Estates in 2002 as Director of Planning and has been responsible for leading the successful strategic land and planning team during this time. Jennie was elected to the Royal Town Planning Institute in 1994, and previously worked for both Blackpool and Macclesfield Borough Councils. She was Group Planner for Westbury Homes Plc in the North West region before moving to Harrow Estates.

### *3.2.2 Jonathan Masters—Commercial Director*

Jonathan is a broadly experienced Chartered Quantity Surveyor with particular expertise in project management and financial accountability. Jonathan is a former Regional Director of Faithful & Gould, which is a member of the WS Atkins plc group of companies. He was previously an Associate Partner of Silk & Frazier, Chartered Quantity Surveyors and Project Consultants.

### *3.2.3 Mark Nicholls—Technical Director*

Mark is an experienced Civil Engineer having started his career with Redrow in 1990. During this period he undertook a part-time Degree in Civil Engineering and graduated with First Class Honours in 1996. In 1998, Mark joined David Wilson Homes North West, part of Wilson Bowden plc and became Technical Director in 2001.

### *3.2.4 Vincent Fairclough—Legal Director*

Vincent has dealt with all of Harrow Estates legal matters since its incorporation in October 2001 and is closely involved in all aspects of Harrow Estates activities. Vincent was admitted as a solicitor in November 1973 specialising in commercial property work. He was previously Legal Director of the Wainhomes Group and was a Senior Legal Director of Redrow from 1988 to 1990. Vincent became Legal Director of Harrow Estates in May 2004.

Harrow Estates Newco will, on completion, also own certain other fixed assets (including computer and other office equipment) and be party to certain ordinary course contracts. In addition, it will own the “Harrow Estates” name which will therefore also be acquired by Redrow upon completion of the acquisition of Harrow Estates Newco. Redrow and Harrow Estates have agreed that, on completion of the acquisition of Harrow Estates Newco, Harrow Estates shall change its name to “Bridgemere Land plc”.

Under the Share Purchase Agreement Redrow has also agreed to procure that, on completion of the acquisition of Harrow Estates Newco, Harrow Estates Newco will enter into the Bridgemere House Lease with Bridgemere Estates Limited pursuant to which Bridgemere Estates Limited will grant a lease of Bridgemere House, the head office of Harrow Estates, to Harrow Estates Newco for a term of 15 years at a rent of £130,000 per annum.

In addition, Harrow Estates Newco is party to the Promotion Agreement described further in paragraph 3.4 below.

The total consideration payable by Redrow under the Share Purchase Agreement in respect of the purchase of Harrow Estates Newco is £1.575 million.

The purchase of Harrow Estates Newco and entering into the Bridgemere House Lease pursuant to the Share Purchase Agreement comprises a substantial property transaction for the purposes of Section 190 of the Companies Act 2006 and accordingly the approval of shareholders in general meeting is required. Completion of the purchase of Harrow Estates Newco and entering into the Bridgemere House Lease are therefore conditional on obtaining shareholder approval which will be sought under the Harrow Estates Transaction Resolution at the General Meeting. In addition, completion is conditional upon Admission taking place and accordingly it is expected to take place immediately after Admission occurs.

## **3.3 The Option Agreements**

Pursuant to the Option Agreements entered into between members of the Redrow Group and Harrow Estates, Redrow will have an option to acquire each of the following sites (the “Option Properties”) in each case on and subject to the terms of an Option Agreement (each such option, an “Option”):

### *3.3.1 Land at Cambridge Road, Hauxton, Cambridge—Plots 1 and 2 (40 acres and 42 acres respectively)*

There are two Option Agreements in respect of the two separate plots comprising this Option Property. Formerly owned by Bayer Crop Science, Plot 1 was a pesticide manufacturing facility and Plot 2 was the waste water treatment plant. Simultaneous applications for remediation and redevelopment were submitted for the site. In addition to the submission of applications, representations were made to promote the redevelopment of the site for predominantly residential use with elements of commercial development. These representations have proved

successful and it is anticipated that an allocation for Plot 1 for a residentially led mixed use development will be adopted by the Local Planning Authority later in 2009. Demolition works were completed in June 2008 and upon receipt of satisfactory planning consents remediation works will commence. The agreed planning objective for Plot 2 is to replace the existing use with a lower impact residential development

### *3.3.2 Land at Calverley Road, Horsforth, Leeds (47 acres)*

This Option Property was owned by Clariant Chemicals and is a large industrial complex in the process of closure. This site is now the subject of pre-planning negotiations and baseline assessments and it is anticipated that applications for both remediation and redevelopment will be made in the next six months.

### *3.3.3 Land at Hollies Farm, Hartford, Cheshire (Phase 2) (76 acres)*

This Option Property is a greenfield site on the edge of an attractive settlement in mid-Cheshire accessed through the Hartford Phase 1 site described in paragraph 3.1.4 above. The site is expected to be promoted on a strategic basis via the "local development framework" and early opportunities for release will be monitored.

### *3.3.4 Land at Coupe Foundry, High Walton, Preston, Lancashire (6 acres)*

Formerly owned by a pension trust, this Option Property has been occupied by a variety of heavy engineering works, including a foundry, since the early 1960s and is presently subject to a short term tenancy. Site investigation work has been completed and work is now underway for the submission of an application for residential redevelopment within the next 12 months.

### *3.3.5 Land at Quicks Garage, Lower Bridge Street, Chester (0.5 acres)*

This Option Property was acquired with the benefit of a long term lease to H&J Quick Limited, a subsidiary of Quicks Group plc, as an investment and longer term development opportunity and represents a city centre mixed use development opportunity.

### *3.3.6 Land at Ashton New Road, Clayton, Manchester (44 acres)*

Formerly owned by CIBA Speciality Chemicals, this Option Property, prior to its vacation in 2006, had been in use for chemical production since the 1890s.

This Option Property, which has been promoted as Dreyfus Village, as part of an early rebranding initiative, is located within East Manchester. The site benefits from two main road frontages including to Ashton New Road, one of the City's main arterial routes and also benefits from significant canal frontage to the Ashton Canal. The site is in close proximity to Eastlands, the Manchester City Football Club stadium and the area currently being promoted by Manchester City Council for a significant leisure and sport based regeneration scheme.

The site has already been cleared of all above ground structures and has the benefit of an approved remediation strategy capable of supporting residential redevelopment. In addition an application for up to 1,100 dwellings, and retail development capable of phased implementation over a 10 year period, has the benefit of a resolution to grant planning permission.

A third party has expressed an interest in acquiring this site from Harrow Estates and the Option to be granted in respect of this Option Property will be subject to such third party not acquiring this site.

The aggregate consideration payable by Redrow in respect of the grant of the Options under the Option Agreements is £1.125 million. The price payable in respect of each Option Property on exercise of the relevant Option shall be 96 per cent. of the open market value of the relevant Option Property (as calculated in accordance with the relevant Option Agreement). If Redrow does not exercise an Option it shall be entitled to 4 per cent. of any sale proceeds of the relevant Option Property (save for the land at Ashton New Road, Clayton, Manchester where it shall be entitled to 2 per cent. of sale proceeds) to compensate Redrow for the management time and overhead costs incurred in promoting that Option Property pursuant to the Promotion Agreement (as described below).

The terms of the Option Agreements provide that Redrow will be entitled to exercise an Option to acquire an Option Property at its absolute discretion subject to the conditions therein only when outline planning permissions for residential development, and any other consents (including statutory and regulatory approvals) necessary to demolish or remediate and to bring the relevant Option Property to a developable state have been

obtained and the relevant Option Property has been remediated and brought into a developable state. In addition, the Option Agreements provide that the Options over the land at Cambridge Road, Hauxton, Plot 1, the land at Calverley Road, Horsforth, the land at Hollies Farm, Hartford and the land at Ashton New Road may be exercised in tranches as specified in the relevant Option Agreement. The Options over the land at Coupe Foundry, High Walton and the land at Quicks Garage, Lower Bridge Street may only be exercised in full. In addition, the Ashton New Road Property is subject to a right of first refusal by another potential purchaser.

Redrow is required to notify Harrow Estates of its intention to exercise an Option and specify what it has determined the open market value of the relevant Option Property to be within 3 months of the later of (i) planning permission being obtained; (ii) demolition being completed; and (iii) remediation being completed in respect of the relevant Option Property. If Harrow Estates disagrees with the valuation, the Option Agreements provide for an independent valuer to be appointed. If Redrow proceeds to exercise an Option following a determination of open market value by the independent valuer, the determination of the independent valuer shall be final. An independent valuation (whether for a specific Option Property or all of the Option Properties purchased in the previous 12 months) will be obtained whenever Redrow shareholder approval under the related party rules in chapter 11 of the Listing Rules is required for the exercise of any Option. The valuation method will take into account the fact that some Option Properties will be purchased as a whole and paid for up front and others will be purchased in tranches.

The term of the Options is a period of 21 years from the date of grant. However, once the valuation is agreed between the parties as described above, Redrow will have one month to exercise the relevant Option. The exercise of an Option will be subject to the related party rules in chapter 11 of the Listing Rules and shareholder approval will be sought where the requisite thresholds require this. The grant of the Options and any subsequent acquisition of the Option Properties pursuant to the exercise of such Options comprise substantial property transactions for the purposes of Section 190 of the Companies Act 2006 and accordingly the approval of shareholders is being sought under the Harrow Estates Transaction Resolution at the General Meeting as part of the approval of shareholders required in respect of the Property Purchase Agreements and the Share Purchase Agreement. The grant of the Options shall only become unconditional upon shareholder approval and Admission taking place.

### ***3.4 The Promotion Agreement***

Pursuant to the Promotion Agreement entered into between, among others, Harrow Estates, Harrow Estates Newco and Redrow Holdings Limited (a subsidiary of the Company), Harrow Estates Newco has agreed that it shall provide certain services to Harrow Estates (to be renamed Bridgemere Land plc) following completion of the Harrow Estates Transaction.

Harrow Estates Newco has agreed that it will use reasonable endeavours to obtain outline planning permission for each of the Option Properties and any other consents necessary to demolish or remediate and to bring the Option Properties to a developable state. Harrow Estates Newco will be reimbursed by Harrow Estates for costs incurred in relation to the services being provided under the Promotion Agreement other than the internal costs of Harrow Estates Newco.

The obligation to provide services under the Promotion Agreement is conditional upon Admission. Thereafter the Promotion Agreement shall be for a term of five years in respect of each Option Property (other than the land at Hollies Farm, Hartford, described in paragraph 3.3.3 above, in respect of which it shall be for a term of ten years). Thereafter, services shall continue to be provided in respect of each Option Property unless either Harrow Estates (to be renamed Bridgemere Land plc) or Harrow Estates Newco terminates the agreement in respect of such Option Property (which it shall be entitled to do on three months' notice) or the Option Property is acquired. In the event that the Promotion Agreement is terminated in respect of an Option Property, the Option Agreement in respect of such Option Property shall also terminate.

**PART IX**  
**SECTION B**  
**VALUATION REPORT**

This report is included in this document to present information and evidence as to how the Company has arrived at the consideration to be offered in respect of the Properties. This report is not included in order to comply with CESR guidance for property companies.

**Knight Frank**



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23 September 2009

Dear Sirs

**VALUATION REPORT OF THE FIVE PROPERTIES TO BE ACQUIRED  
BY REDROW PLC FROM HARROW ESTATES PLC  
AS AT 8 SEPTEMBER 2009**

**1 Introduction and Scope of Instructions**

In accordance with the terms of engagement agreed with Redrow plc (the "Company"), we are instructed to report to you our opinion as to the values as at 8 September 2009 (the "Valuation Date") of the five freehold interests (the "Properties") to be acquired by the Company from Harrow Estates plc ("Harrow Estates"), details of which are set out in Schedule 1 to this report.

We understand that our report and the schedule to it (together, the "Valuation Report") will be included within the prospectus (the "Prospectus") to be published in connection with the proposed rights issue by the Company (the "Rights Issue").

**2 Basis of Valuations**

As instructed by the Company, the Properties have been valued individually on the following two bases:

"Market Value" subject to an unencumbered freehold interest, vacant possession, current planning status and reflecting the development costs expended at the Valuation Date.

"Market Value" on the special assumption of an implementable detailed planning consent and signed Section 106 Agreement for the schemes proposed by the Company, subject to an unencumbered freehold interest, vacant possession and reflecting the development costs expended at the Valuation Date.

The above values being in accordance with the relevant definitions, commentary and assumptions contained in the RICS Valuation Standards (sixth edition) and the valuations have been undertaken by us as External Valuers as defined in the RICS Valuation Standards. Valuations based on Market Value adopt the definition and the conceptual framework settled by the International Valuation Standards Committee. "Market Value" is defined for these purposes as:

"The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

The total valuation of the Properties represents the aggregate of the individual values. The Properties have been valued individually and not as part of a portfolio.

### **3 Tenure**

We have not read documents of title and for the purpose of our valuations, have accepted the details of tenure, planning consents and all other relevant information with which we have been supplied by the Company. We assume that this information is complete and correct, save where matters have been specifically drawn to our attention, or we have been notified to the contrary prior to the date of this report. Our valuation is on the basis that at the date of valuation:

- (a) each property possesses a good and marketable freehold title, free from any unusually onerous restrictions, covenants or other encumbrances, or where title issues exist, that commercially acceptable title indemnity insurance has been obtained;
- (b) all documentation is satisfactorily drawn on institutionally acceptable terms;
- (c) there are no unusual outgoings, planning proposals, onerous restrictions or local authority intentions which affect any property nor any material litigation pending;
- (d) the Properties will be acquired outright by the Company and that there are no overage clauses or other provisions with Harrow Estates or former vendors, with the exception of the Hartford site where our valuation reflects the provisions of an overage agreement with a former vendor (we have not seen this agreement and have relied upon the information provided by the Company);
- (e) all completed units will be sold freehold or leasehold by way of long leases with a minimum term of 125 years subject to a reasonable ground rent and service charge;
- (f) vacant possession is granted upon completion or is readily available at no additional cost to the Company; and
- (g) sufficient access for the proposed schemes can be provided at no additional cost from an adopted highway.

### **4 Town Planning**

We have not made formal searches in respect of the Properties but have made web based enquiries where available. As instructed by the Company we have not made any verbal enquiries of the Local Planning Authorities. We have not seen planning consents or Section 106 Agreement terms for all the Properties and have relied substantially upon the information provided by the Company. Where outline planning consent has been recently granted, we have assumed that this will not be the subject of any judicial review. We assume that the completed developments will comply with all relevant statutory requirements including fire and building regulations.

### **5 Structure and Condition**

We have not carried out a building, structural and ground condition survey of any of the Properties, nor tested any services, plant or machinery. We are therefore not able to give any opinion on the condition of any existing structures and services. However, our valuations take into account any information supplied to us and any defects noted during our inspections. Otherwise, our valuations are on the basis that there were no defects, items of disrepair or other matters that would materially affect our valuations at the Valuation Date.



## 6 Site Condition and Environmental Matters

We understand from the Company that the Properties located at Cadishead and Ilingworth have been fully remediated to the recommended standards. We have not seen any sign-off documents confirming that this work has been undertaken to the satisfaction of the relevant authorities, but have assumed that it has been satisfactorily completed.

We have not investigated ground conditions. A number of the Properties are situated in known mining areas. Unless advised to the contrary, our valuation is on the basis that there are no unidentified adverse ground or soil conditions and that the load bearing qualities of the Properties are sufficient to support the buildings constructed or to be constructed thereon.

We have not carried out any scientific investigations or tests to establish the existence or otherwise of any environmental contamination in relation to the Properties, nor do we undertake searches of public archives to seek evidence of past activities which might identify potential for contamination. The Company has established procedures for identifying and investigating environmental matters and where we have been provided with reports for properties we have discussed these with the Company. Where no reports have been provided we have assumed that any remediation costs provided by the Company are sufficient or that the Properties are unaffected by any environmental problems. Where remediation works are yet to be commenced or are in progress, we have adopted the costs provided by the Company.

## 7 Development Issues

Within our valuation we have adopted the build costs supplied by the Company. We have adopted our own opinion on marketing, promotional and sales costs and have applied our view on sales rates. We have assumed that the specification will be appropriate for the subject scheme and its locality and can be achieved within the build costs adopted. For the avoidance of doubt, we would stress that any variation in build costs, specification or phasing may have an impact on the valuation figures herein provided. We have assumed that the build costs adequately reflect the costs of providing services to the Properties.

## 8 Inspections

We have inspected all of the Properties externally.

## 9 Information Provided

Our valuations are based upon the information (including proposed accommodation, floor areas, legal title, planning, ground conditions, environmental issues and development costs) with which we have been supplied by the Company. We relied upon this as being complete and correct and on there being no undisclosed matters which would affect our valuations.

## 10 Taxation and Costs

In accordance with market practice, we have deducted usual purchaser's costs in arriving at our opinions of Market Value, including full liability for UK stamp duty land tax as applicable at the valuation date. No allowances were made for vendor's expenses of realisation or for any taxation liability arising from the sale of the Properties. Our valuations are exclusive of any VAT that may be chargeable. The Properties have been valued disregarding any mortgages or other charges.

## 11 Valuation of the Properties as at 8 September 2009

### *Market Value*

We are of the opinion that the aggregate of the Market Values of the Properties subject to an unencumbered freehold interest, vacant possession, current planning status and reflecting the development costs expended at the Valuation Date is **£10,100,000 (Ten Million One Hundred Thousand Pounds)**.

### *Market Value on Special Assumptions*

We are of the opinion that the aggregate of the Market Values of the Properties, subject to an unencumbered freehold interest, vacant possession and reflecting the development costs expended at the Valuation Date **and on**

the special assumption that detailed planning consent and signed Section 106 Agreements for the scheme proposed by the Company have been granted is **£12,300,000 (Twelve Million Three Hundred Thousand Pounds)**.

Details of the Properties, including a summary of their current planning status and a breakdown of our opinions of valuation for each property are set out in Schedule 1 to this Valuation Report.

As stated earlier, we have not undertaken direct enquiries with the relevant planning authorities and have relied solely upon the information provided to us by the Company and their opinion on likely risk in achieving planning for the proposed schemes. The Company have rated all five Properties to be in the low risk category in not achieving planning permission for their proposed schemes.

### *Notes on Valuation*

Our opinions of Market Value with the Special Assumption that planning consent and signed Section 106 Agreements have been granted do not represent the current Market Value of the Properties. These figures provide our opinion of the Market Value at the Valuation Date assuming that planning consent has already been granted and that a signed Section 106 Agreement has been entered into. None of the Properties contained within this valuation had detailed planning consent for residential development at the Valuation Date.

