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23 September 2009

## REDROW PLC

Redrow announces an underwritten Rights Issue to raise net proceeds of approximately £150 million and the proposed acquisition of the Harrow Estates Business and options to acquire further land assets from Harrow Estates

### **Introduction**

The Board of Redrow today announces proposals for a 13 for 14 Rights Issue to raise net proceeds of approximately £150 million through the issue of 148,584,705 New Shares.

The Board of Redrow also announces its intention to acquire five freehold land assets and options to acquire seven further strategic land assets, together with the employees of Harrow Estates and the “Harrow Estates” name, for a total consideration of £15 million.

The Rights Issue will:

- strengthen the Company’s balance sheet and reduce net gearing;
- provide the Company with greater financial flexibility. Redrow has agreed amendments to its existing debt facilities, including a reduction in debt facility requirements from £425 million to £250 million and the relaxation of covenants relating to land purchases and joint ventures; and
- position the Company for growth with an improved ability to acquire and develop additional quality UK residential land (including the Harrow Estates Transaction).

In order to position Redrow for future opportunities as the housebuilding market recovers and credit availability and consumer confidence are restored, Redrow’s strategy is to focus on:

- the launch of the “New Heritage Collection” which represents a return to family housing;
- delivering a superior return on capital employed by increasing speed of build, optimising its landbank and moving away from capital intensive developments; and
- re-entering the land market to enhance the Group’s land bank.

The Harrow Estates Transaction is an immediate use of proceeds to promote this strategy, comprising:

- the acquisition of five freehold land assets which present good opportunities for future income streams and an attractive return on capital employed;
- the grant of options over seven further strategic land assets providing Redrow with rights to acquire these sites in the future; and

- the transfer to Redrow of an experienced team of land professionals and the “Harrow Estates” name. The team is one of the industry’s market leaders in brownfield development. It has an established reputation and track record and the team’s skill-base is an attractive addition to the skills of Redrow.

The Harrow Estates Transaction provides an attractive land acquisition for Redrow and focuses Steve Morgan’s UK land interests through Redrow.

### **Rights Issue**

- 13 for 14 Rights Issue to raise gross proceeds of approximately £156 million (approximately £150 million net of expenses) through the issue of 148,584,705 New Shares at a price of 105 pence each. The Issue Price represents a 55.0 per cent. discount to the closing middle-market price of 233.5 pence per Ordinary Share on 22 September 2009 (being the last business day prior to the date of this announcement) and a 38.8 per cent. discount to the theoretical ex-rights price based on this closing middle-market price.
- The Rights Issue is underwritten by a syndicate of banks led by Merrill Lynch International and J.P. Morgan Cazenove (save in respect of the New Shares which Bridgemere and Durcan have irrevocably undertaken to acquire under the Rights Issue). Bridgemere and Durcan, entities ultimately controlled by Steve Morgan, have provided irrevocable undertakings to acquire the New Shares to which they are entitled (44.5 million New Shares, representing, in aggregate, 29.9 per cent. of the New Shares to be issued in the Rights issue).

The Rights Issue and the Harrow Estates Transaction are subject to approval by Shareholders at a General Meeting expected to be held on 19 October 2009.

Steve Morgan, Chairman of Redrow plc, commented:

*“The proposed Rights Issue will strengthen Redrow’s balance sheet and position Redrow for growth. We are returning Redrow to its traditional focus on a great product in the market for family housing. We now need to enhance our ability to acquire land through selected acquisitions. This is all part of our strategy to steer the business back to delivering a much improved return on capital employed.*

*I am very pleased to be supporting the proposed issue in full in respect of the 29.9 per cent. of the shares in Redrow which I control.”*

Alan Jackson, Deputy Chairman and Senior Independent Non-Executive Director, said:

*“The Board of Redrow believes that the Rights Issue and the Harrow Estates Transaction are two further important steps towards restoring Redrow to its rightful place as one of the market leaders in the sector.”*

### **Documentation**

The Prospectus, containing details of the Rights Issue and Harrow Estates Transaction and Notice of the General Meeting, is expected to be posted to Shareholders and made available on the Company’s website ([www.redrow.co.uk](http://www.redrow.co.uk)) shortly.

### **Analyst Presentation**

A meeting for analysts will be hosted by Steve Morgan and David Arnold. The meeting will be held at 8.30 a.m. on 23 September 2009 at the offices of J.P. Morgan Cazenove at 20 Moorgate, London EC2R 6DA. Participants can also dial-in to hear the presentation live on the following dial-in numbers:

UK: 0845 146 2116

International: +44 (0)1452 584 160.

Playback will be available by phone until 6 October on the following dial-in numbers:

UK: 0845 245 5205

International: +44 (0)1452 550 000

Passcode: 32093317#

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### **About Redrow**

The core business of Redrow is residential development. This involves the acquisition of land, construction and subsequent marketing and selling of homes. Redrow designs and builds residential housing developments, with the Group's products ranging from affordable and entry-level homes to family and executive homes. Developments range in size from a small number of houses to many hundreds.

### **Forward Looking Statements**

This announcement contains certain forward-looking statements which may include reference to one or more of the following: the Group's financial condition, results of operations, cash flows, dividends, financing plans, business strategies, operating efficiencies, budgets, capital and other expenditures, competitive positions, growth opportunities for existing products, plans and objectives of management and other matters. Statements in this announcement that are not historical facts are hereby identified as "forward-looking statements". Such forward-looking statements, including, without limitation, those relating to future business prospects, revenue, interest costs and income, in each case relating to Redrow or Harrow Estates (as applicable), wherever they occur in this announcement, are necessarily based on assumptions

reflecting the views of Redrow and involve a number of known and unknown risks, uncertainties and other factors that could cause actual results, performance or achievements to differ materially from those expressed or implied by the forward-looking statements. Such forward-looking statements should, therefore, be considered in light of various important factors. Important factors that could cause actual results to differ materially from estimates or projections contained in the forward-looking statements include without limitation: economic and business cycles, the terms and conditions of Redrow's financing arrangements, competition in Redrow's principal markets, acquisitions or disposals of businesses or assets and trends in Redrow's principal industries.

