



Redrow plc  
Annual Report 2018

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# 2018 ANNUAL REPORT





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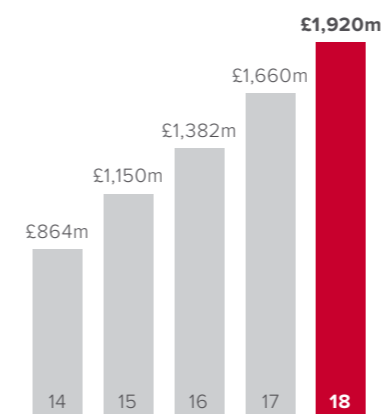
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Find more information at:  
[redrowplc.co.uk](http://redrowplc.co.uk)

## REDROW ANNUAL REPORT 2018

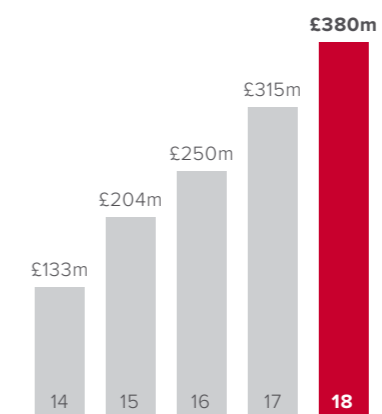
### Highlights



**£1,920m**

Revenue

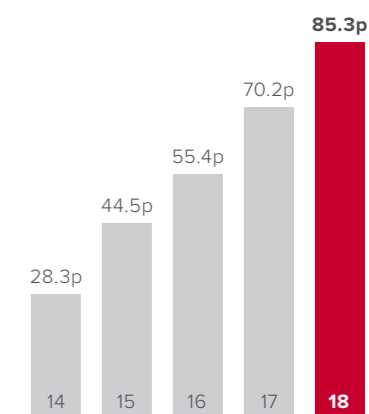
**+16%**



**£380m**

Profit before tax

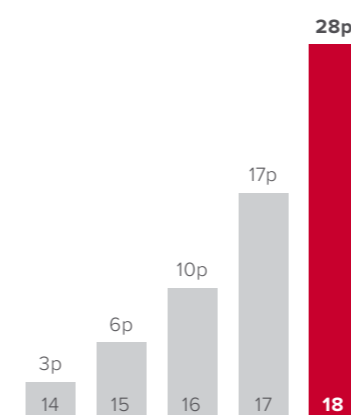
**+21%**



**85.3p**

Earnings per share

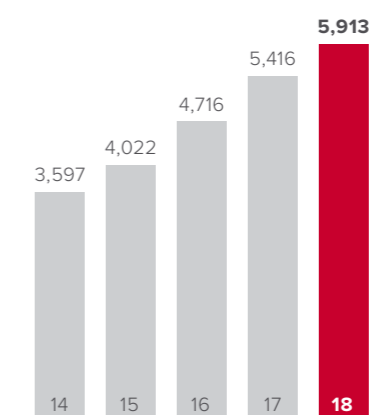
**+22%**



**28p**

Dividend per share

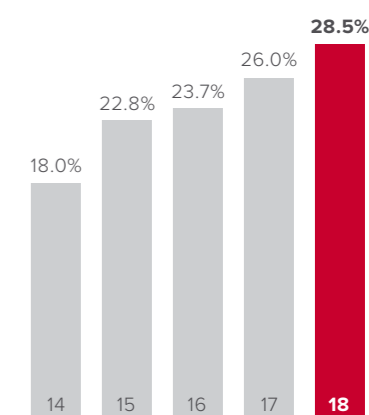
**+65%**



**5,913**

Legal completions (inc. JV)

**+9%**



**28.5%**

ROCE

**+10%**

### Award highlights

**WhatHouse?**  
WINNER AWARDS 2017



## STRATEGIC REPORT

## Our Investment Case

**Successful leadership team**

Redrow has a strong, experienced and successful leadership team and is committed to developing the next generation of homebuilders.

**15%**

of workforce on structured training programmes

**32%**

of divisional directors appointed in the year from internal promotions

**Placemaking**

We focus on delivering high quality homes and creating community and physical environments that help promote people's sense of wellbeing.

**£184m**

committed to fund improvements to local communities

**1,102**

affordable homes delivered to our communities

**Excellent product range**

Redrow has an excellent product range which continues to evolve.

**£1.7bn**

revenue value of private reservations secured in the year

**Creating communities**

a key focus

**Expertise in land buying**

Redrow has the expertise and resources to ensure that the right land opportunities are taken to deliver targeted geographic expansion.

**c7,500 plots**

acquired to add to current land holdings

**2,727 plots added**

from forward land to owned land holdings

**Quality and customer service**

By listening to and understanding our customers' requirements, we continue to evolve our product and customer service. We focus on quality, differentiation and value for money for customers.

**89.1%**

customer recommendation

**5th consecutive year**

Top 100 Apprenticeship Employer

**A strong and efficient balance sheet**

Redrow has net assets of over £1.4bn. The Group is focused on delivering superior levels of return on equity and return on capital employed from an efficient use of its capital base.

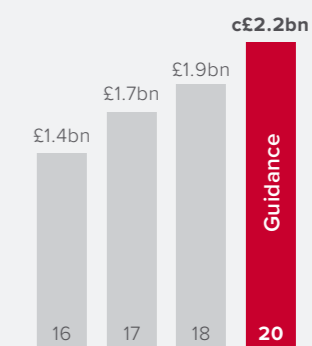
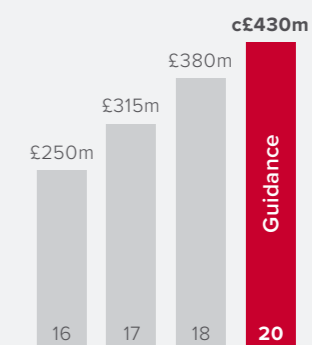
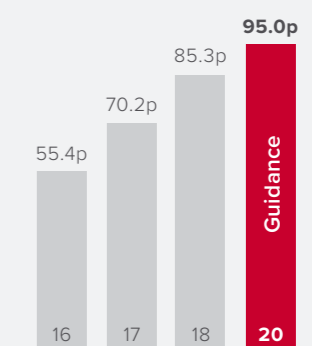
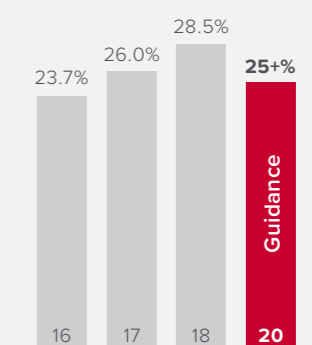
**28.0%**

return on equity

**28.5%**

return on capital employed

## Our benchmark for success in 2020

**TURNOVER****PROFIT BEFORE TAX****EPS****ROCE**

STRATEGIC REPORT

# Our Strategy

To create long-term sustainable value for all our stakeholders by developing thriving communities with high quality homes that provide a better way to live.



MEASURE	2020 OBJECTIVES	KEY PERFORMANCE INDICATORS	
		2018	2017
<b>Developing Thriving Communities</b>			
We develop thriving communities by creating better places to live. There are three strands which support this work:			
EPS	• EPS increasing to 95p	85.3p	70.2p
DPS	• DPS of 32p	28p	17p
Revenue	• Revenue increasing to c£2.2bn	£1,920m	£1,660m
Sales Outlets	• 150 outlets	132	132
Monies committed to fund improvements to local communities	• Continued investment in local communities	£184m	£163m
	• Affordable homes delivered	1,102	1,014

## Building Responsibly

Ensuring our sites are safe places to work, live and visit is central to our build operations. As we continue to help deliver much-needed new homes, we are also striving to constantly improve our quality and customer service, whilst working to protect the environment. The themes which support this activity are:

- Working Safely and Considerately – creating healthy, safe and considerate working environments;
- Putting Customers First – putting our customers first and striving for excellence in all that we do; and
- Managing Resources – creating homes of enduring quality and working to minimise our environmental impacts.

ROCE	• ROCE of 25+%	28.5%	26.0%
Land holding years	• Maintain land holdings at c4 years	4.5 years	4.5 years
Waste diverted from landfill	• >95%	96.8%	95.4%
90% or more customer recommend rating	• HBF 90% customer recommend rating	89.1%	88.9%
Private reservation rate (excluding PRS)	• Maintain an appropriate balance in availability of product in the right locations	0.67	0.68

## Valuing People

Our aim is to inspire future industry talent and to support our colleagues at every stage of their career. The two strands which support this work are:

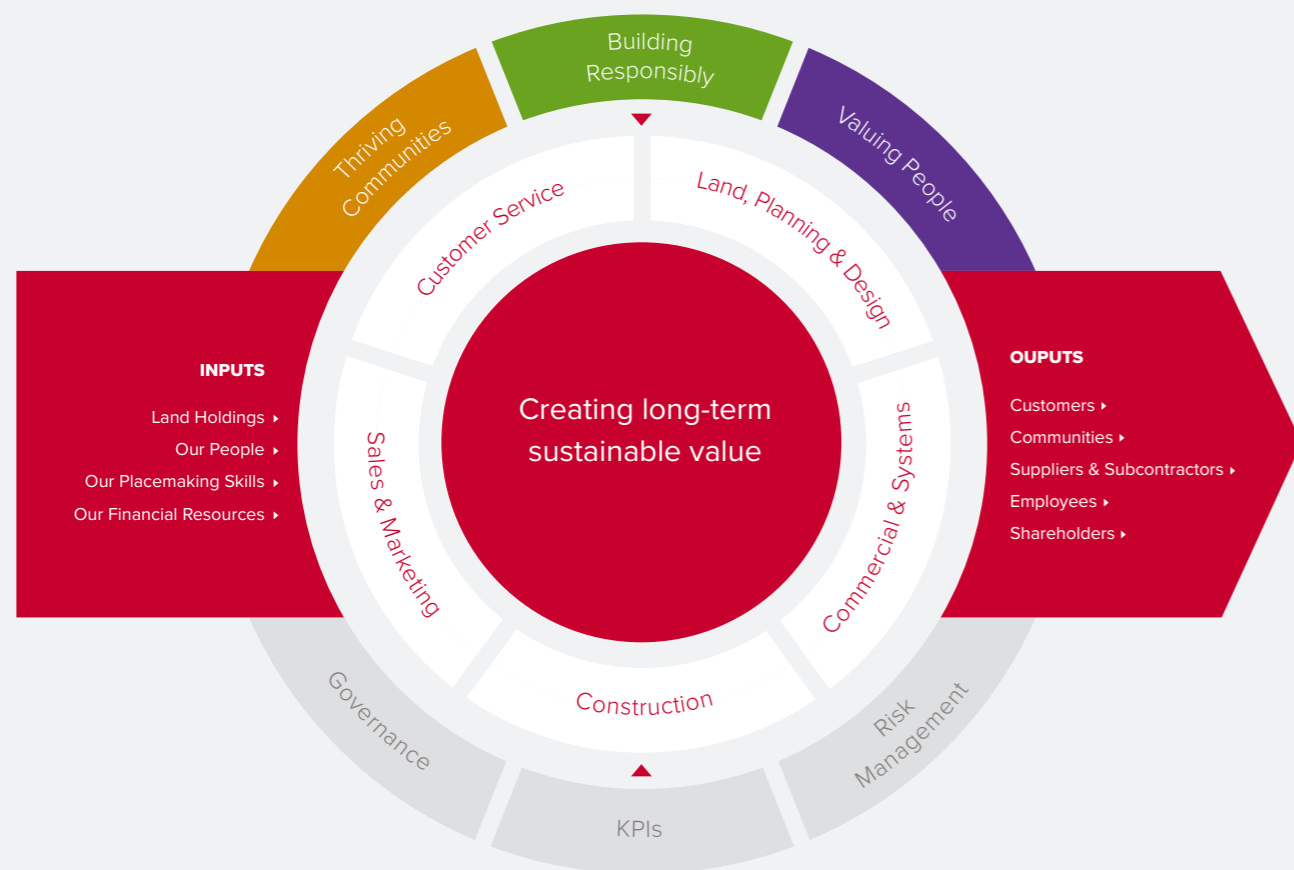
- Valuing and Developing People & Partners – by training and developing people to succeed; driving Redrow colleague and partner advocacy and improving the wellbeing of Redrow's people and creating an inclusive workplace; and
- Inspiring the Next Generation to Build – collaborating with partners to positively impact people and communities through education and engagement activities.

Number of trainees	• Maintain level of trainees at 15% of an increasing workforce	343	328
Accident incident rate by site	• Accident incident rate by site maintained at 0.3 or below	0.35	0.30

STRATEGIC REPORT

# Our Business Model

*Our strategy is achieved by channelling our resources through our strategic principles and ensuring these are embedded in our relationships with our primary stakeholders.*



## → INPUTS

### Land Holdings

The quality and location of our land holdings is a vital component to enable us to deliver sustainable and profitable growth. Our experienced land teams focus on the investment in and promotion of strategic land together with shorter term opportunities receptive to the value we can add through our master planning, placemaking and technical expertise.

### Our People

Our employees are at the heart of our business and our continued success and growth is achieved through the talent, hard work and dedication of our people.

### Our Placemaking Skills

We recognise that the setting of our homes is of equal importance to the quality and design of the individual homes themselves. We aim to ensure our developments enhance the natural features of the landscape as well as connecting to and sharing amenities with local communities.

### Our Financial Resources

Appropriate financial resources are a key enabler to support the delivery of our strategy. We ensure that our strategic delivery is regularly and clearly communicated to our investors and our relationship banks.

## OUTPUTS →

### Customers

Our customers are fundamental to our business and we take great care to research their needs, listen to their feedback and evolve our carefully designed new homes as lifestyles evolve.

### Communities

We adopt a collaborative approach, engaging with community stakeholders to ensure our developments become thriving communities, delivering better places to live.

### Suppliers & Subcontractors

We work closely with our experienced suppliers and subcontractors to maintain a strong and reliable supply chain delivering quality products and workmanship.

### Employees

Our employees are fundamental to our business; we invest in attracting and retaining talented people with a key focus on training and development to enable our people to build rewarding careers and deliver succession planning for the future.

### Shareholders

Our Shareholders are the primary providers of financial resources enabling us to create long-term sustainable value. We aim to provide a balance between capital growth and dividend income to our Shareholders.

## STRATEGIC REPORT

## Thriving Communities

Creating places for people to enjoy now and for years to come.



*At Redrow we believe in building better places to live.*

*Our passion for design, sustainability, innovation and people ensures we bring this vision to life.*

Our extensive experience helps us to understand the wants and needs of growing communities and we use this unique insight to ensure we're always improving what we do.

Our distinctive high quality homes sit together, with fantastic community facilities and within stunning natural settings or

vibrant city suburbs to form a whole new place for people to live and a place to feel proud of.

We are incredibly passionate about what we do and we hope our developments will inspire the next generation of housebuilders and form new communities that provide people with a better way to live.

## WOODFORD GARDEN VILLAGE, CHESHIRE



*Woodford Garden Village is set to be one of the biggest developments in the North West over the next ten years; delivering over 900 new homes, as well as a host of brand new facilities all within easy reach of central Manchester.*



Based at the historic former aerodrome at Woodford where iconic aircraft such as the Lancaster and Vulcan bombers were manufactured, phase one of this landmark development consists of 145 high quality homes in a range of sizes from two to five bedrooms. Sensitive to its idyllic rural location, the development will feature significant acreage of public open spaces; including traditional village greens and promenades that will create a superb environment for years to come. This major development required significant planning and all elements were carefully considered to ensure Woodford retained its iconic history and provided

the community with attractive outdoor spaces that can be enjoyed all year round.

Using traditional garden village principals we have been able to design a thriving community that has enhanced the surrounding environment. The homes fit seamlessly with the local vernacular, the tree-lined avenues create a picturesque place to live and the classic village green, parks and play areas provide room to grow.

This has not only opened up the space for all to enjoy but it has encouraged those living here to lead a healthy and active lifestyle.

## STRATEGIC REPORT

## Thriving Communities continued

## EBBSFLEET GREEN, KENT



*Ebbsfleet Green is more than a place to live; it's a place for living. This 100 acre site in Kent has been developed into a sustainable community where everyone feels connected to the environment and each other.*



Since its inception, every element of Ebbsfleet Green has been carefully considered, from looking after the heritage of the site, to building new streets that connect residents to the wider area.

The development has provided 920 new homes, which all sit within an attractive setting that's linked by footpaths, cycleways and tree-lined avenues. There's something here for everyone, with three distinct villages, a selection of starter, affordable and family homes and a combination of properties from our Heritage, Abode and Regent collections.

The vibrant village hub is at the heart of the community, designed to bring people together and provide them with everything they need for everyday life. A picturesque village green sits at its centre, with space for communal gatherings and a

chance to enjoy a breath of fresh air. One third of the development has been left for public open space and sports fields, enabling residents to stretch their legs and encouraging them to lead a healthy and active lifestyle. The allotments and orchards have also been designed with sustainability and healthy living in mind.

The village also has space for a community centre, a primary school, shops, a new hotel and a pub. Although all of this is within walking distance, transport connections have been carefully planned including the bus route that runs through the development linking residents to the wider area.

All of this combines to create a special community that enriches the lives of all who live here.

## PLASDŴR, CARDIFF



*One of our most ambitious projects to date, this £2bn garden village will deliver 7,000 homes on over 350 hectares of land over the next 15-20 years.*



Our vision at Plasdŵr is to create a world-class, sustainable community that blends the history of the area with the best of modern living, all within a stunning country park setting.

A key factor in our master plan has been developing sustainable transport links. Rapid growth throughout the area has led to a lot of congestion within Cardiff and the surrounding area. Our challenge has involved helping to solve the city's housing problems whilst trying to avoid adding to the transport problems. To achieve this we have worked closely with The City of Cardiff Council to ensure that Plasdŵr complements the Local Transport Plan.

We have supported extra bus services and new bus stops throughout the development to ensure residents are within walking distance of affordable and reliable public transport. We have also invested millions of

pounds in new bus lanes in and around Plasdŵr and developed safe cycle routes and cycle superhighways. This all combines to encourage local residents to adopt sustainable transport habits from the day they move in.

Residents will also have access to a range of excellent facilities on their doorstep including four primary schools, a secondary school, a health centre, shops, leisure centres, pubs and restaurants. This will not only provide people with places to go and things to do, it will also result in around 3,000 new jobs so residents can work, rest and play without ever leaving the community.

With our ability to see the problems of the present and develop solutions for the future, our vision of an innovative new garden village has truly been brought to life at Plasdŵr.

## STRATEGIC REPORT

## Thriving Communities continued

## COLINDALE GARDENS, NORTH LONDON



*By opening up the site, transforming it into a new neighbourhood and connecting it to the surrounding streets, Colindale Gardens is uniting the area as a thriving community.*



Colindale Gardens in North London, is a 48 acre site formerly owned by the Metropolitan Police. Within a decade more than 6,000 people will live at Colindale Gardens. In addition to the 2,900 new homes, across 24 blocks of apartments and townhouses with a residents' gym and concierge service, there will be a new neighbourhood centre with commercial and retail space.

The scheme is designed around a network of outside spaces including walkways, cycle paths, large open green spaces and the central four acre park – effectively a modern village green for the new community.

Around £143m of community benefits are being provided as a result of the development. These include a primary school, a health centre, a new

neighbourhood centre, a nursery, nine acres of public open space and community financial contributions. £11m will be invested in transport around the development including enhancements to Colindale tube station and bus routes in the local area.

## AMINGTON GARDEN VILLAGE, TAMWORTH



*Amington Garden Village reflects Redrow's commitment to put the natural environment at the heart of its developments as part of the ethos of creating thriving communities.*



Redevelopment of the 60 hectare, former golf course site was a complex undertaking. The 1,100 home scheme has potential for up to a decade of production.

A landscape strategy was drawn up to outline how 25 hectares of land would be retained and enhanced as public open space for recreational use by the wider community. The design aims to retain existing good quality trees and hedgerows and will be enhanced by the addition of new trees, shrubs, hedgerows and wetland planting.

A new community woodland which will include footways and cycleways will be created in the south west of the development of c8 hectares along with a community orchard and an equipped play area.

Amington Garden Village is a prime example of Redrow's placemaking principles of creating sustainable developments which are great places to live.

Amington Garden Village offers everything from two bedroom properties to substantial five bedroom family homes. The result is a community which is home to first time buyers, families and rightsizers.



STRATEGIC REPORT

# Our Markets

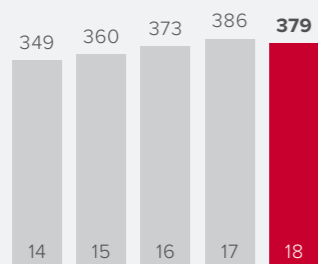
## PLANNING

The Government finally published the National Planning Policy Framework (NPPF) at the end of July, after nearly three years of consultation. There are a number of measures within it that should speed up the delivery of housing across the country, including a standard methodology for calculating housing need, a new housing delivery test, and requirements on councils to meet their housing needs, to produce local plans and keep them up to date. In addition, regulations come into force at the beginning of October that provides planning permission for the development of land may not be granted subject to a pre-commencement condition without the written agreement of the applicant to the terms of the condition. This should help to reduce the number of unnecessary conditions being imposed on planning permissions enabling developers to get on site and deliver housing more quickly.

The number of applications granted in 2018 was down 2% on the previous year. This was disappointing given the need for new homes and reverses the gently increasing trend seen over the past few years.

**Chart 1**

Planning applications granted to March (No. - '000)



Source: Department for Communities and Local Government – District Level applications

## MORTGAGE APPROVALS

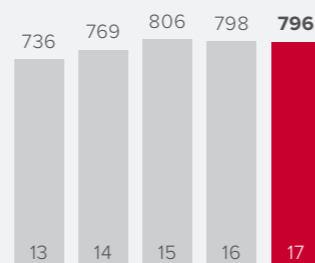
Mortgage approvals remain one of the key indicators of the level of activity in the housing market. Approvals in the calendar year 2017 were broadly in line with 2016.

Even with the base rate increases in November 2017 and August 2018, mortgage rates remain at near historically low levels.

Seasonally adjusted figures for January 2018 to June 2018 average 64,000 approvals per month, a 3% reduction on the equivalent period in 2017.

**Chart 2**

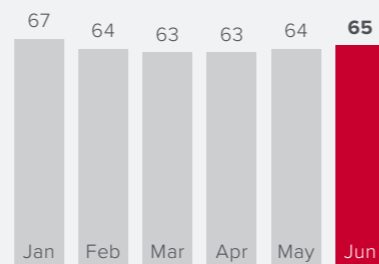
Mortgage approvals calendar year (No. - '000)



Source: Bank of England, CML

**Chart 3**

Mortgage approvals 2018 (seasonally adjusted) (No. - '000)



Source: Bank of England, CML

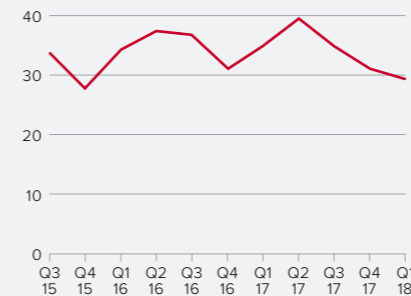
## HOUSING SUPPLY

NHBC new build starts totalled 134,500 in the year to March 2018. This compares to 140,100 in the equivalent period last year, a 4% decrease.

This reduction primarily reflects a significant decrease in new build starts in Inner London zones.

**Chart 4**

NHBC build starts, all sectors (England and Wales) (No. - '000)



**Chart 5**

NHBC build starts, all sectors (Inner London) (No. - '000)



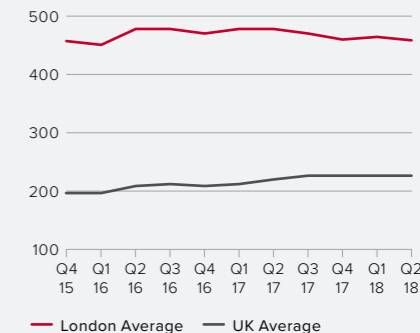
## RESIDENTIAL TRANSACTIONS

Residential transactions in England and Wales fell by c2% in the 2017 calendar year compared to 2016 but with still c1.1 million residential property transactions of £40,000 or above completed during 2017. This reflected a weak secondary market.

There were c48,000 Help To Buy equity loan completions in the year to March 2018. This was a 21% increase on the prior year to March 2017 (39,800).

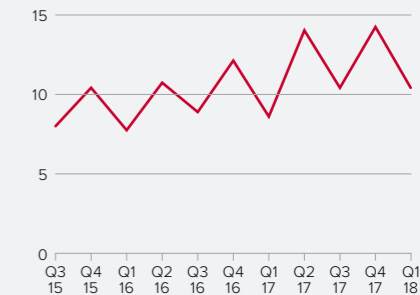
**Chart 6**

House Prices Nationwide House Price Index (£ - '000)



**Chart 7**

Help to Buy Equity Loan completions (No. - '000)



## STRATEGIC REPORT

## Chairman's Statement

*"I am delighted to report that Redrow has once again delivered another year of strong growth and record financial results."*



**STEVE MORGAN**  
Chairman

I am delighted to report that Redrow has once again delivered another year of strong growth and record financial results, achieved by completing 5,913 new homes (including our Croydon Joint Venture), an increase of 9% on the previous year.

#### FINANCIAL RESULTS

Group turnover rose by 16% to £1.92bn (2017: £1.66bn) as a result of the increase in legal completions to 5,913 together combined with a 7% rise in average selling price to £332,300 (2017: £309,800). The increase in average selling price was mainly due to the relatively faster growth of our southern businesses.

Gross profit at £469m was £64m above the 2017 level and gross margin was in line with last year at 24.4%.

With firm control of costs, operating expenses only increased by £4m to £87m, resulting in operating expenses reducing as a percentage of turnover from 5% in 2017 to 4.5% in 2018.

Operating profit was £382m, up 19% (2017: £322m), with an operating margin of 19.9% (2017: 19.4%).

Pre-tax profits were £380m, up 21% (2017: £315m) including a £5m after tax contribution from our Croydon Joint Venture. Earnings per share increased by 22% to 85.3p (2017: 70.2p).

This excellent trading performance and tight control of working capital enabled us to achieve strong cash

generation which resulted in the Group moving from a net debt position of £73m at the end of the previous financial year to a positive cash position of £63m at the end of June 2018.

Our Return on Capital Employed also improved from 26.0% to 28.5% and Return on Equity from 27.7% to 28.0%.

In March 2017 we announced our intention to increase our dividend payout ratio to 33% over the medium term. Due to our ongoing strong cash position the Board is proposing a final dividend of 19p per share for 2018 (2017: 11p), making 28p per share for the full year an increase of 65% on the prior year. This equates to a payout ratio of 33% (2017: 24%), achieving our target ahead of plan.

Subject to shareholder approval at the Annual General Meeting, this will be paid on 13 November 2018 to shareholders on the register as at close of business on 21 September 2018.

#### MARKET

Despite the uncertainty surrounding Brexit, demand for new homes continues to be robust, and overall house price inflation has moderated to a sustainable 2%. We entered the current year with a strong order book of £1.14bn, an increase of £110m over the previous year.

Mortgage availability is excellent, and with low interest rates by historic levels, the mortgage market remains very competitive.

Help to Buy continues to support home buyers and the housing industry. In the last financial year 1,794 of our private reservations were secured through Help to Buy, a similar level to the previous year.

#### LAND AND PLANNING

During the year we added 7,455 plots to our current land holdings. Of these, 2,727 were converted from our strategic land. As a result, net of completions and re-plans, our current land holdings increased by 1,530 plots to 27,630 (2017: 26,100). Our strategic land holdings also increased by a net 4,300 plots to 30,700 (2017: 26,400).

Growing the number of outlets in line with the increased land holdings remains a challenge as the journey from 'outline planning permission' to 'implementable planning permission' remains as bureaucratic as ever.

The gross development value of our total land holdings now stands at £20bn giving Redrow an outstanding platform for continued growth.

#### PEOPLE

As we continue to grow the business we continue to add to our workforce, creating a further 100 jobs in 2018. We now directly employ 2,300 people (2017: 2,200), with many thousands more supported indirectly through our subcontractors and suppliers.

We have recruited 173 (2017: 150) new apprentices, trainees and graduates in the last year making 343 in total, an industry leading 15% of the workforce. We have been awarded a Top 100 Apprentice Employer by the National Apprentice Awards for the fifth consecutive year.

Our excellent growth record is due to the ongoing commitment and hard work of the whole Redrow workforce together with our subcontractors and suppliers, for which I thank them.

#### CURRENT TRADING AND OUTLOOK

We have excellent products, especially the Heritage Collection, and demand for our homes is strong. Despite Brexit uncertainty and the exceptional summer weather, sales revenue in the first 9 weeks is in line with last year. We expect to continue to grow our land holdings and increase the number of average outlets in the current year by 5% to 130 (2018: 124).

Redrow is committed to growing our output to help the country's requirement to increase the number of new homes built. We have a very strong forward order book, first class land holdings, an excellent balance sheet and we are able to react quickly to changing circumstances. However, there is no doubt that clarity over Brexit and the future of Help to Buy would improve market sentiment. Given that clarity, we will continue to deliver.

**STEVE MORGAN**  
Chairman

3 September 2018



## STRATEGIC REPORT

## Chief Executive's Review

*“Another year of exceptional results.”*



**JOHN TUTTE**  
Group Chief Executive

#### CONTINUED GROWTH AND EXPANSION

The Group's successful growth strategy continues to deliver exceptional results. Legal completions (including JV) increased by 9% to 5,913 in the year with revenue rising by 16% to £1.92bn and profit before tax up 21% to £380m (2017: £315m).

We have continued to expand our geographical coverage. Our new East Midlands division made its first full year trading contribution and our Southern divisions continue to grow strongly as we target increasing our market share in this area of high demand. Colindale Gardens, our flagship development in North London, also made a significant contribution delivering its first completions.

To underpin our future growth we have announced the launch of a new division in Thames Valley and reorganised our Greater London operations into East and West divisions to focus on growth in the capital. We have also re-structured Harrow Estates to draw on its wealth of experience to help manage and support our group-wide forward land activities.

#### INVESTING IN PLACES

The land market remained attractive throughout the year, we acquired 7,455 plots and, after taking into account legal completions, land sales and replans, our owned and contracted land holdings with planning increased to 27,630 plots (2017: 26,100 plots) representing 4.8 years of supply. Pull-through

from Forward Land was again strong and accounted for 2,727 of the plots acquired.

The average size of site acquired in the year was around 180 plots as we took advantage of being able to secure some larger opportunities. These larger sites were generally acquired on more favourable terms and relieve pressure on future outlet replacement. They also allow us to make full use of our award winning product range to both create great places to live for everyone and to appeal to a wider market.

We have a reputation for designing individual homes that are attractive and meet the modern-day needs of our customers. But of equal importance is their setting. In recent years we have focused on ensuring our developments enhance and make the most of natural features as well as connecting to and sharing amenities with local communities.

Developing thriving communities by valuing people and building responsibly have become the key pillars of our operational strategy. Over the course of the last year these principles have been embedded into the business.

#### THRIVING COMMUNITIES

Redrow 8 is a suite of placemaking design principles we have adopted to ensure our developments include all the key requirements to create great places. It is consistent with Building for Life 12 which is a government-endorsed standard for well-designed homes and neighbourhoods.

We recognise that the quality of the places we create can have a lasting impact upon the health and wellbeing of those who live in our homes. We have recently joined the NHS Healthy Towns Network which is an initiative to improve the health of those living on new housing developments. We are also supporting the Wellcome Trust in their research project to explore how urban development can impact long-term health.

We know our customers are increasingly more concerned about the environment in which they live. Nature for People is our way of increasing biodiversity. We have a long-standing relationship with the Bumblebee Conservation Trust and we have recently established a new partnership with The Wildlife Trusts to help us develop a strategy to achieve a net biodiversity gain across our developments.

As well as building much-needed new homes we make significant contributions to the infrastructure of the wider communities in which we work. Last year we estimate we committed £184m to fund local improvements including new schools, community centres, medical and sporting facilities, footpaths and cycleways and attractive areas of open space.

#### VALUING PEOPLE

In response to our continued growth we created around 100 new jobs during the year: we now employ just under 2,300 people directly and many more times this through our supply-chain.

Our annual employee satisfaction survey that achieved a record response, reassured us that overall we are a highly respected employer with 95% of our people saying they are proud to work for Redrow. This said, we continue to look at ways to improve the working environment and we have recently launched a number of initiatives around communication and health and wellbeing.

Training and developing the next generation of housebuilders remains high on our agenda. 15% of the workforce are trainees on structured training programmes and I am delighted that we retained our listing as a Top 100 Apprenticeship Employer.



## STRATEGIC REPORT

## Chief Executive's Review continued

We have a number of strategic partnerships with colleges across the country and the first students will enrol this year on our dedicated housebuilding degree which has been developed in conjunction with Liverpool John Moores University and Coleg Cambria.

We are a Patron of the 5% Club which is a movement of FTSE employer-members working to tackle critical skills challenges. Its members represent the gold standard of training and skills development across all industries.

**BUILDING RESPONSIBLY**

Our responsibility to work safely and considerately is a top priority for the business.

During the year we restructured our Health, Safety and Environmental Management teams. Resources have been increased and reorganised into two distinct areas of responsibility: compliance through regular site audits and development to improve overall health, safety and environmental management.

NextGeneration is an independent organisation which benchmarks the UK's top 25 housebuilders on their sustainability performance. During the year we retained our Gold standard and moved-up into third place in the rankings. We are also Gold members of the UK Green Building Council.

Quality and customer service is also a high priority for us. We are currently rolling out a tablet based quality control system to replace traditional out-dated checklists. This system will archive inspections and images and allow direct communication with contractors to better manage standards and quality.

In the annual HBF customer satisfaction survey we retained our four stars rating with a recommendation level of 89.1%. With the improvements we are making in this area of our business, our recommendation level is currently trending above 90%.

We continue to explore opportunities to improve productivity through the use of more offsite manufactured components. On our Padcroft development in West Drayton we are using services pods and in two of our divisions we are trialling modular garages. These innovations not only reduce reliance upon site based skilled workers but also give more certainty over costs. During the year we estimate that build costs increased by around 4% with spikes in some material costs being offset by easing labour cost pressures.

**THE MARKET AND OUTLOOK**

The new homes market remained fairly stable throughout the financial year despite a continuing weak secondary market that in particular affects sales chains in the upper-end of the price range.

The Group secured just under 4,500 private reservations in the year representing £1.7bn of revenue. With the exception of Central London, where we only have a handful of properties to sell, we continue to see encouraging levels of demand for our homes.

Outlet openings were as predicted weighted towards the second-half. Although the Group opened 53 new outlets in the year, these were more than offset by closures that ran ahead of forecast including a few ongoing temporary closures due to planning and land drawdown delays. We operated from an average of 124 outlets in the year. As our larger sites come on-stream, we expect to open and close fewer outlets in financial year 2019. As a consequence, we are forecasting a small increase in the average number of outlets that will be operating throughout the year.

We live in challenging political and economic times. We can however draw comfort from knowing there remains a strong demand for new homes supported by both a competitive mortgage market and the highly successful Help to Buy scheme.

We are well-placed to meet the challenges ahead. Our focus on design means our homes are desirable and in sought-after places and we have entered the new financial year with a record order book. We have some excellent new sites in the pipeline that will underpin current sales rates as they come on-stream.

I am confident given the talent, dedication and commitment of our team and wider workforce, we remain in a strong position to overcome any political and economic stumbling-blocks to deliver excellent results in 2019 and beyond.

**JOHN TUTTE**  
Group Chief Executive

3 September 2018



COLINDALE GARDENS, NORTH LONDON

## STRATEGIC REPORT

## Operating Review



## LAND, PLANNING &amp; DESIGN

Using our planning and design skills to develop our quality land holdings into thriving communities is fundamental to our strategy and continued success.

## OWNED AND CONTRACTED LAND BY GEOGRAPHY (PLOTS)



2018

	2018
North	5,331
Central	7,848
South	10,356
Greater London	4,095
<b>Total</b>	<b>27,630</b>

## FORWARD LAND BY CATEGORY (PLOTS)



2018

	2018
Land owned without planning	2,973
Land contracted without planning	2,722
Options with housing allocation	12,257
Options with realistic prospect	12,748
<b>Total</b>	<b>30,700</b>

## PLACEMAKING

Over the past 40 years or so we have completed hundreds of new communities setting our high quality and distinctive homes within attractive landscaped spaces. Creating great places to live has become part of our culture and we are proud to develop communities that will leave a lasting legacy. We continue to take an expanding and leading role in the delivery of a new generation of Garden Villages with self-contained communities that include schools, amenities and homes set within a network of streets and accessible green spaces. Our Woodford, Ledsham, Amington, Ebbsfleet and Plasdŵr Garden Villages are all under construction and the first families have now taken up occupation. These new communities provide an exciting benchmark for the quality of new large-scale communities across the country.