Our opinions of value represent our professional view based upon any available market evidence and our professional judgement. In the current market, there is a general lack of market evidence due to the significant fall in the volume of transactions. Until recently residential property values nationally have been falling, although the extent of any decline varies by property type and location. The lack of market transactions means that the speed with which values are moving is very difficult to assess. As a result, we are needing to place a high degree of reliance upon our professional judgement in arriving at our opinion of value.

The Properties contained within this valuation have been valued using the residual method, which is the generally accepted method for valuing properties with development potential where there is little or no comparable evidence of sales of similar properties, combined with our professional judgement. The residual method requires the input of a large amount of data, which is rarely absolute or precise, coupled with making a large number of assumptions. Small changes in any of the inputs can cumulatively lead to a large change in the land value. Some of these inputs can be assessed with reasonable objectivity, but others present great difficulty.

## **12 Disclosure**

We confirm that Knight Frank LLP is appointed by the Company as External Valuers, as defined in the RICS Valuation Standards as being “a valuer who, together with any associates, has no material links with the client, an agent acting on behalf of the client, or the subject of the assignment”. We do not act as retained valuers on behalf of the Company to undertake regular valuations on their behalf.

We further confirm that, in relation to Knight Frank LLP’s preceding financial year, the proportion of the total fees paid by the Company to the total fee income of Knight Frank LLP was less than 5 per cent. We recognise and support the RICS Rules of Conduct and have established procedures for identifying conflicts of interest.

We do not consider that any conflict of interest arises for us in preparing this Valuation Report, and the Company has confirmed to us that it also considers this to be the case.

We confirm that we do not have any material interest in the Company or any of the Properties.

## **13 Responsibility**

This Valuation Report has been prepared for inclusion in the Prospectus and may not be reproduced or used in connection with any other purpose without our prior consent.

Save for any responsibility arising under Prospectus Rule 5.5.3R(2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such person as a result of, arising out of, or in accordance with this Valuation Report or our statement, required by and given solely for the purposes of complying with Annex I item 23.1 of the Prospectus Directive Regulation, consenting to its inclusion in the Prospectus.

For the purpose of Prospectus Rule 5.5.3R(2)(f), we accept responsibility for the information within this Valuation Report and declare that we have taken all reasonable care to ensure that the information contained in this Valuation Report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with Annex I item 1.2 of the Prospectus Directive Regulation.

Yours faithfully

**Elaine M Tooke BSc (Hons) MRICS**

**Partner, Residential Development Valuations**

**For and on behalf of Knight Frank LLP**

Schedule 1: The Properties

<u>Property</u>	<u>Location &amp; Description</u>	<u>Planning &amp; Development Proposals</u>	<u>Market Value as at 8 September 2009</u>	<u>Market Value on Special Assumption as at 8 September 2009 (Important—see S.11 Notes on Valuation)</u>	<u>Comments</u>
<b>Hayes Road, Cadishead, Manchester M44 5BU</b>	<p>A site comprising some 8.12 acres, approximately half of 16.21 acres of remediated former chemical works land. The majority of the site is bare ground, or rubble.</p> <p>To the south-east of the site runs the Cadishead bypass (Cadishead Way), to the northern boundary is the line of a former mineral railway, there is a former haulage yard to the south-west and Cadishead Park to the north-west.</p>	<p>Outline planning consents dated November 2005 and March 2009 exist over the 16.21 acre site for 392 units, comprising 182 houses and 210 apartments, with no affordable housing, and a signed Section 106 agreement.</p> <p>A revised planning application will be submitted on the 8.12 acres for 127 units, mainly 2 &amp; 3 bedroom housing with some 4 bed detached housing and 2 bed apartments. A revised Section 106 agreement will need to be negotiated.</p>	£3,700,000	£4,000,000	<p>The Market Value is based on outline planning consent for the entire site and a signed Section 106 agreement.</p> <p>For the basis of Market Value on the special assumption, we have assumed that detailed planning exists on the 8.12 acres only for 127 units with no affordable housing provision, and a signed Section 106 agreement. A new access has been granted off Cadishead Way.</p> <p>We have assumed that all units will be sold on long leasehold basis and we have valued the reversionary interest.</p> <p>Both our valuations of this formerly heavily contaminated site assume that it has been satisfactorily remediated and that there are no further issues in this respect.</p>

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<b>Sykes Mill, Club Lane, Illingworth, Halifax HX2 8AE</b>	<p>A site comprising a gross area of some 6.61 acres of remediated former industrial land. The site is in a predominantly residential area with some business use to the south-east end.</p> <p>On the line of the northern boundary is the railway tunnel and cutting. The tunnel and entry are excluded from this ownership.</p>	<p>Outline planning permission was granted on 17<sup>th</sup> April 2008 for residential development with an unspecified number of dwellings and there is a signed Section 106 agreement.</p> <p>The Company's proposal is for 89 units comprising 2, 3 &amp; 4 bedroom private housing and 13, 2 bed affordable housing apartments. No detailed application has been submitted.</p>	£ 500,000	£ 800,000	<p>The Market Value is based on the current planning status of the site.</p> <p>The Market Value on the special assumption assumes that the site has detailed planning consent and a signed Section 106 agreement for an 89 unit scheme as at the date of valuation.</p> <p>Both of our valuations of this formerly contaminated site assume that it has been satisfactorily remediated and that there are no further issues in this respect.</p>
<b>The Hollies Farm, School Lane, Hartford, Northwich, Cheshire, CW8 1PG</b>	<p>The site comprises approximately 2.65 acres and is occupied by a farmhouse with a number of outbuildings forming a courtyard, plus associated garden and orchard.</p> <p>The immediate area comprises low-density, high value housing.</p>	<p>No planning permission exists for residential development and the site is not allocated, but lies within the Hartford development boundary. The farmhouse is identified as a building of local historic interest.</p> <p>A detailed planning application will be submitted for</p>	£1,300,000	£1,900,000	<p>The farmhouse was occupied at the date of inspection and it is understood from the Company that this is by a previous vendor.</p> <p>We have assumed vacant possession for both valuations.</p> <p>The Market Value reflects an element of 'hope value' for residential</p>

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		<p>13, 4 &amp; 5 bed detached private units, retention and refurbishment of the farmhouse and 6, 2 bed affordable housing apartments.</p> <p>Planning permission would be subject to a Section 106 agreement.</p>			<p>development on the site, that a prospective purchaser would pay in the market.</p> <p>The Market Value on the special assumption assumes detailed planning consent for the proposed scheme and a signed Section 106 Agreement, as at the date of valuation.</p> <p>An overage provision is in place for the benefit of a previous vendor., which we have accounted for in both our valuations.</p>
<b>Former Sigmacast Site, Upper Church Lane, Tipton, DY4 9PA</b>	<p>A site comprising some 8.21 acres. Demolition of the former foundary buildings is nearing completion. We understand from the Company that the site is contaminated. No remediation works have commenced.</p> <p>The immediate area is predominantly a mixture of</p>	<p>Outline planning permission was granted on 17<sup>th</sup> August 2009 for the development of up to 121 dwellings, as the first phase of a wider redevelopment. The Section 106 agreement was signed on 10<sup>th</sup> September 2009 and will include a provision for 5% affordable housing.</p> <p>The proposed development</p>	£800,000	£800,000	<p>The Market Value is based on a planning permission issued for 121 units and a signed Section 106 agreement.</p> <p>The Market Value on the special assumption is based on a detailed planning consent and signed Section 106 agreement for the proposed scheme, as at the date of valuation.</p>



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	residential and industrial uses. The site forms part of a planned wider redevelopment of the area, for mainly residential use.	comprises 120, 2 to 4 bed houses, including 6 affordable units.			Our valuations have taken into account the remediation costs provided by the Company.
<b>Former Capewell Works Site, Sommerfeld Road, Trench Lock, Telford, TF1 5ST</b>	<p>A cleared site of approximately 23.1 acres in a historically industrial area, although now there is significant residential development taking place.</p> <p>The site was previously a former foundary, gas works and rubber works. We understand from the Company that the site is contaminated. No remediation works have commenced.</p>	<p>An outline application has been submitted for the development of up to 350 dwellings and Section 106 agreement negotiations are at an advanced stage.</p> <p>Planning consent and a signed Section 106 agreement are anticipated in October 2009.</p>	£3,800,000	£4,800,000	<p>The Market Value is based on 'hope value' for residential development consent which a potential purchaser would pay for in the market.</p> <p>The Market Value on the special assumption assumes detailed planning permission and signed Section 106 agreement, with no affordable housing provision, as at the date of valuation.</p> <p>Our valuations have taken into account the remediation costs provided by the Company.</p>

## PART X TAXATION

### 1 UK

The following statements are intended only as a general guide to certain limited UK tax considerations and do not purport to be a complete analysis of all potential UK tax consequences of acquiring, holding or disposing of New Shares, Nil Paid Rights or Fully Paid Rights and are not a substitute for detailed tax advice.

The following statements relate to the position under current UK law and HMRC practice as at the date of this document both of which are subject to change at any time, possibly with retrospective effect. They relate only to certain limited aspects of the UK taxation treatment of holders of the Existing Shares and apply only to persons who are resident (and, in the case of individuals only, ordinarily resident and domiciled) solely in the UK for UK tax purposes (except insofar as express reference is made to the treatment of non-UK residents), who hold Existing Shares as an investment (other than under an individual savings account), and who are the absolute beneficial owners thereof. They may not apply to (i) certain categories of Shareholders, such as traders, dealers in securities, broker-dealers, insurance companies and collective investment schemes, (ii) Shareholders who hold their Existing Shares as a part of hedging or conversion transactions, (iii) Shareholders who are exempt from taxation, (iv) Shareholders who have (or are deemed to have) acquired their Existing Shares by virtue of or in connection with their or another person's former, current or prospective office or employment, or (v) Shareholders who transfer or hold their Existing Shares pursuant to a repo or a stock lending arrangement. Such persons may be subject to special rules.

**Any person who is in any doubt as to their tax position (including, without limitation, the application to their shares of any tax regime in a jurisdiction outside the UK), or who is or may be resident or otherwise subject to taxation in any jurisdiction other than the UK, should consult their own professional adviser.**

#### *1.1 Taxation of chargeable gains*

##### *New Shares acquired pursuant to the Rights Issue*

For the purposes of CGT, the issue of the New Shares by the Company to Shareholders who take up their rights should be regarded as a reorganisation of the share capital of the Company.

Accordingly, you should not be treated as making a disposal of all or part of your holding of Existing Shares by reason of taking up all or part of your rights under the Rights Issue to New Shares. No immediate liability to CGT should arise if you take up your entitlement to New Shares in full.

Instead your New Shares and the Existing Shares in respect of which they are acquired should be treated as the same asset and as having been acquired at the time you acquired your Existing Shares. The amount paid for your New Shares will be added to the base cost of your total holding of Shares for the purpose of computing any gain or loss on a subsequent disposal by you of any shares comprised in your new total holding.

##### *Disposals*

If you sell or otherwise dispose of all or some of the New Shares allotted to you, or your rights to acquire them, or if you allow or are deemed to have allowed your rights to lapse and receive a cash payment in respect of them, you may, depending on your circumstances, incur a liability to tax on any capital gain realised.

However, if the proceeds resulting from the disposal of your rights to acquire New Shares or the lapse of rights are "small" as compared to the value (on the date of the disposal or lapse) of the Existing Shares in respect of which the rights arose, you should not generally be treated as making a disposal for CGT purposes. The proceeds will instead be deducted from the base cost of your holding of Existing Shares for the purposes of computing any chargeable gain or allowable loss on a subsequent disposal. The current practice of HMRC is to apply this treatment where either (i) the proceeds of the disposal or lapse of rights do not exceed 5 per cent. of the value (at the date of the disposal or lapse) of the Existing Shares in respect of which the rights arose or (ii) the amount of the proceeds is £3,000 or less, regardless of whether the 5 per cent. test is satisfied. This treatment will not apply where such proceeds are greater than the base cost of the Existing Shares for the purposes of CGT.

In the case of a shareholder within the charge to UK corporation tax, indexation allowance will apply to the amount paid for the New Shares only from, generally, the date the acquisition monies for the New Shares are paid (or liable to be paid), not from the time the original holding was acquired.

Subject to the availability of any exemptions, reliefs and/or allowable losses, individuals, trustees and personal representatives, will generally be subject to capital gains tax at a flat rate of 18 per cent., with no taper relief or indexation allowance. These rules do not affect holders within the charge to UK corporation tax in respect of their chargeable gains.

#### *Non-UK tax resident shareholders*

Subject to the provisions set out below in relation to temporary non-residents, Shareholders who are not resident or ordinarily resident in the UK will not normally be liable to CGT on the disposal or deemed disposal of New Shares unless they carry on a trade, profession or vocation in the UK through a branch or agency (in the case of an individual Shareholder) or through a permanent establishment (in the case of a Shareholder within the charge to UK corporation tax) in connection with which the New Shares are held.

An individual shareholder who has ceased to be resident or ordinarily resident for tax purposes in the UK for a period of less than five years of assessment and who disposes of all or part of his New Shares during that period of temporary non-residence may be liable on his return to the UK to CGT on disposals made during the period of absence, subject to any available loss, exemption or relief, unless the New Shares were treated as acquired during the same period of non-residence and certain other conditions are satisfied.

#### **1.2 UK Stamp duty and SDRT**

- (a) Subject to the points in the following sections, no stamp duty or SDRT will generally be payable on the issue of Provisional Allotment Letters or split Provisional Allotment Letters in respect of the New Shares or on the issue of definitive share certificates or on the crediting of Nil Paid Rights or Fully Paid Rights to stock accounts in CREST. Accordingly, where New Shares represented by such documents or rights are registered in the name of the Shareholder entitled to such New Shares or New Shares are credited in uncertificated form to CREST accounts for the benefit of such a Shareholder, no liability to stamp duty or SDRT will arise.
- (b) Persons who purchase (or are treated as purchasing) rights to New Shares represented by Provisional Allotment Letters or split Provisional Allotment Letters (whether nil paid or fully paid) or Nil Paid Rights or Fully Paid Rights within CREST on or before the latest time for registration or renunciation will not generally be liable to stamp duty, but the purchaser will normally be liable to pay SDRT at the rate of 0.5 per cent. of the actual consideration paid. Where such a purchase of rights represented by a PAL or a split PAL is effected through a stockbroker or other financial intermediary, that person will normally account to HMRC for the SDRT and should indicate that this has been done in any contract note issued to a purchaser. In other cases, the purchaser of the rights to the New Shares represented by the Provisional Allotment Letter or the split Provisional Allotment Letter is liable to pay the SDRT and must account for it to HMRC. In the case of transfers of Nil Paid Rights or Fully Paid Rights within CREST, any SDRT due will be collected through CREST in accordance with the CREST rules.
- (c) No stamp duty or SDRT will be payable on the registration or renunciation of Provisional Allotment Letters or of split Provisional Allotment Letters, whether by the original holders or their renounees.
- (d) Where New Shares are issued or transferred (i) to, or to a nominee or (in the case of stamp duty) an agent for, a person whose business is or includes the provision of clearance services or (ii) to, or to a nominee or agent for, a person whose business is or includes issuing depository receipts, stamp duty or SDRT will be payable at the higher rate of 1.5 per cent. of the amount or value of the consideration payable or, in certain circumstances, the value of the New Shares (rounded up in the case of stamp duty to the nearest £5). This liability for stamp duty or SDRT will strictly be accountable by the clearance service or depository receipt operator or their nominee as the case may be, but will, in practice, generally be payable or reimbursed by the participants in the clearance service or depository receipt scheme. Clearance services may opt, provided certain conditions are satisfied, for normal stamp duty or SDRT treatment (0.5 per cent. of the amount or value of consideration given) to apply to issues or transfers of shares into, and to transactions within, such services instead of the higher rate of 1.5 per cent. applying to an issue or a transfer of shares into the clearance service. A case relating to the validity of the higher rate charge is proceeding before the European Court of Justice.
- (e) Save as mentioned in (d) above, the transfer on sale outside CREST of Existing Shares or New Shares will generally be liable to *ad valorem* stamp duty at the rate of 0.5 per cent. (rounded to the nearest multiple of £5) of the amount or value of the consideration paid. An exemption from stamp duty will be available on an instrument transferring New Shares where the amount or value of the consideration for the sale is £1,000 or

less, and it is certified on the instrument that the transaction effected by the instrument does not form part of a larger transaction or series of transactions for which the aggregate consideration exceeds £1,000. The purchaser normally pays the stamp duty. An unconditional agreement to transfer such shares will generally be liable to SDRT at the rate of 0.5 per cent. of the amount or value of the consideration paid, but such liability will be cancelled or a right to a repayment in respect of the SDRT liability will arise if the agreement is completed by a duly stamped transfer within six years of the date of the agreement or (if the agreement is conditional) the date when the agreement became unconditional. SDRT is normally the liability of the transferee or purchaser.

- (f) Paperless transfers of shares within the CREST system are generally liable to SDRT (at a rate of 0.5 per cent. of the amount or value of the consideration payable) rather than stamp duty, and SDRT on relevant transactions settled within the system or reported through it for regulatory purposes will be collected by CREST such SDRT generally being payable by the transferee or purchaser. Deposits of Shares into CREST will not generally be subject to stamp duty or SDRT unless the transfer into CREST is itself for consideration in money or money's worth.

**The statements in this paragraph apply to the relevant holders irrespective of their residence, summarise the current stamp duty and SDRT position and are intended as a general guide only. Certain categories of person are not liable to stamp duty or SDRT and others may be liable at a higher rate or may, although not primarily liable for SDRT, be required to notify and account for SDRT under the Stamp Duty Reserve Tax Regulations 1986.**

### *1.3 Taxation of Dividends*

The following may not apply if the Company pays dividends other than in cash.

The Company will not be required to withhold tax at source when paying a dividend.

A UK resident individual shareholder who receives a dividend from the Company will be entitled to a tax credit which may be set off against the shareholder's total income tax liability on the dividend. The tax credit will be equal to 10 per cent. of the aggregate of the dividend and the tax credit (the "gross dividend"), which is also equal to one-ninth of the cash dividend received. Such an individual UK resident shareholder who is liable to income tax at a rate not exceeding the basic rate will be subject to tax on the dividend at the rate of 10 per cent. of the gross dividend, so that the tax credit will satisfy in full such shareholder's liability to income tax on the dividend. In the case of such an individual shareholder who is liable to income tax at the higher rate, the tax credit will be set against but not fully match the shareholder's tax liability on the gross dividend and such shareholder will have to account for additional income tax equal to 22.5 per cent. of the gross dividend (which is also equal to 25 per cent. of the cash dividend received) to the extent that the gross dividend when treated as the top slice of the shareholder's income falls above the threshold for higher-rate income tax.

