Bellway

Half Year Report

2015

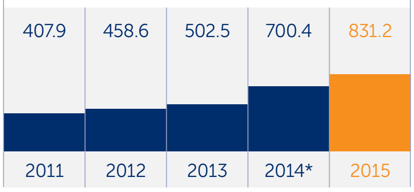
BUILDING HOMES, BUILDING VALUE

Financial Highlights

Total Group revenue (£m)

831.2

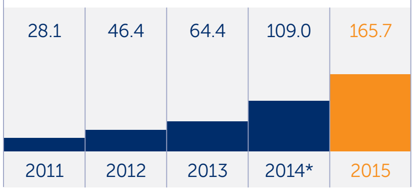
+18.7%



Operating profit (£m)

165.7

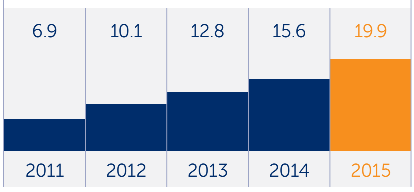
+52.0%



Operating margin (%)

19.9

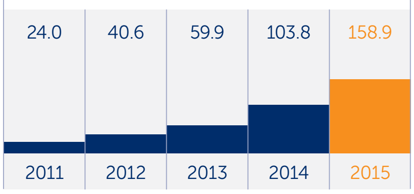
+430bps



Profit before taxation (£m)

158.9

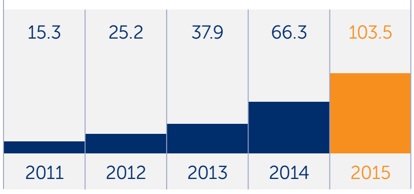
+53.1%



Earnings per ordinary share (p)

103.5

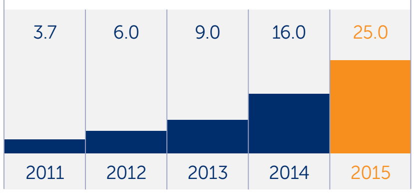
+56.1%



Interim dividend per ordinary share (p)

25.0

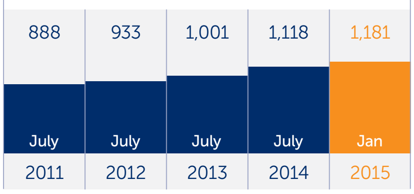
+56.3%



Net asset value per ordinary share (p)

1,181

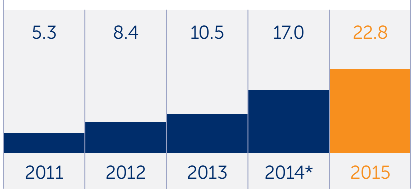
+5.6%



Return on capital employed (%)**

22.8

+580bps



Comparative figures are at 31 January unless stated. The comparative figures for 2014 have been restated following the adoption of IFRS 10 and IFRS 11. Prior periods have not been restated.

* Restated following the adoption of IFRS 10 'Consolidated Financial Statements' and IFRS 11 'Joint Arrangements'.

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

For further details on our business please visit:

www.bellway.co.uk

Cover:
Cromwell Fields,
Great Waldingfield, Suffolk

Operational Highlights

Completed sales (homes)

3,754

+15.7%

2011	2012	2013	2014	2015
2,332	2,455	2,597	3,245	3,754

Average selling price (£)

219,343

+3.4%

2011	2012	2013	2014	2015
168,428	182,753	187,426	212,071	219,343

Owned and controlled land bank (plots)

35,837

+1.1%

July 2011	July 2012	July 2013	July 2014	Jan 2015
31,086	31,136	32,991	35,434	35,837

Order book value at 8 March (£m)

1,121.1

+35.2%

13 March 2011	11 March 2012	10 March 2013	9 March 2014	8 March 2015
479.2	498.5	507.4	829.5	1,121.1

Cash expended on land and land creditors in the period (£m)

355

+47.9%

2011	2012	2013	2014	2015
130	105	145	240	355

Top:
Bishop Cuthbert, Hartlepool, County Durham

Bottom:
Mile Field, Leavesden, Hertfordshire

Chairman's Statement

“BELLWAY HAS ACHIEVED ANOTHER TREMENDOUS SET OF RESULTS.”

