Wednesday 18 September 2013

Redrow plc

Final results for the year to 30 June 2013

Financial Results

	2013	2012	Change
Revenue	£604.8m	£478.9m	+26%
Operating Profit	£73.6m	£48.0m	+53%
Profit before tax	£70.0m	£43.0m	+63%
EPS (adjusted)	15.7p	10.8p	+45%
ROCE	12.2%	8.7%	+40%
Net Debt	£91m	£14m	£77m
Dividend	1p	n/a	

Financial highlights

- Group revenue increased 26% to £604.8m driven by a 15% growth in legal completions and an 11.8% increase in Average Selling Price to £212,300 (due to mix)
- Gross margins rose to 18.8% from 17.3% at June 2012
- Pre-tax profit up 63% to £70m and adjusted earnings per share up 45% to 15.7p
- Value of private reservations up 42% from £472m to £668m
- Help to Buy made a significant contribution to forward sales, but just 3% to private completions
- Return on Capital Employed of 12.2% (2012: 8.7%)
- Net debt increased to £91m vs £14m in 2012, due to our ongoing investment in land and work in progress. We expect net debt to increase further in line with our ongoing investment in inventory
- On the basis of these strong results, the Board is proposing the reinstatement of a final dividend of 1p per share

Operational highlights

- Legal completions rose 15% to 2,827 (2012: 2,458)
- The Heritage Collection now firmly established as primary brand and represented 85% of private turnover during the year (2012: 67%)
- Opening of new outlets remains a priority. In the year to 30 June 2013 our outlets increased from 82 to 92.
- A significant increase in output is anticipated during the current year, with a number of new sites either commenced or in the pipeline
- The owned and contracted land bank at the end of June 2013 was 14,162 plots (June 2012: 12,350 plots)
- Private reservations per outlet per week in the current year to date are 40% ahead at 0.77 (vs 0.55)

Steve Morgan, Chairman of Redrow, said:

"Redrow has today reported another set of strong results as we continue our journey towards more normalised profit levels. As a consequence of this the Board is proposing the reinstatement of a final dividend of 1p per share. Our strategy of focusing on high quality differentiated family housing product continues to pay off with The Heritage Collection firmly established as our primary brand accounting for 85% of our private turnover during the year.

Market confidence is returning to more normal levels, and we have started the new year well with reservations up 54%. However, the pace at which we can continue to increase output is very much dependent on our ability to increase the number of outlets through the planning system, which continues to be bureaucratic, costly and time consuming.

We have an excellent product range and a significant increase in output is anticipated during the current year, with a number of new sites either commenced or in the pipeline. With the ongoing assistance of good mortgage availability and Help to Buy, we expect Redrow will continue to make further strong progress."

Enquiries:

Redrow plc

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There will be an analyst and investor meeting at 9.00 am at The Lincoln Centre, Lincoln's Inn Fields, London, WC2A 3ED. Coffee will be served from 8.45 am.

A live audio webcast and slide presentation of this event will be available at 9.00am on www.redrow.co.uk. Participants can also dial in to hear the presentation live at 9.00 am on +44 (0) 20 3139 4830 or UK Toll Free 0808 237 0030, Participant Pin Code 84646283#.

Playback will be available by phone until 25 September on the following dial-in numbers:

UK & International + 44 (0) 20 3426 2807
UK Toll-Free 0808 237 0026
Replay Pin 641913#

CHAIRMAN'S STATEMENT

I am delighted to be able to report another year of significant growth as we continue our journey to more normalised profit levels. Progress has been made on all fronts, to the extent that the Board feels it appropriate to recommend the return of a final dividend.

Financial Results

Group revenue rose 26% to £605m (2012: £479m) for the financial year. This was due to a combination of a 15% growth in overall legal completions to 2,827 (2012: 2,458) and an 11.8% increase in average selling price to £212,300 (2012: £189,900) largely as a result of a change of product mix.

Gross margins improved from 17.3% to 18.8% as over 60% of our sales volume was generated from sites purchased since the downturn on which we made normal margins.

Operating expenses increased in absolute terms due to the growth and ongoing investment in the business, but reduced as a percentage of sales to 6.6% (2012: 7.3%). Overall profit before tax increased by 63% to £70m (2012: £43m) giving a pre-tax margin of 11.6% (2012: 9%). Underlying earnings per share were 15.7p, up 45% on last year. Return on Capital Employed improved to 12.2% from 8.7% last year.

Net assets increased by 9% to £609m or £1.65 per share (2012: £562m / £1.52). Our ongoing investment in land and work in progress led to net debt rising to £91m at the end of the financial year, giving gearing of 14.9% (2012: 2%). We expect net debt to increase further in line with the ongoing inventory investment.

As a consequence of this strong set of results the Board feels confident to propose the reinstatement of a final dividend of 1p per share.

