Redrow plc
Redrow House, St. David's Park, Flintshire CH5 3RX
Telephone: 01244 520044
www.redrow.co.uk

2019
HALF-YEARLY REPORT

REDROW
A BETTER WAY TO LIVE

Thriving Communities, Thriving Business

OAK LEIGH GARDENS, CLITHEROE, LANCASHIRE

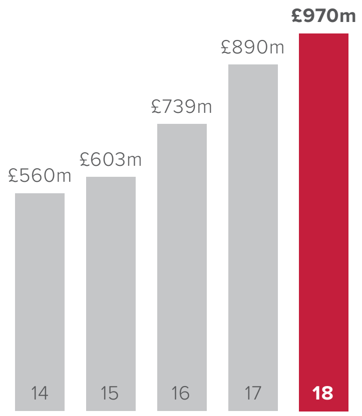
Contents

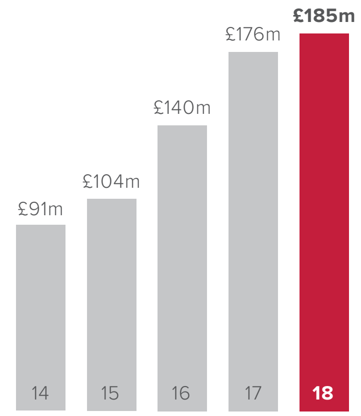
1 Highlights
2 Chairman's Statement
4 Thriving Communities, Thriving Business
11 Governance
12 Independent Review Report to Redrow plc
13 Consolidated Income Statement
13 Consolidated Statement of Comprehensive Income
14 Consolidated Balance Sheet
15 Consolidated Statement of Changes in Equity
16 Consolidated Statement of Cash Flows
17 Notes to the Half-Yearly Financial Information
22 Risk Management

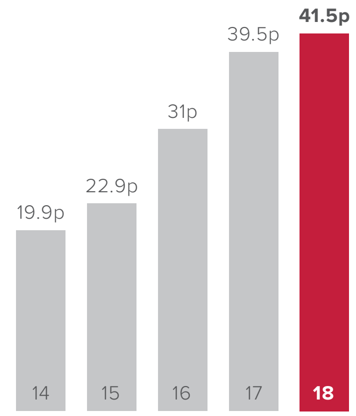
Find more information at:
redrowplc.co.uk

REDROW HALF-YEARLY REPORT 2019

Highlights



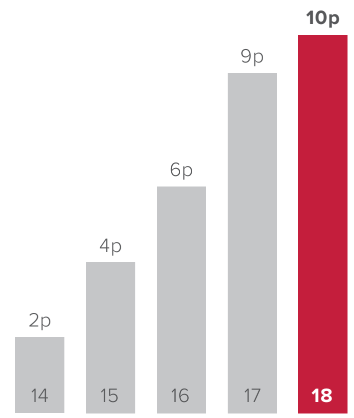


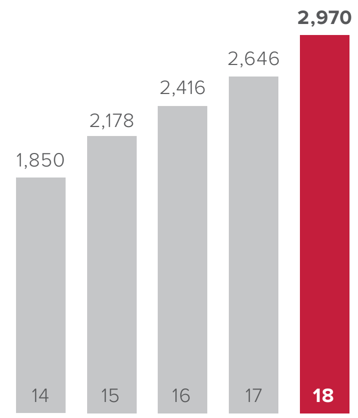


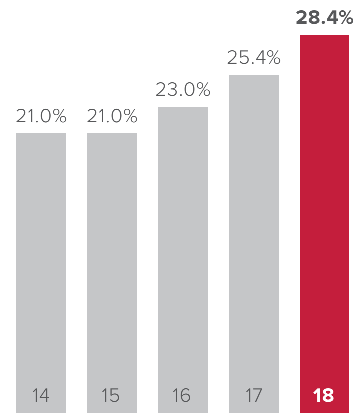
£970m
Revenue
+9%

£185m
Profit before tax
+5%

41.5p
Earnings per share
+5%







10p
Interim dividend per share
+11%

2,970
Legal completions
+12%

28.4%
ROCE*
+12%

* ROCE is operating profit before exceptional items adjusted for joint ventures as a percentage of opening and closing capital employed.

Award highlights

STRATEGIC REPORT

Chairman's Statement

"In this, my final report as Chairman, it gives me great pleasure to announce that Redrow has once again delivered record results for the first half of the financial year. During the period legal completions increased by 12% to 2,970, whilst pre-tax profits were up 5% to £185m."

STEVE MORGAN
Chairman

FINANCIAL RESULTS

Group Revenue increased by 9% to £970m, due to the increase in legal completions. Revenue from private legal completions increased by 4% to £847m (2018: £816m) and from affordable completions was 97% higher at £114m (2018: £58m). The average selling price of our private homes increased by 4% from £375,000 to £391,000 and affordable homes by 15% to £141,000 (2018: £123,000), mainly due to the growth of the Southern businesses.

