FINANCIAL REVIEW

Profitability

This year the Group again delivered record results with revenue of £1,150m (2014: £864m), exceeding the £1bn turnover milestone for the first time and profit before tax of £204m (2014: £133m), exceeding the £200m milestone for the first time.

Total Group revenue rose 33% to £1.15bn. Private homes revenue increased by 29% to £1,026m (2014: £798m) as a result of a 16% increase in private homes legal completions and a 10% increase in average selling price. Social homes revenue reduced by 6% to £59m as a result of timing differences on legal completions. In addition there was £65m of other revenue. This comprised £47m from the sale of all the commercial units and revisionary interest in our development at One Commercial Street, London, £8m from the sale of a number of freeholds of London developments and £10m from sundry land sales.

Gross profit increased by £86m in the year to £274m (2014: £188m) giving a gross margin of 23.8% (2014: 21.7%). In addition to increased revenues this is due to the decrease in the proportion of our homes legal completions from provisioned land acquired before the downturn from 20% to 12% and house price inflation net of build cost inflation. We expect the proportion of provisioned plots in cost of sales to be zero by 2018.

As a consequence of this strong growth the Group generated an operating profit in the year of £213m (2014: £138m), a 54% increase. This represents an operating margin of 18.5% (2014: 15.9%) and means we have exceeded our 2017 target operating margin of 18%. We are now targeting an operating margin of 19% by 2018.

Net financing costs at £9m were £1m higher than the prior year due to increased imputed interest payable on deferred land creditors as we continue to invest in land opportunities and successfully negotiate deferred terms.

The record profit before tax of £204m (2014: £133m) delivered in the year produced a basic earnings per share up 57% at 44.5p (2014: 28.3p).

Tax

The corporation tax charge for the year was £42m. The Group's tax rate for 2015 was 20.75% (2014: 22.50%). The normalised rate of tax for the year ending 30 June 2016 is projected to be 20% based on rates which are substantively enacted.

The Group paid £22m of corporation tax in the year (2014: £nil) in the normal quarterly pattern having now fully utilised the tax losses generated by downturn losses. Payments in the normal quarterly pattern will continue going forward.

Dividends

The Board has proposed a 2015 final dividend double that of last year at 4.0p per share which will be paid on 13 November 2015.

A final dividend of 2.0p per share in respect of the year ended June 2014 was paid in November 2014 (November 2013: 1.0p), and an interim dividend of 2.0p per share in respect of the year ended June 2015 was paid in May 2015 (May 2014: 1.0p), totalling £15m.

Returns

Net assets at 30 June 2015 were £849m (2014: £696m), a 22% increase. Capital employed at the same date was £1,003m (2014: £868m) an increase of 16%. Our return on capital employed increased in the year from 18.0% to 22.8%, again exceeding our 2017 target. Due to our judicious use of debt as well as equity to fund our growth, we were able to increase our return on equity 29% from 20.5% to 26.4%, one of the highest returns in the sector. Whilst we will need to increase our investment in inventory to achieve our growth targets we aim to deliver ROCE of at least 21% and ROE of 25% in 2018.

Inventories

Our investment in land increased by 27% in the year to £1,020m (2014: £802m). This produced an 8% increase in our land bank of plots owned with planning permission and also reflected investment in strategic sites, notably Colindale, London, Ebbsfleet in Kent and Woodford, South Manchester.

The land market remains stable with good quality opportunities available. Our owned plot cost has increased by £8,000 per plot to £68,000 at June 2015, 23% of the average selling price of private legal completions in the year (2014: 22%).

Our investment in work in progress increased by 35% in the year to £480m (2014: £355m). This reflected a continued increase in active outlets and further investment in newly acquired substantial developments and large apartment schemes in the South of England.

Our net realisable value provision on land and work in progress reduced by £20m to £28m in the year. Provisioned plots represented a minimal 2% of our owned land bank at June 2015 (2014: 6%).

Land creditors increased by £108m to £266m at June 2015 as we continue to be successful in negotiating deferred terms with land vendors.

Receivables

Trade receivables decreased by £7m during the year to £29m (2014: £36m) with the receipt of £9m of deferred consideration from the disposal of our Scotland business which took place in June 2011. Other receivables increased by £2m to £23m due mainly to the timing of the recovery of VAT paid on land purchases.

Trade payables and accruals increased by £84m to £281m reflecting increased levels of production activity.

Cash flow and Net Debt

Net debt decreased by £18m to £154m at June 2015 (2014: £172m) giving gearing of 18.1% at the year-end (2014: 24.8%). The small decrease in net debt reflects our success in delivering operating cash flow receipts capable of funding the growth in the business, supporting an increase in dividend payments and a return to corporation tax payments in the year.