Market

The housing market has improved throughout the last financial year as mortgage availability has gradually increased on the back of the Funding for Lending scheme. It further strengthened significantly following the launch at the beginning of April 2013 of the Government's Help to Buy scheme for new build homes. Help to Buy has made a significant contribution to our forward sales position; however only 3% of our private completions during the year arose from this initiative.

Assisted by the above initiatives, confidence in the housing market is returning and despite the increase in the average selling price of our new homes, sales per outlet rose to 0.62 per week throughout the financial year, compared to 0.58 in the previous year.

The Heritage Collection, our primary brand, reached our target of 85% of private turnover during the year (2012: 67%), slightly earlier than anticipated. The average selling price of a Heritage home is now £232,000, an increase of 8% on the previous year, due to a greater percentage of larger family homes.

Overall the value of private reservations taken during the year increased 42% from £472m to £668m with all regions of the business performing well apart from Wales, where the Welsh Government initiatives such as Help to Buy have yet to materialise.

Increasing new outlets is the key to enable us - and indeed the new homes industry - to increase supply to meet the country's needs and growing demand. We have employed considerable focus and resource into increasing outlets in recent years and as a result we finished the financial year on 92 outlets, up from 82 in June 2012.

In London we completed the remaining houses at Ealing and the first 13 apartments on our Riverside development in Kingston-upon-Thames. A substantial increase in output is anticipated during the current year, with a number of new sites either commenced or in the pipeline.

Land and Planning

During the year we secured a total of 4,729 plots, of which 1,068 were converted from our strategic land bank. As of June 2013 our current land bank amounted to 14,162 plots, an increase of 15% over last year. The average plot cost has continued to rise and now stands at £57,000 (2012: £50,000) in line with increasing selling prices, as a result of the change in product mix and quality of sites. The percentage of provisioned land continued to reduce from 22% of the land bank in 2012 to 13% now. Provisioned land should be all but eliminated by June 2015.

I mentioned above that demand has increased as a result of improved consumer confidence, which in turn is resulting in an increase in output across our sites. Although on the face of it this is good news, the industry is already starting to experience labour and material shortages. As a consequence, despite output increasing at a reasonable pace, reaching the levels the country requires will not be achieved overnight.

One consequence of increasing output is that sites will be built through in a shorter timescale, which means that they will need to be replaced more quickly. Despite welcome improvements brought about by the NPPF and other Government initiatives to streamline the planning process the system in practice remains a bureaucratic mess and is still failing to deliver implementable planning permissions at anything like the rate the country requires and the house building industry needs to expand.

Home builders are often accused of land banking. Under the present system once an application receives a signed S106 it counts in the statistics as a Planning Approval. However, that is not the end of the story as many of the sites currently “Approved”, including many of those counted in our own and indeed our competitors’ land banks, require Reserved Matters Approval and after that clearance of Planning and Pre Start Conditions. This process is becoming an increasingly bureaucratic, costly and time consuming exercise.

We currently have 16,600 plots locked in the planning system at one stage or another on a total of 99 sites, which, if approved, would deliver approximately 120 additional outlets. Despite employing considerable resources only a minority of these sites are likely to progress sufficiently through the system to achieve a build start in the next 12 months. Although we do expect to increase outlets in the current year, the pace of growth is much slower than we would like and the level of planning bureaucracy is an unnecessary barrier to increasing the supply of new homes.

People

During the year to June 2013 we have once again made significant strides in terms of training our people. When I returned to Redrow four years ago there wasn’t a single trainee in the Company. I am pleased, indeed proud, to announce that over 14% of our total workforce are trainees, spread across all areas of the business.

At Redrow we are industry leaders in our determination to give opportunities for young people to gain employment and develop the skills they will need for a long term career. During the year to date 43 apprentices and 19 graduates have been recruited. In total 15% of our employees are under the age of 25, which will form the foundation for Redrow to continue to grow as a sustainable business.

As announced in the first half of the year, Nick Hewson was appointed Non Executive Director as a replacement for Paul Hampden Smith. Nick, who has many years' experience in the property sector, has also been appointed as Chair of the Audit Committee.

Alan Jackson, who was appointed shortly after my return to Redrow as Deputy Chairman and senior Non Executive Director, has announced that he will be retiring from the Board at the end of the financial year.

The considerable progress which has been made at Redrow is entirely due to our people and I would like to thank them for their continued hard work, commitment and support in ensuring we deliver our strategy.

Current Trading and Outlook

Private reservations since the beginning of July are up 54% on last year at 784 due to a combination of trading on an increased number of outlets - 93 compared to 84 in 2012 - and the increased sales rate reported earlier.