As a consequence of the change in balance of tenure, gross margin reduced slightly from 24.5% to 24%.

Overheads increased from £43m to £46m, due to the further growth in the business. However, as a percentage of turnover they reduced from 4.8% to 4.7%.

Operating profit increased by 7% to £187m (2018: £175m) and pre-tax profits were 5% higher at £185m (2018: £176m), despite there being no Joint Venture contribution this year (2018: £4m after tax). Earnings per share at 41.5p were 5% up on the previous year (2018: 39.5p).

Net cash at the end of December 2018 was £101m (June 2018: £63m).

In line with our policy of a 33% full year dividend payout ratio, the Board has declared an interim dividend of 10p per share (2018: 9p). The interim dividend will be paid on 9 April 2019 to holders of ordinary shares on the register at the close of business on 8 March 2019.

As a result of our continuing strong earnings and cash performance, we are proposing a 30p per share cash return to shareholders through a B Share Scheme, which will be in addition to the interim dividend. This Scheme enables all shareholders to participate equally in proportion to their holdings and should be treated as capital for most UK tax resident shareholders. Assuming it is approved by shareholders payment is expected to be made in April 2019. The Scheme will be accompanied by a share consolidation to maintain share price comparability.

TRADING

Our sales rate per outlet per week for the first half was 0.61, slightly lower than the 0.64 for the same period last year. Sales were negatively affected towards the end of the calendar year as a result of the political uncertainty surrounding Brexit and the effect of high Stamp Duty Tax, which has disrupted the normal trade-up/down-sizing market. Despite this, the value of private reservations in the first half was in line with the prior year at £795m (2018: £795m).

At the end of December 2018 we had a record total order book of £1.2bn, up 11% on December 2017. In the first half of the financial year 39% of our private reservations utilised Help to Buy. Outlets averaged 129 in the period, two higher than the first half last year. We expect the full year average outlets to be at a similar level.

Over the period we have experienced a reduction in cost pressures with sub contract, materials and labour markets all easing.

I am delighted that our customer satisfaction scores have run at 91% over the last 12 months which should ensure Redrow's status as a 5 Star Builder under the Home Builders Federation Survey. I am also delighted that Redrow were awarded the coveted titles of Large Housebuilder of the Year and UK Housebuilder of the Year at the 2018 WhatHouse Awards.

LAND AND PLANNING

We continue to see excellent opportunities in the land market. However, we have taken a cautious approach to land acquisition, preferring to concentrate on those select sites which suit the Redrow product.

Our owned and contracted current land holdings at 31 December 2018 are in line with those at the end of the last financial year at 27,540 plots (June 2018: 27,630). Our forward land holdings at 31 December 2018 are also in line with those at the end of June at 30,500 (June 2018: 30,700).

PEOPLE

Our directly employed workforce continued to increase due to the ongoing growth of the business.

Over the last 10 years, since I returned to Redrow, the then 600 employees has increased four-fold to just under 2,400 today. During that time we have recruited over 1,000 trainees into the business, ranging from apprentices to graduates.

We have an ongoing commitment to develop our own talent, leading the way in trying to resolve the shortage of skilled labour in the industry. Redrow is at the forefront of actively encouraging young people to develop successful careers across all disciplines.

I am proud of the Redrow team as we continue to grow the business and, as always, I thank them for their commitment.

CURRENT TRADING AND OUTLOOK

The market during the run up to the festive period and the first two weeks of 2019 was subdued by macroeconomic and political uncertainty. However, sales over the last three weeks have bounced-back with reservations running at similar levels to last year's strong market activity. Overall, private sales for the first 5 weeks of 2019 were £156m (2018: £166m). Nevertheless our strategy remains on track and given our record £1.2 billion order book, I have every confidence that this will be another year of significant progress for Redrow.

It is nearly 45 years since I founded Redrow and when I step down as Chairman next month it will be exactly 10 years since I returned to the business. I am proud of the legacy I leave behind having completed over 6,000 homes for the first time in 2018 and handed over our 100,000th Redrow home last October.

Redrow has a very strong team, an excellent balance sheet and the Heritage Collection product which I believe is the best in the industry. Most importantly, Redrow has a great future under John Tutte's leadership who will take over from me as Chairman.

STEVE MORGAN
Chairman

5 February 2019

RYARSH PARK, WEST MALLING, KENT

STRATEGIC REPORT

Thriving Communities, Thriving Business

At Redrow, we don't just build homes; we build thriving communities. We create attractive, desirable places that enhance everyday life, promote health and wellbeing and bring everyone together as a family, as a neighbourhood and as a community.

