



Wednesday 7 February 2018

Redrow plc

Interim results for the six months to 31 December 2017

REDROW INCREASES LEGAL COMPLETIONS BY 14% TO A FIRST HALF RECORD 2,811 HOMES

Financial Results

	H1 2018	H1 2017	% Change
Legal Completions (incl. JV)	2,811	2,459	+14%
Revenue	£890m	£739m	+20%
Operating Profit	£175m	£144m	+22%
Profit Before Tax	£176m	£140m	+26%
EPS	39.5p	31.0p	+27%
ROCE	25%	23%	+9%
Dividend per share	9p	6p	+50%

Financial highlights

- Group revenue rose 20% to a first half record of £890m
- Operating margin rose to 19.7% (2017: 19.5%)
- Record first half pre-tax profit of £176m, up 26%
- Earnings per share (EPS) up 27% to 39.5p
- Return on capital employed of 25% (2017: 23%)
- Net debt of £35m (June 2017: £73m) giving gearing of 3% (June 2017: 6%)
- Interim dividend of 9p per share (2017: 6p)

Operational highlights

- Legal completions rose 14% to 2,811 (2017: 2,459), including our Croydon Joint Venture
- Average number of outlets increased to 127 (2017: 122)
- First 82 legal completions at Colindale Gardens, ahead of plan
- Order book up 5% at £1.05bn (Dec 2016: £1bn)
- Current land holdings up 6% to 27,600 plots (June 2017: 26,100)

Steve Morgan, Chairman of Redrow, said

“It gives me great pleasure to announce Redrow has again delivered record results, for the first half of the financial year, with legal completions increasing by 14% to 2,811 and pre-tax profits up 26% to £176m.

Reservations in the first five weeks of the second half have been in line with the strong comparable period last year.

We entered the second half with a record order book, and customer traffic and sales remain robust.

Given the strength of both our order book and land holdings, together with the robust sales market, our growth strategy remains on track. This gives me every confidence it will be another year of significant progress for Redrow.”

Enquiries:

Redrow plc

Steve Morgan, Chairman	01244 527411
Barbara Richmond, Group Finance Director	01244 527411

Instinctif Partners **0207 457 2020**

Mark Garraway	07771 860938
Helen Tarbet	07825 609737
James Gray	07583 936031

There will be an analyst and investor meeting at 9.00 am at The London Stock Exchange, 10 Paternoster Square, London, EC4M 7LS. Coffee will be served from 8.30 am.

A live audio webcast and slide presentation of this event will be available at 9.00am on www.redrowplc.co.uk. Participants can also dial in to hear the presentation live at 9.00 am on +44 (0) 20 3003 2666 or UK Toll Free 0808 109 0700; password is Redrow.

Playback will be available by phone for the next 30 days on +44 (0) 20 8196 1998 or UK Freephone 0800 633 8453; access pin 6883303#.

Chairman's Statement

It gives me great pleasure to announce Redrow has again delivered record results for the first half of the financial year, with legal completions increasing by 14% to 2,811 and pre-tax profits up 26% to £176m.

Financial Results

Group Revenue rose by 20% to £890m due to the increase in legal completions, including the first 82 apartments at Colindale Gardens our new Urban Village in North London. There was also a 9% rise in average selling price to £330,000 (2017: £303,000) mainly attributable to the ongoing growth of our southern businesses.

Gross profit was 18% higher at £218m (2017: £185m). The gross margin was 24.5%, which was 10 basis points higher than for the 2017 full year.

Tight cost control limited operating expenses to an increase of just £2m to £43m (2017: £41m). As a result, operating expenses reduced from 5.5% of turnover to 4.8%.

Operating profit was £31m higher at £175m (2017: £144m), with an operating margin of 19.7% (2017: 19.5%).

Pre-tax profits were up 26% to £176m (2017: £140m) including a £4m after tax contribution from our Croydon Joint Venture. Earnings per share at 39.5p were 27% up on the previous year (2017: 31.0p).

Net debt at the end of December 2017 was £35m (June 2017: £73m), giving gearing of 3%. We expect only a modest rise in our net debt position in the second half.

