NATIONAL HOUSEBUILDER BELLWAY p.l.c. TODAY, TUESDAY 20 MARCH, ANNOUNCES INTERIM RESULTS FOR THE HALF YEAR ENDED 31 JANUARY 2018

Results

A record six month trading period

	Half year ended 31 January 2018	Half year ended 31 January 2017	Movement
Revenue	£1,324.4m	£1,148.5m	+ 15.3%
Gross profit	£343.1m	£296.7m	+ 15.6%
Gross margin	25.9%	25.8%	+ 10 bps
Operating profit	£294.2m	£252.6m	+ 16.5%
Operating margin	22.2%	22.0%	+ 20 bps
Profit before taxation	£288.7m	£247.6m	+ 16.6%
Earnings per share	191.6p	163.9p	+ 16.9%
Interim dividend per share	48.0p	37.5p	+ 28.0%
Net asset value per share[1]	1,892p	1,612p	+ 17.4%
Return on capital employed[1]	25.3%	25.1%	+ 20 bps

Financial highlights

- Volume growth of 6.3% to 4,741 homes (2017 – 4,462), together with average selling price growth of 7.7% to £275,945 (2017 – £256,140), have driven the increase in operating profit, which rose by 16.5% to £294.2 million (2017 – £252.6 million).
- A strong trading performance resulted in the operating margin rising further to 22.2% (2017 – 22.0%).
- Earnings per share ('EPS') rose by 16.9% to 191.6p (2017 – 163.9p).
- Return on capital employed has risen slightly to 25.3%[1] (2017 – 25.1%), notwithstanding the investment in land and work in progress to support the delivery of our growth strategy.
- The interim dividend has increased by 28.0% to 48.0p per share (2017 – 37.5p).

Operational highlights

- A strong focus on customer care should result in the Group retaining its status as a five star homebuilder[2] for the second year in succession.
- Significant investment in land, with 6,726 plots contracted (2017 – 6,287 plots), ensures that the Group is well placed to deliver further volume growth, at attractive rates of return.

Current trading and outlook

- The forward order book at 11 March was 7.7% ahead at £1,524.9 million (12 March 2017 – £1,415.4 million) and comprises 5,485 homes (12 March 2017 – 5,465 homes).
- For the full year, the Board expects that volume will grow by around 600 homes, thereby enabling the Group's housing output to exceed 10,000 new homes per annum for the first time in its history.

1 Bellway uses a range of statutory performance measures and alternative performance measures when reviewing the performance of the Group against its strategy. Definitions of the alternative performance measures, and a reconciliation to statutory performance measures, are included in note 10.

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

3 All figures relating to completions, order book, reservations, cancellations and average selling price exclude the Group's share of its joint ventures.

FOR FURTHER INFORMATION, PLEASE CONTACT JASON HONEYMAN, CHIEF OPERATING OFFICER OR KEITH ADEY, FINANCE DIRECTOR FROM TUESDAY 20 MARCH – FRIDAY 23 MARCH ON 0191 217 0717.

Executive Chairman's Overview

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

An excellent six month trading period

This has been another excellent six month trading period for Bellway, during which our strong operational focus has resulted in further volume growth, imminent retention of our status as a five star homebuilder[2] and a very strong financial performance, culminating in earnings per share rising by a further 16.9% to 191.6p (2017 – 163.9p).

The Group has invested significantly in land to achieve future growth, in a market place in which customer demand is robust and mortgage availability remains good. This positive trading environment, together with a substantial order book, bodes well for the full year and should enable the Group to complete in excess of 10,000 new homes.

Creating value for shareholders

The Group's disciplined growth strategy, together with its focus on return on capital employed, is continuing to deliver substantial value for shareholders through the ongoing growth in net asset value, together with the increasing dividend.

The net asset value per share ('NAV') has risen by 17.4% to 1,892p[1] (2017 – 1,612p) over the past 12 months and in addition, as a result of the strong earnings growth in the period, I am pleased to announce that the interim dividend will rise by 28% to 48.0p per share (2017 – 37.5p). The rate of increase in the interim dividend is more rapid than the growth in earnings in the period. This is in order to rebalance the payment profile, although the broad intention is still for the majority of the total annual dividend to be declared with the publication of the full year results. For the full year, Bellway will maintain its sustainable approach to dividend payments and the Board expects to maintain a dividend cover of around 3 times[1] earnings, at the same time as reinvesting retained earnings in order to achieve future growth.

Bellway will continue this balanced approach to growth, maintaining a strong operational focus and delivering much needed, high quality new homes, whilst providing compelling returns for shareholders.

Board changes

As previously announced, Mike Toms, the Chair of the Board Committee on Executive Directors' Remuneration, retired on 13 December 2017, following almost nine years dedicated service with Bellway. On behalf of the Board, I would like to thank him for his commitment and invaluable contribution to the progress of the Group.

We welcome to the Board Jill Caseberry and Ian McHoul, as independent non-executive directors, who joined Bellway on 1 October 2017 and 1 February 2018 respectively. Jill has succeeded Mike as Chair of the Board Committee on Executive Directors' Remuneration. I would like to take this opportunity to wish both Jill and Ian every success in their new roles and I am sure they will make a valuable contribution to the progress of the Group in the years to come.

