

## CHAIRMAN'S STATEMENT

Redrow has again performed strongly, setting a new record for profit before tax of £124.1m in the year to June 2004, an increase of 17.0% on the previous year. I am therefore pleased to confirm that the Board is recommending a final dividend of 6.0p per share that will bring the total for the year to 9.0p, an increase of 20.0%, in line with the announcement made in December 2003.

The Company remains committed to planning and managing the business to deliver profitable and sustainable growth. During the last three years, a number of successful initiatives have been undertaken to further this objective, in particular our geographical expansion, our investment in people, the development of our product range and the expansion of our land holdings. This enables the Board to be confident about the Group's capabilities in the future and, as a result, I am pleased to confirm that the Board intends, subject to unforeseen circumstances, not only to increase the dividend by 20.0% in the years to June 2004 and 2005 but to extend that commitment by a further year to June 2006.

The Company has increased the number of legal completions in every year since 1990 whilst enhancing the quality of its financial returns with operating margins and return on capital employed both continuing to be maintained at the top end of sector performance. In the year to June 2004, operating margins increased to 19.8% and return on capital employed was 29.4%. Since the flotation in June 1994, the quality of returns coupled with our belief in listening to the views of our shareholders has resulted in Redrow delivering a compound annual growth rate of 21.4% in reported earnings per share and a 12.2% compound annual growth rate in dividend per share. Total shareholder return over the period has been 13.1% per annum.

The quality of people in our business is critical to our future. The Redrow team, in its widest sense, is exceptionally strong, harnessing talented and hard working employees at every level together with its supplier and sub-contractor base. Our collective futures lie in the mutual objective of delivering to our customers high quality products in which to live and work in first class environments and we are grateful to all of them for their enthusiasm and commitment.

At the core of ensuring the quality of the Redrow team is our strategy to make Redrow the employer of choice within our industry. This requires Redrow not only to offer competitive remuneration packages at all levels but also to provide opportunities for our employees to meet their full potential and thereby contribute to the future success of the Company. The new training centre coupled with enhanced induction and appraisal processes are important elements in achieving this goal and are already contributing to a reduced level of staff turnover.

At Board level, the talents and experience of non-executive directors provide an important contribution in support of the Executive Team. I would like to take this opportunity to thank Bob Williams, who retired in November 2003, for his invaluable assistance over 9 years, especially in his role as Audit Committee Chairman and for his experience on commercial property development. We are pleased to welcome Malcolm King, Senior Partner at King Sturge, in his place and look forward to his contribution to the Board.

The securing of land opportunities whilst meeting the challenges of the planning system remains one of the distinguishing characteristics of Redrow, and we have made further progress this year, expanding the land bank with planning permission to 15,000 plots. This is, however, only part of an extensive land pipeline which not only includes land with planning but not yet taken into ownership, but also sites being taken through the planning system, and identified as allocated residential land within emerging local plans. This places Redrow in a very strong position with regard to future development, with the vast majority of the land necessary to develop the Company over the next three years already under our control. Redrow is therefore well positioned to continue its expansion, should market conditions be appropriate. Furthermore the vast majority of the land is both brownfield and in sustainable locations and therefore in accordance with the Government's own declared planning objectives.

In March 2004, the Barker Review of Housing Supply was published. Redrow welcomed its publication believing it to be a balanced assessment of the housing issues facing the UK and the Review included many sensible recommendations to address the critical question of how to secure the country's future housing needs. Redrow played an active role in providing information for the original report and continues to engage constructively with Government in the consultation process, principally through the industry's representative body, the House Builders Federation. Redrow hopes to see a positive outcome from this consultation process, which would manifest itself in the increased availability of land for development and a more responsive planning system. Whilst the Group is extremely well placed to capitalise on such an outcome there remains, nevertheless, a number of significant challenges before the recommendations of the Barker Review can be said to have been fully embraced by the Government. It is the Board's view therefore that any significant change for the good arising from the Barker Review is more likely to be felt in the medium to long term. Meanwhile, we continue to witness a lengthening in the time taken to achieve planning across the UK and, in the North West of England, the introduction of a moratorium on new planning consents which is at odds with pronouncements from Government seeking to increase housing supply.

Building methods continue to change, recognising both the development of new materials and modern methods of construction. Against a background of continuing skill shortages, these initiatives are of considerable importance if we are to continue to deliver a substantial building programme. Our joint venture with Corus, Framing Solutions, is an important ingredient in achieving these objectives, as are the initiatives stemming from our own research and development function.

Redrow recognises its wider corporate social responsibilities. I would particularly like to highlight the considerable progress made in the areas of Health and Safety, where in 2004 we received a RoSPA award, and Customer Service, where new procedures were implemented across the Group from July 2004. The Board believes it has a responsibility to the communities in which it operates and in particular takes a very active role in educating schoolchildren about the housebuilding industry and especially the Health and Safety issues associated with construction sites.

Looking to the future, Redrow entered the new financial year with record forward sales and a strong and efficient land bank. Whilst the recent strength of the market has moderated back to a more sedate and sustainable level, the fundamentals of the housing market remain robust and the deficit between people's aspirations to own a home and national supply remains considerable. In the context of continuing economic confidence and high levels of employment, home owning remains the preferred choice of the vast majority of our fellow citizens. Redrow has been positioned to meet the challenges of tomorrow and to deliver

profitable and sustainable growth for not only the benefit of our shareholders, but also our staff, customers and the community as a whole.

Robert Jones  
Chairman