These statements are further qualified by the risk factors disclosed in the Prospectus that could cause actual results to differ materially from those in the forward-looking statements.

These forward-looking statements speak only as at the date of this announcement. Except as required by the Listing Rules, the Disclosure and Transparency Rules, the Prospectus Rules, the London Stock Exchange, the Part VI Rules or applicable law, Redrow does not have any obligation to update or revise publicly any forward-looking statement, whether as a result of new information, further events or otherwise.

Except as required by the FSA, the London Stock Exchange, the Part VI Rules or applicable law, Redrow expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in Redrow's or Harrow Estates' (as applicable) expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this announcement may not occur.

This announcement is not a Prospectus. A Prospectus relating to the Rights Issue is expected to be published shortly. Investors should only rely on the information contained in the Prospectus and any documents incorporated therein by reference.

A copy of the Prospectus will be available from the registered office of Redrow at Redrow House, St. David's Park, Flintshire CH5 3RX and on the Company's website ([www.redrow.co.uk](http://www.redrow.co.uk)). The Prospectus will also be available for inspection during usual business hours on any weekday (Saturdays, Sundays and Bank Holidays are excepted) from the date of its publication until Admission at the offices of Linklaters LLP, One Silk Street, London EC2Y 8HQ.

This announcement shall not constitute an offer to buy, sell, issue, subscribe for or otherwise acquire, or the solicitation of an offer to buy, sell or issue, subscribe for or otherwise acquire any securities, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

This announcement has been issued by and is the sole responsibility of Redrow. No representation or warranty, express or implied, is or will be made as to, or in relation to, and no responsibility or liability is or will be accepted by J.P. Morgan Cazenove, Merrill Lynch International, HSBC, Lloyds TSB Corporate Markets or RBS Hoare Govett or by any of their respective affiliates or agents as to, or in relation to, the accuracy or completeness of this

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This announcement is not for distribution, directly or indirectly, in or into the United States (including its territories and dependencies, any state of the United States and the District of Columbia), Australia, Canada, Japan, South Africa or Switzerland or any jurisdiction into which the same would be unlawful. This announcement does not constitute or form a part of any offer or solicitation to purchase, subscribe for or otherwise acquire securities in the United States, Australia, Canada, Japan, South Africa or Switzerland or any jurisdiction in which such an offer or solicitation is unlawful. The Provisional Allotment Letters, the Nil Paid Rights, the Fully Paid Rights and the New Shares have not been and will not be registered under the US Securities Act of 1933 (the “**Securities Act**”) or under any securities laws of any state or other jurisdiction of the United States and may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, within the United States except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States. Subject to certain exceptions, the Provisional Allotment Letters, the Nil Paid Rights, the Fully Paid Rights, and the New Shares are being offered and sold only outside the United States in accordance with Regulation S under the Securities Act. There will be no public offer of these securities in the United States.

The Provisional Allotment Letters, the Nil Paid Rights, the Fully Paid Rights and the New Shares have not been approved or disapproved by the US Securities and Exchange Commission, any state's securities commission in the United States or any US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Provisional Allotment Letters, the Nil Paid Rights, the Fully Paid Rights, the New Shares or the accuracy or adequacy of this announcement. Any representation to the contrary is a criminal offence in the United States.

The Provisional Allotment Letters, the Nil Paid Rights, the Fully Paid Rights and the New Shares will also not be registered under the securities laws of Australia, Canada, Japan, South Africa and Switzerland and may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, within such jurisdictions except pursuant to an applicable exemption from and in compliance with any applicable securities laws. There will be no public offer in any of Australia, Canada, Japan, South Africa or Switzerland.

Neither the content of Redrow's website nor any website accessible by hyperlinks on Redrow's website is incorporated in, or forms part of, this announcement.

J.P. Morgan Cazenove, Merrill Lynch International, HSBC, Lloyds TSB Corporate Markets and RBS Hoare Govett are acting for Redrow and no one else in connection with the Rights Issue and will not regard any other person as a client in relation to the Rights Issue and will not be responsible to anyone other than Redrow for providing the protections afforded to their respective clients or for providing advice in relation to the Rights Issue or any matters referred to in this announcement.

## REDROW PLC

PROPOSED UNDERWRITTEN 13 FOR 14 RIGHTS ISSUE AT 105 PENCE PER SHARE

PROPOSED ACQUISITION OF THE HARROW ESTATES BUSINESS AND OPTIONS  
TO ACQUIRE FURTHER LAND ASSETS FROM HARROW ESTATES

### **1. Introduction**

Redrow today announces proposals for a rights issue to raise £150 million (net of expenses) on the basis of 13 New Shares for every existing 14 Ordinary Shares. The Rights Issue will result in the issue of 148,584,705 New Shares at an Issue Price of 105 pence per share which represents a 55.0 per cent. discount to the closing middle-market price of 233.5 pence per Ordinary Share on 22 September 2009, being the last business day before this announcement and a 38.8 per cent. discount to the theoretical ex-rights price based on this closing middle-market price.

The Board today also announces its intention to acquire the Harrow Estates Business together with the grant of Options to Redrow to acquire seven further assets owned by Harrow Estates (and to provide certain promotion services in respect of those additional assets) for a total consideration of £15 million.

The Prospectus, containing further details of the Rights Issue and Harrow Estates Transaction and Notice of the General Meeting, is expected to be posted to Shareholders and made available on the Company's website ([www.redrow.co.uk](http://www.redrow.co.uk)) shortly.