Operating Review

Housing market

The market backdrop supporting Bellway's ongoing and disciplined growth strategy remains favourable. Unemployment is at a generational low and buying a new home is affordable for many. This is supported by low interest rates, which following recent Bank of England commentary, are still likely to remain below historical norms for the foreseeable future, and a responsible and sustainable lending environment, with good availability of mortgage finance.

In addition, government initiatives, such as the continued availability of Help to Buy and the introduction of stamp duty land tax relief for the majority of first time buyers, are helping customers to meet deposit requirements, which otherwise remain a challenge across the wider second hand housing market. Help to Buy continues to be an important selling tool, with our purchasers using this product to help acquire their home in 39% of completions (2017 – 35%).

There is cross-party support to deliver an increased supply of new homes and notwithstanding increased output across the industry, there remains a shortage of good quality housing, set in desirable locations. In the context of these market conditions, demand for Bellway product remains resilient, with customer confidence seemingly unaffected by the ongoing uncertainty surrounding the forthcoming exit from the EU.

The underlying pricing environment is generally positive, with most selling outlets across the Group able to report moderate pricing gains over the past six months. Reservations, net of cancellations, have averaged 178 per week (2017 – 166), an increase of 7.2% compared to the same period last year and the cancellation rate remains low at under 11% (2017 – under 12%), again reflecting underlying customer confidence.

The growth in the reservation rate has principally been achieved following a continued programme of site openings, with the Group trading from an average of 242 outlets during the period (2017 – 225), an increase of 7.6%. The continuation of this site opening programme, together with ongoing investment in work in progress, should further improve product availability over the coming months.

In addition, early indications are that there will be a repeat of the traditionally strong Spring selling season, with both reservations and website traffic since 1 February slightly ahead of the same period last year. In the second half of the prior financial year, the Group achieved a weekly sales rate of 209 reservations per week, a very strong increase of 14.8% compared to the same period in the year before last. Notwithstanding this very positive comparator period, the strong customer demand, together with the opening of new sales outlets should enable the Group to continue its strategy of disciplined volume growth, this year and beyond.

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**	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
North	**1,857**	1,846	**474**	371	**2,331**	2,217	**255.9**	223.7	**94.3**	101.0	**223.0**	203.2
South	**1,911**	1,697	**499**	548	**2,410**	2,245	**373.0**	365.2	**151.6**	132.7	**327.2**	308.4
Group	**3,768**	3,543	**973**	919	**4,741**	4,462	**315.3**	291.5	**123.7**	119.9	**275.9**	256.1

The strong market conditions and significant investment in land and work in progress have enabled Bellway to complete the sale of 4,741 homes (2017 – 4,462), an increase of 6.3%.

The six new divisions opened since 1 August 2013 have been instrumental in achieving this rate of growth, contributing 1,002 completions (2017 – 821) in the period, a rise of 22.0%. Furthermore, these divisions have significant capacity to deliver additional growth in the years ahead.

The Ashberry brand, introduced to provide a differentiated second outlet and hence improve sales rates and return on capital on larger sites, is gathering momentum and has contributed to the overall increase in output, accounting for 127 completions (2017 – 59). We will continue to use this brand as a tool to further increase output in locations where it is practical to do so.

Trading conditions are strong in all parts of the country where Bellway has a presence, with divisions in geographical locations as far apart as Yorkshire, Manchester and Essex all reporting sizeable increases in the number of homes sold. This positive sales market, together with investment in new sites, enabled our existing division in Scotland to complete the sale of 414 homes, with this strong performance reaffirming our plans to open a new Scotland East division, with effect from 1 August 2018.

In London, where four divisions have a presence, the Group completed the sale of 560 homes (2017 – 301), at an average selling price of £384,296 (2017 – £425,524). Demand in the Capital is most pronounced at and around this affordable price point, where Bellway focuses its operations. Accordingly, sites such as those located in Drayton Garden Village and Barking Riverside continue to perform well, respectively contributing 103 and 124 completions in the period.

Elsewhere in London, whilst sales at the higher end of the market are still a little slower, trading at our flagship 'The Residence' development in Nine Elms, Battersea is positive, with prices still being achieved in line with, or above, the most recent site appraisal. This site contributed 53 apartment completions in the period (2017 – nil), sold as part of the planning obligations to the private rented sector at an average selling price of £562,285. Including both completions and reservations taken to date, over 80% of this 514 home development is now sold, with only 100 apartments left to sell, before construction is scheduled to conclude around winter 2019.

The Group's overall average selling price of homes sold rose by 7.7% to £275,945 (2017 – £256,140), in-part affected by the greater proportion of completions arising from within the London boroughs. In addition, the average selling price has increased due to investment in higher value locations throughout the country, where stronger demand and robust pricing has influenced land acquisition over recent years. For the full year, the average selling price is expected to rise further to in excess of £280,000 (31 July 2017 – £260,354).

Social housing represented almost 21% of completions (2017 – 21%) at an average selling price of £123,665 (2017 – £119,946) and is expected to represent a similar proportion of completions for the full year.

