CHAIRMAN'S STATEMENT

I have now completed my first full year as Chairman of Redrow plc during which time the UK housebuilding industry has confronted an unprecedented reduction in activity. We recognised during the first half of the financial year that our markets were coming under pressure and we took early measures to adjust our approach to managing the business. However, the severity and speed of the deterioration in the housing market in 2008 will impact on short term profitability and have necessitated an adjustment in strategy to one more highly focused on the management of cash flow and reduction of cost.

In these exceptional times we have responded quickly in the following areas taking decisive actions to allow us to manage the business through these markets:

- We restricted our land acquisition activities to reduce future cash commitments and the exposure to falling land values
- We have made significant reductions in our headcount and rationalised our operational structure to reduce our cost base
- We have recognised the impact of current market conditions on land values and have prudently assessed the net realisable value of land and work-in-progress in our balance sheet
- We have secured new debt facilities of £450m that provide for an extended maturity date and covenants appropriate to the prevailing trading environment.

The results for the twelve months ended 30 June 2008 reflect the extremely difficult trading environment created by the change in the credit markets. As a result of mortgage lenders tightening their criteria, the availability of funding has become scarce particularly for first time buyers and those without substantial deposits. More recently, homebuyer confidence has been further affected by concerns about the future for house prices and the well being of the UK economy. In due course the long term structural shortage in housing supply relative to demand can be expected to return. The sector faces significant challenges in the short term but we are positioning Redrow to be able to create opportunities and take advantage of improvements in our markets when they arise.

2007/08 Performance

Group turnover during 2007/08 was £650.1m (2007: £834.3m). We legally completed 3,925 new homes in the year which was just under 19% lower than in the preceding year (2007: 4,823) at an average selling price of £156,900 (2007: £159,900). Group operating profits from continuing operations before exceptional charge were £84.5m as compared with £136.6m in the previous year. This reduction in operating profit reflected the lower number of legal completions but also a decline in operating margins to 13.0% (2007: 16.4%) as discounts and increased incentives were necessary to generate sales. We have retained a close focus on our cost base during the last twelve months and reduced administrative expenses to £36.0m as compared with £46.4m last year. Financing costs during the year were £18.0m (2007: £15.3m) and were influenced by the higher cost of borrowing in the prevailing financial markets.

Group profit before tax from continuing operations and before exceptional items was £65.5m as compared with £121.1m in 2006/07 with earnings per share on an equivalent basis at 28.8p (2007: 53.3p). The loss before taxation from continuing operations after exceptional items was £193.9m (2007: £121.1m profit) with a basic loss per share on the same basis of 86.3p (2007: 53.3p of earnings)

Exceptional Items, Balance Sheet and Funding

We responded early to the change in market conditions in the first half of our financial year by limiting our exposure to further contracts in respect of land purchases. We have reduced our owned land bank with planning from 17,700 plots at June 2007 to 14,900 plots as at June 2008. Importantly, we have reduced our contracted commitments to only 1,550 plots (2007: 2,500) thereby limiting further cash outflows and exposure to uncertain market conditions. We remain committed to a long term approach to sourcing development opportunities and our forward land bank at June 2008 increased to 26,150 plots (2007: 24,900 plots) the underlying value of which is not recognised in our balance sheet.

The reduced activity levels and the related impact on selling prices being experienced in the market have led to a significant adjustment to values in the land market. We have prudently reviewed the net realisable value of land and work-in-progress in the balance sheet on phases of sites currently in development together with the value of land not in development. This detailed review has resulted in an exceptional charge of £259.4m relating to the provision against the carrying value of the Group's land and work-in-progress. This represents an appropriate platform from which the Group can move forward in the current market conditions.

Following the net realisable provision against the Group's land and work-in-progress, the Group's capital employed at June 2008 was £627.9m (2007: £755.4m). Net debt as at the financial year end was £223.3m (2007: £177.6m) and gearing at June 2008 following the adjustment to the carrying value of land and work-in-progress was 55.2% (2007: 30.7%). Net assets decreased to £404.6m (2007: £577.8m) equivalent to 252.9p per share (2007: 361.5p) which represents a 37% premium to the company's closing share price on 5 September 2008.

In pursuit of our previously announced strategy to simplify our business and to focus upon those elements which represent our core strengths, we announced in January 2008 the disposal of our investment in Framing Solutions. The results for the year include a loss of £1.9m in respect of discontinued activities which includes our share of the impact of this sale.