John Watson
Chairman

OVERVIEW

Bellway has achieved another tremendous set of results, taking further market share by delivering a growing contribution to the supply of much needed new homes. Our strong balance sheet and operational capacity has facilitated significant investment in land over recent years. This investment, together with our expanding divisional structure, has allowed the Group to respond to ongoing customer demand, resulting in record half year earnings and a further significant improvement in return on capital employed.

STRATEGY OF BUILDING SHAREHOLDER VALUE

The Group's strategy of volume growth with a focus on return on capital employed continues to deliver substantial value for shareholders with a further enhancement in the net asset value. Reinvestment in attractive land opportunities in order to achieve this capital growth is balanced with our track record of maintaining a strong dividend return to shareholders.

I am pleased to announce that the rapid increase in earnings has enabled the Group to declare a 56.3% rise in the interim dividend to 25.0p per share (2014 – 16.0p) and the Board also expects an increase in the final dividend to maintain a full year dividend cover of around three times.

The payment of a progressive dividend, together with the growth in net asset value, is delivering long-term, sustainable returns for shareholders.

John Watson
Chairman
24 March 2015

Above:
Chase Meadow, Warwick, Warwickshire

Right:
Brooklands, Holmes Chapel, Cheshire

Chief Executive's Operating Statement

"BELLWAY IS WELL POSITIONED TO CONTINUE ITS DISCIPLINED STRATEGY FOR GROWTH, THEREBY CREATING ADDITIONAL VALUE FOR SHAREHOLDERS."

Ted Ayres
Chief Executive

Help to Buy remains an important initiative for the housebuilding industry, supporting creditworthy customers to purchase a new home and this incentive has been used to secure 23.8% of reservations. Whilst there continues to be a gradual improvement in the availability of mortgages, Help to Buy remains the only widely accessible and cost effective option for those customers with a deposit of 5%.

The pricing environment remains positive, however the rate of growth in selling prices has moderated. This creates a more sustainable outlook, especially in the London boroughs, where demand for Bellway product remains strong.

TRADING PERFORMANCE

The Group has delivered a strong trading performance with an increase of 15.7% in the number of homes sold to 3,754 (2014 – 3,245). The average selling price has risen by 3.4% to £219,343 (2014 – £212,071) resulting in housing revenue of £823.4 million (2014 – £688.2 million) and this, together with other revenue of £7.8 million (2014 – £12.2 million*), has resulted in total revenue increasing by 18.7% to £831.2 million (2014 – £700.4 million*).

The north has shown particular strength, with an increase of 23.6% in completions to 1,822 (2014 – 1,474), resulting primarily from land investment over recent years. The average selling price in the north has risen by 5.8% to £187,777 (2014 – £177,526), a reflection of the investment in higher value, primary locations where demand is resilient.

The south has also performed well with the number of completions rising by 9.1% to 1,932 (2014 – 1,771). The average selling price in the south has risen by 3.4% to £249,112 (2014 – £240,823), influenced by strong demand and pricing improvements in London. London continues to form an important part of Bellway's output, with revenue of £203.2 million arising from this region (2014 – £174.6 million), representing 24.7% of total housing revenue.

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

The Group achieved a gross margin of 23.5% (2014 – 19.7%*), representing a rise of 380 basis points compared to the same period in the previous financial year. New, higher margin land, acquired over recent years, has contributed to this improvement. In addition, sales price inflation, particularly on London developments, has increased the trading margin on completions taken in the six months ended 31 January 2015.

HOUSING MARKET

Customer demand for new homes has remained robust throughout the country with all 15 operating divisions performing well. The Group achieved an average of 139 reservations per week during the first half of the financial year (2014 – 137 per week), a slight improvement compared to the same period last year.

The pattern of reservations has reverted to the more usual seasonal trend, with a strong autumn selling period followed by a gradual slow down over the winter months. Reservations have held up particularly well given the strength of the comparator period, which benefited from an initial surge in activity following the introduction of Help to Buy in April 2013.