Steve Morgan fully supports the Rights Issue and Bridgemere and Durcan, two companies ultimately controlled by Steve Morgan which currently hold 29.9 per cent. of the issued share capital of the Company, have today entered into an Irrevocable Undertaking to vote in favour of the Resolutions and to take up in full their entitlement of 44.5 million New Shares under the Rights Issue. Save in respect of the New Shares which Bridgemere and Durcan will be entitled to acquire under the Rights Issue, the Rights Issue is underwritten by the Underwriters.

### **2. Background to and reasons for the Rights Issue**

The UK housebuilding industry confronted an unprecedented reduction in activity which began in 2007 and continued throughout 2008. In the face of the severity and speed of this deterioration, which has had a material impact on the profitability of the whole sector, including Redrow, Redrow's management team took swift and early measures to adjust its approach to managing the business.

In September 2008, Redrow reported that it had successfully concluded a debt refinancing process providing an appropriate level of bank facilities and suite of covenants through to 30 September 2011. It also recognised the impact of market conditions on land values and prudently assessed the net realisable value of land and work in progress in its balance sheet – a practice which has been continued in the same manner since that time. The Company made significant reductions in its headcount, closed a number of offices and curtailed land acquisition and construction activities to focus on cash generation.

In March 2009, Redrow announced that Bridgemere and Durcan, two companies ultimately controlled by Steve Morgan, had increased their aggregate interests in the Company to 29.9 per cent. It was subsequently proposed that Steve Morgan should re-join the board of Redrow and on 30 June 2009, Mr Morgan was appointed Chairman, acting in an executive capacity.

Following consultation with leading shareholders of the Company, the Directors and Steve Morgan agreed a structure which allowed Mr. Morgan to bring his extensive knowledge of the UK housebuilding industry back to Redrow which included putting in place a relationship agreement which covered, among other things, UK land transactions undertaken by Mr Morgan in a private capacity.

Since the change of management at the end of March 2009, the Company has commenced a complete product and land review to reposition Redrow strategically and return the business to its historic strength in traditional family housing with a simplified product offering and a premium brand. A new housing range is being designed with attractive external design, enhanced specification and with internal layouts to suit modern day living. This “New Heritage Collection” will be rolled out during the autumn of 2009 and a full sales launch is intended in January 2010. Redrow is re-planning its developments to embrace this new product, which will have the phased effect of eliminating a number of apartments and three storey houses.

The sales market in terms of both price and volume has proven relatively stable since the start of 2009 following the severe downturn in 2008.

It is against this background that the Directors believe it is now appropriate to raise approximately £150 million of new equity capital (net of expenses) by way of the Rights Issue to position the Company for growth through selected land acquisitions both now, through the Harrow Estates Transaction, and in the medium term by removing the constraints of its existing capital structure.

The Directors believe that the Rights Issue, together with cash generated from operations going forward and available headroom from the Syndicated Facility Agreement, will provide the Company with operational flexibility and the right financial platform to take advantage of strategic opportunities in the land market. Following the Rights Issue and completion of the Harrow Estates Transaction, Redrow expects to be well positioned relative to competitors to acquire quality UK residential development land at cyclically low valuations as part of a cautious and highly selective process once acquirer and vendor expectations in the land market have come more into line. The Company expects to deploy its funds with a renewed focus on return on capital employed and asset turnover.

The Company has been in discussions with its banking syndicate and has agreed certain amendments to its existing Syndicated Facility Agreement, including, in particular, the relaxation of covenants with regard to land purchases and entering into joint venture structures with landowners. The amendments will become effective upon the Rights Issue becoming unconditional. Further details are set out in paragraph 6 below.

### **3. Background to and reasons for the Harrow Estates Transaction**

Steve Morgan established Harrow Estates in 2001. With its experienced team of land professionals, Harrow Estates focuses on identifying and acquiring brownfield land, taking remedial steps to improve its quality and bringing it through the planning process. Since its foundation, Harrow Estates has established a strong and skilled team. On returning to the Board of Redrow, Mr Morgan offered Redrow the opportunity to review Harrow Estates’ land assets with a view to an acquisition that would complement the Group's strategy. Following an extensive review of all of the sites by the Redrow executive team (comprising for these purposes David Arnold and John Tutte but excluding Mr Morgan), Redrow has agreed to acquire five freehold land assets, to take options over seven further strategic land assets (one of which is subject to a right of first refusal by another potential purchaser) and to acquire the “Harrow Estates” name and members of the Harrow Estates team of land professionals to strengthen its existing capabilities.

The Redrow executive team (comprising for these purposes David Arnold and John Tutte but excluding Mr Morgan) conducted extensive due diligence on each of the sites in the Harrow Estates portfolio and undertook a detailed valuation exercise based on Redrow's usual land acquisition parameters and processes. The selected freehold land assets are considered appropriate for inclusion in the Redrow land bank because collectively they represent a good strategic fit and provide opportunities for future income streams and an attractive return on capital employed. In addition, the Redrow executive team identified a number of further land assets which Redrow would like an option to acquire in the future. The Redrow executive team considered certain other sites in the Harrow Estates portfolio and concluded that they would not fit with Redrow's strategy and these have therefore been excluded. Redrow will acquire the "Harrow Estates" name and certain members of the Harrow Estates team of land professionals will transfer to Redrow where they will promote the acquired sites and those under option. In addition, they will use their considerable planning and technical skills to identify new land opportunities. These opportunities represent a potential future income stream for Redrow both through land sales to other residential developers and by providing a pipeline of medium and long term land for Redrow's core development business. As well as presenting Redrow with an attractive current and strategic land portfolio together with a skill base to complement its existing business, this transaction means that Steve Morgan's UK residential land activities will be channelled exclusively through Redrow once the retained sites that Redrow has chosen not to acquire are disposed of.

