NATIONAL HOUSEBUILDER BELLWAY p.l.c. TODAY, TUESDAY 21 MARCH, ANNOUNCES INTERIM RESULTS FOR THE HALF YEAR ENDED 31 JANUARY 2017

Highlights

Further volume growth has enabled Bellway to achieve record earnings for a first half year trading period

Financial Highlights

	Half year ended 31 January 2017	Half year ended 31 January 2016	Movement
Revenue	£1,148.5m	£1,084.9m	+5.9%
Gross profit	£296.7m	£272.4m	+8.9%
Gross margin	25.8%	25.1%	+70 bps
Operating profit	£252.6m	£232.5m	+8.6%
Operating margin	22.0%	21.4%	+60 bps
Profit before taxation	£247.6m	£226.6m	+9.3%
Earnings per share	163.9p	148.7p	+10.2%
Interim dividend per share	37.5p	34.0p	+10.3%
Net asset value per share	1,612p	1,383p	+16.6%
Return on capital employed^	25.1%	27.6%	-250 bps

Operational Highlights

- A clear operational emphasis contributed to the completion of 4,462 homes (2016 – 4,188), a rise of 6.5%.
- Ongoing customer demand is strong, resulting in the reservation rate increasing by 6.4% to 166 sales per week (2016 – 156 sales per week).
- An ongoing focus on customer care should result in Bellway regaining its status as a five star housebuilder^^, one of only two national housebuilders expected to achieve this accolade.
- Investment in work in progress increased to £941.0 million (2016 – £792.0 million), in order to achieve further volume growth, this year and beyond.
- The Group contracted to acquire 6,287 plots (2016 – 5,445 plots), thereby facilitating future volume growth.
- The forward order book as at 12 March 2017 is 18% ahead at £1,415.4 million (13 March 2016 – £1,201.8 million).

Outlook

- The Group has significant balance sheet and operational capacity to continue pursuing its strategy of disciplined volume growth.
- The number of homes sold for the full financial year is expected to rise by at least 5%.
- The average selling price is expected to rise to around £260,000 for the full year (31 July 2016 – £252,793).
- The operating margin for the full financial year is expected to be maintained at around 22%.

^ Calculated as annualised operating profit, divided by average opening and closing capital employed. Capital employed includes equity and net bank debt.

^^ As measured by the Home Builders' Federation Customer Satisfaction survey.

Chairman’s Overview

Commenting on the results, Chairman, John Watson, said:

“Bellway’s strong operational focus and consistent execution of its growth strategy has resulted in a record number of legal completions in a first half year and another excellent financial performance. The emphasis on volume growth, together with a further rise in the operating margin, has resulted in earnings increasing by over 10% to 163.9p per share, the highest achieved by the Group in a first half trading period.

“Bellway is achieving this growth whilst retaining a focus on return on capital employed and maintaining an appropriate and conservative use of bank debt and land creditors. Our strong balance sheet and operational capacity still provides scope for further controlled expansion, enabling Bellway to achieve additional, future volume and earnings growth, by continuing to invest in attractive land opportunities across the country.

Creating Value for Shareholders

“The reinvestment of retained profits into new developments is having a compounding effect on earnings and dividend growth. As a result of the strong trading performance, I am pleased to announce that the interim dividend will increase in line with earnings, by over 10% to 37.5p per share. The interim dividend has risen by 134% in the three years since January 2014, over which time the Group has paid out dividends equivalent to 237p per share. In addition to the payment of a regular dividend, the net asset value per ordinary share (‘NAV’) of the Group has risen by 566p to 1,612p per share over the same three year period. Taken together, this represents a total growth in value of 803p per share and an accounting return of almost 21% per annum. This demonstrates the substantial returns generated for our shareholders as a result of the Group’s ongoing and disciplined growth strategy.

“For the foreseeable future, the Board expects to maintain a full year dividend cover of around three times earnings as sufficient land opportunities remain available that meet or exceed the Group’s required returns, resulting in further value creation for shareholders. Bellway does, however, retain the ability to amend dividend cover should there be a substantial change in market conditions.”

FOR FURTHER INFORMATION, PLEASE CONTACT TED AYRES, CHIEF EXECUTIVE OR KEITH ADEY, FINANCE DIRECTOR FROM TUESDAY 21 MARCH – FRIDAY 24 MARCH ON 0191 217 0717.

Chief Executive's Operating Statement

Housing Market

Customer demand for new homes remains strong, reinforced by a national shortage of housing in the UK and further supported by high employment, good mortgage availability and low interest rates. In addition, the Government's Help to Buy shared equity scheme continues to support volume growth in the new build sector, providing a popular and cost effective source of finance for consumers. With such strong demand, the wider economic uncertainty following the EU referendum has not had any meaningful effect on purchasers' willingness to acquire a Bellway property in those parts of the country where the Group operates.

The underlying pricing environment remains positive and values achieved on reservations were in line with, or modestly ahead of expectations. The rate of house price inflation has however moderated compared to this time last year and is less pronounced for higher value homes, particularly in London.

Against this backdrop, the Group has secured 166 reservations per week (2016 – 156), an increase of over 6% compared to the same period last year. Site openings have also contributed to the improved sales rate, with our divisions opening 50 new outlets (2016 – 44) during the period. Average weekly visitors to new developments are keeping pace with last year, whilst 'hits' to the Group's website have risen by 17%. The cancellation rate, at under 12% (2016 – 11%), remains low by comparison to historical levels.