We do this because we know this is how our customers want to live. They want more than just a house; they want a lifestyle. They want a place that feels like home.

COMMUNITY BUILDING

There is so much more to choosing a new home than counting the bedrooms. That's why, at Redrow, we consider the whole experience of living on our developments. From the morning commute to an evening walk, from local shops to convenient surgeries, we plan for life, not just for living space. We bring focus to our communities with sport facilities, multi-use centres and family friendly pubs and cafés and we open up our developments with woodland, meadows and other open spaces to explore.

SUSTAINABLE SPACES

We know that we are not just building for today, so we make sure that all of our developments are sustainable for the future too. We often build close to highly rated schools, or even build our own schools on site, so you can leave the car behind on the school run. We prioritise walkways and cycle routes throughout our developments, and we ensure these are fully integrated with the local infrastructure, to make it easier for residents to make sustainable choices.

THE REDROW 8

To ensure our placemaking philosophy is applied across the business, we have distilled it into the Redrow 8 – a set of principles that sets out the key ways in which Redrow goes about creating 'a better way to live'.

The Redrow 8 principles are focused on creating places that offer social and environmental benefits, both for new residents and the wider community they will become a part of. These principles contribute towards improved health and happiness, greater place attachment, the protection and enhancement of the natural environment and many other benefits.

No.1 LISTEN TO LEARN

Connecting with our customers and local communities to design developments that are sensitive and responsive.

No.2 KEEPING IT LOCAL

Considering each site and its wider context to help us stitch new developments into their locality.

No.3 EASY TO GET AROUND

Improving connections between the existing community and our developments, encouraging people to walk and cycle and lead healthier lives.

No.4 PLACES TO GO & THINGS TO DO

Creating locally tailored, interconnected community infrastructure to generate opportunities for social interaction.

No.5 NATURE FOR PEOPLE

Creating new or enhancing existing wildlife habitats and better connecting people to them through thoughtful design of public spaces.

No.6 STREETS FOR LIFE

Recognising the street as an essential part of creating safe, attractive and friendly places to live, where neighbours can meet each other.

No.7 HOMES FOR ALL

Delivering sustainable and socially cohesive communities that are formed by a diverse mix of housing types and tenures.

No.8 BUILT TO IMPRESS

Creating inviting, memorable entrances and building beautiful, distinctive homes to deliver some of the best streets in the country.

CASTLE FIELDS, BARTON SEAGRAVE, NORTHAMPTONSHIRE

STRATEGIC REPORT

Thriving Communities, Thriving Business continued

Garden Villages

We aim to apply the principles of the Redrow 8 to all of our developments, large and small, but they are at their very best in our Garden Villages. Redrow was a pioneer of the modern Garden Village in the early 1990s, with our first village at Kingsmead, Cheshire. Since then, we have expanded the concept nationwide, with seven superb developments from Lancashire to Kent, the Wirral to Wales.

Each of these bespoke projects is a self-contained community in its own right, providing shops, schools and open spaces, to reduce our dependence on the car. They create an environment where people from all walks of life can live and thrive together, socially and sustainably, getting the very most out of every day.

EBBSFLEET GARDEN VILLAGE

Ebbsfleet Green, in Kent, is a classic example of how our Garden Village concept reflects the principles of the Redrow 8. This 100 acre site will provide 920 homes within an attractive setting, which is linked by footpaths, cycleways and tree-lined avenues. At the centre will lie a picturesque village green and a vibrant village hub, which will form the heart of the community. A third of the site has been left for open space, including sports fields, orchards and allotments. The village will also boast a community centre, a primary school, shops and a new hotel and pub. All amenities are within walking distance, along with a new bus route that runs right through the development, linking residents to the wider area.

AERIAL VIEW AND FAMILY PUB AT EBBSFLEET GREEN, KENT

Not only do our carefully considered communities deliver a better way to live for our customers, they also deliver better value for our shareholders. By creating such highly desirable and aspirational homes, we build our reputation as a home builder, generating word of mouth recommendations that are far more powerful and memorable than any advertising campaign.

By creating premium homes in well planned locations, we can also command a premium price, generating higher revenues across the business and higher returns to our shareholders. What's more, with several large scale, long-term projects, such as Plasdŵr, Cardiff's first Garden City, still in their infancy, these revenues and returns will be sustainable for many years to come.

ABOVE: WOODFORD GARDEN VILLAGE, CHESHIRE **BELOW:** PARC PLYMOUTH AT PLASDŴR, CARDIFF

STRATEGIC REPORT

Thriving Communities, Thriving Business continued

Garden Cities

While the placemaking philosophy of the Redrow 8 is essential to the success of all our developments, it is more important than ever in the urban environment, where space is at a premium and the pace of life moves that much faster. Here, in our Garden Cities, these guiding principles can make a significant difference to the quality of life, helping our residents to find a better work/life balance and creating a real community within easy reach of the city.