On 18 March 2015 we extended our Revolving Credit Facility of £350m and a £15m bilateral facility previously maturing in March 2018 to March 2020 on better financial terms.

Financing and Treasury Management

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

Redrow is a UK based house builder 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 hedging was undertaken in the year.

Pensions

As at June 2015, the Group's financial statements showed a £3m deficit (2014: £11m deficit) in respect of the defined benefits section of The Redrow Staff Pension Scheme (which closed to future accrual with effect from 1 March 2012). The £8m decrease in the deficit is mainly due to improved returns on scheme assets in the year. 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	**2015**	2014
		£m	£m
Revenue		**1,150**	864
Cost of sales		**(876)**	(676)
Gross profit		**274**	188
Administrative expenses		**(61)**	(50)
Operating profit before financing costs		**213**	138
Financial income		**3**	3
Financial costs		**(12)**	(11)
Net financing costs		**(9)**	(8)
Share of profit of joint ventures after interest and taxation		**-**	3
Profit before tax		**204**	133
Income tax expense	2	**(42)**	(30)
Profit for the year		**162**	103
Earnings per share - basic	4	**44.5p**	28.3p
- diluted	4	**44.4p**	28.2p

Consolidated Statement of Comprehensive Income

12 months ended 30 June	**2015 £m**	2014 £m
Profit for the year	**162**	103
Other comprehensive income/(expense)		
Items that will not be reclassified to profit or loss		
Remeasurements of post-employment benefit obligations	**8**	(7)
Deferred tax on actuarial (gains)/losses taken directly to equity	**(2)**	1
Other comprehensive income/(expense) for the year net of tax	**6**	(6)
Total comprehensive income for the year	**168**	97

Balance Sheet

	Note	As at 30 June **2015** **£m**	 2014 £m
Assets			
Intangible assets		**2**	2
Property, plant and equipment		**12**	11
Investments		**17**	11
Deferred tax assets		**5**	8
Trade and other receivables		**13**	15
Total non-current assets		**49**	47
Non-current assets held for sale		**-**	1
Inventories	5	**1,500**	1,157
Trade and other receivables		**39**	42
Cash and cash equivalents	8	**56**	55
Total current assets		**1,595**	1,255
Total assets		**1,644**	1,302
Equity			
Share capital	9	**37**	37
Share premium account		**59**	59
Other reserves		**8**	8
Retained earnings		**745**	592
Total equity		**849**	696
Liabilities			
Bank loans	8	**150**	175
Trade and other payables	6	**84**	54
Deferred tax liabilities		**1**	1
Retirement benefit obligations		**3**	11
Long-term provisions		**7**	6
Total non-current liabilities		**245**	247
Bank overdrafts and loans	8	**60**	52
Trade and other payables	6	**471**	307
Current income tax liabilities		**19**	-
Total current liabilities		**550**	359
Total liabilities		**795**	606
Total equity and liabilities		**1,644**	1,302

Statement of Changes in Equity

12 months ended 30 June	**2015 £m**	2014 £m
Profit for the year	**162**	103
Other comprehensive income/(expense) for the year	**6**	(6)
Total comprehensive income relating to the year (net)	**168**	97
Dividend paid	**(15)**	(7)
Movement in LTSIP/SAYE	**-**	(3)
Net increase in equity	**153**	87
Opening equity	**696**	609
Closing equity	**849**	696

The Statement of Cash Flows

	Note	12 months ended 30 June 2015 £m	2014 £m
Cash flows from operating activities			
Operating profit before financing costs		**213**	138
Depreciation and amortisation		**1**	1
Adjustment for non-cash items		**(5)**	(4)
Operating profit before changes in working capital and provisions		**209**	135
Increase in trade and other receivables		**(2)**	(12)
Increase in inventories		**(343)**	(262)
Increase in trade and other payables		**196**	67
Increase/(decrease) in provisions		**1**	(1)
Cash inflow/(outflow) generated from operations		**61**	(73)
Interest paid		**(6)**	(9)
Tax paid		**(22)**	-
Net cash inflow/(outflow) from operating activities		**33**	(82)
Cash flows from investing activities			
Sale of business		**9**	10
Acquisition of software, property, plant and equipment		**(1)**	(1)
Net (payments to)/receipts from joint ventures - continuing operations		**(6)**	5
Net cash inflow from investing activities		**2**	14
Cash flows from financing activities			
Issue of bank borrowings	7	**150**	175
Repayment of bank borrowings	7	**(175)**	(95)
Purchase of own shares		**(2)**	(6)
Dividend paid		**(15)**	(7)
Net cash (outflow)/inflow from financing activities		**(42)**	67
Decrease in net cash and cash equivalents		**(7)**	(1)
Net cash and cash equivalents at the beginning of the year		**3**	4
Net cash and cash equivalents at the end of the year	8	**(4)**	3

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 2015 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 2014 have been delivered to the Registrar of Companies and the statutory accounts for the year ended 30 June 2015 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 to all the periods presented.