The pace at which we can continue to increase output is very much dependent on our ability to increase the number of outlets through the planning system. Market confidence is returning to more normal levels and with the ongoing assistance of good mortgage availability and Help to Buy, I expect that Redrow will continue to make further significant progress towards our growth targets in the current year.

Steve Morgan
Chairman

OPERATING REVIEW

Introduction

Last year I said our strong financial performance in 2012 was a measure of the success of the strategic changes we implemented across the business in 2010 and 2011. The results for 2013 provide further evidence of the significant contribution those changes continue to make to the Group's performance. The results also reflect the impact of more recently acquired land as we bring on-stream more new outlets to replace older less profitable sites.

During the year we completed 2,827 new homes, 369 ahead of the previous year. The average selling price increased from £189,900 to £212,300. The private average selling price increased by 11% to £227,300 and is set to rise further as we bring through some higher priced sites particularly those in London.

Despite some frustrating planning delays we managed to increase the number of outlets in the year. We closed the year selling from 92 outlets, an increase of 10 and we expect this to steadily rise over the course of financial year 2014. We were also successful in acquiring land. We increased the current land bank to 14,162 plots (2012: 12,356) and 52% of our current land bank, including London, is now in the south compared to 43% last year.

All divisions with the exception of South Wales made good progress in the year. South Wales was and continues to be affected by an absence of Government policies to stimulate the housing market and a more difficult planning environment. Our Midlands and South West divisions posted particularly strong performances in the year. The south of the country remains our largest region and accounted for 41% of the Group's revenue which is set to grow as more of our London sites come on-stream.

Build costs were relatively stable throughout most of the year although we have seen material and labour shortages emerging in recent months. With new homes' output set to grow we anticipate these shortages will continue and result in cost pressures across certain materials and trades. We do however maintain excellent working relationships with our supply chain which will help to mitigate the impact of these shortages and cost pressures. We have always had a policy of paying our suppliers on time in line with our contractual terms and as a consequence were pleased to be one of the first major housebuilders to sign-up to the Prompt Payment Code.

Operating expenses increased as we continued to invest in expanding our workforce to meet our planned growth. During the year we created c.160 new direct jobs with hundreds more created indirectly. At the year-end we employed 1,115 people with several thousand more working on our developments for our subcontractors.

Sales and Marketing

Overall 2013 was a much better year for sales. As the year progressed mortgage lending improved with more products available at competitive rates. In the first-half the value of private reservations increased by 55% to £279m, albeit the comparable period was relatively weak. In the second-half the value of private reservations increased by 33% to £389m. The sales rate per outlet per week was 0.53 in the first-half and increased to 0.72 in the second-half helped by the Government's successful Help to Buy scheme that was launched at the beginning of April. Help to Buy accounted for 215 reservations in the year with NewBuy, another Government supported scheme that was launched in March 2012 but failed to gain momentum, accounting for just 182 reservations. We closed the year with a private order book of £260m: £108m ahead of last year.

The use of Part Exchange as a sales incentive decreased in the year and accounted for 12% of reservations compared to 16% in the previous year. The nature of our product makes the convenience of Part Exchange attractive to some of our customers and we will continue to use it where appropriate.

Published national house price indices began to see some modest price rises towards the end of the financial year. Throughout most of the year we experienced stable prices across all divisions with some small increases being achieved where demand was high.

The cancellation rate reduced in the year to 16% reflective of both an improving market and the implementation of more robust reservation procedures that also helped reduce the time taken from reservation to exchange.

Digital marketing continues to be the dominant source of enquiries and leads into the business. During the year we invested heavily in customer facing technology and launched My Redrow in the second-half. My Redrow allows customers to make appointments to visit, choose finishes and order and pay for optional extras online.

Product and Design

The Heritage Collection accounted for 84% of the Group's private volumes and 85% of private revenues. This compares to 67% of private revenues in the previous year. We sold our first Heritage Collection house for over £1m at our Mary Twill Grove site in South Wales which alongside some other high-priced sales across the Group, helped raise the average selling price of the range by 8% in the year to £231,700. We continuously look to improve the Heritage Collection and we have recently extended higher ceiling heights to all the smaller houses in the range. Floor areas have increased and our smallest homes are now more spacious. We also launched our Country Homes range at Stretton Green in Cheshire. Country Homes is a range of large detached family houses finished to a very high level of specification.

As anticipated, our first Regent Collection development of homes is underway in the London Borough of Bexley. We expect to see the range more widely used in response to the demand for more densely plotted well-designed housing in urban areas.

Building a Sustainable Business

I said in last year's Report and Accounts that at the heart of our business is a determination to safely and responsibly build homes of the highest standard for our customers. We are increasingly conscious of the need to respond to social and environmental change and to have a successful and sustainable business.