As a result of the strong earnings and cash performance of the business, and in line with our progressive dividend policy, the Board has decided to pay an interim dividend of 9p per share, a 50% increase on last year's interim dividend.

Market

Demand for new homes remains robust with good availability of mortgages at competitive rates. This, together with the Government's commitment to increase the supply of new homes, provides us with the confidence to continue our strategy to grow the business. In the first half of the financial year just under 40% of private reservations utilised Help to Buy.

The value of private reservations in the first half increased 10% on a like-for-like basis (26 weeks) to £795m (2017: £720m). Our total order book at the end of December 2017 was 5% ahead of the prior year at £1.05bn.

Land and Planning

In the first half of the year we added 4,315 plots to our current land holdings, 583 of which were transferred from forward land. Net of eliminations and land sales, our current land holdings increased by 1,500 plots to 27,600 whilst our forward land bank increased by 5,400 plots to 31,800.

People

The continued growth of the business has resulted in our directly employed workforce increasing to almost 2,300 people. We have maintained the proportion of trainees in the business at over 15% of the workforce, including a record 250 apprentices. As part of our investment to develop our talent and inspire the next generation of homebuilders, in January we announced the launch of the UK's first ever dedicated Housebuilding Degree in conjunction with Liverpool John Moores University and Coleg Cambria. The degree course demonstrates our commitment to tackle the skills shortage by both attracting new entrants to the industry and by developing the careers of those who work in the business.

Our success and continued growth has been achieved through the hard work and dedication of our talented people for which I thank them.

Current Trading and Outlook

We entered the second half of the current year with an order book comfortably in excess of £1bn. Reservations in the first five weeks have been in line with the strong comparable period last year. Given the strength of both our order book and land holdings, together with the robust sales market, our growth strategy remains on track. This gives me every confidence it will be another year of significant progress for Redrow.

Steve Morgan
Chairman

Consolidated Income Statement (Unaudited)

		6 months ended		12 months
		31 December		ended
		2017	2016	30 June
	Note	£m	£m	£m
Revenue		890	739	1,660
Cost of sales		(672)	(554)	(1,255)
Gross profit		218	185	405
Administrative expenses		(43)	(41)	(83)
Operating profit		175	144	322
Financial income		2	2	4
Financial costs		(5)	(6)	(12)
Net financing costs		(3)	(4)	(8)
Share of profit of joint ventures after interest and taxation		4	-	1
Profit before tax		176	140	315
Income tax expense	2	(33)	(28)	(62)
Profit for the period		143	112	253
Earnings per share from continuing operations				
- basic	4	39.5p	31.0p	70.2p
- diluted	4	39.3p	30.8p	70.0p

Consolidated Statement of Comprehensive Income (Unaudited)

		6 months ended		12 months
		31 December		ended
		2017	2016	30 June
	Note	£m	£m	£m
Profit for the period		143	112	253
Other comprehensive income/(expense):				
Items that will not be reclassified to profit or loss				
Remeasurements of post employment benefit obligations	5	6	(11)	(8)
Deferred tax on remeasurements taken directly to equity		(1)	2	1
Other comprehensive income/(expense) for the period net of tax		5	(9)	(7)
Total comprehensive income for the period		148	103	246

Consolidated Balance Sheet (Unaudited)