Trading

The table below shows completions and average selling prices for the first six months of the year, illustrating the split between North, South, private and social homes sold:-

	Homes sold (number)						Average selling price (£000)					
	Private		Social		Total		Private		Social		Total	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
North	**1,846**	1,704	**371**	269	**2,217**	1,973	**223.7**	222.1	**101.0**	90.3	**203.2**	204.1
South	**1,697**	1,940	**548**	275	**2,245**	2,215	**365.2**	329.1	**132.7**	132.1	**308.4**	304.6
Group	**3,543**	3,644	**919**	544	**4,462**	4,188	**291.5**	279.1	**119.9**	111.4	**256.1**	257.3

The Group completed the sale of 4,462 new homes (2016 – 4,188), an increase of almost 7% compared to the same period last year. The number of social homes sold has risen by nearly 69% to 919 (2016 – 544), representing almost 21% of the total (2016 – 13%), in line with previous guidance and in accordance with scheduled construction programmes and planning requirements.

The average selling price of private homes has risen by over 4% to £291,467 (2016 – £279,053), influenced by investment in higher value locations over recent years. Overall, the Group achieved an average selling price of £256,140 (2016 – £257,280), with this slightly diluted by the higher proportion of social housing completions. For the full financial year, the overall average selling price is expected to rise by some 3% to around £260,000 (31 July 2016 – £252,793).

The Group has opened six new divisions since 1 August 2013, which altogether contributed 821 completions in the six month trading period. These now established businesses provide the Group with additional capacity and a solid foundation from which to deliver future volume growth.

Whilst sales demand is strong throughout the country, the Group's northern divisions have performed particularly well, benefitting from controlled investment in land, with our recently opened divisions in Darlington and Coventry contributing a total of 103 completions in the period. In total, completions in the North rose by over 12% to 2,217 (2016 – 1,973).

In the South, the number of homes sold, which includes completions in London, has risen to 2,245 (2016 – 2,215). Sales demand in London remains robust for affordably priced new homes and has been further supported by the London Help to Buy scheme, where the maximum Government equity stake is 40%. The Group invests in a wide range of London opportunities but the primary focus remains on more affordable product and accordingly, the Group's average selling price in the Capital continues to be relatively low at £425,524 (2016 – £366,764), well within the £600,000 Help to Buy threshold. The number of completions in London has fallen to 301 (2016 – 786), reflecting availability of finished product.

Chief Executive’s Operating Statement (continued)

Across the Group, Help to Buy has been used in almost 35% of completions (2016 – 29%). Excluding Help to Buy, the use of selling incentives is low by historical standards, with part exchange still the most popular offering, having been used in almost 6% of completions (2016 – 7%).

Operating Performance

Total revenue has increased by almost 6% to £1,148.5 million (2016 – £1,084.9 million), principally driven by the strong growth in volume. This is the 8th successive year of revenue growth, over which period, revenue has increased by almost 259%.

The growth in revenue, together with a focus on high margin land opportunities, continues to generate additional gross profit, with this rising by almost 9% to £296.7 million (2016 – £272.4 million). The gross margin rose by 70 bps to 25.8% (2016 – 25.1%), ahead of the average intake gross margin on land acquired over recent years and benefitting from historical house price inflation, net of industrywide build cost increases. Labour shortages continue to place upward pressure on build costs throughout the construction sector, however, a strong operational focus and an embedded culture of cost control has helped Bellway minimise any dilutive effect on the gross margin.

Administrative overheads remained low at only 3.8% of revenue (2016 – 3.7%) and this, together with the strong trading performance, has resulted in the operating margin rising by 60 bps to 22.0% (2016 – 21.4%), identical to the record set at 31 July 2016. Overall, operating profit rose by nearly 9% to £252.6 million (2016 – £232.5 million). For the full financial year, the Group should be able to deliver a similar operating margin, provided that market conditions remain unchanged.

Earnings

The net finance expense was low at just £5.0 million (2016 – £5.7 million), reflecting the Group’s cost effective borrowing structure.

Profit before tax rose by over 9% to £247.6 million (2016 – £226.6 million) and the taxation charge was £46.9 million (2016 – £44.5 million), representing an effective tax rate of 18.9% (2016 – 19.6%). Profit after tax rose by over 10% to £200.7 million (2016 – £182.1 million), resulting in basic earnings per share of 163.9p (2016 – 148.7p).

Return on Capital Employed

The Group uses return on capital employed as a key metric when appraising all land opportunities and strives to manage an efficient balance sheet. At the same time, the Board recognises the need to invest in land and work in progress in order to facilitate future growth, especially at a time when industrywide skills shortages can lead to limitations in the availability of subcontract labour resource.

By adopting this approach, the Group has increased the amount invested in land and work in progress by £446.0 million over the last twelve months. Notwithstanding the inevitable lag between making this additional investment and subsequently achieving a return from housing completions, Bellway has maintained a high return on capital employed of 25.1% (2016 – 27.6%).

Post-tax return on equity also remains high at 20.9% (2016 – 22.3%), with this achieved from a lowly geared balance sheet.

