

## CHAIRMAN'S STATEMENT

I am pleased to report another year of progress for Redrow, delivering for our Shareholders a 13% increase in earnings per share to 62.1p. Accordingly, the Board reaffirms its previously stated dividend policy and it remains our intention to increase the dividend by 20% to 10.8p per share for the year ended 30 June 2005 (2004: 9.0p) and by a further 20% for the year ending 30 June 2006.

Turnover increased by 17% to £781.0m (2004: £670.3m) and profit before tax increased by 14% from £124.1m to £141.1m, reflecting the Board's strategy over the last few years of building a strong forward sales position and increasing the number of outlets for our homes as we broaden our geographic coverage. This performance was achieved against a background of more challenging trading conditions that began to take effect in the middle of 2004 and prevailed throughout the financial year and it is therefore of particular note that profit before tax increased by 7% in the second half of the financial year compared to the equivalent period last year.

Redrow's focus remains the combined delivery of a high return on capital employed and operating margins which we believe will generate value for our Shareholders. During the last financial year return on capital employed was 28.2% (2004: 29.4%) with an operating margin within Redrow Homes of 19.6% (2004: 19.8%), demonstrating our ability to deliver against those benchmarks. The Group's balance sheet strengthened further with net assets increasing by 22% to £459.0m (2004: £376.6m) and gearing falling to 22% (2004: 35%). Interest cover remained very robust at 15.3 times (2004: 15.4 times).

The key to the delivery of shareholder value in our sector rests primarily in the quality of our land bank and the ability to maintain that quality into the future. During the year we have increased the number of owned plots with planning permission from 15,000 to 15,800. Whilst the sources of this land remain very varied, we continue our commitment to brownfield development, with over 70% of our owned plots on such sites. Redrow's long term approach to securing opportunities through forward land has contributed substantially to our success providing a pipeline of developments at enhanced margins when compared with the open market. This past year, 43% of our land acquired has come from this source and it has the potential to make a further strong contribution over the next few years.

In a highly competitive market, it is important to have a broad range of product appealing to a wide cross section of home buyers. Redrow's attractive core product, the Signature range, together with its successful In the City developments, have now been joined by the Debut range. Debut delivers affordable homes for customers to buy whose aspirations have been largely unaddressed by the new homes industry. I have been delighted at the innovation and imagination shown by the Redrow team in taking this initiative from concept to completed and occupied homes within 12 months. We are extremely pleased on our three current Debut sites with the supportive attitude of the planning authorities for their vision in embracing the Debut concept. We continue to discuss opportunities to promote Debut with a significant number of Local Authorities, landowners and other stakeholders and I am encouraged by the potential for incremental growth that Debut offers Redrow.

Such initiatives depend very much on the skills and commitment of all members of the Redrow team. I would like to thank each and every one for their part in delivering not only these results but for the dedicated way in which they work for the benefit of customers and

company alike. The success of our product has been enhanced by the efforts of our Product Development Team where, in addition to their contribution to Debut, they have played a prominent role in our success in reaching the final stages of the Office of the Deputy Prime Minister and English Partnership's Design for Manufacture Competition. Our in-house Health and Safety department has also demonstrated its effectiveness by achieving for Redrow the coveted ROSPA Silver Award following on from our Bronze Award last year.

Succession planning is hugely important to any business and the Redrow Board gives a high priority to this matter. I am delighted to report that as announced on 30 June 2005, Neil Fitzsimmons, our Group Managing Director, succeeded Paul Pedley as Chief Executive on 1 August 2005. Neil joined Redrow in August 1997 following many years involvement in residential development and became Group Finance Director in June 1998 before being appointed Group Managing Director in September 2003. Paul has spent twenty years with Redrow in a series of key roles, and on behalf of the Company and Shareholders, I would like to thank him for his commitment thus far to Redrow and for the key part he has played in transforming Redrow from a small regional builder to a major force within the industry. In his new role, as Executive Deputy Chairman, Paul's primary responsibilities will be to pilot through significant land acquisitions and the ongoing development of the product range with a particular focus on Debut.

Despite the recommendations in the Barker Review published in March 2004 regarding the need to increase the output of the new homes industry, we have yet to experience a discernible improvement in the efficiency of the planning system. We welcome and remain supportive of Government policy to increase the supply of new homes which is important for the economic wellbeing of the UK economy. Redrow looks forward to working with the Government to help shape effective strategies to improve the efficiency of the planning system so as to enable the building of a sufficient quantity of new homes to meet the broad spectrum of needs and aspirations of home buyers in general.

We continue to experience a challenging and competitive environment as the sector goes through a period of adjustment during the transition to more normal markets. In the medium term, there remains an inequality between demand for, and supply of, housing in the UK that, together with a favourable underlying macro-economic position of high levels of employment and historically low interest rates, should be supportive for our industry. The quality of our land bank together with our attractive product range provides a sound base to capitalise on these fundamentals. Since June 2000, the Group has delivered a 25% annual compound growth rate in earnings per share and a 17% annual growth rate in dividends. Over the same period, Total Shareholder Return has been 22% per annum. We remain firmly committed to delivering shareholder value, and look forward to the challenges of the coming years, confident of our ability to deliver further success for our Shareholders, for whose continued support we remain extremely grateful.

Robert Jones  
Chairman