			As at 31 December	As at 30 June
	Note	2017 £m	2016 £m	2017 £m
Assets				
Intangible assets		2	2	2
Property, plant and equipment		16	16	16
Investments		19	26	27
Deferred tax assets		4	6	5
Retirement benefit surplus	5	4	-	-
Trade and other receivables		10	12	11
Total non-current assets		55	62	61
Inventories	6	2,154	1,934	2,043
Trade and other receivables		32	17	35
Cash and cash equivalents	8	49	53	62
Total current assets		2,235	2,004	2,140
Total assets		2,290	2,066	2,201
Equity				
Retained earnings at 1 July 2017		1,131	937	937
Profit for the period		143	112	253
Other comprehensive income/(expense) for the period		5	(9)	(7)
Dividends Paid		(41)	(22)	(44)
Movement in LTIP/SAYE		1	1	(8)
Retained earnings		1,239	1,019	1,131
Share capital	10	37	37	37
Share premium account		59	59	59
Other reserves		8	8	8
Total equity		1,343	1,123	1,235
Liabilities				
Bank loans	8	80	105	90
Trade and other payables	7	173	204	197
Deferred tax liabilities		3	1	3
Retirement benefit obligations	5	-	5	2
Long-term provisions		8	8	8
Total non-current liabilities		264	323	300
Bank overdrafts and loans	8	4	4	45
Trade and other payables	7	642	584	585
Current income tax liabilities		37	32	36
Total current liabilities		683	620	666
Total liabilities		947	943	966
Total equity and liabilities		2,290	2,066	2,201

Consolidated Statement of Changes in Equity (Unaudited)

	Share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m	Total £m
At 1 July 2016	37	59	8	937	1,041
Total comprehensive income for the period	-	-	-	103	103
Dividends paid	-	-	-	(22)	(22)
Movement in LTIP/SAYE	-	-	-	1	1
At 31 December 2016	37	59	8	1,019	1,123
At 1 July 2016	37	59	8	937	1,041
Total comprehensive income for the period	-	-	-	246	246
Dividends paid	-	-	-	(44)	(44)
Movement in LTIP/SAYE	-	-	-	(8)	(8)
At 30 June 2017	37	59	8	1,131	1,235
At 1 July 2017	37	59	8	1,131	1,235
Total comprehensive income for the period	-	-	-	148	148
Dividends paid	-	-	-	(41)	(41)
Movement in LTIP/SAYE	-	-	-	1	1
At 31 December 2017	37	59	8	1,239	1,343

Consolidated Statement of Cash Flows (Unaudited)

		6 months ended 31 December	12 months ended 30 June
	Note	2017 £m	2016 £m
			2017 £m
Cash flow from operating activities			
Operating profit		175	144
Depreciation and amortisation		1	1
Adjustment for non-cash items		(2)	(3)
Operating profit before changes in working capital and provisions		174	142
Decrease in trade and other receivables		3	21
Increase in inventories		(111)	(32)
Increase in trade and other payables		32	2
Increase in provisions – continuing operations		-	1
Cash inflow generated from operations		98	134
Interest paid		(2)	(3)
Tax paid		(32)	(26)
Net cash inflow from operating activities		64	105
Cash flows from investing activities			
Acquisition of software, property, plant and equipment		(1)	-
Interest received		3	-
Net receipts from joint ventures – continuing operations		13	-
Net cash inflow/(outflow) from investing activities		15	-
Cash flows from financing activities			
Issue of bank borrowings		80	105
Repayment of bank borrowings		(90)	(230)
Purchase of own shares		-	-
Dividends paid	3	(41)	(22)
Net cash outflow from financing activities		(51)	(147)
Increase/(decrease) in net cash and cash equivalents		28	(42)
Net cash and cash equivalents at the beginning of the period		17	91
Net cash and cash equivalents at the end of the period	8	45	17

NOTES (Unaudited)

1. Accounting policies

Basis of preparation

The condensed consolidated half-yearly financial information for the half-year ended 31 December 2017 has been prepared on a going concern basis in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34, 'Interim financial reporting' as adopted by the European Union. The half-yearly condensed consolidated report should be read in conjunction with the annual consolidated financial statements for the year ended 30 June 2017, which have been prepared in accordance with IFRSs as adopted by the European Union.

These half-yearly financial results do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. These condensed half-yearly financial statements have been reviewed, not audited. Audited statutory accounts for the year ended 30 June 2017 were approved by the Board of Directors on 4 September 2017 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph, and did not contain any statement under section 498 of the Companies Act 2006.

The principal accounting policies adopted in the preparation of this consolidated half-yearly report are included in the annual consolidated financial statements for the year ended 30 June 2017. These policies have been consistently applied to all the periods presented. The Group adopted no new standards, amendments or interpretations during the half-year ended 31 December 2017.