The Government has introduced a number of initiatives to tackle the under supply of homes but in doing so, they have made it clear that the standard of design must not be compromised. Government has also reaffirmed its commitment to placemaking in the new draft NPPF which promotes early and effective engagement throughout the planning process with a focus on quality design. At Redrow we are well-placed to respond positively to this new agenda and have recently finalised our own set of placemaking principles. "Redrow 8" draws on our many years of experience of delivering high quality distinctive places. We have distilled the key elements that make our much-loved communities so successful to create a scorecard to benchmark the quality of the places we design. A "Redrow 8" design manual will be launched this year which will communicate our placemaking approach to customers, local authorities and other stakeholders. The principles contained in "Redrow 8" will ensure that all of our developments continue to meet high placemaking standards. One of these principles, "Streets for Life", has been applied effectively at Woodford Garden Village to design a network of

attractive 'shared surface' community streets. "Homes for All" is another of the eight principles: at our development at Wilton Hill, we are providing a wide range of house types together with 44 homes for former service personnel, the first time in the UK that a development has been built to specifically address the needs of veterans by supporting them into independent living in an integrated way.

## LAND

The Group acquired 7,455 plots with planning permission during the year to add to our owned and contracted land holdings, which more than replenished our 5,718 record legal completions. After land sales and the impact of replans, we ended the year with 27,630 plots in our owned and contracted land holdings, a 6% increase on the preceding year closing position (2017: 26,100).

Forward land again made a healthy contribution comprising 37% of the 7,455 additions across 17 sites, backing up its c60% across 22 sites contribution in 2017. The Group was very successful in the year in securing new forward land opportunities and we increased our forward land holdings by 16% ending the year at 30,700 plots (2017: 26,400 plots). Approximately 40% of our forward land holdings are allocated for housing in Local Authority Plans.

Given the ongoing importance of forward land to the business, Harrow Estates has been restructured during the year and has assumed responsibility for overseeing and strengthening further the Group's forward land holdings.

## BRINGING BENEFITS TO THE LOCAL COMMUNITY

Last year our developments delivered significant value to the wider community: building education facilities, community centres, transport infrastructure and health centres. In total we committed £184m to local communities through infrastructure and affordable homes and provided c93 hectares of public open space. At Badbury Park, Swindon for example, in addition to funding the construction of a school and community centre, we are also setting land aside for allotments. On our Bloxham Vale development in Banbury, in addition to creating play areas, allotments and public open space, we are making significant investment in education allocating c£3m for primary and secondary school facilities.

## CREATING HEALTHY PLACES TO LIVE

Pressing health challenges such as obesity, mental health issues, physical inactivity and the needs of an ageing population, are strongly influenced by our physical environment. New housing developments, if planned and designed correctly, can provide an

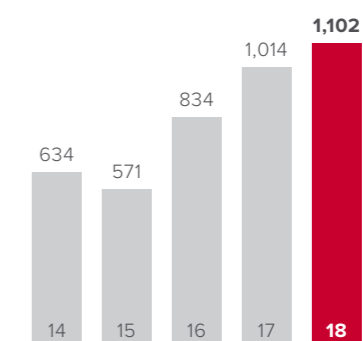
opportunity to encourage healthier behaviours, reduce ill health and encourage greater independence and self-care. "Placemaking for Wellbeing" is an increasingly important part of our strategy. Health and urban design is a complex issue so we have been supporting the UPSTREAM research project, funded by the Wellcome Trust, to explore how those responsible for urban development can factor long-term health outcomes into their decision-making.

We have also become members of the newly formed NHS Healthy Towns Network. The purpose of the network is to explore how new housing developments can achieve better health outcomes. This follows on from the Healthy Towns Programme where the NHS are working with ten demonstrator sites across England to shape the health of communities. We are currently building homes on the Ebbsfleet development, Kent which was one of those ten developments. When completed the Ebbsfleet Green development will have a wealth of health, leisure and community facilities ranging from a new park, including sports pitches and tennis courts, community allotments, a local shop, community facilities and a community hall.

Our Herne Bay development, Kent is another fantastic example of designing a development to encourage active and healthy lifestyles. At the heart of the development is a sports hub of around 15 acres which includes multiple sport pitches and tennis courts. The site will include a doctors surgery, health centre and also a residential care home. Cycle routes and footpaths inter-connect the development with the local area and the coast.

We are also working, as a business, to support local, regional and national events that help to foster positive behaviour change around living healthier lifestyles. We were proud to be the main sponsor of three cycling

## SOCIAL HOUSING LEGAL COMPLETIONS (NO.)



## STRATEGIC REPORT

Operating Review *continued*

events; Bike Chester, Bike Oxford and Bike Bath which encouraged people in those areas to get on their bikes. Over 3,000 cyclists took part in the three events, raising thousands of pounds for local charities.

**NATURE FOR PEOPLE**

Careful protection of species and habitats has always been a key part of our development activities. We also know that enhancing existing and creating new natural spaces on our developments is good for wildlife and also provides valuable opportunities for people to enjoy and connect with nature. Our new placemaking design principles have Nature for People at their heart, with a focus on designing communities with blue and green infrastructure, accessible natural spaces, use of native species and which strive to achieve biodiversity net gains.

During the year we were delighted to be awarded one of CIRIA's Big Biodiversity Challenge Awards for the creation of hedgehog highways at our Glenwood Park development, Barnstaple. Several more of our developments have since followed suit and we've also delivered our 'Give a Hog a Home' campaign across several divisions, creating hedgehog highways and donating hedgehog homes to schools and new home-owners to help this struggling, beloved species.

**ACHIEVING GAINS FOR NATURE**

During the year, we commissioned consultants to undertake a pilot project examining how our current design approach is impacting biodiversity at several of our existing developments. The project gave us good insight into the key considerations for achieving biodiversity 'net gain' and will inform the development of our new biodiversity strategy, which is being developed in partnership with the Wildlife Trusts and the Bumblebee Conservation Trust. The aim of the strategy will be to enrich biodiversity – leaving nature in a better condition than when we found it - and connecting communities with nature.

We are proud to continue our longstanding partnership with the Bumblebee Conservation Trust, helping to provide habitats for these important pollinators and to raise awareness among customers and the communities in which we build. For example, at our Saxon Brook development, Exeter we have created large areas of colourful wildflower meadow as well as providing bee-friendly planting throughout the development. The Trust has been providing training to the landscapers and the management company to ensure maintenance of these natural spaces results in a positive legacy for the future. We are also working with the new community to create a new Bee Group to survey and advocate for bumblebees locally.

As we develop our new biodiversity net gain strategy, we are collaborating with DEFRA and Natural England, sharing our experiences and are discussing partnering on several projects to establish the financial implications of biodiversity net gain for developers and examining wider outcomes for people as well as nature. We are also members of the Greater Manchester Biodiversity Net Gain Task

Group, working to develop and implement a roadmap for net gain in Greater Manchester.

Already providing a lasting legacy, for example, is Heathlands, a development on a former claypit at Buckley, North Wales which won the Landscape Institute's 2017 Award for Science Management and Stewardship. Working with North East Wales Wildlife

and an ecology consultancy we designed and implemented a detailed restoration scheme to enable the infilling of the unsafe lagoon, the re-vegetation of the landscape and conversion to a multi-pond nature reserve. Long-term sustainability of the nature reserve was secured through the financing of a warden and management plan.



OAK LEIGH GARDENS, CLITHEROE, LANCASHIRE

## STRATEGIC REPORT

## Operating Review continued

## LAND, PLANNING &amp; DESIGN

## STRATEGY IN ACTION: Developing with a community focus



In 2015, Redrow acquired a significant 59 acre brownfield development site in Bedfordshire.

This former vehicle storage facility, which was owned and operated by General Motors, had all of the components required to create an inspired and ambitious development of new homes. Great transport links through road and rail, proximity to an urban centre while maintaining a softer more rural feel, and an aspirational setting all informed the decision that this was a great site for Redrow.

From the very start, the principle of ensuring a lasting legacy to the community who had lived and worked alongside the development was key. Redrow worked closely with key stakeholders such as Central Bedfordshire Council, General Motors, and the local community to evolve the designs and add value through the principles of placemaking and urban design. Redrow selected the Heritage Collection to use at Caddington, building on the site's existing rural feel and providing a sense of longevity to this important local site.

One of the foundation stones of the Caddington Woods development was the community trust, CASE (Caddington And Ship End). CASE is a registered charity created by the key stakeholders, specifically for the Caddington Woods scheme. This incredibly innovative concept harnesses rent values of the affordable homes to provide benefit to the community. 46 of the affordable homes have or will be permanently endowed by Redrow to the trust, and the properties will then be rented to local authority tenants in the usual way. The key difference with this scheme however is that the revenue derived from this will be invested back into the community through CASE.

The CASE community trust will deliver some specific objectives, including the provision of a bespoke bus service. Instead of a one off contribution by a developer through the standard Section 106 mechanism, the CASE community trust will support projects like the bus service in perpetuity, in turn helping to assist local authorities in their objectives, delivering vital local services, and building thriving communities.

Redrow will also be constructing a state-of-the-art community centre, which will be handed to the trust to run, with the intention that this building will be at the heart of a thriving community.

The income derived from these properties is in fact substantial, over a 20 year period the trust will deliver:

- £2.6m investment into bespoke bus services;
- £1m investment into the woodland and landscaping;
- £1.25m into on-site community development through youth work;
- £400,000 into grants to the local community/parish;
- Full operation of a community centre; and
- Leaving a sinking fund after 20 years of £1m for continuously upgrading and improving the CASE community trust properties, community centre, play area and open space.

These costs are net of all management costs. Discussions have already taken place with Central Bedfordshire Council to look at the opportunity to expand schemes like this one across the county and beyond.

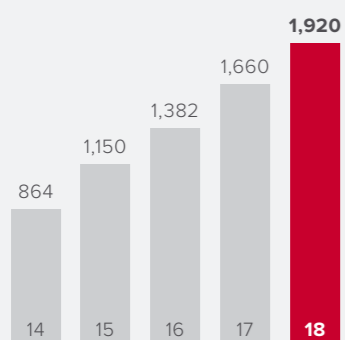
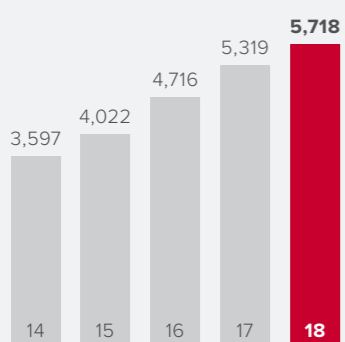


## STRATEGIC REPORT

## Operating Review continued


**COMMERCIAL & SYSTEMS**

We continue to manage our resources efficiently as we grow, working closely with our suppliers and subcontractors to deliver increasing numbers of our quality homes.

**REVENUE (£M)****LEGAL COMPLETIONS (NO.)****GROWING OUR BUSINESS RESPONSIBLY**

It is important that as we grow, we do so in a responsible and sustainable manner. During the year John Tutte took a seat on the newly formed Council for Sustainable Business. This council has been established to provide a sounding board on how businesses can help achieve the aims of the Government's 25 Year Environment Plan. It will focus on building positive momentum inside the business



community and acting as a bridge between government and industry.

**GOLD AWARD FROM NEXTGENERATION**

For the third year running we achieved a Gold Award from NextGeneration, moving up a place into third position in the UK's top 25 housebuilders. NextGeneration are an independent organisation which benchmarks housebuilders on their sustainability performance. Our high score of 80% is up 3% on last year and was calculated by assessing the environmental and societal impact of our homes and developments.

**REVENUE**

The Group's revenue continues to grow, reaching £1.92bn this year (2017: £1.66bn), an increase of 16%. The sale of homes accounted for all but £20m of revenue, which was attributable to land sales in 2018 (2017: £12m).

Revenue has increased by 122% since 2014 and profit before tax by 186% in the same period. The Group has 14 homes operating divisions at present and these have further growth potential to deliver

c£2.5bn of turnover per annum. We have announced the launch of a new Thames Valley division to further underpin our future growth.

**LEGAL COMPLETIONS**

We delivered a new record of 5,913 legal completions (including our Joint Venture) in 2018, a 9% increase on 2017 levels (2017: 5,416).

Social housing accounted for 19% of legal completion volumes, in line with the previous year. Apartments represented 21% of private legal completions excluding our Joint Venture and 22% of private sales revenue. This compares to 16% and 19% respectively in 2017. This increase reflects the increased contribution from Greater London, notably the first completions from our Colindale Gardens development in North London. All the 195 completions from our Joint Venture development Morello in Croydon were apartments.

**OUTLETS**

The Group had 124 active outlets on average through 2018, which was in line with 2017 levels and we closed the year on 132 (June 2017: 132).



## STRATEGIC REPORT

## Operating Review continued



WOOLTON FIELDS, LIVERPOOL

Site openings in total were in line with forecast but site closures were slightly higher than forecast due to better than expected sales rates.

#### RESPONSIBLE SOURCING AND PROCUREMENT

We look to bring social and economic benefit to communities by creating sustainable business opportunities with local enterprises. 92% of the goods and services we procure are local to our developments.

We are committed to procuring goods and services in a sustainable and responsible manner, working with our supply chain to deliver long-term mutual benefit. We continued our partnership with Supply Chain Sustainability School (SCSS), an initiative providing free learning and development to our supply chain partners. We are actively encouraging our subcontractors and suppliers to sign up and participate in the school. During the year, with the support of the SCSS, we carried out a gap analysis of our procurement practice against the international sustainable procurement standard ISO 20400. During the analysis session an action plan was developed with responsibilities assigned across Redrow to continually improve our approach to procurement.

The World Wildlife Foundation (WWF) have once again awarded us 'Three Trees' status for the third assessment period in a row for our use of sustainably sourced timber. At present our responsibly sourced and credibly certified timber stands at 99.94%. The accolade places Redrow among the top 40 companies in the country using Forest Stewardship Council (FSC) certified and other responsibly sourced timber and paper products.

#### VALUING AND DEVELOPING PEOPLE AND PARTNERS

During the year we expanded our Human Resources Department to create a dedicated Engagement Team. The team will specifically focus on evolving our engagement with employees, suppliers and subcontractors and the wider community together with a focus on health and wellbeing.

We again undertook a major employee engagement survey in 2018. This was delivered on our behalf by Employee Feedback Ltd with individual responses being completely confidential. This survey achieved an extremely pleasing 90% response rate (2017: 88%) and provided much useful feedback which we shared across our business via workshops in all our divisions and Group departments. 95% of respondents were proud to work for Redrow.

Communication is key in any business and we have recently launched a new Redrow intranet "Engage" which is mobile compatible and facilitates the use of video content to make communication more dynamic and efficient.

During the year we undertook a major initiative to better understand the health and wellbeing risks of our employees and subcontractors. The results will help shape our strategy going forward.

#### IMPROVING OUR SYSTEMS AND PROCESSES

We are continually striving to increase our effectiveness by improving our systems and processes to better support our business as it continues to grow, evolve and adapt to change.

We have a dedicated team of in-house Systems Accountants and IT specialists including a digital team, systems analysts, software developers, IT security officers and help desk experts at our Head Office led by our Chief Information Officer. The team work closely with Group and the operational business to deliver improved management information and systems improvements. Major systems improvement projects are sponsored by a member of the Executive Management Team.

An example of this is the Quality Review of Construction undertaken during the year sponsored by Matthew Pratt, a Regional Chief Executive.

The team also supported the business to comply with the increasing levels of statutory reporting requirements providing information for example for Gender Pay reporting and Payments reporting introduced in the year.

Also from a reporting perspective we produced, completely in-house, our online half-yearly report for 2018. Our digital, marketing and finance teams worked together to enable Shareholders and other stakeholders to more easily access key information. We are building on this achievement with our interactive online 2018 Annual Report.

## STRATEGIC REPORT

## Operating Review continued

## COMMERCIAL &amp; SYSTEMS

## STRATEGY IN ACTION: Health kiosks project

**RATIONALE**

At Redrow, Valuing our People and Partners is important to us. This is evidenced by us recently setting up a new engagement team within our HR function with a dedicated resource to focus on Health and Wellbeing. We already offer a range of benefits, services and initiatives to our employees and intend to carry out a comprehensive review of our Health and Wellbeing offering. In order to do this, we wanted to understand the health risks of our employees and supply chain, looking at the whole picture around physical, mental, social and financial. This would enable us to develop a Health and Wellbeing offering which was evidenced based so that future initiatives were much more targeted, their impact could be more measurable and that would enhance the relationships with our supply chain partners.

**APPROACH**

The challenge for us was that having no data on the current health risks of our employees or supply chain, how were we going to get this valuable information. We worked with a specialist consultant to explore various ways of how we could do this and ultimately agreed that to be able to reach as many people as possible, the best approach was to have health kiosks in our divisions and sites which would provide a snap shot of the current health risks for our employees and supply chain.

Over a 4 week period, health kiosks were strategically located at our divisions and sites supported by a Redrow lifestyle questionnaire which was available at the kiosk. A mobile app was also developed that included the online lifestyle questionnaire that was available for those

who couldn't attend the kiosk and was sent as a link to our supply chain partners.

As well as our employees and supply chain partners getting involved with the initiative, we went a step further to enable them to register onto a digital platform which provided their own dashboard, set their own health and lifestyle goals, communicate and set challenges with friends and colleagues and access lots of resources and information to help improve their health and wellbeing.

**RESPONSE**

We enjoyed a fantastic response with 51% of our employees and 461 of our supply chain getting involved either by using the kiosk or completing the online questionnaire. 96% said they would recommend the kiosk to a friend with 83% saying that using the kiosk would inspire them to make lifestyle changes to improve their health.

**LEARNING**

The initiative focused on a wide range of health points: physical exercise, emotional wellness, sleep, smoking, nutrition, alcohol, chronic health conditions as well as health metrics such as heart age, blood pressure, BMI and body fat. Our key health risks from this process have been identified as smoking, indications of poor nutrition as well as very low levels of physical activity. These risk factors were reflected in the cardiovascular risk and health metrics taken at the kiosk.

**GOING FORWARD**

We now have a fantastic robust data set to work with and, along with our other data such as absence, we have now developed a 2 year road map which



outlines what we will be doing to focus on all health and wellbeing areas, in particular focusing on the high risks identified by this project.

We will be undertaking a communication campaign to our employees and supply chain to raise awareness of what we will now be doing to support them and how they can get involved with initiatives that we will be offering.

Improving mental health in the construction industry is an area that we are already working to tackle through developing partnerships with like-minded organisations and one way in which we have already committed to is to train Mental Health First Aiders within the business.

To support our supply chain, we will be working with our benefit providers to see what benefits we can extend to our partners. The Employee Assistance Programme is one that we will be extending in September.

*“We were really keen to offer a greater range of initiatives and benefits to improve the health and wellbeing of all our employees and supply chain. We challenged our newly created Engagement team to set a strategy based on real needs so we can ensure targeted spend for the best results. We are very pleased with the approach and the results and look forward to rolling out enhancements this year and next.”*

**Karen Jones**  
Group HR Director

## STRATEGIC REPORT

## Operating Review continued

## COMMERCIAL &amp; SYSTEMS

## STRATEGY IN ACTION: Build quality review



We pride ourselves on ensuring the highest quality of our new homes. Providing a first class product and excellent levels of customer service goes to the heart of what we strive to achieve.

In order to provide excellent levels of service we must first provide a quality product and it is important that this is delivered at all stages, so the customer has confidence that it is not just what they see as a finished product but also that we have taken pride at achieving this level at every stage of the build.

Site management has changed dramatically over the last few years with a strong emphasis on health and safety, accurate programming, build quality and customer service, all of which needs to be sustainable for the future.

With the ever evolving tasks of a site manager, we conducted a review of the role with a target on increasing the amount of time our site teams have to review quality and the benefits that has. In order to achieve this we needed to review what tasks we could remove, improve or simplify.

Following the review of the role of the site manager, we removed any work that we felt was not adding any benefit to the business, or had simply become a redundant task. We then wanted to reduce the time our teams were taking to complete simple tasks.

We work with a constant moving factory base on a building site, therefore we wanted our site managers to have the ability to work from any part of the site when inspecting quality or safety matters. We also wanted the teams to have the

ability to instantly deal with issues whilst communicating the greatest amount of detail of the issue and the required solution quickly, with the ability to track and monitor the process.

We felt the solution involved an increased use of technology. We therefore rolled out the use of a new ipad based system to all of our site managers and assistant site managers last year, a significant investment by the Group.

We also developed our own internal applications to be used on the ipad to allow the site managers to record inspections instantly. The use of this technology, with simple to use apps, allows our site managers to highlight any areas of quality or safety concern and instantly provide photo evidence which is then directed to the subcontractors and the trade on site. With the use of a simple photo, a brief description and a targeted subcontractor portal, faults are recorded and action is required via the portal to evidence the rectification of the works.

Works can be monitored to ensure remedial action is carried out and data showing common issues can be highlighted and addressed with the contractors.

We also record areas of good quality and completed works that can be referred back to by our customer service teams, also helping the customer understand what has been put into the fabric of the building.

The initial results are showing that more time is now available to our site teams to proactively deal with faults and we have a system that will help us review the data



for common faults. Drawings are also stored on the cloud and can be instantly e-mailed to the contractors own device, again significantly reducing the amount of time involved.

We use the data produced, together with that of any external audits, to allow us to target our training for our teams and close the loop to ensure repeated problems are identified. A bi-monthly quality panel

meets to discuss the issues with a target of closing the loop through training, changing materials, general alerts or changing our details.

Over time it is expected that this investment in technology will improve our communications with our trades, give us a fully monitored system identifying common faults, and ultimately reduce the number of faults that can occur with a new home.

## STRATEGIC REPORT

## Operating Review continued



## CONSTRUCTION

To meet the demand for new homes, the construction industry must work with Government and the wider community to inspire the next generation to build.

#### INSPIRING THE NEXT GENERATION AT REDROW

At Redrow we are committed to training and development and are evolving our learning and development programmes to better support our business as it continues to grow and evolve.

During the year we were pleased to launch the first housebuilding degree course in the UK in conjunction with Liverpool John Moores University and Coleg Cambria.

We have also developed a careers app designed using augmented reality to show the housebuilding environment and career opportunities available in housebuilding. It was launched at the Careers Live shows in Birmingham and Liverpool in March 2018.

We again maintained our proportion of our workforce on structured training programmes at 15% and have been listed as a Top 100 Apprentice Employer in the National Apprenticeship Service awards for a fifth successive year.

This year our focus was on further improving the quality of our training course days rather than the quantity of attendees and as a result we delivered c6,500 training days, a small reduction on the 6,800 in 2017. A significant proportion of our training is delivered at our Tamworth Training Centre, at dedicated training facilities at our Colindale and Daresbury offices or at our Head Office.

We created c100 new directly employed jobs in the year, ending the year with c2,300 employees. Our business benefits many more employees throughout our supply chain.

#### BUILDING RESPONSIBLY

We became Gold Leaf members of the UK Green Building Council (UKGBC) in 2018 reinforcing our commitment to building sustainable homes and communities. UKGBC is part of the World Green Building Council network, a global network of over

70 national Green Building Councils transforming the built environment.

Building homes can be impactful on the areas surrounding a development. As part of our commitment to creating considerate working environments we became corporate members of Considerate Constructors Scheme (CCS), a non-profit-making, independent organisation founded by the construction industry to improve its image. Regular scored assessments are carried out, by CCS monitors, to assess if sites are being run in accordance with the Scheme's code of practice. At our Lyon Square development, Harrow, we achieved an exceptional score of 45 out of 50. The site team was praised by the CCS Assessor for its innovative multi-purpose illuminated signage board which promoted the credentials of the company while portraying the industry in an extremely positive light.

Home energy use is responsible for over a quarter of UK carbon dioxide (CO<sub>2</sub>) emissions. At Redrow we build energy efficient homes that not only reduce the environmental impact of carbon emissions but also save our customers money. Our homes are designed and constructed to optimise the performance of the building fabric as part of a 'fabric first' approach. This minimises heat loss through floors, walls, roofs and windows. Energy performance in homes is measured using the Standard Assessment Protocol (SAP) rating, which shows the energy performance of a property on a scale of 1 to 100, with A to G. The average SAP rating for a Redrow home this year was 84 (B Rating), compared to the national average of a UK home of 59 (D rating).

Redrow are one of the partners supporting Barclay's bank 'Green Home Mortgages' offering which provides lower mortgage rates for new Redrow homes in the energy efficiency bands from B – A. This scheme is part of the Energy Efficient Mortgages Action Plan (EeMAP) which is intended to incentivise and channel private capital into energy efficiency investments.



## CONSTRUCTION

## STRATEGY IN ACTION: House building degree course



In 2018 Redrow launched the first Housebuilding degree with Liverpool John Moores University and Coleg Cambria.

The programme was launched in February 2018, with 14 Redrow employees embarking on the programme. At present the degree is only open to Redrow employees. Redrow are hoping to open the degree out to the housebuilding industry going forward.

The three year degree gives candidates a full overview of housebuilding skills including housebuilding quality, surveying, land purchase, Health & Safety, law and project management.

Six modules will be delivered over each year using a variety of assessment methods including examinations, coursework and a final year dissertation project. Each year

there are six block weeks of classroom learning which will be taught in partnership between Coleg Cambria, LJMU's department of the built environment and Redrow business experts with additional time through virtual learning, site visits and practical learning.

Any Redrow employee with a level three qualification or five years' experience in the housebuilding industry can be nominated to the programme, Redrow are hoping to have around 15 employees each year on the programme.

The first two years will form a foundation degree with the final year topping up to become a full degree in BSc (Hons) Construction Management – Housebuilding.

*“We are delighted to be working in partnership with Redrow and Liverpool John Moores University on this innovative and exciting new qualification.”*

**Nick Tyson**  
Assistant Principal  
Coleg Cambria

## STRATEGIC REPORT

Operating Review *continued***MANAGING RESOURCES EFFICIENTLY**

As well as ensuring our sites are safe and operate in a manner that is considerate of the local community, we are mindful of our responsibilities in caring for the environment. In our work protecting and enhancing biodiversity on our developments, and reducing our use of energy, waste and water in our activities, we are striving to become environmentally net positive. We have maintained our ISO14001 certification this year, with regular audits by the British Standards Institute, as we continue to reduce our environmental impact across the business.

**WASTE AND RECYCLING**

We are producing 10.63 tonnes of waste per 100m<sup>2</sup> of build (2017: 10.65 tonnes/100m<sup>2</sup>). We are strengthening our focus on reducing waste with the commencement of a new waste minimisation project, investigating the root causes of waste and taking steps to tackle these.

Ensuring we minimise the amount of waste going to landfill remains a priority for us, with the amount diverted from landfill increasing again this year to 96.8% (2017: 95.4%). At our North West division, the appointment of a new project engineer focusing on management of soils and excavated materials has resulted in c93,000 tonnes of materials being re-used and diverted from landfill.

We continue to work with our suppliers on increasing recycling rates, with c23,000 paint cans being recycled in 2018, and we have been sharing our experiences of this successful project with the HBF to help increase recycling rates across the whole industry. We also continue to work with Community Wood Recycling – a social enterprise who collect and reuse waste timber at the same time as providing jobs and training for disadvantaged people.

The issue of packaging waste has been high on our agenda for a number of years and we have arranged numerous take-back schemes, where suppliers take responsibility for recovering and recycling packaging waste from our sites. This year we have gone back to our suppliers and re-engaged them on the issue of single-use plastic waste. We are looking to work with them to develop resource efficiency programmes which embrace the principles of the circular economy as a means of eliminating avoidable plastic waste. We are also active members of the HBF Waste Forum, working in partnership with other leading housebuilders to tackle waste across the sector.

Each year since 2010 we have disclosed information about our carbon emissions, carbon strategy and reduction programmes to the Carbon Disclosure

Project (CDP). In our most recent submission we have been awarded a 'B' grade which reflects our positive management of climate-related issues, including awareness and taking actions to reduce our impacts.

We are working to further reduce our carbon emissions, of which a significant contributor is use of diesel for site activities. Our diesel generator project is currently reviewing use of diesel generators on sites, including reducing the length of time they are required on site, ensuring they are sized correctly for their required purpose and examining hybrid generators. In addition, in our Yorkshire division we have been trialling new energy efficient site cabins, coupled with new eco-heaters and solar photovoltaics. Early results indicate significant energy and carbon savings will be achieved by rolling the system out across the business.

Our 2018 Greenhouse Gas (GHG) emissions expressed in relation to the quantity of build we have undertaken are 2.48 tonnes of CO<sub>2</sub>e per 100m<sup>2</sup> (2017: 2.5 tCO<sub>2</sub>e/100m<sup>2</sup>). Our GHG emissions are independently verified to a limited level of assurance.

**HEALTH & SAFETY**

Redrow remains committed to improving our overall Health, Safety and Environmental (H,S&E) performance. During the year we significantly restructured the teams, both increasing resources and reorganising into two distinct areas of responsibility: Assurance & Compliance and Development to better support this commitment to improvement.

A new Group Health, Safety & Environmental Director was appointed during the year to facilitate the restructure and to build on the positive work already achieved by the existing team. The Assurance & Compliance side of the new structure is a dedicated set of H,S&E inspectors whose primary objective is to ensure that all live developments receive an internal scored inspection that identifies both areas for continued improvement as well as areas achieving recognised operating standards.

The Development side provides the divisions with dedicated H,S&E Managers who will provide more front end engagement and support in terms of pre-planning of H,S&E issues on future developments. They also provide assistance and guidance on the practical application of recognised operating standards and the sharing of best practice.

Subcontractor engagement remains essential to promoting a positive health & safety culture. We continue to support our supply chain by organising and hosting events during the year in our divisions.

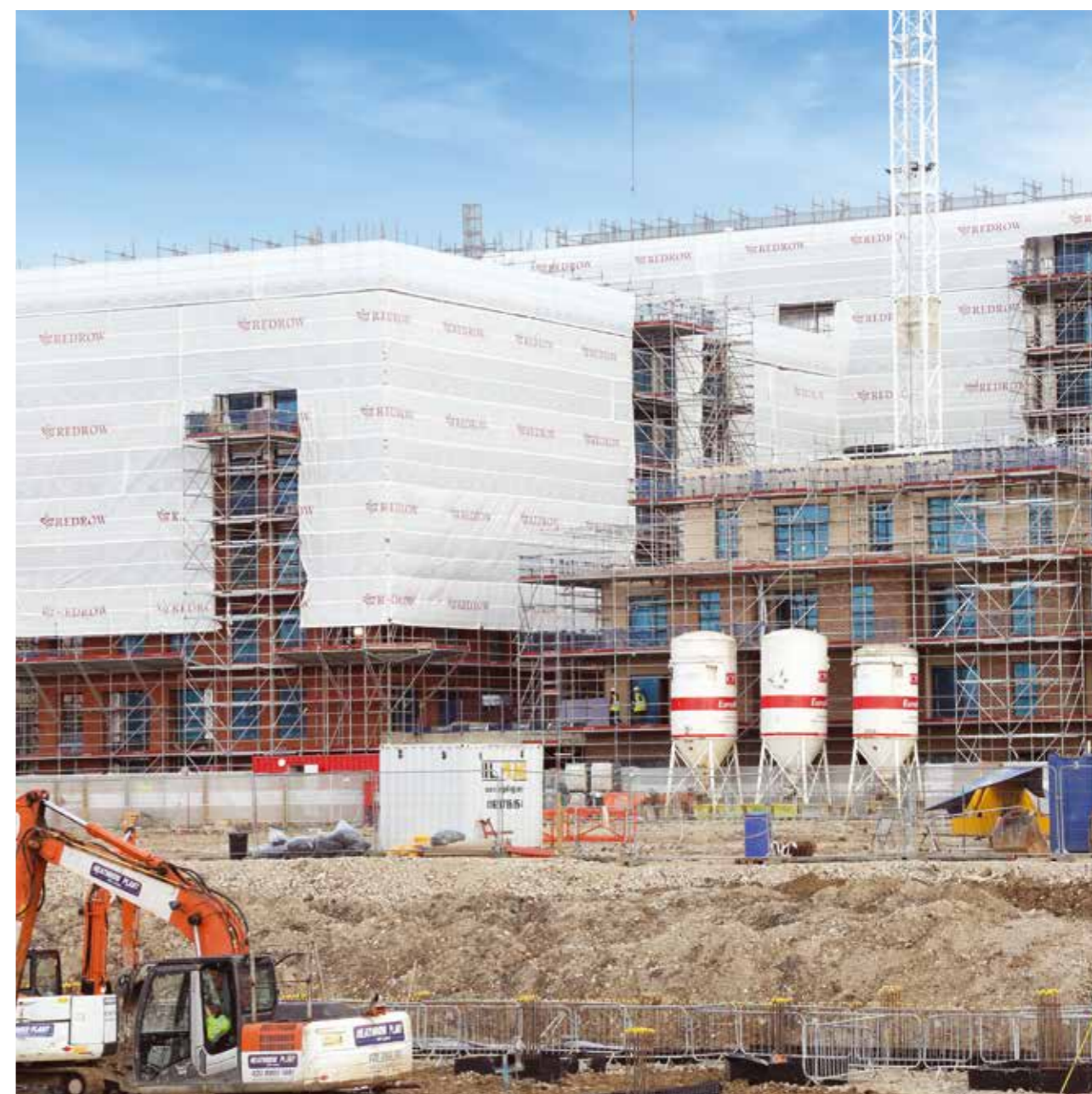
Our all accident figure for 2018 was 3% lower at 382 than the previous year (2017: 393) despite a 9% increase in legal completions. There was however a small increase in reportable accidents resulting in an increase in our accident incident rate to 0.35 (2017: 0.30).

In 2018 Redrow received five commended and one highly commended safety awards from the NHBC. The NHBC H&S Awards are the UK's only health and safety awards scheme for home builders and provides us with external acknowledgement of our commitment to improving our overall H,S&E performance.

**BUILD OUTPUT**

Build handovers increased by 12% in the year as the Group continues to improve and smooth our productivity to meet our growth targets. We work closely with our suppliers to manage pressures, notably this year in the material supply chain.

Colindale Gardens remains the largest single development within the Group and delivered its first legal completions in the year whilst continuing to make excellent progress on further phases. There are currently c650 homes under construction there and on an average day a workforce of c600 is on site.



COLINDALE GARDENS, NORTH LONDON

## STRATEGIC REPORT

Operating Review *continued*

## SALES &amp; MARKETING

## At Redrow we have a reputation for building award winning homes.

### ON-LINE TO ON-SITE

Redrow's sales and marketing strategy combines traditional, proven sales and marketing methods with the very latest techniques in targeting prospects based on analysis and insight.

Extensive research into the demographics and behaviours of our target segments results in finely tuned marketing campaigns that generate high volumes of quality traffic to our website.

The resultant campaigns are extremely cost effective and utilise those channels which our customers increasingly choose as their preferred method of communication. Often this will be a social media channel, however traditional forms of media are still used to ensure that we always invest appropriately in our brand where it is cost effective. This strategy is reaping significant rewards.

### A CONSISTENT EXPERIENCE

The vast majority of our customers' first contact with Redrow is through our consumer website [www.redrow.co.uk](http://www.redrow.co.uk) and their experience when they arrive is carefully designed to ensure consistency of service across all channels and devices with almost 60% of website visitors now being generated from mobile devices. This 'Redrow experience' is very important in communicating the strength of our product ranges and conveying our brand purpose 'To create a better way to live'.

Features on the website include augmented reality floorplans and 3D development layouts to assist people in visualising the Redrow lifestyle. Further tools within My Redrow help customers choose their options and upgrades to personalise their Redrow home. Our My Redrow system has been shortlisted as a finalist in the BESMA awards (The British Excellence in Sales Management Awards) in the category of "Award for Innovation in Sales".

Intuitive navigation through the website ensures that our customer experience is enjoyable and helpful and our ambition is to encourage the maximum number of people to visit our developments as well informed as they can be on our products, brand and communities.

### SALES EXCELLENCE

Once our customers arrive at a Redrow development they can truly experience the Redrow lifestyle.

Our sales centres are carefully designed to showcase the Redrow collections and our unique, immersive, virtual reality development plans enable people to make the most informed decision about their ideal house style and position on the development.

Redrow sales staff are highly experienced and undergo regular refresher training in product specification and understanding who our key suppliers are. Sales excellence and customer service

skills are honed through frequent mystery shopping surveys and each year our very best consultants will be awarded the prestigious title of Sales Consultant of the Year in their division.

Sales Excellence Champions regularly meet to develop new customer initiatives and many beneficial ideas are also generated at the Annual Sales Conference where approximately 450 sales staff come together to explore ways in which the customer experience can be enhanced.

### CUSTOMER RELATIONSHIP MANAGEMENT (CRM)

Timely, empathetic and compliant communication is essential in an increasingly crowded media world. Redrow has committed thousands of man-hours into ensuring that all communications are GDPR compliant and has also invested in sophisticated CRM systems to personalise dialogue with prospects and customers.

In addition, our sales and build management system has been extensively re-engineered to enable sales staff to service the specific needs of our customers

more effectively. Great care has been taken to ensure that the user interface is as intuitive and responsive as possible so that the specific needs of our customers are always satisfied.

### AWARD WINNING SHOW HOMES

Redrow show homes set a benchmark that is the envy of the industry. Redrow have an in-house dedicated team of professional interior designers who meticulously design and create show homes that are truly inspirational. Customers often comment on the exceptional interior design and independent commentators recognise Redrow as the leader in the field. This has been reflected through more than eight interior design awards in the year and glowing comments from customers. These show homes perfectly showcase the product and transform our customer's dreams into reality. This is the point where most people fall in love with a Redrow home.

Many developments now feature show villages such as Woodford Garden Village, Cheshire where there are seven house styles on show.



