NATIONAL HOUSEBUILDER BELLWAY p.l.c. TODAY, TUESDAY 22 MARCH, ANNOUNCES INTERIM RESULTS FOR THE HALF YEAR ENDED 31 JANUARY 2016

Highlights

Strong volume growth and an excellent return on capital employed have resulted in earnings per share rising by 43.7% to 148.7p.

Financial Highlights

	Half year ended 31 January 2016	Half year ended 31 January 2015	Movement
Revenue	£1,084.9m	£831.2m	+30.5%
Gross profit	£272.4m	£195.3m	+39.5%
Gross margin	25.1%	23.5%	+160 bps
Operating profit	£232.5m	£165.7m	+40.3%
Operating margin	21.4%	19.9%	+150 bps
Profit before taxation	£226.6m	£158.9m	+42.6%
Earnings per share	148.7p	103.5p	+43.7%
Interim dividend per share	34.0p	25.0p	+36.0%
Return on capital employed^	27.6%	22.8%	+480 bps

Operational Highlights

- Homes sold up by 11.6% to 4,188 (2015 – 3,754).
- Average selling price up by 17.3% to £257,280 (2015 – £219,343).
- Owned and controlled land bank up by 4.6% to 37,879 plots (31 July 2015 – 36,211 plots).
- Order book up 7.2% to £1,201.8 million at 13 March (8 March 2015 – £1,121.1 million) representing 5,048 homes (8 March 2015 – 4,794 homes).

Outlook

- The outlook is positive and the Group's responsible approach to growth is continuing to deliver value for shareholders.
- Housing completions for the full year are expected to increase by at least 10%.
- The operating margin is expected to improve further and should approach 22% for the full year.
- The average selling price is expected to increase by around 10% for the full year.

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

Chairman’s Overview

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

“Bellway’s strategy for growth is helping to deliver much needed new homes, whilst delivering sustainable returns for shareholders.

“I am therefore pleased to report another record set of results as the Group takes advantage of the positive market conditions to deliver further volume growth. The rise in output, together with an additional increase in both average selling price and operating margin, has resulted in significant earnings growth and a further improvement in return on capital employed.

“The strong earnings growth has enabled the Board to declare an interim dividend of 34.0p per share (2015 – 25.0p), a rise of 36.0% compared to the same period last year. Excluding exceptional earnings, the Board expects to deliver a full year dividend cover of around 3 times.

“The Board remains committed to investing in compelling land opportunities to secure future growth, balancing this with a progressive dividend policy in order to provide a regular cash return to shareholders.”

FOR FURTHER INFORMATION, PLEASE CONTACT TED AYRES, CHIEF EXECUTIVE OR KEITH ADEY, FINANCE DIRECTOR

TUESDAY 22 MARCH – THURSDAY 24 MARCH

ON 0207 262 3226 UNTIL 8:30 AM ON TUESDAY 22 MARCH AND THEREAFTER ON 0191 217 0717

Chief Executive's Operating Statement

Housing Market

Trading conditions continue to be favourable, with strong customer demand, assisted by ongoing government support intended to increase national housing output. The extension of Help to Buy in England until 2021 and the increase in the government's shared equity loan to 40% in London are both welcome measures, enabling customers with at least a 5% deposit to obtain access to mortgage finance. Mortgage rates are competitive, with prudent lending criteria ensuring new homes remain affordable for creditworthy customers.

The Group achieved an average weekly reservation rate of 156 new homes per week (2015 – 139 per week), an increase of 12.2% compared to the same period last year, with the strong sales demand experienced in the autumn continuing throughout the winter months.

The pricing environment remains positive in all parts of the country where the Group has a presence, supported by the significant requirement for new homes, with modest improvements above initial acquisition expectations still being achieved across most sites. House price inflation also continues to be positive in London and the south east, where the demand-supply imbalance for affordably priced new homes is most pronounced.