COLINDALE GARDENS

Colindale Gardens, in North West London, is much more than just a place to live; it is a place for living. An easy, half hour commute gives young professionals and their families much more time for the important things in life, and we've designed a home where they can make the most of it.

Colindale Gardens delivers 2,900 new homes set in over 9 acres of landscaped grounds, with each apartment or townhouse finished to the very highest specification, including outdoor space, such as a terrace or balcony, as part of the design.

COLINDALE GARDENS, NORTH LONDON

STRATEGIC REPORT

Thriving Communities, Thriving Business continued

A SELF-CONTAINED COMMUNITY

The Garden City concept creates more than just superb quality homes; it creates a real community too. A place to enjoy, a place to belong, a place to share.

Colindale Gardens will include a 4 acre park for residents to enjoy and there are plans for a selection of cafés, restaurants and retail facilities, creating a local focal point to share with friends and neighbours.

There will also be an exclusive residents only gym on site, plus a concierge service to welcome you home and help with those little details that smooth your way through life.

Redrow is re-inventing the way we build in urban areas, blending the space of the suburbs, with the convenience of city life, to create a better way to live in the capital.

Building Our Future Business

At Redrow, we are as committed to building a sustainable business, as we are to building sustainable homes. We are constantly on the lookout for the very best talent within our organisation.

Whether it be our recent apprentices, graduates or our workforce as a whole, we work hard to nurture and develop that talent, to make sure each member of staff achieves their full potential to help us create the communities, profits and shareholder value of the future.

AWARD WINNING APPRENTICE, JENNIFER PROSSER

Community Engagement

At Redrow, 'Listen to learn' is our first and perhaps most important placemaking principle. By listening and engaging with local communities and other stakeholders at an early stage, local views can help to shape our vision and design proposals. Responding to the needs and aspirations of the local community and other stakeholders is an important element in creating a successful place.

An example of this approach can be seen at Ebbsfleet Green, where we, in collaboration with Ebbsfleet Development Corporation, are engaging with the local community in the design and potential uses of a combined community centre and sports facility.

At a national level, as part of an iterative cycle of development and improvement, we listen to the feedback of our customers and respond to what they want from their homes, streets and neighbourhoods. As a further example of community engagement, we are looking to build 220 new homes on former industrial land, that has been vacant for a number of years, in the South Cambridgeshire village of Barrington. We have worked very closely with local people and other key community stakeholders to develop proposals that are not only sensitive to the surrounding village but also open up the site to existing residents through an interconnecting network of pedestrian and cycle routes.

VALUING COMMUNITIES REPORT

FINANCIAL STATEMENTS

Responsibility Statement

The Directors confirm that this condensed consolidated interim financial information has been prepared in accordance with IAS 34 as adopted by the European Union and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

(i) an indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

(ii) material related party transactions in the first six months and any material changes in the related party transactions described in the last Annual Report.

During the period since the approval of the Redrow plc Annual Report for the year ended 30 June 2018, Debbie Hewitt retired from the board on 7 November 2018 following the close of the 2018 Annual General Meeting.

THE DIRECTORS OF REDROW PLC AS AT THE DATE OF THIS STATEMENT ARE:

Steve Morgan
John Tutte
Barbara Richmond
Nicholas Hewson
Sir Michael Lyons
Vanda Murray

By order of the Board

Graham Cope
Company Secretary

5 February 2019

Redrow plc
Redrow House
St David's Park
Flintshire
CH5 3RX

FINANCIAL STATEMENTS

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 2018. 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 2018;
- 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
5 February 2019

FINANCIAL STATEMENTS

Consolidated Income Statement

	Note	Unaudited 6 months ended 31 December 2018 £m	Unaudited 6 months ended 31 December 2017 £m	Audited 12 months ended 30 June 2018 £m
Revenue		**970**	890	1,920
Cost of sales		**(737)**	(672)	(1,451)
Gross profit		**233**	218	469
Administrative expenses		**(46)**	(43)	(87)
Operating profit		**187**	175	382
Financial income		**1**	2	3
Financial costs		**(3)**	(5)	(10)
Net financing costs		**(2)**	(3)	(7)
Share of profit of joint ventures after interest and taxation		**–**	4	5
Profit before tax		**185**	176	380
Income tax expense	2	**(35)**	(33)	(72)
Profit for the period		**150**	143	308
Earnings per share – basic	4	**41.5p**	39.5p	85.3p
– diluted	4	**41.4p**	39.3p	85.2p