The UK Government has announced proposals to introduce, with effect from 6 April 2010, a new tax rate of 50 per cent. for taxable income above £150,000. Dividend income, which would otherwise be taxable at the new 50 per cent. rate, would, however, be liable to income tax at a new rate of 42.5 per cent. After taking into account the tax credit, Shareholders who are liable to tax on their dividend income at this rate will have to account for additional income tax equal to 32.5 per cent. of the gross dividend (which is also equal to 36.1 per cent. of the cash dividend received).

A UK resident individual shareholder who is not liable to income tax in respect of the gross dividend and other UK resident taxpayers who are generally not liable to UK tax on dividends, including pension funds and charities, will not be entitled to claim repayment of the tax credit attaching to dividends paid by the Company.

Shareholders who are within the charge to corporation tax will be subject to corporation tax on dividends paid by the Company, unless the dividends fall within an exempt class and certain other conditions are met. Whether an exempt class applies and whether the other conditions are met will depend on the circumstances of the particular shareholder, although it is expected that the dividends paid by the Company would normally be exempt. Such shareholders will not be able to claim repayment of tax credits attaching to dividends.

Non-UK resident shareholders will not generally be able to claim repayment from HMRC of any part of the tax credit attaching to dividends paid by the Company. A shareholder resident outside the UK may also be subject to foreign taxation on dividend income under local law. Shareholders who are not resident for tax purposes in the UK should obtain their own tax advice concerning tax liabilities on dividends received from the Company.

## 2 UNITED STATES

**TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, HOLDERS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF FEDERAL TAX ISSUES IN THIS DOCUMENT IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY HOLDERS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON HOLDERS UNDER THE INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS INCLUDED HEREIN BY THE COMPANY IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) BY THE COMPANY OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) HOLDERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.**

The following is a summary of certain material US federal income tax consequences of the receipt, exercise and disposition of Nil Paid Rights pursuant to the Rights Issue, as well as, the acquisition, ownership and disposition of Fully Paid Rights and New Shares by a US Holder (as defined below). This summary deals only with US Holders that will receive the Nil Paid Rights with respect to Existing Shares and that will hold the Nil Paid Rights, Fully Paid Rights and New Shares as capital assets. The discussion does not cover all aspects of US federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the receipt, exercise and disposition of Nil Paid Rights pursuant to the Rights Issue or the acquisition, ownership or disposition of Fully Paid Rights or New Shares by particular investors, and does not address state, local, foreign or other tax laws. This summary also does not address tax considerations applicable to investors that own (directly or indirectly) 10 per cent. or more of the voting stock of the Company, nor does this summary discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the US federal income tax laws (such as financial institutions, insurance companies, investors liable for the alternative minimum tax, individual retirement accounts and other tax-deferred accounts, tax-exempt organisations, dealers in securities or currencies, investors that will hold the Nil Paid Rights, Fully Paid Rights or New Shares as part of straddles, hedging transactions or conversion transactions for US federal income tax purposes or investors whose functional currency is not the US dollar).

As used herein, the term “US Holder” means a beneficial owner of Nil Paid Rights, Fully Paid Rights or New Shares that is, for US federal income tax purposes, (i) an individual citizen or resident of the United States; (ii) a corporation or other business entity treated as a corporation created or organised under the laws of the United States or any State thereof; (iii) an estate the income of which is subject to US federal income tax without regard to its source; or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more US persons have the authority to control all substantial decisions of the trust, or the trust has elected to be treated as a domestic trust for US federal income tax purposes.

The US federal income tax treatment of a partner in a partnership that holds Nil Paid Rights, Fully Paid Rights or New Shares will depend on the status of the partner and the activities of the partnership. Prospective purchasers that are partnerships should consult their tax advisers concerning the US federal income tax consequences to their partners of the acquisition, ownership and disposition of Nil Paid Rights, Fully Paid Rights or New Shares by the partnership.

The summary assumes that the Company is not a passive foreign investment company (a “PFIC”) for US federal income tax purposes, which the Company believes to be the case. The Company’s possible status as a PFIC must be determined annually and therefore may be subject to change. If the Company were to be a PFIC in any year, materially adverse consequences could result for US Holders.

The summary is based on the tax laws of the United States, including the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, as well as on the income tax treaty between the United States and the United Kingdom (the “Treaty”), all as of the date hereof and all subject to change at any time, possibly with retroactive effect.

**THE SUMMARY OF US FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. ALL PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF OWNING THE NIL PAID RIGHTS, FULLY PAID RIGHTS OR NEW SHARES, INCLUDING THEIR ELIGIBILITY FOR THE BENEFITS OF THE TREATY AND THE APPLICABILITY AND EFFECT OF STATE, LOCAL, FOREIGN AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.**



## **Taxation in respect of Rights**

### ***Receipt of Nil Paid Rights***

The tax consequences of the receipt of Nil Paid Rights by a US Holder are not free from doubt. In particular, it is not clear whether the sale of New Shares by the Joint Bookrunners, and the remittance of the proceeds from that sale to certain US Holders whose Nil Paid Rights were not exercised, should be treated as a sale and distribution by the Company, or as a distribution of Nil Paid Rights by the Company and a subsequent sale of those Nil Paid Rights or the New Shares represented by those Nil Paid Rights by the relevant holders. If the sale and distribution were considered to be made by the Company, then the receipt of Nil Paid Rights would be taxable to US Holders as a dividend to the extent of the Company's current or accumulated earnings and profits, as described below under "Taxation in Respect of New Shares—Dividends". However, based on the particular facts relating to the Nil Paid Rights and the sale of New Shares by the Joint Bookrunners, we believe it is proper to take the position that a US Holder is not required to include any amount in income for US federal income tax purposes as a result of the receipt of the Nil Paid Rights. It is possible that the US Internal Revenue Service ("IRS") will take a contrary view and require a US Holder to include in income the fair market value of the Nil Paid Rights on the date of their distribution. The remainder of this discussion assumes that the receipt of the Nil Paid Rights will not be a taxable event for US federal income tax purposes.

If, on the date of receipt, the fair market value of Nil Paid Rights is less than 15 per cent. of the fair market value of the Existing Shares with respect to which Nil Paid Rights are received, Nil Paid Rights will be allocated a zero tax basis unless the US Holder affirmatively elects to allocate tax basis in proportion to the relative fair market values of the US Holder's Existing Shares and Nil Paid Rights received determined on the date of receipt. This election must be made in the US Holder's timely filed US federal income tax return for the taxable year in which the Nil Paid Rights are received, in respect of all Nil Paid Rights received by the US Holder, and is irrevocable.

If, on the date of receipt, the fair market value of Nil Paid Rights is 15 per cent. or more of the fair market value of the Existing Shares with respect to which the Nil Paid Rights are received, then, except as discussed below under "Expiration of Nil Paid Rights", the basis in the US Holder's Existing Shares must be allocated between the Existing Shares and Nil Paid Rights received in proportion to their fair market values determined on the date of receipt.

### ***Sale or other disposition of Nil Paid Rights***

Upon a sale or other disposition of Nil Paid Rights, a US Holder will generally recognise capital gain or loss equal to the difference, if any, between the US dollar value of the amount realised (as determined on the date of the sale or other disposition) and the US Holder's adjusted tax basis in the Nil Paid Rights. Any gain or loss will be US source, and will be long-term capital gain or loss, subject to the PFIC rules discussed below, if the US Holder's holding period in the Nil Paid Rights exceeds one year. A US Holder's holding period in the Nil Paid Rights will include the holding period in the Existing Shares with respect to which the Nil Paid Rights were distributed. However, subject to the PFIC rules discussed below, a US Holder's holding period in Fully Paid Rights will not include the holding period in the Existing Shares with respect to which the Nil Paid Rights were distributed.

A US Holder that receives a payment from the Joint Bookrunners on account of the sale of New Shares at a premium over the Issue Price will be treated either as having sold the Nil Paid Rights (as described above) or as having exercised the Nil Paid Rights and sold the New Shares. A US Holder that is treated as having sold the New Shares will recognise a short term capital gain or loss as described under "Taxation in respect of New Shares—Sale or other disposition", regardless of the holding period of the Nil Paid Rights. A US Holder that receives such a payment should consult its own tax advisers about the US federal income tax treatment of those amounts.

### ***Expiration of Nil Paid Rights***

If a US Holder allows the Nil Paid Rights to expire without selling or exercising them and does not receive any proceeds, the holder will not recognise any loss upon the expiration of the Nil Paid Rights, and the holder will not be entitled to allocate any basis to the Nil Paid Rights.

### ***Exercise of Nil Paid Rights***

A US Holder will not recognise taxable income upon the receipt of Fully Paid Rights pursuant to the exercise of Nil Paid Rights or upon the receipt of New Shares acquired through Fully Paid Rights. A US Holder's



basis in the Fully Paid Rights and subsequently the New Shares will equal the sum of the US dollar value of the Issue Price determined at the spot rate on the date of exercise and the US Holder's basis, if any, in the Nil Paid Rights exercised. Subject to the PFIC rules discussed below, a US Holder's holding period in each New Share acquired through the exercise of a Right will begin with and include the date of exercise.

## **Taxation in respect of New Shares**

### ***Dividends***

#### *General*

Subject to the PFIC rules discussed below, distributions paid by the Company out of current or accumulated earnings and profits (as determined for US federal income tax purposes) will generally be taxable to a US Holder as foreign source dividend income, and will not be eligible for the dividends received deduction allowed to corporations. Distributions in excess of current and accumulated earnings and profits will be treated as a non-taxable return of capital to the extent of the US Holder's basis in the New Shares and thereafter as capital gain. However, the Company does not maintain calculations of its earnings and profits in accordance with US federal income tax accounting principles. US Holders should therefore assume that any distribution by the Company with respect to New Shares will constitute ordinary dividend income. US Holders should consult their own tax advisors with respect to the appropriate US federal income tax treatment of any distribution received from the Company.

For taxable years that begin before 2011, dividends paid by the Company will generally be taxable to a non-corporate US Holder at the special reduced rate normally applicable to long-term capital gains, provided the Company qualifies for the benefits of the Treaty, which the Company currently believes to be the case. A US Holder will be eligible for this reduced rate only if it has held the New Shares for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date. A US Holder will not be able to claim the reduced rate for any year in which the Company is treated as a PFIC or following any year in which the Company is treated as a PFIC. See "Passive Foreign Investment Company Considerations" below.

Prospective purchasers should consult their tax advisers concerning the applicability of the foreign tax credit and source of income rules to dividends on the New Shares.

#### *Foreign currency dividends*

Dividends paid in pounds sterling will be included in income in a US dollar amount calculated by reference to the exchange rate in effect on the day the dividends are received by the US Holder, regardless of whether the pounds sterling are converted into US dollars at that time. If dividends received in pounds sterling are converted into US dollars on the day they are received, the US Holder generally will not be required to recognise foreign currency gain or loss in respect of the dividend income. Any gain or loss recognised on a sale or other disposition of pounds sterling will be US source ordinary income or loss.

#### *Sale or other disposition*

Upon a sale or other disposition of New Shares, a US Holder generally will recognise capital gain or loss for US federal income tax purposes equal to the difference, if any, between the amount realised on the sale or other disposition and the US Holder's adjusted tax basis in the New Shares. This capital gain or loss will be long-term capital gain or loss if the US Holder's holding period in the New Shares exceeds one year. However, regardless of a US Holder's actual holding period, any loss may be long-term capital loss to the extent the US Holder receives a dividend that qualifies for the reduced rate described above under "Dividends—General", and exceeds 10 per cent. of the US Holder's basis in its New Shares. Any gain or loss will generally be US source.

A US Holder's tax basis in a New Share will generally be its US dollar cost plus any adjusted basis in the Nil Paid Rights as discussed under the title "Receipt of Nil Paid Rights". The US dollar cost of a New Share purchased with foreign currency will generally be the US dollar value of the purchase price on the date of purchase, or the settlement date for the purchase, in the case of New Shares traded on an established securities market, as defined in the applicable Treasury Regulations, that are purchased by a cash basis US Holder (or an accrual basis US Holder that so elects). Such an election by an accrual basis US Holder must be applied consistently from year to year and cannot be revoked without the consent of the IRS. The amount realised on a sale or other disposition of New Shares for an amount in foreign currency will be the US dollar value of this amount on the date of sale or disposition. On the settlement date, the US Holder will recognise US source foreign currency gain or loss (taxable as ordinary income or loss) equal to the difference (if any) between the US dollar

value of the amount received based on the exchange rates in effect on the date of sale or other disposition and the settlement date. However, in the case of New Shares traded on an established securities market that are sold by a cash basis US Holder (or an accrual basis US Holder that so elects), the amount realised will be based on the exchange rate in effect on the settlement date for the sale, and no exchange gain or loss will be recognised at that time.

### ***Disposition of foreign currency***

Foreign currency received on the sale or other disposition of a New Share will have a tax basis equal to its US dollar value on the settlement date. Foreign currency that is purchased will generally have a tax basis equal to the US dollar value of the foreign currency on the date of purchase. Any gain or loss recognised on a sale or other disposition of a foreign currency (including its use to purchase New Shares or upon exchange for US dollars) will be US source ordinary income or loss.

### ***Passive Foreign Investment Company Considerations***

A foreign corporation will be a PFIC in any taxable year in which, after taking into account the income and assets of the corporation and certain subsidiaries pursuant to applicable “look-through rules,” either (i) at least 75 per cent. of its gross income is “passive income” or (ii) at least 50 per cent. of the average value of its assets is attributable to assets which produce passive income or are held for the production of passive income. The Company does not believe that it should be treated as, and does not expect to become, a PFIC for US federal income tax purposes, but the application of the PFIC rules to the Company’s particular circumstances is not entirely clear and therefore this determination may not be entirely free from doubt. Moreover, the Company’s possible status as a PFIC must be determined annually and therefore may be subject to change. This determination will depend in part on whether the Company continues to earn substantial amounts of gross income from its active operations, as well as on the market valuation of the Company’s assets and the Company’s spending schedule for its cash balances and the proceeds of the Rights Issue. If the Company were to be treated as a PFIC, US Holders of Shares would be required (i) to pay a special US addition to tax on certain distributions and gains on the sale of Shares (or sales of Nil Paid Rights or Fully Paid Rights) and (ii) to pay tax on any gain from the sale of Shares (or Nil Paid Rights or Fully Paid Rights) at ordinary income (rather than capital gains) rates in addition to paying the special addition to tax on this gain. For this purpose, the holding period of a Fully Paid Right or New Share acquired through the exercise of a Nil Paid Right will include the holding period of the Nil Paid Right, which will include the holding period for the Existing Shares with respect to which the Nil Paid Rights are distributed. Additionally, dividends paid by the Company would not be eligible for the special reduced rate of tax described above under “Dividends-General”. Prospective purchasers should consult their tax advisers regarding the potential application of the PFIC regime.

### ***Backup withholding and information reporting***

Payments of dividends and other proceeds with respect to New Shares, by a US paying agent or other US intermediary, will be reported to the IRS and to the US Holder as may be required under applicable regulations. Backup withholding may apply to these payments if the US Holder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to report all interest and dividends required to be shown on its US federal income tax returns. Certain US Holders (including, among others, corporations) are not subject to backup withholding. US Holders should consult their tax advisers as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption.

### ***Form 926 Reporting to IRS***

In general, US Holders that transfer cash to the Company for New Shares may be required to file Form 926 with the IRS and to supply certain additional information to the IRS if the transfer, when aggregated with all related transfers under applicable regulations, exceeds U.S.\$100,000 (or its equivalent). Accordingly, US Holders should consult their own tax advisors with respect to whether they should file Form 926. In the event a US Holder that is required to file such form fails to file such form, the US Holder could be subject to a penalty equal to 10 per cent. of the gross amount paid for the New Shares (subject to a maximum penalty of US\$100,000, except in cases of intentional disregard).

**PART XI**  
**ADDITIONAL INFORMATION**

**1 Responsibility**

The Company and the Directors, whose names are set out on page 29 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

**2 Incorporation and registered office**

- 2.1 Redrow was incorporated and registered in England and Wales on 2 December 1993 under the Companies Act 1985 as a private limited liability company under the name Purgrove Limited. On 10 February 1994, it changed its legal form to a public limited company and its name to Redrow Group Plc. Finally, on 16 October 2000, it changed its name to Redrow plc. The Company is registered under company number 02877315.
- 2.2 The Company's registered office is at Redrow House, St. Davids Park, Flintshire, CH5 3RX and the telephone number is 01244 520044.
- 2.3 The principal laws and legislation under which the Company operates, and under which the Ordinary Shares have been created, are the Companies Act and regulations made thereunder.

**3 Redrow's share capital**

- 3.1 As at 22 September 2009 (being the latest practicable date prior to the publication of this document), the authorised, issued, called up and fully paid share capital of the Company was as follows:

	<u>Authorised</u>		<u>Issued and fully paid</u>	
	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>
<b>Ordinary Shares</b> .....	330,000,000	£33,000,000	160,014,298	£16,001,430

- 3.2 The authorised, issued and fully paid ordinary share capital of the Company immediately following completion of the Rights Issue<sup>(i)</sup> is expected to be as follows:

	<u>Authorised</u>		<u>Issued and fully paid</u>	
	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>
<b>Class of Share</b> .....	480,000,000	£48,000,000	308,599,003	£30,859,900

Note:

- (i) The number of Ordinary Shares in issue immediately following the Rights Issue assumes that no options are exercised under the Redrow Employee Share Plans between 22 September 2009 (being the latest practicable date prior to the publication of this document) and the closing of the Rights Issue.
- 3.3 Save as disclosed in paragraph 3.5, between 1 July 2009 and 22 September 2009 (being the latest practicable date prior to the publication of this document) there has been no issue of ordinary share capital of Redrow, fully or partly paid, either in cash or for other consideration, and (other than in connection with the Rights Issue) no such issues are proposed. No ordinary share capital of Redrow or any of its subsidiaries is under option or agreed conditionally or unconditionally to be put under option.
- 3.4 The number of Ordinary Shares outstanding at the beginning and end of the last financial year was as follows:

<u>Date</u>	<u>Authorised</u>	<u>Issued and fully paid</u>
	(Ordinary Shares)	
1 July 2008 .....	330,000,000	160,012,013
30 June 2009 .....	330,000,000	160,012,548

### 3.5 History of ordinary share capital

#### Authorised ordinary share capital

As at 1 July 2006, the first day covered by the historical financial information incorporated by reference into this document, the authorised ordinary share capital of the Company was £33,000,000, divided into 330,000,000 ordinary shares of 10p. From 2 July 2006 until 22 September 2009 (the latest practicable date prior to the publication of this document), there have been no further changes to the Company's authorised share capital.