Our developments are designed with the customer in mind. We strive to build neighbourhoods that are safe, attractive and will stand the test of time. Places where different generations can happily live alongside one another and enjoy the green spaces, play areas and extensive landscaping that characterise our developments. We are mindful of our ecological responsibilities, we retain mature trees and planting wherever possible and protect and establish new habitats for wildlife. We also invest in the local community through contributions to improve schools and other community facilities and our developments are becoming more environmentally sustainable. We are focused on reducing waste and targeting to minimise landfill: last year we diverted 93% of site waste from landfill. We source our materials responsibly and once again in excess of 99% of our timber products came from well-managed certified sources.

Our homes are becoming more energy efficient. Photovoltaic panels are now becoming common-place across our developments as a source of renewable energy and a majority of our homes are fitted with ‘smart’ meters that monitor energy consumption. Our homes also use low energy light fittings and appliances and incorporate water saving devices.

Build output increased significantly in the year as a result of rising production levels across more operating outlets. Excluding the London division where build is procured through main contractors, the Group built 2,994 units of output, a 39% increase on the previous year, and ‘handed-over’ 2,805 completed homes (2012: 2,185).

We are determined to maintain high standards of quality and Health and Safety as our output continues to increase. Our key external measure of quality is the number of NHBC ‘Reportable Items’ per inspection: in 2013 this was 0.21 (2012: 0.19) and remained better than the industry average. Twelve of our site managers recently won NHBC Awards and last year Syd James and Matt Knight went on to win Regional Awards in the ‘Large Builder’ category with Syd going on to be announced the Supreme winner: the top site manager in the UK. We also performed well against our key Health and Safety measures and received our fourth RoSPA Gold medal for achieving eight consecutive Gold awards.

We are committed to providing exceptional service to our customers throughout the purchasing process and after completion. We are determined to meet their rising expectations and last year 94% (2012: 97%) said they would recommend us to a friend. We also once again received a five star award in the HBF National New Home Customer Satisfaction Survey for 2013.

Land, Planning and Outlets

We acquired 4,729 plots in the year across 39 sites of which 2,147 were held under contract. After adjusting for legal completions, land sales and re-plans, the current owned and contracted land bank increased from 12,356 plots to 14,162 plots: Affordable housing accounts for 17% of the current land bank. Including London, 52% of the current land bank is now in the South compared to 43% last year as we expand our presence in this part of the country.

We transferred 1,068 plots to the current land bank from 10 forward land sites compared to 1,991 plots across nine sites last year. This was fewer than anticipated due to delays in finalising planning agreements and land owner negotiations. We continue to make excellent progress in pulling-through forward land sites and although as we have seen in 2013 this can be a lengthy and unpredictable process, we expect to report a strong performance in 2014. After taking into account transfers and our annual strategic review, the forward land holding increased from 22,790 plots to 26,024 plots including the acquisition, mainly under option, of a further estimated 6,064 plots.

The efficiency of the planning system is critical to us expanding and growing the business. Last year alone we processed around 60 outline and reserved matters planning applications as well as making numerous submissions to deal with minor amendments and to clear conditions. The recent changes the Government introduced to the planning system have focused local authorities on their housing needs and where to allocate sites to meet a five year supply. Some authorities have responded better than others taking a more pragmatic approach to the principle of development and in a few cases they have positively encouraged planning applications. All too often though there remains a resistance that results in us losing valuable time dealing with trivial issues or reluctantly having little option but to refer decisions to the Planning Inspectorate which is costly for both us and local authorities. Over the past year we have achieved a c.90% success rate at appeal which clearly demonstrates many local authorities are not properly considering applications on their planning merits.

We opened 36 outlets in the year, and after allowing for 26 closures we ended the year with 92 active outlets (2012: 82). We expect to see the number of outlets steadily grow over the course of the next year and by the end of the financial year 2014 we should be active on over 100 outlets.

London

The division made excellent progress on the building of its two high-rise developments at Kingston Riverside, where the first customers took up occupation in June and at One Commercial Street, Aldgate. Both developments are set to make a significant contribution to the division's profits in 2014. At Connaught Place works are well underway converting the existing building into seven luxury apartments and build is also progressing at Kingston River Walk.

The division acquired three further sites in the year. At Amberley Waterside, Little Venice construction works have commenced following a successful sales launch. Demolition has commenced on our Holland Park development which is due to be launched for sale later in the year. At Northway House in Barnet the scheme is progressing through the planning process.

The division closed the year with a current land bank of 728 plots representing c.£500m of Gross Development Value including commercial space.

We have also acquired two sizeable sites in the outer London boroughs that will be managed by our divisions that operate around the outskirts of the capital. At Croydon we have entered a joint venture to develop 290 apartments and at Park Royal we have acquired a site for 268 apartments.