Operating performance

Reinvestment of earnings back into the business has had a significant compounding effect on turnover and as a result, housing revenue has risen by almost 60% over the previous three years.

In the first six months of this year, the strong trading performance has resulted in housing revenue growing by 14.5% to £1,308.3 million (2017 – £1,142.9 million) and this, together with other income of £16.1 million (2017 – £5.6 million), has resulted in total revenue rising by 15.3% to £1,324.4 million (2017 – £1,148.5 million).

The gross margin has risen by 10 basis points to 25.9% (2017 – 25.8%), positively affected by investment in good quality land opportunities. In addition, it has been augmented by rising house prices over the past few years and accordingly, the gross margin achieved is slightly higher than that expected from newly acquired sites, appraised on selling prices at the time of acquisition.

There continues to be some upward pressure on build and material costs. Labour and material availability remain the greatest constraint to growth in the sector, with pressures tending to be specific to certain trades, locations and supplies of items such as bricks and roof tiles. As a result, good forward planning disciplines, longer lead-in times and extended build periods over recent years, all need to be considered when planning construction and sales programmes.

Whilst labour availability in general remains an issue for the industry, the shortage does not appear to have been exacerbated as a result of the decision to leave the EU. There has, however, been some ongoing, but manageable, upward pressure on material costs, arising due to the weaker exchange rate.

The administrative overhead is low at just 3.7%[1] of revenue (2017 – 3.8%), with this slight reduction having been achieved notwithstanding the ongoing cost pressures in relation to experienced, skilled personnel. Bellway is continually investing in its offering to employees to ensure that the Group remains a competitive and attractive employer to work for.

Overall, the operating margin rose by 20 basis points to 22.2% (2017 – 22.0%), representing an operating profit of £294.2 million (2017 – £252.6 million). For the full financial year, the Board expects that the Group will achieve an operating margin of around 22% (31 July 2017 – 22.3%).

Earnings

The Group incurred a net finance expense of £6.3 million[1] (2017 – £5.0 million), a marginal increase compared to the previous year, principally reflecting a slightly higher imputed interest charge, arising as result of the modest increase in land creditors. Profit before taxation rose by 16.6% to £288.7 million (2017 – £247.6 million) and the Group incurred a taxation charge of £53.7 million (2017 – £46.9 million), representing an effective tax rate of 18.6% (2017 – 18.9%). This is slightly below the standard rate of corporation tax rate of 19.0%, principally reflecting enhanced reliefs for remediating brownfield land.

Overall, profit after taxation rose by 17.1% to £235.0 million (2017 – £200.7 million) and earnings per share rose by 16.9% to 191.6p (2017 – 163.9p).

Return on capital employed

Investment in land and work in progress to secure both long term growth and operational certainty is balanced against the Group's strategic objective of maintaining a high return on capital employed, with this still being a key metric when assessing all land opportunities.

As a result of this approach, Bellway achieved a return on capital employed of 25.3%[1] (2017 – 25.1%). In addition, the Group maintained post-tax return on equity at a high level of 20.8%[1] (2017 – 20.9%), with this strong performance being achieved from a lowly geared balance sheet.

Build quality and customer care

Whilst pursuing volume growth, Bellway strives to maintain high standards of build quality and customer care. We are delighted to confirm that we expect to retain our status as a five star homebuilder[2], the second year in succession that we should achieve this accolade.

In addition, our recently formed Customer Experience Committee is gathering momentum and has rolled out a number of initiatives in order to maintain high standards of build quality. These include improved consistency with respect to pre-completion property inspections, strengthening of best practice procedures and regular focus groups to consider customer feedback and raise standards across the Group.

By adopting a responsible approach to growth, we not only ensure that our customers receive a quality product, but also help to engender a sense of pride within Bellway, with better managed, well organised sites being more efficient and cost effective to operate.

We recognise that in an industry which is increasing output, additional improvements can be made to improve quality and therefore we continue to review and update our procedures to drive further enhancements.

Land and planning

The land market continues to offer good quality investment opportunities at attractive rates of return across the country. To that extent the Group has contracted to acquire 6,726 plots (2017 – 6,287 plots) across 56 sites (2017 – 50 sites) at an average gross margin in excess of 24%, based on today's selling prices. This leads to an average site size of 120 plots, providing a balance between certainty of supply and return on capital employed.

Within the London Boroughs, financially attractive opportunities are still available. Frequently, however, the greater number of interested parties means that competition is more pronounced than elsewhere in the country and accordingly, returns are better in the outer zones. Over 15% of the Group's owned and controlled land bank is still located within the London Boroughs, albeit this is principally located in zone 3 and beyond.

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

	31 January 2018	31 January 2017	31 July 2017
Owned and controlled plots	**39,994**	37,931	37,855
Comprising:-			
DPP: plots with implementable detailed planning permission	26,294	26,331	25,655
Pipeline: plots pending an implementable DPP	13,700	11,600	12,200
Joint ventures owned and controlled plots with DPP	**244**	286	268
Strategic plots with a positive planning status	**>6,850**	>5,650	>6,900

Overall, the Group now has 39,994 plots (2017 – 37,931) within its owned and controlled land bank, of which 26,294 plots (2017 – 26,331) benefit from an implementable detailed planning permission. The 5.4% rise in the number of owned and controlled plots over the past twelve months follows a successful period, not only acquiring new land, but also obtaining planning permission on sites which the Group already owned, or in which it had a contractual interest.