#### Issued ordinary share capital

As at 1 July 2006, the first day covered by the historical financial information incorporated by reference into this document, 159,554,715 ordinary shares were issued and fully paid up. Since 1 July 2006, during the period covered by the historical financial information in this document, the following changes have occurred to the issued share capital of the Company:

#### During the year ended 30 June 2007

<u>Ordinary Shares</u>	<u>Issued share capital</u>	
	<u>Number of shares</u>	<u>Nominal value</u>
		(£)
As at 1 July 2006 .....	159,554,715	15,955,472
Issues of Redrow ordinary shares under share options exercised SAYE .....	272,324	27,232
At 30 June 2007 .....	159,827,039	15,982,704

#### During the year ended 30 June 2008

<u>Ordinary Shares</u>	<u>Issued share capital</u>	
	<u>Number of shares</u>	<u>Nominal value</u>
		(£)
As at 1 July 2007 .....	159,827,039	15,982,704
Issues of Redrow ordinary shares under share options exercised SAYE .....	184,974	18,497
At 30 June 2008 .....	160,012,013	16,001,201

#### During the year ended 30 June 2009

<u>Ordinary Shares</u>	<u>Issued share capital</u>	
	<u>Number of shares</u>	<u>Nominal value</u>
		(£)
As at 1 July 2008 .....	160,012,013	16,001,201
Issues of Redrow ordinary shares under share options exercised SAYE .....	535	54
At 30 June 2009 .....	160,012,548	16,001,255

#### During the period since 1 July 2009

<u>Ordinary Shares</u>	<u>Issued share capital</u>	
	<u>Number of shares</u>	<u>Nominal value</u>
		(£)
As at 1 July 2009 .....	160,012,548	16,001,255
Issues of Redrow ordinary shares under share options exercised SAYE .....	1,750	175
At 22 September 2009 <sup>(i)</sup> .....	160,014,298	16,001,430

Note:

(i) 22 September 2009 being the last practicable date prior to publication of this document.

## 4 Memorandum and Articles of Association

The Memorandum and Articles of Association are available for inspection at the address specified in paragraph 2 of this Part XI.

#### **4.1 Memorandum of Association**

The Memorandum of Association of the Company grants wide powers for the Company which include (among other things) that the main objects for which the Company is formed and incorporated is to act as a holding company in its all branches and to acquire, by purchase, lease, concession, grant, licence or otherwise such lands, buildings, leases, underleases, rights, privileges, stocks, shares, debentures, debenture stock, bonds, obligations, or securities of any government, state or authority or any public or private company, corporate or unincorporated policies of assurance and such other property and rights and interest in the property as the Company shall deem fit whether the acquisition of any such property or investment is calculated to produce gain or loss, but so that the Company shall not have the power to deal or traffic in lands, buildings, leases, underleases, policies of life assurance or other of its property real or personal or assets, but may acquire the same for the purposes of investment only and with a view to receiving the income therefrom.

The objects of the Company are set out in full in clause 4 of the Memorandum of Association of the Company.

#### **4.2 Articles of Association**

The Articles of Association, adopted pursuant to a special resolution passed at the Company's annual general meeting on 8 April 1994 and amended by special resolutions passed at annual general meetings held on 28 November 1996, 8 November 1999, 5 November 2003 and 7 November 2007, contain provisions to the following effect:

##### **4.2.1 Dividends**

Unless the rights attached to shares provide otherwise, all dividends shall be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. Any dividend unclaimed after a period of 12 years from the date it became payable will be forfeited and revert to the Company.

The Directors may (when authorised by ordinary resolution of the Company) offer ordinary shareholders the right to receive in lieu of cash in respect of such dividend (or part thereof) an allotment of new ordinary shares credited as fully paid.

##### **4.2.2 Distribution of assets on winding up**

In the event of the Company being wound up, the liquidator may with the authority of a special resolution divide among the members *in specie* or kind the whole or any part of the assets of the Company. The liquidator may set the value on any one class and determine how the division shall be carried out between the members or different classes of members.

##### **4.2.3 Voting**

Subject to the Articles and to any special rights or restrictions attached to voting of any class of shares, on a show of hands, every member who is entitled to vote, being an individual is present in person or by proxy shall have one vote. On a poll every member who is present in person or by proxy shall have one vote for every share of which he is the holder.

In the case of joint holders of a share the vote of the senior (determined by the order in which the names stand in the Register) who tenders a vote either in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders.

No member shall be entitled to vote either personally or by proxy at a shareholders' meeting if any call or other sum presently payable by him to the Company in respect of that share remains unpaid.

##### **4.2.4 Variation of class rights**

Rights attached to any class of shares may be varied or abrogated in such manner (if any) as may be provided by those rights, or in the absence of any provision, either with the written consent of the holders of not less than three-fourths in nominal value of the issued shares of that class, or the sanction of a special resolution passed at a separate general meeting of the holders of those shares.

#### 4.2.5 *Issue of shares*

The Company may offer, allot, grant options over or otherwise dispose of the unissued share capital of the Company to such persons, at such times and for such consideration and upon such terms and conditions as the Board may determine.

#### 4.2.6 *Alteration of share capital*

- (a) The Company may by ordinary resolution increase its capital, consolidate all or any of its share capital into shares of larger amount than its existing shares, sub-divide all or any of its shares into shares of smaller amount and cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person.
- (b) Subject to the provisions of the Statutes, the Company may by special resolution reduce its share capital or any capital redemption reserve, share premium account or other undistributable reserve in any manner.
- (c) Subject to the provisions of the Statutes and subject to any resolution of the Company in general meeting passed pursuant thereto, all unissued shares shall be at the disposal of the Directors.
- (d) Subject to the provisions of the Statutes, with the sanction of a special resolution, the Company may issue any shares which are, or at the option of the Company or the holder are liable, to be redeemed on such terms and in such manner as the Company before the issue thereof may by special resolution determine.
- (e) Subject to the provisions of the Statutes, the Company may purchase its own shares (including redeemable shares) at any price.

#### 4.2.7 *Transfer of shares*

All transfers of shares which are in certificated form may be effected by transfer in writing in any usual or in any other form acceptable to the directors. The instrument of transfer of a certificated share shall be signed by or on behalf of the transferor and (except in the case of fully-paid shares) by the transferee. The transferor shall remain the holder of the shares until the name of the transferee is entered in the Register in respect thereof. The Directors may (for certificated shares) in their absolute discretion, and without giving any reasons therefor, refuse to register any transfer of shares which is not fully paid provided that, where any such shares are admitted to the Official List of the London Stock Exchange, such discretion may not be exercised in any way as to prevent dealings in the shares of that class from taking place on an open and proper basis. The Directors may likewise refuse to recognise any instrument of transfer of shares in certificated form unless it is in respect of only one class of share, it is lodged at the registered office (or other place that the Board may determine from time to time) accompanied by the relevant share certificate and such other evidence as the directors may reasonably require to show the right of the transferor to make the transfer. The directors may also refuse to register an allotment or transfer of shares (whether fully-paid or not) in favour of more than four persons jointly or where the transfer is in respect of a share on which the Company has a lien. The registration of transfers may be suspended for any period by the Directors (not exceeding 30 days in any year) except that, in respect of any shares which are participating securities the consent of the operator of the relevant system for those shares will be required.

Subject to the Statutes and the rules (as defined in the CREST Regulations) any class of shares may be held in uncertificated form and title to shares may be transferred by means of a relevant system.

#### 4.2.8 *General Meetings*

No business shall be transacted at any general meeting unless a quorum (i.e. two persons entitled to attend and to vote on the business to be transacted, each being a member or a proxy for a member or in the case of a corporation by a duly authorised officer entitled to vote) is present when the meeting proceeds to business. Each Director shall be entitled to attend and speak at any general meeting. Any meeting which is not the Annual General Meeting will be an Extraordinary General Meeting.

### **5 Mandatory takeover bids, squeeze-out and sell-out rules**

Other than as provided by the Companies Act and the Takeover Code, there are no rules or provisions relating to mandatory bids and/or squeeze-out and sell-out rules in relation to the Ordinary Shares.



## 6 Directors of the Company

The Directors and their principal functions are as follows:

<u>Directors</u>	<u>Functions</u>
Steve Morgan	Chairman, acting in an executive capacity
David Arnold	Group Finance Director
John Tutte	Group Managing Director
Alan Jackson	Non-Executive Deputy Chairman, Senior Independent Director, Chairman of the Nomination and Corporate Responsibility Committees and member of the Audit and Remuneration Committees
Paul Hampden Smith	Non-Executive Director, Chairman of the Audit Committee and member of the Nomination and Remuneration Committees
Debbie Hewitt	Non-Executive Director, Chairman of the Remuneration Committee, and member of the Audit and Nomination Committees

Note:

The business address of each of the Directors is the Company's registered address at Redrow House, St David's Park, Flintshire CH5 3RX.

Brief biographical details of the Directors are as follows:

### **Steve Morgan** (age 56)

Position: Chairman, acting in an executive capacity

Steve Morgan, founder of Redrow in the 1970s, returned to Redrow in March 2009 bringing with him experience, knowledge of the housebuilding industry and enthusiasm, with a reputation for making key strategic decisions at the right times. Mr Morgan rejoined the Board as Deputy Chairman in March 2009 and became Chairman, acting in an executive capacity on 30 June 2009. His other business interests include Harrow Estates and Wolverhampton Wanderers Football Club.

<u>Company</u>	<u>Status (Current/Previous)</u>
Redrow plc	Current
Harrow Estates Plc	Current
Durcan Investments Limited	Current
Bridgemere UK Plc	Current
Development Finance Europe Public Limited Company	Current
Carden Group Limited	Current
Carden Leisure Limited	Current
Carden Park Hotel 2 Limited	Current
W.W. (1990) Limited	Current
Wolverhampton Wanderers Football Club (1986) Limited	Current
Wolverhampton Wanderers Properties Limited	Current
Bridgemere Development Capital Plc	Current
Trinity Aviation Limited	Current
Development Finance Europe Services Limited	Current
Bridgemere Estates Limited	Current
Bridgemere Properties Limited	Current
Bridgemere JV Limited	Current
Bridgemere Securities Limited	Current
Bridgemere Investments Limited	Current
Bridgemere Developments Limited	Current
Bridgemere Venture Capital Limited	Current
Danmere Limited	Current
Valentine Holdings Limited	Current
H1 Limited	Current
H2 Limited	Current

<u>Company</u>	<u>Status (Current/Previous)</u>
The Housing Forum Limited	Previous
De Vere Group Limited	Previous
Brentmen Limited	Previous
Shumbles Limited	Previous
Whelmar Homes Limited	Previous
Swift 1820 Limited	Previous
Lincross Developments Limited	Previous
Lincross Group Limited	Previous
Lincross Services Limited	Previous
Clwyd Historic Buildings Preservation Trust	Previous
Cyphercourt Limited	Previous
Goddencourt Limited	Previous
Lincross Investments Limited	Previous

### **David Arnold**

(age 43)

Position: Group Finance Director

A Fellow of the Chartered Institute of Management Accountants and the Association of Corporate Treasurers, David Arnold was appointed to the Board as Group Finance Director in September 2003. He joined Redrow in 2002 having previously held senior finance and treasury roles with Tarmac Plc and Six Continents plc.

<u>Company</u>	<u>Status (Current/Previous)</u>
Redrow plc	Current
Redrow Group Services Limited	Current
Redrow Homes Limited	Current
Redrow Land Limited	Current
Tay Homes (Western) Limited	Current
Debut Freeholds Limited	Current
Debut Management Company Limited	Current
Greycatch Limited	Current
Shorevision Limited	Current
Silvertrail Limited	Current
Waterchase Limited	Current
Redrow Corporate Services Limited	Current
Redrow Developments Limited	Current
Redrow Holdings Limited	Current
Boxbay Limited	Current
Cadmoore Limited	Current
Harwood House Sales (Midlands) Limited	Current
Harwood House Sales (North West) Limited	Current
Imagelines Limited	Current
Redrow (Shareplan) Limited	Current
Redrow Homes (2002) Limited	Current
Redrow House Sales (Lancashire) Limited	Current
Redrow House Sales (Loudwater) Limited	Current
Redrow House Sales (Midlands) Limited	Current
Redrow House Sales (Northern) Limited	Current
Redrow House Sales (Scotland) Limited	Current
Redrow House Sales (South Wales) Limited	Current
Redrow House Sales (SW) Limited	Current
Redrow House Sales (Waltham Cross) Limited	Current
Redrow House Sales (Yorkshire) Limited	Current
Redrow Western Approach (Plot 5000) Limited	Current
Redrow Western Approach (Plot 6000) Limited	Current
Sabretone Limited	Current
St. David's Park Limited	Current
Sharpdefinite Limited	Current
Shatterstrike Limited	Current
Redrow Construction Limited	Current
Leasemanco Limited	Previous
Framing Solutions Limited	Previous
Redrow Homes (Scotland 1995) Limited	Previous
Redrow Homes (Scotland) Limited	Previous

**John Tutte**

(age 53)

Position: Group Managing Director

John Tutte joined the Board of Redrow in July 2002. A qualified civil engineer, John has amassed more than 30 years' experience within the industry, having previously held the position as Chief Executive of Wilson Connolly plc. John was appointed Group Managing Director on 14 September 2009.

<u>Company</u>	<u>Status (Current/Previous)</u>
Redrow plc	Current
Redrow Homes Limited	Current
Tay Homes (Midlands) Limited	Current
Tay Homes (North West) Limited	Current
Redrow Homes (South Midlands) Limited	Current
Redrow Homes (Eastern) Limited	Current
Redrow Homes (South East) Limited	Current
Royal Park (Daventry) Management Company Limited	Current
Redrow Regeneration Plc	Current
Barking Central Management Company Limited	Current
Barking Central Management Company (No.2) Limited	Current
Redrow Regeneration (Barking) Limited	Current
The Waterford Park Company (Balmoral) Limited	Current
The Waterford Park Company Limited	Current
Redrow Homes (Midlands) Limited	Current
Redrow Homes (West Midlands) Limited	Current
Redrow Homes (East Midlands) Limited	Current
Redrow Homes (South East) Eastney Barracks Limited	Current
Redrow Homes (Southern) Limited	Current
Redrow Homes (Yorkshire) Limited	Current
Redrow Commercial Developments Limited	Current
Redrow Holdings Limited	Current
The Garden Village Partnership Limited	Previous
Pilgrims Landing Management Company Limited	Previous
Wilson Connolly Plc	Previous

**Alan Jackson**

(age 66)

Position: Non-Executive Deputy Chairman, Senior Independent Director, Chairman of the Nomination and Corporate Responsibility Committees and member of the Audit and Remuneration Committees

Appointed to the Board on 19th August 2009 Alan Jackson is Non-Executive Chairman of The Restaurant Group plc, Non-Executive Chairman of Luminar Group Holdings plc and a Non-Executive Director of Playtech plc. Alan is also on the board of several other non-public companies, including Charles Wells Limited.

Alan was formerly Managing Director of Whitbread Restaurants Limited, where he was responsible for the creation and development of the Beefeater, Travel Inns and TGI Friday brands. He founded Inn Business Group plc in 1995 which was subsequently acquired by Punch Taverns in 1999. He has also held Non-Executive Directorships in De Vere Group Limited and Regent Inns PLC.

<u>Company</u>	<u>Status (Current/Previous)</u>
Redrow plc	Current
Woodrow Farm Limited	Current
The Restaurant Group Plc	Current
Charles Wells Limited	Current
The Vale of Aylesbury with Garth and South Berks Hunt Limited	Current
Luminar Group Holdings Plc	Current
Playtech Plc	Current
De Vere Group Limited	Previous
The living room group limited	Previous
Regent Inns Plc	Previous
Strobe 2	Previous
Whitbread Restaurants Limited	Previous
Inn Business Group	Previous
Randalls Vautier (Jersey) Limited	Previous

**Paul Hampden Smith**

(age 48)

Position: Non-Executive Director, Chairman of the Audit Committee and member of the Nomination and Remuneration Committees

Appointed to the Board on 19th August 2009 Paul Hampden Smith is Group Finance Director of Travis Perkins plc, one of the UK's leading builders merchants and home improvement retailers. Paul has previously served as a Non-Executive Director of DX Services plc and Polestar UK Ltd.

<u>Company</u>	<u>Status (Current/Previous)</u>
Redrow plc	Current
Travis Perkins Trading Company Limited	Current
Travis Perkins Leasing Company Limited	Current
BMSS Limited	Current
A.G. Nunn & Co. Limited	Current
Benchmark Kitchens and Joinery Limited	Current
Broad & Co. Limited	Current
Broads Builders Merchants Limited	Current
Burt Boulton (Timber) Limited	Current
Grundy & Pilling Limited	Current
Masters & Skevens Limited	Current
Price & Brown (Heating) Limited	Current
Rontim Limited	Current
Sandell Perkins and Newmans Limited	Current
Sandell Smythe and Drayson Limited	Current
Travis & Arnold Limited	Current
Travis Perkins Marketing Company Limited	Current
Travis Perkins Quest Trustees Limited	Current
W.S. Shuttleworth (Slough) Limited	Current
W.S. Shuttleworth (Timber) Limited	Current
W.S.Shuttleworth (Maidenhead) Limited	Current
William Bloore & Son Limited	Current
Travis Perkins plc	Current
Travis Perkins (Properties) Limited	Current
D.W.Archer Limited	Current
Cobtree Nominees Limited	Current
W.H. Newson Holding Limited	Current
W.H.Newson & Sons Limited	Current
Peckham Timber and Builders Merchants Limited	Current
P.B. Rooksby Limited	Current
Swiftkit Limited	Current
Lord Street Building Supplies (Leigh) Limited	Current
Baird Lindsay Limited	Current
Blyth & Taylor (Builders Merchants) Limited	Current
Blyth & Taylor (Hants) Limited	Current
Edwards & Company (Longfield) Limited	Current
John H.Turner & Lisney, Limited	Current
Keyline (CML) Limited	Current
Keyline Builders Merchants Limited	Current
Monteith Building Services Limited	Current
Palpak Marketing Limited	Current
Gammon & Smith Limited	Current
Sharpe & Fisher (Building Supplies) Limited	Current
Sharpe & Fisher (Properties) Limited	Current
Sharpe & Fisher Limited	Current
Broombys Limited	Current
Blandford Builders & Decorators Merchants Limited	Current
Charles Cornish & Company Limited	Current
Edward Jones (Crowthorne) Ltd	Current
Goodlands Builders Merchants Limited	Current
Goodlands Building Supplies Limited	Current
Goodlands Coal Limited	Current
DX Services plc	Previous
Polestar UK Limited	Previous

**Debbie Hewitt**

(age 46)

Position: Non-Executive Director, Chairman of the Remuneration Committee, and member of the Audit and Nomination Committees

Appointed to the Board on 19th August 2009 Debbie Hewitt is a Non-Executive Director of Luminar plc, Mouchel plc, Domestic and General Group Holdings Limited, NCC plc, HR Owen plc and Moss Bros Group plc. She also sits on the Board of a Government department, the Office of Government Commerce.