Harrow Estates

During the year Harrow completed the demolition and remediation of the Horsforth, Leeds site which has planning permission for over 300 plots. The local homes' division has obtained reserved matters planning approval and expects to make a start on site immediately following the exercise of the option in the first-half of financial year 2014.

At Hauxton, Cambridge, a site for up to 380 plots, the local homes' division has received reserved matters approval and again will commence site works following the exercise of the option once all remediation formalities have been concluded.

Harrow successfully achieved full planning on a site for 49 plots in the Forest of Dean which has now been cleared and remediated and transferred to the local homes' division. Similarly, a full planning permission for 189 plots was achieved on a former quarry site in Exeter. Demolition and reclamation works are underway and the local homes' division will take possession of the site in the first-half of financial year 2014.

The business also generated a £4.3m pre-tax profit from a joint venture land sale in the south east. The joint venture has a further site which has been sold and will complete in financial year 2014.

Other planning activity remained high in the year. The Supplementary Planning Document for Woodford Aerodrome in Greater Manchester was approved and work is now underway on preparing a planning application for a Garden Village development. A number of other planning applications are pending decisions.

People

Central to the Group's aims of building and growing a successful and sustainable business is its people. As we expand we need to grow our own people and also attract talented new people to the business.

In 2013 we created c.160 new jobs and increased our directly employed workforce to 1,115. We have over recent years focused on helping young people into work and 14% of the workforce are now trainees. We currently have 74 apprentices in the business mostly learning a trade with a further 43 joining us by September 2013. Our successful graduate programmes are attracting high-calibre applicants and we have increased our annual intake to 19. We are also continuing with our undergraduate placement scheme and we plan to introduce more vocational training opportunities, particularly for young people looking to start their career in design and engineering.

We are committed to training and developing our workforce and we aim to have less reliance on external recruitment to fill senior management roles. We have an on-going programme to identify the internal and external training needs of talented individuals in the Group and devise tailored courses to prepare them for senior leadership roles in the future.

During the year the Group completed 2,687 days of training (2012: 2,302). Much of this was completed at our purpose built training facility in the Midlands.

The future of Redrow is very much in the hands of our talented and passionate team of people and we will continue to invest in developing their skills and knowledge to meet the challenge of ambitiously growing a successful and sustainable business.

John Tutte
Group Managing Director

FINANCIAL REVIEW

Profit before tax and earnings per share

The Group generated turnover of £604.8m in the year ended 30 June 2013 (2012: £478.9m). This reflected a 15% increase in homes legal completions and a 12% increase in the average selling price of our homes.

Revenue (£m)	**2013**	**2012**
Residential	600.2	466.7
Land sales	3.3	10.5
Commercial	1.3	1.7
	604.8	478.9

Gross profit rose £30.8m to £113.6m (2012: £82.8m) giving a gross margin of 18.8%, up from 17.3% last year. This margin improvement is mainly due to the increase in the proportion of homes legally completed that were built on unprovisioned land acquired post downturn.

The Group delivered an operating profit, before exceptional administrative expenses, of £73.6m (2012: £48.0m) an increase of 53% on prior year levels and representing a 12.2% operating margin (2012: 10.0%). The operating margin pre-exceptional items has increased almost fourfold between 2010 and 2013 demonstrating our commitment to returning our operating margin to pre downturn levels.

Exceptional administrative expenses of £1.5m (2012: £nil) related to legal and advisory fees incurred in relation to a possible bid for the Company.

Net financing costs at £5.4m were £0.4m higher than the prior year due to higher levels of imputed interest on deferred land creditors.

The Group generated a profit before tax of £70.0m (2012: £43.0m), a 63% increase on the prior year. Basic earnings per share were 14.8p (2012: 9.7p). Basic adjusted earnings per share pre-exceptional item and excluding the impact of rate changes on our deferred tax assets increased by 45% to 15.7p (2012: 10.8p).

The Return on Capital Employed for 2013 at 12.2% is 40% higher than 2012 and almost a fivefold increase from the 2010 level. We continue to focus on improving this further. Our Return on Equity is slightly higher at 12.4% (2012: 8.4%).

Tax

As a consequence of tax losses brought forward, the Group paid no corporation tax in the year (2012: £nil).

The Group's tax rate for the year was 23.75% (2012: 25.50%) before taking into account the reduction in the corporation tax rate to 23% on deferred tax assets (£2.0m (2012: £3.5m)).

The normalised rate of tax for the year ending 30 June 2014 is projected to be 22.50% based on rates which were currently substantively enacted on 2 July 2013.

Dividends

As a result of the improvement in the Group’s profitability and its future prospects, the Board has decided to recommend the return of a final dividend of 1p per share.

At this stage in the business cycle it is considered that the best use of the majority of the Group's cash resources is to invest in inventory to grow the business. Over time it is expected that dividends will increase.