Accordingly, the Company has announced today that it proposes to acquire the Harrow Estates Business (comprising both the Properties and a newly incorporated company which holds, among other assets, certain employees and the "Harrow Estates" name) and has entered into Option Agreements giving it a series of Options, exercisable at its absolute discretion, to acquire further land assets in the future from Harrow Estates. In addition, a Promotion Agreement has been entered into under which certain services will be provided back to Harrow Estates (to be renamed Bridgemere Land plc) in respect of the Option Properties. The total consideration payable in cash in respect of the Harrow Estates Transaction is £15 million, of which £12.3 million is payable in respect of the Properties, £1.575 million relates to the acquisition of Harrow Estates Newco (which holds certain other Harrow Estates assets) and £1.125 million comprises consideration in respect of the grant of the Options. The independent Knight Frank Valuation Report of the Properties is set out in the Prospectus. Certain components of the Harrow Estates Transaction require shareholder approval under the Companies Act 2006 and are to be voted on by Redrow Shareholders.

The Board has considered the Company's own assessment of the Properties, the independent Knight Frank Valuation Report and the prospects of gaining detailed planning consent affording Redrow the potential to be on site during 2010 on a number of the Properties. Furthermore, the pipeline of Option Properties represents an attractive medium term opportunity to acquire development land at an expected discount to open market value. With respect to the Option Properties, the likely timing and detail of planning consent are difficult to determine and therefore the Option Agreements are considered to be an appropriate way for Redrow to participate in their future potential without locking up significant capital or incurring risk on planning in the meantime. Finally, Harrow Estates is considered to be one of the industry's market leaders and has an established reputation and track record. The skills of the Harrow Estates team in remediation and planning of sites represent an attractive addition to the skills of Redrow. The Board has given consideration to the above factors in agreeing the terms of the Harrow Estates Transaction.

#### **4. Use of proceeds**

In the context of the Company's strategy for growth, the proceeds from the Rights Issue (amounting to approximately £150 million net of expenses) will be used now to reduce

overall levels of gearing by repaying and cancelling up to £135 million drawn under the existing Syndicated Facility Agreement and to fund the £15 million consideration payable under the Harrow Estates Transaction.

## **5. Benefit and financial impact of the Rights Issue and Harrow Estates Transaction**

The Directors expect that the Rights Issue and Harrow Estates Transaction will make a positive contribution to total earnings in the year to 30 June 2010 as a result of the net impact of lower financing charges arising from lower average levels of financial indebtedness, the reduced size of bank facilities and the increased costs assumed by Redrow following the acquisition of the Harrow Estates Business pursuant to the Harrow Estates Transaction. However, the Directors expect that the increased number of Shares in issue following the Rights Issue will have a negative effect on Redrow's earnings per share for the same period.

## **6. Amendments to the Syndicated Facility Agreement**

Redrow is pleased to confirm that the Company has reached agreement with its banking syndicate to make certain amendments to its £450 million existing Syndicated Facility Agreement. These amendments include a reduction of the total facility size to £250 million and amendments to certain financial and other covenants which will provide the Company with greater flexibility going forward, including, in particular, the relaxation of covenants with regard to land purchases and entering into joint venture structures with landowners.

The amendments to the Syndicated Facility Agreement will become effective when the Rights Issue becomes unconditional. In the event that the Rights Issue does not become unconditional, the Syndicated Facility Agreement will continue in place in its existing form. Further details are set out in the Prospectus.

## **7. Principal terms of the Rights Issue**

The Company is proposing to offer 148,584,705 New Shares by way of a Rights Issue. The New Shares will be offered to Qualifying Shareholders (other than, subject to certain exceptions, Qualifying Shareholders with a registered address, or located or resident (as applicable), in the Restricted Territories). The Rights Issue is expected to raise approximately £150 million, net of expenses. The Issue Price represents a 55.0 per cent. discount to the closing middle-market price of 233.5 pence per Ordinary Share on 22 September 2009 (being the last business day prior to the date of this announcement) and a 38.8 per cent. discount to the theoretical ex-rights price based on this closing middle-market price.

The Rights Issue will be made on the basis of:

### **13 New Shares at 105 pence per New Share for every 14 Existing Shares**

held by Qualifying Shareholders on the Record Date (being the close of business on 15 October 2009).

Entitlements to New Shares will be rounded down to the nearest whole number. The fractional entitlements not allotted to Qualifying Shareholders will be aggregated and placed in the market ultimately for the benefit of the Company. Holdings of Existing Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Rights Issue.

The Rights Issue is underwritten (save in respect of the New Shares which Bridgemere and Durcan will be entitled to acquire under the Rights Issue) by the Underwriters pursuant to and subject to the terms and conditions of the Underwriting Agreement.

The Rights Issue will result in 148,584,705 New Shares being issued (representing approximately 92.9 per cent. of the existing issued share capital and 48.1 per cent. of the enlarged issued share capital immediately following completion of the Rights Issue).

The Rights Issue is conditional, inter alia, upon:

- (i) the passing of the Rights Issue Resolutions (but not the Harrow Estates Transaction Resolution) at a General Meeting;
- (ii) the Underwriting Agreement having become unconditional in all respects (save for the condition relating to Admission) and not having been rescinded or terminated in accordance with its terms prior to Admission; and
- (iii) Admission becoming effective by not later than 8.00 a.m. on 20 October 2009 (or such later time and date as the Company and the Joint Bookrunners may agree).

The New Shares, when issued and fully paid, will rank *pari passu* in all respects with the existing issued Ordinary Shares including the right to receive dividends or distributions made, paid or declared after the date of this announcement. Application will be made to the UK Listing Authority and to the London Stock Exchange for the New Shares to be admitted to the Official List and to trading on the London Stock Exchange. It is expected that Admission will occur and that dealings in the New Shares (nil paid) on the London Stock Exchange will commence at 8.00 a.m. on 20 October 2009.

