

# Half-Yearly Report 2018

 **REDROW**  
A BETTER WAY TO LIVE

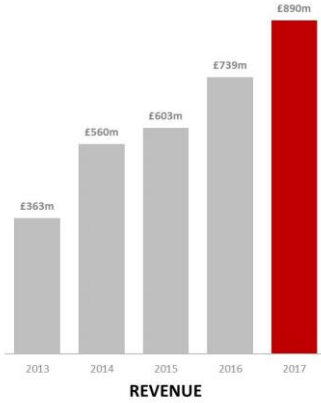




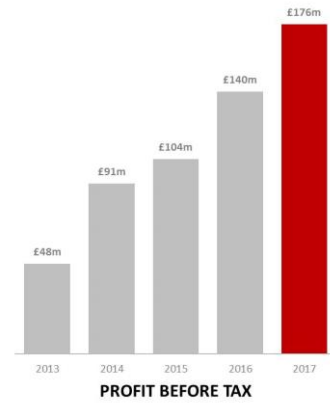
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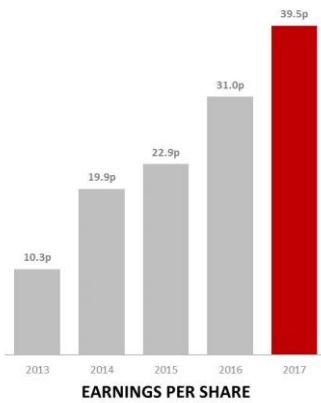
# HIGHLIGHTS



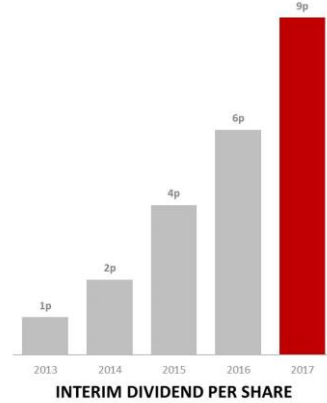
**£890m**  
+ 20%



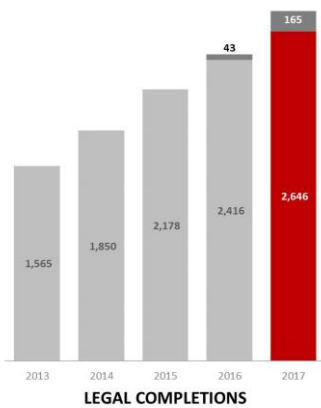
**£176m**  
+26%



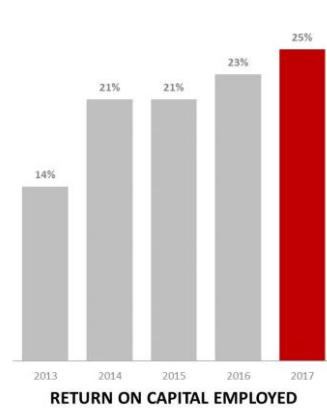
**39.5p**  
+27%



**9p**  
+50%



**2,811 (inc JV)**  
+14%



**25%**  
+9%

## AWARDS

*A selection of our numerous awards*





Steve Morgan  
Chairman

## 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



## CREATING THRIVING COMMUNITIES



At Redrow, we don't just build great homes - we create thriving communities, whilst valuing people and building in a responsible way.

We develop places where individuals and families can live and flourish. Places that not only cater for community needs but enhance lifestyles. Places that feel like home.

These principles continue to shape Redrow's successful strategy, delivering sustainable returns for customers, communities and shareholders.



### **Great Homes**

Every element of a Redrow home is carefully considered to offer a better way of living. Inside and out, from first time buyer to large family homes, we never lose sight of our responsibility to our customers, making sure that their home is not just a place to live, but a place for living.



We appreciate that homebuyers' needs and aspirations differ and have recently introduced our new Lifestyle Collection of homes.

These offer a unique concept in new homes design, with fewer but more spacious suite-style bedrooms, each with their own luxury en-suite bathroom and a walk-in wardrobe to the master suite. Our Lifestyle homes offer customers unrivalled space and specification ideal for any life stage.