## STRATEGIC REPORT

## Operating Review continued

## SALES &amp; MARKETING

STRATEGY IN ACTION:  
Lifestyle homes

In the same way our technical team has created our Lifestyle Homes in response to the evolving needs of our customers, our interior design team has undertaken extensive research to ensure the Show Home interiors are also in tune with how our purchasers want to live.

Our Lifestyle Homes have evolved the layouts of some of our most popular Heritage Collection designs to feature a smaller number of larger bedrooms, each with its own en-suite, and other luxurious features such as dressing areas to master bedrooms.

Having launched the collection a year ago – driven by our findings that not all home buyers want a 'traditional' family home – we've now been able to analyse exactly who has been buying the designs.

Our research suggests that the average Lifestyle purchaser is in their late 40s, either with no children or children who are older or have left home.

Additional research into the interior design preferences of those customers has further informed how we create our Show Homes.

Meticulous research and planning by Emma Brindley, Head of Interior Design and her team has arrived at the personas of the purchasers who would choose to live in the homes. "It's really about understanding our customers – their jobs, interests and consumer behaviour – and reflecting their aspirations and needs in the interiors we create," says Emma.

"We're discovering that many people aren't precious about bringing pre-loved items of furniture from their previous homes; they are generally making a completely fresh start, buying everything new, and opting for a contemporary look and feel.

"We know our target audience is style conscious and trend aware, with exacting standards, so bedrooms and bathrooms are luxurious and reflect boutique hotel styling. Some of the designs, such as the Leamington Lifestyle, feature vast master suites with generous en-suite bathrooms and dressing rooms, and the look we create is extremely high-end with a focus on opulent fabrics and elegant furniture.

"We don't style any bedrooms specifically for children in the Lifestyle Homes range but we do create desirable guest bedrooms as we know our customers like to have family and friends to stay.

"By ensuring our Show Home interiors are in line with our customer research we can capture the imaginations of potential purchasers and make them feel instantly at home as soon as they walk through the door."

It is a process that is proving very successful and one of the reasons why the Lifestyle Homes have been so popular since their launch.

*"Our 'Inspirational Homes' magazine showcases interior design trends and styling advice together with features on our developments."*

**Emma Brindley**  
Head of Interior Design



STRATEGIC REPORT

Operating Review continued

**CUSTOMER SERVICE**

We are committed to providing customer service comparable with the very best from the retail and services sectors.

**PRODUCT**

We are proud of our reputation for designing attractive homes that meet the modern-day needs of our customers. Outside Greater London, our divisions continue to focus on our award winning Heritage Collection and this year it contributed 72% of the Group's private sales revenue (2017: 75%). We appreciate that homebuyers' needs and aspirations differ which is why we have added the Lifestyle Collection to our Heritage range. Lifestyle Collection homes are just as spacious as our family homes but have been redesigned with fewer yet larger bedrooms and have proved a popular addition to our product range.

The Heritage Collection is complemented by bespoke product which represented 28% of private sales revenue in the year (2017: 25%). Bespoke product features more strongly in the South and Greater London uses bespoke product exclusively as each development is specifically designed to reflect the sites constraints whilst preserving the best of its individual character. The contribution from Greater London increased this year representing £296m of our homes sales revenue (2017: £218m) with the first completions from our flagship Colindale Gardens development in North London.

**RESERVATIONS AND ORDERBOOK**

The Group secured £1.7bn of private reservations in the year (2017: £1.6bn) and ended the year with a total order book including social of £1.1bn (2017: £1.0bn).

Private reservations per outlet per week were 0.67 excluding PRS, in line with the previous year on a 52 week like for like basis. This 2018 rate increased to 0.70 with PRS included. The cancellation rate remained consistent with the previous year at 15%.

**CUSTOMER FEEDBACK**

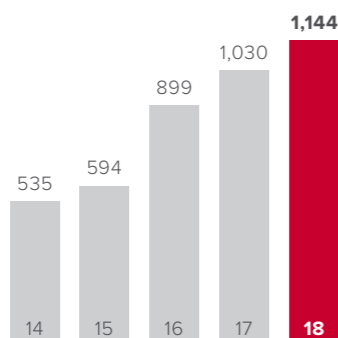
We achieved a 89.1% HBF customer recommend rating in 2018 (2017: 88.9%), a modest improvement in a year during which our legal completions increased by 8%. Our current recommendation level is trending at over 90%.

Customer Service training is an integral part of our induction programme for new starters. Our Customer Service Culture course is accredited by the Institute of Customer Service.

We are committed to providing customer service comparable with the very best from the retail and services sectors. To achieve this we are constantly improving our customer experience, a recent example being the addition of a customer "Hard Hat" tour.

"My Redrow" is our online members area designed specifically for customers. It provides a secure personalised dashboard supporting their customer journey. "My Redrow" option choices and upgrades enable our customers to personalise their new home and these extras accounted for £20m of sales in the year, in line with the previous year.

ORDER BOOK (£M)





## STRATEGIC REPORT

## Operating Review continued

## CUSTOMER SERVICE

STRATEGY IN ACTION:  
Hard Hat tours

Hard Hat tours are an exciting opportunity for Redrow homeowners to view their property, quite literally from the inside out. They are arranged just after the first fix stage of the housebuild. This is when the property is watertight and cables and pipework for the various services have been installed, but before the internal walls have been plastered.

At this point, customers can begin to appreciate the layout and room sizes, really understand what goes into building their new home and check the placing of all their optional extras and upgrades.

Hard Hat tours have helped to further improve the positive relationship between our customers and their site and customer service managers, who personally lead the tours.

This open dialogue has given us more opportunity to better manage customer expectations throughout the home buying process.

Ultimately, our commitment to continual improvement, and the introduction of Hard Hat tours, has helped to deliver happier customers with improved customer recommend and net promoter scores across the Group.

**Matt Grayson**  
Group Communications Director

*“I had no idea what goes on behind the scenes and it was nice to see that. You can start to visualise where to place things. It’s been great. It’s given me a good understanding and you can appreciate the time it actually takes for the house to be ready.”*

**Rebecca Scott**  
Redrow Customer



## STRATEGIC REPORT

## Financial Review

“Earnings per share have increased by 22% in the year to 85.3p.”



**BARBARA RICHMOND**  
Group Finance Director

**PROFITABILITY**

The Group once again delivered record financial results with revenue of £1.92bn (2017: £1.66bn) and profit before tax of £380m (2017: £315m). This was achieved by completing a record 5,718 new homes (5,913 including our Joint Venture).

Total Group revenue rose 16% to £1.9bn. This comprised private homes revenue which increased by 14% to £1.8bn (2017: £1.5bn) as a result of a 7% increase in private homes legal completions and a 7% increase in average selling price, social homes revenue of £145m (2017: £115m) and other revenue of £20m (2017: £12m) from land sales.

As a result of the increase in revenue, gross profit increased by £64m in the year to £469m (2017: £405m) giving a gross margin of 24.4% in line with the previous year.

The strong revenue growth has generated an operating profit for the year of £382m (2017: £322m), a 19% increase. This represents an operating margin of 19.9% (2017: 19.4%). This 50 basis point margin increase is due to tight control of costs leading to a reduction in administrative expenses as a percentage of revenue from 5.0% to 4.5%.

Net financing costs at £7m were £1m lower than the prior year due to the improved cash position in 2018. We had an average positive cash balance during the year of £22m compared to average net debt of £67m in 2017.

There was also a £5m after tax contribution from our Joint Venture on the Morello, Croydon development (2017: £1m) which delivered 195 legal completions in (2017: 97). This Joint Venture development is now complete.

As a result, the Group delivered a record profit before tax of £380m (2017: £315m) in the year with basic earnings per share up 22% at 85.3p (2017: 70.2p).

**TAX**

The corporation tax charge for the year was £72m (2017: £62m). The Group's tax rate for 2018 was 19% (2017: 19.75%). The normalised rate of tax for the year ending 30 June 2019 is projected to be 19% based on rates which are substantively enacted currently.

The Group paid £74m of corporation tax in the year (2017: £56m) following the normal quarterly pattern. Payments will continue in the normal quarterly pattern until the new legislation for corporation tax payments by very large companies takes effect for our financial year ending 30 June 2020, which will bring our instalment payments forward by four months.

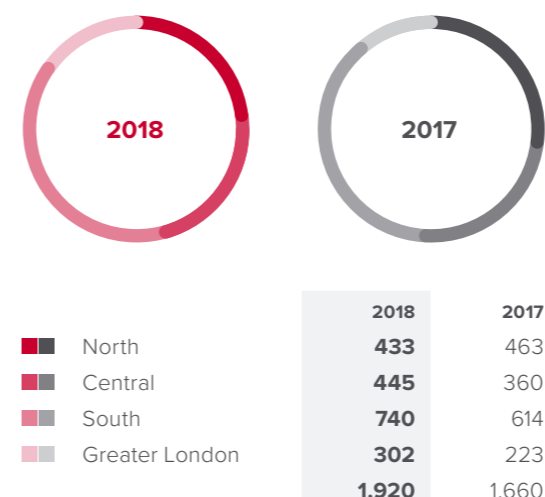
**DIVIDENDS**

The Board has proposed a 2018 final dividend of 19p per share which will be paid on 13 November 2018 to Shareholders on the register on 21 September 2018, subject to Shareholder approval at the 2018 Annual General Meeting. This is a 73% increase on last year. The full year dividend is 28p (2017: 17p) and a payout ratio of 33% of earnings (2017: 24%). In 2017 we announced our intention to progressively increase the dividend payout ratio to 33% over the medium term. As a result of our ongoing strong cash position we have been able to meet this commitment earlier than expected.

The Group paid dividends of £74m (2017: £44m) during the year.

**RETURNS**

Net assets at 30 June 2018 were £1,483m (2017: £1,235m), a 20% increase. Capital employed at the same date was £1,420m (2017: £1,308m) up 9%. Our return on capital employed continued to benefit from improved capital turn and higher profits and increased in the year from 26.0% to 28.5%. Return on equity also increased slightly from 27.7% to 28.0%.

**REVENUE BY GEOGRAPHY (£M)****INVENTORIES**

Our investment in land increased by £127m, or 10% in the year to £1,439m (2017: £1,312m) reflecting the attractive land market and our success in securing sites to best utilise our product and placemaking skills on acceptable terms. Over a third of our current land holdings additions in 2018 came from our forward land holdings broadly in line with the c40% five year average contribution.

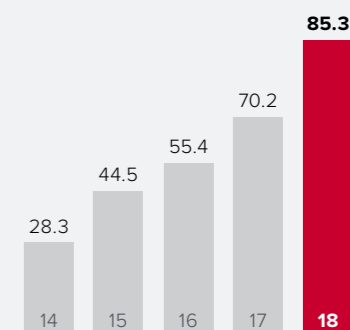
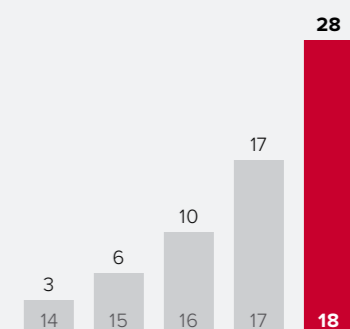
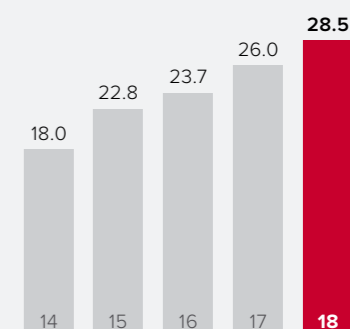
Our owned plot cost has increased by £1,000 per plot to £71,000 at June 2018 (2017: £70,000), reducing slightly to 19% of the average selling price of private legal completions in the year (2017: 20%).

Our investment in work in progress increased by £48m, up 7% year on year to £779m (2017: £731m). As a percentage of Homes turnover it reduced from 44% to 41% in part benefiting from the first legal completions off our Colindale Gardens development in North London.

Land creditors increased by £36m to £387m at June 2018 (2017: £351m) representing 27% of gross land value in line with the prior year.

**RECEIVABLES**

Trade receivables decreased by £5m during the year to £16m (2017: £21m) due to the ongoing receipt of historic shared equity scheme monies. Other receivables increased from £21m to £29m partly due to the timing of the recovery of VAT on land payments.

**EARNINGS PER SHARE (P)****DIVIDEND PER SHARE (P)****ROCE (%)**

## STRATEGIC REPORT

Financial Review *continued***PAYABLES**

Trade payables, customer deposits and accruals increased by £30m to £452m (2017: £422m) again reflecting increased levels of production activity.

**CASH FLOW AND NET CASH/(DEBT)**

Net cash stood at £63m at June 2018 compared to net debt of £73m at June 2017. This significant movement reflects a cash inflow generated from operations of £276m (2017:£189m). This equates to a cash conversion from EBITDA of 72% in 2018, up from 58% in 2017. Together with a net £26m cash inflow from our Joint Ventures, this more than funded the growth in the business and the increase in both dividend distributions and corporation tax payments made in the year.

**FINANCING AND TREASURY MANAGEMENT**

In the light of the ongoing improving cash position, on 31 January 2018 we reduced our committed unsecured syndicated loan facility by £100m to £250m and extended its maturity from March 2020 to December 2022. We also cancelled a £15m unsecured bilateral facility.

Redrow remains a UK based housebuilder and therefore the main focus of its financial risk management surrounds the management of liquidity and interest rate risk. Financial management at Redrow is conducted centrally using policies approved by the Board.

**(i) Liquidity**

The Group regularly prepares and reviews its cash flow forecasts which are used to manage liquidity risks in conjunction with the maintenance of appropriate committed banking facilities to ensure adequate headroom.

Facilities are kept under regular review and the Group maintains regular contact with its banks and other financial institutions; this ensures Redrow remains attuned to new developments and opportunities and that our facilities remain aligned to our strategic and operational objectives and market conditions.

Our current banking syndicate comprises six banks and in addition to our committed facilities, Redrow also has further uncommitted bank facilities which are used to assist day to day cash management.

**(ii) Interest rate risk**

The Group is exposed to interest rate risk as it borrows money at floating rates. Redrow uses simple risk management products, notably sterling denominated interest rate swaps, as appropriate to manage this risk. Such products are not used for speculative or trading purposes.

Redrow regularly reviews its hedging requirements. No hedging was undertaken in the year.

**PENSIONS**

As at June 2018, the Group's financial statements showed a £22m surplus (2017: £2m deficit) in respect of the defined benefits section of The Redrow Staff Pension Scheme (which closed to future accrual with effect from 1 March 2012). The £24m improvement is mainly due to the increase in corporate bond yields along with a decrease in the market's long-term expectations for inflation which have served to decrease the liability values. In addition new census data used for the Actuarial Valuation at 30 June 2017 was incorporated which reduced the benefit obligation by £5m.

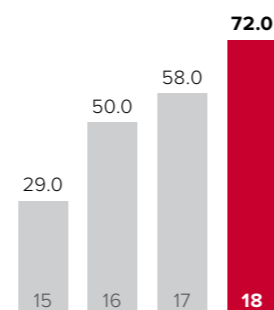
**BARBARA RICHMOND**

Group Finance Director

3 September 2018

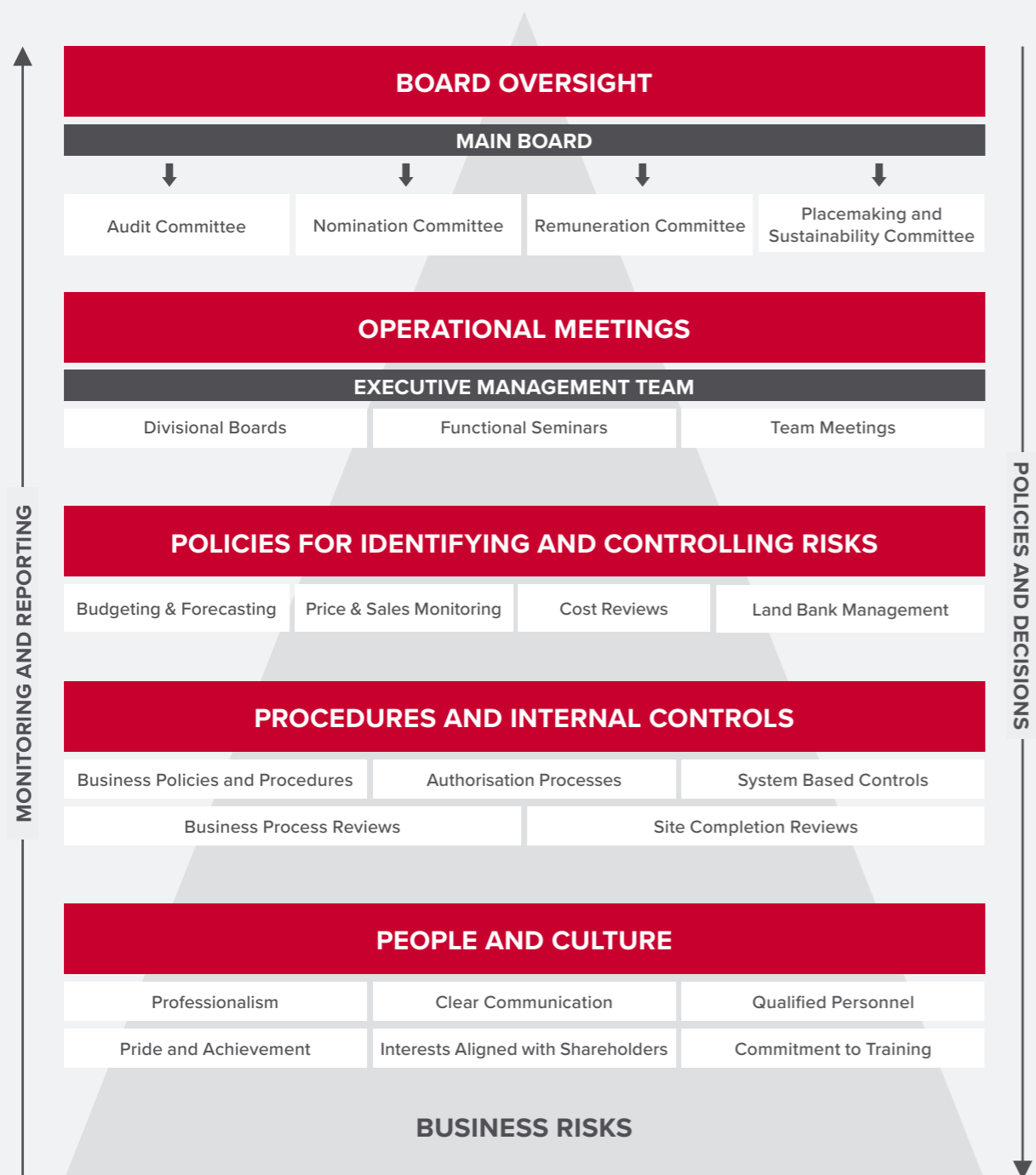
**CURRENT LAND BY GEOGRAPHY  
(NO. OF PLOTS)**

	2018	2017
North	5,331	5,382
Central	7,848	6,483
South	10,356	9,963
Greater London	4,095	4,272
<b>Total</b>	<b>27,630</b>	<b>26,100</b>

**CASH CONVERSION (%)**

# Risk Management

## HOW WE MANAGE RISK



## OUR RISK MANAGEMENT PROCESS

### Our Risk Assessment Process

#### Key Risk Management Objectives:

- To ensure our approach to risk meets the needs of our business and its key stakeholders;
- To effectively communicate our risks and define responsibilities in order to manage risk; and
- To continually evaluate and review the impacts of any potential new risks occurring within our business.

#### Main Board

- The ultimate responsibility for the effective management of the risks we face in order to achieve our strategic and financial objectives lies with the Main Board;
- Material risks and principal concerns are identified as part of our risk assessment framework, following a detailed review of the Company's strategic objectives;
- These headline risks are then approved by the Board to be included within our risk register;
- The risk register is reviewed formally annually and updated for any new risks identified during our Risk Assessment processes; and
- It is also presented to the Audit Committee for final review and consideration to ensure that it is appropriate and reflects our business risks.



#### Operational Divisions

- All identified high level risks are then further broken down into components and sub level risks to be considered at the divisional level;
- The probability and potential impact for each sub level risk is assessed by each Divisional Board; and
- Internal controls are implemented to mitigate, control and continuously monitor these risks.















#### Risk Owners & Executive Management Team

- Any new risks identified at divisional level are individually assessed and evaluated on their potential impact to the business and its likelihood of occurrence;
- These risks are then communicated to the Risk Owners who will use this assessment to inform their formal view on these risks;
- It is then the Risk Owners responsibility to ensure key preventive and detective controls are designed and implemented to address these risks and ensure their inclusion in our risk register; and
- Group Policies and Procedures are updated to reflect any new or improved key controls or processes.







## STRATEGIC REPORT

Risk Management continued

Risk	Risk Owners	Key Controls and Mitigating Strategies	Risk Movement	Risk	Risk Owners	Key Controls and Mitigating Strategies	Risk Movement
 <p><b>Housing Market</b></p> <p>The UK housing market conditions have a direct impact on our business performance.</p> <p>Economic uncertainty has increased with the lack of clarity over Brexit.</p>	Group Chief Executive	<p>Market conditions and trends are being closely monitored allowing management to identify and respond to any sudden changes or movements.</p> <p>With underlying build costs continuing to rise and house price inflation moderating over the year we maintain tight controls on costs and continue to build our relationships with key suppliers and broaden our supplier base.</p> <p>Weekly review of sales at Group, divisional and site level.</p> <p>Ensuring strong relationships with lenders and valuers to ensure they recognise our premium product.</p> <p>Ongoing and regular monitoring of Government policy and lobbying as appropriate.</p>		 <p><b>Customer Service</b></p> <p>Failure of our customer service could lead to relative under performance of our business.</p>	Group Communications Director	<p>My Redrow website to support our customers purchasing their new home.</p> <p>Introduction of Hard Hat Tours for customers of their new home at an appropriate stage of production.</p> <p>Regular review of our marketing and communications policy at both Group and divisional level.</p> <p>Risk has increased following the introduction of GDPR. We mitigate this by ensuring that we are fully compliant with the new GDPR regulations in our marketing activities by taking a proactive approach to GDPR with detailed project team defining and implementing new Policies &amp; Procedures and training for staff.</p>	
 <p><b>Availability of Mortgage Finance</b></p> <p>Availability of mortgage finance and increased lending criteria requirements are key factors in the current environment.</p>	Group Finance Director	<p>Proactively engage with the Government, Lenders and Insurers to support the housing market.</p> <p>Expert New Build Mortgage Specialists provide updates on and monitoring of regulatory change.</p>		 <p><b>Land Procurement</b></p> <p>The ability to purchase land suitable for our products and the timing of future land purchases are fundamental to the Group's future performance.</p>	Group Development Director	<p>Proactive monitoring of the market conditions to implement a clear defined strategy at both Group and divisional level.</p> <p>Experienced and knowledgeable personnel in our land, planning and technical teams.</p> <p>Effective use of our Land Bank Management system to support the land acquisition process and monitor opportunities has led to the risk decreasing overall.</p> <p>Peer review by Legal Directors and use of third party legal resources for larger site acquisitions to reduce risk.</p>	
 <p><b>Liquidity and Funding</b></p> <p>The Group requires appropriate facilities for its short-term liquidity and long-term funding.</p>	Group Finance Director	<p>Suitable committed banking facilities with covenants and headroom.</p> <p>Regular communication with our investors and relationship banks, including visits to developments.</p> <p>Regular review of our banking covenants and capital structure.</p> <p>Ensuring our future cash flow is sustainable through detailed budgeting process and reviews.</p> <p>Strong forecasting and budgeting process.</p>		 <p><b>Planning and Regulatory Environment</b></p> <p>The inability to adapt to changes within the planning and regulatory environment could adversely impact on our ability to comply with regulatory requirements.</p>	Group Development Director Group Human Resources Director Group Company Secretary	<p>Close management and monitoring of planning expiry dates and CIL.</p> <p>Well prepared planning submissions addressing local concern and deploying good design.</p> <p>Careful monitoring of the regulatory environment and regular communication of proposed changes across the Group through the Executive Management Team.</p> <p>Proactive approach to the introduction of GDPR with a broad based project team defining and implementing new policies and procedures.</p>	

## STRATEGIC REPORT

## Risk Management continued

Risk	Risk Owners	Key Controls and Mitigating Strategies	Risk Movement	Risk	Risk Owners	Key Controls and Mitigating Strategies	Risk Movement
 <p><b>Appropriateness of Product</b></p> <p>The failure to design and build a desirable product for our customers at the appropriate price may undermine our ability to fulfil our business objectives.</p> <p>DEVELOPING THRIVING COMMUNITIES</p>	Group Design and Technical Director	<p>Regular review and product updates in response to the demand in the market and assessment of our customer needs.</p> <p>Design focused on high quality build and flexibility to planning changes.</p> <p>Regular site visits and implementation of product changes to respond to demands.</p>	→	 <p><b>Key Supplier or Subcontractor Failure</b></p> <p>The failure of a key component of our supply chain to perform due to financial failure or production issues could disrupt our ability to deliver our homes to programme and budgeted cost.</p> <p>BUILDING RESPONSIBLY</p>	Group Commercial Director	<p>Use of reputable supply chain partners with relevant experience and proven track record.</p> <p>Monitoring of subcontract supply chain to maintain appropriate number for each trade to identify potential shortage in skilled trades in the near future.</p> <p>Subcontractor utilisation on sites monitored to align workload and capacity.</p> <p>Materials forecast issued to suppliers and reviewed regularly.</p> <p>Group Monthly Product Development meetings to identify and monitor changes in the regulatory environment.</p>	→
 <p><b>Attracting and Retaining Staff</b></p> <p>The loss of key staff and/or our failure to attract high quality employees will inhibit our ability to achieve our business objectives.</p> <p>VALUING PEOPLE</p>	Group Human Resources Director	<p>Personal Development Programmes supported by National training centres at three locations.</p> <p>Graduate training, Undergraduate placements and Apprentice training programmes to aid succession planning.</p> <p>Development of a bespoke housebuilding degree course in conjunction with Liverpool John Moores University and Coleg Cambria.</p> <p>Remuneration strategy in order to attract and retain talent within the business is reviewed regularly and benchmarked.</p> <p>Introduction of a new Engagement Team and development of a new internal communications platform in addition to annual employee survey to create framework for strong, two-way communication.</p>	→	 <p><b>Cyber Security</b></p> <p>Failure of the Group's IT systems and the security of our internal systems, data and our websites can have significant impact to our business.</p> <p>The introduction of GDPR has increased the requirements for the control of personal data.</p> <p>BUILDING RESPONSIBLY</p>	Chief Information Officer	<p>Communication of IT policy and procedures to all employees.</p> <p>Regular systems back up and storage of data offsite.</p> <p>Internal IT security specialists.</p> <p>Use of third party entity to test the Group's cyber security systems and other proactive approach for cyber security including Cyber Essentials Plus accreditation.</p> <p>Compulsory GDPR and IT security online training to all employees within our business.</p>	↑
 <p><b>Health and Safety/ Environment</b></p> <p>Instances of non-compliance with Health &amp; Safety standards and Environmental regulations could put our people and the environment at risk, ultimately damaging our reputation.</p> <p>Increased levels of scrutiny of the housebuilding industry heightens the risk environment.</p> <p>BUILDING RESPONSIBLY</p>	Group Health and Safety and Environmental Director	<p>Dedicated restructured team operating across the Group to ensure compliance of appropriate Health and Safety standards.</p> <p>Separate focus on Assurance visits to site and proactive management support to develop planning and processes.</p> <p>Internal and external training provided to all employees.</p> <p>Divisional Construction (Design and Management) Regulation (CDM) inspections carried out to assess our compliance with our client duties under CDM.</p> <p>Health and Safety discussion at both Group and divisional level board meetings.</p> <p>CDM competency accreditation requirement as a minimum for contractor selection process.</p>	↑	 <p><b>Fraud/Uninsured Loss</b></p> <p>A significant fraud or uninsured loss could damage the financial performance of our business.</p> <p>BUILDING RESPONSIBLY</p>	Group Finance Director	<p>Systems, policies and procedures in place which are designed to segregate duties and minimise any opportunity for fraud.</p> <p>Regular Business Process Reviews undertaken to ensure compliance with procedure and policies followed by formal action plans.</p> <p>Timely management reporting.</p> <p>Insurance strategy driven by business risks.</p> <p>Fraud awareness training.</p>	→

## STRATEGIC REPORT

## Risk Management continued

**VIABILITY STATEMENT**

In accordance with provision C2.2 of the UK Corporate Governance Code 2016, the Directors have assessed the prospects and viability of the Group.

The Group's investment case, business model and strategy are key to understanding Redrow's future prospects. The Directors' assessment has made reference to our current position, our strategy, the potential impact of the principal risks facing the Group, and the Board's appetite for risk which are to be found in this Report in the Strategic Report.

The Group has committed banking facilities through to December 2022.

The Directors have selected a three year timeframe over which to assess the viability of the Group, from 1 July 2018 to 30 June 2021. This timeframe was chosen as it corresponds with the Board's three year planning horizon. On an annual basis, the Directors review the financial forecasts for the Group constructed using a detailed bottom up process incorporating assumptions about the timing of legal completions of new homes and land purchases, selling prices, profitability, working capital

requirements and cash flows. The Group also uses a top down model to give another perspective.

The three year plan is stress tested for robust downside scenarios. This involves flexing key assumptions including the impact of reduced average selling prices, sales rates and land prices which could arise from a deterioration in housing market conditions and mortgage availability.

The Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three year period ending 30 June 2021.

**STRATEGIC REPORT APPROVAL**

The Strategic Report outlined on pages 1 to 59 has been approved by the Board.

By order of the Board

**GRAHAM COPE**  
Company Secretary

3 September 2018





ERSKINE PARK, WILTON, WILTSHIRE

## GOVERNANCE REPORT

## Corporate Governance Report

*“The Board is committed to maintaining high standards of corporate governance and ensuring that the requisite mechanisms are in place to meet such standards.”*

## DEAR SHAREHOLDER

I am delighted to introduce the Corporate Governance report outlining the Company's approach to corporate governance. As outlined elsewhere in the report, the Board remains committed to high standards of corporate governance. This report on corporate governance sets out and explains in clear terms the processes in place which are essential for delivery of long-term success, while ensuring that the Company complies with all applicable laws and regulations and, of course, meeting the requirements of our shareholders and their representative bodies.

We are reporting against the UK Corporate Governance Code (2016 version) (the “Code”) for this report. We welcomed the publication of the new UK Corporate Governance Code, released in July by the Financial Reporting Council ([www.frc.org.uk](http://www.frc.org.uk)). The renewed focus on long-term success and sustainability in the revised UK Corporate Governance Code is in direct alignment with the Company and the Group's culture and we are pleased that it will help further raise the standards of corporate governance in the UK.

This report has been prepared and approved by the Board and, on behalf of the Board I confirm that during the financial year ended 30 June 2018, the Company applied the principles of, and was compliant with the provisions of the Code. This report also explains what the Board actually does and describes how it is responsible for setting the codes and values of the Company, thereby ensuring that the Company is run in the best interests of our shareholders and other stakeholders and how it interacts with its shareholders and explains the Company's strategic goals and performance against them.

Since the last report, Debbie Hewitt has indicated her intention to retire from the Board following the conclusion of the 2018 Annual General Meeting and she will step down as Chairman of the Remuneration and Nomination Committees and as a member of the Audit Committee at the same time. Following the close of the 2018 Annual General Meeting, Nick Hewson will be appointed as the Senior Independent Director and Chairman of the Nomination Committee and Vanda Murray will become Chairman of the Remuneration Committee.

In 2017, Steve Morgan indicated his decision to ease back from a full time Executive role towards a Non-Executive role. The role transition successfully took place in the financial year ended 30 June 2018, with Steve Morgan maintaining focus with the Board on strategic development of the business, the product and key important projects.

A number of Board meetings have been held in a number of the divisions during the year and have included open discussions with the Management Teams on such matters as land acquisition, sales outlets, sales and our product. Our 2018 Annual General Meeting will be held on Wednesday, 7 November 2018 and the Notice of Annual General Meeting together with Explanatory Notes will be sent to you separately.

Finally on behalf of the Board, for those who wish to attend our 2018 Annual General Meeting, the Board looks forward to meeting with you.

**GRAHAM COPE**  
Company Secretary



**GRAHAM COPE**  
Company Secretary



## GOVERNANCE REPORT

## Board of Directors



1 M

**STEVE MORGAN (65)**  
CHAIRMAN

Steve Morgan founded Redrow in 1974 and grew the business to become one of the UK's leading home builders. He floated the Company in 1994 and stepped down as Chairman in November 2000 to pursue other interests. Steve returned to Redrow in Spring 2009, once again taking over as Chairman.

Steve is also Chairman of The Bridgemere Group of Companies, which includes leisure, aviation and overseas property interests.

In 2001, he set up The Steve Morgan Foundation, which is now one of the largest charitable trusts in the UK.

Steve has been awarded five Honorary Doctorates/Degrees. He was awarded the OBE in 1992 for services to the construction industry and the CBE in 2016 for philanthropy.

2 M

**JOHN TUTTE (62)**  
GROUP CHIEF EXECUTIVE

John Tutte joined the Board of Redrow in July 2002. In September 2009 he was promoted to Group Managing Director and in July 2014 became Group Chief Executive.

John qualified in civil engineering and has amassed more than 40 years' experience within the industry, having previously held the position as Chief Executive of Wilson Connolly plc.

John was appointed to the board of the Home Builders Federation in February 2015. He is also a Chairman of the Home Building Skills Partnership – an initiative between the HBF and CITB to attract and develop a more diverse skilled workforce for the industry and its supply chain.

3 M

**BARBARA RICHMOND (58)**  
GROUP FINANCE DIRECTOR

Barbara Richmond joined the Board of Redrow in January 2010, bringing with her a proven track record, with over 20 years' experience as Group Finance Director at a number of UK listed companies including Inchcape plc, Croda International PLC and Whesoe plc.

She has a strong background in both manufacturing and retail as well as having completed a number of major acquisitions and disposals throughout her career.

Barbara was appointed a Non-Executive Director of Lonza Group Ltd with effect from 16 April 2014.

Barbara is a Fellow of the Institute of Chartered Accountants in England and Wales and a graduate of the University of Manchester.

4 M

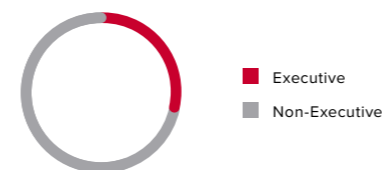
**GRAHAM COPE (54)**  
COMPANY SECRETARY

Graham Cope joined Redrow as Head of Legal in November 2002 and was appointed Company Secretary two months later. He is Company Secretary to the Main Board and Secretary to all Committees.

Graham has over 25 years' experience in the housebuilding sector, either working in-house or for clients in private practice.

Graham qualified as a solicitor in 1989 and is a member of the Law Society.

## Composition of the Board



## Length of tenure of Non-Executive Directors



## Main Board by Gender



5 M A N R P

**SIR MICHAEL LYONS (68)**  
NON-EXECUTIVE DIRECTOR

Sir Michael joined the Redrow Board in January 2015. He recently chaired the Lyons Housing Commission to produce a road map for increasing house building in this country.

He is also Chairman of the English Cities Fund, which undertakes large scale urban regeneration schemes in a number of places and is Chairman of SQW Group and a strategic adviser to CBRE.

Prior to this, following a long and distinguished career in local government, Sir Michael completed a four year term as Chairman of the BBC and has held a range of non-executive positions across the three sectors.

6 M A N R

**DEBBIE HEWITT (55)**  
SENIOR INDEPENDENT DIRECTOR

Debbie joined the Redrow Board in August 2009. She has a wealth of board experience in executive and non-executive roles.

She is currently the Non-Executive Chairman of Moss Bros Group plc, The Restaurant Group plc, BGL Group, Visa Europe Limited and White Stuff.

She also holds a Non-Executive Director role in Domestic & General.

Debbie has an MBA from Bath University, is a fellow of the Chartered Institute of Personnel and Development and was awarded an MBE in 2011 for services to business and the public sector.

7 M A N R P

**NICK HEWSON (60)**  
NON-EXECUTIVE DIRECTOR

Nick joined the Redrow Board in December 2012. His business career to date has been spent mainly in the property industry, from commercial to residential.

Nick is a Non-Executive Chairman of Supermarket Income REIT plc and a Non-Executive Director of Cromax Security Solutions Group Plc.

Nick is a Fellow of the Institute of Chartered Accountants in England and Wales and has a degree in Law from Cambridge University.

8 M A N R

**VANDA MURRAY (57)**  
NON-EXECUTIVE DIRECTOR

The Board appointed Vanda Murray with effect from 1 August 2017. Vanda has substantial Non-Executive Director and Remuneration Committee experience.

She was appointed Non-Executive Chair of Marshalls plc in May 2018 and holds Non-Executive roles with Bunzl plc, where she is Senior Independent Director, Manchester Airports Holdings Limited and Just Childcare Holdings Limited. Vanda is also Pro-Chancellor and Chair of Governors at Manchester Metropolitan University.

Vanda has a BA (Hons) in European Business Administration and a French Business Diploma completed at Neoma Business School in Reims. She is a Fellow of the Chartered Institute of Marketing.