Balance Sheet

Net assets at June 2013 were £609.2m (2012: £561.5m), an increase of 8% made up as follows:

	£m
Net assets at 1 July 2012	561.5
Profit for the period	53.7
IAS19 actuarial losses net of tax	(1.4)
Movement in share based payment	(4.6)
	609.2

The net asset value per share at the end of June 2013 is £1.65, an increase of 9% on the prior year (2012: £1.52).

Our investment in land increased by 21% in the year to £622.0m (2012: £515.9m), with a 13% increase in our land bank of plots owned with residential planning permission. Land purchases were weighted towards the South of England.

Our investment in work in progress increased by 42% in the year to £273.5m (2012: £192.3m). This reflects a 24% increase in the number of equivalent units in work in progress excluding London to 1,295 units in order to satisfy our increased order book (50% of these units are either forward sold or showhomes (2012: 43%)). As expected, there was a sizeable increase in work in progress in London due to ongoing construction of the large apartment schemes at Kingston Riverside and One Commercial Street the majority of which were sold "off plan". Work in progress levels are carefully monitored to ensure they remain appropriate.

Our net realisable value (NRV) provision reduced by £39.5m to £72.0m in the year with provisioned plots representing 13% of our owned land bank at June 2013. By June 2015 we expect the number of provisioned plots to be immaterial to the Group as a whole.

Homes owned plot cost, after being c.£50,000 per plot for the last two years increased to £56,000 per plot at June 2013. This is due to the increase in the proportion of plots in the south of England and the quality of location of the sites acquired in the year.

Land creditors increased by £16.0m to £124.3m in the year.

Trade and other receivables decreased by £2.9m during the year to £50.3m. This is due to the receipt of £8.0m of deferred consideration from the disposal of our Scotland business which took place in June 2011 offset in part by increased shared equity debtors as a result of participation in the Government 'First Buy' Scheme.

Capital employed increased by £124.7m to £700.2m mainly due to increases in land holdings and work in progress.

Cash flow and Net Debt

Net debt increased by £77.0m to £91.0m during the year, with gearing of 14.9% at the year-end (2012: 2.5%). This reflects the increased investment in land and work in progress during the year in line with the growth in the business.

On 10 September 2013 we entered into a new Revolving Credit Facility (RCF) of £250m maturing in March 2018. This replaces the £200m RCF we had set up in 2010.

The new facility, as well as providing additional funds for growth, is on better financial terms than the previous arrangement with the covenant package remaining unchanged. There are five banks within the syndicate, three existing banks (Barclays, The Royal Bank of Scotland and HSBC) together with two new banks (Lloyds Bank Commercial Banking and Santander).

Financing and Treasury Management

Financial management at Redrow is conducted centrally using policies approved by the Board.

Redrow is a UK based housebuilder and therefore the main focus of its financial risk management surrounds the management of liquidity and interest rate risk.

(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 five 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 additional hedging was undertaken in the year. At 30 June 2013, the Group has £20m of two year sterling interest rate swaps which are due to mature in Spring 2014. They have a neutral value at 30 June 2013.

Pensions

As at June 2013, the Group's financial statements showed a £3.8m deficit (2012: £2.6m deficit) in respect of the defined benefits section of The Redrow Staff Pension Scheme, as calculated in accordance with IAS19. This Scheme closed to future accrual with effect from 1 March 2012. Pension benefits are now provided via the Redrow Group Personal Pension Plan which is a type of defined contribution plan.

Barbara Richmond
Group Finance Director

Consolidated Income Statement

12 months ended 30 June	Note	**2013** £m	2012 £m
Revenue		**604.8**	478.9
Cost of sales		**(491.2)**	(396.1)
Gross profit		**113.6**	82.8
Administrative expenses before exceptional items		**(40.0)**	(34.8)
Operating profit before exceptional items and financing costs		**73.6**	48.0
Exceptional administrative expenses	2	**(1.5)**	-
Operating profit before financing costs		**72.1**	48.0
Financial income		**1.8**	2.4
Financial expenses		**(7.2)**	(7.4)
Net financing costs		**(5.4)**	(5.0)
Share of profit of joint ventures after interest and taxation		**3.3**	-
Profit before tax		**70.0**	43.0
Income tax expense	3	**(16.3)**	(12.8)
Profit for the period		**53.7**	30.2
Earnings per share - basic	5	**14.8p**	9.7p
- diluted	5	**14.7p**	9.7p

Consolidated Statement of Comprehensive Income

12 months ended 30 June	**2013** **£m**	2012 £m
Profit for the period	**53.7**	30.2
Other comprehensive expense		
Actuarial losses on defined benefit pension scheme	**(1.9)**	(7.9)
Deferred tax on actuarial losses taken directly to equity	**0.5**	1.9
Other comprehensive expense for the period net of tax	**(1.4)**	(6.0)
Total comprehensive income for the period	**52.3**	24.2