Bellway continues to develop on all of those sites on which it has a viable, implementable detailed planning permission and is actively pursuing planning permission on other sites under its control. Not only does this ensure an efficient management of working capital, but it also demonstrates that Bellway is actively increasing housing output in order to meet the wider demographic need.

Given the growth of the Group, Bellway continues to see longer term strategic land as a useful source of supply and as previously reported, has recently bolstered its strategic land function. As a result of this investment in people and the generally positive planning environment, our land teams have successfully acquired or obtained planning permission on 1,053 plots, previously reported within the strategic land bank. In addition, Bellway has enjoyed further success in the strategic land market, having entered into an additional nine option agreements where planning permission is expected to be obtained over the short to medium term.

Following this successful period obtaining planning permission on plots previously designated as strategic, the Group still has 6,850 plots within its strategic land bank. This represents only those with a positive planning prognosis that have been either identified for residential development in an emerging local plan or are subject to a current planning application.

Work in progress

We have invested significantly in work in progress in order to continue delivering revenue and earnings growth. As a result, the number of plots in production rose by 10.7% to 10,631 (2017 – 9,603) and the amount invested in site-based work in progress rose by 14.9% to £1,081.0 million (2017 – £941.0 million).

Net bank debt and financial position

Bellway generated £228.9 million[1] from operations (2017 – £211.9 million), before increasing the amount invested in land, net of land creditors, and work in progress. After taking this into consideration, the Group generated £18.9 million from operations (2017 – £31.6 million consumed by operations). This, together with the payment of the dividend of £103.7 million, tax of £55.1 million, interest of £1.9 million and other minor cash outflows of £5.6 million, resulted in the Group ending the period with net bank debt of £131.4 million (2017 – £175.1 million), representing low gearing of 5.7%[1] (2017 – 8.9%).

The Board expects that the Group will end the financial year with a modest net cash[1] balance.

Land creditors, which are considered to be a long term source of finance, were £367.3 million (2017 – £301.7 million). Total long term debt, including net bank debt and land creditors, was £498.7 million (2017 – £476.8 million), representing an adjusted gearing metric of 21.5% (2017 – 24.1%).

Bellway is highly cash generative and has cost effective bank facilities of £480 million, expiring in tranches through to March 2023. Notwithstanding the positive trading outlook and strong balance sheet, Bellway has the flexibility and financial strength to respond to unforeseen circumstances that may arise as the country negotiates its exit from the EU.

Current trading and outlook

In the six weeks since 1 February, the trading environment has remained positive, resulting in 248 reservations per week (2017 – 246), a slight increase compared to last year. As reported at the time, the comparable six week trading period in the prior financial year was particularly strong, 17.7% ahead of the year before last and positively influenced by the inclusion of 52 reservations at Nine Elms.

The order book at 11 March has grown further to a value of £1,524.9 million (12 March 2017 – £1,415.4 million), a rise of 7.7% and comprises 5,485 new homes (12 March 2017 – 5,465 homes).

This strong sales position is likely to be maintained in the second half of the year, during which time the Group expects to open some 52 new outlets. Subject to the outcome of the Spring selling season, this should enable Bellway to complete the sale of around an additional 600 homes for the year ending 31 July 2018 and in so doing, break through the 10,000 homes barrier for the first time in its history.

Beyond this financial year, Bellway has significant capacity for further growth, both from its existing divisional structure and through the opening of new divisions in areas with high demand. Whilst pursuing this disciplined growth strategy, the Group will continue its focus on build quality and customer care, whilst maintaining strict capital disciplines, in order to deliver enhanced returns to shareholders.

John Watson
Executive Chairman

19 March 2018

Condensed Group Income Statement

	Note	**Half year ended 31 January 2018 £m**	Half year ended 31 January 2017 £m	Year ended 31 July 2017 £m
Revenue		**1,324.4**	1,148.5	2,558.6
Cost of sales		**(981.3)**	(851.8)	(1,897.0)
Gross profit		**343.1**	296.7	661.6
Administrative expenses		**(48.9)**	(44.1)	(90.0)
Operating profit		**294.2**	252.6	571.6
Finance income	3	**0.4**	0.8	1.3
Finance expenses	3	**(6.7)**	(5.8)	(12.5)
Share of result of joint ventures		**0.8**	-	0.4
Profit before taxation		**288.7**	247.6	560.8
Income tax expense	4	**(53.7)**	(46.9)	(106.7)
Profit for the period *		**235.0**	200.7	454.1

* All attributable to equity holders of the parent.