Build Quality and Customer Care

Bellway continually strives to maintain high build standards, ensuring that our customers benefit from a well-constructed product. This focus on build quality and customer care complements the Group’s long term approach to growth, helping to create a sustainable reputation as a responsible builder, from which potential customers can buy a new home with confidence.

Whilst managing the pressures of a growing business, we fully expect to regain our status as a five star housebuilder, as measured by the Home Builders’ Federation Customer Satisfaction survey, one of only two national housebuilders which are anticipated to achieve this industry-leading accolade. The Board recognises that there are always opportunities for ongoing improvement and will continue to prioritise customer care going forward.

Chief Executive's Operating Statement (continued)

Land and Planning

The land market remains attractive and our land teams have continued to identify sufficient opportunities that meet or exceed the Group's minimum financial requirements with respect to gross margin and return on capital employed.

The table below analyses the Group's land holdings:-

	31 January 2017	31 January 2016	31 July 2016
Owned and controlled plots	**37,931**	37,879	34,979
Comprising:-			
DPP: plots with implementable detailed planning permission	26,331	23,079	24,879
Pipeline: plots pending an implementable DPP	11,600	14,800	10,100
Joint ventures – owned and controlled plots with DPP	**286**	-	-
Strategic plots with a positive planning status	**>5,650**	>6,600	>6,300

Bellway has contracted to acquire 6,287 plots (2016 – 5,445 plots), further strengthening the land bank and helping to ensure all land is in place, with the benefit of a detailed planning permission, in order to deliver the planned completion forecast over the next twelve months. The expected gross margin on land acquired remains above historical industry norms.

The owned and controlled land bank has risen to 37,931 plots (2016 – 37,879 plots) and whilst maximum build and sales rates are unique to each individual site, this represents an average future land supply of 4.3 years (2016 – 4.5 years), based on the current rate of output. This increase in the owned and controlled land bank has been achieved notwithstanding the disposal of Barking Riverside Limited in March 2016, which resulted in 2,100 fewer plots being reported in the 'pipeline' section of the land bank.

In general, the planning environment remains positive, with an increasing number of plots granted planning permission by local authorities. Many local authorities are, however, identifying larger sites to achieve their required housing supply in accordance with the National Planning Policy Framework. Bellway, with its strong balance sheet, is well positioned to make competitive bids on these sites. Whilst helping to secure a land supply, more sizeable sites can be capital intensive and the pace of development is constrained by local sales demand and the time it takes construction teams to deliver onsite infrastructure requirements. The Board therefore continues to exercise strict investment disciplines, focussing on return on capital employed and ensuring that there is an appropriate balance between risk and reward.

The London Boroughs remain an important part of the business, with plots in this area representing 18% of the owned and controlled land bank. Bellway continues to concentrate on acquiring sites in more affordable areas in the Capital, where demand is strongest and where forecast returns are attractive.

As previously reported, the Group is also continuing to increase its investment in longer term strategic sites, recognising the growing importance of this alternative source of land as the business expands.

Overall, the Group has identified 5,650 plots within its strategic land bank (2016 – 6,600), representing only those plots that have a positive planning prognosis and are therefore either the subject of a current planning application or are identified in emerging local plans. The decrease reflects our success at obtaining planning permission on a number of long held strategic sites in the period, which are now included within the owned and controlled section of the land bank.

Furthermore, the recent strengthening of the Group's strategic land teams has helped focus investment and as a result, the Group has entered into an extra 9 option agreements over the past six months (2016 – 7 options), which are in addition to those plots reported within our strategic land bank.

Work in Progress

The availability of skilled labour to meet growing output continues to be a significant challenge to the wider construction industry. Despite this constraint, Bellway retains its operational focus and has invested significantly in work in progress,

Chief Executive's Operating Statement (continued)

which has risen to £941.0 million (2016 – £792.0 million). This increase reflects a rise in the number of plots under construction, which now stand at 9,603 (2016 – 9,013), together with continued investment in capital intensive, longer term London schemes, such as Nine Elms, where completions are expected in subsequent financial years. The focus on production should ensure that Bellway is well placed to deliver further disciplined volume growth, in this year and beyond, provided that market conditions remain favourable.

Net Bank Debt and Financial Position

Before taking into account the additional capital invested in land and work in progress, Bellway produced £209.4 million of cash from operations (2016 – £278.6 million), thereby demonstrating the significant cash generative ability of the Group. After taking the increase in land and work in progress into consideration, £31.6 million was consumed by operations (2016 – £82.5 million generated by operations).

This strong operating cash flow, together with a dividend payment of £90.6 million, tax payments of £46.7 million, investments in joint ventures of £32.8 million and other minor cash inflows of £0.1 million, resulted in net bank debt at 31 January of £175.1 million (2016 – £58.9 million), representing modest gearing of 8.9% (2016 – 3.5%). This level of net bank debt is expected to reduce by the end of the year. Average net bank debt remained low during the period at only £106.4 million (2016 – £98.8 million).

The Group also utilises land creditors as a long term source of finance and had deferred commitments of £301.7 million at 31 January (2016 – £275.7 million). Adjusted gearing, taking into consideration both net bank debt and land creditors, was 24.1% (2016 – 19.7%).