She has previously held a variety of executive roles, including the role of Managing Director of RAC plc and was a Non-Executive Director of De Vere Group Limited and the Alumasc Group plc.

<u>Company</u>	<u>Status (Current/Previous)</u>
Redrow plc	Current
Recovery Industry Support Charity (RISC)	Current
Luminar Group Holdings plc	Current
Mouchel Group plc	Current
NCC plc	Current
HR Owen plc	Current
HPI Limited	Current
Moss Bros Group plc	Current
Domestic and General Group Holdings Limited	Current
BSM Limited	Previous
Scorpio Property Investments Limited	Previous
The British School of Motoring Limited	Previous
XEL Retail Group Limited	Previous
Heidi Car (UK) Limited	Previous
L H Mechanical Handling Limited	Previous
RAC Auto Windscreens Limited	Previous
RAC Brand Management Limited	Previous
RAC Commercial Assistance Limited	Previous
RAC Enterprises Limited	Previous
RAC Investments Limited	Previous
RAC Pension Trustees Limited	Previous
Auto Windscreens Group Limited	Previous
Heidi Car Sales Limited	Previous
Undershaft (No. 7) Limited	Previous
XEL Multipart Solutions Limited	Previous
L F (South) Limited	Previous
Undershaft (No. 10) Limited	Previous
RAC School Of Motoring Limited	Previous
XLG Service Limited	Previous
XEL Hydraulic Services Limited	Previous
XEL Industrial Machinery (Ireland)	Previous
Undershaft (No.5) Plc	Previous
RAC Recovery	Previous
J Coryton Limited	Previous
RAC Acquisitions	Previous
RAC Holdings Limited	Previous
XEL Retail (Europe) Limited	Previous
Morgan Brown Limited	Previous
Mss Automotive Services Limited	Previous
KCURT Limited	Previous
RAC Construction Limited	Previous
L B Mechanical Handling Limited	Previous
Lex Vehicle Leasing (Holdings) Limited	Previous
XEL Industrial Services Europe Limited	Previous

<u>Company</u>	<u>Status (Current/Previous)</u>
R.A.C. Motoring Services	Previous
XEL Employee Share Scheme Trustees Limited	Previous
RAC Plc	Previous
Lex Service Plc (Renamed RAC plc)	Previous
De Vere Group Limited	Previous
Nottingham Building Society	Previous
Royal Automobile Club Foundation for Motoring Limited	Previous
Alumasc Group plc	Previous

## 7 Directors' interests

Save as set out in paragraphs 7.1 and 7.2 below, no Director has any interests (beneficial or non-beneficial) in the share capital of the Company or any of its subsidiaries.

### 7.1 Directors' shareholdings

As at 22 September 2009 (being the latest practicable date prior to the publication of this document), the interests (all of which are beneficial unless otherwise stated) of the Directors (as well as their immediate families) in the share capital of the Company or (so far as is known or could with reasonable due diligence be ascertained by the relevant Director) interests of a person connected (within the meaning of Section 346 of the Companies Act) with a Director and the existence of which was known to or could, with reasonable diligence, be ascertained by the relevant Director as at 22 September 2009 together with such interests as are expected to be held immediately following completion of the Rights Issue are as follows:

	<u>As at 22 September 2009</u>		<u>Immediately following completion of the Rights Issue</u>	
	<u>Number of Existing Shares</u>	<u>Percentage of issued share capital<sup>(1)</sup></u>	<u>Number of Shares</u>	<u>Percentage of issued share capital<sup>(1)</sup></u>
Steve Morgan .....	47,878,380	29.92%	92,336,875	29.92%
David Arnold .....	24,015	0.02%	46,314	0.02%
John Tutte .....	59,998	0.04%	115,710	0.04%
Alan Jackson .....	—	—	—	—
Paul Hampden Smith .....	—	—	—	—
Debbie Hewitt .....	—	—	—	—

Footnotes:

(1) Percentages shown have been rounded to two decimal places.

Notes:

(a) None of the Directors, nor their spouses or minor children, hold non-beneficial interests in the ordinary shares of the Company.

### 7.2 Directors' options and awards

Redrow's Employee Share Schemes are described in more detail in paragraph 13 of this Part XI "Redrow's Employee Share Schemes". The options held by Directors are as follows:

#### 7.2.1 Save As You Earn scheme ("SAYE")

<u>Director</u>	<u>Scheme</u>	<u>Options held at 1 July 2008</u>	<u>Options granted in year</u>	<u>Options exercised in year</u>	<u>Options lapsed</u>	<u>Options held at 30 June 2009</u>	<u>Exercise Price £</u>	<u>From</u>	<u>To</u>
David Arnold .....	SAYE 2005	2,702	—	—	(2,702)	—	3.46	02/01/09	02/07/09
	SAYE 2008	—	6,859	—	—	6,859	1.40	01/01/12	01/07/12
		<u>2,702</u>	<u>6,859</u>	<u>—</u>	<u>(2,702)</u>	<u>6,859</u>			
John Tutte .....	SAYE 2007	3,232	—	—	(3,232)	—	2.97	01/01/11	01/07/11
	SAYE 2008	—	6,859	—	—	6,859	1.40	01/01/12	01/07/12
		<u>3,232</u>	<u>6,859</u>	<u>—</u>	<u>(3,232)</u>	<u>6,859</u>			



### 7.2.2 Long term share incentive scheme (“LTSIP”)

Director	Scheme	Options held at 1 July 2008	Options granted in year	Options exercised in year	Options lapsed	Options held at 30 June 2009	Exercise Price £	From	To
David Arnold . . . . .	LTSIP 2005	46,957	—	—	(46,957)	—		19/09/08	18/09/15
	LTSIP 2006	40,263	—	—	—	40,263		21/09/09	20/09/16
	LTSIP 2007	53,237	—	—	—	53,237		19/09/10	18/09/17
	LTSIP 2008	—	359,648	—	—	359,648		21/11/13	20/11/18
		<u>140,457</u>	<u>359,648</u>	<u>—</u>	<u>(46,957)</u>	<u>453,148</u>			
John Tutte . . . . .	LTSIP 2005	58,696	—	—	(58,696)	—		19/09/08	18/09/15
	LTSIP 2006	45,514	—	—	—	45,514		21/09/09	20/09/16
	LTSIP 2007	56,194	—	—	—	56,194		19/09/10	18/09/17
	LTSIP 2008	—	359,648	—	—	359,648		21/11/13	20/11/18
		<u>160,404</u>	<u>359,648</u>	<u>—</u>	<u>(58,696)</u>	<u>461,356</u>			

### 7.2.3 Company Share Option Plan (“CSOP”)

Director	Scheme	Options held at 1 July 2008	Options granted in year	Options exercised in year	Options lapsed	Options held at 30 June 2009	Exercise Price £	From	To
David Arnold . . . . .	CSOP 2008	—	18,292	—	—	18,292	1.64	21/11/13	20/11/18
		—	18,292	—	—	18,292			
John Tutte . . . . .	CSOP 2008	—	18,292	—	—	18,292	1.64	21/11/13	20/11/18
		—	18,292	—	—	18,292			

### 7.3 Directors’ interests in transactions

Other than in respect of the Harrow Estates Transaction, no Redrow Director has or has had any interest in any transaction which is or was unusual in its nature or conditions or is or was significant to the business of the Company and which was effected by any member of the Group in the current or immediately preceding financial year or which was effected during an earlier financial year and remains in any respect outstanding or unperformed.

There are no guarantees provided by any member of the Group for the benefit of the Directors.

Within the period of five years preceding the date of this document, none of the Directors:

- 7.3.1 has any convictions in relation to fraudulent offences;
- 7.3.2 has been a director or senior manager (who is relevant to establishing that a company has the appropriate expertise and experience for the management of that company) of any company at the time of any bankruptcy, receivership or liquidation of such company; or
- 7.3.3 has received any official public incrimination and/or sanction by any statutory or regulatory authorities (including designated professional bodies) or has been disqualified by a court from acting as a member of the administrative, management or supervisory bodies or a director of a company or from acting in the management or conduct of the affairs of a company.

### 7.4 Conflict of interest

Steve Morgan ultimately owns 29.9 per cent. of Redrow via Bridgemere and Durcan. Steve Morgan’s other interests include Harrow Estates. The similarity of the nature of Harrow Estates and Redrow’s business and the potential for competing interests meant that it was necessary for Mr Morgan’s contractual relationship with Redrow to be documented by the Relationship Agreement between the Company and Steve Morgan which regulates the ongoing relationship. The Relationship Agreement, which will continue in place following completion of the Harrow Estates Transaction, is discussed further in paragraph 16.2 of Part XI “Additional Information—Material Contracts”.

Directors have notified the board of all their directorships and other interests. It is not considered that any of these, other than as discussed above could result in a conflict of their duties to the Company.

Other than as disclosed in this paragraph 7.4, none of the Directors has any potential conflicts of interest between his duties to the Company and his private interests or other duties.

## 8 Remuneration details, Directors' service contracts and letters of appointment

### 8.1 Remuneration of Directors

8.1.1 In the financial year ended 30 June 2009, the aggregate total remuneration paid (including contingent or deferred compensation) and benefits in kind granted (under any description whatsoever) to the Directors by members of the Group was £643,000.

8.1.2 Each of the Executive directors with the exception of Steve Morgan have the following benefits in kind: a company car or car allowance, fuel and private medical health insurance. These benefits operate throughout the year and are based on standard rates (i.e. the private medical health scheme is a group wide negotiated deal with each director having married persons or family cover). The fuel rate is as per revenue limits.

Under the terms of their service contracts and applicable incentive plans, in the year ended 30 June 2009, the Directors were entitled to the remuneration and benefits set out below:

	<b>Base salary and Non-executive Directors' fees</b>	<b>Benefits in kind</b>	<b>2009 Total remuneration</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Chairman, acting in an executive capacity</b>			
Steve Morgan <sup>(1)</sup> . . . . .	3	—	3
<b>Executive Directors</b>			
David Arnold . . . . .	300	25	325
John Tutte . . . . .	300	15	315
<b>Non-Executive Directors</b>			
Alan Jackson <sup>(2)</sup> . . . . .	—	—	—
Paul Hampden Smith <sup>(2)</sup> . . . . .	—	—	—
Debbie Hewitt <sup>(2)</sup> . . . . .	—	—	—
<b>Total Directors' remuneration</b> . . . . .	<b><u>603</u></b>	<b><u>40</u></b>	<b><u>643</u></b>

Note:

(1) Steve Morgan was appointed on 23 March 2009

(2) Alan Jackson, Paul Hampden Smith and Debbie Hewitt were appointed on 19 August 2009 and as such did not have service contracts with the Company at 30 June 2009

### 8.2 Directors' service contracts and letters of appointment

The original date of appointment as a Director of the Company and the latest date for the next re-election are as follows:

	<u>Date of appointment</u>	<u>Unexpired notice period</u>	<u>AGM at which term expires</u>
<b>Executive Directors</b>			
Steve Morgan . . . . .	23 March 2009	6 months	4 November 2009 <sup>(1)</sup>
David Arnold . . . . .	17 September 2003	12 months	4 November 2009 <sup>(1)</sup>
John Tutte . . . . .	10 July 2002	12 months	2010 <sup>(1)</sup>
	<u>Date of appointment</u>	<u>Date appointment matures</u>	<u>AGM at which term expires</u>
<b>Non-Executive Directors</b>			
Alan Jackson . . . . .	19 August 2009	18 August 2012	4 November 2009 <sup>(1)</sup>
Paul Hampden Smith . . . . .	19 August 2009	18 August 2012	4 November 2009 <sup>(1)</sup>
Debbie Hewitt . . . . .	19 August 2009	18 August 2012	4 November 2009 <sup>(1)</sup>

Note (1):

The Articles of Association of the Company require that Directors should submit themselves for re-election at the third annual general meeting after the annual general meeting at which they were elected or, in the case of a new Director, to seek re-election at the first annual general meeting following appointment.

### 8.3 Pension arrangements of Directors

The Executive Directors, with the exception of Steve Morgan, are active members of the defined benefit section of the Redrow Staff Pension Scheme (the “Scheme”).

The Scheme is a contributory scheme providing a pension, lump sum death in service benefit and dependent’s pension with contributions by the Executive Directors at 13.3 per cent. of base salary for the year ended 30 June 2009. In addition, the Executive Directors are covered by fixed term permanent health insurance.

Pensionable earnings have historically been calculated on base salary only. From 1 July 2009, pensionable earnings have been calculated on a shadow salary where increases in shadow salary are restricted to the lower of increases in base salary, inflation or 2.5 per cent. As a consequence, contributions by the Executive Directors have fallen to 8.3 per cent. of shadow salary from 1 July 2009.

<u>Director</u>	<u>Accrued benefit at 30 June 2009<sup>(1)</sup></u>	<u>Additional accrued benefit over year net of inflation</u>	<u>Transfer value of change in accrued benefit less directors’ contributions</u>
	<u>£</u>	<u>£</u>	<u>£</u>
David Arnold .....	28,643	6,961	18,363
John Tutte .....	30,757	6,383	34,135

Note:

- (1) The accrued pension shown above is the amount of pension entitlement that would be paid each year on retirement at age 65 based on service to the end of the current year. The transfer value shown above has been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11, less Directors’ contributions. The transfer values represent the present value of future payments from the Scheme rather than remuneration currently due to the individual and cannot be meaningfully aggregated with annual remuneration.

## 9 Board practices

Subject to the provisions of the Articles of Association, the Board may meet for the dispatch of business, adjourn and otherwise regulate its proceedings as it thinks fit. The quorum necessary for the transaction of the business of the Board may be fixed by the Board and, unless so fixed at any other number, shall be two. A meeting of the Board at which a quorum is present shall be competent to exercise all the authorities, powers and discretions exercisable by the Board.

The Board may appoint a chairman one or more deputy chairmen and determine the period for which each is to hold office. If no chairman or deputy chairman has been appointed or if at any meeting of the Directors no chairman or deputy chairman is present within five minutes after the time appointed for holding the meeting, the Directors present may choose one of their number to be chairman of the meeting. Questions arising at any meeting of the Board shall be determined by a majority of votes. In the case of an equality of votes, the chairman of that meeting shall have an additional or casting vote.

The Board may delegate any of its powers, authorities or discretions to such persons as it thinks fit provided that less than one half of the members of the committee comprise co-opted members who are not directors of the Company and that no resolution of the committee is effective unless a majority of those present are Directors. Any Director may participate in a meeting of the Board or a committee of the Board by means of a conference telephone, video conference or any communication equipment which allows all persons participating in the meeting to hear and speak to each other. A person so participating shall be deemed to be present at the meeting and shall be entitled to vote and to be counted in the quorum subject to the provisions of the Articles of Association. Such a meeting shall be deemed to take place where the largest group of those participating is assembled or, if there is no such group, where the chairman of the meeting is.

A resolution in writing executed by all Directors for the time being entitled to receive notice of a meeting of the Board and not being less than a quorum, or by all the members of a committee of the Board for the time being shall be valid and effectual as a resolution passed at a meeting and may be contained in one document or in several documents in like form each signed or authenticated by one or more of the directors or members of the committee concerned.

The Combined Code recommends that at least half the members of the board of directors (excluding the chairman) of a public limited company incorporated in the UK should be independent in character and judgement

and free from relationships or circumstances which are likely to affect, or could appear to affect, their judgement. Having considered the contents and requirements of the Combined Code the Board believe that throughout the year ended 30 June 2009, the Company complied with the provisions of the Code with the following exceptions:

- Code provision A.2.1 states that “the roles of the chairman and the chief executive should not be exercised by the same individual...” and Code Provision A.2.2 states that “the chairman should on appointment meet the independence criteria set out in A.3.1 ...”.

Steve Morgan was appointed as Chairman, acting in an executive capacity of Redrow on 30 June 2009. At the time of his appointment Mr Morgan owned 29.9 per cent. of Redrow through Bridgemere and Durcan and as a result was not independent at the time of his appointment.

- Code provision A.3.2 states that “Except for smaller companies, at least half the board, excluding the chairman, should comprise non-executive directors determined by the board to be independent...”

The Company did not comply with this section of the Code during the entire year as there were several changes to the composition of the Board. Steve Morgan was appointed as Deputy Chairman, acting in an executive capacity on 23 March 2009 and as Chairman, acting in an executive Capacity on 30 June 2009. Neil Fitzsimmons and Alan Bowkett resigned from the Board on 30th April 2009 and 30th June 2009, respectively. On 19 August 2009 Alan Jackson was appointed Non-Executive Deputy Chairman and Senior Independent Director and Debbie Hewitt and Paul Hampden Smith were appointed Non-Executive Directors.

As at the date of this document, the Board is in compliance with the Combined Code except for the fact that Steve Morgan, who was not independent at the time of his appointment, is currently Chairman, acting in an executive capacity and there is no separate chief executive of the Company. However, in line with the statements relating to a review of the executive structure of the Board made in the announcement at the time of Steve Morgan’s return to the Company, the Company has announced the appointment on 14 September 2009 of John Tutte as Group Managing Director with responsibility for management of each of the operating companies of the Group. The Board is currently comprised of six members including the Chairman, acting in an executive capacity, two executive directors namely David Arnold and John Tutte and three independent directors namely Alan Jackson, Paul Hampden Smith and Debbie Hewitt.

The Board has established Nomination, Remuneration, Audit and Corporate Responsibility Committees, with formally delegated duties and responsibilities with written terms of reference. From time to time, separate committees may be set up by the Board to consider specific issues when the need arises.

### **Nomination Committee**

The current Nomination Committee members are Alan Jackson (chairman), Paul Hampden Smith and Debbie Hewitt. The Nomination Committee meets as and when appropriate, but not less than once annually.