Overseas Shareholders should refer to the Prospectus for further information on their ability to participate in the Rights Issue.

## **8. Structure of the Rights Issue**

The structure of the Rights Issue is expected to have the effect of creating a merger reserve in an amount approximately equal to the net proceeds of the Rights Issue less the par value of the New Shares issued by the Company. The Company and the Newco Subscriber have agreed to acquire by direct issue ordinary shares in Newco. Computershare will receive, into an account set up specifically for the purpose and as agent for and on behalf of the Newco Subscriber, monies from Qualifying Shareholders, or renounees, taking up New Shares under the Rights Issue, and from any persons procured by the Joint Bookrunners to acquire New Shares not taken up by the Underwriters as underwriters. Provided certain conditions are met, the Newco Subscriber will use certain amounts in the Computershare account to acquire by direct issue redeemable preference shares in Newco.

The Company will allot and issue the New Shares to those persons entitled thereto in consideration for the Newco Subscriber transferring its holdings of Ordinary Shares and redeemable preference shares in Newco to the Company. Accordingly, instead of receiving cash as consideration for the issue of the New Shares, at the conclusion of the Rights Issue the Company will own the entire issued share capital of Newco whose only asset will be its cash reserves, which will represent an amount equivalent to the net proceeds of the Rights Issue.

The creation of a merger reserve should increase the Company's distributable reserves which will facilitate any potential return of cash to Shareholders.

## **9. Current trading and prospects**

On 10 September 2009, Redrow announced its results for the twelve month period ended 30 June 2009 which stated that the new financial year had started positively for Redrow, with

the total sales position comfortably ahead of the same period last year. Construction recommenced generally across Redrow's sites in the last quarter of the financial year ended 30 June 2009 and the pace of building has increased to ensure that there are appropriate stock levels to meet the autumn markets. By the end of December 2009, Redrow intends to launch 12 new developments which were previously held back due to market conditions.

Redrow has reviewed and, where necessary, replanned its owned land bank to meet future needs in line with its strategic refocus on family housing. Redrow will invest in its land bank carefully in line with this refocused strategy and, together with the amendments to the Syndicated Facility Agreement and the ongoing review of Redrow's capital structure, this will ensure that Redrow will be well placed to secure new land capable of generating improved financial returns.

As also announced on 10 September 2009 in respect of its financial results for the year ended 30 June 2009, Redrow undertook a detailed review of the carrying value of the Group's land and work in progress which resulted in a net exceptional cost in respect of net realisable value provisions of £96.5 million. This figure included an element of direct overhead expenses attributable to the process required to achieve the legal completion of homes, as well as an allowance for a fluctuating house price environment. The net realisable value provisions will continue to be reviewed at future reporting dates to assess their appropriateness in the context of prevailing market conditions and the re-assessment of net realisable value and costs. Although the past 18 months have illustrated that no assurances can be given concerning the UK residential housing market, on the basis of the carrying value of land and work in progress as at 30 June 2009 and the prevailing market conditions, the Directors do not believe any further net writedown of inventory will be required.

## **10. Principal terms of the Harrow Estates Transaction**

The Company has agreed to acquire the Harrow Estates Business and has entered into the Option Agreements in respect of the Option Properties for a total consideration of £15 million (of which £12.3 million is payable in respect of the Properties, £1.575 million relates to the acquisition of Harrow Estates Newco (which holds certain other Harrow Estates assets) and £1.125 million comprises consideration payable in respect of the grant of the Options). Under the Property Purchase Agreements, members of the Redrow Group will acquire the freehold interest of five Properties and pursuant to a separate Share Purchase Agreement, Redrow will acquire Harrow Estates Newco, a newly incorporated company which holds, among other assets, certain employees of Harrow Estates and the "Harrow Estates" name. In addition, on completion of the acquisition of Harrow Estates Newco, it is agreed in the Share Purchase Agreement that Harrow Estates Newco will enter into the Bridgemere House Lease in respect of its use of the Harrow Estates head office.

The Option Agreements grant the Options, exercisable at the absolute discretion of the relevant members of the Redrow Group, to purchase (subject to the conditions therein) the Option Properties from Harrow Estates. Under the Option Agreements, the option exercise price shall be 96 per cent. of the open market value of the relevant site (as calculated in accordance with the relevant Option Agreement). The exercise of the Options will be subject to the related party rules in chapter 11 of the Listing Rules and the approval of Shareholders will be sought where the requisite thresholds require this. If Redrow does not exercise an Option, it shall be entitled to up to 4 per cent. of the sale proceeds of the relevant Option Property to compensate Redrow for the management time and overhead costs incurred in promoting that Option Property. In addition, the Option in respect of Ashton New Road Property is subject to a right of first refusal by another potential purchaser.

Under the terms of a Promotion Agreement, to which, among others, Harrow Estates (to be renamed Bridgemere Land plc) and Harrow Estates Newco are party, Harrow Estates Newco

will take all action reasonably required to obtain planning permission and other consents necessary to bring the Option Properties to a developable state and will be reimbursed by Harrow Estates for costs incurred (other than internal costs) in relation to these services.

Certain components of the Harrow Estates Transaction are conditional on Shareholder approval as they comprise substantial property transactions under the Companies Act 2006. The Harrow Estates Transaction is also conditional upon Admission taking place and, in the case of the Cadishead Property, is also conditional on agreeing the terms of a development agreement as further described in the Prospectus. Subject to the fulfilment of these conditions, and although the various components of the Harrow Estates Transaction are not themselves inter-conditional, it is expected that the acquisition of the assets comprising the Harrow Estates Business (other than the Cadishead Property) will complete, and the Options granted under the Option Agreements (other than the Option in respect of the Ashton New Road Property) will become unconditional, immediately following Admission, expected to be on 20 October 2009 and, in the case of the Cadishead Property, shortly thereafter.