### **Thriving Communities**

As the pre-eminent builder of Garden Villages in the UK, Redrow is creating thriving communities across the country, including Woodford Garden Village in Cheshire, Ebbsfleet Green, Kent and Plasdwr, Cardiff. Plasdwr is Wales' first Garden City and will deliver 7,000 high quality homes over the next two decades.

By creating new schools, sports facilities, shops and services, within these innovative villages and towns, Redrow creates thriving communities that integrate work, leisure and home life; in the true spirit of the Garden Village movement.

Not only do we build communities of our own, we work hard to integrate into the wider community, improving services for the benefit of the whole neighbourhood and making leisure spaces more accessible for everyone to enjoy.

We create and improve transport infrastructure via roads, paths and cycleways that blend seamlessly with the existing network.

### **Building Responsibly**

Of course we never forget that our communities also include a wide range of other local wildlife residents too.

That's why we create layouts carefully designed to allow the natural flow of life, with ponds, wetlands and wildlife habitats, bee friendly gardens and family friendly woodlands.

We work hard to protect the wider environment too, with 99.9% of our timber responsibly sourced, and over 95% of our waste diverted from landfill.

### **Valuing People**

We are committed to developing our people and partners, whilst inspiring the next generation to build.

Around 6,800 training days were completed in the last year alone. Our culture is so strong that c96% of our colleagues say they are proud to be a part of our company.

Visit our website: [redrowplc.co.uk](http://redrowplc.co.uk) to view our 2017 Socio Economic Footprint.



We've launched a housebuilding degree in partnership with Liverpool John Moores University and Coleg Cambria, one of the UK's largest colleges. The first students to embark on the degree programme will be Redrow team members and they will start their course in 2018.

We've also built a community of suppliers and subcontractors who work together with Redrow to deliver our vision in a sustainable way. What's more, 92% of our subcontracted labour force are local to our developments and 92% of our materials are locally sourced, helping to strengthen the economy in the communities in which we work.

Demonstrating our long-term commitment to developing apprentices, we were delighted to have been recognised at the 2018 National Apprenticeship Awards as a Top 100 Apprenticeship Employer for a record fifth year in a row. Apprenticeships are an example of how our industry has the power to increase social mobility and change lives. We're proud to be leading the industry in this area.

Finally, in an increasingly bustling and busy world, with so many demands on our time and energy, a sense of community is perhaps more important than ever. A feeling of belonging, a sense of sharing our lives together and supporting each other along the way.

At Redrow, building communities is not a nostalgic nod to the past; it's a genuine step forward into the future.

Redrow are proud to play our part in creating thriving communities and a better way to live.

## **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 2017, there have been no changes in the directorate.

The Directors of Redrow plc as at the date of this statement are:

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

### **By order of the Board**

**Graham Cope**  
Company Secretary  
6 February 2018  
Redrow plc  
Redrow House  
St David's Park  
Flintshire  
CH5 3RX



# **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.

**CONSOLIDATED INCOME STATEMENT (Unaudited)**

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

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Unaudited)**

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

**CONSOLIDATED BALANCE SHEET (Unaudited)**

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

**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
<b>At 31 December 2016</b>	<b>37</b>	<b>59</b>	<b>8</b>	<b>1,019</b>	<b>1,123</b>
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)
<b>At 30 June 2017</b>	<b>37</b>	<b>59</b>	<b>8</b>	<b>1,131</b>	<b>1,235</b>
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
<b>At 31 December 2017</b>	<b>37</b>	<b>59</b>	<b>8</b>	<b>1,239</b>	<b>1,343</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)