FINANCIAL STATEMENTS

Consolidated Statement of Comprehensive Income

	Note	Unaudited 6 months ended 31 December 2018 £m	Unaudited 6 months ended 31 December 2017 £m	Audited 12 months ended 30 June 2018 £m
Profit for the period		**150**	143	308
Other comprehensive (expense)/income				
Items that will not be reclassified to profit or loss				
Remeasurements of post employment benefit obligations	5	**(5)**	6	22
Deferred tax on remeasurements taken directly to equity		**1**	(1)	(4)
Other comprehensive (expense)/income for the period net of tax		**(4)**	5	18
Total comprehensive income for the period		**146**	148	326

FINANCIAL STATEMENTS

Consolidated Balance Sheet

	Note	Unaudited As at 31 December 2018 £m	Unaudited As at 31 December 2017 £m	Audited As at 30 June 2018 £m
Assets				
Intangible assets		**2**	2	2
Property, plant and equipment		**15**	16	15
Investments		**6**	19	6
Deferred tax assets		**4**	4	4
Retirement benefit surplus	5	**16**	4	22
Trade and other receivables		**7**	10	8
Total non-current assets		**50**	55	57
Inventories	6	**2,258**	2,154	2,218
Trade and other receivables		**43**	32	42
Cash and cash equivalents	8	**102**	49	90
Total current assets		**2,403**	2,235	2,350
Total assets		**2,453**	2,290	2,407
Equity				
Retained earnings at 1 July 2018		**1,379**	1,131	1,131
Profit for the period		**150**	143	308
Other comprehensive (expense)/income for the period		**(4)**	5	18
Dividends paid		**(70)**	(41)	(74)
Movement in LTIP/SAYE		**1**	1	(4)
Retained earnings		**1,456**	1,239	1,379
Share capital	10	**37**	37	37
Share premium account		**59**	59	59
Other reserves		**8**	8	8
Total equity		**1,560**	1,343	1,483
Liabilities				
Bank loans	8	**1**	80	5
Trade and other payables	7	**143**	173	178
Deferred tax liabilities		**4**	3	5
Long-term provisions		**9**	8	9
Total non-current liabilities		**157**	264	197
Bank overdrafts and loans	8	**–**	4	22
Trade and other payables	7	**702**	642	671
Current income tax liabilities		**34**	37	34
Total current liabilities		**736**	683	727
Total liabilities		**893**	947	924
Total equity and liabilities		**2,453**	2,290	2,407

Redrow plc Registered no. 2877315

FINANCIAL STATEMENTS

Consolidated Statement of Changes in Equity

	Share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m	Total £m
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 (Unaudited)	**37**	**59**	**8**	**1,239**	**1,343**
At 1 July 2017	37	59	8	1,131	1,235
Total comprehensive income for the period	–	–	–	326	326
Dividends paid	–	–	–	(74)	(74)
Movement in LTIP/SAYE	–	–	–	(4)	(4)
At 30 June 2018 (Audited)	**37**	**59**	**8**	**1,379**	**1,483**
At 1 July 2018	37	59	8	1,379	1,483
Total comprehensive income for the period	–	–	–	146	146
Dividends paid	–	–	–	(70)	(70)
Movement in LTIP/SAYE	–	–	–	1	1
At 31 December 2018 (Unaudited)	**37**	**59**	**8**	**1,456**	**1,560**

FINANCIAL STATEMENTS

Consolidated Statement of Cash Flows

	Note	Unaudited 6 months ended 31 December 2018 £m	Unaudited 6 months ended 31 December 2017 £m	Audited 12 months ended 30 June 2018 £m
Cash flows from operating activities				
Operating profit		**187**	175	382
Depreciation and amortisation		**1**	1	3
Adjustment for non-cash items		**(1)**	(2)	(6)
Operating profit before changes in working capital and provisions		**187**	174	379
Decrease/(increase) in trade and other receivables		**1**	3	(5)
Increase in inventories		**(40)**	(111)	(175)
(Decrease)/increase in trade and other payables		**(3)**	32	76
Increase in provisions		**–**	–	1
Cash inflow generated from operations		**145**	98	276
Interest paid		**(1)**	(2)	(4)
Tax paid		**(35)**	(32)	(74)
Net cash inflow from operating activities		**109**	64	198
Cash flows from investing activities				
Acquisition of software, property, plant and equipment		**(1)**	(1)	(2)
Interest received		**–**	3	–
Net receipts from joint ventures		**–**	13	26
Net cash (outflow)/inflow from investing activities		**(1)**	15	24
Cash flows from financing activities				
Issue of bank borrowings		**1**	80	5
Repayment of bank borrowings		**(5)**	(90)	(90)
Purchase of own shares		**–**	–	(12)
Dividends paid	3	**(70)**	(41)	(74)
Net cash outflow from financing activities		**(74)**	(51)	(171)
Increase in net cash and cash equivalents		**34**	28	51
Net cash and cash equivalents at the beginning of the period		**68**	17	17
Net cash and cash equivalents at the end of the period	8	**102**	45	68

FINANCIAL STATEMENTS

Notes to the Half-Yearly Financial Information

1. ACCOUNTING POLICIES

Basis of preparation

The condensed consolidated half-yearly financial information for the half-year ended 31 December 2018 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 2018, which have been prepared in accordance with IFRSs as adopted by the European Union.