As planned, we have recently concluded a refinancing of our banking arrangements which were due to mature in 2009. We were pleased to receive the support from all our existing relationship banks who participated in a new £450m three year facility with a covenant package appropriate to the current trading environment.

Dividends

The Board recognises the importance of dividends to shareholders and this was reflected in a compound growth rate in the dividend of over 20% per annum in the previous five years. The significant deterioration in the fortunes of our markets in a very short period of time has required a review of dividend policy encompassing the final dividend in respect of the year ended 30 June 2008. In the current environment, the Board considers that shareholders are best served by retaining cash within the business and therefore does not propose making a final dividend payment. This will result in a dividend of 9.3p per share for the year (2007: 15.6p) being the interim dividend paid to shareholders on 2 May 2008. It is our view that in future years, dividends will need to be appropriate to earnings and prospects for the company and that any proposed payments would need to be at least twice covered by the earnings generated by the business.

People

Within Redrow, we have for some time constructively engaged with our business partners to reduce our external cost base and have also secured internal cost savings. The human cost of the downturn in activity must not be understated and we have made very significant reductions in headcount amounting to over 500 employees since 1 January 2008, approaching 40% of our workforce. We have also taken steps to control employee costs across our remaining staff in 2008/09 including the executive team, as regards salary reviews and potential bonus awards. These actions represent wholly appropriate steps in the current environment. The Group retains a core of experienced employees and the Board would like to sincerely thank all our staff, past and present, for their commitment to the business.

The Board believes it is important to provide appropriate incentives for employees to be able to share in the recovery that will take place when markets improve. We will continue to operate a Save As You Earn Scheme open to all employees. In addition, the Board is proposing the introduction of a Company Share Option Plan under which options may be granted up to a value of £30,000 to selected employees under an HM Revenue & Customs approved plan.

The Board

I would like to thank Brian Duckworth on behalf of the Board for his contribution during his time as a Director with Redrow plc. Brian retired as a Non-Executive Director at the end of his second three year term in May 2008. Malcolm King, who has served on the Board since January 2004, has now taken on the role of Senior Non-Executive Director and Denise Jagger has become Chairman of our Corporate Responsibility Committee.

Looking Forward

Our net reservations were 55% lower in the six months to June 2008 at levels not experienced across our industry for very many years. In Redrow, this resulted in forward sales at the end of June 2008 being 1,189, some 45% down on the same time last year. This, together with the prevailing market conditions, will influence the level of legal completions in 2008/09 which are expected to be substantially lower than the previous financial year.

It still remains difficult to foresee how long the reduction in activity as a result of the credit squeeze will continue but it is our view there may be no meaningful increase in the availability of finance in the wider mortgage market before 2010. In the seasonally weaker first two months of the new financial year, net reservations for private sales have been maintained at similar levels with the previous quarter. After the first ten weeks of the new financial year we had 1,050 cumulative sales for legal completion in 2008/09. The competitive housing market was already resulting in reductions in house prices and could be further affected as the resilience of the economy is now under pressure.

We believe that the Government needs to urgently reappraise many of its policies in relation to the housing market given the change in market conditions. Whilst we welcome the Government's recently announced package of measures, we encourage it to take action to help improve the availability of mortgage finance. In particular we also consider that more needs to be done to help first time buyers to become homeowners. In the medium term, it is important that the Government review their proposals for the value of land to pay for a wide range of initiatives relating to sustainability, infrastructure and social policies. Without this review the short term adverse consequences for the economy and the longer term impact on housing supply could be very significant.

It is highly likely that the markets we currently face will persist for some time to come and Redrow has positioned its business accordingly. We will benefit from the scale of our business with our experienced executive team continuing to work closely alongside the strong management in our operations. The business has the capability to generate cash and we have a clear operational strategy that will see a reduction in the level of net debt over the next two year period after meeting our contractual land obligations.

We have retained a structure within our business to provide a basis for growth in the future. Our strategy is to position the business so that we can be opportunistic in the land market at the appropriate time. This will complement our high quality forward land bank which continues to progress positively through the planning system. This land strategy, coupled with Redrow's approach to differentiate product through the quality of specification and design, will enable us to optimise value for shareholders when homebuyer confidence improves and the market returns to more normal levels of activity.

Alan Bowkett
Chairman