Trading

The table below shows completions and average selling prices, illustrating the split between north, south, private and social homes sold:-

	Homes sold (number)						Average selling price (£000)					
	Private		Social		Total		Private		Social		Total	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
North	**1,704**	1,569	**269**	253	**1,973**	1,822	**222.1**	203.9	**90.3**	87.8	**204.1**	187.8
South	**1,940**	1,534	**275**	398	**2,215**	1,932	**329.1**	277.9	**132.1**	138.0	**304.6**	249.1
Group	**3,644**	3,103	**544**	651	**4,188**	3,754	**279.1**	240.5	**111.4**	118.5	**257.3**	219.3

The strong market conditions, together with the Group's significant investment in land and work in progress, have enabled the Group to complete the sale of 4,188 homes (2015 – 3,754 homes) from its seventeen operating divisions, an increase of 11.6% compared to the same period last year. The number of homes sold in the south of the country has risen by 14.6% to 2,215 (2015 – 1,932 homes) as a result of a strong performance from those divisions with a presence in and around London. The north of the country has also performed well, with the number of completions rising by 8.3% to 1,973 homes (2015 – 1,822 homes), with our recently opened Manchester division contributing to this solid rate of growth, completing the sale of 196 homes (2015 – 114 homes).

The number of private homes sold has risen by 17.4% to 3,644 homes (2015 – 3,103 homes), representing 87% of the total (2015 – 83%). The proportion of social sales is expected to rise for the full financial year, reflecting planned construction programmes.

The average selling price of all homes sold rose by 17.3% to £257,280 (2015 – £219,343), in part influenced by a positive contribution from high value apartments within the London boroughs, where the Group completed the sale of 786 homes (2015 – 734 homes), at an average selling price of £366,764 (2015 – £276,896). The ongoing investment in higher value locations throughout the country, together with the smaller proportion of lower value social housing completions, has also had a positive effect on the average selling price. For the full financial year, the growth in the average selling price is expected to moderate with an anticipated increase of around 10% (31 July 2015 – £223,821).

Help to Buy continues to provide valuable support to borrowers and has assisted 1,217 customers (2015 – 1,052) purchase a new home in the period, representing 29% (2015 – 28%) of total completions, a similar proportion to the same period last year.

Operating Performance

The Group achieved a gross margin of 25.1% (2015 – 23.5%), a rise of 160 basis points. The improvement is principally attributable to the positive contribution from higher margin land acquired over recent years, together with the benefit of pricing gains, net of construction cost increases.

Chief Executive's Operating Statement (continued)

The industry is still facing a shortage of skilled labour, most notably around London, with this an ongoing constraint with regards to the sector's ability to further increase housing output. Notwithstanding this limitation, the Group has invested heavily in work in progress in order to deliver further growth, resulting in the number of homes in production increasing by almost 14% to 9,013 plots (31 July 2015 – 7,923 plots), albeit a number of these are still in the early stages of the construction process.

Although upward pressure with regards to labour costs remains, carefully managed construction programmes and a strong focus on budgetary control is helping to ensure cost increases are manageable.

Administrative costs have risen to £39.9 million (2015 – £29.6 million), but remain low at just 3.7% of revenue (2015 – 3.6%), with the prior year benefitting from a one off profit of £2.8 million, arising from the disposal of certain non-core business activities.

The strong trading performance has resulted in the operating margin rising to a record 21.4% (2015 – 19.9%), representing an operating profit of £232.5 million (2015 – £165.7 million), another record half year performance. The operating margin for the full financial year is likely to improve further and is expected to approach 22%.

Earnings

The net finance expense was £5.7 million (2015 – £6.8 million), a slight reduction compared to the same period last year, primarily as a result of reducing bank finance costs. Profit before taxation rose by 42.6% to £226.6 million (2015 – £158.9 million) and after incurring a taxation charge of £44.5 million (2015 – £32.5 million) at an effective tax rate of 19.6% (2015 – 20.5%), earnings per share rose by 43.7% to 148.7p (2015 – 103.5p).

Return on Capital Employed

The strong rise in profitability, together with a keen focus on capital efficiency, with positive actions such as the introduction of a second brand to increase sales rates on larger sites, has resulted in return on capital employed rising by a further 480 basis points to 27.6% (2015 – 22.8%). This improvement has been achieved alongside additional investment in both land and work in progress in order to achieve future growth.

Land and Planning

The land market remains attractive and we continue to identify excellent land opportunities, investing in order to support the future growth of the Group. Our head office approval process continues to ensure that the Group employs strict capital disciplines in respect of gross margin and return on capital employed, thereby ensuring a responsible approach towards land acquisition.