Homes sold (number)

	Private		Social		Total	
	2015	2014	**2015**	2014	**2015**	2014
North	**1,569**	1,379	**253**	95	**1,822**	1,474
South	**1,534**	1,512	**398**	259	**1,932**	1,771
Group total	**3,103**	2,891	**651**	354	**3,754**	3,245

Average selling price (£000)

	Private		Social		Total	
	2015	2014	**2015**	2014	**2015**	2014
North	**203.9**	183.7	**87.8**	87.6	**187.8**	177.5
South	**277.9**	262.5	**138.0**	114.5	**249.1**	240.8
Group average	**240.5**	224.9	**118.5**	107.3	**219.3**	212.1

Chief Executive's Operating Statement continued

The industry has experienced upward pressure regarding construction costs and ongoing constraints with respect to the supply of labour, with these challenges most notable in and around London. These pressures are, however, being managed through effective relationships with suppliers and sub-contractors, both at Group and divisional level.

Strong cost control and operational efficiencies resulting from the growth in the business have helped to reduce the administrative cost base to just 3.6% of revenue (2014 – 4.1%*). The total administrative expense of £29.6 million (2014 – £29.3 million*) is after accounting for the disposal of certain non-core business activities, at a profit of £2.8 million (2014 – £nil).

The robust trading performance, together with these improved operational efficiencies have resulted in the operating margin rising by 430bps to 19.9% (2014 – 15.6%), representing an operating profit of £165.7 million (2014 – £109.0 million*). The Group should be able to achieve further improvement in operating margin in the second half of the financial year.

EARNINGS

Bellway has incurred a net finance expense of £6.8 million (2014 – £5.3 million*), a slight increase compared to the previous year, reflecting additional borrowings in the period. Profit before taxation has increased by 53.1% to £158.9 million (2014 – £103.8 million) and earnings per share has risen by 56.1% to 103.5p (2014 – 66.3p).

RETURN ON CAPITAL EMPLOYED

The strong operating performance, healthy sales rate and continued focus on return based measures when acquiring land has helped the Group achieve a return on capital employed of 22.8% (2014 – 17.0%*). This return on capital employed has been achieved whilst making a significant investment in land and work in progress to secure future growth.

LAND

The Group's land teams continue to identify good quality land opportunities that should result in further volume growth at attractive rates of return. To that extent, Bellway has spent £355 million on land and land creditors (2014 – £240 million) and the owned and controlled land bank has grown to 35,837 plots (31 July 2014 – 35,434 plots), representing a supply of 4.8 years based on the current rate of output.

Within this total controlled land bank, there are 20,037 plots that have the benefit of an implementable detailed planning permission 'DPP' (31 July 2014 – 19,434 plots), on which, subject to sales demand, construction can commence imminently.

In addition to those plots with a DPP, Bellway owns or controls 15,800 plots (31 July 2014 – 16,000 plots) within its land 'pipeline'. This 'pipeline' of land comprises plots where a DPP is expected to be obtained in the short to medium-term. Securing a contractual interest in land in this manner, with the intention of progressing it through the planning process, helps to provide certainty of land supply, thereby assisting in the Group's growth aspirations. In addition, the low initial capital outlay and attractive margin often results in these 'pipeline' sites achieving an enhanced return on capital employed.

Whilst the land market remains competitive, there are still sufficient opportunities at attractive rates of return to continue a controlled and disciplined approach towards investment.

NET BANK DEBT AND FINANCIAL POSITION

Notwithstanding the significant investment in land, the Group had modest net debt of only £92.9 million at 31 January (31 July 2014 – net cash of £3.6 million*), with the increase partly reflecting the payment profile of land creditors, which had fallen to £184.1 million (31 July 2014 – £248.0 million). Deferred payments are used in preference to bank finance in instances where favourable terms can be obtained.

Since 31 January, Bellway has increased its total committed bank facilities from £300 million to £400 million and therefore retains significant capacity to continue investing in land and work in progress should market conditions remain favourable.

CURRENT TRADING AND OUTLOOK

In the period from 1 February to 8 March, reservations have averaged 152 per week (2014 equivalent period – 138 per week), an increase of 10.1% compared to the same period last year and as at 8 March 2015, the order book had risen to 4,794 homes (9 March 2014 – 3,944 homes) with a record value of £1,121.1 million (9 March 2014 – £829.5 million). The strength of the spring selling season and the effect of the general election in May will, in part, determine the rate of growth of the business in the second half, however, this strong forward sales position should enable the Group to achieve volume growth in excess of 10% in the current financial year.