The preparation of condensed half-yearly financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may subsequently differ from these estimates. In preparing these condensed half-yearly financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements for the year ended 30 June 2017.

After making due enquiries and in accordance with the FRC's 'Going Concern and Liquidity Risk: Guidance for Directors of UK Companies 2009', the Directors have a reasonable expectation that the Group has adequate resources to continue trading for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing the condensed consolidated half-yearly financial statements.

The main operation of the Group is focused on housebuilding. As it operates entirely within the United Kingdom, the Group has only one reportable business and geographic segment. There is no material difference between any assets or liabilities held at cost and their fair value.

Standards and interpretations in issue but not yet effective

- IFRS 15 'Revenue from contracts with customers'. IFRS 15, Revenue from contracts with customers' is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally. It is more prescriptive in terms of what should be included within revenue than IAS 18 'Revenue'. Published May 2014, effective date: annual periods beginning on or after 1 January 2018. The Group continues to assess the impact of the standard on the Group.

The Group does not expect this standard to effect the statement of cashflows nor does the Group expect the implementation of this standard to have a material impact on profit.

- Amendment to IFRS 15, 'Revenue from contracts with customers'. Published April 2016, effective date: Annual periods beginning on or after 1 January 2018.
- IFRS 9 'Financial instruments'. This standard replaces the guidance in IAS 39. Published July 2014, effective date: annual periods beginning on or after 1 January 2018. The Group is still assessing the full impact of this standard but does not currently expect its implementation to have a material impact on reported results.
- IFRS 16 'Leases'. This standard replaces the current guidance in IAS 17 and is a far-reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Published January 2016, effective Annual periods beginning on or after 1 January 2019 with earlier application permitted if IFRS 15, 'Revenue from Contracts with Customers', is also applied. The Group has a number of operating leases, mainly in relation to cars and some office properties which the Group currently anticipates will be required to be brought onto the balance sheet together with the corresponding assets. The Group does not expect the net impact on profit to be significant.

Principal risks and uncertainties

As with any business, Redrow plc faces a number of risks and uncertainties in the course of its day to day operations.

The principal risks and uncertainties facing the Group are outlined within our half-yearly report 2018.

2. Income taxes

Income tax charge is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year (19.0% (2017: 19.75%)).

3. Dividends

A dividend of £41m was paid in the six months to 31 December 2017 (six months to 31 December 2016: £22m).

4. Earnings per share

The basic earnings per share calculation for the six months ended 31 December 2017 is based on the weighted number of shares in issue during the period of 362m (31 December 2016: 363m) excluding those held in trust under the Redrow Long Term Incentive Plan, 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.

6 months ended 31 December 2017

	Earnings £m	No. of shares millions	Per share pence
Basic earnings per share	143	362	39.5
Effect of share options and SAYE	-	2	(0.2)
Diluted earnings per share	143	364	39.3

6 months ended 31 December 2016

	Earnings £m	No. of shares millions	Per share pence
Basic earnings per share	112	363	31.0
Effect of share options and SAYE	-	1	(0.2)
Diluted earnings per share	112	364	30.8

12 months ended 30 June 2017

	Earnings £m	No. of shares millions	Per share pence
Basic earnings per share	253	361	70.2
Effect of share options and SAYE	-	2	(0.2)
Diluted earnings per share	253	363	70.0

5. Pensions

The amounts recognised in respect of the defined benefit section of the Group's Pension Scheme are as follows:

	6 months ended 31 December		12 months ended 30 June
	2017	2016	2017
	£m	£m	£m
Amounts included within the consolidated income statement			
Period operating costs			
Scheme administration expenses	-	-	-
Net interest on defined benefit liability	-	-	-
	-	-	-
Amounts recognised in the consolidated statement of comprehensive income			
Return on scheme assets excluding interest income	4	7	8
Actuarial gains/(losses) arising from change in financial assumptions	2	(18)	(19)
Actuarial gains arising from change in demographic assumptions	-	-	3
	6	(11)	(8)
Amounts recognised in the consolidated balance sheet			
Present value of the defined benefit obligation	(127)	(133)	(130)
Fair value of the Scheme's assets	131	128	128
Surplus/(liability) in the consolidated balance sheet	4	(5)	(2)