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

	31 January 2016	31 July 2015
Owned and controlled plots	**37,879**	36,211
Comprising:-		
DPP: plots with implementable detailed planning permission	23,079	21,411
Pipeline: plots pending an implementable DPP	14,800	14,800
Strategic plots with a positive planning status	**6,600**	6,000

In the first six months, the Group acquired or obtained an implementable detailed planning permission ('DPP') on 5,856 plots, which after taking into account homes sold in the period, resulted in the number of owned and controlled plots with the benefit of DPP rising to 23,079 (31 July 2015 – 21,411 plots).

The number of plots in the 'pipeline', i.e. those under the Group's control where DPP is typically expected within the next three years, has remained at 14,800 (31 July 2015 – 14,800 plots). Land acquired through the pipeline, mainly brownfield and often bought conditionally, continues to offer compelling returns for the Group. Bellway is committed to obtaining DPP on these sites as expeditiously as possible in order to maximise output. The planning environment is positive and to that extent, some 74% of plots on which DPP was obtained in the period, originated from the Group's pipeline land holdings.

Longer term strategic land, typically held under option, continues to be an important source of land for the Group. We take a considered approach to the composition of the reported strategic land bank, which represents only those plots that currently have a positive planning prognosis and are therefore currently identified in emerging local plans, or are subject of a current planning application. The number of plots in this section of the land bank has risen to 6,600 (31 July 2015 – 6,000 plots) and this reflects the strengthening of our divisional planning teams in response to the positive planning environment. These plots will be added to the owned and controlled land bank as and when planning permissions are granted and any outstanding contractual terms are settled.

Barking Riverside

On 7 March, 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. As part of the disposal Bellway has entered into a new option agreement which, based on the extant outline planning permission, entitles it to purchase around 2,600 development plots on the remainder of the site. These are in addition to the 438 plots the Group currently owns at Barking Riverside with the benefit of a DPP. The new option agreement represents some 2,100 fewer plots compared to the previous entitlement and this will be shown as a reduction from the pipeline landbank.

Bellway will receive total consideration with a fair value of £43.5 million over the next three years, including £17 million received in March on completion. In addition to the disposal proceeds, the Group will be relieved from its substantial funding obligations with regards to the ongoing remediation and infrastructure requirements of this long term, capital intensive site. The initial profit of £17.3 million, arising on disposal, will be treated as an exceptional item in the results for the full year ended 31 July 2016.

In accordance with the Group's strategic focus on balance sheet efficiency, we intend to invest the disposal proceeds in additional land opportunities, at attractive rates of return, thus creating further value for shareholders. One such acquisition is a site in Horsham, West Sussex, contracted in March 2016 and comprising 165 houses with the benefit of an outline planning permission, where the return on capital is forecast to be in excess of 20%.

Net Bank Debt and Financial Position

Notwithstanding the significant investment in land and work in progress, the Group ended the period with net bank debt of only £58.9 million (31 July 2015 – £38.5 million), representing low gearing of 3.5% (31 July 2015 – 2.4%).

The Group's total long term debt, comprising net bank borrowings, together with land creditors of £275.7 million (31 July 2015 – £192.6 million) rose to £334.6 million (31 July 2015 – £231.1 million), representing modest adjusted gearing of 19.7% (31 July 2015 – 14.7%).

The focus on volume growth and return on capital employed, supported by the reinvestment of earnings, has resulted in continued growth in the net asset value per share, which has risen by 7.5% in the six month trading period, to 1,383p (31 July 2015 – 1,286p).

Current Trading and Outlook

In the period from 1 February to 13 March, the trading environment has remained positive in all parts of the country and the Group has taken an average of 209 reservations per week (2015 equivalent period – 152 per week), an increase of 37% compared to this time last year. The recent release of new phases on three London developments has had a positive effect and this strong increase is therefore likely to moderate as the year progresses.

Since its launch on 1 February, the Group has experienced strong customer interest in the new Help to Buy London scheme, offering 40% shared equity for homes up to £600,000. The Board anticipates that this product will help to reinforce demand for affordably priced new homes in the Capital, providing further support for our divisions operating in London, where we have maintained our average selling price substantially below this level. We await the detail in respect of the government's new Starter Homes initiative but remain optimistic that this will provide further opportunity for the Group to continue increasing output.