The main purpose of the Nomination Committee is to:

- Review the structure, size and composition of the Board and membership of Board Committees;
- Lead the process for Board appointment and make recommendations to the Board with regard to any changes;
- Ensure that adequate succession planning is in place; and
- Reappoint Directors following their retirement by rotation.

The Nomination Committee takes into account the knowledge, balance of skills and experience which are anticipated to be needed on the Board in the future and prepares a description of the role and capabilities required for a particular appointment.

### **Remuneration Committee**

The current Remuneration Committee members are Debbie Hewitt (chairman), Alan Jackson and Paul Hampden Smith.

The Remuneration Committee is comprised of the independent Non-executive Directors of the Company. The Remuneration Committee is entitled to invite anyone or more of the Executive Directors to attend its meetings. The Remuneration Committee meets as and when appropriate, but not less than twice annually.

The purposes of the Remuneration Committee are to:

- determine the appropriate remuneration packages for the Company's Chairman, Executive Directors, and the Company Secretary. The remuneration packages set by the Committee are competitive, but cost effective at all levels in order to reward, retain and motivate staff who are expected to meet high levels of performance as well as ensuring the remuneration is competitive in the market in which the Company operates and attracts a high calibre of employee;
- monitor the structure and level of remuneration for senior management (being those with a position of Managing Director or equivalent within the Company); and
- review the Company's remuneration policy and practice as it relates to the Company's senior management to ensure that it continues to be appropriate for both the Company and its shareholders.

The Remuneration Committee does not determine the remuneration of any Non-Executive Director, including the members of the Remuneration Committee.

### Audit Committee

The current Audit Committee members are Paul Hampden Smith (chairman), Alan Jackson and Debbie Hewitt.

The Audit Committee shall comprise all the independent non-Executive Directors of the Company. The Board shall appoint the Chairman of the Committee from among the independent non-Executive Directors of the Company. The Committee will normally invite the Group Finance Director, Audit Manager (being the manager responsible for the internal audit function of the Company) and representatives of the external auditors to attend its meetings. The Committee shall be entitled to invite any one or more of the Executive Directors to attend its meetings. At least once a year, the Audit Committee meets privately with the external auditors without management present. The Audit Committee holds at least three meetings each year.

The principal responsibilities of the Audit Committee lie in:

- reviewing the Company's financial reporting;
- overseeing the appointment and work of the external Auditors; and
- reviewing Redrow's internal control processes.

## 10 Significant shareholdings

10.1 As at 22 September 2009 (being the latest practicable date prior to the publication of this document), the Company had been notified of or was otherwise aware of the following shareholders who were directly or indirectly interested in three per cent. or more of the issued Ordinary Shares:

	<u>Number of Shares</u>	<u>Percentage interest of issued ordinary share capital</u>
Bridgemere and Durcan .....	47,878,380	29.92
Toscafund Asset Management .....	32,803,240	20.50
Morgan Stanley & co. Inc .....	11,394,767	7.12
HSBC Holdings plc .....	8,534,346	5.33
Fidelity Investment Mgrs Ltd .....	7,970,600	4.98
Aegon UK Group of Co .....	8,284,352	5.18
Legal & General Group of Companies .....	6,633,639	4.14

10.2 Save as disclosed in this paragraph 10, Redrow is not aware of any person who, as at 22 September 2009 (being the latest practicable date prior to the publication of this document), directly or indirectly, has a holding which exceeds the threshold of three per cent. or more of the total voting rights attached to its issued share capital.

10.3 Redrow is not aware of any persons who, as at 22 September 2009 (being the latest practicable date prior to the publication of this document), directly or indirectly, jointly or severally, exercise or could exercise control over Redrow nor is it aware of any arrangements, the operation of which may at a subsequent date result in a change of control of the Company.

10.4 None of the Shareholders referred to in this paragraph 10 has different voting rights from any other holder of Shares in respect of any Shares held by them.

## 11 Subsidiaries

### *Members of the Group*

Redrow is the parent company of the Group. The following table contains a list of the principal subsidiaries of Redrow (each of which is considered by Redrow to be likely to have a significant effect on the assessment of the assets, liabilities, financial position and/or profits and losses of the Group):

<u>Name</u>	<u>Percentage ownership interest and voting power</u>	<u>Field of activity</u>	<u>Country of incorporation</u>	<u>Registered office</u>
Redrow Homes (Scotland) Ltd . . . . .	100%	General construction & civil engineering	United Kingdom	Redrow Homes (Scotland) Limited Redrow House 3 Central Park Avenue Larbert Falkirk FK5 4RX
Redrow Homes (Lancashire) Ltd . . . . .	100%	General construction & civil engineering	United Kingdom	Redrow Homes (Lancashire) Limited Redrow House 3 Central Park Avenue Larbert Falkirk FK5 4RX
Redrow Homes (NW) Ltd . . . . .	100%	General construction & civil engineering	United Kingdom	Redrow Homes (NW) Limited Redrow House St David's Park Flintshire CH5 3RX
Redrow Homes (Yorkshire) Ltd . . . . .	100%	General construction & civil engineering	United Kingdom	Redrow Homes (Yorkshire) Limited Redrow House St David's Park Flintshire CH5 3RX
Redrow Homes (Midlands) Ltd . . . . .	100%	General construction & civil engineering	United Kingdom	Redrow Homes (Midlands) Limited Redrow House St David's Park Flintshire CH5 3RX
Redrow Homes (South Midlands) Ltd . . . . .	100%	General construction & civil engineering	United Kingdom	Redrow Homes (South Midlands) Limited Redrow House St David's Park Flintshire CH5 3RX
Redrow Homes (Eastern) Ltd . . . . .	100%	General construction & civil engineering	United Kingdom	Redrow Homes (Eastern) Limited Redrow House St David's Park Flintshire CH5 3RX
Redrow Homes (South Wales) Ltd . . . . .	100%	General construction & civil engineering	United Kingdom	Redrow Homes (South Wales) Limited Redrow House St David's Park Flintshire CH5 3RX
Redrow Homes (South West) Ltd . . . . .	100%	General construction & civil engineering	United Kingdom	Redrow Homes (South West) Limited Redrow House St David's Park Flintshire CH5 3RX



## 12 Employees

### 12.1 Redrow

As at 22 September 2009, Redrow had 715 employees.

	As at 30 June		
	2009	2008	2007
Operating Companies .....	557	963	1,136
Plc & Group services .....	129	191	185
<b>Total number of employees</b> .....	<b>686</b>	<b>1,154</b>	<b>1,321</b>

## 13 Redrow Employee Share Plans

The Company operates the following employee share plans:

- Save As You Earn scheme (“SAYE”);
- Phantom share option scheme;
- Long-Term Share Incentive Plan (“LTSIP”); and
- Company Share Option Plan (“CSOP”).

The principal features of the Redrow Employee Share Plans (being those under which options/awards remain outstanding) are summarised below.

### 13.1 SAYE scheme

The SAYE is an all-employee plan under which employees may be invited to apply for options to acquire Ordinary Shares. The number of shares over which the option is granted is determined by the amount the employee commits to save under a savings contract including a tax-free bonus added to the savings at the end of the savings contract. The SAYE is approved by HMRC, and was approved by Shareholders at the Annual General Meeting on 3 November 2004.

All employees of Redrow and any participating subsidiaries must be invited to participate in the SAYE if they are UK taxpayers and have been employed for any specified qualifying period (which cannot exceed five years). Other employees may be invited to participate on a discretionary basis.

The option price must not be less than 80 per cent. of the market value of an Ordinary Share, calculated as either the price on the business day before the date of invitation or the date specified in the invitation. The savings contract may run over a period of three or five years and must not permit savings of more than (currently) £250 per month. Options are normally exercisable during six months after the end of the savings contract.

Options will normally lapse when the participant ceases to be employed before vesting. However, if employment ends because of injury or disability, retirement, redundancy, death or the sale of the employing company or business, options immediately become exercisable to the extent of the related savings. Options will remain exercisable for six months (or 12 months in the case of death) and then lapse. In the event of a change in control of Redrow, options become exercisable for up to six months and then lapse, or they may be rolled over into options over shares in the acquiring company.

In the event of a variation in the share capital of Redrow, including a rights issue, the number of shares subject to the options may be adjusted as appropriate, subject to HMRC approval.

### 13.2 Phantom Share Option Scheme

The Phantom Share Option Scheme approved by Shareholders on 5 November 2001, was previously the vehicle used by the Company for rewarding long term performance over a seven year performance period. No new phantom options have been granted under this scheme since 5 November 2006.

Under the scheme, participants were granted a phantom option over a number of shares at the market value at the date of grant. At the end of seven years, the participant is able to exercise the phantom option such that a

cash sum equivalent to the difference between the market value of the shares at the date of grant and the market value of the Ordinary Shares on maturity of the scheme (provided this is a positive figure) becomes payable in three equal instalments over three years.

A phantom option is exercisable only if the compound growth in earnings per Ordinary Share increases by 4.5 per cent. p.a. over the retail price index during a seven year period and if the simple average of return on capital employed over the same period exceeds 20.0 per cent..

Options will normally lapse when the participant ceases to be employed before vesting (or on giving notice of so ceasing). Participants who cease to be employed by the Redrow Group because of retirement, ill-health, injury, disability or death and hold vested options will typically have six months to exercise those options before they lapse.

In the event of a change in control of Redrow, phantom options become exercisable immediately prior to and conditional on the change in control, or in the event of a voluntary winding up of Redrow options may be exercised within six months, subject to a performance condition of an increase in the fully diluted normalised earnings per ordinary share by an average of at least 4.5 per cent. per annum over the whole financial years from grant to the event.

In the event of a variation in the share capital of Redrow, including a rights issue, the number of shares subject to the options may be adjusted as determined appropriate by Redrow's auditors.

The only remaining phantom options granted to a Director are in respect of 200,000 shares granted to David Arnold on 18 September 2003 at an option price of 342p.

### ***13.3 Long-Term Share Incentive Plan ("LTSIP")***

The LTSIP was approved by Shareholders at the Company's AGM on 3 November 2004 and was designed to align this longer term element of remuneration with the Company's longer term financial performance.

Options granted under the LTSIP become exercisable on the third anniversary of the date of grant, to the extent that the performance conditions are satisfied over the three consecutive financial years commencing from 1 July in the year of grant. The performance conditions are typically a combination of financial performance targets that include elements such as achievement of Return on Capital Employed ("ROCE"), capital turnover ratios ("Capital Turn"), growth in earnings per share ("EPS") and relative to Total Shareholder Return ("TSR").

At the Annual General Meeting held on 5 November 2008, changes to the LTSIP rules were approved so that for the 2008 LTSIP grant each Director was awarded options equivalent to 200 per cent. of their base salary but the vesting period was extended from three to five years.

Options normally lapse when a participant ceases to be employed by the Redrow Group. However, if employment ends because of ill health, injury or disability, retirement, redundancy, sale of the employing company or business or death, the options normally become exercisable for a period of 6 months (or two years in the event of death), subject to the satisfaction of any performance condition, after which they lapse. On a change of control of Redrow, options usually become exercisable for 6 months, or may be rolled over into options over shares in the acquiring company.

In the event of a variation in the share capital of Redrow, including a rights issue, the number of shares subject to the options may be adjusted as appropriate.

In accordance with the performance conditions attached to the 2006 LTSIP grant, the Remuneration Committee confirmed that options would vest on 21 September 2009 in favour of John Tutte (3,641) and David Arnold (3,221). It was also confirmed that the remainder of the 2006 LTSIP share options would lapse on 21 September 2009.

### ***13.4 Company Share Option Plan***

The Company Share Option Plan is approved by HMRC, and was approved by Shareholders at the at the Annual General Meeting on 5 November 2008. HMRC approved options can be granted to employees and full-time directors of the Redrow Group. These may be subject to performance conditions. To the extent that performance conditions do not apply or are satisfied, options normally become exercisable three years after the date of grant and remain so until the tenth anniversary of grant.

Options normally lapse when a participant ceases to be employed by the Redrow Group. However, if employment ends because of illness, injury or disability, death, retirement, redundancy, or sale of the employing company or business, the options normally become exercisable for a period of six months (12 months in the case of death), subject to the satisfaction of any performance condition, after which they lapse. In the event of a change of control of Redrow, options normally become exercisable for a period of four weeks, subject to the satisfaction of any performance condition, after which they lapse. On a change of control, options may alternatively be rolled over into options over shares in the acquiring company.

In the event of a variation in the share capital of Redrow, including a rights issue, the number of shares subject to the options may be adjusted as appropriate, subject to HMRC approval.

#### **14 Pension benefits**

Redrow operates a group wide contributory pension scheme for all its staff. The scheme is externally invested and comprises of two sections: defined benefit section and a defined contribution section. A defined benefit plan is a pension plan which defines an amount of pension benefit that an employee will receive on retirement and this is funded through payments to trustee administered funds. The defined benefit section of the scheme was closed to all new entrants in 2006 having been closed to all but a limited number of agreed new entrants from October 2001. A defined contribution plan is a pension plan under which the Group pays agreed contributions into a separate fund for each employee and any subsequent pension payable to a specific employee is determined by the amount accumulated in their individual fund.

#### **15 Litigation**

No member of the Group is or has been involved in any governmental, legal or arbitration proceedings nor, so far as Redrow is aware, are any such proceedings pending or threatened by or against any member of the Group which may have, or have had during the 12 months immediately preceding the date of this document, a significant effect on the Group's financial position or profitability.

#### **16 Material contracts**

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group (i) within two years immediately preceding the date of this document which are or may be material; or (ii) contain any provision under which a member of the Group has an obligation or entitlement which is material to the Group as at the date of this document:

##### ***16.1 The Underwriting Agreement***

The Company and each of the Underwriters have entered into the Underwriting Agreement dated 23 September 2009, under which the Company has appointed each of J.P. Morgan Cazenove and Merrill Lynch International, on a several basis, as joint sponsor and joint bookrunner to the Rights Issue, appointed each of HSBC, Lloyds TSB Corporate Markets and RBS Hoare Govett as co-lead managers to the Rights Issue and appointed each of J.P. Morgan Cazenove, Merrill Lynch International, HSBC, Lloyds TSB Corporate Markets and RBS Hoare Govett as underwriters to the Rights Issue.

The Joint Bookrunners have agreed, on a several basis, to endeavour to procure acquirers for the New Shares which are not validly taken up under the Rights Issue (other than the New Shares which Bridgemere and Durcan will be entitled to acquire under the Rights Issue and which are the subject of the Irrevocable Undertaking), failing which the Underwriters have severally agreed to acquire such New Shares. Pursuant to the Underwriting Agreement, the Joint Bookrunners may (but are not obliged to) seek sub-underwriters.

Subject to the terms and conditions of the Underwriting Agreement, the Company has agreed to pay a commission to each of the Joint Bookrunners of 3.25 per cent. of the number of New Shares comprising its underwriting commitment multiplied by the Issue Price and a commission to each of the other Underwriters of 3.00 per cent. of the number of New Shares comprising its underwriting commitment multiplied by the Issue Price. Such commissions shall only become payable if the Underwriting Agreement becomes unconditional.

In addition, the Company shall pay (whether or not the Underwriting Agreement becomes unconditional), all costs and expenses incurred in connection with the Rights Issue, the General Meeting, the allotment and issue of the New Shares and the Underwriting Agreement. This will include listing and trading fees, other regulatory fees and expenses, printing and advertising costs, postage, all accountancy and other professional fees and public relations costs and expenses.

The Underwriters' obligations under the Underwriting Agreement are conditional, among other things, on:

- (a) the passing of the Rights Issue Resolutions without amendment at the General Meeting on 19 October 2009 (and not, except with the written agreement of the Joint Bookrunners, acting jointly, at any adjournment of such meeting);
- (b) Admission having occurred not later than 8:00 a.m. on 20 October 2009 (or such later time and/or date as the Joint Bookrunners and the Company may agree); and
- (c) in the opinion of the Joint Bookrunners, the warranties, representations and undertakings on the part of the Company in the Underwriting Agreement being true and accurate in all respects and not misleading in any respect on and as of the date of the Underwriting Agreement, the date of any supplementary prospectus required to be published before Admission and immediately before Admission as if they had been given and made at such time by reference to the facts and circumstances then subsisting.

The conditions, other than, inter alia, Admission becoming effective and the passing of the Resolutions, may be waived in the absolute discretion of the Joint Bookrunners.

Amongst other things, the Underwriting Agreement confers on each of the Joint Bookrunners, the right to terminate the Underwriting Agreement in its entirety prior to the date of Admission (nil paid) upon the occurrence of certain events including for company specific or market material adverse change.

The Company has given certain customary warranties, undertakings and indemnities to the Underwriters. The liabilities under those warranties and indemnities are unlimited as to time and amount.

### ***16.2 The Relationship Agreement***

The Relationship Agreement governs Mr Morgan's relationship with Redrow in the event of potential conflicts of interest and the key terms of the Relationship Agreement include the following:

- Mr Morgan acknowledges that in the event of a potential conflict of interest between Redrow and an associated entity of Mr Morgan's (including Harrow Estates and Mr Morgan's other associates), the interests of Redrow will be given priority;
- If an associated entity wishes to acquire land which meets certain thresholds ("Qualifying Land"), this must be brought to the attention of Redrow and both parties must then follow a prescribed procedure in order to determine next steps of both parties with respect to any attempt to acquire the relevant land;
- If Mr. Morgan or an associated entity wishes to dispose of Qualifying Land, this must be brought to the attention of Redrow;
- Transactions between Redrow and Mr Morgan or an associated entity shall be on an arms' length basis, and properly disclosed to the relevant Redrow directors;
- Redrow is entitled to appoint an observer to the board of the relevant associated entity if any such entity acquires Qualifying Land. The observer may only attend meetings at which there are discussions relating to acquiring the Qualifying Land;
- There are reciprocal confidentiality provisions requiring Redrow and an associated entity to keep the other party's information confidential; and
- The agreement terminates if Mr. Morgan ceases to be a Director of the Company.

The Relationship Agreement will remain in force, unaltered, following completion of the Rights Issue and the Harrow Estates Transaction.

### ***16.3 Irrevocable Undertaking***

Bridgemere and Durcan have entered into the Irrevocable Undertaking addressed to, among others, the Company, pursuant to which they have undertaken to vote in favour of the Rights Issue and to take up their entitlements in full under the Rights Issue. A total of 44,458,495 New Shares are subject to the Irrevocable Undertaking (comprising 29.9 per cent. of the maximum number of New Shares to be issued under the Rights Issue).