Bellway has recently opened its sixteenth operating division in the south west of the country, the Group's third new division in 18 months and this will deliver new homes primarily in and around the Bristol area. The new division already has land and a small, but experienced, management team in place to enable it to contribute to housing completions in the next financial year.

With a good quality land bank and an operational structure in place to deliver further expansion, Bellway is well positioned to continue its disciplined strategy for growth, thereby creating additional value for shareholders.

Ted Ayres
Chief Executive
24 March 2015

Condensed Group Income Statement

	Note	**Half year ended 31 January 2015 £m**	Half year ended 31 January 2014 Restated* £m	Year ended 31 July 2014 Restated* £m
Revenue		**831.2**	700.4	1,484.8
Cost of sales		**(635.9)**	(562.1)	(1,169.2)
Gross profit		**195.3**	138.3	315.6
Administrative expenses		**(29.6)**	(29.3)	(60.0)
Operating profit		**165.7**	109.0	255.6
Finance income	4	**0.4**	0.5	0.8
Finance expenses	4	**(7.2)**	(5.8)	(10.7)
Share of result of joint ventures		**–**	0.1	0.3
Profit before taxation		**158.9**	103.8	246.0
Income tax expense	5	**(32.5)**	(23.1)	(54.6)
Profit for the period ^		**126.4**	80.7	191.4
Earnings per ordinary share – Basic	6	**103.5p**	66.3p	157.0p
Earnings per ordinary share – Diluted	6	**103.1p**	65.9p	156.3p
Dividend per ordinary share	7	**25.0p**	16.0p	52.0p

Condensed Group Statement of Comprehensive Income

	Note	**Half year ended 31 January 2015 £m**	Half year ended 31 January 2014 £m	Year ended 31 July 2014 £m
Profit for the period		**126.4**	80.7	191.4
Other comprehensive expense				
Items that will not be recycled to the income statement:				
Actuarial losses on defined benefit pension plans		**(7.2)**	(1.2)	(1.0)
Income tax on actuarial losses on defined benefit pension plans	5	**1.4**	0.2	0.2
Other comprehensive expense for the period, net of income tax		**(5.8)**	(1.0)	(0.8)
Total comprehensive income for the period ^		**120.6**	79.7	190.6

^ 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 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**
Half year ended 31 January 2014									
Balance at 1 August 2013		15.2	165.2	–	1.5	1,037.0	1,218.9	(0.1)	1,218.8
Total comprehensive income for the period									
Profit for the period		–	–	–	–	80.7	80.7	–	80.7
Other comprehensive expense^^		–	–	–	–	(1.0)	(1.0)	–	(1.0)
Total comprehensive income for the period		–	–	–	–	79.7	79.7	–	79.7
Transactions with shareholders recorded directly in equity:									
Dividends on equity shares	7	–	–	–	–	(25.6)	(25.6)	–	(25.6)
Shares issued		–	0.3	–	–	–	0.3	–	0.3
Credit in relation to share options and tax thereon		–	–	–	–	0.9	0.9	–	0.9
Total contributions by and distributions to shareholders		–	0.3	–	–	(24.7)	(24.4)	–	(24.4)
Balance at 31 January 2014		15.2	165.5	–	1.5	1,092.0	1,274.2	(0.1)	1,274.1
Year ended 31 July 2014									
Balance at 1 August 2013		15.2	165.2	–	1.5	1,037.0	1,218.9	(0.1)	1,218.8
Total comprehensive income for the period									
Profit for the period		–	–	–	–	191.4	191.4	–	191.4
Other comprehensive expense^^		–	–	–	–	(0.8)	(0.8)	–	(0.8)
Total comprehensive income for the period		–	–	–	–	190.6	190.6	–	190.6
Transactions with shareholders recorded directly in equity:									
Dividends on equity shares	7	–	–	–	–	(45.1)	(45.1)	–	(45.1)
Shares issued		0.1	1.8	–	–	–	1.9	–	1.9
Purchase of own shares		–	–	–	–	(0.8)	(0.8)	–	(0.8)
Redemption of preference shares		–	–	20.0	–	(20.0)	–	–	–
Credit in relation to share options and tax thereon		–	–	–	–	0.7	0.7	–	0.7
Total contributions by and distributions to shareholders		0.1	1.8	20.0	–	(65.2)	(43.3)	–	(43.3)
Balance at 31 July 2014		15.3	167.0	20.0	1.5	1,162.4	1,366.2	(0.1)	1,366.1