Vanda was awarded an OBE in 2001 for services to business and to exports.

## BOARD EXPERIENCE:

- Finance
- Property
- Operational
- Sustainability

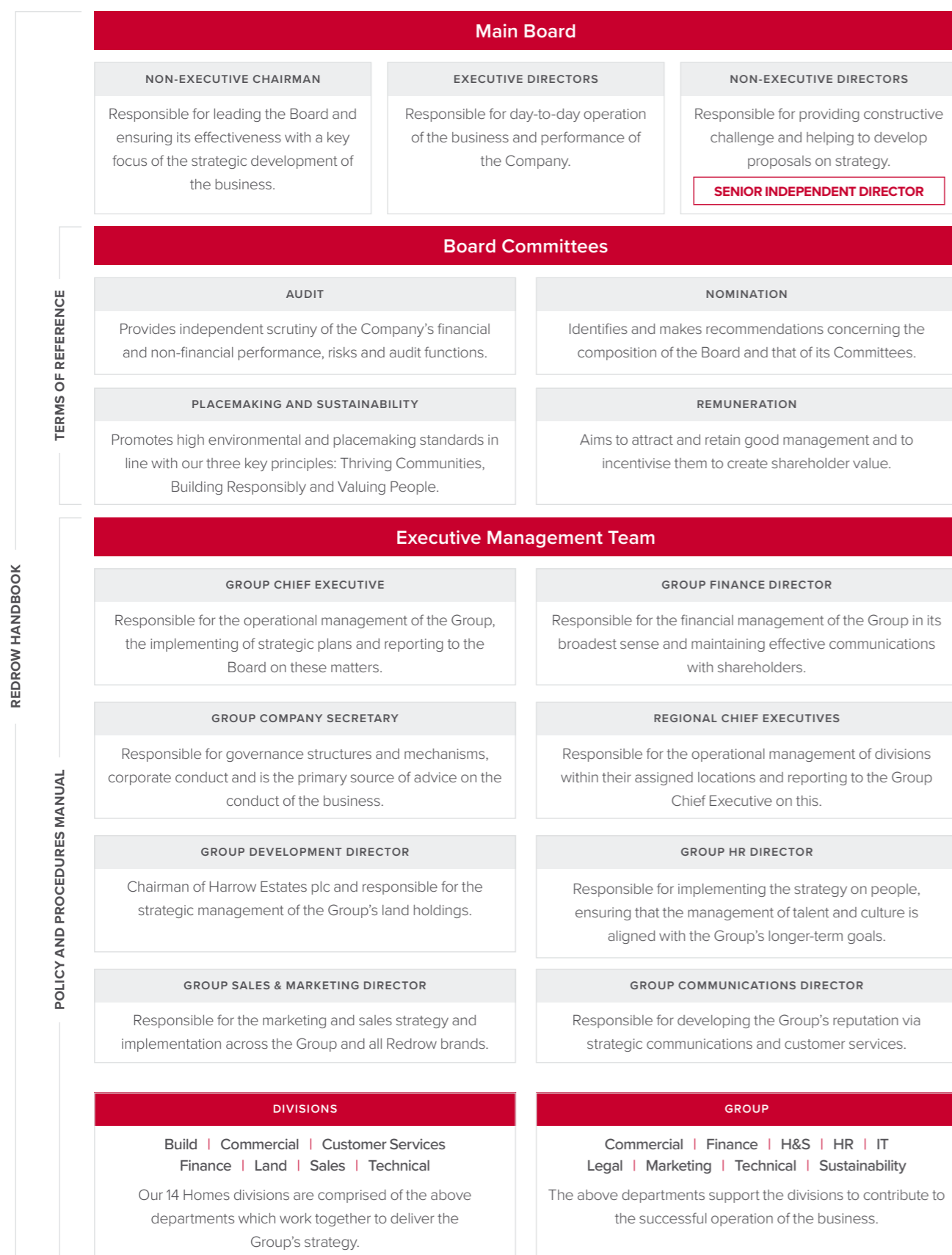
## COMMITTEE MEMBERSHIP:

- Main Board
- Audit Committee
- Nomination Committee
- Remuneration Committee
- Placemaking and Sustainability Committee

## GOVERNANCE REPORT

Corporate Governance Report *continued*

## REDROW GOVERNANCE STRUCTURE



## INTRODUCTION

This report sets out the Company's compliance with the Code issued by the Financial Reporting Council and describes how the governance framework is applied by the Company.

The Directors have considered the contents and requirements of the Code and confirm that throughout the year ended 30 June 2018 the Company has been compliant with the provisions of the Code.

The governance structure is set out in the diagram opposite.

## THE BOARD

The Board comprises a Non-Executive Chairman, two Executive Directors and four Independent Non-Executive Directors, one of which acts as the Senior Independent Director.

## The Chairman and Group Chief Executive

The Company has separate roles for the Chairman and Group Chief Executive, ensuring that there is a clear division of responsibilities at the head of the Company between the running of the Board and the operational responsibility for the running of the Company's business, as required by the Code.

The division of responsibility and accountability between the roles is well defined and using such a balanced approach ensures that no one individual has unfettered powers of decision.

Steve Morgan, as Chairman, is primarily responsible for:

- leading the Board to ensure optimum effectiveness;
- encouraging a culture of openness and debate;
- taking a leading role in determining the Board's composition and structure;
- ensuring that effective communications are maintained with shareholders; and
- meeting with the Non-Executive Directors without the presence of the Executive Management Team.

John Tutte, as Group Chief Executive, is responsible for:

- operational management of the Group;
- implementing strategic plans with the assistance of the Executive Management Team;
- ensuring that the visions and values of the Company are properly communicated across the Group; and
- reporting on these to the Board.

## The Senior Independent Director

Debbie Hewitt was appointed as the Senior Independent Director on 1 September 2014. Debbie will retire from the Board at the close of the Annual General Meeting on 7 November 2018 and will be succeeded in her position as Senior Independent Director by Nick Hewson.

Nick has a wealth of experience as a Non-Executive Director and, having been on the Board since 2012, has a good understanding of the business thereby making him best placed to succeed Debbie in her position as Senior Independent Director.

The following additional responsibilities fall within the remit of the Senior Independent Director:

- acting as a sounding board for the Chairman and supporting him in ensuring the Board is effective and that constructive relations are maintained;
- being available to shareholders in order to understand their issues and concerns in order to relay to the Board; and
- leading the evaluation of the performance of the Chairman and obtaining views from other Directors.

## Non-Executive Directors

The role of the Non-Executive Directors within the Company is essential in order to view the Group objectively and provide constructive challenge to the Executive Directors and scrutinise performance. They have a good understanding of the business and bring a range of skills and experience to the discussions of the boardroom. The diversity and skills brought into the Company by the Non-Executive Directors is crucial to developing the strategy of the Group.

The Non-Executive Directors play a vital role in occupying seats on the Board's Committees and they are positioned in such way that the Committees benefit from their expertise and background.

## The Company Secretary

The Company Secretary acts as secretary to the Board and its Committees and his appointment and removal is a matter for the Board as a whole. The Company Secretary is a Member of the Executive Management Team and all Directors have access to his advice and services. In certain circumstances, Board Committees and individual Directors may wish to take independent professional advice in connection with their responsibilities and duties, and, in this regard, the Company will meet the reasonable costs and expenses incurred and the Company Secretary will assist in arranging such advice.

## GOVERNANCE REPORT

Corporate Governance Report *continued***DIRECTORS' AND OFFICERS' INSURANCE**

The Company has directors' and officers' insurance in place which insures Directors against certain liabilities, including legal costs.

**APPOINTMENTS AND RE-ELECTIONS TO THE BOARD**

The appointments of the Non-Executive Directors are generally made for three-year terms. Following the assessment on the effectiveness of the Directors, the Nomination Committee will make recommendations to the Board on re-appointments.

The Nomination Committee has recommended the re-appointment of each of the Executive Directors and Non-Executive Directors, save for Debbie Hewitt, who has indicated her intention to retire from the Board. The Nomination Committee report can be found on pages 76 and 77.

Under the Company's Articles of Association, all Directors are subject to re-election at their first General meeting after appointment. Debbie Hewitt completed nine years as a Non-Executive Director of the Company on 19 August 2018 and will therefore not be submitting herself for re-election. Debbie will retire from the Board following the close of the 2018 Annual General Meeting.

The Board is not seeking to appoint an additional Non-Executive Director to replace Debbie Hewitt as they believe that the resultant balance of Non-Executive and Executive Directors remains effective and contains the appropriate mix of skills and experience for the Board to remain successful. The composition of the Board will remain compliant with principle B.1.2 of the Code following the change as the ratio of Independent Non-Executive Directors to Executive Directors, excluding the Chairman, will be 3:2 (60%).

The Board having been informed of the conditions of the Code on election and re-election, including that there should be a formal, rigorous and transparent procedure for the appointment of new directors to the Board, and that re-election is subject to continued satisfactory performance, has decided that all Directors, with the exception of Debbie Hewitt for the reasons outlined above, will be submitting themselves for re-election at the Annual General Meeting.

The Board has satisfied itself that all Directors who will be submitting themselves for re-election continue to perform satisfactorily. Details of appropriate Annual General Meeting Resolutions will be found in the Notice of Annual General Meeting which will be sent to shareholders separately.

**APPOINTMENTS TO EXTERNAL BOARDS**

Prior to Executive Directors and Non-Executive Directors taking on any additional responsibility outside of the Group, an assessment is undertaken to determine whether this will compromise their ability to commit sufficient time to the Company to properly discharge their responsibilities or create any potential conflicts. In making the assessment, the Board considers the mandates attributable to such positions, in line with the scoring mechanism used by Institutional Shareholder Services, to determine whether a person is overboarded. The Board does not consider that any of its Directors are overboarded and is satisfied that sufficient time and energy is devoted to the Company by each Director.

**ROLE OF THE BOARD**

The Board is responsible for putting in place the strategic plans for the Group and providing the leadership required in order to achieve its vision and goals.

There are matters which the Board delegate to Committees, the Executive Management Team and other relevant management bodies in order to ensure that the Group is operating efficiently and effectively.

In order to ensure that the Board fulfil their statutory duties as Directors, there is a formal schedule of matters reserved specifically for the Board's decisions. The matters reserved include:

- approval of the Group's long-term objectives and strategy;
- approval of the Annual Report, preliminary and half-yearly financial statements, trading updates and the recommendation of dividends;
- approval of any significant changes in accounting policies or practices; any changes relating to capital structure and approval of treasury policies;
- ensuring the maintenance of a sound system of internal control and risk management;
- assessing the prospects and viability of the Group;
- approval of corporate acquisitions or disposals, significant land purchases or contracts;
- changes to the size, structure and composition of the Board;
- approval of significant policies, including the Group's Health and Safety policy;
- review of overall corporate governance arrangements; and
- appointment and removal of the Company Secretary.

Long-term performance and shareholder value relies on high quality corporate governance and the Board is responsible for maintaining strong governance practices and regularly reviewing the Group's governance structure as illustrated on page 64.

**BOARD MEETINGS**

The Board meets regularly and frequently, not less than six times during the year and maintains a close dialogue, as appropriate, between meetings. Board meetings are held at Head Office or divisional offices when visits are frequently made to a selection of developments accompanied by the local Management Team. Board papers are distributed sufficiently in advance of the meetings to allow adequate time for review to enable informed debate and challenge at meetings and include key strategic, operational and financial information.

Where a Director is unable to attend a meeting, they are encouraged to discuss any issues arising with the Chairman or Group Chief Executive as appropriate. If a Director has a concern about the running of the business, the minutes should accurately reflect this. Should any Director resign from their position as a result of unresolved concerns in the Company, they are requested to submit a written statement to the Chairman outlining their concerns for circulation to the Board. There were no statements received of this nature for the year ended 30 June 2018.

Attendance by individual Directors at Board meetings is set out below.

**BOARD BALANCE AND INDEPENDENCE**

The Board considers that it is of a size and has a balance of skills, knowledge and experience that is appropriate for its business. The Executive Management Team provides the Board with an

appropriate view of the detail of the business and the benefit of their significant collective experience of the UK house building industry and that enables it to discharge their respective duties and responsibilities effectively. The Non-Executive Directors bring a wealth of experience and understanding from outside the Company which enables them to challenge and help develop proposals on the Company's strategy. All Non-Executive Directors holding office during the year ended 30 June 2018, other than Steve Morgan, are considered to be independent.

Details of the Directors' respective experience is set out in their biographical profiles on pages 62 to 63.

Under the Code, at least half the Board, excluding a Non-Executive Chairman, should comprise Non-Executive Directors determined by the Board to be independent. The Board currently comprises one Non-Executive Chairman, two Executive Directors and four Independent Non-Executive Directors in compliance with the Code.

**RELATIONSHIP AGREEMENT**

The Company is party to a Relationship Agreement with Bridgemere Securities Limited and Steve Morgan, which regulates the relationship between the parties and complies with the requirements of the Listing Rules, including Listing Rule 9.2.2AR(2)(a) and Listing Rule 6.1.4DR. In accordance with the requirements of Listing Rule 9.8.4R(14), the Board confirms that the Company complied with the independence provisions set out in the Relationship Agreement during the period under review, and, so far as the Company is aware, Bridgemere Securities Limited, Steve Morgan and their associates complied with the independence provisions set out in the Relationship Agreement during the period under review.

**TABLE OF ATTENDANCE**

Name	Role	Attendance at Meetings
Steve Morgan	Chairman	6/6
John Tutte	Group Chief Executive	6/6
Barbara Richmond	Group Finance Director	6/6
Debbie Hewitt	Senior Independent Director	6/6
Nick Hewson	Non-Executive Director	6/6
Sir Michael Lyons	Non-Executive Director	6/6
Vanda Murray	Non-Executive Director	6/6

All details for the Directors are provided on pages 62 to 63.

Details of internal control and risk management processes are included in the Audit Committee report on pages 72 to 73.

## GOVERNANCE REPORT

Corporate Governance Report *continued***BOARD PERFORMANCE EVALUATION**

The Board undertook an internal formal evaluation of its own performance, and the performance of each of its Committees, during the year ended 30 June 2018. This started with a questionnaire designed to assess performance and ongoing effectiveness across key areas in the year ended 30 June 2018 and to maintain visibility and progress during the financial year. Following the completion of the questionnaires, a report was presented to the Board and discussed. The main observations from the evaluation were:

- the appropriateness of the timings and number of meetings and active contribution from Board members were rated very highly;
- the Committees of the Board were deemed to be operating effectively and within their Terms of Reference;
- there was unanimous agreement that the Board was appropriately made up of individuals from a diversity of gender, background and psychological type as well as having an appropriate mix of skills and knowledge; and
- the Board members were highly satisfied that there was a clear linkage between remuneration offered to the Directors and strategy, risks and performance of the Company.

The evaluation also identified the following areas for improvement which will continue to be addressed over the coming year:

- continued focus on the longer-term strategic objectives of the Group to allow constructive challenge by the Non-Executive Directors;
- further consideration to be made to the longer-term succession planning of the Executive Management Team, although it was acknowledged that good progress had been made; and
- scope for a more rigorous evaluation of performance.

As a result, the Board considers that it continues to operate effectively with meetings to facilitate and debate decision making.

The evaluation also considered succession planning for the Executive Management Team and the Non-Executive Directors.

**PROFESSIONAL DEVELOPMENT**

The Board recognises that a structured appraisal process and good training are important requirements across the Group. The Board receives regular presentations and briefings from those responsible for key Group disciplines. In addition, the Board maintains close working relationships with divisional Management Teams.

All Directors undertake a comprehensive induction programme following their first appointment.

The programme for the Non-Executive Directors is specifically designed to encompass the full breadth of the business and includes visits to operating businesses.

During the year the formal appraisals of the Group Chief Executive and the Group Finance Director were undertaken by the Chairman.

All Non-Executive Directors had an annual appraisal conducted by the Senior Independent Director.

**COMMITTEES**

The Board is supported by Audit, Nomination, Remuneration and Placemaking and Sustainability Committees and their memberships, roles and activities are set out in separate reports; the Audit Committee report can be found on pages 70 to 75; the Nomination Committee report on pages 76 to 77; the Remuneration Committee report on pages 80 to 95 and the Placemaking and Sustainability Committee report can be found on pages 78 to 79.

Each Committee has Terms of Reference approved by the Board and the minutes of the Committee meetings are circulated, and the Committee Chairmen provide reports, to the Board.

The Audit Committee is chaired by Nick Hewson, the Remuneration and the Nomination Committees are chaired by Debbie Hewitt and the Placemaking and Sustainability Committee is chaired by Sir Michael Lyons. Following Debbie's retirement at the 2018 Annual General Meeting, she will be succeeded by Vanda Murray as Chairman of the Remuneration Committee and Nick Hewson as Chairman of the Nomination Committee.

The Board completed a performance evaluation of each of its Committees during the financial year ended 30 June 2018. The evaluation reports were discussed at a meeting of the Committees and it was concluded that they were contributing and functioning effectively and were complying with their Terms of Reference.

**CAPITAL STRUCTURE**

The information of the capital structure of the Company is included in the Directors' Report on page 98.

**DIVERSITY**

The principle of boardroom diversity is strongly supported by the Board. It is the Board's policy that appointments to the Board will always be based on merit, so that the Board has the right individuals in place, and recognises that diversity is an important consideration as part of the selective criteria used to assess candidates to achieve a balanced Board.

The table below sets out the current position of the Company on a gender basis.

	Female	Male
Main Board	3 (43%)	4 (57%)
Executive Management Team	2 (22%)	7 (78%)
Direct reports to Executive Management Team	10 (29%)	25 (71%)
Redrow employees at June 2018	764 (33%)	1,518 (67%)

**SHAREHOLDER ENGAGEMENT**

The Company announces its financial results half-yearly, and, immediately following their publication, undertakes formal presentations to equity analysts. These presentations are available on the Company's website.

During the year ended 30 June 2018, the Chairman, the Group Chief Executive and the Group Finance Director, together with the Senior Independent Director, also held a number of meetings with significant shareholders and subsequently briefed the Board on issues discussed at these meetings.

Following the full year and half-yearly results' announcement in September 2017 and February 2018, the Group Chief Executive and the Group Finance Director met current and potential significant shareholders. This included visits to London and the United States of America and feedback from these meetings was independently collated and disseminated to the Board.

Last year the Annual General Meeting took place at a venue close to the Company's Head Office. All Directors attended the Annual General Meeting on 9 November 2017. Shareholders are encouraged to attend the 2018 Annual General Meeting, which presents an opportunity for all shareholders attending to ask questions formally during the meeting and informally afterwards to the Directors.

Formal notification of the 2018 Annual General Meeting is sent to Shareholders at least 21 working days in advance.

The Company's website, [www.redrowplc.co.uk](http://www.redrowplc.co.uk), gives access to current financial and corporate information.

**GRAHAM COPE**  
Company Secretary

3 September 2018

## GOVERNANCE REPORT

## Audit Committee Report

*“The Committee is responsible for providing independent scrutiny of the Group’s financial and non-financial performance, internal control process and external Auditors.”*



**NICK HEWSON**  
Chairman of the  
Audit Committee

#### COMMITTEE MEMBERSHIP AND MEETINGS

The four Members of the Committee are Independent Non-Executive Directors. Nick Hewson is Chairman of the Committee and is a Fellow of the Institute of Chartered Accountants in England and Wales. Biographies of the Members of the Committee can be found on pages 62 to 63.

The Board believes that Nick Hewson has the requisite financial qualifications and experience to chair the Committee and the balance of the Committee has the appropriate level of experience to fulfil its Terms of Reference and the requirements of the Code.

Vanda Murray joined as a Member of the Committee following her appointment to the Board on 1 August 2017. Liz Peace retired as a Member of the Board and the Committee with effect from 31 August 2017.

The Group Finance Director and Finance Director – Group Services attend meetings by invitation and both were present at all the meetings in the year ended 30 June 2018. The external Auditors, PricewaterhouseCoopers LLP (“PwC”), and the Chief Information Officer who had the responsibility for Internal Audit of the Company, were also in attendance at all meetings.

Table of Attendance

Name	Role	Attendance at Meetings
Nick Hewson	Chairman	3/3
Debbie Hewitt	Member	3/3
Sir Michael Lyons	Member	3/3
Vanda Murray	Member	3/3
Liz Peace*	Member	0/0

\* There were no meetings held between 1 July 2017 and 31 August 2017, being the date which Liz Peace retired as a Member of the Committee.

The Committee met three times in the year ended 30 June 2018 and a summary of the principal activities of the Committee are listed below.

Detailed papers and information were circulated sufficiently in advance of meetings to allow proper consideration of the matters for discussion. The Committee has also had the opportunity to meet

separately with the external Auditors and Internal Audit following the final audit and the review of the year ended 30 June 2018 financial statements. No matters of concern were raised within these discussions. The Committee Chairman also met with the Engagement Partner of the external Auditors and the Chief Information Officer to discuss Internal Audit matters. The Group Company Secretary acts as Secretary to the Committee.

#### RESPONSIBILITIES AND TERMS OF REFERENCE

The key responsibilities of the Committee are:

- monitoring the timeliness and integrity of the financial statements of the accompanying reports to the shareholders and Corporate Governance Statements including reviewing the findings of external Auditors;
- reviewing and monitoring the effectiveness of systems for internal control, financial reporting and risk management having regard to the long-term prospects and viability of the Company;
- reviewing and overseeing the effectiveness of Internal Audit;
- making recommendations to the Board in relation to the appointment and removal of external Auditors and approving the remuneration and terms of engagement;
- determining the criteria used in order to assess the quality of the external audit and reporting on any significant issues considered in relation to the financial statements;
- reviewing and monitoring the external Audit process and independent activity of the Auditors as well as the nature and scope of the external Audit and its effectiveness;
- reviewing the Company’s procedures for detecting fraud and the adequacy of its systems and controls for the prevention of bribery;
- reviewing the Company’s procedures for data management and cyber resilience;
- reviewing the Company’s procedures and controls for the prevention of tax evasion and the facilitation of tax evasion; and
- reviewing the Company’s procedures for raising concerns.

The Committee’s Terms of Reference are available on the Company’s website ([www.redrowplc.co.uk](http://www.redrowplc.co.uk)).

#### AUDIT COMMITTEE REPORTING ON SIGNIFICANT ISSUES

The primary areas of judgement and estimation uncertainty which were considered by the Committee and how these were addressed is set out below.

The Group Finance Director and Finance Director – Group Services attend meetings by invitation to answer any questions the Committee may have. The Committee also annually reviews the internal controls that are in place and reviews the findings of PwC’s testing of controls and processes for estimating as well as the adequacy of disclosures that management propose to be made in financial statements.

#### VALUATION OF INVENTORY

The Committee receives a paper prepared by management at each reporting date outlining the approach taken by management to assess the net realisable value of inventories together with details of sites with significant areas of judgement and any forward land against which provisions have been made.

#### DEFINED BENEFIT PENSION SCHEME VALUATION

The Committee receives details of the IAS 19R – Employee Benefits valuations carried out at each reporting date for management by the actuary who advises the Company and the underlying assumptions. A sensitivity analysis is also provided for its consideration. The Committee also receives details of the triennial independent scheme valuation report prepared by the Scheme Actuary and reviews key judgement areas made including relevant actuarial advice that has been received. In addition the Committee also reviews PwC’s report benchmarking pension actuarial assumptions. The Scheme was in surplus as at 30 June 2018.

#### MAIN ACTIVITIES DURING THE YEAR

The Committee followed a programme which is structured around the annual reporting cycle and received reports from Internal Audit, the external Audit and management.

The principal activities undertaken were as follows:

<b>September 2017</b>	A review of the full year 2017 results including the Annual Report and a report from the external Auditors; Consideration of the Group risk assessment process, viability statement and a going concern review; An update on cyber security and attaining Cyber Essentials Plus; and A review of the Company’s policies and procedures to ensure compliance with the General Data Protection Regulation 2018.
<b>February 2018</b>	A review of the 2018 half-yearly accounts and going concern including a report from the external Auditors; A review of the Terms of Reference of the Committee; A review of the proposed external Audit strategy for 2018 and associated fees; A review of the effectiveness of the external Audit process; A review of the independence and objectivity of the external Auditors; A review of the Committee’s effectiveness; A further update on cyber security; and A report on the changes made to ensure that the Company would be compliant under the General Data Protection Regulation 2018.
<b>June 2018</b>	A review of the appropriateness of the Group’s accounting policies; A review of the Risk Register; A review of the Group’s Whistleblowing Policy; A review of the Group’s Anti-Bribery Policy; The adoption of the Group’s Anti-Facilitation of Tax Evasion Policy; A review of internal controls across the whole business; An update on Internal Audit, its strategy and a review of the Internal Audit timetable for 2019; A review on the independence and objectivity of the external Auditors; Further discussions regarding the future tendering of the external Audit in compliance with the Order of the Competition and Markets Authority; Undertook a Performance Evaluation of the Committee; and An update on cyber security and compliance with the General Data Protection Regulation 2018.
<b>September 2018</b>	A review of the full year 2018 results, including the Annual Report and a report from the external Auditors; Consideration of the Group risk assessment process, viability statement and a going concern review; and Tender process for the appointment of new Auditors, strategy and timetable discussed and agreed.

## GOVERNANCE REPORT

Audit Committee Report *continued***AUDIT INDEPENDENCE**

PwC were appointed Auditors in 1999 following their merger with Coopers & Lybrand who were appointed in 1987. The current Audit Partner from PwC commenced his tenure following the conclusion of the year ended 30 June 2015 audit.

Whilst the Company is satisfied that the auditors remain independent, it recognises the Order of the Competition and Markets Authority in relation to FTSE 350 companies which will require the Company to change its statutory auditor for the June 2020 audit at the latest.

Due to the length of time that PwC have been the Company's Auditors, the Committee considers that it is in the best interests of the Company to undertake a tender of the external Audit. As a result, the Committee has had further discussions regarding its future policy, strategy and timing for tendering of the external Audit.

The Company has commenced a tender process for the appointment of new Auditors. The tender process will be supervised by the Committee, who will then make a recommendation to the Board on the appointment of the replacement Auditor. Following the appointment, an announcement will be made.

In the meantime, the Company will be proposing the re-appointment of its current Auditor at the 2018 Annual General meeting.

The Committee confirms that there were no contractual obligations that acted to restrict the Committee's choice of external Auditors.

The Committee has a formal policy in respect of the work of the external Auditors. The purpose of this policy is to ensure that the Auditor's objectivity and independence is maintained by ensuring both that the nature of any non-audit work undertaken and the level of fees paid does not compromise the Auditor's position.

Appointments in respect of non-audit work require the prior approval of the Committee within an established budget. In addition, no work can be undertaken by the external Auditors in any area where there is any identifiable risk that the work of an individual within the external Audit firm or the external Audit firm generally could conflict or compromise the quality, objectivity or independence of any audit or compliance work undertaken for the Group.

The external Auditors are not indemnified by the Company nor has the Company purchased liability insurance for them.

Details of fees paid to PwC for audit and non-audit purposes are disclosed on page 119.

**INTERNAL CONTROLS**

The Board of Directors recognises its overall responsibility for the Group's system of internal control and for monitoring its effectiveness. There is an ongoing process for identifying, evaluating and managing significant risks. However, in reviewing the effectiveness of internal control, any internal control system can only provide reasonable but not absolute assurance against material misstatement or loss.

Key business activities, including finance, land acquisition, product design, and procurement and information technology are controlled by the Executive Directors. All activity is organised within a defined structure with formal lines of responsibility, designated authority levels and a structured reporting framework. A formalised reporting structure is established within the Group. The Executive Directors, the Group Company Secretary, Regional Chief Executives, Group Human Resources Director, Group Sales and Marketing Director, Group Communications Director and Group Development Director ("the Executive Management Team") meet monthly to discuss the Group's key issues, risks and opportunities. The divisions also hold monthly board meetings which are attended on a rotational basis by the Executive Directors.

The key features of the Group's internal controls are as follows:

- defined authorisation levels exist over key areas such as land purchase, the placing of orders and contracts and staff recruitment;
- a comprehensive prioritised Risk Register which is regularly reviewed and presented to the Audit Committee;
- the Group's management information systems provide weekly updates on key statistics and information in respect of sales and production and the content of these weekly reports is regularly reviewed to ensure it remains appropriate;
- the Group has an in-house Health and Safety department and places great emphasis on the importance of health and safety and environment management. The department works closely with the divisions to ensure that training is provided to employees and subcontractors. Best practice is shared and appropriate actions are taken to comply with health and safety best practice and legislation throughout the organisation;
- the Board requires each Director in its operating divisions to complete an annual statement on Corporate Governance and related party transactions. The statement is designed to

provide assurance that Group policies and procedures are being implemented and complied with in all material respects;

- in addition, key functional Directors complete a Principal Controls Self-Assessment Questionnaire which is reviewed by the Board to assist in improvements in the control framework;
- a weekly business report (WBR) comprising sales funnel information, gross margins and order book is produced for the Group, each division and each site and circulated across the Group;
- a monthly reporting pack is circulated in advance and reviewed at each of the Main, Executive and divisional Board meetings. Annual budgets are set, with actual performance compared against the annual budget;
- preparation and regular updates of Strategic Plans;
- a policy and procedures manual which covers all the significant aspects of the Group's operations and describes the systems and controls that are to be applied; and
- daily statements of a reconciled cash position identifying significant payments are prepared, rolling cash flow forecasts are prepared and forecast banking covenant compliance are tested.

Throughout the year, the Committee has carried out assessments of internal control by considering documentation from the Executive Directors and the internal audit function as well as taking into consideration events since the year end. The internal controls extended to the financial reporting process and the preparation of consolidated accounts. The basis for the preparation of consolidated accounts has been undertaken in accordance with the Company's Accounting policies as set out on pages 114 to 118.

The Committee therefore confirms that it is satisfied that the system of controls has been in operation throughout the financial year and up to the date of this report.

**RISK REGISTER**

The Group formally reviews its prioritised Risk Register every year. The updated and reviewed Risk Register is then discussed and approved by the Committee. In addition, the Executive Management Team, through its regular meetings, reviews key areas of risk on an ongoing basis and considers whether the internal controls identified in relation to those risks remain appropriate.

**INSURANCE**

The Board has appointed an experienced broker to advise on and co-ordinate all insurance matters across the Group and they liaise closely with appropriate Group personnel at Head Office and within the divisions and report directly to the Group Finance Director.

**RISK MANAGEMENT AND INTERNAL AUDIT**

The Group's Risk Register defines controls as prevent or detect and identifies owners for each high level risk. Feedback on the risks and controls is actively encouraged and is facilitated by links on the Group's intranet to ensure the risks listed remain relevant and accurate. The Register itself is regularly maintained and is reviewed by the Committee annually.

The Internal Audit strategy is discussed with PwC and discussed and agreed with the Committee. Suggested control improvements and any control weaknesses identified are followed up as appropriate. The cornerstone of the Internal Audit work undertaken is the Business Process Review, a risk-based programme that was designed, based on the Risk Register, to be carried out regularly at each division of the Group. The Business Process Review programme looks to provide assurance to the Group, by testing internal controls and reviewing specific risks, as well as seeking out best practice and sharing it across the Group and identifying business process improvements. Committee Members receive an Executive Summary of each Business Process Review report and these reports are then discussed at the next Committee meeting. In addition the Committee at its meetings reviews the progress made by the relevant division, following the completion of a Business Process Review, against the Internal Audit process.

The Company has introduced a new business planning process whereby each land transaction, following completion of the development, is tested against its original appraisal to ascertain its performance and to improve cash flow forecasting. These Post Completion Reports are provided to the Committee and are discussed at each meeting.

**WHISTLEBLOWING**

The Group has a widely publicised Whistleblowing Policy which enables employees and other stakeholders to raise concerns in confidence. The Committee has arranged to receive reports on all occasions when such issues are raised under this policy.

The Whistleblowing Policy is formally reviewed and approved each year by the Committee. During the year, this policy was updated to reflect changes in

## GOVERNANCE REPORT

Audit Committee Report *continued*

best practice and to incorporate reference to the new corporate criminal act of facilitating tax evasion, as referred to below.

**BRIBERY ACT**

Following the introduction of the Bribery Act 2010 the Company put in place a policy on bribery and corruption for all employees strictly to adhere to. The Group Company Secretary ensures that the policy is complied with, updates the policy, procedures and company code of practice as and when required and provides regular reports to the Committee.

The Bribery Act policy is formally reviewed and approved each year by the Committee. This policy was updated this year to reflect changes to internal procedures since the previous publication.

Training is given to all staff to highlight the various forms of bribery and all new staff attend an induction course at the commencement of their employment which includes a section relating to bribery and the implication on individuals and the Company of an act of bribery either given or received. Every year, through its internal e-learning facility, each employee will be required to complete a mandatory compliance test which reminds each employee of their obligations.

**THE CRIMINAL FINANCES ACT**

Following the introduction of the Criminal Finances Act 2017 on 30 September 2017, the Company put in place a policy relating to the facilitation of tax evasion. The policy is applicable to every employee and the Employee Handbook, which is provided to each new employee, includes reference to the policy and the Group's zero-tolerance stance on tax evasion and its facilitation. As with the Bribery Act policy, the Group Company Secretary ensures that the policy is complied with and reports to the Committee on matters falling within the policy. The Anti-Facilitation of Tax Evasion policy shall be formally reviewed and approved each year by the Committee.

**PERFORMANCE EVALUATION**

The Committee completed a performance evaluation during the financial year by the members of the Committee and those who regularly attend by invitation, including the external Auditor, completing a self-assessment questionnaire and a report compiled by the Group Company Secretary from the results was presented to the Committee and discussed. The Committee was found to be effective and it was concluded that the Committee had fulfilled its remit and had in place appropriate Terms of Reference.

**NICK HEWSON**

Chairman of the Audit Committee

3 September 2018



THE REGENT COLLECTION AT ERSKINE PARK, WILTON, WILTSHIRE

## GOVERNANCE REPORT

## Nomination Committee Report

*“The Committee reviews the size, structure, balance and composition of the Board, oversees Board and Senior Executive succession planning and identifies and nominates for approval candidates to fill Board vacancies.”*



**DEBBIE HEWITT**  
Chairman of the  
Nomination  
Committee

**COMMITTEE MEMBERSHIP AND MEETINGS**

All Members of the Committee are Independent Non-Executive Directors with Debbie Hewitt, the Senior Independent Director being Chair of the Committee. The other Members of the Committee during the period ending 30 June 2018 were Nick Hewson, Liz Peace, Sir Michael Lyons and Vanda Murray.

Vanda Murray joined as a Member of the Committee following her appointment to the Board on 1 August 2017. Liz Peace retired as a Member of the Board and the Committee with effect from 31 August 2017.

The biographies of the Members of the Committee can be found at pages 62 to 63.

## Table of Attendance

Name	Role	Attendance at Meetings
Debbie Hewitt	Chairman	3/3
Nick Hewson	Member	3/3
Liz Peace*	Member	0/1
Sir Michael Lyons	Member	3/3
Vanda Murray**	Member	2/2

\* Liz Peace was unable to attend the meeting which was held whilst she was a Member of the Committee.

\*\* Vanda Murray attended both meetings which were held following her appointment as a Member of the Committee.

The Committee met three times during the year ended 30 June 2018. For all meetings, papers were circulated sufficiently in advance to allow proper consideration of all matters for discussion. The Group Company Secretary acts as Secretary to the Committee.

**RESPONSIBILITIES AND TERMS OF REFERENCE**

The key responsibilities of the Committee are:

- reviewing the structure, size and composition of the Board (including skills, knowledge and experience) and making recommendations for further recruitment to the Board or proposing changes to the existing Board;
- reviewing the leadership needs of the Company, both executive and non-executive, ensuring appropriate succession planning for Directors and other senior executives within the business;

- leading the process for Board appointments ensuring they are conducted on merit and against objective criteria;
- making recommendations to the Board, including on appointment of Executive Directors and Non-Executive Directors to the Board, the re-appointment of Directors, the re-election of Directors at the Annual General Meeting and the membership of the Audit, Nomination, Remuneration and Placemaking and Sustainability Committees;
- ensuring that a formal, structured and tailored induction programme is undertaken by any newly appointed member of the Board;
- reviewing annually the time required from the Non-Executive Directors;
- satisfying itself with regard to succession planning for the Board and senior management, taking into account the challenges and opportunities facing the Company and future skills and expertise needed on the Board including development and training; and
- ensuring suitable candidates for the Board are identified through an appropriate recruitment process, giving due regard to the benefits of diversity, including gender and ethnicity, and recommended for appointment.

The Committee's Terms of Reference are published on the Group's website ([www.redrowplc.co.uk](http://www.redrowplc.co.uk)).

**MAIN ACTIVITIES DURING THE YEAR**

During the year to 30 June 2018 the Committee undertook the following activities:

- a review of the structure, size and composition of the Board;
- a review of executive succession. The Committee concluded that the present Board balance and composition remains appropriate but that it will be kept under review;
- an assessment of the Board composition and effectiveness with specific regard given to the retirement of Debbie Hewitt at the conclusion of the 2018 Annual General Meeting;
- recommended that the Directors, save for Debbie Hewitt following completion of 9 years' service, stand for re-election at the conclusion of the 2018 Annual General Meeting in accordance with UK Corporate Governance Code; and
- reviewed the Committee's Terms of Reference.