The Irrevocable Undertaking also requires Bridgemere and Durcan to enter into a form of escrow agreement with Barclays Bank plc pursuant to which, prior to the General Meeting, Bridgemere and Durcan will place into escrow sufficient cash resources to fund the take up in full of their entitlements under the Rights Issue. In addition, Bridgemere and Durcan have provided certain representations, warranties and undertakings in respect of the availability of sufficient cash resources.

#### **16.4 Subscription and Transfer Deed**

In connection with the Rights Issue, the Company, Newco and Newco Subscriber have entered into a Subscription and Transfer Deed dated 23 September 2009, in respect of the subscription and transfer of ordinary shares and redeemable preference shares in Newco. Under the terms of the Subscription and Transfer Deed:

- (i) the Newco Subscriber will apply monies received from Qualifying Shareholders or renounees taking up New Shares under the Rights Issue and held by Computershare (the "Receiving Agent") on trust for the Newco Subscriber (acting as principal in respect of such monies) to acquire by direct issue redeemable preference shares in Newco to an aggregate value equal to such monies together with any relevant amounts in respect of any New Shares acquired by the Underwriters or for which the Joint Bookrunners have procured acquirers pursuant to the Underwriting Agreement (after deducting relevant commissions and expenses); and
- (ii) the Company will allot and issue the New Shares to those persons entitled thereto in consideration of the Newco Subscriber transferring its holdings of redeemable preference shares and ordinary shares in Newco to the Company.

Instead of receiving cash as consideration for the issue of the New Shares, at the conclusion of the Rights Issue the Company will own the entire issued ordinary and redeemable preference share capital of Newco whose only assets will be its cash reserves, which will represent an amount equivalent to the net proceeds of the Rights Issue (less relevant commissions and/or expenses).

Qualifying Shareholders are not party to these arrangements and so will not acquire any direct right against the Newco Subscriber pursuant to these arrangements. The Company will be responsible for enforcing Newco Subscriber's obligations thereunder.

#### **16.5 Syndicated Facility Agreement**

The Company entered into the Syndicated Facility Agreement dated 4 September 2008 as amended on 18 September 2009 between the Company as the original borrower and original guarantor, certain subsidiaries of the Company as original guarantors, the lenders named therein and Barclays Bank PLC as Agent. The Syndicated Facility Agreement was originally a £450,000,000 term and revolving credit facility.

Subject to the Rights Issue becoming unconditional, the Company has agreed to amend the terms of the existing Syndicated Facility Agreement including a reduction of the total facility size to £250,000,000.

Under the amended Syndicated Facility Agreement, a revolving credit facility to be drawn in sterling will be made available by the lenders for utilisation by the Company up to and including 30 September 2011.

The proceeds of loans made under the revolving credit facility may be used towards: (i) the refinancing of existing indebtedness; and (ii) the general corporate purposes of the Company and its subsidiaries. The revolving credit facility includes an option for the Company to issue letters of credit up to an aggregate amount equal to £50,000,000.

Under the amended Syndicated Facility Agreement, the Company undertakes to ensure compliance with certain financial covenants in relation to (i) minimum consolidated tangible net worth; (ii) gearing (level of consolidated adjusted total net borrowings to consolidated tangible net worth); (iii) interest cover (ratio of adjusted cashflow to consolidated net interest payable); and (iv) asset cover (ratio of consolidated land and WIP value to consolidated adjusted total net borrowings). The amended Syndicated Facility Agreement also contains customary representations and warranties, affirmative and negative covenants (including, but not limited to, covenants on disposals, acquisitions, security and financial indebtedness), indemnities and events of default, with certain carve-outs and materiality thresholds.

The amendments to the Syndicated Facility Agreement are conditional upon delivery to the banking syndicate of typical conditions precedent documentation, including the executed Underwriting Agreement described in paragraph 16.1 of Part XI. The delivery of this documentation is within the control of the Company and the Company intends to deliver it to the banking syndicate only when the Rights Issue becomes unconditional. In the event that the Rights Issue does not become unconditional, the Company will not deliver this documentation to the banking syndicate and the Syndicated Facility Agreement will continue in place in its existing form.

#### **16.6 Agreements relating to the Harrow Estates Transaction**

A full summary of the Property Purchase Agreements, the Share Purchase Agreement the Option Agreements and the Promotion Agreement is set out in paragraph 3 of Section A of Part IX of this document.



## 17 Related party transactions

Other than as disclosed in the financial information incorporated by reference into this document for the financial years ended 30 June 2007, 30 June 2008 and 30 June 2009, there are no related party transactions between the Company or members of the Group that were entered into during the financial years ended 30 June 2007, 30 June 2008 and 30 June 2009. Other than in respect of (i) the Harrow Estates Transaction, (ii) aggregate donations of £78,000 (in lieu of Steve Morgan's salary) to the Morgan Foundation, a UK registered charity of which Steve Morgan is a trustee, and (iii) aggregate payments of £8,750 to Bridgemere Estates Limited in respect of ordinary course consultancy services in respect of two individuals, there have been no additional related party transactions between the Company or members of the Group that were entered into during the period between 30 June 2009 and 22 September 2009 (the latest practicable date prior to the publication of this document).

## 18 Dividends

The following table sets out the dividend per Ordinary Share paid in respect of each of the financial years ended 2007, 2008 and 2009:

	<b>Reported dividend per Share (pence per Ordinary Share)</b>
Financial year ended 30 June 2009 .....	NIL
Financial year ended 30 June 2008 .....	9.3p
Financial year ended 30 June 2007 .....	15.6p

## 19 Working Capital

The Company is of the opinion that, after taking into account existing available bank and other facilities and the net proceeds of the Rights Issue, the Group has sufficient working capital for its present requirements, that is, for at least the next 12 months from the date of this document.

## 20 No significant change

There has been no significant change in the trading or financial position of the Redrow Group since 30 June 2009 (the date to which the latest audited published financial information of the Group was prepared).

## 21 Consents

HSBC has given and has not withdrawn its written consent to the inclusion of its name in this document in the form and context in which it is included.

PricewaterhouseCoopers LLP is a member firm of the Institute of Chartered Accountants in England and Wales and has given and not withdrawn its written consent to the inclusion of its report on the 'Unaudited Pro Forma Financial Information' set out in Section B Part VIII of this document in the form and context in which it appears and has authorised the contents of those parts of this document which comprise its report for the purposes of the Prospectus Rules.

Knight Frank has given and has not withdrawn its written consent to the inclusion of its name in this document in the form and context in which it is included.

## 22 General

22.1 The financial information concerning the Group contained in this document does not constitute statutory accounts within the meaning of Section 434(3) of the Companies Act. The consolidated financial statements of the Company in respect of the three years ended 30 June 2007, 30 June 2008 and 30 June 2009 were reported on by PricewaterhouseCoopers LLP, the auditors of the Company, within the meaning of Section 495 of the Companies Act for the period of the historical financial information set out in this document. The auditors of the Company made reports under Section 503 of the Companies Act in respect of the three years ended 30 June 2009 and such reports were unqualified reports within the meaning of Sections 836 to 841 of the Companies Act.



- 22.2 The total costs, charges and expenses payable by the Company in connection with the Rights Issue are estimated to be £6.1 million.
- 22.3 The Company remains subject to the continuing obligations of the Listing Rules with regard to the issue of securities for cash and the provisions of Section 89 of the Companies Act (which confers on Shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash) apply to the balance of the authorised but unissued share capital of the Company which is not the subject of the disapplication in the resolution passed at the annual general meeting of the Company held on 5 November 2008.
- 22.4 The Existing Shares are in registered form, are capable of being held in uncertificated form and are admitted to the Official List and are traded on the main market for listed securities of the London Stock Exchange.
- 22.5 The New Shares will be in registered form and, from Admission, will be capable of being held in uncertificated form and title to such shares may be transferred by means of a relevant system (as defined in the CREST Regulations). Where New Shares are held in certificated form, share certificates will be sent to the registered members by first-class post. Where New Shares are held in CREST, the relevant CREST stock account of the registered members will be credited. The New Shares have the ISIN GB0007282386.
- 22.6 The New Shares will be issued at 105 pence per share. This represents a premium of 95 pence per share to the nominal value of 10 pence per share.

### **23 Documents available for inspection**

Copies of the following documents may be inspected at the registered office of the Company and at the offices of Linklaters LLP, One Silk Street, London EC2Y 8HQ during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of publication of this document until Admission and will also be available for inspection at the General Meeting for at least 15 minutes prior to and during the meeting:

- 23.1 the Memorandum and Articles of Association;
- 23.2 the Annual Report and audited consolidated accounts of the Group for the three financial years ended 2007, 2008 and 2009;
- 23.3 the report on the unaudited pro forma financial information by PricewaterhouseCoopers LLP set out in Part VIII of this document;
- 23.4 the consent letters referred to in paragraph 21 above;
- 23.5 the Directors' service contracts and appointment letters;
- 23.6 the Property Purchase Agreements, Share Purchase Agreement, Option Agreements and Promotion Agreement described in Section A of Part IX of this document;
- 23.7 the Knight Frank Valuation Report set out in Section B of Part IX of this document; and
- 23.8 this document.

### **24 Sources of information**

Certain information has been obtained from external publications and is sourced in this document where the information is included. Redrow confirms that this information has been accurately reproduced and, so far as Redrow is aware and is able to ascertain from information published by third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. Unless otherwise stated, such information has not been audited.

### **25 Announcement of results of the Rights Issue**

The Company will make an appropriate announcement(s) to a Regulatory Information Service giving details of the results of the Rights Issue and details of New Shares not taken up by Qualifying Shareholders on or about 4 November 2009.

## PART XII

### DOCUMENTATION INCORPORATED BY REFERENCE

The Annual Report and Accounts of Redrow for each of the financial years ended 2007, 2008 and 2009 are available for inspection in accordance with paragraph 23 of Part XI of this document and contain information which is relevant to the Rights Issue. Some of these documents are also available on Redrow's website at [www.redrow.co.uk](http://www.redrow.co.uk).

The unaudited interim condensed consolidated financial statements for Redrow for the six month periods ended 31 December 2008, 2007 and 2006, are available for inspection in accordance with paragraph 23 of Part XI of this document and contain information which is relevant to the Rights Issue. These documents are also available on Redrow's website at [www.redrow.co.uk](http://www.redrow.co.uk).

The table below sets out the various sections of such documents which are incorporated by reference into this document so as to provide the information required under the Prospectus Rules and to ensure that Shareholders and others are aware of all information which, according to the particular nature of Redrow and of the New Shares, is necessary to enable Shareholders and others to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of Redrow.

<u>Document</u>	<u>Section</u>	<u>Page numbers in such document</u>
2009 Annual Report and Accounts of Redrow plc . . . . .	Business review	8-22
2009 Annual Report and Accounts of Redrow plc (Related Party Transactions) . . . . .	Note 23: Related Party Transactions	89
2009 Annual Report and Accounts of Redrow plc . . . . .	Statement of Directors' Responsibilities	56
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Audited consolidated financial statements for the year ended 30 June 2009 together with audit opinions thereon . . . . .	Independent Auditor's Report	57
Audited consolidated financial statements for the year ended 30 June 2009 together with audit opinions thereon . . . . .	Consolidated Income Statement	58
Audited consolidated financial statements for the year ended 30 June 2009 together with audit opinions thereon . . . . .	Balance Sheets	59
Audited consolidated financial statements for the year ended 30 June 2009 together with audit opinions thereon . . . . .	Cashflow Statements	60
Audited consolidated financial statements for the year ended 30 June 2009 together with audit opinions thereon . . . . .	Statements of Recognised Income and Expense	61
Audited consolidated financial statements for the year ended 30 June 2009 together with audit opinions thereon . . . . .	Accounting Policies	62-65
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2008 Annual Report and Accounts of Redrow plc . . . . .	Chief Executive and Finance Director's business review	10-22
2008 Annual Report and Accounts of Redrow plc (Related Party Transactions) . . . . .	Note 23: Related Party Transactions	84
2008 Annual Report and Accounts of Redrow plc . . . . .	Statement of Directors' Responsibilities	52
2008 Annual Report and Accounts of Redrow plc . . . . .	Audited part of the Directors' Remuneration Report	46-49
Audited consolidated financial statements for the year ended 30 June 2008 together with audit opinions thereon . . . . .	Independent Auditor's Report	53
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Audited consolidated financial statements for the year ended 30 June 2008 together with audit opinions thereon . . . . .	Cashflow Statements	56

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Audited consolidated financial statements for the year ended 30 June 2008 together with audit opinions thereon . . . . .	Statements of Recognised Income and Expense	57
Audited consolidated financial statements for the year ended 30 June 2008 together with audit opinions thereon . . . . .	Accounting Policies	58-61
Audited consolidated financial statements for the year ended 30 June 2008 together with audit opinions thereon . . . . .	Notes to the financial statements	62-85
2007 Annual Report and Accounts of Redrow plc . . . . .	Chief Executive and Finance Director's business review	12-29
2007 Annual Report and Accounts of Redrow plc (Related Party Transactions) . . . . .	Note 23: Related Party Transactions	81
2007 Annual Report and Accounts of Redrow plc . . . . .	Statement of Directors' Responsibilities	50
2007 Annual Report and Accounts of Redrow plc . . . . .	Audited part of the Directors' Remuneration Report	46-49
Audited consolidated financial statements for the year ended 30 June 2007 together with audit opinions thereon . . . . .	Independent Auditor's Report	52
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(1) Note that the 30 June 2007 consolidated financial statements were restated at 30 June 2008 for a change of revenue recognition policy.

**PART XIII**  
**DEFINITIONS**

In this document the following expressions have the following meaning unless the context otherwise requires:

<b>Admission</b>	the admission of the New Shares (nil paid) to the Official List becoming effective in accordance with the Listing Rules and the admission of such shares (nil paid) to trading on the London Stock Exchange's market for listed securities becoming effective in accordance with the Admission and Disclosure Standards
<b>Admission and Disclosure Standards</b>	the "Admission and Disclosure Standards" of the London Stock Exchange containing, among other things, the admission requirements to be observed by companies seeking admission to trading on the London Stock Exchange's main market for listed securities
<b>Articles of Association</b>	the articles of association of the Company, details of which are set out in paragraph 4 of Part XI of this document
<b>Ashton New Road Property</b>	the Option Property located at Ashton New Road, Clayton, Manchester, as further described in paragraph 3.3.6 of Section A of Part IX of this document
<b>Audit Committee</b>	the audit committee established by the Board
<b>Board</b>	the board of directors of Redrow
<b>Bridgemere</b>	Bridgemere Securities Limited, a company controlled by Steve Morgan
<b>Bridgemere House Lease</b>	the lease of Bridgemere House, the head office of Harrow Estates, to be entered into between, among others, Harrow Estates Newco and Bridgemere Estates Limited upon completion of the sale and purchase of Harrow Estates Newco, as further described in Section A of Part IX of this document.
<b>business day</b>	a day (excluding Saturdays and Sundays or public holidays in England and Wales) on which banks generally are open in London for the transaction of normal business
<b>Cadishead Property</b>	the Property located at Hayes Road, Cadishead, Manchester, as further described in paragraph 3.5.1 of Section A of Part IX of this document
<b>CCSS or CREST Courier and Sorting Service</b>	the CREST Courier and Sorting Service established by Euroclear UK to facilitate, amongst other things, the deposit and withdrawal of securities
<b>certificated or in certificated form</b>	where a share or other security is not in uncertificated form
<b>CGT</b>	UK tax on chargeable gains
<b>Co-lead Managers</b>	HSBC, Lloyds TSB Corporate Markets and RBS Hoare Govett
<b>Combined Code</b>	the UK Combined Code on Corporate Governance
<b>Companies Act</b>	the UK Companies Act 1985, as amended or the UK Companies Act 2006, as the context so requires
<b>Company or Redrow</b>	Redrow plc, a company incorporated under the laws of England and Wales (registered under no. 2877315), with its registered office at Redrow House, St David's Park, Flintshire, CH5 3RX
<b>Computershare</b>	Computershare Investor Services PLC, the Registrars of the Company
<b>CREST</b>	the relevant system, as defined in the CREST Regulations (in respect of which Euroclear UK is the operator as defined in the CREST Regulations)

<b>CREST Manual</b>	the rules governing the operation of CREST, consisting of the CREST Reference Manual, CREST International Manual, CREST Central Counterparty Service Manual, CREST Rules, Registrars Service Standards, Settlement Discipline Rules, CCSS Operations Manual, Daily Timetable, CREST Application Procedure and CREST Glossary of Terms (all as defined in the CREST Glossary of Terms promulgated by Euroclear UK on 15 July 1996 and as amended since)
<b>CREST member</b>	a person who has been admitted to Euroclear UK as a system member (as defined in the CREST Regulations)
<b>CREST participant</b>	a person who is, in relation to CREST, a system-participant (as defined in the CREST Regulations)
<b>CREST Regulations or Regulations</b>	the Uncertificated Securities Regulations 2001 (SI 2001 No. 01/378), as amended
<b>CREST sponsor</b>	a CREST participant admitted to CREST as a CREST sponsor
<b>CREST sponsored member</b>	a CREST member admitted to CREST as a sponsored member
<b>Daily Official List</b>	the daily record setting out the prices of all trades in shares and other securities conducted on the London Stock Exchange
<b>Directors</b>	the Executive Directors and Non-executive Directors, whose names appear on pages 29 and 113 of this document
<b>Disclosure and Transparency Rules</b>	the rules relating to the disclosure of information made in accordance with Section 73A(3) of the FSMA
<b>Durcan</b>	Durcan Investments Limited, a company ultimately controlled by Steve Morgan
<b>EBITDA</b>	unless defined otherwise, earnings before interest, tax, depreciation and amortisation
<b>EPS</b>	earnings per share
<b>EU or European Union</b>	the European Union
<b>Euroclear UK</b>	Euroclear UK & Ireland Limited, the operator of CREST
<b>European Economic Area</b>	the European Union, Iceland, Norway and Liechtenstein
<b>Ex-Rights Date</b>	the date on which the Ordinary Shares commence trading ex-rights, being 20 October 2009
<b>Executive Directors</b>	the executive directors of Redrow
<b>Existing Shares</b>	the Ordinary Shares in issue as at the date of this document
<b>Financial Services Authority or FSA</b>	the Financial Services Authority of the UK
<b>First Resolution</b>	the ordinary resolution to be proposed at the General Meeting to increase the authorised share capital of the Company, which is the first resolution set out in the General Meeting Notice
<b>Form of Proxy</b>	form of proxy accompanying this document for use by Shareholders in relation to the General Meeting
<b>FSMA</b>	the Financial Services and Markets Act 2000, as amended
<b>Fully Paid Rights</b>	rights to acquire the New Shares, fully paid
<b>General Meeting</b>	the general meeting of Redrow to be held at the offices of Redrow plc, Redrow House, St David's Park, Flintshire CH5 3RX at 9.00 a.m. on 19 October 2009, notice of which is set out in Part XIV of this document
<b>General Meeting Notice</b>	the notice of the General Meeting set out in Part XIV of this document