Earnings per ordinary share – Basic	5	**191.6p**	163.9p	370.6p
Earnings per ordinary share – Diluted	5	**190.7p**	163.2p	369.0p
Dividend per ordinary share	6	**48.0p**	37.5p	122.0p

Condensed Group Statement of Comprehensive Income

	Note	**Half year ended 31 January 2018 £m**	Half year ended 31 January 2017 £m	Year ended 31 July 2017 £m
Profit for the period		**235.0**	200.7	454.1
Other comprehensive (expense)/income				
Items that will not be recycled to the income statement:				
Remeasurement (losses)/gains on defined benefit pension plans		**-**	(0.9)	3.8
Income tax on other comprehensive expense/(income)	4	**-**	0.1	(0.7)
Other comprehensive (expense)/income for the period, net of income tax		**-**	(0.8)	3.1
Total comprehensive income for the period *		**235.0**	199.9	457.2

* All attributable to equity holders of the parent.

Condensed Group Statement of Changes in Equity

	Note	Issued capital £m	Share premium £m	Capital redemption reserve £m	Other reserves £m	Retained earnings £m	Total £m	Non-controlling interest £m	Total equity £m
Half year ended 31 January 2018									
Balance at 1 August 2017		15.3	171.3	20.0	1.5	1,983.3	2,191.4	(0.1)	2,191.3
Total comprehensive income for the period									
Profit for the period		-	-	-	-	235.0	235.0	-	235.0
Other comprehensive income **		-	-	-	-	-	-	-	-
Total comprehensive income for the period		-	-	-	-	235.0	235.0	-	235.0
Transactions with shareholders recorded directly in equity:									
Dividends on equity shares	6	-	-	-	-	(103.7)	(103.7)	-	(103.7)
Credit in relation to share options and tax thereon		-	-	-	-	1.3	1.3	-	1.3
Total contributions by and distributions to shareholders		-	-	-	-	(102.4)	(102.4)	-	(102.4)
Balance at 31 January 2018		**15.3**	**171.3**	**20.0**	**1.5**	**2,115.9**	**2,324.0**	**(0.1)**	**2,323.9**
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	6	-	-	-	-	(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
Year ended 31 July 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		-	-	-	-	454.1	454.1	-	454.1
Other comprehensive income **		-	-	-	-	3.1	3.1	-	3.1
Total comprehensive income for the period		-	-	-	-	457.2	457.2	-	457.2
Transactions with shareholders recorded directly in equity:									
Dividends on equity shares	6	-	-	-	-	(136.6)	(136.6)	-	(136.6)
Shares issued		-	1.1	-	-	-	1.1	-	1.1
Credit in relation to share options and tax thereon		-	-	-	-	2.6	2.6	-	2.6
Total contributions by and distributions to shareholders		-	1.1	-	-	(134.0)	(132.9)	-	(132.9)
Balance at 31 July 2017		15.3	171.3	20.0	1.5	1,983.3	2,191.4	(0.1)	2,191.3

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

Condensed Group Balance Sheet

	Note	**At 31 January 2018 £m**	At 31 January 2017 £m	At 31 July 2017 £m
ASSETS				
Non-current assets				
Property, plant and equipment		**12.2**	11.3	11.3
Investment in joint ventures		**38.9**	37.3	34.3
Trade and other receivables		**-**	11.7	-
Deferred tax assets	4	**2.5**	2.4	2.4
		53.6	62.7	48.0
Current assets				
Inventories		**3,184.7**	2,796.7	2,968.2
Trade and other receivables		**98.4**	99.6	85.1
Cash and cash equivalents	7	**36.6**	24.9	46.0
		3,319.7	2,921.2	3,099.3
Total assets		**3,373.3**	2,983.9	3,147.3
LIABILITIES				
Non-current liabilities				
Retirement benefit obligations		**(4.0)**	(8.8)	(4.0)
Trade and other payables		**(80.0)**	(98.1)	(113.7)
Deferred tax liabilities	4	**(0.7)**	-	(0.7)
		(84.7)	(106.9)	(118.4)
Current liabilities				
Interest-bearing loans and borrowings	7	**(168.0)**	(200.0)	(30.0)
Corporation tax payable		**(56.8)**	(50.8)	(58.1)
Trade and other payables		**(739.9)**	(648.9)	(749.5)
		(964.7)	(899.7)	(837.6)
Total liabilities		**(1,049.4)**	(1,006.6)	(956.0)
Net assets		**2,323.9**	1,977.3	2,191.3
EQUITY				
Issued capital		**15.3**	15.3	15.3
Share premium		**171.3**	170.2	171.3
Capital redemption reserve		**20.0**	20.0	20.0
Other reserves		**1.5**	1.5	1.5
Retained earnings		**2,115.9**	1,770.4	1,983.3
Total equity attributable to equity holders of the parent		**2,324.0**	1,977.4	2,191.4
Non-controlling interest		**(0.1)**	(0.1)	(0.1)
Total equity		**2,323.9**	1,977.3	2,191.3

