REDROW

Base Cost Apportionment - B Share Scheme

IMPORTANT NOTE: The following document contains information and examples intended to offer guidance on the apportionment of the base cost of your Existing Ordinary Shares between your New Ordinary Shares and your B Shares.

These comments are intended only as a guide to United Kingdom tax law and HM Revenue & Customs published practice current as at the date of the circular dated 7 March 2019 sent by the Company to its shareholders (the "Circular"), both of which are subject to change at any time (potentially with retrospective effect). They do not constitute, and should not be taken as, tax advice. They are not exhaustive and relate only to certain limited aspects of the United Kingdom tax treatment of the B Share Scheme and Share Consolidation. They are intended to apply only to Shareholders who: (i) are resident and, in the case of individuals, also domiciled in (and only in) the United Kingdom for United Kingdom tax purposes and to whom split-year treatment does not apply; and (ii) are and will be the direct absolute beneficial owners of their Existing Ordinary Shares, B Shares, New Ordinary Shares and Deferred Shares (and any dividends paid on them) and who hold, and will hold, them as investments other than under an individual savings account or pension arrangement (and not as securities to be realised in the course of a trade or which constitute carried interest).

The comments may not apply to certain Shareholders, such as dealers in securities, insurance companies and collective investment schemes, Shareholders who are exempt from tax and Shareholders who have (or are deemed to have) acquired their Existing Ordinary Shares by virtue of an office or employment. Such persons may be subject to special rules. Shareholders who are not resident in the United Kingdom or who are citizens, residents or nationals of other countries should consult their professional advisers to ascertain whether the issue, holding or disposal of the B Shares will be subject to any restrictions or require compliance with any formalities imposed by the laws or regulations of, or any body or authority located in, the jurisdiction in which they are resident or to which they are subject. In particular, it is the responsibility of any Overseas Shareholder to satisfy itself as to full observance of the laws of each relevant jurisdiction in connection with the B Share Scheme, including the obtaining of any government, exchange control or other consents which may be required, or the compliance with other necessary formalities needing to be observed and the payment of any issue, transfer or other taxes or duties in such jurisdiction.

The distribution of this document in certain jurisdictions may be restricted by law. Persons into whose possession this document comes should inform themselves about and observe any such restrictions. Neither this document nor any other document issued or to be issued by or on behalf of the Company in connection with the B Share Scheme constitutes an invitation, offer or other action on the part of the Company in any jurisdiction in which such invitation, offer or other action is unlawful.

The position may be different for future transactions. Shareholders should always seek their own advice from an appropriate independent and authorised professional if they are in any doubt as to their tax position or are subject to tax in a jurisdiction other than the United Kingdom.

Percentages may have been rounded and accordingly may not add up to 100 per cent. Certain financial data has been rounded and, as a result of this rounding, the totals of data presented in this document may vary slightly from the actual arithmetic totals of such data. Capitalised terms have the meanings ascribed to them in the "Definitions" section of the Circular.

The issuance of the B Shares and the New Ordinary Shares as a result of the Share Consolidation on 8 April 2019 should constitute a tax-free reorganisation of the share capital of the Company. Accordingly:

A. Shareholders receiving B Shares and New Ordinary Shares should not be treated as having made a disposal of all or any part of their holding of Existing Ordinary Shares; and

B. a Shareholder's holding of B Shares and New Ordinary Shares should together be treated as the same asset as that Shareholder's holding of Existing Ordinary Shares and as having been acquired at the same time, and for the same consideration, as the holding of Existing Ordinary Shares.

This guidance is intended to assist with the calculation of the tax due following the B Share purchase by outlining the steps necessary to apportion the Capital Gains Tax ("**CGT**") base cost in your Existing Ordinary Shares between the B Shares and the New Ordinary Shares.

Step 1 – Calculate the base cost of your Existing Ordinary Shares

The first calculation should be of the base cost amount relating to your Existing Ordinary Shares immediately prior to the Share Consolidation.

In this document, the following share acquisitions shall be used as a worked example:

Acquisition Event	**No. Existing Ordinary Shares Acquired**	**Acquisition price per share**	**Total acquisition price**
June 2018 - purchase on London Stock Exchange (XLON); Main Market	500	550 pence	£2,750
Feb 2019 - purchase on London Stock Exchange (XLON); Main Market	500	650 pence	£3,250
Total	1,000		£6,000

The total base cost of the Existing Ordinary Shares is equal to the total acquisition price of those shares, being £6,000.

To calculate the base cost per share, the total base cost should be divided by the total number of Existing Ordinary Shares:

£6,000 / 1,000 shares = 600 pence

Step 2 – Apportion the base cost between New Ordinary Shares and B Shares

To calculate the tax due on a subsequent disposal of all or part of a Shareholder's B Shares or New Ordinary Shares, that Shareholder's CGT base cost in their holding of Existing Ordinary Shares will need to be apportioned between the B Shares and the New Ordinary Shares by reference to their respective values on the first day on which the New Ordinary Shares were listed.

Reference to Market Value means the following:

Market values	
Price of New Ordinary Share on first day of trading (8 April 2019)	627p
Value of B Share	30p

In the above worked example, the Shareholder held 1,000 Existing Ordinary Shares which had a base cost of 600 pence per share, and a total base cost of £6,000.

Following the Share Consolidation, the Shareholder now holds the following:

- 952 New Ordinary Shares (1,000 x (20/21))
- 1,000 B Shares

To calculate the apportionment, the following calculation may be used:

$$\frac{\textbf{Market Value of the relevant share class}}{\left(\begin{array}{c}\textbf{Market Value of the New Ord Shares}\\ \textbf{+}\\ \textbf{Market Value of the B Shares}\end{array}\right)} \quad \textbf{X} \quad \begin{array}{c}\textbf{Base Cost of}\\ \textbf{Existing Ordinary Shares}\end{array}$$

The table which follows shall provide a worked example of this:

Share Type	**Number post-Consolidation**	**Market Value on 8 April 2019 (pence per share)**	**Total Market Value of Holding on 8 April 2019**	**Apportionment as %***	**Apportioned Base Cost**
New Ordinary Shares	952	627	£5,969.04	**95.21%** (£5,969.04 / £6,269.04)	**£5,712.87** (£5,969.04 / £6,269.04) x £6,000
B Shares	1,000	30	£300	**4.79%** (£300 / £6,269.04)	**£287.13** (£300 / £6,269.04) x £6,000
Total			£6,269.04		£6,000

** Percentages rounded to 2 decimal places*

Step 3: Calculate the gain/loss on the purchase of the B Shares

To calculate the gain or loss arising on the purchase of the B Shares, the following calculation may be used:

Market Value of the B Shares – Apportioned Base Cost for the B Shares

The table which follows shall provide a worked example of this:

B Share Proceeds **A**	**Apportioned Base Cost** **B**	**Gain/(Loss)** **A – B**
£300	£287.13	**£12.87**

Any chargeable gain arising as a result of the purchase of the B Shares may be reduced, depending on the availability of your annual capital gains tax exemption and any other reliefs. If a loss arises, you may be able to utilise that loss to reduce your CGT liability for any gains made in the current or future tax years.

IMPORTANT NOTE: Please note that the Company is not able to provide tax advice and these examples are for illustrative purposes only. You should seek appropriate advice when completing any tax return which reflects any matters for which the apportionment is relevant.