This half-yearly financial information does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. This condensed half-yearly financial information has been reviewed, not audited. Audited statutory accounts for the year ended 30 June 2018 were approved by the Board of Directors on 3 September 2018 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 condensed half-yearly financial information are included in the annual consolidated financial statements for the year ended 30 June 2018. The accounting policies are consistent with those followed in the preparation of the financial statements to the year ended 30 June 2018 with the exception of two new accounting standards which have been adopted by the Group from 1 July 2018.

IFRS 15, 'Revenue from contracts with customers' is a converged standard of IAS 18 'Revenue', IAS 11 'Construction Contracts' and a number of revenue-related interpretations from the IASB and FASB on revenue recognition. The standard is more prescriptive in terms of what should be included within revenue, and is effective for the year ending 30 June 2019.

The Group currently recognises revenue in respect of the sale of residential housing, residential land and of commercial land and developments on legal completion. This will not change under IFRS 15 as control on these, including for example revenue of housing association funded contracts for homes passes on completion of the finished units.

The Group does not currently recognise revenue on the proceeds from the disposal of properties taken in part exchange against a new home. The net profit or loss on disposal is shown within gross profit. The gross proceeds and net profit/loss are immaterial. This treatment will be unchanged under IFRS 15 as the Group considers properties taken in part exchange to be incidental to its main activity and therefore outside the scope of IFRS 15.

IFRS 9 'Financial instruments' replaces the guidance in IAS 39 and is effective for the year ending 30 June 2019. It affects the classification, measurement, impairment and de-recognition of financial instruments. The Group has reviewed its existing classification and confirmed that most financial assets will continue to be recognised at amortised cost, with other financial assets being classified at fair value through the profit or loss. The Group reviews the future recoverability of debtors, most of which is from housing associations which are government funded, in assessing exposure to expected credit loss. Given the nature of the receivables and lack of significant exposure to expected credit loss, the impact on Group profits of adopting IFRS 9 is immaterial.

There were no other key judgements or estimates made in assessing the impact of IFRS 15 and 9 on the Group.

The preparation of condensed half-yearly financial information 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 this condensed half-yearly financial information, 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 2018.

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 information.

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. After considering the requirements of IFRS 15 to present disaggregated revenue, the Group does not believe there is any disaggregation criteria applicable to its one reportable business and geographic segment. There is no material difference between any assets or liabilities held at cost and their fair value.

FINANCIAL STATEMENTS

Notes to the Half-Yearly Financial Information continued

Standards and interpretations in issue but not yet effective

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 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 2019. We have reviewed the risks pertinent to our business in the six months to 31 December 2018 and which we believe to be relevant for the remaining six months to 30 June 2019. The only material changes from those outlined in our Annual Report 2018 are that economic uncertainty has increased with the possibility of a 'no-deal Brexit' and the risk of the withdrawal of the Help To Buy Scheme has receded with the extension of the scheme having been announced by the Government.

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% (2018: 19.0%)).

3. DIVIDENDS

A dividend of £70m was paid in the six months to 31 December 2018 (six months to 31 December 2017: £41m).

4. EARNINGS PER SHARE

The basic earnings per share calculation for the six months ended 31 December 2018 is based on the weighted number of shares in issue during the period of 362m (31 December 2017: 362m) 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 2018 (Unaudited)

	Earnings £m	Number of shares millions	Per share pence
Basic earnings per share	**150**	**362**	**41.5**
Effect of share options and SAYE	**–**	**1**	**(0.1)**
Diluted earnings per share	**150**	**363**	**41.4**

6 months ended 31 December 2017 (Unaudited)

	Earnings £m	Number 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

12 months ended 30 June 2018 (Audited)

	Earnings £m	Number of shares millions	Per share pence
Basic earnings per share	308	361	85.3
Effect of share options and SAYE	–	1	(0.1)
Diluted earnings per share	308	362	85.2

5. PENSIONS

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

	Unaudited 6 months ended 31 December 2018 £m	Unaudited 6 months ended 31 December 2017 £m	Audited 12 months ended 30 June 2018 £m
Amounts included within the consolidated income statement			
Period operating costs			
Scheme administration expenses	**1**	–	–
Net interest on defined benefit liability	**–**	–	–
	1	–	–
Amounts recognised in the consolidated statement of comprehensive income			
Return on scheme assets excluding interest income	**(5)**	4	5
Actuarial gains arising from change in financial assumptions	**–**	2	11
Actuarial gains arising from change in demographic assumptions	**–**	–	1
Actuarial gains arising from experience adjustments	**–**	–	5
	(5)	6	22
Amounts recognised in the consolidated balance sheet			
Present value of the defined benefit obligation	**(112)**	(127)	(111)
Fair value of the Scheme's assets	**128**	131	133
Surplus in the consolidated balance sheet	**16**	4	22