Condensed Group Cash Flow Statement

	Note	**Half year ended 31 January 2018 £m**	Half year ended 31 January 2017 £m	Year ended 31 July 2017 £m
Cash flows from operating activities				
Profit for the period		**235.0**	200.7	454.1
Depreciation charge		**0.9**	1.8	2.7
Profit on sale of property, plant and equipment		**-**	(0.3)	(0.2)
Finance income	3	**(0.4)**	(0.8)	(1.3)
Finance expenses	3	**6.7**	5.8	12.5
Share-based payment expense		**1.3**	1.0	2.1
Share of post tax result of joint ventures		**(0.8)**	-	(0.4)
Income tax expense	4	**53.7**	46.9	106.7
Increase in inventories		**(216.5)**	(248.4)	(419.9)
(Increase)/decrease in trade and other receivables		**(12.8)**	(19.0)	7.6
(Decrease)/increase in trade and other payables		**(48.2)**	(19.3)	92.6
Cash inflow/(outflow) from operations		**18.9**	(31.6)	256.5
Interest paid		**(2.0)**	(2.1)	(4.6)
Income tax paid		**(55.1)**	(46.7)	(98.8)
Net cash (outflow)/inflow from operating activities		**(38.2)**	(80.4)	153.1
Cash flows from investing activities				
Acquisition of property, plant and equipment		**(2.0)**	(1.0)	(2.1)
Proceeds from sale of property, plant and equipment		**0.2**	3.1	3.2
Increase in loans to joint ventures		**(3.8)**	(32.8)	(29.4)
Interest received		**0.1**	0.1	0.2
Net cash outflow from investing activities		**(5.5)**	(30.6)	(28.1)
Cash flows from financing activities				
Increase/(decrease) in bank borrowings		**138.0**	167.5	(2.5)
Proceeds from the issue of share capital on exercise of share options		**-**	-	1.1
Dividends paid	6	**(103.7)**	(90.6)	(136.6)
Net cash inflow/(outflow) from financing activities		**34.3**	76.9	(138.0)
Net decrease in cash and cash equivalents		**(9.4)**	(34.1)	(13.0)
Cash and cash equivalents at beginning of period		**46.0**	59.0	59.0
Cash and cash equivalents at end of period	7	**36.6**	24.9	46.0

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 19 March 2018.

This condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU.

The annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU. As required by the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority, the condensed set of financial statements has been prepared applying the accounting policies and presentation that were applied in the preparation of the Company's published consolidated financial statements for the year ended 31 July 2017.

The comparative figures for the financial year ended 31 July 2017 are not the Company's statutory accounts for that financial year. Those accounts have been reported on by the Company's auditor and delivered to the registrar of companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 98 (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.

Of the other IFRSs that are available for early adoption, only IFRS 15 'Revenue from contracts with customers' and IFRS 16 'Leases' are 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 2017.

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 allocates 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 macroeconomic factors, such as mortgage availability and government policy.

Notes (continued)

3. Finance income and expenses

	Half year ended 31 January 2018 £m	Half year ended 31 January 2017 £m	Year ended 31 July 2017 £m
Interest receivable on bank deposits	**0.1**	0.1	0.1
Interest on fair value through profit or loss	**0.3**	0.7	1.1
Other interest income	**-**	-	0.1
Finance income	**0.4**	0.8	1.3
Interest payable on bank loans and overdrafts	**2.1**	2.1	4.6
Interest on deferred term land payables	**4.5**	3.5	7.7
Interest element of movement in pension scheme deficit	**0.1**	0.1	0.2
Other interest expense	**-**	0.1	-
Finance expenses	**6.7**	5.8	12.5

4. Income tax expense

The effective rate of taxation for the period is 18.6% (2017 – 18.9%). The taxation charge for the period is calculated by applying the standard corporation tax rate of 19.0% (2017 – 19.7%) 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 2018 benefits from the finalisation of prior year corporation tax returns.

The deferred tax assets and liabilities held by the Group are valued at 17%, the substantively enacted corporation tax rate that will be effective when they are expected to be realised.

5. 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 2018 £m	**Weighted average number of ordinary shares 2018 Number**	**Earnings per share 2018 p**	Earnings 2017 £m	Weighted average number of ordinary shares 2017 Number	Earnings per share 2017 p
For basic earnings per ordinary share	**235.0**	**122,658,652**	**191.6**	200.7	122,415,601	163.9
Dilutive effect of options and awards		**585,379**	**(0.9)**		531,687	(0.7)
For diluted earnings per ordinary share	**235.0**	**123,244,031**	**190.7**	200.7	122,947,288	163.2

Notes (continued)

6. Dividends on equity shares

Amounts recognised as distributions to equity holders in the period:

	Half year ended 31 January 2018 £m	Half year ended 31 January 2017 £m	Year ended 31 July 2017 £m
Final dividend for the year ended 31 July 2017 of 84.5p per share (2016 – 74.0p)	**103.7**	90.6	90.6
Interim dividend for the year ended 31 July 2017 of 37.5p per share (2016 – 34.0p)	**-**	-	46.0
	103.7	90.6	136.6
Proposed interim dividend for the year ending 31 July 2018 of 48.0p per share (2017 – 37.5p)	**58.9**	45.9	103.6

The proposed interim dividend was approved by the Board on 19 March 2018 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 2 July 2018 to all ordinary shareholders on the Register of Members on Friday 25 May 2018. The ex-dividend date is Thursday 24 May 2018.