Current Trading and Outlook

The Group has achieved a reservation rate of 246 homes per week in the six weeks since 1 February (2016 – 209), 18% ahead of a strong comparator period last year, which was positively affected by the release of three London developments. Included within this short six-week trading period this year are 52 reservations in relation to The Residence, our flagship development at Nine Elms, following a recent, successful launch campaign. This strong start to the Spring selling season has resulted in the order book at 12 March 2017 growing further to 5,465 plots (13 March 2016 – 5,048 plots) and the value rising by 18% to £1,415.4 million (13 March 2016 – £1,201.8 million).

The effect on customer confidence following the expected triggering of Article 50 and the subsequent outcome of the Spring selling season is as yet unknown. It is, however, the availability of labour and the ability of the Group to meet demanding construction schedules that will have the greatest effect on the rate of growth achieved in the current financial year. The Board therefore expects that the strengthened order book, together with the significant investment in work in progress, should now enable Bellway to achieve volume growth of at least 5% for the full year.

Beyond this financial year, Bellway still has scope to expand, provided that customer confidence remains strong and current market conditions prevail. The existing divisional structure of nineteen divisions, including the six new divisions opened since 2013, provides significant operational capacity for growth. In addition, new divisions can be added to this structure to achieve further disciplined volume growth, provided that returns remain attractive.

This responsible growth strategy, with an ongoing focus on return on capital employed is continuing to deliver significant value for shareholders.

Ted Ayres
Chief Executive
20 March 2017

Condensed Group Income Statement

	Note	**Half year ended 31 January 2017**	Half year ended 31 January 2016	Year ended 31 July 2016 Pre-exceptional item	Year ended 31 July 2016 Exceptional item (note 3)	Year ended 31 July 2016 Total
		£m	£m	£m	£m	£m
Revenue		**1,148.5**	1,084.9	2,240.7	-	2,240.7
Cost of sales		**(851.8)**	(812.5)	(1,665.9)	-	(1,665.9)
Gross profit		**296.7**	272.4	574.8	-	574.8
Administrative expenses		**(44.1)**	(39.9)	(82.8)	-	(82.8)
Operating profit		**252.6**	232.5	492.0	-	492.0
Profit on disposal of investment in joint venture	3	**-**	-	-	17.3	17.3
Finance income	4	**0.8**	0.3	1.2	-	1.2
Finance expenses	4	**(5.8)**	(6.0)	(12.3)	-	(12.3)
Share of result of joint ventures		**-**	(0.2)	(0.3)	-	(0.3)
Profit before taxation		**247.6**	226.6	480.6	17.3	497.9
Income tax expense	5	**(46.9)**	(44.5)	(95.0)	-	(95.0)
Profit for the period *		**200.7**	182.1	385.6	17.3	402.9

* All attributable to equity holders of the parent.

	Note	**Half year ended 31 January 2017**	Half year ended 31 January 2016			Year ended 31 July 2016 Total
Earnings per ordinary share - Basic	6	**163.9p**	148.7p			328.7p
- Diluted	6	**163.2p**	148.3p			328.0p
Dividend per ordinary share	7	**37.5p**	34.0p			108.0p

Condensed Group Statement of Comprehensive Income

	Note	**Half year ended 31 January 2017 £m**	Half year ended 31 January 2016 £m	Year ended 31 July 2016 £m
Profit for the period		**200.7**	182.1	402.9
Other comprehensive (expense) / income				
Items that will not be recycled to the income statement:				
Remeasurement (losses) / gains on defined benefit pension plans		**(0.9)**	0.8	(1.8)
Income tax on actuarial losses / (gains) on defined benefit pension plans	5	**0.1**	(0.2)	(0.1)
Other comprehensive (expense) / income for the period, net of income tax		**(0.8)**	0.6	(1.9)
Total comprehensive income for the period *		**199.9**	182.7	401.0

* All attributable to equity holders of the parent.