		6 months ended 31 December	12 months ended 30 June
	Note	2017 £m	2016 £m
<b>Cash flow from operating activities</b>			2017 £m
Operating profit		175	322
Depreciation and amortisation		1	2
Adjustment for non-cash items		(2)	(5)
<b>Operating profit before changes in working capital and provisions</b>		<b>174</b>	<b>319</b>
Decrease in trade and other receivables		3	6
Increase in inventories		(111)	(140)
Increase in trade and other payables		32	3
Increase in provisions – continuing operations		-	1
<b>Cash inflow generated from operations</b>		<b>98</b>	<b>189</b>
Interest paid		(2)	(5)
Tax paid		(32)	(56)
<b>Net cash inflow from operating activities</b>		<b>64</b>	<b>128</b>
<b>Cash flows from investing activities</b>			
Acquisition of software, property, plant and equipment		(1)	(1)
Interest received		3	-
Net receipts from joint ventures – continuing operations		13	(1)
<b>Net cash inflow/(outflow) from investing activities</b>		<b>15</b>	<b>(2)</b>
<b>Cash flows from financing activities</b>			
Issue of bank borrowings		80	90
Repayment of bank borrowings		(90)	(230)
Purchase of own shares		-	(16)
Dividends paid	3	(41)	(44)
<b>Net cash outflow from financing activities</b>		<b>(51)</b>	<b>(200)</b>
<b>Increase/(decrease) in net cash and cash equivalents</b>		<b>28</b>	<b>(74)</b>
Net cash and cash equivalents at the beginning of the period		17	91
<b>Net cash and cash equivalents at the end of the period</b>	8	<b>45</b>	<b>17</b>

## 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

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

##### 6 months ended 31 December 2016

	<b>Earnings</b>	<b>No. of shares</b>	<b>Per share</b>
	<b>£m</b>	<b>millions</b>	<b>pence</b>
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

	<b>Earnings</b>	<b>No. of shares</b>	<b>Per share</b>
	<b>£m</b>	<b>millions</b>	<b>pence</b>
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
<b>Amounts included within the consolidated income statement</b>			
<b>Period operating costs</b>			
Scheme administration expenses	-	-	-
Net interest on defined benefit liability	-	-	-
	-	-	-
<b>Amounts recognised in the consolidated statement of comprehensive income</b>			
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)
<b>Amounts recognised in the consolidated balance sheet</b>			
Present value of the defined benefit obligation	(127)	(133)	(130)
Fair value of the Scheme's assets	131	128	128
<b>Surplus/(liability) in the consolidated balance sheet</b>	<b>4</b>	<b>(5)</b>	<b>(2)</b>

## 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
	<b>382</b>	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)
	<b>(35)</b>	(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
	<b>4</b>	<b>4</b>	<b>7</b>

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

## RISKS AND RISK MANAGEMENT

The Main Board has the ultimate responsibility over the effective management of the risks we face in order to achieve our strategic and financial objectives.

As part of our risk assessment framework, a detailed review is carried out of the Company's strategic objectives and identifies the principal risks and material concerns we face as a business. These headline risks are then approved and compiled into a risk register.

The risks and material concerns are then further broken down into components and sub level risks. These sub level risks are reviewed by each Divisional Board, individually assessing the probability and impact of each risk. In order to mitigate, control and continually monitor these risks, appropriate internal controls are implemented.

Any new risks identified are assessed one at a time, evaluating any potential impact to our business and the likelihood of its occurrence. These new risks are then fed back to the risk owners who use this assessment to inform their formal review, ensuring there are preventive and detective controls in place and included in the risk register.

We have reviewed the risks pertinent to our business in the six months to 31 December 2017 and which we believe to be relevant for the remaining six months to 30 June 2018. These have not changed materially from those outlined in our 2017 Annual Report.

### Housing Market



Grow our business  
responsibly

#### Risk

UK housing market conditions have a direct impact on our business performance and Help to Buy continues to provide significant support.

#### Risk Owner

Group Chief Executive

#### Key Controls

- The UK housing market is closely monitored, with management responding if there are any changes in market conditions.
- Regular review and product updates in response to demand in the market.
- Weekly review of the sales at both Group and Divisional level.
- Regular review of competitor actions and their performance.
- Ongoing and regular monitoring of Government policy.

## Availability of Mortgage Finance



Grow our business responsibly

### Risk

Lending criteria and deposit requirements for mortgages remain key issues in the current environment.

### Risk Owner

Group Finance Director

### Key Controls

- Proactively engage with the Government, Lenders and Insurers to support the housing market.
- Expert New Build Mortgage Specialists provide updates on regulatory changes.