Further details of the Harrow Estates Transaction, including the independent Knight Frank Valuation Report of the five Properties are set out in the Prospectus.

### **11. Dividends and dividend policy**

In line with its stated policy that any proposed dividend payments must be at least twice covered by the earnings generated by the business, the Group does not intend to pay a final dividend with respect to the financial year ended 30 June 2009 and it is not envisaged that a dividend will be proposed for the new financial year. The policy will be reviewed in due course as appropriate.

### **12. General Meeting**

As noted above, completion of the Rights Issue and the Harrow Estates Transaction is subject to a number of conditions, including Shareholders' approval of the Resolutions being obtained at the General Meeting. The Prospectus will contain a notice convening a General Meeting to be held at the offices of Redrow plc, Redrow House, St. David's Park, Flintshire CH5 3RX at 9.00 a.m. on 19 October 2009 at which the Resolutions in connection with the Rights Issue and the Harrow Estates Transaction will be proposed.

### **13. Resolutions**

There are four Resolutions that will be proposed at the General Meeting. The First, Second and Third Resolutions comprise the Rights Issue Resolutions. The fourth resolution is the Harrow Estates Transaction Resolution.

The First Resolution that will be proposed at the General Meeting is an ordinary resolution to increase the Company's authorised share capital from £33,000,000, divided into 330,000,000 Ordinary Shares of 10 pence each, to £48,000,000, divided into 480,000,000 Ordinary Shares of 10 pence each (which represents an increase of approximately 45 per cent. in the authorised ordinary share capital of the Company). This will create additional authorised ordinary share capital which is required to issue the New Shares as part of the Rights Issue and will allow the Company to retain sufficient authorised, but unissued, ordinary share capital for general purposes following the Rights Issue.

If the First Resolution is passed, the Second Resolution will be proposed, which is an ordinary resolution to grant the Directors authority to allot the New Shares which are the subject of the Rights Issue. An additional authority to allow the Directors to retain sufficient authority to allot new Ordinary Shares for general purposes will be voted on at the forthcoming Annual

General Meeting on 4 November 2009. The maximum aggregate authority set out in the Second Resolution represents approximately 94 per cent. of the total issued ordinary share capital of the Company as at close of business on 22 September 2009 (being the latest practicable date prior to the date of this announcement). Assuming the Rights Issue takes place, the maximum aggregate amount of equity securities which the Directors will have authority to allot following completion of the Rights Issue will represent approximately 0.5 per cent. of the total issued ordinary share capital of the Company following the Rights Issue.

If the First Resolution and Second Resolution are passed, the Third Resolution will be proposed. This is a special resolution to authorise the Directors to allot on a non-pre-emptive basis, to the extent applicable, the New Shares in connection with the Rights Issue. This authority will expire on the date of the Company's next annual general meeting.

If the First Resolution, Second Resolution and Third Resolution are passed, the Harrow Estates Transaction Resolution that will be proposed at the General Meeting to approve certain components of the Harrow Estates Transaction (being the acquisition of the Properties under the Property Purchase Agreements, the acquisition of Harrow Estates Newco and the grant of the Bridgemere House Lease under the Share Purchase Agreement and the grant of the Options and any subsequent acquisition of the Option Properties upon exercise of the Options under the Option Agreements). This resolution is an ordinary resolution and is required as the components of the Harrow Estates Transaction referred to above comprise a substantial property transaction within the meaning of Section 190 of the Companies Act 2006.

The Harrow Estates Transaction is therefore conditional on the passing both of the Rights Issue Resolutions and the Harrow Estates Transaction Resolution without material amendment. However, the Rights Issue is conditional only on the passing of the Rights Issue Resolutions and not on the passing of the Harrow Estates Transaction Resolution.

#### **14. Directors' intentions regarding the Rights Issue**

Steve Morgan has indicated that he strongly supports the Rights Issue and Bridgemere and Durcan, two companies ultimately controlled by Steve Morgan, have today entered into an Irrevocable Undertaking to vote in favour of the Resolutions and to take up in full their entitlements under the Rights Issue.

The other Directors are fully supportive of the Rights Issue and the Harrow Estates Transaction and each intends to take up his or her rights in full under the Rights Issue.

#### **Summary expected timetable**

General Meeting	9.00 a.m. on 19 October 2009
Despatch of Provisional Allotment Letters	19 October 2009
Dealings in New Shares, nil paid commence on the London Stock Exchange	8.00 a.m. on 20 October 2009
Latest time and date for acceptance, payment in full and registration of renunciation of Provisional Allotment Letters	11.00 a.m. on 3 November 2009
Dealings in New Shares, fully paid, commence on the London Stock Exchange	8.00 a.m. on 4 November 2009

Notes:

- (1) The ability to participate in the Rights Issue is subject to certain restrictions relating to Qualifying Shareholders with registered addresses or who are resident or located (as applicable) outside the UK, details of which will be set out in the Prospectus.
- (2) The times and dates set out in the expected timetable of principal events above may be adjusted by Redrow (in consultation with the Joint Bookrunners, in which event details of the new times and dates will be notified to the UK Listing Authority, the London Stock Exchange and, where appropriate, Qualifying Shareholders.
- (3) Different deadlines and procedures for applications may apply in certain cases. For example, if you hold your Existing Shares through a CREST member or other nominee, that person may set an earlier date for application and payment than the dates noted above.
- (4) References to times in this timetable are to London times unless otherwise stated.