Condensed Group Statement of Changes in Equity

	Note	Issued capital	Share premium	Capital redemption reserve	Other reserves	Retained earnings	Total	Non-controlling interest	Total equity
		£m	£m	£m	£m	£m	£m	£m	£m
Half year ended 31 January 2017									
Balance at 1 August 2016		15.3	170.2	20.0	1.5	1,660.1	1,867.1	(0.1)	1,867.0
Total comprehensive income for the period									
Profit for the period		-	-	-	-	200.7	200.7	-	200.7
Other comprehensive expense **		-	-	-	-	(0.8)	(0.8)	-	(0.8)
Total comprehensive income for the period		-	-	-	-	199.9	199.9	-	199.9
Transactions with shareholders recorded directly in equity:									
Dividends on equity shares	7	-	-	-	-	(90.6)	(90.6)	-	(90.6)
Credit in relation to share options and tax thereon		-	-	-	-	1.0	1.0	-	1.0
Total contributions by and distributions to shareholders		-	-	-	-	(89.6)	(89.6)	-	(89.6)
Balance at 31 January 2017		**15.3**	**170.2**	**20.0**	**1.5**	**1,770.4**	**1,977.4**	**(0.1)**	**1,977.3**
Half year ended 31 January 2016									
Balance at 1 August 2015		15.3	169.1	20.0	1.5	1,370.1	1,576.0	(0.1)	1,575.9
Total comprehensive income for the period									
Profit for the period		-	-	-	-	182.1	182.1	-	182.1
Other comprehensive income **		-	-	-	-	0.6	0.6	-	0.6
Total comprehensive income for the period		-	-	-	-	182.7	182.7	-	182.7
Transactions with shareholders recorded directly in equity:									
Dividends on equity shares	7	-	-	-	-	(63.7)	(63.7)	-	(63.7)
Shares issued		-	0.1	-	-	-	0.1	-	0.1
Purchase of own shares		-	-	-	-	(1.3)	(1.3)	-	(1.3)
Credit in relation to share options and tax thereon		-	-	-	-	1.2	1.2	-	1.2
Total contributions by and distributions to shareholders		-	0.1	-	-	(63.8)	(63.7)	-	(63.7)
Balance at 31 January 2016		15.3	169.2	20.0	1.5	1,489.0	1,695.0	(0.1)	1,694.9
Year ended 31 July 2016									
Balance at 1 August 2015		15.3	169.1	20.0	1.5	1,370.1	1,576.0	(0.1)	1,575.9
Total comprehensive income for the period									
Profit for the period		-	-	-	-	402.9	402.9	-	402.9
Other comprehensive expense **		-	-	-	-	(1.9)	(1.9)	-	(1.9)
Total comprehensive income for the period		-	-	-	-	401.0	401.0	-	401.0
Transactions with shareholders recorded directly in equity:									
Dividends on equity shares	7	-	-	-	-	(105.4)	(105.4)	-	(105.4)
Shares issued		-	1.1	-	-	-	1.1	-	1.1
Purchase of own shares		-	-	-	-	(6.9)	(6.9)	-	(6.9)
Credit in relation to share options and tax thereon		-	-	-	-	1.3	1.3	-	1.3
Total contributions by and distributions to shareholders		-	1.1	-	-	(111.0)	(109.9)	-	(109.9)
Balance at 31 July 2016		15.3	170.2	20.0	1.5	1,660.1	1,867.1	(0.1)	1,867.0

** Additional breakdown is provided in the Condensed Group Statement of Comprehensive Income.

Condensed Group Balance Sheet

	Note	**At 31 January 2017 £m**	At 31 January 2016 £m	At 31 July 2016 £m
ASSETS				
Non-current assets				
Property, plant and equipment		**11.3**	14.7	14.9
Investment in joint ventures		**37.3**	4.4	4.5
Trade and other receivables		**11.7**	-	11.4
Deferred tax assets	5	**2.4**	2.5	2.5
		62.7	21.6	33.3
Current assets				
Inventories		**2,796.7**	2,334.8	2,548.3
Trade and other receivables		**99.6**	73.5	80.2
Cash and cash equivalents		**24.9**	41.1	59.0
Assets held for sale		**-**	26.2	-
		2,921.2	2,475.6	2,687.5
Total assets		**2,983.9**	2,497.2	2,720.8
LIABILITIES				
Non-current liabilities				
Retirement benefit obligations		**(8.8)**	(6.1)	(8.0)
Trade and other payables		**(98.1)**	(51.4)	(87.9)
Deferred tax liabilities		**-**	-	(0.3)
		(106.9)	(57.5)	(96.2)
Current liabilities				
Interest bearing loans and borrowings		**(200.0)**	(100.0)	(32.5)
Corporation tax payable		**(50.8)**	(47.5)	(50.5)
Trade and other payables		**(648.9)**	(597.3)	(674.6)
		(899.7)	(744.8)	(757.6)
Total liabilities		**(1,006.6)**	(802.3)	(853.8)
Net assets		**1,977.3**	1,694.9	1,867.0
EQUITY				
Issued capital		**15.3**	15.3	15.3
Share premium		**170.2**	169.2	170.2
Capital redemption reserve		**20.0**	20.0	20.0
Other reserves		**1.5**	1.5	1.5
Retained earnings		**1,770.4**	1,489.0	1,660.1
Total equity attributable to equity holders of the parent		**1,977.4**	1,695.0	1,867.1
Non-controlling interest		**(0.1)**	(0.1)	(0.1)
Total equity		**1,977.3**	1,694.9	1,867.0