Balance Sheet

	Note	As at 30 June **2013** **£m**	2012 £m
Assets			
Intangible assets		**1.9**	1.8
Property, plant and equipment		**11.2**	12.1
Investments		**13.3**	9.3
Deferred tax assets		**35.8**	51.8
Trade and other receivables		**25.4**	26.0
Total non-current assets		**87.6**	101.0
Non-current assets held for sale		**1.0**	1.4
Inventories	6	**895.5**	708.2
Trade and other receivables		**24.9**	27.2
Cash and cash equivalents	9	**39.0**	37.4
Total current assets		**960.4**	774.2
Total assets		**1,048.0**	875.2
Equity			
Share capital	10	**37.0**	37.0
Share premium account		**58.7**	58.7
Hedge reserve		**-**	-
Other reserves		**7.9**	7.9
Retained earnings		**505.6**	457.9
Total equity		**609.2**	561.5
Liabilities			
Bank loans	9	**95.0**	30.0
Trade and other payables	7	**33.2**	40.6
Deferred tax liabilities		**0.5**	0.7
Retirement benefit obligations		**3.8**	2.6
Long-term provisions		**7.8**	8.2
Total non-current liabilities		**140.3**	82.1
Bank overdrafts and loans	9	**35.0**	21.4
Trade and other payables	7	**263.5**	210.2
Total current liabilities		**298.5**	231.6
Total liabilities		**438.8**	313.7
Total equity and liabilities		**1,048.0**	875.2

Statement of Changes in Equity

12 months ended 30 June	**2013 £m**	2012 £m
Total comprehensive income relating to the period (net)	**52.3**	24.2
Shares issued	**-**	78.0
Share-based payment	**0.3**	0.3
Movement in LTSIP/SAYE	**(4.9)**	0.4
Net increase in equity	**47.7**	102.9
Opening equity	**561.5**	458.6
Closing equity	**609.2**	561.5

The Statement of Cash Flows

	Note	12 months ended 30 June 2013 £m	2012 £m
Cash flows from operating activities			
Operating profit before financing costs		**72.1**	48.0
Depreciation and amortization		**1.2**	1.3
Adjustment for non-cash items		**(4.1)**	(3.1)
Operating profit before changes in working capital and provisions		**69.2**	46.2
(Increase)/decrease in trade and other receivables		**(3.4)**	6.3
Increase in inventories		**(187.3)**	(145.5)
Increase in trade and other payables		**46.6**	75.2
(Decrease)/increase in provisions		**(0.4)**	0.2
Cash (outflow) generated from operations		**(75.3)**	(17.6)
Interest paid		**(3.2)**	(3.6)
Net cash from operating activities		**(78.5)**	(21.2)
Cash flows from investing activities			
Sale of business		**8.0**	12.3
Acquisition of software, property, plant and equipment		**(0.5)**	(0.7)
Net payments to joint ventures - continuing operations		**(0.7)**	(6.7)
Net cash inflow from investing activities		**6.8**	4.9
Cash flows from financing activities			
Issue of bank borrowings	8	**95.0**	30.0
Repayment of bank borrowings	8	**(30.0)**	(85.0)
Purchase of own shares		**(5.3)**	(0.3)
Proceeds from issue of share capital		**-**	78.0
Net cash inflow from financing activities		**59.7**	22.7
(Decrease)/increase in net cash and cash equivalents		**(12.0)**	6.4
Net cash and cash equivalents at the beginning of the period		**16.0**	9.6
Net cash and cash equivalents at the end of the period	9	**4.0**	16.0

NOTES

1. Basis of preparation

The above results and the accompanying notes do not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006.

The Auditors have reported on the Group's statutory accounts for the year ended 30 June 2013 under s495 of the Companies Act 2006, which do not contain a statement under s498 (2) or s498(3) of the Companies Act 2006 and are unqualified. The statutory accounts for the year ended 30 June 2012 have been delivered to the Registrar of Companies and the statutory accounts for the year ended 30 June 2013 will be filed with the Registrar in due course.

The audited consolidated financial statements from which these results are extracted have been prepared under the historical cost convention and in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, IFRIC interpretations and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The principal accounting policies have been applied consistently in the periods presented.

2. Exceptional items

Exceptional administrative costs of £1.5m (2012: £nil) relate to legal and advisory fees incurred in relation to a possible bid for the Company.