The Directors were not present and did not vote when their individual proposals were discussed.

**SUCCESSION**

The Board considers that succession planning of the Board and its Committees is extremely important and believes that it currently has a good balance and diversity among its Non-Executive Directors, with each of them having relevant skills derived from serving in a range of executive and non-executive positions over many years.

On 19 August 2018, Debbie Hewitt completed 9 years' service on the Board and, in line with best practice, she will not be standing for re-election at the 2018 Annual General Meeting.

In preparation for the retirement of Debbie Hewitt, the Committee put in place a succession plan recognising best practice which advises the Chairman of the Remuneration Committee shall sit on the Committee for a year prior to taking up the Chairman role and that the Senior Independent Director have a good understanding of the Company to enable them to carry out the duties of the role effectively.

With effect from the close of the 2018 Annual General Meeting, Debbie Hewitt will be succeeded by Nick Hewson as the Senior Independent Director and Chairman of the Nomination Committee and by Vanda Murray as Chairman of the Remuneration Committee.

Nick Hewson has substantial experience as a Non-Executive Director and, having been on the Board since December 2012, has a good understanding of the business of the Group. He has also been a member of the Nomination Committee since joining the Board in 2012.

Vanda Murray has extensive Remuneration Committee experience, having held Chairman positions of the Remuneration Committees in Bunzl plc and Fenner plc. She joined the Remuneration Committee of the Company on 1 August 2017 and has spent a significant amount of time shadowing Debbie Hewitt in preparation for her taking on the role of Chairman of the Remuneration Committee.

Following an assessment by the Committee, the Board is not currently seeking to appoint an additional Non-Executive Director to replace Debbie Hewitt, as the recruitment of Vanda Murray in 2017 has provided for the Non-Executive succession needs. As a result of careful succession planning, the Committee believes that the resultant balance of the Non-Executive Directors and Executive Directors remains effective, along with each of the Board's Committees.

**DIVERSITY**

The principle of boardroom diversity is strongly supported and recognised by the Board. It is the Board's policy that appointments to the Board will always be based on merit, so that the Board has the right individuals in place, and recognises that diversity is seen as an important consideration as part of the selective criteria used to assess candidates to achieve a balanced Board. Current female representation on the Board is 43%.

Once Debbie Hewitt steps down from the Board at the close of the 2018 Annual General Meeting, female representation on the Board will be 33%, remaining in line with the Hampton-Alexander Review, which recommends that FTSE 350 companies should aim to build the representation of women on their boards to 33% by 2020.

The Board believes in the benefits of cognitive diversity, from a wide range of complementary skills. The Committee will continue to aspire to maintain a diverse Board with recruitment and selection of talented individuals and with a broad range of appropriate skills, irrespective of gender.

The Committee continues to monitor and review reports and recommendations relating to the composition of boards and diversity, including the Parker Review on ethnic diversity.

The Group Human Resources Director attends the monthly Executive Management Team meetings and provides a monthly people report which provides key statistics on Group employees as well as providing updates on employee engagement and recruitment. She reports to the Nomination Committee at least twice a year to update on progress.

**PERFORMANCE EVALUATION**

The Committee members completed a performance evaluation during the financial year and a report was presented by the Secretary to the Committee and discussed. The Committee was found to be effective and it was concluded that the Committee had fulfilled its remit and had in place appropriate Terms of Reference. Actions were agreed to maintain this progress.

Throughout the year, good progress had been made on the longer-term succession planning of the Executive Management Team and this will remain a priority for the coming year.

**DEBBIE HEWITT**  
Chairman of the Nomination Committee

3 September 2018



## GOVERNANCE REPORT

## Placemaking and Sustainability Committee Report

*“The Committee ensures that the Group lives up to high environmental and placemaking standards and delivers on its commitment to promote the creation of socially and economically sustainable communities.”*



**SIR MICHAEL LYONS**  
Chairman of the Placemaking and Sustainability Committee

## COMMITTEE MEMBERSHIP AND MEETINGS

The Members of the Committee during the Financial Year comprised Sir Michael Lyons, who was Chairman of the Committee and Nick Hewson, Independent Non-Executive Director, Matthew Pratt, Southern Regional Chief Executive, Robert MacDiarmid, Group Sustainability Director, and Karen Jones, Group Human Resources Director.

Liz Peace retired from the Board on 31 August 2017 and was replaced by Sir Michael Lyons on 1 September 2017 as Chairman of the Committee.

On 1 September 2017 the Committee was renamed the Placemaking and Sustainability Committee.

Table of Attendance

Name	Role	Attendance at Meetings
Sir Michael Lyons	Chairman	3/3
Liz Peace*	Chairman	0/0
Nick Hewson	Member	3/3
Matthew Pratt**	Member	2/3
Robert MacDiarmid	Member	3/3
Karen Jones	Member	3/3

\* There were no meetings held between 1 July 2017 and 31 August 2017, being the date which Liz Peace retired as a Member of the Committee.

\*\* Due to unforeseen circumstances, Matthew Pratt was unable to attend one of the meetings but was fully appraised of the matters discussed therein.

The Committee met three times during the year ended 30 June 2018. For all meetings, papers were circulated sufficiently in advance to allow proper consideration of all matters for discussion. The Group Company Secretary acts as Secretary to the Committee.

## RESPONSIBILITIES AND TERMS OF REFERENCE

The key responsibilities of the Committee are:

- to develop and monitor the Company's approach to sustainability and to review and approve the sustainability targets proposed by management;
- to assess the impact of the Company's operations on the environment and communities affected by its activities, including the consideration of policies to enhance the benefits of those activities and mitigate any negative impact of those activities;
- to have regard to environmental corporate social responsibility and community issues, including environmental management systems, waste management systems, recycling and energy management;
- to ensure that the Group Sustainability Director produces in advance of each meeting a sustainability performance scorecard to assist the Committee to more clearly evaluate the relationship between the sustainability initiatives in place, or being considered, and the related performance levels being achieved;
- to ensure that the Company supports its people on a learning and development pathway to deliver high quality products and services and to ensure that there is sufficient encouragement and support given to Company employees so that they can realise their capability to contribute to the social, environment and economic health of our communities and having regard to the promoting and maintaining the highest degree of physical, mental and social wellbeing in the workplace;
- to ensure that the Company continues to be an employer of choice in the industry, valuing and respecting its diversity; providing both advantage, and equality of opportunity in recruitment, development, recognition and reward;
- to review the Company's policies and reporting with regard to personnel recruitment, development and succession planning to ensure a sustainable and engaged workforce;

- to have regard to the Company's involvement in the community, and the Company's policy on charitable donations and activities;
- to have regard to the Company's developments in customer engagement and service to ensure its values are upheld;
- to adhere to the Company's three key principles of sustainability: Thriving Communities, Building Responsibly and Valuing People; and
- to ensure that we are continuing to create great places to live and making social, economical and environmental contributions to local areas by setting well-designed homes and amenities within attractive shared spaces.

The Committee regularly reviews its Terms of Reference; these were last reviewed in May 2018 and are published on the Group's website ([www.redrowplc.co.uk](http://www.redrowplc.co.uk)).

## MAIN ACTIVITIES DURING THE YEAR

During the year ended 30 June 2018 the principal activities of the Committee were as follows:

- assessed the changes required to achieve the target of implementing an accredited H&S Management system (ISO45001);
- implemented three new sustainability themes (Thriving Communities, Building Responsibly and Valuing People) and set the objectives and targets in order to fully integrate these principles within the Group;
- supported the implementation of the new Intranet, which promotes increased communication across the Group;
- monitored and reviewed the Company's response to environmental legislation and regulation, ensuring the appropriate risk mitigation controls were being implemented, monitored and evaluated;
- monitored the suitability of internal and external communication of sustainability related activities. Methods of communication included internal magazines, Companywide briefings and updates to the Company's website;
- approved the Company becoming Gold Leaf members of the UK Green Building Council (UKGBC) and becoming corporate members of Considerate Constructors Scheme (CCS), a non-profit-making, independent organisation founded by the construction industry to improve its image;

- supported a series of workshops that were run to help refine the Group's placemaking principles. These principles, which have been titled "Redrow 8", are being developed by drawing on the Group's many years of experience delivering high quality distinctive places to live;
- encouraged the Company to become a member of the NHS Healthy Towns Network. The purpose of the network is to explore how new housing developments can achieve better health outcomes;
- evaluated the outcomes of a pilot project examining how our current design approach is impacting biodiversity at several of our existing developments. Whilst the sample of sites in this exercise was not large enough to make wider predictions, the findings gave insight into the key considerations for achieving biodiversity 'net gain' and will inform the development of our new biodiversity strategy;
- supported the formulation of a health and wellbeing strategy which is being developed to improve the wellbeing of the Group's people and create a more inclusive workplace; and
- continued to review and evaluate the Group's collaboration with education partners, which is aiming to positively impact people and communities.

## PERFORMANCE EVALUATION

The Committee members completed a performance evaluation during the financial year and a report was presented by the Secretary to the Committee and discussed. The Committee was found to be effective and it was concluded that the Committee had fulfilled its remit and had in place appropriate Terms of Reference.

SIR MICHAEL LYONS  
Chairman of the Placemaking and Sustainability Committee

3 September 2018

## GOVERNANCE REPORT

## Directors' Remuneration Report

*"I am pleased to present the Directors' Remuneration Report for the year ended 30 June 2018."*



**DEBBIE HEWITT**  
Chairman of the  
Remuneration  
Committee

At the Annual General Meeting on 9 November 2017, our Directors' Remuneration Policy was put to a binding shareholder vote, which was approved by 99.97% of the votes cast. The Remuneration Committee believes that this approved Policy continues to reflect our overall remuneration philosophy and that it is working effectively to align the executives with the optimum outcome for all stakeholders. We are therefore not proposing any changes to our Remuneration Policy this year. As shareholders are now familiar with it, the full Policy is not included in this year's report but a summary is provided in the form of a Policy table (which explains how our framework operates) and is set out on pages 82 to 84. We will be submitting a Policy for shareholder approval at the 2020 AGM in line with the three year cycle set out in the regulations.

The Annual Remuneration Report (pages 86 to 95) provides details on the remuneration we paid in respect of 2018 and how we intend to operate our policies in 2019. It will be submitted to an advisory shareholder vote at the 2018 Annual General Meeting.

#### OUR PHILOSOPHY – ALIGNING REWARD WITH PERFORMANCE

Our Remuneration strategy remains unchanged – it is designed to reflect the needs of a UK based, capital intensive house builder, with ambitious growth plans. We make long-term investments, which are differentiated by the constant innovation and quality of our product. Successfully acquiring

land, achieving planning consent, opening outlets, building quality homes and selling and handing them over on time, are all critical success factors and feature as part of our management incentive programmes.

We adopt clear, simple and market competitive remuneration arrangements. The alignment of executive remuneration with the objectives of our shareholders has been the principal focus, ensuring remuneration structures are fully attuned to the business strategy. We aim to balance the short, medium and long term components of our remuneration, to ensure that we motivate and retain our executives and keep them focused on delivering long-term sustainable growth. The annual bonus encourages performance in key areas of strategic focus for the business and the Long Term Incentive Plan (LTIP) reflects our market related growth and return ambitions.

#### 2018 OUTCOMES – AN OUTSTANDING YEAR

As described in detail on pages 1 to 59 of this Annual Report, 2018 was another outstanding year for Redrow, which saw:

- Record profit before tax of £380m, up 21%
- Revenue exceeding £1.9bn, up 16%
- Earnings per share up 22% to 85.3p
- ROCE improving further to 28.5%
- Dividend up 65% to 28p

Based on these principles, our remuneration framework includes the following components:

Fixed Components			Variable Components	
Salary	Benefits	Pension	Annual Bonus	LTIP
<b>Market competitive</b>			<b>Maximum 100% of salary</b>	<b>Maximum 150% of salary</b>
– Reflect nature of role, and skills and experience			– Balanced scorecard of key performance measures – for example, PBT, ROCE, land holdings, outlet openings	– Based on stretching long-term EPS and ROCE targets
			– 50% deferred into shares – half vest after one year and half after two years	– Subject to clawback for five years following vesting
			– Cash and shares subject to clawback for five years following payment / vesting	– Subject to an additional holding period of two years following vesting (including post-employment)
<b>Shareholding Guidelines</b>				
200% of salary to be built up over five years from appointment				

The alignment between performance and reward which underpins our executive remuneration framework, is reflected in the outcomes for the annual bonus and LTIP:

- 2017-18 Annual bonus: Based on exceptional performance, with the targets for maximum payment exceeded for three of the annual bonus measures (PBT, ROCE, land holdings) and performance on outlet openings significantly above target but short of the stretch target, the Committee determined that the annual bonus should pay out at 96.7% of salary for both of the Executive Directors. 50% of this will be paid in shares and half of these will be deferred for a period of one year and the remaining half deferred for two years; and
- 2015 -18 LTIP: EPS of 85.0p and ROCE of 28% in 2018 were both significantly above the targets for maximum vesting of 76.3p and 22%, respectively. The Committee therefore determined that the 2015 LTIP award should vest in full on 14 September 2018.

The 2018-19 annual bonus targets are disclosed on page 86.

We have and will continue to set stretching target ranges for our incentive awards. Shareholders will note from our disclosure that historical targets set were stretching and payments have reflected absolute and relative outperformance in market terms for financial returns and for the strategic objectives of quality land holdings and strong order book.

#### REMUNERATION DECISIONS FOR 2019

The Committee has decided to award salary increases to the Group Chief Executive and Group Finance Director of 2.5%, effective from 1 July 2018. This is below the average increase for all other employees across the business which was 3.5%.

The annual bonus and LTIP will operate in line with our Remuneration Policy.

The annual bonus will continue to be based on a balanced scorecard of performance measures – PBT, ROCE, a measure based on the number of outlets opened and land acquired.

The EPS and ROCE target ranges for the 2018-21 LTIP award are set out on page 86 of this report.

As reported last year, all variable pay elements were removed from the Chairman's package and therefore Steve Morgan was not invited to participate in the 2017/18 annual bonus scheme nor granted an LTIP in 2017. Further, following his move to Non-Executive Chairman on 1 October 2017, his salary of £499k was reduced to an annual fee of £300k. He takes a nominal payment of £10k, which he donates via payroll giving to the Steve Morgan Foundation and the remainder is donated directly by the Company to the Steve Morgan Foundation.

#### CORPORATE GOVERNANCE

The Remuneration Committee continues to monitor developments in respect of the Government's corporate governance reforms including the recently announced changes to the UK Corporate Governance Code (the "Code"). During the coming year the Committee will review Redrow's compliance with the remuneration aspects of the Code and will make amendments where necessary.

#### PERFORMANCE EVALUATION

The Committee completed a performance evaluation during the financial year by the members of the Committee and those who regularly attend by invitation, including the Chairman, Group Finance Director and Group HR Director, completing a self-assessment questionnaire. A report was compiled by the Group Company Secretary from the results and it was presented to the Committee and discussed. It was concluded that the Committee had fulfilled its remit and had in place appropriate Terms of Reference. The report also concluded how the Committee would ensure that the succession planning of the Chair of the Committee would work, including a detailed handover plan.

#### SHAREHOLDER ENGAGEMENT

We remain committed to an ongoing and transparent dialogue with our shareholders on executive remuneration. In putting in place our current Policy, we engaged with a number of our major shareholders and their feedback was taken into account by the Committee in finalising the Policy. We will continue to engage with our shareholders on any significant changes to the Policy.

Last year, 99.96% of votes cast were in favour of the Remuneration Report and 99.97% of votes cast were in favour of the Remuneration Policy. We look forward to receiving your continued support on our approach to remuneration at this year's Annual General Meeting.

#### CLOSING REMARKS

Finally, as you will be aware, I will be retiring from the Board following the AGM after 9 years of service as a Non-Executive Director. It has been a privilege to be a member of the Redrow Board during a period of considerable growth. Assuming her election by shareholders, Vanda Murray will take up the position of Chairman of the Remuneration Committee with effect from 7 November 2018.

#### DEBBIE HEWITT Chairman of the Remuneration Committee

This report has been prepared in accordance with the UK Corporate Governance Code, the relevant provisions of the Listing Rules and Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013.

## GOVERNANCE REPORT

Directors' Remuneration Report *continued*

## THE REMUNERATION POLICY

The Remuneration Policy became effective following shareholder approval at the 2017 Annual General Meeting. An extract of the Remuneration Policy table (with updated references, where relevant) and supporting disclosures is reproduced below for information only. The full Remuneration Policy is contained on pages 79 to 86 of the 2017 Annual Report, which is available in the Investor Relations section of the Group's website, <http://investors.redrowplc.co.uk/>.

## Policy Table for Executive Directors

Component	Purpose/link to strategy	Operation	Maximum	Performance framework
<b>Base Salary</b>	To provide a market competitive element of fixed remuneration to attract and retain leaders of the required calibre to deliver the strategy.	Salaries are determined by the Committee taking into account all relevant factors such as:  The size and complexity of the Company, the scope and responsibilities of the role, the skills and experience of the individual and performance in role.  The Committee's assessment of the competitive market positioning of base salaries is based on consideration of market data from UK companies of similar size and complexity and companies in the house-building sector.  Salaries are normally reviewed annually, with any changes effective at the start of the financial year.	There is no prescribed maximum salary. Any salary increases will normally be in line with those of the wider workforce.  The Committee has discretion to award larger increases where it considers this appropriate, such as to reflect (for example):  – a significant change in the size and complexity of the Company;  – an increase in scope and responsibility of the role, or a change in role;  – an Executive Director being moved to market positioning over time; and  – an Executive Director falling below competitive market positioning.	N/A
<b>Benefits</b>	To provide a market competitive benefits package to support the Director in fulfilling their role.	Benefits may include: a company car (or equivalent cash allowance), private medical insurance, permanent health insurance, fixed term group income protection and a death in service benefit, and where appropriate any tax payable thereon.  Executive Directors may also participate in all-employee share plans on the same basis as other employees.  The Committee has discretion to include, where it considers it appropriate to do so, other benefits to reflect specific individual circumstances, such as housing, relocation, travel, or other expatriate allowances.	Benefit provision, for which there is no prescribed monetary maximum, is set at an appropriate level for the specific nature and location of the role.  Participation in all employee share plans is subject to statutory limits.	N/A

Component	Purpose/link to strategy	Operation	Maximum	Performance framework
<b>Pension</b>	To provide a market competitive element of fixed remuneration for retirement planning.	Individuals are eligible to participate in the Company's Defined Contribution (DC) pension scheme or receive a pension allowance cash supplement.  Executive Directors who are members of the Company's Defined Benefit (DB) pension scheme will continue to receive benefits under the terms of that scheme. There will be no new entrants or accrual of future benefits under the DB scheme.	The maximum DC contribution/cash supplement (in respect of a financial year) is 20% of base salary.	N/A
<b>Annual Bonus</b>	A variable pay opportunity which motivates and rewards annual performance and delivery of the strategy on an annual basis. Deferral aligns reward with long-term value of Redrow shares.	The Committee determines participation levels each year. Targets are set by the Committee at the start of the relevant financial year and are assessed following the year end.  A portion (currently 50%) of any bonus earned will be deferred into Redrow shares, which are awarded in the form of nil-cost options which vest after a period set by the Committee. Currently, half of the deferred shares vests after one year and half after two years, subject to continued employment.  Following exercise of a vested deferred share award, participants will be entitled to receive an amount equal to the aggregate of any dividends which they would have been entitled to receive as a shareholder during the period between the grant and satisfaction of the award.  In future years, the Committee retains the discretion to change the deferred amount and/or lengthen the deferral period.  Where appropriate, the Committee may determine that deferral is in the form of an equivalent cash award (which in all other respects mirrors the terms of the deferred share awards).  Clawback provisions apply to both the cash and deferred elements.	100% of salary.	Performance is assessed against key financial and operational performance measures linked to the delivery of the strategy and shareholder value determined each year by the Committee.  The current performance measures are:  – 25% based on profit before tax;  – 25% based on return on capital employed (ROCE);  – 25% based on land holdings; and  – 25% based on outlet openings  The Committee retains discretion to adjust the measures and/or weightings in future years to reflect prevailing financial, strategic and operational objectives of the business or of the individual. However, a minimum of 50% of the total will always be based on key financial measures.  No bonus will be payable for performance below threshold levels set by the Committee.  The Committee has discretion to adjust the level of payout if the outcome from a formulaic assessment does not appropriately reflect underlying business performance.

## GOVERNANCE REPORT

## Directors' Remuneration Report continued

## THE REMUNERATION POLICY CONTINUED

Component	Purpose/link to strategy	Operation	Maximum	Performance framework
<b>Long Term Incentive Plan (LTIP)</b>	Designed to motivate and reward long-term performance and delivery of the strategy and provide alignment with Redrow shareholders.	<p>Awards may be made under the Redrow plc 2014 Long Term Incentive Plan (LTIP).</p> <p>Awards are normally in the form of nil-cost options. The Committee may also determine that awards are made in the form of conditional share awards or as an equivalent cash award (which in all other respects mirrors the terms of the LTIP).</p> <p>Awards normally vest subject to the satisfaction of performance conditions measured over a period of at least three years. Vested awards will normally be subject to an additional holding period of two years. Clawback provisions apply.</p> <p>Awards may incorporate the right to receive (in cash or shares) the aggregate value of dividends paid on vested shares between the vesting date and the date on which the awards are released following the holding period, on such basis as the Committee may determine, which may assume the reinvestment of these dividends in shares on a cumulative basis.</p>	<p>The maximum award which may be granted in respect of a financial year will normally not exceed 150% of salary.</p> <p>However, in exceptional circumstances only, the Committee may make awards of up to 200% of salary.</p>	<p>The LTIP is based on performance measures aligned to the creation of long-term shareholder value, measured over a performance period of at least three years. The current performance measures are:</p> <ul style="list-style-type: none"> <li>– 50% based on earnings per share (EPS); and</li> <li>– 50% based on return on capital employed (ROCE)</li> </ul> <p>For threshold performance, 20% of salary would normally vest.</p> <p>The Committee retains discretion to include additional or alternative financial performance measures and/or adjust the weightings in future years to reflect prevailing strategic or operational objectives of the business aligned with shareholder value creation.</p> <p>Performance conditions applicable to LTIP awards may be amended if an event occurs which causes the Committee to consider that an amended performance condition would be more appropriate and not materially less difficult to satisfy.</p>

Where an individual waives any current or future right or entitlement to a remuneration payment or other benefit, which they would otherwise be eligible to receive under any of the components set out in the Policy Table on pages 82 to 84, the Committee may determine that a charitable donation, which is, in its opinion, equivalent to the value of that payment or benefit, may be made by the Company.

**Executive shareholding guidelines**

Executive Directors are expected to build and retain a shareholding in the Group at least equivalent to 200% of base salary. Until the shareholding guideline has been met Executives will be required to retain all deferred bonus shares and LTIP shares on a net of tax basis.

**Clawback**

For awards under the annual bonus plan (including deferred share awards) and awards made since the introduction of the 2014 LTIP, the Committee has discretion to clawback awards in the event of a material misstatement of the Company's audited financial results or employee misconduct.

In such circumstances, at any time prior to the fifth anniversary of the payment of any cash bonus or vesting of a deferred bonus/ LTIP award, the Committee has discretion to:

- reduce, cancel or impose further conditions on outstanding deferred bonus/LTIP awards; or
- require the participant to repay (in cash or shares) some or all of the value delivered from a deferred bonus/LTIP awards; and/or
- require the participant to repay some or all of any cash bonus received

Where a charitable donation has been made in accordance with the Remuneration Policy, clawback will not apply.

For deferred bonus plan awards, if a participant's gross misconduct has resulted in the material misstatement of the Group accounts (or the accounts of one of its subsidiaries), any unexercised awards will lapse immediately and the participant will forfeit any shares previously acquired under awards made under that plan.

**Service contracts**

The service agreements of the Executive Directors are rolling contracts which were entered into on the dates shown in the table below:

Name	Contract date	Notice period from the Director	Notice period from the Company
John Tutte	01/07/14	12 months	12 months
Barbara Richmond	18/01/10	6 months	12 months

The service agreements provide for formal notice to be served to terminate the agreement, by either the Company or the Executive Director, with the required period of notice shown in the table. The agreements and letters of appointment do not include any provisions for pre-determined compensation for early termination. The Committee may terminate service agreements immediately by making a payment in lieu of notice consisting of base salary, benefits and pension for the unexpired period of notice. At the discretion of the Committee, this payment may be made as instalments over the period, subject to a duty to mitigate, or as a lump sum.

For future appointments, it is the Committee's policy that notice periods will normally be 6 months from both the Director and the Company initially and thereafter, 12 months from both the Director and the Company, and that payments in lieu of notice will comprise no more than base salary, benefits and pension only over the unexpired period of notice.

The Non-Executive Directors' terms of appointment are detailed in formal letters of appointment as shown in the table below. Each appointment is for a fixed initial period of three years although this term is terminable upon either party giving three months' notice.

Name	Position	Date of initial appointment	Current date of appointment
Steve Morgan*	Non-Executive Chairman	23/03/09	01/10/17
Debbie Hewitt**	Senior Independent Director	21/08/09	19/08/18
Nick Hewson	Non-Executive	01/12/12	01/12/15
Liz Peace***	Non-Executive	01/09/14	01/09/14
Sir Michael Lyons	Non-Executive	06/01/15	06/01/18
Vanda Murray****	Non-Executive	01/08/17	01/08/17

\* Steve Morgan moved from Executive to Non-Executive Chairman on 1 October 2017.

\*\* Debbie Hewitt's appointment was extended on 19 August 2018 to cover the period from this date until the 2018 AGM at which point she will be retiring from the Board.

\*\*\* Liz Peace retired from the Board on 31 August 2017.

\*\*\*\* Vanda Murray joined the Board on 1 August 2017.

## GOVERNANCE REPORT

Directors' Remuneration Report *continued*

## ANNUAL REMUNERATION REPORT

## STATEMENT OF IMPLEMENTATION FOR 2019

This section summarises how the Committee intends to operate the Remuneration Policy for the year ending June 2019.

## Salary

The Committee's policy on salary increases, as set out in the Remuneration Policy, is that they should normally be in line with increases for employees within the business. This approach has been applied consistently by the Committee over a number of years.

The average increase for all Redrow employees on 1 July 2018 was 3.5%. The Committee decided to award base salary increases for the Executive Directors of 2.5%, effective 1 July 2018, as follows:

£'000	2019	2018	Change
John Tutte	598	583	2.5%
Barbara Richmond	338	330	2.5%

## Annual bonus

For FY 2019, the annual bonus will operate on the same basis as for FY 2018, assessed using the same balanced scorecard of measures as shown on page 88.

It is the current intention that the targets will be disclosed in the FY 2019 Annual Remuneration Report provided the Committee is comfortable they are no longer commercially sensitive.

## LTIP awards to be granted during 2019

Subject to shareholder approval of the new Remuneration Policy, LTIP awards in the FY 2019 financial year will be made at the level of 150% of salary and will be subject to the following stretching EPS and ROCE performance targets, measured over the three year period ending in 2021:

Award vesting level as % of salary (for each component)	EPS for 2021	ROCE for 2021
Nil	Below 105.0p	Below 25.8%
10%	105.0p	25.8%
30%	110.0p	26.8%
75%	115.0p or above	27.8% or above

Vesting between the points above is on a sliding scale basis

In line with our Policy, these awards will be subject to an additional two year post-vesting holding period.

The Committee notes that the ROCE performance target for the scheme which commences in FY19 is below the 2018 actual ROCE performance of 28%, although above the maximum target for the LTIP schemes which have or which are due to vest in FY18, FY19 and FY20. The Committee has discussed this in detail and considers, given the general economic context, that the ROCE target for the 2019 awards is sufficiently stretching.

## NON-EXECUTIVE DIRECTOR FEES

The base fee for a Non-Executive Director is £55k p.a. from 1 August 2017. In line with current practice the Company pays an additional fee of £10k p.a. to Committee Chairs and an additional fee of £10k p.a. to the Senior Independent Director. The fee for the Non-Executive Chairman is £300k p.a.

## OUTCOMES IN RESPECT OF 2018

The tables below set out the remuneration for the Directors in respect of 2018. Further discussion of each of the components is set out on the pages which follow. Where indicated, these disclosures have been audited.

As Steve Morgan moved from an Executive to Non-Executive role during the course of the financial year, the remuneration that was attributable to each role is shown in the Executive remuneration table and Non-Executive remuneration table respectively.

## SINGLE TOTAL FIGURE OF REMUNERATION TABLE (AUDITED)

The remuneration of the Executive Directors in respect of 2018 is shown in the table below (with the prior year comparative):

£'000	Salary		Benefits <sup>(i)</sup>		Annual bonus <sup>(ii)</sup>		LTIP <sup>(iv)</sup>		Pensions <sup>(v)</sup>		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Steve Morgan <sup>(i)</sup>	4	15	–	31	–	–	–	–	–	–	4	46
John Tutte	583	569	16	16	564	569	681	1,195	117	114	1,961	2,463
Barbara Richmond	330	322	17	16	319	322	384	675	66	64	1,116	1,399

(i) Steve Morgan served as Executive Chairman from 1 July to 30 September 2017. The disclosure in this table and footnote are in reference to that period. Steve Morgan drew a nominal annual salary of £15k (2017: £15k) per annum which he donated via Payroll Giving to The Steve Morgan Foundation, a UK registered charity of which Steve Morgan is a trustee.

The Company also made a donation to The Steve Morgan Foundation of £121k in respect of 2018 (2017: £716k). This donation represents Steve Morgan's notional salary of £499k per annum less the £15k per annum nominal salary for the three months to 30 September 2017. In 2017 the donation was made up of a notional salary of £472k (being the balance of Steve Morgan's notional annual salary of £487k less the £15k nominal salary) and £244k (being an amount in respect of the cash annual bonus which Steve Morgan waived his entitlement to). The notional cash bonus represented half of the total bonus for 2017, calculated using the notional salary of £487k and a bonus percentage of 100% of maximum, equivalent to that earned by John Tutte and Barbara Richmond.

Steve Morgan's 2015 LTIP award, also structured as a cash award over notional Redrow shares, will vest in full on 14 September 2018 based on performance to the 2018 financial year (as described in the section below). The value of this award (calculated using the average share price over the last three months of 2018 in accordance with footnote (iv) below) is £582k (2017: £1,022k).

Further details on the donation to The Steve Morgan Foundation are given in the Directors' Report on page 99 and in note 22 to the financial statements.

(ii) Benefits include a fully expensed company car (or equivalent cash allowance) and private health insurance.

(iii) Annual bonus represents the full value of the bonus awarded in respect of the relevant financial year. Half of the bonus is deferred into Redrow shares, which vests in two tranches of 50% each, on the first and second anniversaries of the grant date, subject to continued employment. For Steve Morgan, deferral is in the form of cash awards over notional Redrow shares. Details of performance targets are set out below.

(iv) LTIP represents the value of the LTIP award which vests in respect of a performance period ending in the relevant financial year. The 2018 column includes the value of the 2015 LTIP award which will vest in full on 14 September 2018, using the average share price over the last three months of 2018. The 2017 column includes the vested value of the 2014 LTIP award (which vested at 100% of maximum), based on the share price on the date of vesting (18 September 2017).

(v) Pension includes the value of the cash allowance paid to John Tutte and Barbara Richmond in respect of the relevant year.

The fees of the Non-Executive Directors in respect of 2018 are shown in the table below (with the prior year comparative):

£'000	Fees	
	2018	2017
Steve Morgan <sup>(i)</sup>	8	–
Debbie Hewitt	75	70
Nick Hewson	63	45
Sir Michael Lyons	63	45
Liz Peace <sup>(ii)</sup>	8	45
Vanda Murray	50	–

(i) Steve Morgan served as Non-Executive Chairman from 1 October to 30 June 2018. The disclosure in this table and footnote are in reference to that period. Steve Morgan draws a nominal fee of £10k per annum which he donates via Payroll Giving to The Steve Morgan Foundation, a UK registered charity of which Steve Morgan is a trustee. The Company also made a donation to The Steve Morgan Foundation of £218k (being the balance for this period of Steve Morgan's notional annual fee of £300k per annum less the £10k nominal fee.)

(ii) Liz Peace retired as a Non-Executive Director on 31 August 2017.

## GOVERNANCE REPORT

Directors' Remuneration Report *continued***SINGLE TOTAL FIGURE OF REMUNERATION TABLE (AUDITED) CONTINUED****Annual bonus**

The maximum bonus opportunity for the Executive Directors during 2018 continued to be 100% of salary, in line with the Remuneration Policy. This was based on the achievement of stretching targets under a balanced scorecard of four key performance measures. The scorecard combines measures which represent an appropriate balance between 'backward looking' financial performance (PBT and ROCE) and 'forward looking' strategic and operational measures (land holdings and outlet openings) which support shareholder value creation over the medium to long-term.

	% of bonus opportunity	Rationale
PBT	30%	A fundamental measure of annual profitability
ROCE	30%	A measure of how effectively we use our capital base
Land holdings	20%	Measures the foundation for our future growth
Outlets opened	20%	A fundamental indicator of future growth

As described in detail on pages 1 to 59 of this Annual Report, 2018 was another outstanding year for Redrow. As a result of the targets for maximum payment for three of the PBT, ROCE and Land holdings being exceeded and performance on outlet offerings significantly above target but short of the stretch target, the Committee determined that the bonus should pay out at 96.7%, resulting in bonus awards to the Executive Directors as shown in the Single Total Figure of Remuneration on page 87.

Our policy is to disclose annual bonus targets in the year to which the payment relates, subject to the Committee being comfortable that the targets are no longer commercially sensitive. Accordingly the 2018 targets are disclosed in the following table:

	% of bonus opportunity	2018 Target Range			Actual 2018 performance	Payout (% of total bonus opportunity)
		Threshold payout (10% of maximum)	Target payout (50% maximum)	Maximum payout		
PBT	30	£340m	£360m	£380m	£380m	30
ROCE	30	21.9%	23.1%	24.3%	28.0%	30
GDV of land acquired	20	1.8bn	1.9bn	£2.0bn	£2.2bn	20
Outlets opened in year	20	48	51	54	53	16.7
Total	100%					96.7%

Executive Directors are required to defer 50% of any bonus earned into shares, half of which will vest after one year and the remaining half after two years, subject to continued employment and clawback. Clawback provisions for both the cash and deferred share elements will apply.

**Long Term Incentive Plan (LTIP)**

The LTIP is designed to motivate and reward long-term performance and delivery of the strategy and provide alignment with Redrow shareholders. In 2018, annual awards were made at the level of 150% of salary, in line with the prevailing policy.

The vesting of LTIP awards is based on performance of EPS and ROCE, pre-exceptional, with 50% relating to performance of each measure.

The Committee believes that these two measures are transparent, are easy to understand, track and communicate, are cost effective to measure and fundamentally aligned to the strategic ambitions that have been communicated to the market:

- EPS ensures that the team delivers strong 'bottom line' profitability and growth for shareholders; and
- ROCE provides balance by requiring that profit is delivered efficiently from a capital perspective.

The Remuneration Committee has discretion to adjust the number of shares vesting from the award if it considers that performance in the metrics above is not sufficiently reflective of the general growth created by the market.

Steve Morgan's historic awards under the LTIP are receivable in cash but in all other respects mirror the terms and conditions of the LTIP awarded to the other Executive Directors.

The sections below summarise details of the LTIP awards which vested in respect of 2018 (2015 awards) and which were granted during the 2018 financial year.

**LTIP awards vesting in respect of 2018**

The LTIP awards granted in September 2015 were based on performance over the three year performance period ending in 2018. Based on performance against the EPS and ROCE targets set when the award was granted, summarised in the table below, the Committee determined that the 2015 LTIP awards will vest in full on 8 September 2018. The value of these vested awards is included in the 2015 LTIP column of the Single Total Figure of Remuneration on page 87.

Award vesting level as a % of share options granted (for each component)	EPS for 2018	ROCE for 2018
Nil	Below 62.5p	Below 18.0%
10%	62.5p	18.0%
30%	69.4p	20.0%
50%	76.3p or above	22% or above
Vesting between the points above is on a sliding scale basis		
Actual performance	85.3p	28.5%
Vesting (% of total award)	50%	50%

**LTIP awards granted during 2018**

The LTIP awards granted in November 2017 will vest in November 2020 based on performance over the three year performance period ending in 2020 as follows:

Award vesting level as a % of share options granted (for each component)	EPS for 2020	ROCE for 2020
Nil	Below 80.4p	Below 24.2%
6.67%	80.4p	24.2%
20%	90.4p	25.7%
50%	104.4p or above	27.2% or above
Vesting between the points above is on a sliding scale basis		

**SCHEME INTERESTS AWARDED DURING 2018 (AUDITED)**

The following table sets out details of LTIP awards to Executive Directors during the 2018 financial year.

Executive Director	Type of interest	Basis of award	Face value	Threshold vesting (% of maximum)	End of performance period
John Tutte	LTIP	150% of salary	£875k	20%	30 June 2020
Barbara Richmond	LTIP	150% of salary	£495k	20%	30 June 2020

Awards to John Tutte and Barbara Richmond are made in the form of nil-cost options.

The face value has been calculated using the average share price used to determine the number of shares awarded, being 593.5p (the average, over the three days to the date of grant).