Condensed Group Cash Flow Statement

	Note	**Half year ended 31 January 2017 £m**	Half year ended 31 January 2016 £m	Year ended 31 July 2016 £m
Cash flows from operating activities				
Profit for the period		**200.7**	182.1	402.9
Depreciation charge		**1.8**	1.5	3.1
Exceptional profit	3	**-**	-	(17.3)
Profit on sale of property, plant and equipment		**(0.3)**	(0.1)	(0.1)
Loss on sale of investment properties		**-**	0.2	0.2
Finance income	4	**(0.8)**	(0.3)	(1.2)
Finance expenses	4	**5.8**	6.0	12.3
Share-based payment expense		**1.0**	0.7	1.6
Share of post tax result of joint ventures		**-**	0.2	0.3
Income tax expense	5	**46.9**	44.5	95.0
Increase in inventories		**(248.4)**	(199.5)	(413.0)
Increase in trade and other receivables		**(19.0)**	(9.1)	(0.1)
(Decrease) / increase in trade and other payables		**(19.3)**	56.3	165.7
Cash (outflow) / inflow from operations		**(31.6)**	82.5	249.4
Interest paid		**(2.1)**	(2.2)	(4.3)
Income tax paid		**(46.7)**	(34.4)	(82.4)
Net cash (outflow) / inflow from operating activities		**(80.4)**	45.9	162.7
Cash flows from investing activities				
Acquisition of property, plant and equipment		**(1.0)**	(1.5)	(3.4)
Proceeds from sale of property, plant and equipment		**3.1**	0.2	0.3
Proceeds from sale of investment in joint venture – exceptional item	3	**-**	-	16.6
Proceeds from the sale of investment property		**-**	1.4	1.4
Increase in loans to joint ventures		**(32.8)**	(1.7)	(1.8)
Interest received		**0.1**	0.2	0.3
Net cash (outflow) / inflow from investing activities		**(30.6)**	(1.4)	13.4
Cash flows from financing activities				
Increase / (decrease) in bank borrowings		**167.5**	20.0	(47.5)
Proceeds from the issue of share capital on exercise of share options		**-**	0.1	1.2
Purchase of own shares by employee share option plans		**-**	(1.3)	(6.9)
Dividends paid	7	**(90.6)**	(63.7)	(105.4)
Net cash inflow / (outflow) from financing activities		**76.9**	(44.9)	(158.6)
Net (decrease) / increase in cash and cash equivalents		**(34.1)**	(0.4)	17.5
Cash and cash equivalents at beginning of period		**59.0**	41.5	41.5
Cash and cash equivalents at end of period	8	**24.9**	41.1	59.0

Notes

1. Basis of preparation and accounting policies

Bellway p.l.c. is a company incorporated in England and Wales.

These condensed consolidated interim financial statements are unaudited and were authorised for issue by the Board on 20 March 2017.

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the EU and the Disclosure and Transparency Rules of the Financial Conduct Authority. This report should be read in conjunction with the Group's Annual Report and Accounts for the year ended 31 July 2016.

These condensed consolidated interim financial statements do not comprise statutory financial statements. The comparative figures for the year ended 31 July 2016 are not the Group's statutory financial statements for that year. Those financial statements have been reported on by the Group's auditors and delivered to the Registrar of Companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The directors consider that the Group is well placed to manage business and financial risks in the current economic environment and have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, accordingly they continue to adopt the going concern basis in preparing these condensed consolidated interim financial statements.

The Group adopted IAS 1 'Disclosure Initiative' and Annual Improvements 2012-2014 during the current financial period. The adoption of these has not had a material effect on the Group's profit for the period or equity.

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its Annual Report and Accounts for the year ended 31 July 2016.

Of the other IFRSs that are available for early adoption, only IFRS 15 'Revenue from contracts with customers' is expected to affect the Group's financial statements once adopted. Further details are included in the Annual Report and Accounts for the year ended 31 July 2016.

IFRS 16 'Leases', has not yet been endorsed by the EU, but it is expected that it will replace the existing standard, IAS 17 'Leases', where lessees are required to make a distinction between a finance lease (on balance sheet) and operating lease (off balance sheet). IFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a 'right of use asset' for virtually all lease contracts. This is likely to affect the timing of the recognition of the lease costs within the income statement and the split between operating profit and finance expenses.

2. Segmental analysis

The executive Board (the Chief Operating Decision Maker as defined in IFRS 8) regularly reviews the Group's performance and balance sheet position at both a consolidated and divisional level. Each division is an operating segment as defined by IFRS 8 in that the executive Board assess performance and allocate resources at this level. All of the divisions have been aggregated into one reporting segment on the basis that they share similar economic characteristics including:

- National supply agreements are in place for key inputs including materials.
- Debt is raised centrally and the cost of capital is the same at each division.
- Sales demand at each division is subject to the same macro economic factors, such as mortgage availability and government policy.

3. Exceptional items

Exceptional items are those which, in the opinion of the Board, are material by size or nature, non-recurring, and of such significance that they require separate disclosure on the face of the income statement.

On 7 March 2016, the Group disposed of its entire interest in Barking Riverside Limited, its joint venture company with the Greater London Authority, to L&Q New Homes Limited. Bellway will receive total consideration with a fair value of £43.5 million. The profit of £17.3 million, arising on disposal, was treated as an exceptional item during the year ended 31 July 2016.

There were no exceptional items in the six months ended 31 January 2017 or 31 January 2016.

Notes (continued)

4. Finance income and expenses

	Half year ended 31 January 2017 £m	Half year ended 31 January 2016 £m	Year ended 31 July 2016 £m
Interest receivable on bank deposits	**0.1**	0.1	0.2
Interest at fair value through profit or loss	**0.7**	-	0.5
Other interest income	**-**	0.2	0.5
Finance income	**0.8**	0.3	1.2
Interest payable on bank loans and overdrafts	**2.1**	2.2	4.5
Interest on deferred term land payables	**3.5**	3.7	7.6
Interest element of movement in pension scheme deficit	**0.1**	0.1	0.2
Other interest expense	**0.1**	-	-
Finance expenses	**5.8**	6.0	12.3

5. Income tax expense

The effective rate of taxation for the period is 18.9% (2016 – 19.6%). The taxation charge for the period is calculated by applying the standard corporation tax rate of 19.7% (2016 – 20.0%) to the profit before taxation adjusted for non-taxable items and enhanced deductions. The taxation expense also includes adjustments in respect of prior years and the period to 31 January 2017 benefits from the finalisation of prior year corporation tax returns.