6. INVENTORIES

	Unaudited As at 31 December 2018 £m	Unaudited As at 31 December 2017 £m	Audited As at 30 June 2018 £m
Land for development	**1,460**	1,376	1,439
Work in progress	**723**	715	712
Stock of showhomes	**75**	63	67
	2,258	2,154	2,218

FINANCIAL STATEMENTS

Notes to the Half-Yearly Financial Information continued

7. LAND CREDITORS (INCLUDED IN TRADE AND OTHER PAYABLES)

	Unaudited As at 31 December 2018 £m	Unaudited As at 31 December 2017 £m	Audited As at 30 June 2018 £m
Due within one year	**244**	209	209
Due in more than one year	**143**	173	178
	387	382	387

8. ANALYSIS OF NET CASH/(DEBT)

	Unaudited As at 31 December 2018 £m	Unaudited As at 31 December 2017 £m	Audited As at 30 June 2018 £m
Cash and cash equivalents	**102**	49	90
Bank overdrafts	**–**	(4)	(22)
Net cash and cash equivalents	**102**	45	68
Bank loans	**(1)**	(80)	(5)
	101	(35)	63

9. BANK FACILITIES

At 31 December 2018, the Group had total unsecured bank borrowing facilities of £253m, representing £250m committed facilities and £3m uncommitted facilities.

The Group's syndicated loan facility matures in December 2022.

10. ISSUED SHARE CAPITAL

	Unaudited As at 31 December 2018 £m	Unaudited As at 31 December 2017 £m	Audited As at 30 June 2018 £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 2018 and 31 December 2018	**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:

	Unaudited 6 months ended 31 December 2018 £m	Unaudited 6 months ended 31 December 2017 £m	Audited 12 months ended 30 June 2018 £m
Short-term employee benefits	**3**	3	5
Share-based payment charges	**1**	1	3
	4	4	8

Related party transactions were carried out with Steve Morgan during the period for a total consideration of £0.2m (2018: £0.2m) primarily relating to donations to The Steve 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:

	Unaudited As at 31 December 2018 £m	Unaudited As at 31 December 2017 £m	Audited As at 30 June 2018 £m
Loans to joint ventures	**4**	14	4

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	8 March 2019
Interim dividend payment date	9 April 2019
Announcement of results for the year to 30 June 2019	5 September 2019
Final dividend record date	20 September 2019
Circulation of Annual Report	23 September 2019
Annual General Meeting	6 November 2019
Final dividend payment date	13 November 2019

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

Risks and Risk Management

	Risk	Risk Owners	Key Controls and Mitigating Strategies
DEVELOPING THRIVING COMMUNITIES	**Housing Market** The UK housing market conditions have a direct impact on our business performance. Economic uncertainty has increased with the possibility of a 'no-deal Brexit' increasing market risk and the likelihood of slower sales rates and downward pressure on house prices.	Group Chief Executive	Market conditions and trends are being closely monitored allowing management to identify and respond to any sudden changes or movements. With underlying build costs continuing to rise and house price inflation moderating over the year we maintain tight controls on costs and continue to build our relationships with key suppliers and broaden our supplier base. Weekly review of sales at Group, divisional and site level. Ensuring strong relationships with lenders and valuers to ensure they recognise our premium product. Ongoing and regular monitoring of Government policy and lobbying as appropriate.
DEVELOPING THRIVING COMMUNITIES	**Availability of Mortgage Finance** Availability of mortgage finance and increased lending criteria requirements are key factors in the current environment.	Group Finance Director	Proactively engage with the Government, Lenders and Insurers to support the housing market. Expert New Build Mortgage Specialists provide updates on and monitoring of regulatory change.
BUILDING RESPONSIBLY	**Liquidity and Funding** The Group requires appropriate facilities for its short-term liquidity and long-term funding.	Group Finance Director	Suitable committed banking facilities with covenants and headroom. Regular communication with our investors and relationship banks, including visits to developments. Regular review of our banking covenants and capital structure. Ensuring our future cash flow is sustainable through detailed budgeting process and reviews. Strong forecasting and budgeting process.
BUILDING RESPONSIBLY	**Customer Service** Failure of our customer service could lead to relative under performance of our business.	Group Communications Director	My Redrow website to support our customers purchasing their new home. Introduction of Hard Hat Tours for customers of their new home at an appropriate stage of production. Regular review of our marketing and communications policy at both Group and divisional level. Risk has increased following the introduction of GDPR. We mitigate this by ensuring that we are fully compliant with the new GDPR regulations in our marketing activities by taking a proactive approach to GDPR with detailed project team defining and implementing new Policies & Procedures and training for staff.
BUILDING RESPONSIBLY	**Land Procurement** The ability to purchase land suitable for our products and the timing of future land purchases are fundamental to the Group's future performance.	Group Development Director	Proactive monitoring of the market conditions to implement a clear defined strategy at both Group and divisional level. Experienced and knowledgeable personnel in our land, planning and technical teams. Effective use of our Land Bank Management system to support the land acquisition process and monitor opportunities has led to the risk decreasing overall. Peer review by Legal Directors and use of third party legal resources for larger site acquisitions to reduce risk.
BUILDING RESPONSIBLY	**Planning and Regulatory Environment** The inability to adapt to changes within the planning and regulatory environment could adversely impact on our ability to comply with regulatory requirements.	Group Development Director Group Human Resources Director Group Company Secretary	Close management and monitoring of planning expiry dates and CIL. Well prepared planning submissions addressing local concern and deploying good design. Careful monitoring of the regulatory environment and regular communication of proposed changes across the Group through the Executive Management Team. Proactive approach to the introduction of GDPR with a broad based project team defining and implementing new policies and procedures.