## GOVERNANCE REPORT

Directors' Remuneration Report *continued***Shareholding guidelines and share interests**

Under our shareholding guidelines, Executive Directors are expected to build and retain a shareholding in the Group at least equivalent to 200% of base salary. Until the shareholding guideline has been met, Executives will be required to retain all deferred bonus shares and LTIP shares on a net of tax basis. As shown in the table below, all Executive Directors currently meet this guideline. Non-Executive Directors are not subject to a shareholding guideline.

**STATEMENT OF SHAREHOLDING AND SCHEME INTERESTS (AUDITED)**

The following table sets out the shareholding (including connected persons) of the Directors in the Company as at 30 June 2018 and current interests in long-term incentives.

	Number of shares beneficially held at 30 June 2018	Shareholding as % of salary	Guideline met?
<b>Executive Directors</b>			
John Tutte	704,213	713%	Yes
Barbara Richmond	510,441	915%	Yes
<b>Non-Executive Directors</b>			
Steve Morgan <sup>(i)</sup>	120,386,045		
Debbie Hewitt	30,687		
Nick Hewson	20,500		
Liz Peace <sup>(ii)</sup>	3,400		
Sir Michael Lyons	3,000		
Vanda Murray	3,500		

(i) Steve Morgan's interest includes those of his connected persons and is broken down as follows:

- 77,636,045 ordinary shares held by Steve Morgan indirectly through Bridgemere Securities Limited;
- 25,950,000 ordinary shares held by The Steve Morgan Foundation, of which Steve Morgan is a trustee, for the beneficiaries of the Foundation; and
- 4,200,000 ordinary shares each held by LKT Investments Limited, MSH Investments Limited, GEM Investments Limited and RSM Investments Limited (controlling 16,800,000 ordinary shares). Each of these entities are run for the benefit of Steve Morgan's children.

(ii) Liz Peace resigned from the Board on 31 August 2017. The shareholding shown is as at the date of her resignation.

Shareholding as a percentage of salary is calculated using the shareholding and base salary as at 1 July 2018 and the average share price for the final quarter of 2018.

The table below provides details of the interests of the Executive Directors in incentive awards during the year.

	Awards held at 30 June 2017	Grant Date	Share Price on Grant £	Award Vested	Awards granted in year	Awards Exercised in year	Awards held at 30 June 2018	Exercise Price £	From	To
<b>John Tutte</b>										
SAYE 2015	8,163	30/10/14	2.76	8,163	–	(8,163)	–	2.21	01/01/18	01/07/18
SAYE 2017	–	30/10/17	6.12	–	3,674	–	3,674	4.90	01/01/21	01/07/21
LTIP 2014	189,474	08/09/14	2.85	189,474	–	(189,474)	–		08/09/17	08/09/24
LTIP 2015	112,348	14/09/15	4.94	–	–	–	112,348		14/09/18	14/09/25
LTIP 2016	138,882	12/09/16	4.097	–	–	–	138,882		12/09/19	12/09/26
LTIP 2017	–	15/11/17	5.935	–	147,346	–	147,346		15/11/20	15/11/27
DEF BONUS 2015	27,328	14/09/15	4.94	27,328	–	(27,328)	–		14/09/16	14/09/25
DEF BONUS 2016	67,732	12/09/16	4.097	33,866	–	(33,866)	33,866		12/09/17	12/09/26
DEF BONUS 2017	–	11/09/17	6.30	–	45,159	–	45,159		11/09/18	11/09/27
	543,927			258,831	196,179	(258,831)	481,275			
<b>Barbara Richmond</b>										
SAYE 2015	4,081	11/11/13	2.76	4,081	–	(4,081)	–	2.21	01/01/18	01/07/18
SAYE 2016	2,812	28/10/16	4.00	–	–	–	2,812	3.20	01/01/20	01/07/20
SAYE 2017	–	30/10/17	6.12	–	1,836	–	1,836	4.90	01/01/21	01/07/21
LTIP 2014	107,018	08/09/14	2.85	107,018	–	(107,018)	–		08/09/17	08/09/24
LTIP 2015	63,462	14/09/15	4.94	–	–	–	63,462		14/09/18	14/09/25
LTIP 2016	78,472	12/09/16	4.097	–	–	–	78,472		12/09/19	12/09/26
LTIP 2017	–	15/11/17	5.935	–	83,404	–	83,404		15/11/20	15/11/27
DEF BONUS 2015	15,435	14/09/15	4.94	15,435	–	(15,435)	–		14/09/16	14/09/25
DEF BONUS 2016	38,260	12/09/16	4.097	19,130	–	(19,130)	19,130		12/09/17	12/09/26
DEF BONUS 2017	–	11/09/17	6.30	–	22,516	–	22,516		11/09/18	11/09/27
	309,540			145,664	107,756	(145,664)	271,632			
<b>Steve Morgan*</b>										
LTIP 2010	78,625	18/02/11	1.30	78,625	–	–	78,625		18/02/14	19/04/21
LTIP 2011	367,012	21/09/11	1.10	367,012	–	–	367,012		21/09/14	20/09/21
LTIP 2012	271,739	23/10/12	1.54	271,739	–	–	271,739		23/10/15	22/10/22
LTIP 2013	183,158	24/09/13	2.37	183,158	–	–	183,158		24/09/16	24/09/23
LTIP 2014	162,105	08/09/14	2.85	162,105	–	–	162,105		08/09/17	08/09/24
LTIP 2015	96,154	14/09/15	4.94	–	–	–	96,154		14/09/18	14/09/25
LTIP 2016	118,867	12/09/16	4.097	–	–	–	118,867		12/09/19	12/09/26
DEF BONUS 2012	137,897	23/10/12	1.54	137,897	–	–	137,897		23/10/13	22/10/22
DEF BONUS 2013	73,263	24/09/13	2.37	73,263	–	–	73,263		24/09/14	24/09/23
DEF BONUS 2014	78,246	08/09/14	2.85	78,246	–	–	78,246		08/09/15	08/09/24
DEF BONUS 2015	46,761	14/09/15	4.94	46,761	–	–	46,761		14/09/16	14/09/25
DEF BONUS 2016	57,969	12/09/16	4.097	28,985	–	–	57,969		12/09/17	12/09/26
DEF BONUS 2017	–	11/09/17	6.30	–	38,651	–	38,651		11/09/18	11/09/27
	1,671,796			1,427,791	38,651	–	1,710,447			

i. The performance conditions attached to the 2016 LTIP awards were disclosed in the 2017 Directors' Remuneration Report.

ii. The performance conditions attached to the 2017 LTIP awards are shown on page 89.

iii. There are no further performance conditions attached to the exercise of the deferred bonus awards.

iv. Between 1 July 2018 and 3 September 2018 (being the latest practicable date prior to the posting of this report), there were no further changes to the directors' interests set out in the Statement of shareholding and scheme interests above.

• All scheme interests held by Steve Morgan are receivable in cash on terms which in all other respects mirror those for other Executive Directors.

## GOVERNANCE REPORT

Directors' Remuneration Report *continued*

## STATEMENT OF SHAREHOLDING AND SCHEME INTERESTS (AUDITED) CONTINUED

Shareholding as a percentage of salary is calculated using the shareholding and base salary as at 1 July 2018 and the average share price for the final quarter of the financial year ended 30 June 2018.

## GAINS MADE BY DIRECTORS ON SHARE OPTIONS

The table below outlines the notional gains made by Directors on share options exercised during the year, calculated as at the exercise date.

Executive Director	Scheme	No. shares exercised	Date of exercise	Mid price on date of exercise (pence)	Notional gain on exercise (£'000)
John Tutte	SAYE 2015	8,163	02/01/18	652.8	35
	LTIP 2014	189,474	08/09/17	626.7	1,187
	DEF BONUS 2015	27,328	19/09/17	555.0	152
	DEF BONUS 2016	33,866	13/09/17	583.1	197
Barbara Richmond	SAYE 2015	4,081	02/01/18	652.8	18
	LTIP 2014	107,018	08/09/17	626.7	671
	DEF BONUS 2015	15,435	19/09/17	555.0	86
	DEF BONUS 2016	19,130	13/09/17	583.1	112

## Pension

John Tutte is a deferred member of the Redrow Staff Pension Scheme (now closed to future accrual) and details of entitlements under this plan are set out below. He also receives a pension allowance supplement of 20% of salary. Barbara Richmond receives a pension allowance supplement equivalent to 20% of salary. The value of these cash supplements is included in the pension column of the Single Total Figure of Remuneration Table on page 87. John Tutte and Barbara Richmond are also covered by fixed term group income protection and death in service benefit.

## TOTAL PENSION ENTITLEMENTS (AUDITED)

Details of the Executive Directors' pension entitlements under the defined benefit section of the Redrow Staff Pension Scheme are as follows:

Director	Normal retirement date	Accrued benefit at 30 June 2018 £	Benefits paid to Director during period up to 30 June 2018 £	Defined Benefit accrued during period up to 30 June 2018 £
John Tutte	24 June 2021	55,602	Nil	Nil

The normal retirement date shows the date at which the Director can retire without actuarial reduction. No additional benefit is available on early retirement.

The accrued pension shown above is the amount of pension entitlement that would be paid each year on retirement on the normal retirement date, based on service to 29 February 2012. The Scheme closed the accrual of future benefits with effect from 1 March 2012.

## SUPPORTING DISCLOSURES AND ADDITIONAL CONTEXT

## Percentage change in remuneration of Group Chief Executive

The table below shows the percentage change in the salary, benefits and annual bonus of the Group Chief Executive and of all Redrow employees who qualify for participation in the Company's bonus and benefits plans between 2017 and 2018.

	Group Chief Executive	All Redrow employees
Salary	2.5%	3.5%
Benefits	Nil%	-4.6%
Annual bonus	2.5%	-8.3%

## Relative importance of spend on pay

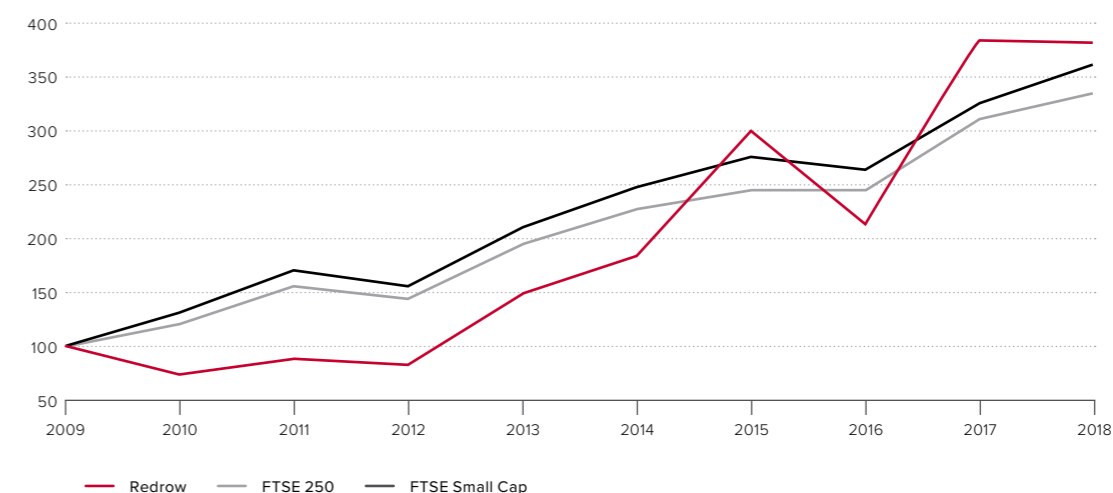
The table below shows total employee remuneration and distributions to shareholders, in respect of 2018 and 2017 (and the difference between the two).

£m	2018	2017	Change (%)
Total employee remuneration	139	120	+16%
Distributions to shareholders	103	63	+63%

Total employee remuneration represents amounts included in note 7a to the accounts in respect of wages, social security, pension and incentive costs for all Group employees. Distributions to shareholders include the total dividend in respect of each financial year (see note 5 to the financial statements). This represents 28 pence per share in respect of 2018 compared to 17 pence per share in respect of 2017.

## Performance graph and table

The chart below shows the TSR of Redrow in the nine year period to 30 June 2018 against the TSR of the FTSE 250 and FTSE Small Cap. TSR refers to share price growth with re-invested dividends. The Committee believes the FTSE 250 and FTSE Small Cap indices are the most appropriate indices against which the TSR of Redrow should be measured.





## GOVERNANCE REPORT

Directors' Remuneration Report *continued*

## SUPPORTING DISCLOSURES AND ADDITIONAL CONTEXT CONTINUED

The table below provides remuneration data for the Chairman/Group Chief Executive (as applicable) for each of the nine financial years over the equivalent period.

	2010	2011	2012	2013	2014	2015	2016	2017	2018
Name	Steve Morgan	Steve Morgan	Steve Morgan	Steve Morgan	Steve Morgan	John Tutte	John Tutte	John Tutte	<b>John Tutte</b>
Remuneration/donations*	£592k	£582k	£855k	£1,050k	£1,922k	£2,355k	£1,916k	£2,463k	<b>£1,961k</b>
Bonus (% of Maximum)	52%	50%	50%	80%	100%	100%	100%	100%	<b>96.7%</b>
LTIP vesting (% of Maximum)	0%	0%	0%	19%	100%	100%	100%	100%	<b>100%</b>

\* For Steve Morgan, this value includes the nominal salary and benefits disclosed in the Single Total Figure of Remuneration Table as well as Company donations to The Steve Morgan Foundation, a UK registered charity of which Steve Morgan is a trustee, reflecting notional salary and waived annual cash bonus in respect of the relevant year, as disclosed in the footnotes to the Single Total Figure of Remuneration Table and in the Directors' Report on page 99 and in note 22 to the financial statements. It also includes the value of deferred bonus and vested LTIP cash awards in respect of each relevant year (calculated in accordance with the methodology applicable to the Single Total Figure of Remuneration Table).

## External non-executive directorships held by Executive Directors

It is the Committee's policy that, with the approval of the Board, Executive Directors may hold one non-executive directorship at another company in order to broaden their knowledge and experience to the benefit of the Company. The Executive Director may retain any fee received for these duties. Barbara Richmond is a non-executive director of Lonza Group Ltd and in line with the committee's policy, she is entitled to retain the fees from this appointment. She received fees of £169k during 2018 (£170k during 2017). This represented 220,000 Euros in both years.

## Consideration of directors' remuneration – Remuneration Committee and advisors

The Remuneration Committee is comprised solely of Non-Executive Directors and comprises Debbie Hewitt as Chairman, Nick Hewson, Vanda Murray and Sir Michael Lyons. Liz Peace stepped down from the Committee on 31 August 2017 and Vanda Murray joined the Committee on 1 August 2017.

The Committee has agreed Terms of Reference detailing its authority and responsibilities. The Terms of Reference of the Committee are kept under regular review and are published on the Group's website and include:

- determining the Remuneration Policy in respect of the Executive Directors and the Company Secretary (together 'the Senior Executives'), taking into account the context of the Company's overall approach to remuneration for all employees and within this Policy determining the total individual package of each Senior Executive;
- determining performance targets and the extent of their achievement for both annual and long-term incentive awards operated by the Company affecting Senior Executives; and
- monitoring and approving the level and structure of remuneration of the Managing Directors immediately below the Senior Executives.

The Committee meets as often as is required but at least twice per year. The Committee met three times during the course of the financial year ended 30 June 2018 and details of Committee attendance are set out in the following table.

## TABLE OF ATTENDANCE

Name	Role	Attendance at Meetings
Debbie Hewitt	Chairman	3/3
Nick Hewson	Member	3/3
Liz Peace*	Member	1/1
Sir Michael Lyons	Member	3/3
Vanda Murray**	Member	2/2

\* Liz Peace retired from the Board on 31 August 2017.

\*\* Vanda Murray joined the Board on 1 August 2017.

As announced on 15 June 2018, Debbie Hewitt will retire from the Board following the close of the AGM on 7 November 2018 at which point, assuming election by shareholders, Vanda Murray will become Chair of the Remuneration Committee.

The Committee retained Deloitte LLP as independent advisor to the Committee during the year. Deloitte LLP was originally appointed by the Committee in 2010 following a selection process undertaken by the Committee. Deloitte LLP is a member of the Remuneration Consultants Group and as such voluntarily operates under the Code of Conduct in relation to executive remuneration consulting in the UK. The Committee is comfortable that the Deloitte LLP engagement partner and team that provide remuneration advice to the Committee do not have connections with Redrow plc that may impair their objectivity and independence. The fees charged by Deloitte LLP for the provision of independent advice to the Committee during 2018 were £13,900. Deloitte LLP also provides the Company with tax advisory services but does not have any other connection with the Company.

## Statement of voting at Annual General Meeting

At the Annual General Meeting held on 9 November 2017, votes cast by proxy and at the meeting in respect of directors' remuneration report are shown in the table.

Resolution	Votes For		Votes Against		Total votes cast exc withheld	Votes withheld
	No.	%	No.	%		
Approval of Remuneration Report for year ended 30 June 2017	294,952,301	99.96	115,267	0.04	295,067,568	2,174,169
Approval of Remuneration Policy	295,928,671	99.97	88,112	0.03	296,016,783	1,224,954

By order of the Board

## DEBBIE HEWITT

Chairman of the Remuneration Committee

3 September 2018

## GOVERNANCE REPORT

## Directors' Report

## OTHER STATUTORY DISCLOSURES

The Companies Act 2006 ("the Act") requires the Directors to present a fair review of the business during the year to 30 June 2018 and of the position of the Company at the end of the financial year together with the financial statements, Auditor's Report and a description of the principal risks and uncertainties which the Company faces. The Strategic Report can be found on pages 1 to 59 of the Annual Report. The FCA's Disclosure Guidance and Transparency Rules require certain information to be included which can be found in the Corporate Governance Report on pages 60 to 103.

There were no significant events since the balance sheet date. An indication of likely future developments in the business of the Company and details of the Company's use of financial instruments for risk management purposes are included in the Strategic Report.

The Corporate Governance Report and the Strategic Report, together with the Notice of Annual General Meeting including the explanatory notes and sections of the Annual Report incorporated by reference, form part of the Directors' Report which is presented in accordance with, and with reliance upon, applicable English company law. The liabilities of the Directors in connection with this report shall be limited as provided by English Law.

The table opposite sets out where key information can be found in the Annual Report.

Subject	Page Reference
<b>Dividends</b>	See note 5 of the financial statements on page 120.
<b>Capital Structure (details of the issued share capital)</b>	See note 17 of the financial statements on page 139.
<b>Directors</b>	<ul style="list-style-type: none"> <li>• See page 62 to 63 detailing the Directors who served during the year.</li> <li>• Biographical details of the Directors of the Company who are seeking election and re-election at the 2018 AGM are set out on pages 62 to 63.</li> <li>• Details of Director' interests, including interests in the Company's shares, are disclosed in the Directors' Remuneration Report on page 90.</li> </ul>
<b>Employment Policies</b>	Details of the Company's employment policies may be found in the Directors' Report on page 99.
<b>The Redrow Employee Benefit Trust ("the Employee Benefit Trust")</b>	Details of the shares held by the Employee Benefit Trust may be found in the Directors' Report on page 98.
<b>Environmental, social and governance (ESG) disclosures</b>	Details of the Company's approach to diversity and ESG disclosures governance can be found in the Directors' Report on pages 96 to 101.
<b>Redrow plc Long Term Incentive Plan (LTIP)</b>	Details of the Company's LTIP are set out in note 7d of the consolidated financial statements on pages 122 to 125 and the Directors' Remuneration Report on pages 80 to 95.
<b>Greenhouse gas emissions</b>	All disclosures on the Company's greenhouse gas emissions, as required to be disclosed under Schedule 7 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 are contained in the Directors' Report on page 100.

The Directors have pleasure in presenting to the shareholders their report and audited consolidated financial statements for the 12 months ended 30 June 2018.

## RESULTS AND DIVIDENDS

The Group made a profit after tax of £308m (2017: £253m). An interim dividend of 9.0p (2017: 6.0p) net per share was paid on 4 May 2017. The Board proposes to pay on 13 November 2018, subject to shareholder approval at the 2018 Annual General Meeting, a final dividend of 19.0p (2017: Final Dividend: 11.0p) net per share in respect of the year ended 30 June 2018 to shareholders on the Register as at the close of business on 21 September 2018. The Company's dividend re-investment plan gives shareholders the opportunity to re-invest their dividends.

## ANNUAL GENERAL MEETING

Notice of the 2018 Annual General Meeting to be held on Wednesday, 7 November 2018 will be sent to shareholders separately. Members wishing to vote should return forms of proxy to the Company's Registrar not less than 48 hours before the time for holding the meeting. The formal notice convening the Annual General Meeting, together with explanatory notes, will be found in a separate circular which will be sent to shareholders separately and will be available on the Company's website. Shareholders will also find with the Notice of Annual General Meeting a form of proxy for use in connection with the meeting.

The Board noted that Resolution 16 relating to the approval of the terms of the waiver received a vote of 58.68% against at the 2017 Annual General Meeting. The waiver would have permitted the Concert Party's percentage interest in the Company's shares to increase from 32.70% to a maximum of 36.34% (in each case representing 120,942,378 ordinary shares) as a result of share buy backs authorised by Resolution 19 without requiring the Concert Party to make a mandatory offer for other shareholders' shares.

The Board consulted with a number of shareholders and proxy advisor bodies prior to the 2017 Annual General Meeting to discuss their concerns relating to the waiver and has assessed the feedback received after the Annual General Meeting. The Board continues to take its responsibility to engage with shareholders seriously. Since the 2018 Annual General Meeting, Steve Morgan has diluted his shareholding further by transferring 16,800,000 shares for the benefit of his children as part of long-term inheritance planning. As a result of the transfer, Steve Morgan's shareholding reduced to

77,636,045 shares, representing 20.99% of the issued share capital of Redrow.

## CORPORATE GOVERNANCE

The Board remains committed to high standards of corporate governance; details relating to the Company's compliance with the UK Corporate Governance Code are given in the Corporate Governance Report on pages 60 to 103.

## DIRECTORS

The Directors of the Company during the year to the date of this report and the current Directors are listed on pages 62 to 63 together with their biographical details.

Details of Directors' pay, service contracts, and Directors' interests in the ordinary shares of the Company, are included in the Directors' Remuneration Report on pages 80 to 95.

Formal appraisals of the Executive Directors were undertaken during the financial year. All the Non-Executive Directors underwent an annual appraisal conducted by the Senior Independent Non-Executive Director. The Board confirms that John Tutte and Barbara Richmond, who stand for re-appointment as Executive Directors and Steve Morgan, Nick Hewson, Sir Michael Lyons and Vanda Murray who stand for re-appointment as Non-Executive Directors, continue to be effective and demonstrate the appropriate commitment to their roles.

The Executive Directors have formal service agreements and termination of their employment may be effective by 12 months' notice given by the Company.

In accordance with the UK Corporate Governance Code, all the Directors, will retire at the Annual General Meeting to be held on Wednesday, 7 November 2018, and, being eligible, offer themselves for re-appointment, with the exception of Debbie Hewitt. Debbie Hewitt will retire from the Board at the close of the 2018 Annual General Meeting.

## GOVERNANCE REPORT

Directors' Report *continued***DIRECTORS INTERESTS**

Related party transactions are disclosed in note 22 to the Financial Statements. A summary of remuneration provided to key management personnel is provided in note 7c.

**POWERS OF THE DIRECTORS**

Subject to the Company's Articles of Association, UK legislation and any of the directions given by Special Resolution, the business of the Company is managed by the Board, which may exercise all the powers of the Company. Directors have been authorised to allot and issue shares by way of Resolutions of the Company passed at its Annual General Meeting.

The rules in relation to the appointment and replacement of Directors are as set out in the Company's Articles of Association and applicable English company law. The Articles of Association can only be amended, or new Articles adopted, by a resolution passed by shareholders in general meeting by at least three quarters of the votes cast.

**CAPITAL STRUCTURE**

The Company has an authorised share capital of 480,000,000 ordinary shares of 10p each of which 369,799,938 have been issued. The Company has one class of ordinary shares which carry ordinary rights to dividends (subject to the Company's Articles of Association). Each share carries the right to one vote at general meetings of the Company in respect of resolutions which are taken on a poll.

No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

Authority was given to the Directors at last year's Annual General Meeting to allot unissued shares up to an aggregate nominal amount of £12,326,665 equivalent to approximately 33% of the Company's issued share capital and up to a further aggregate nominal amount of £12,326,665 in connection with an offer by way of a rights issue. The authority was not exercised during the period ended 30 June 2018 or prior to the date of this Report. The Company has no current intention of exercising the authority but nevertheless as this authority expires at the forthcoming Annual General Meeting the Directors will be seeking new authorities as set out in the Notice of Annual General Meeting.

Authority was given to the Directors at last year's Annual General Meeting to make market purchases of the Company's ordinary shares up to an

aggregate nominal value of £3,697,999.30. This authority will expire at the Annual General Meeting, and no such purchases were made during the financial year ended 30 June 2018.

**VOTING AND TRANSFER OF SHARES**

The Company's Articles of Association do not contain any specific restrictions on the size of a shareholder's holding or on the transfer of shares.

The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities and/or voting rights.

The Company's Articles of Association do not contain, and the Company is not aware of, any restrictions on voting rights, including any limitations on voting rights of holders of a given percentage or number of votes, deadlines for exercising voting rights and arrangements by which the Company's co-operation, financial rights carried by securities are held by a person other than the holder of the securities.

Zedra Trust Company (Guernsey) Limited, as trustee of the Employee Benefit Trust, held 8,776,804 shares (2.37%) in the Company as at 30 June 2018 on trust for the benefit of employees of the Company. The voting rights attaching to the shares held by the Employee Benefit Trust are exercisable by the Trustee and there are no restrictions on the exercise of the voting of, or acceptance of any offer relating to those shares. The Employee Benefit Trust agreed to waive its right to the final dividend over 1.3m shares being part of its total shareholding.

**SUBSTANTIAL HOLDINGS IN THE COMPANY**

As at 30 June 2018, the Company has been advised of the following notifiable interests of 3% or more in its ordinary shares:

Bridgemere Securities Limited	77,636,045	20.99%
The Steve Morgan Foundation	25,950,000	7.02%
Vidacos Nominees/HSBC	18,770,138	5.08%
Schroders plc	18,359,023	4.97%
Standard Life Aberdeen plc	18,328,079	4.95%
FIL Limited	17,343,977	4.69%
BlackRock Inc	15,277,577	4.13%

On 25 July 2018, the following notification was received:

Woodford Investment Management Ltd	18,774,573	5.07%
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The persons set out in the table above have notified the Company pursuant to Rule 5 of the Disclosure Guidance and Transparency Rules of their interests in the ordinary share capital of the Company.

Otherwise, no changes in the above holdings had been notified.

**CHANGE OF CONTROL**

The Company's banking facilities require repayment in the event of a change of control. In addition the Company's employee share incentive schemes contain provisions, whereby, upon a change of control, outstanding options and awards would vest and become exercisable by the relevant employees, subject to the rules of the schemes.

There are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment in event of a takeover bid.

**EMPLOYEES**

The Company's employment policies do not discriminate between employees or potential employees on the grounds of gender, sexual orientation, age, colour, creed, ethnic origin, religious beliefs, pregnancy or maternity or trade union membership. It is Company policy to give full and fair consideration to applications for employment by, and the employment and training needs of, disabled persons (and in the case of employment needs, persons who become disabled whilst employed by the Company) where requirements may be adequately covered by these persons and to comply with any current legislation with regard to disabled persons.

The Company places considerable importance on the provision of training and development of its employees through training@redrow. Training is administered at a purpose built in-house training facility at Tamworth. Training@redrow completed 6,541 training days during the year ended 30 June 2018, including those which support the Company's induction process.

The Directors recognise the importance of good communications with employees. The Divisions are encouraged to make their employees aware of the financial and economic factors affecting their respective Divisions and the Company as a whole.

This is assisted through the medium of regular management meetings, staff publications, its internal staff 'Insight Magazine' and 'Engage', the Redrow intranet. Employees are consulted on a regular basis so that employee views may be taken into account when decisions are made that may affect their interests.

Employee share ownership is encouraged through savings related schemes.

**DIVERSITY AND INCLUSION POLICY**

The Company recognises that our continued success depends upon our ability to recruit the right people, retain them and help them to reach their full potential.

The Company believes that attracting a diverse range of skills and abilities will enable us to meet the challenge of the growing skills gap in the sector.

The Company is firmly committed to giving every potential recruit and employee the same opportunities irrespective of their gender, race, ethnic or national origin, disability, age, sexuality, religious belief, marital status or social class.

As such the Company opposes all forms of unlawful or unjust discrimination and requires all colleagues to comply with legislation in this area and strive for best practice.

The Company embeds this through awareness and training in the following policies:

- Diversity and Inclusion Policy
- Employee Policy
- Recruitment and Selection Policy
- Disciplinary and Grievance Policy and Procedures

**CHARITABLE AND POLITICAL DONATIONS**

The Group made no political donations but paid £0.5m in charitable donations during the year, being £0.4m in respect of national charities and £0.1m in support of local charities. The Company and its employees are actively involved in fundraising activities for specific charities. The Company made a £0.3m donation during the year to The Steve Morgan Foundation, a UK registered charity of which Steve Morgan is a Trustee. This is included within the charitable donations in respect of national charities noted above.

## GOVERNANCE REPORT

Directors' Report continued

## GREENHOUSE GAS EMISSIONS

Greenhouse gas ("GHG") emissions data for the period 1 July 2017 to 30 June 2018 are set out in the table below.

Emissions from:	Current Reporting Year (1 July 17 to 30 June 18)	Comparison Year (1 July 16 to 30 June 17)	Units
<b>Scope 1 activities:</b>			
• Direct emissions from combustion of fuels and business travel	12,006	11,128	tonnes of CO <sub>2</sub> e
<b>Scope 2 activities:</b>			
• Indirect emissions from purchased electricity	2,275	2,956	tonnes of CO <sub>2</sub> e
<b>Total emissions:</b>			
• (Scope 1 + Scope 2)	14,281	14,084	tonnes of CO <sub>2</sub> e
<b>Intensity ratio:</b>			
Total emissions per 100m <sup>2</sup> of build	2.48	2.50	tonnes of CO <sub>2</sub> e per 100m <sup>2</sup> of build

## RESEARCH AND DEVELOPMENT

The Company has a centralised Product Development Team charged with identifying and evaluating new construction techniques and products. In addition, the Company has a centralised Sustainability Team, as these issues play a prominent role in the Company's activities. The Company recognises its responsibilities to the community as a whole and has adopted an environment strategy which is a core part of the Company's objectives.

The charge to the income statement in respect of research and development in the year ended 30 June 2018 was £0.6m (2017: £0.6m).

## METHODOLOGY

This disclosure includes all of the emission sources required under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013. These sources fall within our consolidated financial statement and we do not have responsibility for any emission sources that are not included in our consolidated statement.

Emissions have been calculated using the UK Government's Greenhouse Gas Conversion Factors for Company Reporting. Reported Scope 2 emissions are calculated using location-based method.

This inventory of greenhouse gas emissions has been verified by SGS to a limited level of assurance, in accordance with ISO 14064-3:2006, as meeting the requirements of the Greenhouse Gas Protocol –

A Corporate Accounting and Reporting Standard. Further details and the independent assurance report can be found at [www.redrowplc.co.uk/building-responsibly/managing-our-resources-efficiently](http://www.redrowplc.co.uk/building-responsibly/managing-our-resources-efficiently).

## INDEPENDENT AUDITORS

The Company has commenced a tender process for the appointment of new Auditors. The tender process will be supervised by the Audit Committee, who will then make a recommendation to the Board on the appointment of the replacement Auditor. Following the appointment, an announcement will be made.

In the meantime, a resolution to re-appoint PricewaterhouseCoopers LLP as external Auditors will be proposed at the Annual General Meeting on Wednesday, 7 November 2018.

## PROVISION OF INFORMATION TO AUDITORS:

In the case of each Director in office at the date the Directors' report is approved, confirm that:

- so far as the Director is aware, there is no relevant audit information (as defined in section 418(3) of the Companies Act 2006) of which the Company's Auditors are unaware; and
- they have taken all of the steps that they ought to have taken as a Director in order to make themselves aware of any such relevant audit information and to establish that the Company's Auditors are aware of that information.

## GOING CONCERN

The Directors have acknowledged the guidance on going concern and financial reporting published by the Financial Reporting Council in October 2009.

As explained in the Financial Review on pages 48 to 51, the Group maintains adequate committed banking facilities. As stated in note 14 to the financial statements, at 30 June 2018, the Group had £245m of undrawn committed borrowing facilities available.

After making appropriate enquiries, the Directors consider they have a reasonable expectation for stating that the Group and the Company have adequate resources to continue trading for the foreseeable future. These enquiries consisted of a detailed review of the Group's financial forecast for the period to 31 December 2019. The forecasts take into account current market trends with reasonable judgements and estimates applied to arrive at future cash flow estimates. As part of the review, the Group analysed its forecast covenant compliance over this period linked to its banking facility, arriving at an assessment of the headroom evident between the forecast covenant test outturn and the outturn necessary to achieve covenant compliance. The review confirmed headroom within both financial covenants and facilities.

Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

By order of the Board

**GRAHAM COPE**  
Company Secretary  
Redrow plc

Registered no: 2877315

3 September 2018

## GOVERNANCE REPORT

## Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial 12 month period. Under that law, the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the Group financial statements and IFRSs as adopted by the European Union have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006, and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**RESPONSIBILITY STATEMENT**

Each of the Directors, whose names and functions are listed below confirms that, to the best of their knowledge:

- that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and the Company's position and performance, business model and strategy.

The Directors of Redrow plc as at the date of this statement are:

Steve Morgan	Chairman
John Tutte	Group Chief Executive
Barbara Richmond	Group Finance Director
Debbie Hewitt	Senior Independent Non-Executive Director
Nick Hewson	Non-Executive Director
Sir Michael Lyons	Non-Executive Director
Vanda Murray	Non-Executive Director

By order of the Board

**GRAHAM COPE**  
Company Secretary

3 September 2018

Redrow plc  
Redrow House  
St. David's Park  
Flintshire  
CH5 3RX



LYON SQUARE, HARROW, LONDON

## FINANCIAL STATEMENTS

## Independent Auditors' Report

To the Members of Redrow plc

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

## Opinion

In our opinion, Redrow plc's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 30 June 2018 and of the group's profit and the group's and the company's cash flows for the 12 month period (the "period") then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.
- We have audited the financial statements, included within the Annual Report 2018 (the "Annual Report"), which comprise: the Group and Company balance sheets as at 30 June 2018; the consolidated income statement and statement of comprehensive income, the Group and Company statement of cash flows, and the Group and Company statement of changes in equity for the 12 month period then ended; the accounting policies; and the notes to the financial statements.

Our opinion is consistent with our reporting to the Audit Committee.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the company.

Other than those disclosed in note 2 to the financial statements, we have provided no non-audit services to the group or the company in the period from 1 July 2017 to 30 June 2018.

detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. We focused on laws and regulations that could give rise to a material misstatement in the group and company financial statements, including, but not limited to, the listing rules, pensions legislation and UK tax legislation. Our tests included, but were not limited to, reviewing the financial statements disclosures and agreeing to underlying supporting documentation where necessary. We made enquiries with management to obtain further understanding of current and potential risks of non-compliance. There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

We did not identify any key audit matters relating to irregularities, including fraud. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

## Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

## Our audit approach

## Overview



- Overall group materiality: £19.00 million (2017: £15.75 million), based on 5% of profit before tax.
- Overall company materiality: £7.79 million (2017: £4.90 million), based on 1% of total assets.
- Two financially significant companies in the Group, being Redrow Homes Limited, and Redrow plc.
- The components where we performed our audit work, accounted for 98.4% of revenue and 94.4% of profit before tax.
- Valuation of inventory (Group).
- Valuation of pension scheme surplus (Group and Company).