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

Condensed Group Balance Sheet

	At 31 January 2015 £m	At 31 January 2014 Restated* £m	At 31 July 2014 Restated* £m
ASSETS			
Non-current assets			
Property, plant and equipment	**14.1**	11.0	12.3
Investment property	**3.2**	7.4	6.4
Investment in joint ventures	**26.1**	23.4	26.8
Other financial assets	**26.5**	33.5	32.2
Deferred tax assets	**3.8**	3.9	2.7
	73.7	79.2	80.4
Current assets			
Inventories	**1,948.0**	1,616.0	1,796.6
Trade and other receivables	**58.2**	54.0	51.8
Cash and cash equivalents	**97.1**	22.7	33.6
	2,103.3	1,692.7	1,882.0
Total assets	**2,177.0**	1,771.9	1,962.4
LIABILITIES			
Non-current liabilities			
Retirement benefit obligations	**(12.1)**	(9.9)	(7.9)
Trade and other payables	**(51.8)**	(46.9)	(66.3)
	(63.9)	(56.8)	(74.2)
Current liabilities			
Interest bearing loans and borrowings	**(190.0)**	(60.0)	(30.0)
Corporation tax payable	**(34.8)**	(25.4)	(29.8)
Trade and other payables	**(444.3)**	(355.6)	(462.3)
	(669.1)	(441.0)	(522.1)
Total liabilities	**(733.0)**	(497.8)	(596.3)
Net assets	**1,444.0**	1,274.1	1,366.1
EQUITY			
Issued capital	**15.3**	15.2	15.3
Share premium	**167.3**	165.5	167.0
Capital redemption reserve	**20.0**	–	20.0
Other reserves	**1.5**	1.5	1.5
Retained earnings	**1,240.0**	1,092.0	1,162.4
Total equity attributable to equity holders of the parent	**1,444.1**	1,274.2	1,366.2
Non-controlling interest	**(0.1)**	(0.1)	(0.1)
Total equity	**1,444.0**	1,274.1	1,366.1

Condensed Group Cash Flow Statement

	Note	**Half year ended 31 January 2015 £m**	Half year ended 31 January 2014 Restated* £m	Year ended 31 July 2014 Restated* £m
Cash flows from operating activities				
Profit for the period		**126.4**	80.7	191.4
Depreciation charge		**1.3**	0.6	3.0
Profit on sale of property, plant and equipment		**(0.1)**	–	(0.2)
Profit on sale of investment properties		**(1.8)**	–	(0.1)
Finance income	4	**(0.4)**	(0.5)	(0.8)
Finance expenses	4	**7.2**	5.8	10.7
Share-based payment expense		**0.6**	0.5	0.9
Income tax expense	5	**32.5**	23.1	54.6
Share of post tax profit of joint ventures		**–**	(0.1)	(0.3)
Increase in inventories		**(151.4)**	(125.0)	(305.6)
Increase in trade and other receivables		**(0.9)**	(15.6)	(11.9)
(Decrease)/increase in trade and other payables		**(40.0)**	64.7	186.5
Cash (outflow)/inflow from operations		**(26.6)**	34.2	128.2
Interest paid		**(3.4)**	(2.7)	(5.3)
Income tax paid		**(26.8)**	(16.1)	(42.7)
Net cash (outflow)/inflow from operating activities		**(56.8)**	15.4	80.2
Cash flows from investing activities				
Acquisition of property, plant and equipment		**(3.2)**	(1.1)	(3.8)
Proceeds from sale of property, plant and equipment		**0.2**	0.1	0.3
Proceeds from sale of investment property		**5.0**	0.8	0.9
Decrease/(increase) in loans to joint ventures		**1.6**	0.4	(2.5)
Interest received		**0.4**	0.5	0.6
Net cash inflow/(outflow) from investing activities		**4.0**	0.7	(4.5)
Cash flows from financing activities				
Increase in bank borrowings		**160.0**	10.0	–
Redemption of preference shares		**–**	–	(20.0)
Proceeds from the issue of share capital on exercise of share options		**0.3**	0.3	1.9
Purchase of own shares by employee share option plans		**–**	–	(0.8)
Dividends paid	7	**(44.0)**	(25.6)	(45.1)
Net cash inflow/(outflow) from financing activities		**116.3**	(15.3)	(64.0)
Net increase in cash and cash equivalents		**63.5**	0.8	11.7
Cash and cash equivalents at beginning of period		**33.6**	21.9	21.9
Cash and cash equivalents at end of period	8	**97.1**	22.7	33.6