## Liquidity and Funding



Manage our resources efficiently

### Risk

The Group requires appropriate borrowing facilities in place for its short term liquidity and long term funding.

### Risk Owner

Group Finance Director

### Key Controls

- Suitable committed banking facilities with covenants and headroom.
- Regular review of our banking covenants and capital structure.
- Regular communication with our investors and relationship banks.
- Robust forecasting and budgeting process in order to provide a clear view of future cash flows.

## Customer Service



Put customers first

### Risk

The failure of our customer services could undermine Redrow's business performance.

### Risk Owner

Group Communications & Customer Services Director

### Key Controls

- Customer First initiative continues to further improve our engagement with our customers.
- 'My Redrow' website to support our customers purchasing their new home.
- Regular review of our marketing and communications policies at Group and Divisional level.

## Land Procurement



Manage our  
resources efficiently

### Risk

The ability to purchase land suitable for our products and the timing of future land purchases are fundamental to the Group's future performance.

### Risk Owner

Group Development Director

### Key Controls

- 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.
- Use of third party legal resources for larger site acquisitions in order to reduce risk.
- Effective use of our Land Bank Management System to support the land acquisition process.

## Planning and Regulatory Environment



Manage our  
resources efficiently

### Risk

The inability to respond and adapt to the changing planning and regulatory environment will adversely impact upon our ability to comply with the regulatory requirements of the industry.

### Risk Owner

Group Development Director

### Key Controls

- Close monitoring of the planning and regulatory environment at Group and Divisional level.
- Communication of proposed changes across the Group through the Executive Board.
- Well prepared planning submissions addressing local concerns and displaying good design.

## Appropriateness of Product



Create better places  
to live

### Risk

The failure to design and build a desirable product for our customers at the appropriate price may undermine Redrow's ability to fulfil its business objectives.

### Risk Owner

Group Design and Technical Director

### Key Controls

- Regular review and product updates in response to the demand in the market.
- Design focused on high quality build and flexibility to planning changes.
- Regular site visits and implementation of product changes to meet demands.



## Attracting and Retaining Staff



Value and develop  
our people

### Risk

The loss of key staff and/or our failure to attract high quality employees will inhibit our ability to achieve our business objectives.

### Risk Owner

Group Human Resources Director

### Key Controls

- Personal Development Programmes supported by National training centres at three locations.
- Graduate training, Undergraduate placements and Apprentice training programmes to aid succession planning.
- Remuneration strategy to attract and retain talent within the business is reviewed regularly and benchmarked.
- Regular INsight e-magazine and annual employee survey create a framework for strong communication.

## Health and Safety/Environment



Value and develop  
our people

### Risk

Instances of non-compliance with Health & Safety and Environmental regulations could expose our people, the environment and Redrow's reputation.

### Risk Owner

Group Health Safety & Environmental Director

### Key Controls

- Dedicated team operating across the Group to ensure compliance of appropriate Health and Safety standards.
- Undertaking regular visits and audits on sites.
- 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.

## Key Supplier or Subcontractor Failure



Grow our business  
responsibly

### Risk

The failure or inability to expand capacity of a key supplier, main contractor or subcontractor may disrupt our ability to manage our production process in an efficient and cost effective manner.

### Risk Owner

Group Commercial Director

### Key Controls

- 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 and to identify any potential shortage in skilled trades in the near future.
- Subcontractor utilisation on sites monitored to align workload and capacity.
- Bi-annual quality assessments of suppliers, contractors and subcontractors.
- Group Monthly Product Development meetings to identify and monitor changes in the regulatory environment.

## Cyber Security



Grow our business  
responsibly

### Risk

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.

### Risk Owner

IT Director

### Key Controls

- Communication of IT policy and procedures to all employees.
- Regular systems backup and storage of data offsite.
- Internal specialist IT security personnel.
- 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.
- Proactive approach to GDPR compliance

## Fraud/Uninsured Loss



Manage our  
resources efficiently

### **Risk**

A significant fraud or uninsured loss could damage the financial performance of our business.

### **Risk Owner**

Finance Director, Operations

### **Key Controls**

- 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.



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