## The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

We gained an understanding of the legal and regulatory framework applicable to the group and the industry in which it operates, and considered the risk of acts by the group which were contrary to applicable laws and regulations, including fraud. We designed audit procedures at group and significant component level to respond to the risk, recognising that the risk of not

Key audit matter	How our audit addressed the key audit matter
<p><b>Valuation of inventory (Group)</b></p> <p>See the Accounting Policies for the directors' disclosures of related accounting policies and key accounting estimates. See note 13 for the detailed disclosures on the inventory balance at year end.</p> <p>The Group holds inventory in the form of land for development, work in progress and showhomes with a carrying value of £2,291m, net of provisions.</p> <p>The carrying value of inventory is determined by reference to a number of assumptions and judgements, which are subject to levels of estimation. These include regular updates to site appraisals for latest sales prices and costs to complete, the availability of mortgage financing for customers, the availability of Government schemes aiding first-time buyers, and assessments of the likelihood of obtaining planning permission on land held for development.</p> <p>Changes in any of these key judgements could lead to a material change in the carrying value of inventory.</p>	<p>We tested management's controls over the process for estimating the expected remaining build costs, including the budgeting and review processes.</p> <p>We have also attended a divisional commercial meeting to understand and observe the process for discussing build progress at individual sites, updating cost to complete accruals, investigating build variances, and any potential issues with planning permission on sites held.</p> <p>We inspected evidence of the Board's review of divisional management's forecast sales prices.</p> <p>We have observed a sample of site assessments performed at month ends to determine the progress of the site build.</p> <p>We did not identify any significant deficiencies of control during these procedures.</p> <p>We reviewed management's forecasts to identify any non-profitable sites, assessing management's assumptions relating to these sites and ensuring adequate provisions were included for them. We compared forecast sales prices to actual prices achieved post year-end and assessed the accuracy of management's historical forecasts by comparing net realisable values recognised in the prior year with actual sales prices achieved in the current year. All sites identified through this procedure were either already included in management's provision, or related to build variances which form part of a separate provision.</p> <p>For significant sites that have not yet been developed, we considered the latest stage of planning applications and assessed the accuracy of management's historical estimates by comparing previous estimated impairments to actual outturns achieved. We did not identify any material differences between management's estimations and actual results achieved.</p> <p>No material differences were identified from our testing performed.</p>

## FINANCIAL STATEMENTS

Independent Auditors' Report *continued*

To the Members of Redrow plc

Key audit matter	How our audit addressed the key audit matter
<p><b>Valuation of pension scheme surplus (Group and Company)</b></p> <p>See the Accounting Policies for the directors' disclosures of related accounting policies and key accounting estimates. See note 7e for the detailed disclosures on the pension scheme surplus.</p> <p>The Group operates a defined benefit pension scheme with a net surplus of £22 million at the year end. This surplus is derived from assets with a gross value of £133 million less the present value of obligations of £111 million, both of which are significant in the context of the overall balance sheet and the results of the Group.</p> <p>The valuation of this net surplus is dependent on the application of significant judgements in the actuarial assumptions, in particular discount rates, future Retail Price Index ('RPI') inflation and mortality rates, and the expected returns on investments.</p> <p>Changes in any of the key actuarial assumptions could lead to a material movement in the calculated net surplus.</p>	<p>We obtained and read the IAS19 valuation report that was prepared by the Group's independent firm of actuaries and used by the directors in calculating the value of the Group's surplus in respect of the defined benefit pension scheme.</p> <p>We have reviewed the pension scheme membership data provided to management's actuary in relation to deferred members on which the pension surplus is calculated.</p> <p>We used our own actuarial experts to assess the judgemental assumptions within the valuation report, specifically the discount rate, future RPI inflation, mortality rates and expected returns on investments. The results of our audit work indicated that the financial and demographic assumptions were within a reasonable range.</p> <p>We reviewed management's assessment of the right to recognise the net pension surplus under the requirements of IFRIC 14 and in light of the Scheme Rules are satisfied that it is appropriate to recognise the surplus.</p> <p>No material differences were identified from our testing performed.</p>

**How we tailored the audit scope**

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

The Group comprises one principal trading company and a number of smaller subsidiaries and joint ventures, all of which are based in the UK. We performed audits of the two financially significant companies in the Group, being Redrow plc and Redrow Homes Limited. This gave us the evidence we needed for our opinion on the Group financial statements. All work was performed by the Group engagement team.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

**Materiality**

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Company financial statements
<b>Overall materiality</b>	£19.0 million (2017: £15.75 million).	£7.79 million (2017: £4.9 million).
<b>How we determined it</b>	5% of profit before tax.	1% of total assets.
<b>Rationale for benchmark applied</b>	We believe that profit before tax is the primary measure used by the shareholders in assessing the performance of the Group, and is a generally accepted auditing benchmark.	We believe that total assets is the primary measure used by the shareholders in assessing the position of the Holding Company, and is a generally accepted auditing benchmark.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £7.79 million and £18.80 million. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.9 million (Group audit) (2017: £0.8 million) and £0.4 million (Company audit) (2017: £0.2 million) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

**Going concern**

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the group's and the company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern.
We are required to report if the directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

**Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

**Strategic Report and Directors' Report**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the period ended 30 June 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. (CA06)

## FINANCIAL STATEMENTS

Independent Auditors' Report *continued*

To the Members of Redrow plc

**The directors' assessment of the prospects of the group and of the principal risks that would threaten the solvency or liquidity of the group**

We have nothing material to add or draw attention to regarding:

- The directors' confirmation on page 102 of the Annual Report that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The directors' explanation on page 102 of the Annual Report as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the directors' statement that they have carried out a robust assessment of the principal risks facing the group and statement in relation to the longer-term viability of the group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the "Code"); and considering whether the statements are consistent with the knowledge and understanding of the group and company and their environment obtained in the course of the audit. (Listing Rules)

**Other Code Provisions**

We have nothing to report in respect of our responsibility to report when:

- The statement given by the directors, on page 102, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the group's and company's position and performance, business model and strategy is materially inconsistent with our knowledge of the group and company obtained in the course of performing our audit.
- The section of the Annual Report on page 70 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

**Directors' Remuneration**

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. (CA06)

**Responsibilities for the financial statements and the audit****Responsibilities of the directors for the financial statements**

As explained more fully in the Statement of Directors' Responsibilities set out on page 102, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

**Auditors' responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance

is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

**Use of this report**

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

**OTHER REQUIRED REPORTING****Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

**Appointment**

Following the recommendation of the audit committee, we were appointed by the members on 5 January 1987 to audit the financial statements for the year ended 30 June 1987 and subsequent financial periods. The period of total uninterrupted engagement is 32 years, covering the years ended 30 June 1987 to 30 June 2018.

**ARIF AHMAD  
(Senior Statutory Auditor)**

for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Manchester

3 September 2018



## FINANCIAL STATEMENTS

## Consolidated Income Statement

For the 12 months ended 30 June

	Note	2018 £m	2017 £m
Revenue		1,920	1,660
Cost of sales		(1,451)	(1,255)
<b>Gross profit</b>		<b>469</b>	405
Administrative expenses		(87)	(83)
<b>Operating profit</b>	2	<b>382</b>	322
Financial income	3	3	4
Financial costs	3	(10)	(12)
Net financing costs		(7)	(8)
Share of profit of joint ventures after interest and taxation	10	5	1
<b>Profit before tax</b>		<b>380</b>	315
Income tax expense	4	(72)	(62)
<b>Profit for the year</b>		<b>308</b>	253
<b>Earnings per share – basic</b>	6	<b>85.3p</b>	70.2p
<b>– diluted</b>	6	<b>85.2p</b>	70.0p

## FINANCIAL STATEMENTS

## Statement of Comprehensive Income

For the 12 months ended 30 June

	Note	Group		Company	
		2018 £m	2017 £m	2018 £m	2017 £m
Profit for the year		308	253	1	51
<b>Other comprehensive income/(expense)</b>					
<b>Items that will not be reclassified to profit or loss</b>					
Remeasurements of post employment benefit obligations	7e	22	(8)	22	(8)
Deferred tax on actuarial (gains)/losses taken directly to equity		(4)	1	(4)	1
<b>Other comprehensive (expense)/income for the year net of tax</b>		<b>18</b>	(7)	<b>18</b>	(7)
<b>Total comprehensive income for the year</b>	18	<b>326</b>	246	<b>19</b>	44

## FINANCIAL STATEMENTS

## Balance Sheets

As at 30 June

	Note	Group		Company	
		2018 £m	2017 £m	2018 £m	2017 £m
<b>Assets</b>					
Intangible assets	8	2	2	–	–
Property, plant and equipment	9	15	16	–	–
Investments	10	6	27	–	–
Deferred tax assets	11	4	5	–	3
Retirement benefit surplus	7e	22	–	22	–
Trade and other receivables	12	8	11	–	–
<b>Total non-current assets</b>		<b>57</b>	61	<b>22</b>	3
Inventories	13	2,218	2,043	–	–
Trade and other receivables	12	42	35	675	945
Cash and cash equivalents	14f	90	62	89	61
<b>Total current assets</b>		<b>2,350</b>	2,140	<b>764</b>	1,006
<b>Total assets</b>		<b>2,407</b>	2,201	<b>786</b>	1,009
<b>Equity</b>					
Retained earnings at 1 July 2017		1,131	937	701	701
Profit for the year		308	253	1	51
Other comprehensive income/(expense) for the year		18	(7)	18	(7)
Dividend Paid		(74)	(44)	(74)	(44)
Movement in LTIP/SAYE		(4)	(8)	–	–
Retained earnings	18	1,379	1,131	646	701
Share capital	17	37	37	37	37
Share premium account	18	59	59	59	59
Other reserves	18	8	8	7	7
<b>Total equity</b>		<b>1,483</b>	1,235	<b>749</b>	804
<b>Liabilities</b>					
Bank loans	14	5	90	5	90
Trade and other payables	15	178	197	–	–
Deferred tax liabilities	11	5	3	–	–
Retirement benefit obligations	7e	–	2	–	2
Long-term provisions	16	9	8	–	–
<b>Total non-current liabilities</b>		<b>197</b>	300	<b>5</b>	92
Bank overdrafts and loans	14b	22	45	–	83
Trade and other payables	15	671	585	30	27
Current income tax liabilities		34	36	2	3
<b>Total current liabilities</b>		<b>727</b>	666	<b>32</b>	113
<b>Total liabilities</b>		<b>924</b>	966	<b>37</b>	205
<b>Total equity and liabilities</b>		<b>2,407</b>	2,201	<b>786</b>	1,009

The financial statements on pages 110 to 142 were approved by the Board of Directors on 3 September 2018 and were signed on its behalf by:

**JOHN TUTTE**  
Director

**BARBARA RICHMOND**  
Director

Redrow plc Registered Number 2877315

## FINANCIAL STATEMENTS

## Statement of Changes in Equity

For the 12 months ended 30 June

	Note	Group		Company	
		2018 £m	2017 £m	2018 £m	2017 £m
Profit for the year		<b>308</b>	253	<b>1</b>	51
Other comprehensive income/(expense) for the year		<b>18</b>	(7)	<b>18</b>	(7)
Total comprehensive income relating to the year (net)		<b>326</b>	246	<b>19</b>	44
Dividend paid	18	<b>(74)</b>	(44)	<b>(74)</b>	(44)
Movement in LTIP/SAYE	18	<b>(4)</b>	(8)	–	–
Net increase/(decrease) in equity		<b>248</b>	194	<b>(55)</b>	–
Opening equity		<b>1,235</b>	1,041	<b>804</b>	804
Closing equity		<b>1,483</b>	1,235	<b>749</b>	804

The above items are presented net of tax where appropriate. See note 4 and note 11 for information on income tax and deferred tax expense.

As permitted by Section 408 of the Companies Act 2006, the Income Statement of Redrow plc is not presented as a part of these financial statements.

The consolidated profit on ordinary activities after taxation for the financial year, excluding intra-Group dividends, is made up as follows:

	2018 £m	2017 £m
Holding company	<b>1</b>	5
Subsidiary companies	<b>307</b>	248
	<b>308</b>	253

## FINANCIAL STATEMENTS

## Statement of Cash Flows

For the 12 months ended 30 June

	Note	Group		Company	
		2018 £m	2017 £m	2018 £m	2017 £m
<b>Cash flows from operating activities</b>					
Operating profit/(loss)		<b>382</b>	322	<b>(2)</b>	(3)
Depreciation and amortisation		<b>3</b>	2	–	–
Adjustment for non-cash items		<b>(6)</b>	(5)	<b>(2)</b>	–
<b>Operating profit/(loss) before changes in working capital and provisions</b>		<b>379</b>	319	<b>(4)</b>	(3)
(Increase)/decrease in trade and other receivables		<b>(5)</b>	6	<b>270</b>	19
Increase in inventories		<b>(175)</b>	(140)	–	–
Increase in trade and other payables		<b>76</b>	3	<b>3</b>	2
Increase in provisions		<b>1</b>	1	–	–
<b>Cash inflow generated from operations</b>		<b>276</b>	189	<b>269</b>	18
Interest paid		<b>(4)</b>	(5)	<b>(3)</b>	(3)
Tax paid		<b>(74)</b>	(56)	–	–
<b>Net cash inflow from operating activities</b>		<b>198</b>	128	<b>266</b>	15
<b>Cash flows from investing activities</b>					
Acquisition of software, property, plant and equipment		<b>(2)</b>	(1)	–	–
Interest received		–	–	<b>4</b>	13
Net receipts from/(net payments) to joint ventures – continuing operations		<b>26</b>	(1)	–	–
<b>Net cash inflow/(outflow) from investing activities</b>		<b>24</b>	(2)	<b>4</b>	13
<b>Cash flows from financing activities</b>					
Issue of bank borrowings		<b>5</b>	90	<b>5</b>	90
Repayment of bank borrowings		<b>(90)</b>	(230)	<b>(90)</b>	(230)
Purchase of own shares		<b>(12)</b>	(16)	–	–
Dividend paid		<b>(74)</b>	(44)	<b>(74)</b>	(44)
<b>Net cash (outflow) from financing activities</b>		<b>(171)</b>	(200)	<b>(159)</b>	(184)
<b>Increase/(decrease) in net cash and cash equivalents</b>		<b>51</b>	(74)	<b>111</b>	(156)
Net cash and cash equivalents at the beginning of the year		<b>17</b>	91	<b>(22)</b>	134
<b>Net cash and cash equivalents at the end of the year</b>	19	<b>68</b>	17	<b>89</b>	(22)

## FINANCIAL STATEMENTS

## Accounting Policies

Both the consolidated and Company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and effective at 30 June 2018, and in accordance with IFRS Interpretations Committee interpretations and the Companies Act 2006 as it applies to companies reporting under IFRS and Article 4 of the IAS Regulation and in accordance with the historical cost convention as modified by the revaluation of derivative financial instruments.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the balance sheet date and the reported amounts of revenue and expenses during the reporting period. Whilst these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates (refer to note 1).

The financial statements have been prepared on a going concern basis.

Redrow plc is a public listed company, listed on the London Stock Exchange and domiciled in the UK.

The principal accounting policies have been applied consistently in the periods presented.

The principal accounting policies are outlined below:

**BASIS OF CONSOLIDATION**

The consolidated financial statements incorporate the financial statements of Redrow plc and all its subsidiaries, together with the Group's share of the results and share of net assets of jointly controlled entities i.e. the financial statements of Redrow plc and entities controlled by Redrow plc (and its subsidiaries). Control is achieved where Redrow plc has the power to govern the financial and operating policies of an entity. Redrow plc's accounting reference date is 30 June. Consistent with the normal monthly reporting process, the actual date to which the balance sheet has been drawn up is 1 July 2018 (2017: 2 July 2017). For ease of reference, all references to the year or 12 months and financial position are for the year ended 30 June and as at 30 June.

The Group has taken advantage of the exemption provided under Section 408 of the Companies Act 2006 not to present Redrow plc's Company income statement. The profit for the financial year is dealt with in the statement of changes in equity.

**a. Subsidiaries**

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair value at the date of acquisition. Any excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets represents goodwill. Goodwill is subject to an annual impairment review, with any reduction in value being taken straight to the income statement. Adjustments are made as necessary to the financial statements of subsidiaries to ensure consistency with the policies adopted by the Group.

All inter-company transactions and balances between Group companies are eliminated on consolidation.

**b. Interests in joint ventures**

The Group applies IFRS 11 to all joint arrangements. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. Redrow plc has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

**REVENUE AND PROFIT RECOGNITION**

Revenue represents the fair value received and receivable in respect of the sale of residential housing and land and of commercial land and developments net of value added tax and discounts. This is recognised on legal completion.

In respect of social housing, the Group enters into contracts for the sale of social housing either at an agreed price or at a discount to open market value. Payment for these properties is made by the purchaser, either on legal completion of the unit or, in certain circumstances on a staged basis. Revenues in all cases are recognised on the legal completion of the built home.

Profit is recognised on legal completion.

**SEGMENTAL REPORTING**

The main operation of the Group is focused on housebuilding.

As it operates entirely within the United Kingdom, the Group has only one business and geographic segment. This is consistent with the information provided for internal reporting purposes to the Chief Operating Decision Maker (the Board). The Group has no key customers.

**EXCEPTIONAL ITEMS**

Exceptional items are those which in the opinion of the Board, are material by size or nature, non-recurring and of such significance that they require separate disclosure.

**NET FINANCING COSTS**

Interest income is recognised on a time apportioned basis by reference to the principal outstanding and the effective interest rate. Interest costs are recognised in the income statement on an accruals basis in the period in which they are incurred.

**INCOME AND DEFERRED TAX**

Income tax comprises current tax and deferred tax.

Current tax is based on taxable profits for the year and any appropriate adjustment to tax payable in respect of prior years. Taxable profit differs from profit before tax as shown in the income statement as it excludes income or expenditure items which are never chargeable or allowable for tax or which are chargeable or deductible in other accounting periods.

Deferred tax is provided in full, using the balance sheet liability method, on temporary differences arising between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the calculation of taxable profit.

Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax liabilities are recognised for all temporary differences. Deferred tax is calculated at the rates enacted at the balance sheet date.

Deferred tax is credited or charged in the income statement, consolidated statement of comprehensive income, or retained earnings as appropriate.

**INTANGIBLE ASSETS – COMPUTER SOFTWARE**

Acquired computer software licences are capitalised on the basis of costs incurred to bring to use the specific software and are amortised over their estimated useful lives of three years, charged to administrative expenses. These are reviewed for impairment whenever events or changes in circumstances indicate that the carrying values may not be recoverable.

**PROPERTY, PLANT AND EQUIPMENT**

Freehold property comprises offices or other buildings held for administrative purposes. Freehold property is shown at cost less the subsequent depreciation of buildings.

All other property, plant and equipment is stated at historic cost less depreciation. Historic cost includes any costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by management.

Land is not depreciated. Depreciation on other assets is charged so as to write off the cost of assets to their residual values over their estimated useful lives, on a straight line basis as follows:

Buildings within freehold property	50 years
Plant and machinery	5–10 years
Fixtures and fittings	3–5 years

The assets' useful lives are reviewed and adjusted if appropriate at each balance sheet date.

These are reviewed for impairment whenever events or changes in circumstances indicate that the carrying values may not be recoverable.

The gain or loss arising on the disposal of an asset represents the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

**INVESTMENT IN SUBSIDIARY COMPANIES**

In the parent company books, the investment in its subsidiaries is held at cost less any impairment.

**LEASES**

Leases in which substantially all of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Rentals payable under operating leases are charged to work in progress or income on a straight line basis over the term of the relevant lease.

## FINANCIAL STATEMENTS

Accounting Policies *continued*

## INVENTORIES

Inventories are stated at the lower of cost and net realisable value less cash on account (which represents payments made against work in progress, excluding private customer deposits).

Cost comprises land and associated acquisition costs, direct materials and subcontract work, other direct costs and those overheads (based on normal operating capacity) that have been incurred in bringing the inventories to their present location and condition, excluding borrowing costs. These include infrastructure and development costs such as roads and sewers, including contributions to other community benefits such as schools, medical centres and community centres.

Total land costs are allocated to the private housing on a development as, in the case of amenity land and social housing land, neither has sufficient contribution from sales of the precise area of the land to cover the land costs and are a planning requirement of the development.

Provisions are established to write down land where the estimated net sales proceeds less costs to complete exceed the current carrying value. Adjustments to the provisions will be required where selling prices or costs to complete change.

Net realisable value for land was assessed by estimating selling prices and cost (including sales and marketing expenses), taking into account current market conditions.

This net realisable value provision will be closely monitored for adequacy and appropriateness as regards under and over provision to reflect circumstances at future balance sheet dates. Any material change to the underlying provision will be reflected through cost of sales as an exceptional item.

## FORWARD LAND

Expenditure relating to forward land options, conditional contracts and land owned without planning is initially recognised in inventory at cost. It is reviewed regularly for impairment.

## EMPLOYEE BENEFITS

## a. Pension obligation

The Group operates two pension schemes for its staff. The Redrow Staff Pension Scheme (the 'Scheme') closed to the accrual of new benefits with effect from 1 March 2012, with new benefits now being provided via the Redrow Group Personal Pension Plan (the 'GPP'). The Scheme is externally invested and comprises two sections: a 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. It is funded through payments to trustee administered funds, determined by actuarial valuations carried out on at least a triennial basis. 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. The GPP is also a type of defined contribution plan.

The asset/(liability) recognised in the balance sheet in respect of the defined benefit section of the scheme is the present value of the defined benefit obligation at the balance sheet date, less the fair value of plan assets. The defined benefit obligation is determined using the projected unit credit method on an annual basis by an independent scheme actuary.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity as they arise in full via the statement of comprehensive income.

Scheme service costs are charged to cost of sales and administrative expenses as appropriate and scheme finance costs are included in net financing costs. Past service costs are recognised immediately in income.

In respect of the defined contribution section of the Scheme and the GPP, contributions are recognised as an employee benefit expense when they are due. The Group has no further payment obligations in respect of the above once the contributions have been paid.

## b. Bonus plans

The Group recognises a liability and an expense for bonuses where contractually obliged.

## c. Share-based payments

Equity settled share-based payments are measured at fair value on the date of grant and expensed on a straight line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

## d. Termination benefits

Termination benefits are payable when employment is terminated by the Group before normal retirement date by redundancy. These benefits are recognised by the Group in the period in which it becomes demonstrably committed to terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal.

## FINANCIAL INSTRUMENTS

## a. Land creditors

Deferred payments arising from land creditors are held at discounted present value using the effective interest method, in accordance with IAS 39. The difference between the fair value and the nominal value is amortised over the deferment period via financing costs.

The interest rate applied is an equivalent loan rate available on the date of the land purchase.

## b. Derivative financial instruments and hedge accounting

Derivative financial instruments are initially recorded at fair value and the fair value is remeasured to fair value at each reporting date.

The Group's use of financial derivatives is governed by an interest rate risk management framework adopted by the Board which sets parameters to ensure an appropriate level of hedging is maintained to manage interest rate risk in respect of borrowings.

The policy prohibits any trading in derivative financial instruments or their use for speculative purposes.

The effective portion of changes in the fair value of derivative financial instruments which are designated and which qualify as cash flow hedges are recognised directly in equity in a hedge reserve. The gains or losses relating to the ineffective portion are recognised in the income statement immediately they arise.

## c. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables include 'trade receivables' and 'other receivables' and cash and cash equivalents in the balance sheet.

Trade receivables are held at discounted present value less any impairment. The amount is then increased to settlement value over the settlement period via financing income.

## d. Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand, forming an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

## e. Borrowings and trade payables

Interest bearing borrowings and trade payables are recorded when the proceeds are received, net of transaction costs incurred and subsequently at amortised cost. Any difference

between the proceeds, net of transaction costs and the redemption value is recognised in the income statement over the period of the borrowings.

## f. Deposits

New property deposits from private customers are held within Trade and Other payables until the legal completion of the related property or the rescission of the sale contract.

## ONEROUS CONTRACTS

Onerous contracts are contracts in which the unavoidable costs in meeting the obligations under the contract exceed the economic benefits expected to be received under it. Provision is made to reflect management's best current estimate of the least net cost of either fulfilling or exiting the contract.

## SHARE CAPITAL

Ordinary shares are classed as equity.

## DIVIDEND DISTRIBUTION

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are declared.

## IMPACT OF NEW STANDARDS AND INTERPRETATIONS

**a) New and amended standards adopted by the Group. The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 July 2017:**

- Amendments to IAS7, 'Statement of cash flows on disclosure initiative'.
- The implementation of these standards has not had a material impact on the Group financial statements.

## FINANCIAL STATEMENTS

Accounting Policies *continued*

## IMPACT OF NEW STANDARDS AND INTERPRETATIONS CONTINUED

**b) The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 July 2017 and have not been early adopted:**

- IFRS 15 'Revenue from contracts with customers'. IFRS 15, 'Revenue from contracts with customers' is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally. It is more prescriptive in terms of what should be included within revenue than IAS 18 'Revenue'. Published May 2014, effective date: annual periods beginning on or after 1 January 2018. Currently the Group recognises revenue at the fair value of the consideration received and receivable in respect of the sale of residential housing and land and of commercial land and developments net of value added tax and discounts on legal completion. Profit is recognised on legal completion. The Group continues to assess the impact of this standard on the Group. This standard will not effect the statement of cashflows nor does the Group expect the implementation of this standard to have a material impact on profit.
- Amendment to IFRS 15, 'Revenue from contracts with customers'. Published April 2017, effective date: Annual periods beginning on or after 1 January 2018.
- IFRS 9 'Financial instruments'. This standard replaces the guidance in IAS 39. Published July 2014, effective date: annual periods beginning on or after 1 January 2018. It affects the classification, measurement, impairment and de-recognition of financial instruments. The Group does not currently expect its implementation to have a material impact on reported results.
- IFRS 16 'Leases'. This standard replaces the current guidance in IAS 17 and is a far-reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Published January 2016, effective Annual periods beginning on or after 1 January 2019 with earlier application permitted if IFRS 15, 'Revenue

from Contracts with Customers', is also applied. The Group has a number of operating leases, mainly in relation to cars and some office properties, which the Group currently anticipates will be required to be brought onto the balance sheet together with corresponding assets. The Group does not expect the net impact on profit to be significant.

## FINANCIAL STATEMENTS

## Notes to the Financial Statements

## 1. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Judgements and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management have not made any individual critical accounting judgements that are material to the Group. Management considers the key sources of estimation uncertainty relate to:

**Carrying value of inventories**

The Group carries inventories at the lower of cost and net realisable value less cash on account.

Due to the nature of development timescales, it is routinely necessary to estimate costs to complete and future revenues and to allocate non-unit specific development costs between units legally completing in the current financial year and in future periods. A full review of the net realisable value of inventories was undertaken by the Group as at 30 June 2018. Reasonably foreseeable changes in the assumptions used would not have a significant impact on the net realisable value.

**Pensions**

The Group has utilised assumptions including a rate of return on assets, mortality assumptions and a discount rate having been advised by its actuary. To the extent that such assumed rates are different from what actually transpires, the retirement benefit obligations of the Group would change.

The primary risks the Group is exposed to by the defined benefit pension scheme are the movement in corporate bond yields, the market's long-term expectations for inflation and movement in mortality rates. The scheme closed to future accrual with effect from 1 March 2012.

## 2. OPERATING PROFIT

	Note	2018 £m	2017 £m
<b>Operating profit is stated after charging:</b>			
Inventories expensed in the year	13	<b>1,375</b>	1,193
Depreciation	9	<b>2</b>	2
Amortisation		<b>1</b>	–
Operating leases – plant and machinery		<b>3</b>	3
– other		<b>1</b>	1
Research and development expenditure		<b>1</b>	1
Auditors' remuneration – fees payable to the Company's Auditors for audit services <sup>(i)</sup>		–	–
– fees payable to the Company's Auditors for other services <sup>(ii)</sup>		–	–

Fees payable to the Company's Auditors comprise:

- fees payable for the audit of parent company and consolidated financial statements £30,000 (2017: £30,000) and fees payable for the audit of the Company's subsidiaries pursuant to legislation £157,000 (2017: £146,000).
- Auditors' remuneration for other services comprised £20,000 (2017: £20,000) in respect of an independent review of the half-yearly financial statements (Audit related assurance services), £nil (2017: £10,000) in respect of Radleigh audit file review (Non-audit services), £nil (2017: £408,000) in respect of Reporting Accountant services (Non-audit services) and £9,100 (2017: £8,000) in respect of iXBRL tagging (Taxation compliance services).

## FINANCIAL STATEMENTS

Notes to the Financial Statements *continued*

## 3. NET FINANCING COSTS

	2018 £m	2017 £m
Interest payable on bank loans	(4)	(6)
Imputed interest on deferred land creditors	(6)	(6)
Financial costs	(10)	(12)
Other interest receivable	3	4
Financial income	3	4
Net financing costs	(7)	(8)

## 4. INCOME TAX EXPENSE

	2018 £m	2017 £m
<b>Current tax charge</b>		
UK Corporation Tax	73	62
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(1)	–
Total income tax charge income statement	72	62
<b>Reconciliation of tax charge for the year</b>		
Profit before tax	380	315
Tax calculated at UK Corporation Tax rate	72	62
Tax charge for the year	72	62
<b>Deferred tax recognised directly in equity</b>		
Relating to pension scheme	4	(1)
	4	(1)

Current income tax payable in the Company is £nil (2017: payable £3m).

Information on the impact of future tax rate changes is included in note 11.

## 5. DIVIDENDS

The following dividends were paid by the Group:

	2018 £m	2017 £m
Prior year final dividend per share of 11.0p (2017: 6.0p); Current year interim dividend per share of 9.0p (2017: 6.0p)	74	44
	74	44

The Board decided to propose a final dividend of 19.0p per share in respect of 2018 (£70m (2017: 11.0p, £41m)). The dividend has not been provided for and there are no income tax consequences.

## 6. EARNINGS PER ORDINARY SHARE

The basic earnings per share calculation for the year ended 30 June 2018 is based on the weighted average number of shares in issue during the period of 361m (2017: 361m) excluding those held in trust under the Redrow Long Term Incentive Plan (9m shares (2017: 9m shares)), which are treated as cancelled.

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

## For the 12 months ended 30 June 2018

	Earnings £m	Number of shares millions	Per share pence
Basic earnings per share	308	361	85.3
Effect of share options and SAYE	–	1	(0.1)
Diluted earnings per share	308	362	85.2

## For the 12 months ended 30 June 2017

	Earnings £m	Number of shares millions	Per share pence
Basic earnings per share	253	361	70.2
Effect of share options and SAYE	–	2	(0.2)
Diluted earnings per share	253	363	70.0

## 7. EMPLOYEES

## a. Cost (including Directors)

	Group		Company	
	2018 £m	2017 £m	2018 £m	2017 £m
Wages and salaries	106	92	3	3
Social security costs	15	13	2	2
Other pension costs	9	8	–	–
Share-based payments	9	7	2	2
	139	120	7	7

## b. Number

The monthly average number of persons employed by the Group was:

	Group		Company	
	2018 Number	2017 Number	2018 Number	2017 Number
Directors and administrative staff	960	860	9	9
Other personnel	1,348	1,270	–	–
	2,308	2,130	9	9

## FINANCIAL STATEMENTS

Notes to the Financial Statements *continued*

## 7. EMPLOYEES CONTINUED

## c. Key management remuneration

Key management personnel, as defined under IAS 24 'Related party disclosures', are identified as the Executive Management Team and the Non-Executive Directors.

Summary key management remuneration is as follows:

	2018 £m	2017 £m
Salaries and short-term employee benefits	5	5
Share-based payments	3	2
	<b>8</b>	<b>7</b>

In addition, the Redrow Staff Pension scheme paid £15,246 (2017: £14,730) to The Steve Morgan Foundation on behalf of Steve Morgan in his capacity as an active Scheme pensioner.

Detailed disclosure of Directors' emoluments and interests in shares are included in the Directors' Remuneration Report on pages 80 to 95, which form part of these financial statements.

## d. Share-based payments

## Save As You Earn Share Option scheme (SAYE)

The Redrow plc SAYE scheme is open to all employees and share options can be exercised either three or five years after the date of grant, depending on the length of the savings contract. The SAYE schemes are not subject to performance conditions.

The SAYE schemes have been valued using the Black-Scholes pricing model.

	2018	2017
Options granted during the year	<b>824,208</b>	1,073,997
Date of grant	<b>1 January 2018</b>	1 January 2017
Fair value at measurement date	<b>£2.31</b>	£1.51
Share price	<b>£6.13</b>	£4.00
Exercise price	<b>£4.90</b>	£3.20
Option life (contract length)	<b>3/5 years</b>	3/5 years
Expected dividend yield	<b>4.03%</b>	4.43%
Risk free interest rate	<b>1.5%</b>	1.5%

The expected volatility on SAYE schemes is based on the historic volatility of the Group's share price over periods equal to the length of the savings contract.

## Long Term Incentive scheme (LTIP)

Except in specified circumstances, options granted under the scheme are exercisable between three and ten years after the date of grant.

Options granted under the LTIP on 15 November 2017 were granted to a limited number of Senior Executives. The scheme is discussed in greater detail within the Directors' Remuneration Report.

## 7. EMPLOYEES CONTINUED

## d. Share-based payments continued

The LTIP has been valued using the Black-Scholes pricing model.

	2018	2017
Options granted during the year	<b>321,012</b>	334,953
Date of grant	<b>15 November 2017</b>	12 September 2016
Fair value at the measurement date	<b>£5.20</b>	£3.56
Share price	<b>£5.85</b>	£4.08
Exercise price	<b>£0.00</b>	£0.00
Expected volatility	<b>N/A*</b>	N/A*
Option life	<b>3 years</b>	3 years
Expected dividend yield	<b>4.03%</b>	4.43%
Risk free interest rate	<b>N/A*</b>	N/A*

\* For nil-cost awards not subject to a market based condition, volatility and risk free rate are not applicable.

The fair value at the measurement date of the LTIP granted on 15 November 2017 comprises £5.20 in respect of non-market based performance conditions.

The fair value at the measurement date of the LTIP granted on 12 September 2016 comprises £3.56 in respect of non-market based performance conditions.

## Deferred Bonus Incentive (DBI)

Grants under the DBI were limited to Senior Management. Except in specified circumstances options granted under the scheme are exercisable between one and ten years after the date of grant for Tranche 1 and between two and ten years after the date of grant for Tranche 2 and are not subject to performance conditions.

The DBI has been valued using the Black-Scholes pricing model.

	2018 Tranche 1	2018 Tranche 2	2017 Tranche 1	2017 Tranche 2
Options granted during the year	<b>450,047</b>	<b>449,915</b>	705,703	705,845
Date of grant	<b>11 September 2017</b>	<b>11 September 2017</b>	12 September 2016	12 September 2016
Fair value at the measurement date	<b>£6.11</b>	<b>£5.87</b>	£3.94	£3.77
Share price	<b>£6.33</b>	<b>£6.33</b>	£4.08	£4.08
Exercise price	<b>£0.00</b>	<b>£0.00</b>	£0.00	£0.00
Expected volatility	<b>N/A*</b>	<b>N/A*</b>	N/A*	N/A*
Option life	<b>1 year</b>	<b>2 years</b>	1 year	2 years
Expected dividend yield	<b>3.38%</b>	<b>3.74%</b>	3.50%	3.93%
Risk free interest rate	<b>N/A*</b>	<b>N/A*</b>	N/A*	N/A*

\* For nil-cost awards not subject to a market based condition, volatility and risk free rate are not applicable.

## Company Share Option Plan (CSOP)

Grants under the CSOP were limited to Senior Management. Except in specified circumstances, options granted to those other than the Executive Directors are exercisable between three and ten years after the date of grant and are not subject to performance conditions.

## FINANCIAL STATEMENTS

## Notes to the Financial Statements continued

## 7. EMPLOYEES CONTINUED

## d. Share-based payments continued

## Share options outstanding

The following share options were outstanding at 30 June 2018:

Type of scheme	Date of grant	Number of options 2018	Number of options 2017	Exercise price
Long Term Share Incentive 2012	23 October 2012	–	134,271	–
Long Term Share Incentive 2013	24 September 2013	–	90,947	–
Long Term Share Incentive 2014	8 September 2014	–	377,194	–
Long Term Share Incentive 2015	14 September 2015	175,810	175,810	–
Long Term Share Incentive 2016	12 September 2016	308,714	334,953	–
Long Term Share Incentive 2017	15 November 2017	321,012	–	–
Deferred Bonus Incentive 2012 – Tranche 1	23 October 2012	4,656	13,212	–
Deferred Bonus Incentive 2012 – Tranche 2	23 October 2012	4,656	13,212	–
Deferred Bonus Incentive 2013 – Tranche 1	24 September 2013	6,562	23,205	–
Deferred Bonus Incentive 2013 – Tranche 2	24 September 2013	8,374	43,206	–
Deferred Bonus Incentive 2014 – Tranche 1	8 September 2014	15,619	103,850	–
Deferred Bonus Incentive 2014 – Tranche 2	8 September 2014	34,851	154,024	–
Deferred Bonus Incentive 2015 – Tranche 1	14 September 2015	56,179	157,181	–
Deferred Bonus Incentive 2015 – Tranche 2	14 September 2015	76,860	393,355	–
Deferred Bonus Incentive 2016 – Tranche 1	12 September 2016	183,390	652,818	–
Deferred Bonus Incentive 2016 – Tranche 2	12 September 2016	622,100	652,939	–
Deferred Bonus Incentive 2017 – Tranche 1	11 September 2017	417,174	–	–
Deferred Bonus Incentive 2017 – Tranche 2	11 September 2017	417,053	–	–
Company Share Option Plan	21 November 2008	35,970	77,935	£1.25
Save As You Earn	1 January 2011	–	21,514	£0.98
Save As You Earn	1 January 2012	32,999	49,175	£0.95
Save As You Earn	1 January 2014	136,228	154,711	£1.98
Save As You Earn	1 January 2015	154,273	890,421	£2.21
Save As You Earn	1 January 2016	391,882	445,196	£3.70
Save As You Earn	1 January 2017	886,247	1,006,056	£3.20
Save As You Earn	1 January 2018	752,871	–	£4.90

The total share options outstanding at 30 June 2018 under the LTIP, Deferred Bonus Incentive Plan, Company Share Option Plan and the Save As You Earn schemes represent 1.4% of the issued share capital (2017: 1.6%).