## DEFINITIONS

In this announcement the following expressions have the following meaning unless the context otherwise requires:

<b>Admission</b>	the admission of the New Shares (nil paid) to the Official List becoming effective in accordance with the Listing Rules and the admission of such shares (nil paid) to trading on the London Stock Exchange's market for listed securities becoming effective in accordance with the Admission and Disclosure Standards
<b>Ashton New Road Property</b>	the Option Property located at Ashton New Road, Clayton, Manchester, as further described in the Prospectus
<b>Board</b>	the board of directors of Redrow
<b>Bridgemere</b>	Bridgemere Securities Limited, a company ultimately controlled by Steve Morgan
<b>Bridgemere House Lease</b>	the lease of Bridgemere House, the head office of Harrow Estates, to be entered into between, among others, Harrow Estates Newco and Bridgemere Estates Limited upon completion of the sale and purchase of Harrow Estates Newco, as further described in the Prospectus
<b>business day</b>	a day (excluding Saturdays and Sundays or public holidays in England and Wales) on which banks generally are open in London for the transaction of normal business
<b>Cadishead Property</b>	the Property located at Hayes Road, Cadishead, Manchester, as further described in the Prospectus
<b>certificated or in certificated form</b>	where a share or other security is not in uncertificated form
<b>Co-lead Managers</b>	HSBC, Lloyds and RBS HG

<b>Companies Act</b>	the UK Companies Act 1985, as amended, or the UK Companies Act 2006, as the context so requires
<b>Company or Redrow</b>	Redrow plc, a company incorporated under the laws of England and Wales (registered under no. 2877315), with its registered office at Redrow House, St David's Park, Flintshire CH5 3RX
<b>Computershare</b>	Computershare Investor Services PLC, the Registrars of the Company
<b>CREST</b>	the relevant system, as defined in the CREST Regulations (in respect of which Euroclear UK is the operator as defined in the CREST Regulations)
<b>CREST member</b>	a person who has been admitted to Euroclear UK as a system member (as defined in the CREST Regulations)
<b>CREST Regulations or Regulations</b>	the Uncertificated Securities Regulations 2001 (SI 2001 No. 01/378), as amended
<b>Directors</b>	the Executive Directors and Non-executive Directors of Redrow
<b>Durcan</b>	Durcan Investments Limited, a company ultimately controlled by Steve Morgan
<b>Executive Directors</b>	the executive directors of Redrow
<b>Existing Shares</b>	the Ordinary Shares in issue as at the date of this announcement
<b>Financial Services Authority or FSA</b>	the Financial Services Authority of the UK
<b>First Resolution</b>	the ordinary resolution to be proposed at the General Meeting to increase the authorised share capital of the Company, which is the first resolution set out in the General Meeting Notice
<b>Fully Paid Rights</b>	rights to acquire the New Shares, fully paid
<b>General Meeting</b>	the general meeting of Redrow to be held at the offices of Redrow plc, Redrow House, St David's Park, Flintshire CH5 3RX at 9.00 a.m. on 19 October 2009, notice of which is set out in the Prospectus
<b>Harrow Estates</b>	Harrow Estates Plc, a company incorporated under the laws of England & Wales with registered number 04298202
<b>Harrow Estates Business</b>	Harrow Estates Newco and the Properties
<b>Harrow Estates Newco</b>	Brand New Co (420) Limited, a newly incorporated company to be acquired by Redrow pursuant to the Share Purchase Agreement, the assets of which include certain employees and the "Harrow Estates" name
<b>Harrow Estates Transaction</b>	the proposed acquisition of the Harrow Estates Business by Redrow under the Property Purchase Agreements and the Share Purchase Agreement, the grant to Redrow of the Options to acquire the Option Properties under the

	Option Agreements and the provision of services contemplated by the Promotion Agreement, in each case as more fully described in the Prospectus
<b>Harrow Estates Transaction Resolution</b>	the ordinary resolution to be proposed at the General Meeting to approve certain components of the Harrow Estates Transaction (being the acquisition of the Properties under the Property Purchase Agreements, the acquisition of Harrow Estates Newco and the grant of the Bridgemere House Lease under the Share Purchase Agreement and the grant of the Options and any subsequent acquisition of the Option Properties upon exercise of the Options under the Option Agreements) of the Harrow Estates Transaction, which is the fourth resolution set out in the General Meeting Notice
<b>HSBC</b>	HSBC Bank plc, 8 Canada Square, London E14 5HQ
<b>Irrevocable Undertaking</b>	the irrevocable undertaking provided by Bridgemere and Durcan in respect of the commitment to support the Rights Issue, the terms of which are summarised in the Prospectus
<b>Issue Price</b>	105 pence per New Share
<b>J.P. Morgan Cazenove</b>	J.P. Morgan Cazenove Limited, 20 Moorgate, London EC2R 6DA
<b>Joint Bookrunners</b>	Merrill Lynch International and J.P. Morgan Cazenove
<b>Joint Sponsors</b>	Merrill Lynch International and J.P. Morgan Cazenove
<b>Knight Frank</b>	Knight Frank LLP, a limited liability partnership registered in England (registered number OC305934) with registered office at 55 Baker Street, London W1U 8AN
<b>Knight Frank Valuation Report</b>	the independent valuation report in respect of the Properties set out in the Prospectus
<b>Listing Rules</b>	the Listing Rules made by the FSA under Part VI of FSMA
<b>Lloyds TSB Corporate Markets</b>	Lloyds TSB Bank plc, 25 Gresham Street London EC2V 7HN
<b>London Stock Exchange</b>	London Stock Exchange plc
<b>Merrill Lynch International</b>	Merrill Lynch International, Merrill Lynch Financial Centre, 2 King Edward Street, London EC1A 1HQ
<b>New Shares</b>	Ordinary Shares to be allotted and issued pursuant to the Rights Issue
<b>Newco</b>	Redrow Capital (Jersey) Limited, a company incorporated under the law of Jersey (registered number 103890) with its registered office at Whiteley Chambers, Don Street, St Helier, Jersey JE4 9WG
<b>Newco Subscriber</b>	Merrill Lynch International