The order book at 13 March has risen further to 5,048 homes (8 March 2015 – 4,794 homes) with a value of £1,201.8 million (8 March 2015 – £1,121.1 million). This order book ensures that Bellway is well positioned to deliver volume growth of at least 10% in the current financial year, representing the Group's third successive year of volume growth in excess of 10%.

Chief Executive's Operating Statement (continued)

The Group has the balance sheet and operational capacity to continue investing in land to achieve future disciplined growth. Bellway has opened a new South Midlands division, located in Coventry and this should be fully operational in the second half of this financial year. This is the fifth new division opened since August 2013 and has increased the number of operating divisions to eighteen, adding further capacity to the Group.

The outlook is positive and the Group's responsible approach to growth is continuing to deliver value for shareholders.

Ted Ayres
Chief Executive

21 March 2016

Condensed Group Income Statement

	Note	**Half year ended 31 January 2016**	Half year ended 31 January 2015	Year ended 31 July 2015 Pre-exceptional item	Year ended 31 July 2015 Exceptional item (note 3)	Year ended 31 July 2015 Total
		£m	£m	£m	£m	£m
Revenue		**1,084.9**	831.2	1,765.4	-	1,765.4
Cost of sales	3	**(812.5)**	(635.9)	(1,337.5)	6.9	(1,330.6)
Gross profit		**272.4**	195.3	427.9	6.9	434.8
Administrative expenses		**(39.9)**	(29.6)	(67.5)	-	(67.5)
Operating profit		**232.5**	165.7	360.4	6.9	367.3
Finance income	4	**0.3**	0.4	0.6	-	0.6
Finance expenses	4	**(6.0)**	(7.2)	(13.7)	-	(13.7)
Share of result of joint ventures		**(0.2)**	-	-	-	-
Profit before taxation		**226.6**	158.9	347.3	6.9	354.2
Income tax expense	5	**(44.5)**	(32.5)	(69.7)	(1.4)	(71.1)
Profit for the period *		**182.1**	126.4	277.6	5.5	283.1

* All attributable to equity holders of the parent.

	Note					
Earnings per ordinary share - Basic	6	**148.7p**	103.5p			231.5p
- Diluted	6	**148.3p**	103.1p			230.8p
Dividend per ordinary share	7	**34.0p**	25.0p			77.0p

Condensed Group Statement of Comprehensive Income

	Note	**Half year ended 31 January 2016 £m**	Half year ended 31 January 2015 £m	Year ended 31 July 2015 £m
Profit for the period		**182.1**	126.4	283.1
Other comprehensive income / (expense)				
Items that will not be recycled to the income statement:				
Remeasurement gains / (losses) on defined benefit pension plans		**0.8**	(7.2)	(3.2)
Income tax on actuarial (gains) / losses on defined benefit pension plans	5	**(0.2)**	1.4	0.6
Other comprehensive income / (expense) for the period, net of income tax		**0.6**	(5.8)	(2.6)
Total comprehensive income for the period *		**182.7**	120.6	280.5

* 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 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**
Half year ended 31 January 2015									
Balance at 1 August 2014		15.3	167.0	20.0	1.5	1,162.4	1,366.2	(0.1)	1,366.1
Total comprehensive income for the period									
Profit for the period		-	-	-	-	126.4	126.4	-	126.4
Other comprehensive expense **		-	-	-	-	(5.8)	(5.8)	-	(5.8)
Total comprehensive income for the period		-	-	-	-	120.6	120.6	-	120.6
Transactions with shareholders recorded directly in equity:									
Dividends on equity shares	7	-	-	-	-	(44.0)	(44.0)	-	(44.0)
Shares issued		-	0.3	-	-	-	0.3	-	0.3
Credit in relation to share options and tax thereon		-	-	-	-	1.0	1.0	-	1.0
Total contributions by and distributions to shareholders		-	0.3	-	-	(43.0)	(42.7)	-	(42.7)
Balance at 31 January 2015		15.3	167.3	20.0	1.5	1,240.0	1,444.1	(0.1)	1,444.0
Year ended 31 July 2015									
Balance at 1 August 2014		15.3	167.0	20.0	1.5	1,162.4	1,366.2	(0.1)	1,366.1
Total comprehensive income for the period									
Profit for the period		-	-	-	-	283.1	283.1	-	283.1
Other comprehensive expense **		-	-	-	-	(2.6)	(2.6)	-	(2.6)
Total comprehensive income for the period		-	-	-	-	280.5	280.5	-	280.5
Transactions with shareholders recorded directly in equity:									
Dividends on equity shares	7	-	-	-	-	(74.6)	(74.6)	-	(74.6)
Shares issued		-	2.1	-	-	-	2.1	-	2.1
Credit in relation to share options and tax thereon		-	-	-	-	1.8	1.8	-	1.8
Total contributions by and distributions to shareholders		-	2.1	-	-	(72.8)	(70.7)	-	(70.7)
Balance at 31 July 2015		15.3	169.1	20.0	1.5	1,370.1	1,576.0	(0.1)	1,575.9