6. Inventories

	As at 31 December		As at 30 June
	2017	2016	2017
	£m	£m	£m
Land for development	1,376	1,238	1,312
Work in progress	715	646	674
Stock of showhomes	63	50	57
	2,154	1,934	2,043

7. **Land Creditors**
(included in Trade and Other Payables)

	As at 31 December		As at 30 June
	2017	2016	2017
	£m	£m	£m
Due within one year	209	190	154
Due in more than one year	173	204	197
	382	394	351

8. **Analysis of Net Debt**

	As at 31 December		As at 30 June
	2017	2016	2017
	£m	£m	£m
Cash and cash equivalents	49	53	62
Bank overdrafts	(4)	(4)	(45)
Net cash and cash equivalents	45	49	17
Bank loans	(80)	(105)	(90)
	(35)	(56)	(73)

9. **Bank facilities**

At 31 December 2017, the Group had total unsecured bank borrowing facilities of £353m, representing £350m committed facilities and £3m uncommitted facilities.

On 31 January 2018, the Group reduced its committed syndicated loan facility to £250m and extended its maturity from March 2020 to December 2022.

10. **Issued Share capital**

	As at 31 December		As at 30 June
	2017	2016	2017
	£m	£m	£m
Allotted, called up and fully paid ordinary shares of 10p each	37	37	37

Number of ordinary
shares of 10p each

At 1 July 2017 and 31 December 2017

369,799,938

11. **Contingent Liabilities**

Performance bonds, financial guarantees in respect of certain deferred land creditors and other building or performance guarantees have been entered into in the normal course of business.

12. Related parties

Key management personnel, as defined under IAS 24 'Related Party Disclosures', are identified as the Executive Management Team and the Non-Executive Directors. Summary key management remuneration is as follows:

	6 months ended 31 December		12 months ended 30 June
	2017	2016	2017
	£m	£m	£m
Short-term employee benefits	3	3	5
Share-based payment charges	1	1	2
	4	4	7

Related party transactions were carried out with Steve Morgan during the period for a total consideration of £0.2m (2017: £0.3m) primarily relating to donations to the Morgan Foundation.

The Group did not undertake any material transactions with Menta Redrow Limited or Menta Redrow (II) Limited. The Group's loans to its joint ventures are summarised below:

	As at 31 December		As at 30 June
	2017	2016	2017
	£m	£m	£m
Loans to joint ventures	14	26	27

13. General information

Redrow plc is a public limited company incorporated and domiciled in the UK and has its primary listing on the London Stock Exchange.

The registered office address is Redrow House, St David's Park, Flintshire, CH5 3RX.

Financial Calendar

Interim dividend record date	6 April 2018
Interim dividend payment date	4 May 2018
Announcement of results for the year to 30 June 2018	4 September 2018
Circulation of Annual Report	21 September 2018
Final dividend record date	21 September 2018
Annual General Meeting	7 November 2018
Final dividend payment date	13 November 2018

14. **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

Shareholder helpline: 0370 707 1257

Independent Review Report to Redrow plc

Report on the half yearly report

Our conclusion

We have reviewed Redrow plc's half yearly report (the "interim financial statements") in the half-yearly report of Redrow plc for the 6 month period ended 31 December 2017. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

What we have reviewed

The interim financial statements comprise:

- the consolidated balance sheet as at 31 December 2017;
- the consolidated income statement and consolidated statement of comprehensive income for the period then ended;
- the consolidated statement of cash flows for the period then ended;
- the consolidated statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the half-yearly report have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The half-yearly report, including the interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly report in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the interim financial statements in the half-yearly report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What a review of interim financial statements involves

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim

financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the half-yearly report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants
Manchester
6 February 2018

- a) The maintenance and integrity of the Redrow plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the interim financial statements since they were initially presented on the website.
- b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.