## 7. EMPLOYEES CONTINUED

## d. Share-based payments continued

## Movements in the year

The number and weighted average exercise prices of share options is as follows:

	Number of options 2018	Weighted average exercise price 2018	Number of options 2017	Weighted average exercise price 2017
<b>Long Term Share Incentive scheme:</b>				
Outstanding at the beginning of the year	1,113,175	–	1,626,492	–
Lapsed during the year	(26,239)	–	–	–
Exercised during the year	(602,412)	–	(848,270)	–
Granted during the year	321,012	–	334,953	–
Outstanding at the end of the year	805,536	–	1,113,175	–
Exercisable at the end of the year	–	–	225,218	–
<b>Deferred Bonus Incentive scheme:</b>				
Outstanding at the beginning of the year	2,207,002	–	2,040,389	–
Lapsed during the year	(205,409)	–	(155,045)	–
Exercised during the year	(1,054,081)	–	(1,089,890)	–
Granted during the year	899,962	–	1,411,548	–
Outstanding at the end of the year	1,847,474	–	2,207,002	–
Exercisable at the end of the year	391,147	–	507,890	–
<b>Company Share Option Plan:</b>				
Outstanding at the beginning of the year	77,935	£1.25	95,920	£1.25
Exercised during the year	(41,965)	£1.25	(17,985)	£1.25
Outstanding at the end of the year	35,970	£1.25	77,935	£1.25
Exercisable at the end of the year	35,970	£1.25	77,935	£1.25
<b>Save As You Earn scheme:</b>				
Outstanding at the beginning of the year	2,567,073	£2.81	2,619,112	£2.39
Lapsed during the year	(297,925)	£3.54	(357,184)	£3.20
Exercised during the year	(758,856)	£2.15	(768,852)	£1.78
Granted during the year	824,208	£4.90	1,073,997	£3.20
Outstanding at the end of the year	2,334,500	£3.66	2,567,073	£2.81
Exercisable at the end of the year	6,228	£2.34	6,448	£2.51

The weighted average share price at the date of exercise of share options exercised during the year was £6.21 (2017: £4.27).

The options outstanding at 30 June 2018 had a range of exercise prices of £nil to £4.90 (2017: £nil to £3.70) and a weighted average remaining contractual life of 5.5 years (2017: 5.6 years).

The expected life used in the models has been adjusted, based on best estimates, to reflect exercise restrictions and behavioural considerations.

The charge to income in relation to equity settled share-based payments in the year is £9m (2017: charge £7m).



## FINANCIAL STATEMENTS

Notes to the Financial Statements *continued*

## 7. EMPLOYEES CONTINUED

## e. Retirement benefit schemes

The Redrow Staff Pension Scheme (the 'Scheme') comprises two sections: a funded, self-administered, defined benefit section and a funded defined contribution section. The defined benefit section was closed to all new entrants from July 2006, having been closed to all but a limited number of agreed new entrants from October 2001. Both sections of the Scheme were closed to future accrual with effect from 1 March 2012.

The total pension credit for the year was £13m (2017: charge of £16m). A credit of £22m related to the defined benefit section of the Scheme (2017: charge of £8m), with £nil being charged to the income statement (2017: charge of £nil) and a credit of £22m to the statement of comprehensive income (2017: charge of £8m). The charge arising from the defined contribution section was £9m (2017: £8m).

## Triennial valuation

A full independent triennial actuarial valuation of the defined benefit section of the Scheme was undertaken at 1 July 2017 using the Projected Unit Method. As at 1 July 2017, in the opinion of the Actuary, there was a deficit of £15m in the defined benefit section of the Scheme, based on the Trustees' technical provisions assumptions with the Scheme's assets representing 90% of the Scheme's technical provisions. As at 1 July 2017 the value of the defined benefit section of the Scheme's assets was £126m. The previous triennial valuation was undertaken as at 1 July 2014 and reported a deficit of £20m.

## Defined benefit scheme – IAS 19R valuation

Redrow recognises all actuarial gains and losses for its defined benefit plan in the period in which they occur, outside the income statement, in the statement of comprehensive income.

This disclosure relates to the defined benefit section of the Scheme. The Scheme's assets are held separately from the assets of Redrow and are administered by the trustees and managed professionally.

The latest formal actuarial valuation of the defined benefit section was carried out at 1 July 2017. This valuation has been updated to 30 June 2018 by a qualified actuary for the purposes of these financial statements.

The Group agreed a recovery plan for the 1 July 2014 actuarial valuation: it agreed to contribute £1.1m per annum to the Scheme from 1 July 2014 to 30 June 2020 and £1.5m per annum from 1 July 2020 to 30 June 2026. During the 2017 financial year, the Group agreed to increase its contributions to £3.0m per annum from 1 January 2018. As a result, the Group expects to contribute £3.0m to the Scheme in the year ending 30 June 2019.

The major financial assumptions used in arriving at the IAS 19R valuation were:

	2018	2017
Long-term rate of increase in pensionable salaries	n/a	n/a
Rate of increase of benefits in payment (lesser of 5% per annum and RPI) <sup>1</sup>	2.9%	3.1%
Rate of increase of benefits in payment (lesser of 2.5% per annum and RPI) <sup>2</sup>	2.0%	2.2%
Discount rate	2.9%	2.6%
Inflation assumption – RPI	3.1%	3.2%
– CPI	2.1%	2.2%

1 In respect of pensions in excess of the guaranteed minimum pension earned prior to 30 June 2006.

2 In respect of pensions in excess of the guaranteed minimum pension earned after 30 June 2006. Other pension increases are valued in a consistent manner.

The mortality tables used in the actuarial valuation were as follows (which make allowance for projected further improvements in mortality):

For male and female members: SAPS CMI\_2017 1.25% Long Term Trend (2017: SAPS CMI\_2016 1.25% Long Term Trend)

The life expectancies implied by these tables for typical members are:

Pensioner currently aged 65: Male 22.1 years (2017: Male 22.1 years) Female 24.0 years (2017: Female 24.0 years)  
 Future pensioner when aged 65: Male 23.1 years (2017: Male 23.1 years) Female 25.1 years (2017: Female 25.1 years)

It has been assumed that the majority of members will commute part of their pension in return for a tax free cash sum on retirement.

## 7. EMPLOYEES CONTINUED

e. Retirement benefit schemes *continued*

The total assets, the split between the major asset classes in the Scheme, the present value of the Schemes' liabilities and the amounts recognised in the balance sheet are shown below:

	Group and Company					
	2018 £m Quoted market price in active market	2018 £m No quoted market price in active market	2018 £m Total	2017 £m Quoted market price in active market	2017 £m No quoted market price in active market	2017 £m Total
Equities	49	–	49	44	–	44
Debt instruments	50	–	50	59	–	59
Other	16	–	16	14	3	17
Cash	16	–	16	6	–	6
Insurance policies	–	2	2	–	2	2
<b>Total market value of assets</b>	<b>131</b>	<b>2</b>	<b>133</b>	123	5	128
<b>Present value of obligations</b>			<b>(111)</b>			(130)
<b>Surplus/(deficit) in the Scheme</b>			<b>22</b>			(2)

The defined benefit obligation can be approximately attributed to the scheme members as follows:

	2018 %	2017 %
Deferred members	68	75
Pensioner members	32	25
	<b>100</b>	100

All benefits are vested at 30 June 2018 (unchanged from 30 June 2017).

The total amounts credited/(charged) against income in the year were as follows:

	Group and Company	
	2018 £m	2017 £m
<b>Amounts included within the income statement:</b>		
<b>Administrative expenses</b>		
Scheme administration expenses	–	–
Net interest on defined benefit liability	–	–
	–	–
<b>Amounts recognised in the statement of comprehensive income:</b>		
Return on scheme assets excluding interest income	5	8
Actuarial gains arising from changes in demographic assumptions	1	3
Actuarial movements arising from changes in financial assumptions	11	(19)
Actuarial gains arising from experience adjustments	5	–
	<b>22</b>	(8)
	<b>22</b>	(8)

## FINANCIAL STATEMENTS

## Notes to the Financial Statements continued

## 7. EMPLOYEES CONTINUED

## e. Retirement benefit schemes continued

The amount included in the balance sheet arising from the (deficit)/surplus in respect of the Group's defined benefit section is as follows:

	Group and Company	
	2018 £m	2017 £m
<b>Balance sheet surplus/(deficit)</b>		
At start of year	(2)	6
Amounts credited/(charged) against statement of comprehensive income	22	(8)
Employer contributions paid	2	–
<b>At end of year</b>	<b>22</b>	<b>(2)</b>
<b>Changes in the present value of the defined benefit obligation:</b>		
At start of year	130	116
Interest expense	3	4
Benefit payments	(5)	(6)
Actuarial (gains) arising from changes in demographic assumptions	(1)	(3)
Actuarial movements arising from changes in financial assumptions	(11)	19
Actuarial gains arising from experience adjustments	(5)	–
<b>At end of year</b>	<b>111</b>	<b>130</b>
<b>Changes in the fair value of the Scheme's assets:</b>		
At start of year	128	122
Interest income	3	4
Return on scheme assets excluding interest income	5	8
Scheme administration expenses	–	–
Normal employer contributions	2	–
Benefit payments	(5)	(6)
<b>At end of year</b>	<b>133</b>	<b>128</b>

## 7. EMPLOYEES CONTINUED

## e. Retirement benefit schemes continued

## Sensitivity of key assumptions

The table below gives a broad indication of the impact on the IAS 19R numbers to changes in assumptions and experience (away from the assumptions shown on page 126). All figures are before allowing for deferred tax.

Item	Approximate impact 2018	Approximate impact 2017
<b>Present value of defined benefit obligation (£m)</b>		
Discount rate -25 basis points	116.5	137.7
Discount rate +25 basis points	105.2	123.2
Price inflation rate -25 basis points	105.4	123.4
Price inflation rate +25 basis points	116.4	137.5
Post-retirement mortality assumption -1 year age adjustment	114.0	134.3
<b>Weighted average duration of defined benefit obligation (in years)</b>		
Discount rate -25 basis points	20.43	22.40
Discount rate +25 basis points	20.38	22.11

## 8. INTANGIBLE ASSETS

## The Group

	Goodwill £m	Software £m	Total £m
<b>Cost</b>			
At 1 July 2016	1	2	3
Additions	–	–	–
At 30 June 2017	1	2	3
Additions	–	1	1
<b>At 30 June 2018</b>	<b>1</b>	<b>3</b>	<b>4</b>
<b>Accumulated amortisation</b>			
At 1 July 2016	–	1	1
Charge	–	–	–
At 30 June 2017	–	1	1
Charge	–	1	1
<b>At 30 June 2018</b>	<b>–</b>	<b>2</b>	<b>2</b>
<b>Net book value</b>			
<b>At 30 June 2018</b>	<b>1</b>	<b>1</b>	<b>2</b>
At 30 June 2017	1	1	2
At 30 June 2016	1	1	2

## FINANCIAL STATEMENTS

## Notes to the Financial Statements continued

## 9. PROPERTY, PLANT AND EQUIPMENT

## The Group

	Freehold property £m	Plant and machinery £m	Fixtures and fittings £m	Total £m
<b>Cost</b>				
At 1 July 2016	17	3	7	27
Additions	–	–	1	1
At 30 June 2017	17	3	8	28
Additions	–	–	1	1
<b>At 30 June 2018</b>	<b>17</b>	<b>3</b>	<b>9</b>	<b>29</b>
<b>Accumulated depreciation</b>				
At 1 July 2016	3	3	4	10
Charge	1	–	1	2
At 30 June 2017	4	3	5	12
Charge	–	–	2	2
<b>At 30 June 2018</b>	<b>4</b>	<b>3</b>	<b>7</b>	<b>14</b>
<b>Net book value</b>				
<b>At 30 June 2018</b>	<b>13</b>	<b>–</b>	<b>2</b>	<b>15</b>
At 30 June 2017	13	–	3	16
At 30 June 2016	14	–	3	17

## 10. INVESTMENTS

## a. Investments

	Group		Company	
	2018 £m	2017 £m	2018 £m	2017 £m
Joint ventures	6	27	–	–
	6	27	–	–

## 10. INVESTMENTS CONTINUED

## b. Investments in joint ventures

	Group		Company	
	2018 £m	2017 £m	2018 £m	2017 £m
Share of joint venture net assets:				
Current assets	7	29	–	–
Current liabilities	(3)	(7)	–	–
Non-current liabilities	(2)	(22)	–	–
Net assets	2	–	–	–
Loans from Group companies <sup>(i)</sup>	4	27	–	–
	6	27	–	–
Share of post-tax profits from joint ventures:				
Revenue	38	17	–	–
Cost of sales	(31)	(15)	–	–
Gross profit	7	2	–	–
Administrative expenses	–	–	–	–
Operating profit	7	2	–	–
Finance costs	(1)	(1)	–	–
Profit before tax	6	1	–	–
Taxation	(1)	–	–	–
	5	1	–	–

(i) £4m of the loans to joint ventures are secured (2017: £27m).

The Group's joint venture investments are:

- its 50% shareholding in the ordinary share capital of Menta Redrow Limited and Menta Redrow (II) Limited, both companies incorporated in Great Britain with a 30 June year end. Menta Redrow Limited and Menta Redrow (II) Limited were formed to pursue redevelopment opportunities in Croydon.

## c. Investments in subsidiary undertakings

	Company £m
<b>At 1 July 2017 and 30 June 2018</b>	–

The principal subsidiary company is Redrow Homes Limited. All subsidiary companies are incorporated in Great Britain except Redrow Homes (Park Heights) Limited which is incorporated in Jersey. A full list of subsidiary undertakings as at 30 June 2018 is shown on page 132. The capital of all the subsidiary companies, consisting of ordinary shares, is wholly owned by HB (HDG) Limited which in turn is wholly and directly owned by Redrow plc.

All the subsidiaries registered office is Redrow House, St David's Park, Flintshire, CH5 3RX apart from those marked (i) and (ii) whose registered offices are as follows:

- (i) c/o TLT LLP, 140 West George Street, Glasgow, G2 2HG
- (ii) 13 Castle Street, St. Helier, Jersey, JE4 5UT

## FINANCIAL STATEMENTS

## Notes to the Financial Statements continued

## 10. INVESTMENTS CONTINUED

## c. Investments in subsidiary undertakings continued

## Subsidiaries

Name	Company Number	Name	Company Number
HB (HDG) Limited	1990709	HB (1995) Limited <sup>(i)</sup>	SC155021
Redrow Homes Limited	1990710	Redrow Homes (Wallyford) Limited <sup>(i)</sup>	SC205159
Harrow Estates plc	6825371	St David's Park Limited	2479183
Redrow Real Estate Limited	3996541	PB0311 Limited	7577839
Redrow Regeneration plc	5405272	Debut Freeholds Limited	4638403
Redmira Limited	7587765	Tay Homes (Western) Limited	2806562
HB (NW) Limited	1189328	Tay Homes (Northern) Limited	2708575
HB (LCS) Limited <sup>(i)</sup>	SC38052	Tay Homes (Midlands) Limited	2183136
HB (MID) Limited	2469449	Tay Homes (North West) Limited	2189721
HB (SW) Limited	3522335	Redrow Homes (Park Heights) Limited <sup>(ii)</sup>	66240
HB (SWA) Limited	2230870	Redrow Construction Limited	1375826
HB (Y) Limited	2293006	Poche Interior Design Limited	2169473
HB (ESTN) Limited	4017345	Redrow (Shareplan) Limited	3520984
HB (WM) Limited	3379746	Cadmoore Limited	3977222
HB (SM) Limited	3522321	Redrow (Sudbury) Limited	4558070
HB (SN) Limited	537405	The Waterford Park Company Limited	5429823
HB (WC) Limited	4984069	The Waterford Park Company (Balmoral) Limited	6047122
HB (WX) Limited	1940936	HB (Herne Bay No 1) Limited	7743649
HB (EM) Limited	2827161	HB (Herne Bay No 2) Limited	9163243
HB (CD) Limited	2034733	Redrow Homes East Midlands Limited	4219459
HB (GRPS) Limited	2898913	Radleigh Construction Limited	4219460
HB (CPTS) Limited	1079513	Radleigh Homes Limited	4210633
HB (SE) Limited	3988594	Radbourne Edge (Holdings) Limited	8737345
HB (CSCT) Limited <sup>(i)</sup>	SC231364	Redrow Langley Limited	7306461
HB (SC) Limited <sup>(i)</sup>	SC74732	Radleigh (Hackwood) Limited	8131049

## 11. DEFERRED TAX ASSETS AND LIABILITIES

The following are the deferred tax assets and liabilities recognised by the Group and the movements thereon during the current and prior year:

	Employee benefits £m	Imputed interest £m	Share-based payment £m	Short-term temporary differences £m	Losses carried forward £m	Total £m
<b>Deferred tax assets</b>						
At 1 July 2016	–	3	–	2	–	5
Credit to income	–	–	–	–	–	–
Charge to equity	–	–	–	–	–	–
At 30 June 2017	–	3	–	2	–	5
Charge to income	–	–	–	(1)	–	(1)
Charge to equity	–	–	–	–	–	–
<b>At 30 June 2018</b>	<b>–</b>	<b>3</b>	<b>–</b>	<b>1</b>	<b>–</b>	<b>4</b>

## 11. DEFERRED TAX ASSETS AND LIABILITIES CONTINUED

	Employee benefits £m	Imputed interest £m	Share-based payment £m	Short-term temporary differences £m	Losses carried forward £m	Total £m
<b>Deferred tax liabilities</b>						
At 1 July 2016	(1)	–	–	(1)	–	(2)
Arising on acquisition	–	–	–	(2)	–	(2)
Credit to equity	1	–	–	–	–	1
At 30 June 2017	–	–	–	(3)	–	(3)
Credit to income	–	–	–	2	–	2
Charge to equity	(4)	–	–	–	–	(4)
<b>At 30 June 2018</b>	<b>(4)</b>	<b>–</b>	<b>–</b>	<b>(1)</b>	<b>–</b>	<b>(5)</b>

The Group has no material unrecognised deferred tax assets. The deferred tax balances in the Company relate to a deferred tax asset arising on retirement benefit obligations of £nil (2017: £3m).

A Corporation Tax rate of 20% from 1 April 2016 was substantively enacted on 2 July 2013. Changes to reduce the Corporation Tax rate to 19% from 1 April 2017 and to 18% from 1 April 2020 were substantively enacted on 26 October 2015. A further change to reduce the rate to 17% from 1 April 2020 was substantively enacted on 6 September 2016. Deferred tax balances have been valued at 19%. The overall effect of these changes, if they had applied to the deferred tax balance at the balance sheet date, would not be significant to the Group.

## 12. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2018 £m	2017 £m	2018 £m	2017 £m
<b>Non-current assets</b>				
Trade receivables (net)	8	11	–	–
	8	11	–	–
<b>Current assets</b>				
Trade receivables (net)	8	10	–	–
Amounts due from subsidiary companies	–	–	675	945
Other receivables	29	21	–	–
Prepayments and accrued income	5	4	–	–
	42	35	675	945

Trade receivables due after more than one year are stated after an allowance of £7m has been made (2017: £8m) in respect of estimated irrecoverable amounts. This allowance is based on an estimate of default rates. £nil provision was made during the year (2017: £nil). £1m was utilised (2017: £1m). £nil provision was released during the year (2017: £nil). It is not considered that a material amount of current asset trade receivables are overdue for payment.

Trade and other receivables due between one and two years are £2m (2017: £1m), between two and five years are £6m (2017: £8m) and due in more than five years are £nil (2017: £2m). The Group holds a charge over the underlying assets. At the balance sheet date, there is no material difference between the fair value of trade and other receivables and their carrying values as shown in the balance sheet.

Amounts due from subsidiary companies are unsecured, repayable on demand and carry interest at a notional rate.

## FINANCIAL STATEMENTS

Notes to the Financial Statements *continued*

## 13. INVENTORIES

	Group		Company	
	2018 £m	Restated 2017 £m	2018 £m	2017 £m
Land for development	1,443	1,339	–	–
Work in progress	781	723	–	–
Stock of show homes	67	57	–	–
	<b>2,291</b>	2,119	–	–
Payments on account	(73)	(76)	–	–
	<b>2,218</b>	2,043	–	–

Inventories of £1,375m were expensed in the year (2017: £1,193m). Work in progress includes £2m (2017: £2m) in respect of part exchange properties. Land held for development in the sum of £229m is subject to a legal charge as security in respect of deferred consideration (2017: £168m).

Payments on account comprises £4m (2017: £27m) attributable to land and £69m (2017: £49m) attributable to work in progress.

The carrying value of undeveloped land where net realisable value has been determined on the basis of a sale of land in its current state is £nil (2017: £nil). Of the net realisable value provision of £nil (2017: £8m), £nil (2017: £nil) is attributed to land and £nil (2017: £8m) is attributed to work in progress.

As discussed in note 1, the Group considers the carrying value of inventories to be a critical accounting judgement.

## 14. FINANCIAL RISK MANAGEMENT

The Group's financial instruments comprise cash and cash equivalents, bank loans and overdrafts, derivative financial instruments and various items included within trade receivables and trade payables which arise during the normal course of business.

The tables opposite provide a summary of financial assets and liabilities by category.

The accounting policies for financial instruments have been applied to the following items:

## 14. FINANCIAL RISK MANAGEMENT CONTINUED

## The Group

	2018 Loans and receivables £m	2017 Loans and receivables £m
<b>Assets per the balance sheet</b>		
Non-current trade and other receivables	8	11
Current trade and other receivables	37	31
Cash and cash equivalents	90	62
	<b>135</b>	104
	2018 Other financial liabilities £m	2017 Other financial liabilities £m
<b>Liabilities per the balance sheet</b>		
Bank loans and overdrafts	27	135
Trade payables and other payables including customer deposits	395	359
Land creditors	387	351
	<b>809</b>	845

Other financial liabilities are at amortised cost.

## The Company

	2018 Loans and receivables £m	2017 Loans and receivables £m
<b>Assets per the balance sheet</b>		
Cash and cash equivalents	89	61
Amounts due from subsidiary companies	675	945
	<b>764</b>	1,006
	2018 Other financial liabilities £m	2017 Other financial liabilities £m
<b>Liabilities per the balance sheet</b>		
Bank loans and overdrafts	5	173
Amounts owed to subsidiary companies	14	14
	<b>19</b>	187

The Group's activities expose it to a variety of financial risks.

Financial risk management is conducted centrally using policies approved by the Board. Market risk is negligible due to the Group's limited exposure to equity securities (some limited exposure arises through the Redrow Staff Pension Scheme's investment portfolio) and the associated price risk. Its foreign exchange exposure is negligible given the nature of the Group's business and its exclusive UK activities.

## FINANCIAL STATEMENTS

Notes to the Financial Statements *continued*

## 14. FINANCIAL RISK MANAGEMENT CONTINUED

## a. Liquidity risk and interest rate 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 forecasts and by maintaining adequate committed banking facilities to ensure appropriate headroom.

At 30 June 2018, the Group had total unsecured bank borrowing facilities of £253m, representing £250m committed facilities and £3m uncommitted facilities.

The Group's cash surpluses arise from short-term timing differences. As a consequence the Group does not consider it bears significant risk of changes to income and cash flows as a result of movements on interest rates on its interest bearing assets.

The Group is exposed to interest rate risk as it borrows money at floating rates. The Group's interest rate risk arises primarily from long-term borrowings. In order to manage its interest rate risk, the Group from time to time enters into simple risk management products, almost exclusively interest rate swaps. All interest rate swaps are sterling denominated. The swaps are arranged so as to match with those of the underlying borrowings to which they relate. There was no ineffectiveness to be recorded in respect of these cash flow hedges in 2018 or 2017.

The following table shows the profile of interest bearing debt together with its effective interest rates, after taking account of interest rate swaps as at the balance sheet date and the periods in which they will reprice:

	2018					2017				
	Effective interest rate %	Total £m	Zero to one year £m	One to two years £m	Two to five years £m	Effective interest rate %	Total £m	Zero to one year £m	One to two years £m	Two to five years £m
Bank overdraft	2.0	22	22	–	–	2.0	45	45	–	–
Bank loans – floating rate	2.6	5	–	–	5	2.3	90	–	–	90
		27	22	–	5		135	45	–	90

The notional principal amounts in respect of the interest rate swaps together with their maturities are given in the table below:

	Balance at 30 June £m	Zero to one year £m	One to two years £m
2018	–	–	–
2017	–	–	–

For the year ended 30 June 2018, it is estimated that for any incremental general increase of 1% in interest rates applying for the full year the decrease in the Group's profit before tax would be £1m (2017: £1m).

## b. Maturity of bank loans and borrowings

The maturity of bank loans and borrowings is as below:

## The Group

	2018		2017	
	Bank overdraft £m	Bank loans £m	Bank overdraft £m	Bank loans £m
Due within one year	22	–	45	–
Due between one and two years	–	–	–	–
Due between two and five years	–	5	–	95
	22	5	45	95

Maturities above include estimated interest payable to the maturity of the facilities.

## 14. FINANCIAL RISK MANAGEMENT CONTINUED

b. Maturity of bank loans and borrowings *continued*

## The Company

	2018		2017	
	Bank overdraft £m	Bank loans £m	Bank overdraft £m	Bank loans £m
Due within one year	–	–	83	–
Due between one and two years	–	–	–	–
Due between two and five years	–	5	–	95
	–	5	83	95

Maturities above include estimated interest payable to the maturity of the facilities.

The Company was fully compliant with its banking covenants as at 30 June 2018.

At the year end, the Group and Company had £245m (2017: £275m) of undrawn committed bank facilities available.

There is no material difference between the fair value of the bank overdrafts and bank loans and their carrying values as shown in the balance sheet.

## c. Amounts due in respect of development land

The Group's policy permits land purchases to be made on deferred payment terms. In accordance with IAS 39, the deferred creditor is recorded at fair value and nominal value is amortised over the deferral period via financing costs, increasing the land creditor to its full cash settlement value on the payment date.

The interest rate used for each deferred payment is an equivalent loan rate available on the date of land purchase, as applicable to a loan lasting for a comparable period of time to that deferral.

The maturity profile of the total contracted cash payments in respect of amounts due in respect of land creditors at the balance sheet date is as follows:

	Balance at 30 June £m	Total contracted cash payment £m	Due less than one year £m	Due between one and two years £m	Due between two and five years £m
2018	387	394	209	144	41
2017	351	359	154	103	102

## d. Maturity of trade and other payables

These represent current liabilities due within one year.

## FINANCIAL STATEMENTS

Notes to the Financial Statements *continued*

## 14. FINANCIAL RISK MANAGEMENT CONTINUED

## e. 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.

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. The table below shows the cash and cash equivalents as at the balance sheet date:

	Group		Company	
	2018 £m	2017 £m	2018 £m	2017 £m
Held at Banks with at least an A credit rating per Standard & Poor	90	62	89	61
	90	62	89	61

No credit limits were exceeded during the reporting year 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 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 receivables.

## f. Capital management

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's objective in managing capital is to safeguard its ability to continue as a going concern in order to deliver value to its Shareholders and other stakeholders. The Group operates within policies outlined by the Board in order to maintain an appropriate funding structure. The Board keeps the Group's capital structure under review.

The total capital levels and gearing ratios as at 30 June 2018 and 30 June 2017 are as follows:

	2018 £m	2017 £m
Total borrowings	27	135
Less cash and cash equivalents	(90)	(62)
Net (cash)/debt	(63)	73
Equity	1,483	1,235
Total capital	1,420	1,308
Gearing ratio	N/A	6%

## g. Fair values

At 30 June 2018 there is no material difference between the fair value of financial instruments and their carrying values in the balance sheet.

## 15. TRADE AND OTHER PAYABLES

	Group		Company	
	2018 £m	2017 £m	2018 £m	2017 £m
<b>Non-current liabilities</b>				
Amounts due in respect of development land	178	197	–	–
	178	197	–	–
<b>Current liabilities</b>				
Trade payables	336	289	–	–
Amounts due in respect of development land	209	154	–	–
Customer deposits	52	64	–	–
Amounts owed to subsidiary companies	–	–	14	14
Other payables	7	6	–	–
Other taxation and social security	3	3	–	–
Accruals and deferred income	64	69	16	13
	671	585	30	27

Amounts due to subsidiary companies are unsecured, repayable on demand and bear interest at a notional rate.

## 16. LONG-TERM PROVISIONS

## The Group

	Onerous contracts £m	Other £m	Total £m
At 1 July 2017	2	6	8
Provisions created during the year	–	2	2
Provisions released during the year	(1)	–	(1)
Provisions utilised during the year	–	–	–
<b>At 30 June 2018</b>	<b>1</b>	<b>8</b>	<b>9</b>

Provisions relate to onerous contracts (in place at June 2009 and viewed as onerous) and maintenance and sundry remedial costs in respect of development activities, which it is assessed will be utilised within four years.

## 17. SHARE CAPITAL

	2018 £m	2017 £m
<b>Authorised</b>		
480,000,000 ordinary shares of 10p each (2017: 480,000,000)	48	48
<b>Issued and fully paid</b>	<b>37</b>	<b>37</b>
		<b>Number of ordinary shares of 10p each</b>
<b>As at 1 July 2017 and 30 June 2018</b>		<b>369,799,938</b>

Options granted to Directors and employees under the LTIP, the CSOP and the SAYE schemes are set out in note 7d.

## FINANCIAL STATEMENTS

Notes to the Financial Statements *continued*

## 18. SHARE CAPITAL, SHARE PREMIUM ACCOUNT AND RESERVES

## The Group

	Share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m
At 1 July 2016	37	59	8	937
Total comprehensive income	–	–	–	246
Dividends paid	–	–	–	(44)
Movement in respect of LTIP/SAYE	–	–	–	(8)
At 30 June 2017	37	59	8	1,131
Total comprehensive income	–	–	–	326
Dividends paid	–	–	–	(74)
Movement in respect of LTIP/SAYE	–	–	–	(4)
<b>At 30 June 2018</b>	<b>37</b>	<b>59</b>	<b>8</b>	<b>1,379</b>

## Other reserves

Other reserves consists of a £7m Capital redemption reserve (2017: £7m) and a £1m Consolidation reserve (2017: £1m).

## Undistributable reserves

Other reserves are not available for distribution.

## The Company

	Share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m
At 1 July 2016	37	59	7	701
Total comprehensive income <sup>†</sup>	–	–	–	44
Dividends paid	–	–	–	(44)
At 30 June 2017	37	59	7	701
Total comprehensive income	–	–	–	12
Dividends paid	–	–	–	(74)
<b>At 30 June 2018</b>	<b>37</b>	<b>59</b>	<b>7</b>	<b>639</b>

<sup>†</sup> Includes dividends received from subsidiary companies.

## Other reserves

Other reserves consists of a £7m Capital redemption reserve (2017: £7m).

## Undistributable reserves

Other reserves are not available for distribution.

## 19. MOVEMENT IN NET (DEBT)/CASH

## The Group

	At 1 July 2017 £m	Cash flow £m	At 30 June 2018 £m
Cash and cash equivalents	62	28	<b>90</b>
Bank overdrafts	(45)	23	<b>(22)</b>
Net cash and cash equivalents	17	51	<b>68</b>
Bank loans	(90)	85	<b>(5)</b>
Net cash/(debt)	(73)	136	<b>63</b>

## The Company

	At 1 July 2017 £m	Cash flow £m	At 30 June 2018 £m
Cash and cash equivalents	61	28	<b>89</b>
Bank overdrafts	(83)	83	–
Net cash and cash equivalents	(22)	111	<b>89</b>
Bank loans	(90)	85	<b>(5)</b>
Net cash/(debt)	(112)	196	<b>84</b>

## 20. OPERATING LEASE COMMITMENTS

	2018 £m	2017 £m
Within one year	<b>3</b>	3
Within two to five years	<b>4</b>	5
Later than five years	<b>1</b>	1

## 21. CONTINGENT LIABILITIES

The Company has guaranteed the bank borrowings of its subsidiaries. Performance bonds, financial guarantees in respect of certain deferred land creditors and other building or performance guarantees have been entered into in the normal course of business. Management estimate that the bonds and guarantees amount to £117m (2017: £99m) at the year end and consider the possibility of a cash outflow in settlement to be remote.



## FINANCIAL STATEMENTS

Notes to the Financial Statements *continued***22. RELATED PARTY TRANSACTIONS**

Within the definition of IAS 24 'Related party disclosures', the Board and key management personnel are related parties. Detailed disclosure of the remuneration of the Board is given in the Directors' Remuneration Report on pages 80 to 95. A summary of remuneration provided to key management personnel is provided in note 7c.

In addition, related party transactions were carried out with parties related to Steve Morgan during the year totalling £0.4m (Company £0.4m), primarily relating to the donation to The Steve Morgan Foundation as described in the Directors' Remuneration Report on pages 80 to 95 and services provided by Harrow Estates plc on an arm's length basis under promotional agreements forming part of the acquisition of the Harrow business.

As at 30 June 2018, an amount of £nil was due to Harrow Estates plc under normal trading terms.

There have been no other material transactions with key management personnel. There is no other difference between transactions with key management personnel of the Company and the Group.

The Company funds the operating companies through both equity investment and loans at commercial rates of interest. In addition, the Company provides its subsidiaries with the services of Senior Management, for which a recharge is made to those subsidiary companies based upon utilisation of services.

The amount outstanding from subsidiary undertakings at 30 June 2018 was £675m (2017: £945m). The amount owed to subsidiary undertakings at 30 June 2018 was £14m (2017: £14m).

The Company provided the Group's defined benefit pension scheme, as detailed in note 7e. Expected service costs were charged to the operating businesses at cost. There is no contractual arrangement or stated policy relating to the charge. Experience and actuarial gains are recognised in the Company, via the statement of comprehensive income.

During the year, the Group received £24m loan repayments from its joint ventures, Menta Redrow Limited and Menta Redrow (II) Limited. It also received a £3m dividend from Menta Redrow Limited. The Group's loans to its joint ventures are disclosed in note 10.

## FINANCIAL STATEMENTS

## Glossary

**DPS**

Dividend Per Share

**Forward Land**

Land which is owned or controlled by Redrow, generally under option, which is being promoted through the planning system in order to ultimately achieve a residential planning consent

**GDPR**

General Data Protection Regulation

**HBF**

Home Builders Federation

**NHBC**

National House Building Council

**PRS**

Private Rented Sector

**Sales Outlet**

A development with new homes for sale, comprising a discreet sales area and with a planned selection of new homes available

**SDLT**

Stamp Duty Land Tax

**NPPF**

National Planning Policy Framework

**HOW KEY PERFORMANCE INDICATOR MEASURES ARE CALCULATED:****Accident incident rate by site**

No. of notifiable accidents in financial year divided by average no. of sites

**Earnings per share (EPS)**

Profit attributable to ordinary equity shareholders (excluding exceptional items and deferred tax rate changes) divided by the weighted average no. of ordinary shares in issue during the financial year

**HBF customer satisfaction rating**

Independent HBF customer satisfaction rating score

**Land holding years**

No. of plots in owned land holdings at 30 June divided by no. of legal completions in financial year

**Number of trainees**

No. of trainees at 30 June

**Private reservation rate**

No. of private reservations per week in financial year divided by average no. of sales outlets

**Return on capital employed (ROCE)**

Operating profit before exceptional items adjusted for joint ventures as a percentage of opening and closing capital employed

**Return on equity (ROE)**

Profit before tax before exceptional items adjusted for joint ventures as a percentage of opening and closing net assets

**Revenue**

Revenue per consolidated income statement

**Sales outlets**

No. of sales outlets open at 30 June

## SHAREHOLDER INFORMATION

## Corporate and Shareholder Information

## SHAREHOLDER DISCOUNTS

The Company offers a discount of 1% to Shareholders off the purchase price of a new Redrow home. In order to qualify for the discount a purchaser must hold a minimum of 2,500 ordinary shares in Redrow plc for a minimum of 12 months prior to the date of reservation, subject to a cap of £5,000.

Details of our current developments are available on our website: [www.redrow.co.uk](http://www.redrow.co.uk)

## GROUP CONTACTS

Officers and advisers

## Company Secretary

Graham Cope

## Registered Office

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Registered Number 2877315

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## Independent Auditors

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## Solicitors

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## Financial Public Relations Consultants

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London  
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## SHAREHOLDER INFORMATION

## Five Year Summary

12 months ended 30 June

	2014 £m	2015 £m	2016 <sup>†</sup> £m	2017 £m	2018 £m
Revenue	864	1,150	1,382	1,660	<b>1,920</b>
Operating profit	138	213	261	322	<b>382</b>
Operating profit as a percentage of turnover	15.9%	18.5%	18.9%	19.4%	<b>19.9%</b>
Profit before tax	133	204	250	315	<b>380</b>
Net assets	696	873 <sup>†</sup>	1,041	1,235	<b>1,483</b>
Net cash/(debt)	(172)	(154)	(139)	(73)	<b>63</b>
Gearing – net debt as a percentage of capital and reserves	24.8%	17.6% <sup>†</sup>	13.3%	5.9%	<b>N/A</b>
Return on capital employed – operating profit before exceptional items adjusted for joint ventures as a percentage of opening and closing capital employed	18.0%	22.8%	23.7%	26.0%	<b>28.5%</b>
Return on equity	20.5%	26.4%	26.1%	27.7%	<b>28.0%</b>
Number of legal completions	3,597	4,022	4,716	5,319	<b>5,718</b>
Earnings per ordinary share	28.3p	44.5p	55.4p	70.2p	<b>85.3p</b>
Dividends paid per ordinary share	2.0p	4.0p	8.0p	12.0p	<b>20.0p</b>
Net assets per ordinary share	188.1p	236.1p <sup>†</sup>	281.5p	334.0p	<b>401.0p</b>

<sup>†</sup> Restated to reflect change in accounting policy.