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

Condensed Group Balance Sheet

	Note	At 31 January 2016 £m	At 31 January 2015 £m	At 31 July 2015 £m
ASSETS				
Non-current assets				
Property, plant and equipment		**14.7**	14.1	14.8
Investment property		**-**	3.2	1.6
Investment in joint ventures		**4.4**	26.1	29.0
Other financial assets	3	**-**	26.5	-
Deferred tax assets		**2.5**	3.8	2.8
		21.6	73.7	48.2
Current assets				
Inventories		**2,334.8**	1,948.0	2,135.3
Trade and other receivables		**73.5**	58.2	64.4
Cash and cash equivalents		**41.1**	97.1	41.5
Assets held for sale	11	**26.2**	-	-
		2,475.6	2,103.3	2,241.2
Total assets		**2,497.2**	2,177.0	2,289.4
LIABILITIES				
Non-current liabilities				
Retirement benefit obligations		**(6.1)**	(12.1)	(7.5)
Trade and other payables		**(51.4)**	(51.8)	(52.6)
Deferred tax liabilities		**-**	-	(0.3)
		(57.5)	(63.9)	(60.4)
Current liabilities				
Interest bearing loans and borrowings		**(100.0)**	(190.0)	(80.0)
Corporation tax payable		**(47.5)**	(34.8)	(37.7)
Trade and other payables		**(597.3)**	(444.3)	(535.4)
		(744.8)	(669.1)	(653.1)
Total liabilities		**(802.3)**	(733.0)	(713.5)
Net assets		**1,694.9**	1,444.0	1,575.9
EQUITY				
Issued capital		**15.3**	15.3	15.3
Share premium		**169.2**	167.3	169.1
Capital redemption reserve		**20.0**	20.0	20.0
Other reserves		**1.5**	1.5	1.5
Retained earnings		**1,489.0**	1,240.0	1,370.1
Total equity attributable to equity holders of the parent		**1,695.0**	1,444.1	1,576.0
Non-controlling interest		**(0.1)**	(0.1)	(0.1)
Total equity		**1,694.9**	1,444.0	1,575.9