2. Income Tax expense

	12 months ended 30 June	
	2015	2014
	£m	£m
Current year		
UK Corporation Tax at 20.75% (2014: 22.50%)	**41**	-
	41	-
Deferred tax		
Origination and reversal of temporary differences	**1**	29
Impact of change in deferred tax rate	**-**	1
Total income tax charge in income statement	**42**	30
Reconciliation of tax charge for the year		
Profit before tax	**204**	133
Tax on total profit at 20.75% (2014: 22.50%)	**42**	30
Impact of change in deferred tax rate	**-**	1
Short term temporary differences	**-**	(1)
Tax charge for the year	**42**	30

3. Dividends

The following dividends were paid by the Group:

	2015	2014
	£m	£m
Prior year final dividend per share of 2.0p (2014: 1.0p); current year interim dividend per share of 2.0p (2014: 1.0p)	**15**	7
	15	7

The Board decided to propose a final dividend of 4.0p per share in respect of 2015 (£15m (2014: £7m)). The dividend has not been provided for and there are no income tax consequences.

4. Earnings per share

The basic earnings per share calculation for the year ended 30 June 2015 is based on the weighted number of shares in issue during the period of 364m (2014: 363m) excluding those held in trust under the Redrow Long Term Incentive Plan (6m shares (2014: 7m 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 2015

	Earnings £m	**No. of shares millions**	**Per share pence**
Basic earnings per share	**162**	**364**	**44.5**
Effect of share options and SAYE	**-**	**1**	**(0.1)**
Diluted earnings per share	**162**	**365**	**44.4**

	Earnings £m	**No. of shares millions**	**Per share pence**
Basic earnings per share	**162**	**364**	**44.5**
Adjustment to deferred tax rate change	**-**	**-**	**-**
Adjusted earnings per share	**162**	**364**	**44.5**

Adjusted diluted earnings per share are 44.4p (2014: 28.5p)

12 months ended 30 June 2014

	Earnings £m	No. of shares millions	Per share pence
Basic earnings per share	103	363	28.3
Effect of share options and SAYE	-	2	(0.1)
Diluted earnings per share	103	365	28.2

	Earnings £m	No. of shares millions	Per share pence
Basic earnings per share	103	363	28.3
Adjustment to deferred tax rate change	1	-	0.3
Adjusted earnings per share	104	363	28.6

5. Inventories

	As at 30 June	
	2015 £m	2014 £m
Land for development	**1,020**	802
Work in progress	**426**	325
Stock of showhomes	**54**	30
	1,500	1,157

Inventories of £826m net of £20m net realisable value provision utilisation, were expensed in the year (2014: £633m net of £21m net realisable value provision utilisation). Work in progress includes £3m (2014: £3m) in respect of part exchange properties.

Of the net realisable value provision of £28m (2014: £48m), £17m (2014: £34m) is attributed to land and £11m (2014: £14m) is attributed to work in progress.

The net realisable value provision movement is analysed below:

	Total
	£m
As at 1 July 2014	48
Utilised during the year	(20)
Created during the year	3
Released during the year	(3)
As at 30 June 2015	**28**

The net realisable value provisions of £3m and £3m 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.

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

	As at 30 June	
	2015	2014
	£m	£m
Due within one year	**182**	104
Due in more than one year	**84**	54
	266	158

7. Borrowings and loans

	12 months ended 30 June	
	2015	2014
	£m	£m
Opening net book amount	**175**	95
Issue of bank borrowings	**150**	175
Repayment of bank borrowings	**(175)**	(95)
Closing net book amount	**150**	175

At 30 June 2015 the Group had total unsecured bank borrowing facilities of £368m, representing £365m committed facilities and £3m uncommitted facilities.

8. Analysis of net debt

	As at 30 June	
	2015	2014
	£m	£m
Cash and cash equivalents	**56**	55
Bank overdrafts	**(60)**	(52)
Net cash and cash equivalents	**(4)**	3
Bank loans	**(150)**	(175)
	(154)	(172)

9. Share capital

	As at 30 June **2015** **£m**	2014 £m
Authorised		
480,000,000 ordinary shares of 10p each	**48**	48
Issued and fully paid	**37**	37

	Number of ordinary shares of 10p each
As at 1 July 2014 and 30 June 2015	**369,799,938**

10. 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

11. 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 10 November 2015, commencing at 12.00 noon. A copy of this statement is available for inspection at the registered office.