7. Analysis of net cash/(debt)

	At 1 August 2017 £m	**Cash flows £m**	**At 31 January 2018 £m**
Cash and cash equivalents	46.0	(9.4)	**36.6**
Bank loans	(30.0)	(138.0)	**(168.0)**
Net cash/(debt)	16.0	(147.4)	**(131.4)**

8. 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 2017, other than the changes in directors as noted in the statement of directors' responsibilities.

9. 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.

10. Alternative performance measures

Bellway uses a variety of alternative performance measures ('APM') which, although financial measures of either historical or future performance, financial position or cash flows, are not defined or specified by IFRSs. The directors use a combination of APMs and IFRS measures when reviewing the performance, position and cash of the Group.

Notes (continued)

The APMs used by the Group are defined below:-

- **Administrative expenses as a percentage of revenue** – This is calculated as the total administrative overheads divided by total revenue. The directors consider this to be an important indicator of how efficiently the Group is managing its administrative overhead base.

- **Net finance expense** – This is finance expenses less finance income. The directors consider this to be an important measure when assessing whether the Group is using the most cost effective source of finance.

- **Dividend cover** – This is calculated as earnings per ordinary share for the period divided by the dividend per ordinary share relating to that period. At the half year the dividend per ordinary share is the proposed interim ordinary dividend, and for the full year it is the interim dividend paid plus the proposed final dividend. The directors consider this to be an important indicator of the proportion of earnings paid to shareholders and reinvested in the business.

- **Net asset value per share ('NAV')** – This is calculated as total net assets divided by the number of ordinary shares in issue at the end of each period. The directors consider this to be a proxy when reviewing whether value, on a share by share basis, has increased or decreased in the period.

- **Capital employed** – Capital employed is defined as the total of equity and net bank debt. Equity is not adjusted where the Group has net cash. The directors consider this to be an important indicator of the operating efficiency and performance of the Group.

- **Return on capital employed ('RoCE')** – This is calculated as operating profit divided by the average capital employed. Average capital employed is calculated based on opening and half year capital employed. The calculation is shown in the table below. The directors consider this to be an important indicator of whether the Group is achieving a sufficient return on its investments.

	31 January 2018			31 January 2017		
	Capital employed	**Land creditors**	**Capital employed including land creditors**	Capital employed	Land creditors	Capital employed including land creditors
	£m	**£m**	**£m**	£m	£m	£m
Operating profit	**294.2**		**294.2**	252.6		252.6
Capital employed/land creditors:						
Opening	**2,191.3**	**366.8**	**2,558.1**	1,867.0	304.2	2,171.2
Half year	**2,455.3**	**367.3**	**2,822.6**	2,152.4	301.7	2,454.1
Average	**2,323.3**	**367.1**	**2,690.4**	2,009.7	303.0	2,312.7
Annualised return on capital employed	**25.3%**		**21.9%**	25.1%		21.8%

- **Post tax return on equity** – This is calculated as profit for the period divided by the average of the opening and half year net assets. The directors consider this to be a good indicator of the operating efficiency of the Group.

	31 January 2018 £m	31 January 2017 £m
Profit for the period	**235.0**	200.7
Net assets:		
Opening	**2,191.3**	1,867.0
Half year	**2,323.9**	1,977.3
Average	**2,257.6**	1,922.2
Annualised post tax return on equity	**20.8%**	20.9%

Notes (continued)

- **Net cash/(debt)** – This is the cash and cash equivalents less bank debt. The directors consider this to be a good indicator of the financing position of the Group. This is reconciled in note 7.

- **Capital invested in land, net of land creditors, and work in progress** – This is calculated as shown in the table below. The directors consider this as an indicator of the net investment by the Group in the period to achieve future growth.

	31 January 2018 £m	**31 July 2017 £m**	**Movement £m**	31 January 2017 £m	31 July 2016 £m	Movement £m
Land	**1,985.4**	**1,838.2**	**147.2**	1,761.7	1,625.6	136.1
Work in progress	**1,081.0**	**1,017.7**	**63.3**	941.0	836.1	104.9
Increase in capital invested in land and work in progress in the period			**210.5**			241.0
Land creditors	**(367.3)**	**(366.8)**	**(0.5)**	(301.7)	(304.2)	2.5
Increase in capital invested in land, net of land creditors, and work in progress in the period			**210.0**			243.5

- **Cash generated from operations before investment in land, net of land creditors, and work in progress** – This is calculated as shown in the table below. The directors consider this to be an indicator of whether the Group is generating cash before investing in land and work in progress to achieve future growth.

	31 January 2018 £m	31 January 2017 £m
Cash inflow/(outflow) from operations	**18.9**	(31.6)
Add: increase in capital invested in land, net of land creditors, and work in progress (as described above)	**210.0**	243.5
Cash generated from operations before investment in land, net of land creditors, and work in progress	**228.9**	211.9

- **Gearing** – This is calculated as net bank debt divided by total equity. The directors consider this to be a good indicator of the financial stability of the Group.

- **Adjusted gearing** – This is calculated as the total of net bank debt/cash and land creditors divided by total equity. The directors believe that land creditors are a source of long term finance so this provides an alternative indicator of the financial stability of the Group.