Condensed Group Cash Flow Statement

	Note	**Half year ended 31 January 2016 £m**	Half year ended 31 January 2015 £m	Year ended 31 July 2015 £m
Cash flows from operating activities				
Profit for the period		**182.1**	126.4	283.1
Depreciation charge		**1.5**	1.3	2.8
Exceptional profit		**-**	-	(6.9)
Profit on sale of property, plant and equipment		**(0.1)**	(0.1)	(0.2)
Loss / (profit) on sale of investment properties		**0.2**	(1.8)	(2.0)
Finance income	4	**(0.3)**	(0.4)	(0.6)
Finance expenses	4	**6.0**	7.2	13.7
Share-based payment expense		**0.7**	0.6	1.5
Share of post tax result of joint ventures		**0.2**	-	-
Income tax expense	5	**44.5**	32.5	71.1
Increase in inventories		**(199.5)**	(151.4)	(338.7)
Increase in trade and other receivables		**(9.1)**	(0.9)	(6.1)
Increase / (decrease) in trade and other payables		**56.3**	(40.0)	47.9
Proceeds from sale of available for sale portfolio – exceptional item	3	**-**	-	32.5
Cash inflow / (outflow) from operations		**82.5**	(26.6)	98.1
Interest paid		**(2.2)**	(3.4)	(6.8)
Income tax paid		**(34.4)**	(26.8)	(61.9)
Net cash inflow / (outflow) from operating activities		**45.9**	(56.8)	29.4
Cash flows from investing activities				
Acquisition of property, plant and equipment		**(1.5)**	(3.2)	(5.4)
Proceeds from sale of property, plant and equipment		**0.2**	0.2	0.4
Proceeds from sale of investment property		**1.4**	5.0	6.7
(Increase) / decrease in loans to joint ventures		**(1.7)**	1.6	(1.2)
Interest received		**0.2**	0.4	0.5
Net cash (outflow) / inflow from investing activities		**(1.4)**	4.0	1.0
Cash flows from financing activities				
Increase in bank borrowings		**20.0**	160.0	50.0
Proceeds from the issue of share capital on exercise of share options		**0.1**	0.3	2.1
Purchase of own shares by employee share option plans		**(1.3)**	-	-
Dividends paid	7	**(63.7)**	(44.0)	(74.6)
Net cash (outflow) / inflow from financing activities		**(44.9)**	116.3	(22.5)
Net (decrease) / increase in cash and cash equivalents		**(0.4)**	63.5	7.9
Cash and cash equivalents at beginning of period		**41.5**	33.6	33.6
Cash and cash equivalents at end of period	8	**41.1**	97.1	41.5

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 21 March 2016.

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 2015.

These condensed consolidated interim financial statements do not comprise statutory financial statements. The comparative figures for the year ended 31 July 2015 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 the following amendment during the period:

- IAS 19 'Defined Benefit Plans: Employee Contributions'. The amendment simplifies the accounting for contributions that are independent of the number of years of employee service. The adoption of this amendment has not had any effect on the Group's profit for the period or equity.

Following the adoption of this amendment, 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 2015.

The Group also adopted Annual Improvements 2010-2012 and Annual Improvements 2011-2013 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.

Of the other IFRSs that are available for early adoption, none are expected to have a material affect on the Group's financial statements once adopted.

2. Segmental analysis

The Board regularly reviews the Group's performance and balance sheet position for its entire operations, which are based in its country of domicile, the UK, and receives financial information for the UK as a whole. As a consequence the Group has one reportable segment which is UK housebuilding.

As there continues to be only one reportable segment whose revenue, profits, expenses, assets, liabilities and cash flows are measured and reported on a basis consistent with the Group financial statements, no additional numerical disclosures are necessary.

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 22 May 2015 the Group sold its remaining shared interest assets for cash consideration of £32.5 million. This resulted in a profit on disposal of £6.9 million. This was treated as an exceptional item.

There were no exceptional items in the six months ended 31 January 2016 or 31 January 2015.

Notes (continued)

4. Finance income and expenses

	Half year ended 31 January 2016 £m	Half year ended 31 January 2015 £m	Year ended 31 July 2015 £m
Interest receivable on bank deposits	**0.1**	0.2	0.3
Other interest income	**0.2**	0.2	0.3
Finance income	**0.3**	0.4	0.6
Interest payable on bank loans and overdrafts	**2.2**	3.5	6.9
Interest on deferred term land payables	**3.7**	3.5	6.6
Interest element of movement in pension scheme deficit	**0.1**	0.1	0.2
Other interest expense	**-**	0.1	-
Finance expenses	**6.0**	7.2	13.7

5. Income tax expense

The effective rate of taxation for the period is 19.6% (2015 – 20.5%). The taxation charge for the period is calculated by applying the standard corporation tax rate of 20.0% (2015 – 20.7%) 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 2016 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 the substantively enacted corporation tax rate that will be effective when they are expected to be realised, 18%.