3. Income Tax expense

	12 months ended 30 June	
	2013	2012
	£m	£m
Current year		
UK Corporation Tax at 23.75% (2012: 25.50%)	**-**	-
	-	-
Deferred tax		
Origination and reversal of temporary differences	**14.3**	9.3
Impact of change in deferred tax rate	**2.0**	3.5
Total income tax charge in income statement	**16.3**	12.8
Reconciliation of tax charge for the year		
Profit for the year	**70.0**	43.0
Tax on total profit at 23.75% (2012: 25.50%)	**16.6**	11.0
Impact of change in deferred tax rate	**2.0**	3.5
Short term temporary differences	**(2.3)**	(1.7)
Tax charge for the year	**16.3**	12.8

4. Dividends

No dividend was paid in the year ended 30 June 2013 (2012: £nil).

5. **Earnings per share**

The basic earnings per share calculation for the year ended 30 June 2013 is based on the weighted number of shares in issue during the period of 363.4m (2012: 311.9m) excluding those held in trust under the Redrow Long Term Incentive Plan (6.4m shares (2012: 4.3m 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.

12 months ended 30 June 2013

	Earnings £m	**No. of shares millions**	**Per share pence**
Basic earnings per share	**53.7**	**363.4**	**14.8p**
Effect of share options and SAYE	**-**	**1.0**	**(0.1)p**
Diluted earnings per share	**53.7**	**364.4**	**14.7p**

	Earnings £m	**No. of shares millions**	**Per share pence**
Basic earnings per share	**53.7**	**363.4**	**14.8p**
Adjustment to deferred tax rate change and exceptional administrative expenses	**3.5**	**-**	**0.9p**
Adjusted earnings per share	**57.2**	**363.4**	**15.7p**

Adjusted diluted earnings per share are 15.7p (2012: 10.8p)

12 months ended 30 June 2012

	Earnings £m	No. of shares millions	Per share pence
Basic earnings per share	30.2	311.9	9.7p
Effect of share options and SAYE	-	0.4	-
Diluted earnings per share	30.2	312.3	9.7p

6. **Inventories**

	As at 30 June **2013** **£m**	As at 30 June 2012 £m
Land for development	**622.0**	515.9
Work in progress	**246.1**	170.5
Stock of showhomes	**27.4**	21.8
	895.5	708.2

Inventories of £462.1m net of £36.1m net realisable value provision utilisation, were expensed in the year (2012: £373.2m net of £46.7m net realisable value provision). Work in progress includes £6.1m (2012: £9.7m) in respect of part exchange properties.

Of the net realisable value provision of £72.0m (2012: £111.5m), £52.1m (2012: £88.2m) is attributed to land and £19.9m (2012: £23.3m) is attributed to work in progress.

The net realisable value provision movement is analysed below:

	Total £m
As at 1 July 2012	111.5
Utilised during the year	(36.1)
Created during the year	9.7
Released during the year	(13.1)
As at 30 June 2013	**72.0**

The net realisable value provisions of £9.7m and £13.1m created and released in the year are the result of our review at the balance sheet date in the context of prevailing market conditions and the re-assessment of selling prices and costs. They represent the creation of additional provisions against sites acquired pre June 2009 and the reduction of provisions already in place against such sites as required i.e. a reallocation of the quantum of provision amongst sites where provisions already exist.

7. Land Creditors (included in trade and other payables)

	As at 30 June	
	2013 £m	2012 £m
Due within one year	**92.1**	67.7
Due in more than one year	**32.2**	40.6
	124.3	108.3

8. Borrowings and loans

	12 months ended 30 June	
	2013 £m	2012 £m
Opening net book amount	**30.0**	85.0
Issue of bank borrowings	**95.0**	30.0
Repayment of bank borrowings	**(30.0)**	(85.0)
Closing net book amount	**95.0**	30.0

At 30 June 2013 the Group had total unsecured bank borrowing facilities of £202.5m, representing £200.0m committed facilities and £2.5m uncommitted facilities.

9. Analysis of net debt

	As at 30 June	
	2013 £m	2012 £m
Cash and cash equivalents	**39.0**	37.4
Bank overdrafts	**(35.0)**	(21.4)
	4.0	16.0
Bank loans - current liabilities	**-**	-
	4.0	16.0
Bank loans - non-current liabilities	**(95.0)**	(30.0)
	(91.0)	(14.0)

10. Share capital

	As at 30 June **2013** £m	2012 £m
Authorised		
480,000,000 ordinary shares of 10p each	**48.0**	48.0
Allotted, called up and fully paid	**37.0**	37.0

	Number of ordinary shares of 10p each
As at 1 July 2012 and 30 June 2013	**369,799,938**

11. Shareholder Enquiries

The Registrar is Computershare Investor Services PLC. Shareholder enquiries should be addressed to the Registrar at the following address:

Registrars Department
The Pavilions
Bridgwater Road
Bristol
BS99 6ZZ

12. Annual General Meeting

The Annual General Meeting of Redrow plc will be held at Village Urban Resort St Davids, St. David's Park, Flintshire on 11 November 2013, commencing at 12.00 noon. A copy of this statement is available for inspection at the registered office.