<b>Nil Paid Rights</b>	rights to acquire the New Shares, nil paid
<b>Non-CREST Shareholder</b>	a Shareholder who does not hold his or her Ordinary Shares in CREST
<b>Non-executive Directors</b>	the non-executive directors of Redrow
<b>Official List</b>	the Official List of the FSA pursuant to Part VI of FSMA
<b>Option Agreements</b>	the option agreements (described in the Prospectus) relating to the Options granted to members of the Redrow Group to acquire the Option Properties from Harrow Estates pursuant to the Harrow Estates Transaction
<b>Option Properties</b>	the properties which Redrow has been granted an option to acquire pursuant to the Option Agreements as described in the Prospectus
<b>Options</b>	the options to acquire the Option Properties granted pursuant to the Option Agreements
<b>Ordinary Shares or Shares</b>	the ordinary shares of 10 pence each in the share capital of the Company (including, if the context requires, the New Shares)
<b>Part VI Rules</b>	the rules contained in Part VI of the FSMA
<b>pounds sterling or £</b>	the lawful currency of the UK
<b>Promotion Agreement</b>	the promotion agreement described in the Prospectus relating to the provision of services to Harrow Estates in respect of the Option Properties
<b>Properties</b>	<p>the properties which members of the Redrow Group have agreed to acquire pursuant to the Property Purchase Agreements, being:</p> <ul style="list-style-type: none"> <li>(i) Land at Cadishead, Manchester (8 acres providing an expected 127 plots);</li> <li>(ii) Land at Trench Lock, Telford, Shropshire (21 acres providing an expected 250 plots);</li> <li>(iii) Land at Illingworth, Halifax, West Yorkshire (6.6 acres providing an expected 89 plots);</li> <li>(iv) Land at Hartford, Cheshire (3 acres providing an expected 20 plots); and</li> <li>(v) Land at Tipton, West Midlands (8.2 acres providing an expected 121 plots),</li> </ul> <p>in each case as further described in the Prospectus</p>
<b>Property Purchase Agreements</b>	the property purchase agreements described in the Prospectus relating to the acquisition by Redrow of the five freehold Properties pursuant to the Harrow Estates Transaction
<b>Prospectus</b>	the prospectus and circular relating to the Rights Issue
<b>Provisional Allotment Letter or PAL</b>	the renounceable provisional allotment letter expected to be sent to Qualifying Non-CREST Shareholders (other than, subject to certain exceptions, Shareholders with a

	registered address in the Restricted Territories), in respect of the New Shares to be provisionally allotted to them pursuant to the Rights Issue
<b>RBS Hoare Govett</b>	RBS Hoare Govett, 250 Bishopsgate, London EC2M 4AA
<b>Record Date</b>	close of business on 15 October 2009
<b>Redrow Group or the Group</b>	the Company and each of its subsidiaries and subsidiary undertakings from time to time
<b>Regulation S</b>	Regulation S under the Securities Act
<b>Relationship Agreement</b>	the agreement dated 20 March 2009 between the Company, Harrow Estates and Steve Morgan details of which are provided in the Prospectus
<b>Resolutions</b>	the First Resolution, the Second Resolution, the Third Resolution and the Fourth Resolution
<b>Restricted Territories and each a Restricted Territory</b>	Australia, Canada, Japan, South Africa, Switzerland and any other jurisdiction where the extension or availability of the Rights Issue (or any transaction contemplated thereby and any activity carried out in connection therewith) would breach applicable law
<b>Rights Issue</b>	the proposed offer by way of rights of New Shares to Qualifying Shareholders on the basis described in this announcement and, in the case of Qualifying Non-CREST Shareholders (other than, subject to certain exceptions, Shareholders with a registered address in the Restricted Territories), in the Provisional Allotment Letter
<b>SEC or US Securities and Exchange Commission</b>	the US government agency having primary responsibility for enforcing the federal securities laws and regulating the securities industry/stock market
<b>Second Resolution</b>	the ordinary resolution to be proposed at the General Meeting to grant the Directors the authority to allot the New Shares required for the Rights Issue, which is the second resolution set out in the General Meeting Notice
<b>Securities Act</b>	the United States Securities Act 1933, as amended
<b>Share Purchase Agreement</b>	the share purchase agreement described in the Prospectus relating to the acquisition of the entire issued share capital of Harrow Estates Newco pursuant to the Harrow Estates Transaction
<b>Shareholder or Redrow Shareholder</b>	a holder of Ordinary Shares
<b>Syndicated Facility Agreement</b>	the syndicated facility agreement as amended, described further in the Prospectus
<b>Third Resolution</b>	the special resolution to be proposed at the General Meeting to authorise the Directors to allot the New Shares required for the Rights Issue without the New

	Shares first being offered to Shareholders in proportion to their existing holdings, which is the third resolution set out in the General Meeting Notice
<b>UK</b>	the United Kingdom of Great Britain and Northern Ireland
<b>UK Listing Authority or UKLA</b>	the FSA in its capacity as the competent authority for the purposes of Part VI of FSMA and in the exercise of its functions in respect of the admission to the Official List otherwise than in accordance with Part VI of FSMA
<b>uncertificated or in uncertificated form</b>	recorded on the relevant register of the share or security concerned as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
<b>Underwriters</b>	J.P. Morgan Cazenove, Merrill Lynch International, HSBC, Lloyds and RBS HG
<b>Underwriting Agreement</b>	the underwriting agreement entered into between the Company and the Underwriters relating to the Rights Issue and further described in the Prospectus
<b>US or United States</b>	the United States of America, its territories and possessions, any state of the US and the District of Columbia