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 2016 £m	**Weighted average number of ordinary shares 2016 Number**	**Earnings per share 2016 p**	Earnings 2015 £m	Weighted average number of ordinary shares 2015 Number	Earnings per share 2015 p
For basic earnings per ordinary share	**182.1**	**122,490,016**	**148.7**	126.4	122,159,123	103.5
Dilutive effect of options and awards		**326,245**	**(0.4)**		414,832	(0.4)
For diluted earnings per ordinary share	**182.1**	**122,816,261**	**148.3**	126.4	122,573,955	103.1

Notes (continued)

7. Dividends on equity shares

Amounts recognised as distributions to equity holders in the period:

	Half year ended 31 January 2016 £m	Half year ended 31 January 2015 £m	Year ended 31 July 2015 £m
Final dividend for the year ended 31 July 2015 of 52.0p per share (2014 – 36.0p)	**63.7**	44.0	44.0
Interim dividend for the year ended 31 July 2015 of 25.0p per share (2014 – 16.0p)	**-**	-	30.6
	63.7	44.0	74.6
Proposed interim dividend for the year ending 31 July 2016 of 34.0p per share (2015 – 25.0p)	**41.7**	30.6	-

The proposed interim dividend was approved by the Board on 21 March 2016 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 Friday 1 July 2016 to all ordinary shareholders on the Register of Members on Friday 20 May 2016. The ex-dividend date is Thursday 19 May 2016.

8. Analysis of net debt

	At 1 August 2015 £m	Cash flows £m	**At 31 January 2016 £m**
Cash and cash equivalents	41.5	(0.4)	**41.1**
Bank loans	(80.0)	(20.0)	**(100.0)**
Net debt	(38.5)	(20.4)	**(58.9)**

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 2015.

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.

11. Events after the reporting period

On 31 January 2016 the Group reclassified its investment in Barking Riverside Limited from investment in joint ventures to assets held for sale. On 7 March 2016 the Group disposed of its entire interest in Barking Riverside Limited for consideration with a fair value of £43.5 million.

Notes (continued)

Principal risks and uncertainties

Risk is a natural constituent of any business and the management of risk is a key operating component of the Group. The manner in which this is carried out is highly important to the long-term success of the business. The Group has identified, evaluated and put in place strategies to mitigate the principal risks faced by the business, which are shown in the table below:

Area and description of risk and how it has changed during the period	Relevance of risk to strategy	Mitigation of risk
Land The possibility that the Group is unable to source suitable land at satisfactory margins and ROCE. The land market remained competitive during the period. The Group has strengthened its divisional land teams, both through new appointments and by adding a further division, encouraging them to develop strong local contact bases.	• Failure to buy land at the right margins would have a detrimental effect on future profitability and ROCE. • Insufficient land would affect the Group's volume growth targets. • Having too much capital concentrated in land can dilute ROCE, especially with larger sites which can take many years to develop.	• The Group prepares thorough pre-purchase due diligence and pre-purchase viabilities on all of its proposed land purchases and keeps these under regular review to ensure capital is invested appropriately. • Authorisation of land purchases is made in accordance with robust Group procedures. • We are careful about our exposure to large sites where there is a risk of having too much capital tied up. Smaller sites tend to generate a better ROCE and there is a lower risk of loss of value if the housing market declines.
Planning Possible delays and the complexity of the planning process. The number of planning permissions granted is increasing.	• If the Group has too much capital tied up in land where obtaining an implementable DPP is time-consuming and problematic, this can hamper and slow the Group's growth prospects and have an adverse effect on profitability and ROCE.	• Centralised and divisional planning specialists provide advice and support to the divisions to assist with securing planning permissions. • The medium-term 'pipeline' and strategic land banks are carefully managed to maintain the appropriate balance in terms of quantity and location.
Construction Shortages of appropriately skilled personnel, including sub-contractors, and shortages of building materials at competitive prices. This risk is at a similar level as last year as the labour market has remained competitive, particularly in and around the south east of the country. There is still some upward pressure on material costs, albeit they are beginning to abate and the vast majority of materials are subject to Group procurement arrangements.	• Failure to have appropriately skilled personnel and sub-contractors available in the right place, together with sufficient materials when needed, at competitive prices, could cause delays in the construction process and affect the Group's growth aspirations.	• Identifying training needs and allocating appropriate resources to training. • Ensuring systems are in place for engaging, monitoring and controlling work carried out by sub-contractors. • Ensuring competitive remuneration policies are in place. • Ensuring Group purchasing arrangements are in place to secure materials at competitive prices. • Improving forward planning of the purchasing function to ensure increased lead times do not affect availability of materials.
Health and Safety There are significant risks to health and safety inherent in the construction process. This risk has not changed during the period.	• Notwithstanding the moral obligation and the requirement to act in a responsible manner, injuries to employees, sub-contractors and site visitors could delay construction and result in reputational damage, criminal prosecution and civil litigation which could negatively affect the Group's reputation.	• The Board considers health and safety issues at each Board 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.
Environment Housebuilding can have a negative effect on the environment. This risk has not changed during the period.	• The impacts of our operations on the environment must be managed in a responsible and sustainable manner, ensuring that they do not have a detrimental effect on the Group's reputation and ability to sell homes.	• 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 new environment. See our website for further information www.bellway.co.uk/corporate-responsibility.