<b>Harrow Estates</b>	Harrow Estates Plc, a company incorporated under the laws of England & Wales with registered number 04298202
<b>Harrow Estates Business</b>	Harrow Estates Newco and the Properties
<b>Harrow Estates Newco</b>	Brand New Co (420) Limited, a newly incorporated company to be acquired by Redrow pursuant to the Share Purchase Agreement the assets of which include certain employees and the “Harrow Estates” name
<b>Harrow Estates Transaction</b>	the proposed acquisition of the Harrow Estates Business by Redrow under the Property Purchase Agreements and the Share Purchase Agreement, the grant to Redrow of the Options to acquire the Option Properties under the Option Agreements and the provision of services contemplated by the Promotion Agreement, in each case as described in Section A of Part IX of this document
<b>Harrow Estates Transaction Resolution</b>	the ordinary resolution to be proposed at the General Meeting to approve certain components of the Harrow Estates Transaction (being the acquisition of the Properties under the Property Purchase Agreements, the acquisition of Harrow Estates Newco and the grant of the Bridgemere House Lease under the Share Purchase Agreement and the grant of the Options and any subsequent acquisition of the Option Properties upon exercise of the Options under the Option Agreements), which is the fourth resolution set out in the General Meeting Notice
<b>HMRC</b>	HM Revenue & Customs
<b>HSBC or HSBC Bank plc</b>	HSBC Bank plc, 8 Canada Square, London E14 5HQ
<b>IAS</b>	International Accounting Standards
<b>IASB</b>	the International Accounting Standards Board
<b>ICAEW</b>	the Institute of Chartered Accountants in England and Wales
<b>IFRS</b>	International Financial Reporting Standards as issued by the International Accounting Standards Board
<b>Irrevocable Undertaking</b>	the irrevocable undertaking provided by Bridgemere and Durcan in respect of the commitment to support the Rights Issue, the terms of which are summarised in paragraph 16.3 of Part XI of this document
<b>Issue Price</b>	105 pence per New Share
<b>J.P. Morgan Cazenove</b>	J.P. Morgan Cazenove Limited, 20 Moorgate, London EC2R 6DA
<b>Joint Bookrunners</b>	Merrill Lynch International and J.P. Morgan Cazenove
<b>Joint Sponsors</b>	Merrill Lynch International and J.P. Morgan Cazenove
<b>Knight Frank</b>	Knight Frank LLP, a limited liability partnership registered in England (registered number OC305934) with registered office at 55 Baker Street, London W1U 8AN
<b>Knight Frank Valuation Report</b>	the independent valuation report in respect of the Properties set out in Section B of Part IX of this document
<b>Listing Rules</b>	the Listing Rules made by the FSA under Part VI of FSMA
<b>Lloyds TSB Corporate Markets</b>	Lloyds TSB Bank plc, 25 Gresham Street, London EC2V 7HN
<b>London Stock Exchange</b>	London Stock Exchange plc
<b>member account ID</b>	the identification code or number attached to any member account in CREST
<b>Memorandum of Association</b>	the memorandum of association of the Company, details of which are set out in paragraph 4 of Part XI of this document



<b>Merrill Lynch International</b>	Merrill Lynch International, Merrill Lynch Financial Centre, 2 King Edward Street, London EC1A 1HQ
<b>Money Laundering Regulations</b>	the Money Laundering Regulations 2007 (SI 2007/2157)
<b>New Shares</b>	Ordinary Shares to be allotted and issued pursuant to the Rights Issue
<b>Newco</b>	Redrow Capital (Jersey) Limited, a company incorporated under the law of Jersey (registered number 103890) with its registered office at Whiteley Chambers, Don Street, St Helier, Jersey JE4 9WG
<b>Newco Subscriber</b>	Merrill Lynch International
<b>Nil Paid Rights</b>	rights to acquire the New Shares, nil paid
<b>Nomination Committee</b>	the Nomination Committee established by the Board
<b>Non-CREST Shareholder</b>	a Shareholder who does not hold their Ordinary Shares in CREST
<b>Non-executive Directors</b>	the non-executive directors of Redrow
<b>Official List</b>	the Official List of the FSA pursuant to Part VI of FSMA
<b>Option Agreements</b>	the option agreements described in paragraph 3.3 of Section A of Part IX of this document relating to the Options conditionally granted to members of the Redrow Group to acquire the Option Properties from Harrow Estates pursuant to the Harrow Estates Transaction
<b>Option Properties</b>	the properties which are the subject of the Option Agreements as described in paragraph 3.3 of Section A of Part IX of this document
<b>Options</b>	the options to acquire the Option Properties conditionally granted pursuant to the Option Agreements
<b>Ordinary Shares or Shares</b>	the ordinary shares of 10 pence each in the share capital of the Company (including, if the context requires, the New Shares)
<b>Overseas Shareholders</b>	Shareholders with registered addresses outside the UK or who are citizens or residents of, or located in, countries outside the UK
<b>Part VI Rules</b>	the rules contained in Part VI of the FSMA
<b>participant ID</b>	the identification code or membership number used in CREST to identify a particular CREST member or other CREST participant
<b>pounds sterling or £</b>	the lawful currency of the UK
<b>Promotion Agreement</b>	the promotion agreement described in paragraph 3.4 of Section A of Part IX of this document relating to the provision of services to Harrow Estates in respect of the Option Properties
<b>Properties</b>	the properties which members of the Redrow Group have agreed to acquire pursuant to the Property Purchase Agreements, as described in paragraph 3.1 of Section A of Part IX of this document
<b>Property Purchase Agreements</b>	the property purchase agreements described in paragraph 3.1 of Section A of Part IX of this document relating to the proposed acquisition by Redrow of the Properties pursuant to the Harrow Estates Transaction
<b>Prospectus Rules</b>	the Prospectus Rules published by the FSA under Section 73A of FSMA
<b>Provisional Allotment Letter or PAL</b>	the renounceable provisional allotment letter expected to be sent to Qualifying Non-CREST Shareholders (other than, subject to certain exceptions, Shareholders with a registered address in the Restricted Territories), in respect of the New Shares to be provisionally allotted to them pursuant to the Rights Issue
<b>Qualifying CREST Shareholders</b>	Qualifying Shareholders holding Ordinary Shares in uncertificated form in CREST
<b>Qualifying Non-CREST Shareholders</b>	Qualifying Shareholders holding Ordinary Shares in certificated form

<b>Qualifying Shareholders</b>	holders of Ordinary Shares on the register of members of the Company at the Record Date
<b>RBS Hoare Govett</b>	RBS Hoare Govett Limited, 250 Bishopsgate, London EC2M 4AA
<b>Record Date</b>	close of business on 15 October 2009
<b>Redrow Employee Share Schemes</b>	the Long-Term Share Incentive Plan 2004, the Sharesave Plan 2004, the 2008 Company Share Option Plan and the 2001 Phantom Share Option Scheme
<b>Redrow Group or the Group</b>	the Company and each of its subsidiaries and subsidiary undertakings from time to time
<b>Registrars</b>	Computershare
<b>Regulation S</b>	Regulation S under the Securities Act
<b>Regulatory Information Service</b>	one of the regulatory information services authorised by the UK Listing Authority to receive, process and disseminate regulatory information in respect of listed companies
<b>Relationship Agreement</b>	the agreement dated 20 March 2009 between the Company, Harrow Estates and Steve Morgan details of which are provided in paragraph 16.2 of Part XI “The Relationship Agreement”
<b>Remuneration Committee</b>	the remuneration committee established by the Board
<b>Resolutions</b>	the Rights Issue Resolutions and the Harrow Estates Transaction Resolution
<b>Restricted Territories and each a Restricted Territory</b>	Australia, Canada, Japan, South Africa, Switzerland and any other jurisdiction where the extension or availability of the Rights Issue (or any transaction contemplated thereby and any activity carried out in connection therewith) would breach applicable law
<b>Rights Issue</b>	the proposed offer by way of rights of New Shares to Qualifying Shareholders on the basis described in this document and, in the case of Qualifying Non-CREST Shareholders (other than, subject to certain exceptions, Shareholders with a registered address in the Restricted Territories), in the Provisional Allotment Letter
<b>Rights Issue Resolutions</b>	the First Resolution, the Second Resolution and the Third Resolution
<b>RPI</b>	retail price index
<b>RTGS</b>	real time gross settlement
<b>SDRT</b>	stamp duty reserve tax
<b>SEC or US Securities and Exchange Commission</b>	the US government agency having primary responsibility for enforcing the federal securities laws and regulating the securities industry/stock market
<b>Second Resolution</b>	the ordinary resolution to be proposed at the General Meeting to grant the Directors the authority to allot the New Shares required for the Rights Issue, which is the second resolution set out in the General Meeting Notice
<b>Section 106 Agreement</b>	a legally binding agreement entered into between a Local Planning Authority and a landowner in association with the grant of planning permission, in accordance with section 106 of the Town and Country Planning Act 1990
<b>Securities Act</b>	the United States Securities Act 1933, as amended
<b>Share Purchase Agreement</b>	the share purchase agreement described in paragraph 3.3 of Section A of Part IX of this document relating to the proposed acquisition of the entire issued share capital of Harrow Estates Newco pursuant to the Harrow Estates Transaction
<b>Shareholder or Redrow Shareholder</b>	a holder of Ordinary Shares

<b>stock account</b>	an account within a member account in CREST to which a holding of a particular share or other security in CREST is credited
<b>subsidiary undertaking</b>	as defined in section 258 of the Companies Act
<b>Syndicated Facility Agreement</b>	the syndicated facility agreement described further paragraph 16.5 of Part XI of this document
<b>Third Resolution</b>	the special resolution to be proposed at the General Meeting to authorise the Directors to allot the New Shares required for the Rights Issue without the New Shares first being offered to Shareholders in proportion to their existing holdings, which is the third resolution set out in the General Meeting Notice
<b>TSR</b>	total shareholder return
<b>UK</b>	the United Kingdom of Great Britain and Northern Ireland
<b>UK Listing Authority or UKLA</b>	the FSA in its capacity as the competent authority for the purposes of Part VI of FSMA and in the exercise of its functions in respect of the admission to the Official List otherwise than in accordance with Part VI of FSMA
<b>uncertificated or in uncertificated form</b>	recorded on the relevant register of the share or security concerned as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
<b>Underwriters</b>	J.P. Morgan Cazenove, Merrill Lynch International, HSBC, Lloyds TSB Corporate Markets and RBS Hoare Govett
<b>Underwriting Agreement</b>	the underwriting agreement entered into between the Company and the Underwriters relating to the Rights Issue and further described in paragraph 16.1 of Part XI of this document
<b>US or United States</b>	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
<b>US Holder</b>	a beneficial owner of rights and New Shares that is, for US federal income tax purposes, (i) an individual citizen or resident of the United States, (ii) a corporation created or organised under the laws of the United States or any State thereof, (iii) an estate the income of which is subject to US federal income tax without regard to its source or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more US persons have the authority to control all substantial decisions of the trust, or the trust has elected to be treated as a domestic trust for US federal income tax purposes

**PART XIV**  
**NOTICE OF GENERAL MEETING**

**Redrow plc**

*Incorporated in England and Wales under the Companies Act 1985 with registered number 2877315*

NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that a GENERAL MEETING of Redrow plc (the "Company") will be held at the offices of Redrow plc, Redrow House, St David's Park, Flintshire CH5 3RX on 19 October 2009 at 9.00 a.m. to consider and, if thought fit, pass the following resolutions. Resolutions 1, 2 and 4 will be proposed as ordinary resolutions and Resolution 3 will be proposed as a special resolution.

Ordinary resolutions

1. THAT, subject to the passing of Resolutions 2 and 3 set out in this notice of General Meeting, the authorised share capital of the Company be and is hereby increased from £33,000,000, divided into 330,000,000 ordinary shares of 10 pence each in the capital of the Company ("Ordinary Shares"), to £48,000,000 divided into 480,000,000 Ordinary Shares of 10 pence each.
2. THAT, subject to the passing of Resolutions 1 and 3 set out in this notice of General Meeting, the directors of the Company (the "Directors"), in addition to any existing authority to allot shares in the Company, or to grant rights to subscribe for or to convert any security into shares in the Company, be generally and unconditionally authorised, pursuant to and in accordance with Section 551 of the Companies Act 2006, to exercise all powers of the Company to allot and to make offers or agreements to allot shares, grant rights to subscribe for or convert any securities into shares up to an aggregate nominal amount of £15,000,000, provided that this authority shall (unless previously revoked or renewed) expire on the date of the annual general meeting of the Company to be held in 2010 or on 31 December 2010, whichever is the earlier, but so that the Company may, before such expiry, make an offer or agreement which would or might require shares to be allotted or rights to subscribe for or to convert any security into shares to be granted after such expiry and the Directors may allot shares or grant rights to subscribe for or convert securities into shares in pursuance of such offer or agreement as if the authority had not expired.

Special resolution

3. THAT, subject to the passing of Resolutions 1 and 2, set out in this notice of General Meeting, and in addition to any existing authority, the Directors be empowered pursuant to Section 570 of the Companies Act 2006 to allot equity securities (as defined in Section 560(1) of the Companies Act 2006) the subject of the authority granted by Resolution 2 set out in this notice of General Meeting wholly for cash or otherwise as if Section 561(1) of the Companies Act 2006, to the extent applicable, did not apply to any such allotment and in particular to make any such allotment by way of a rights issue subject to such restrictions or other arrangements as the Directors may deem necessary or expedient either in relation to fractional entitlements or having regard to any legal or practical obstacles under the laws of any overseas territory, or the requirements of any recognised regulatory body or any stock exchange in any territory. Such power shall expire at the conclusion of the annual general meeting of the Company to be held in 2010 or on 31 December 2010, whichever is the earlier, save that the Company may make offers and enter into agreements during this period which would, or might, require equity securities to be allotted after the power ends and the Directors may allot equity securities under any such offer or agreement as if the power had not ended.

## Ordinary resolution

4. THAT, subject to the passing of Resolutions 1, 2 and 3 set out in this notice of General Meeting, the acquisition by the Company of the Properties on the terms of the Property Purchase Agreements, the acquisition of Harrow Estates Newco and entering into the Bridgemere House Lease on the terms of the Share Purchase Agreement and the grant of Options and the acquisition of Option Properties upon exercise of any Option, in each case on the terms of the Option Agreements (each as defined in the Prospectus of which this notice of General Meeting forms part) be and is hereby approved for the purposes of Section 190 of the Companies Act 2006.

By order of the Board,

Graham A. Cope  
Group Company Secretary

23 September 2009

Registered office: Redrow House, St David's Park, Flintshire CH5 3RX

### Notes:

1. A Shareholder is entitled to appoint another person as his proxy to exercise all or any of his rights to attend and speak and vote at the General Meeting. A Shareholder may appoint more than one proxy in relation to the General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that Shareholder. Proxies need not be members of the Company. A form of proxy for this purpose is enclosed.
2. The appointment of a proxy must be in writing in any usual or common form or in any other form which the Directors may approve and (i) in the case of an individual must either be signed by the appointor or his attorney, and (ii) in the case of a corporation must be either given under its common seal or be signed on its behalf by an attorney or a duly authorised officer of the corporation. Any signature on or authentication of such appointment need not be witnessed. Where an appointment of a proxy is signed on behalf of the appointor by an attorney, the power of attorney or a copy thereof certified notarially or in some other way approved by the Directors must (failing previous registration with the Company) be submitted to the Company, failing which the appointment may be treated as invalid.
3. A Form of Proxy is enclosed. The appointment of a proxy will not prevent a Shareholder from subsequently attending and voting at the General Meeting in person.
4. To be effective, the instrument appointing a proxy, and any power of attorney or other authority under which it is executed (or a duly certified copy of any such power or authority), must either be (a) sent to the Company's Registrars, Computershare, The Pavilions, Bridgwater Road, Bristol BS99 6ZY, so as to arrive no later than 9.00 a.m. on 17 October 2009 or, if the General meeting is adjourned, 48 hours before the time fixed for the adjourned General Meeting or (b) lodged using the CREST Proxy Voting Service—See Note 7 below.

Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, only those Shareholders registered in the register of members of the Company as at 9.00 a.m. on 17 October 2009 will be entitled to attend or vote at the General Meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of members after 9.00 a.m. on 17 October 2009 will be disregarded in determining the rights of any person to attend or vote at the General Meeting.

5. Holders of ordinary shares (or their proxies) are entitled to attend and vote at General Meetings of the Company. The total number of issued ordinary shares in the Company on 22 September 2009, which is the latest practicable date before the publication of this Notice is 160,014,298. On a vote by show of hands every member who is present shall have one vote. On a poll vote every member who is present in person or by proxy shall have one vote for every Ordinary Share of which he is the holder. Therefore, the total number of votes exercisable as at 22 September 2009 is 160,014,298.
7. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the General Meeting to be held on 19 October 2009 and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

8. In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a “CREST Proxy Instruction”) must be properly authenticated in accordance with Euroclear UK’s specifications and must contain the information required for such instructions, as described in the CREST Manual. The message (regardless of whether it constitutes the appointment of a proxy, the revocation of a proxy appointment or an amendment to the instruction given to a previously appointed proxy) must, in order to be valid, be transmitted so as to be received by the issuer’s agent (ID 3RA50) by the latest time(s) for receipt of proxy appointments specified in Note 4 above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer’s agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to a proxy appointed through CREST should be communicated to him by other means.
9. CREST members (and, where applicable, their CREST sponsors or voting service providers) should note that Euroclear UK does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider, to procure that his CREST Sponsor or voting service provider takes) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members (and, where applicable, their CREST sponsors or voting service providers) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
10. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
11. The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communications from the Company in accordance with section 146 of the Companies Act 2006 (“nominated persons”). Nominated persons may have a right under an agreement with the member who holds the shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights.

Any corporation which is a Shareholder can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a shareholder provided that they do not do so in relation to the same shares.
12. Any shareholder attending the meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or good order of the meeting that the question be answered.
13. A copy of this notice and other information required by Section 311A of the Companies Act 2006 can be found at [www.redrow.co.uk](http://www.redrow.co.uk).



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