The deferred tax assets and liabilities held by the Group at the start of the year that are expected to be realised after 31 March 2020 have been revalued at 17%, the substantively enacted corporation tax rate that will be effective when they are expected to be realised.

6. Earnings per ordinary share

Basic earnings per ordinary share is calculated by dividing earnings by the weighted average number of ordinary shares in issue during the six month period (excluding the weighted average number of ordinary shares held by the Bellway Employee Share Trust (1992) which are treated as cancelled).

Diluted earnings per ordinary share uses the same earnings figure as the basic calculation. The weighted average number of shares has been adjusted to reflect the dilutive effect of outstanding share options allocated under employee share schemes where the market value exceeds the option price. Diluted earnings per ordinary share is calculated by dividing earnings by the diluted weighted average number of ordinary shares.

Reconciliations of the earnings and weighted average number of shares used in the calculations are outlined below:

	Earnings 2017 £m	**Weighted average number of ordinary shares 2017 Number**	**Earnings per share 2017 p**	Earnings 2016 £m	Weighted average number of ordinary shares 2016 Number	Earnings per share 2016 p
For basic earnings per ordinary share	**200.7**	**122,415,601**	**163.9**	182.1	122,490,016	148.7
Dilutive effect of options and awards		**531,687**	**(0.7)**		326,245	(0.4)
For diluted earnings per ordinary share	**200.7**	**122,947,288**	**163.2**	182.1	122,816,261	148.3

Notes (continued)

7. Dividends on equity shares

Amounts recognised as distributions to equity holders in the period:

	Half year ended 31 January 2017 £m	Half year ended 31 January 2016 £m	Year ended 31 July 2016 £m
Final dividend for the year ended 31 July 2016 of 74.0p per share (2015 – 52.0p)	**90.6**	63.7	63.7
Interim dividend for the year ended 31 July 2016 of 34.0p per share (2015 – 25.0p)	**-**	-	41.7
	90.6	63.7	105.4
Proposed interim dividend for the year ending 31 July 2017 of 37.5p per share (2016 – 34.0p)	**45.9**	41.7	90.8

The proposed interim dividend was approved by the Board on 20 March 2017 and, in accordance with IAS 10 ‘Events after the Reporting Period’, has not been included as a liability in these condensed consolidated interim financial statements. The interim dividend will be paid on Monday 3 July 2017 to all ordinary shareholders on the Register of Members on Friday 19 May 2017. The ex-dividend date is Thursday 18 May 2017.

8. Analysis of net cash / (debt)

	At 1 August 2016 £m	Cash flows £m	**At 31 January 2017 £m**
Cash and cash equivalents	59.0	(34.1)	**24.9**
Bank loans	(32.5)	(167.5)	**(200.0)**
Net cash / (debt)	26.5	(201.6)	**(175.1)**

9. Related party transactions

There have been no related party transactions in the first six months of the current financial year which have materially affected the financial position or performance of the Group.

Related parties are consistent with those disclosed in the Group’s Annual Report and Accounts for the year ended 31 July 2016.

10. Seasonality

In common with the rest of the UK housebuilding industry, activity occurs throughout the year, but is subject to the two main house selling seasons of spring and autumn. As these seasons fall in separate half years, the Group’s financial results are not usually subject to significant seasonal variations.

Notes (continued)

Principal risks and uncertainties

The Group has identified, evaluated and put in place measures to mitigate the principal risks faced by the business, as shown below.

Risk and description	Relevance to strategy	KPIs	Mitigation	Change in period
Land Inability to source suitable land at appropriate gross margins and ROCE	▪ Failure to buy land at the right margin would have a detrimental effect on future profitability and ROCE. ▪ Insufficient land would affect our volume growth targets.	▪ EPS. ▪ ROCE. ▪ Land bank with DPP. ▪ Gross margin.	▪ The Group prepares thorough pre-purchase due diligence and pre-purchase viabilities on all of our proposed land purchases. These are kept under regular review to ensure capital is invested appropriately. ▪ Authorisation of all land purchases (regardless of value) in accordance with Group procedures at Head Office.	The land market remains competitive, but the Group has strengthened the land teams and embedded them within the business.
Planning Delays and continued, increasing complexity in the planning process	▪ Failure to obtain planning within appropriate, pre-planned timescales would have a detrimental impact on the Group's growth prospects and have an adverse effect on profitability and ROCE.	▪ EPS. ▪ ROCE. ▪ Number of plots acquired directly in land bank with an implementable DPP. ▪ Number of plots converted from medium-term pipeline land to land with DPP. ▪ Number of plots in our pipeline land bank. ▪ Number of plots identified in our strategic land bank with a positive planning status.	▪ Centralised and divisional planning specialists provide advice and support to the divisions to assist with securing planning permissions. ▪ Management of immediate, medium-term and strategic land to maintain an appropriate balance of land in terms of quality and location.	Despite continued increasing complexity in the planning process, this risk has continued to be well managed.
Construction Resources Shortage of appropriately skilled sub-contractors and shortages of building materials at competitive prices	▪ Failure to secure all required resources causes delays in construction, impacting the ability to deliver volume growth targets. ▪ Pricing pressure would impact profitability and ROCE.	▪ EPS. ▪ Employee turnover. ▪ Number of homes sold.	▪ Systems are in place to engage, monitor and control work carried out by sub-contractors. ▪ Competitive remuneration policies are in place. ▪ Group purchasing arrangements are in place. ▪ Continued review of forward planning and key supplier performance. ▪ Increased competitive pressure in the sub-contractor market is beginning to abate.	This risk remains unchanged due to continued competitive pressure in the sub-contractor labour market and as a result of ongoing uncertainties following the EU referendum.
Health and Safety There are significant health and safety risks inherent in the construction process	▪ In addition to the moral obligation and the requirement to act in a responsible manner, injuries to any individual while at one of our business locations could delay construction and result in criminal prosecution, civil litigation and reputational damage.	▪ Number of RIDDOR seven-day lost time accidents. ▪ NHBC health and safety benchmark. ▪ NHBC Health and Safety Awards.	▪ The Board considers health and safety issues at every meeting. ▪ Regular visits to sites by senior management (independent of our divisions) and external consultants to monitor health and safety standards and performance against the Group's health and safety policies and procedures.	There have been no changes to this risk, which continues to be well controlled.