Risks and Risk Management continued

	Risk	Risk Owners	Key Controls and Mitigating Strategies
DEVELOPING THRIVING COMMUNITIES	**Appropriateness of Product** The failure to design and build a desirable product for our customers at the appropriate price may undermine our ability to fulfil our business objectives.	Group Design and Technical Director	Regular review and product updates in response to the demand in the market and assessment of our customer needs. Design focused on high quality build and flexibility to planning changes. Regular site visits and implementation of product changes to respond to demands.
VALUING PEOPLE	**Attracting and Retaining Staff** The loss of key staff and/or our failure to attract high quality employees will inhibit our ability to achieve our business objectives.	Group Human Resources Director	Personal Development Programmes supported by National training centres at three locations. Graduate training, Undergraduate placements and Apprentice training programmes to aid succession planning. Development of a bespoke housebuilding degree course in conjunction with Liverpool John Moores University and Coleg Cambria. Remuneration strategy in order to attract and retain talent within the business is reviewed regularly and benchmarked. Introduction of a new Engagement Team and development of a new internal communications platform in addition to annual employee survey to create framework for strong, two-way communication.
BUILDING RESPONSIBLY	**Health and Safety/ Environment** Instances of non-compliance with Health & Safety standards and Environmental regulations could put our people and the environment at risk, ultimately damaging our reputation. Increased levels of scrutiny of the housebuilding industry heightens the risk environment.	Group Health and Safety and Environmental Director	Dedicated restructured team operating across the Group to ensure compliance of appropriate Health and Safety standards. Separate focus on Assurance visits to site and proactive management support to develop planning and processes. Internal and external training provided to all employees. Divisional Construction (Design and Management) Regulation (CDM) inspections carried out to assess our compliance with our client duties under CDM. Health and Safety discussion at both Group and divisional level board meetings. CDM competency accreditation requirement as a minimum for contractor selection process.

	Risk	Risk Owners	Key Controls and Mitigating Strategies
BUILDING RESPONSIBLY	**Key Supplier or Subcontractor Failure** The failure of a key component of our supply chain to perform due to financial failure or production issues could disrupt our ability to deliver our homes to programme and budgeted cost.	Group Commercial Director	Use of reputable supply chain partners with relevant experience and proven track record. Monitoring of subcontract supply chain to maintain appropriate number for each trade to identify potential shortage in skilled trades in the near future. Subcontractor utilisation on sites monitored to align workload and capacity. Materials forecast issued to suppliers and reviewed regularly. Group Monthly Product Development meetings to identify and monitor changes in the regulatory environment.
BUILDING RESPONSIBLY	**Cyber Security** Failure of the Group's IT systems and the security of our internal systems, data and our websites can have significant impact to our business. The introduction of GDPR has increased the requirements for the control of personal data.	Chief Information Officer	Communication of IT policy and procedures to all employees. Regular systems back up and storage of data offsite. Internal IT security specialists. Use of third party entity to test the Group's cyber security systems and other proactive approach for cyber security including Cyber Essentials Plus accreditation. Compulsory GDPR and IT security online training to all employees within our business.
BUILDING RESPONSIBLY	**Fraud/Uninsured Loss** A significant fraud or uninsured loss could damage the financial performance of our business.	Group Finance Director	Systems, policies and procedures in place which are designed to segregate duties and minimise any opportunity for fraud. Regular Business Process Reviews undertaken to ensure compliance with procedure and policies followed by formal action plans. Timely management reporting. Insurance strategy driven by business risks. Fraud awareness training.