Notes (continued)

Principal risks and uncertainties

A detailed risk register is maintained of all of our potential risks, including strategic, operational, financial and compliance risks. The risk management processes are set up so as to ensure all aspects of the business are considered, from strategy through to business execution. Specialist areas are also incorporated into the risk processes, for example, corporate responsibility and joint ventures.

The risk register is reviewed on a regular basis as part of the management reporting process resulting in the regular assessment of each risk, its severity and any required mitigating actions. The severity of risk is determined based on a defined scoring system assessing risk impact and likelihood.

Derived from the detailed risk register, a summary of principal risks is reported to management, the Audit Committee and the Board. This summary is mainly, but not exclusively, comprised of risks scoring above our risk appetite after mitigation. This summary is reviewed throughout the year, with the Board systematically considering the risks taking into account any changes which may have occurred. Once a year, via the Audit Committee, the Board determines whether the system of risk management is appropriately designed and operating effectively.

Through our regular risk management programme of activities, we have identified the following principal risks to our business:

Risk and description	Relevance to strategy	KPIs	Mitigation	Change in period
Land Inability to source suitable land at appropriate gross margins and RoCE.	▪ Insufficient land would affect our volume growth targets. ▪ Failure to buy land at the right margin would have a detrimental effect on future returns.	▪ Land bank (with DPP). ▪ Number of homes sold. ▪ RoCE. ▪ Gross margin. ▪ EPS.	▪ Budgeting and forecasting of growth targets to ensure land bank supports strategic target. ▪ Thorough pre-purchase due diligence and viabilities on all proposed land purchases. These are kept under regular review to ensure capital is invested appropriately. ▪ Authorisation of all land purchases in accordance with Group procedures at Head Office.	No change.
Planning Delays and complexity in the planning process.	▪ Failure to obtain planning within appropriate, pre-planned timescales would have a detrimental impact on our growth prospects and have an adverse effect on returns.	▪ EPS. ▪ RoCE. ▪ Number of plots acquired directly in land bank with an implementable DPP. ▪ Number of plots converted from medium-term pipeline 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 quantity and location.	No change.

Notes (continued)

Construction resources Shortage of appropriately skilled sub-contractors and shortages of building materials at competitive prices.	▪ Failure to secure required resources causes delays in construction, impacting the ability to deliver volume growth targets. ▪ Pricing pressure would impact returns.	▪ Number of homes sold. ▪ Customer care satisfaction. ▪ Employee turnover. ▪ EPS.	▪ Systems are in place to select, appoint, monitor, manage and build long-term relationships with our sub-contractors. ▪ Competitive rates and prompt payment for our sub-contractors. ▪ Group purchasing arrangements are in place. ▪ Continued review and monitoring of supplier performance.	No change.
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 per 100,000 site operatives. ▪ 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 health and safety policies and procedures.	No change.
Sales and external factors There are a number of external factors that could affect our ability to generate sales, including but not limited to: ▪ Economic factors, especially house price inflation and interest rates. ▪ Mortgage availability. ▪ Government housing policy.	▪ The ultimate impact of these external factors would be on the ability to sell houses and apartments and on returns.	▪ Number of homes sold. ▪ Forward order book. ▪ Reservations rate. ▪ Customer care satisfaction. ▪ EPS. ▪ RoCE.	▪ Ongoing monitoring of key business metrics and development of action plans as necessary. ▪ 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.	No change.
Human resources Inability to attract and retain appropriate people.	▪ Failure to attract and retain people with appropriate skills will affect our ability to perform and deliver our volume growth target.	▪ Employee turnover. ▪ Number of graduates and apprentices. ▪ Number of people who have worked for the Group for 10 years or more.	▪ Continued development of the Group Human Resources function and implementation of our people strategy. ▪ Competitive salary and benefits packages which are regularly reviewed. ▪ Succession plans in place and key person dependencies identified and mitigated. ▪ Graduate and apprentice training programmes in place.	No change.
IT and security Failure to have suitable systems in place and appropriate back up, contingency plans and security policies.	▪ Poor performance of our 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. ▪ Regular review and testing of our security measures, contingency plans and IT security policies.	Increase. This risk has increased due to growing reliance on IT systems.

Notes (continued)

Legal and regulatory compliance Failure to comply with legislation and regulatory requirements.	▪ Lack of appropriate procedures and compliance would result in delays in land development and construction, have a detrimental impact on profitability and reputation and potentially lead to financial penalties and other regulatory consequences.	▪ Volume growth. ▪ EPS.	▪ Central Secretariat, Legal, Health and Safety and Technical functions advise and support divisions on compliance and regulatory matters. ▪ Group-wide policies, procedures and training for key regulatory matters.	Increase. This risk has increased due to forthcoming regulatory changes, such as the General Data Protection Regulation, which are being addressed.

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 2018 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 2017. Jason Honeyman, previously our Southern Regional Chairman, was appointed to the Board as Chief Operating Officer on 1 September 2017. Mike Toms retired from the Board as a non-executive director on 13 December 2017. Both Jill Caseberry and Ian McHoul joined the Board as non-executive directors on 1 October 2017 and 1 February 2018 respectively.

For and on behalf of the Board

Jason Honeyman
Chief Operating Officer

Registered number 1372603
19 March 2018

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.