Risk and description	Relevance to strategy	KPIs	Mitigation	Change in period
Environment The impact of our operations on the environment must be managed in a responsible and sustainable manner	▪ Ineffective management of environmental matters would lead to financial loss, reputational damage and a potential inability to build and sell homes.	▪ Percentage of compounds with energy saving devices. ▪ Energy efficiency of our homes. ▪ Waste diversion rates.	▪ The Group has a range of procedures in place to address issues around ecology, biodiversity, resource use, waste management and sustainable sourcing, with the objective that a development should create an attractive and sustainable environment.	The effectiveness of our controls to manage environmental risks are considered to have improved in the first half of the year, thus reducing slightly the impact of this risk.
Sales There are a number of external factors that could affect the Group's ability to generate sales: ▪ Market uncertainty following the EU referendum ▪ Access to credit facilities ▪ Mortgage availability ▪ Interest rate changes ▪ Government housing policy	▪ The ultimate impact of these external factors would be on the ability to sell homes and on profitability and ROCE.	▪ EPS. ▪ ROCE. ▪ Number of homes sold. ▪ Forward order book. ▪ Reservation rate. ▪ Customer care satisfaction.	▪ On-going monitoring of key business metrics such as reservation rates, cancellation rates and customer care scores. ▪ Action plans developed from monitoring of metrics. ▪ Active management of construction rates to match with sales rates. ▪ Product range and pricing strategy determined based on regional market conditions. ▪ Use of sales incentives, such as part exchange, to encourage the selling process. ▪ Use of government-backed schemes to encourage home ownership.	This risk continues to increase slightly as a result of ongoing uncertainties following the EU referendum.
Human Resources Inability to attract and retain appropriate people	▪ Failure to attract and retain people with appropriate skills will affect the Group's ability to perform and deliver its volume growth target.	▪ EPS. ▪ Employee turnover. ▪ Employees who have worked for the Group for ten years or more. ▪ Graduates and apprentices. ▪ Number of homes sold.	▪ Competitive salary and benefits packages which are regularly reviewed. ▪ Succession plans in place and key person dependencies identified. ▪ Graduate and apprentice training programmes in place.	This risk remains unchanged due to the continued competitiveness within the labour market.
Information Technology Failure to have suitable systems in place, together with system loss mitigation structures, appropriate contingency plans and security policies	▪ Poor performance of the Group's systems would affect operational efficiency, profitability and our control environment.	▪ EPS.	▪ Group-wide systems are in operation which are centrally controlled with an outsourced support function in place. ▪ Continued investment in systems and security measures.	There have been no changes to this risk during the first half of this year.
Legal and Regulatory Compliance Failure to comply with legislation and regulatory requirements	▪ Lack of all appropriate compliance would result in delays in land development and construction, detrimental impact to profitability and our reputation and potential financial penalties and other regulatory consequences.	▪ Volume growth. ▪ EPS.	▪ Central Secretariat, Legal and Technical functions advise and support divisions on compliance and regulatory matters. ▪ Group-wide policies and procedures for key regulatory matters.	There have been no changes to this risk during the first half of the year.

Notes (continued)

Statement of directors' responsibilities

We confirm that to the best of our knowledge:

- the condensed consolidated interim financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the EU;

- the Half Year Report 2017 includes a fair review of the information required by:

  a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year 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 year; and

  b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the Group during that period; and any changes in the related party transactions described in the last annual report that could do so.

The directors of Bellway p.l.c. are listed in the Annual Report and Accounts for the year ended 31 July 2016.

For and on behalf of the Board

Ted Ayres
Chief Executive

Registered number 1372603
20 March 2017

Certain statements in this announcement are forward-looking statements which are based on Bellway p.l.c.'s expectations, intentions and projections regarding its future performance, anticipated events or trends and other matters that are not historical facts. Such forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements sometimes use words such as "aim", "anticipate", "target", "expect", "estimate", "intend", "plan", "goal", "believe", or other words of similar meaning. These statements are not guarantees of future performance and are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements. Given these risks and uncertainties, prospective investors are cautioned not to place undue reliance on forward-looking statements. Forward-looking statements speak only as of the date of such statements and, except as required by applicable law, Bellway p.l.c. undertakes no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.