Notes (continued)

Area and description of risk and how it has changed during the period	Relevance of risk to strategy	Mitigation of risk
Sales There are a number of risks that could affect the Group's ability to generate sales as follows: • a reduction in the size of the market place; • the ability of prospective purchasers to access credit facilities; • mortgage availability; • interest rate changes; • changes in government housing policy; and • failure to maximise sales in a strong market. This risk has not changed during the period.	• Building too many homes in one area or of the wrong type could affect the Group's ability to meet its growth aspirations. To generate sales the Group may have to increase the use of incentives, which affects margin and average selling price. • Operating in areas of low demand could impair the Group's ability to generate sales in a rising market. • The number of legal completions may be constrained by the high demand for labour and material resources as a result of the improved housing market.	• In consultation with Head Office and the regional chairmen, local divisional management determine product range and pricing strategy commensurate with regional market conditions. • Use of sales incentives, where appropriate, to encourage the selling process, such as part-exchange. • Use of government-backed schemes to encourage home ownership, where appropriate. • Ensuring that construction rates are managed to ensure stock availability matches sales rates. • Customer care performance is closely monitored at divisional and Group level and appropriate remedial action taken if performance begins to deteriorate. • The Group is a national housebuilder and so the risk associated with over-concentration in one geographic or product area is diluted.
Personnel Inability to attract and retain appropriate personnel. This risk has not changed during the period as the labour market has remained competitive.	• Failure to attract and retain employees will severely affect the Group's ability to perform successfully in a highly competitive market.	• The Group offers competitive salary and benefits packages and keeps these under regular review. • Divisional training plans are in place. • Succession planning is in place for key posts. • Over 93% of site workers (including sub-contractors) are fully accredited under the Construction Skills Certification Scheme ('CSCS'). • Graduate and apprentice training programmes are in place across the Group.
Information Technology Failure to have suitable information systems in place, together with system loss mitigation structures and appropriate contingency plans. This risk has not changed during the period.	• Poor performance of the Group's IT systems could affect operational efficiency, the control environment and profitability.	• Group-wide systems are in operation which are centrally controlled with an outsourced support function in place. • The Group is continuing to invest in its IT systems across a broad spectrum of the business.
Treasury Management Failure to effectively manage the treasury function at an acceptable cost. There has been no change to this risk during the period.	• Failure to manage the treasury function at an acceptable cost could lead to a loss of opportunities to invest in new sites. This could lead to a reduction in the value of the business, its profitability and investor confidence.	• Central negotiation and control of banking facilities to ensure liquidity and debt levels are appropriate. • Facilities derived from various sources. • Careful management and regular monitoring of cash forecasts.
Legal and Regulatory Compliance Failure to comply with current legislation, regulatory requirements and entering into inappropriately worded contracts. This risk has not changed during the period.	• Breaches of law and regulatory codes and entering into inappropriately worded contracts could lead to fines, possible imprisonment and significant reputational loss or to being disadvantaged by onerous contractual obligations. This could diminish customer and investor confidence leading to losses and a reduction in the value of the business.	• Central secretariat and legal functions advise and support divisions on compliance and ensure policies and procedures are kept up to date to minimise risk of non-compliance.

In addition, the Board ensures that adequate insurance cover is maintained to underpin and support the many areas in which the Group is exposed to risk of loss.

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 2016 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 2015.

For and on behalf of the Board

Ted Ayres
Chief Executive

Registered number 1372603
21 March 2016

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.