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 24 March 2015.

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 2014.

These condensed consolidated interim financial statements do not comprise statutory financial statements. The comparative figures for the year ended 31 July 2014 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 standards during the period:

- IFRS 10 'Consolidated Financial Statements'. This standard provides a single control model for the inclusion of entities in consolidated financial statements.
- IFRS 11 'Joint Arrangements'. This standard removes the choice of consolidation method and prescribes that the equity method must be used for joint ventures, and that the Group's share of the assets, liabilities and transactions of joint operations are consolidated as if they were assets, liabilities and transactions of the Group.
- IFRS 12 'Disclosure of Interests in Other Entities'. This standard requires additional disclosures in relation to subsidiaries, joint arrangements, associates and unconsolidated entities.

Following the adoption of these standards, 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 2014 with the exception of 'Basis of Consolidation' which has been superseded by:

Basis of consolidation

The condensed consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company made up to 31 January. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The financial statements of these entities are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Joint arrangements are those entities over whose activities the Group has joint control, established by contractual agreement. A joint arrangement can have two forms:

(i) Joint venture – These entities are consolidated using the equity method of accounting.

(ii) Joint operation – The Group's share of the assets, liabilities and transactions of such entities are consolidated as if they were assets, liabilities and transactions of the Group.

The adoption of IFRS 10 and IFRS 11 has resulted solely in presentational changes to the financial statements, with the comparative information contained within these condensed consolidated interim financial statements restated to reflect these presentational changes. There has been no change to profit or equity for these periods as a result of adopting these new standards, although there have been some immaterial changes in other performance measures including gross profit and margin, operating profit and margin, and ROCE.

Of the other IFRSs that are available for early adoption, none are expected to have a material effect 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.

A full review of inventories was performed at 31 January 2015 and the carrying value of land was compared to the net realisable value. Net realisable value represents the estimated selling price (in the ordinary course of business) less all estimated costs of completion and attributable overheads. Estimated selling prices and costs to complete were reviewed on a site by site basis and selling prices were amended based on local management and the Board's assessment of current market conditions. No further exceptional land write downs or land write backs were required as a result of this review.

There were no exceptional items in the six months ended 31 January 2014 or in the year ended 31 July 2014.

4. FINANCE INCOME AND EXPENSES

	Half year ended 31 January 2015 £m	Half year ended 31 January 2014 Restated* £m	Year ended 31 July 2014 Restated* £m
Interest receivable on bank deposits	**0.2**	0.3	0.5
Other interest income	**0.2**	0.2	0.3
Finance income	**0.4**	0.5	0.8
Interest payable on bank loans and overdrafts	**3.5**	1.7	3.4
Interest on deferred term land payables	**3.5**	2.9	5.7
Interest element of movement in pension scheme deficit	**0.1**	0.2	0.3
Other interest expense	**0.1**	–	–
Preference dividends	**–**	1.0	1.3
Finance expenses	**7.2**	5.8	10.7

5. INCOME TAX EXPENSE

The taxation expense for the half years ended 31 January 2015 and 31 January 2014 is calculated by applying the directors' best estimate of the annual effective tax rate to the profit for the period. The taxation expense also includes adjustments in respect of prior years and the period to 31 January 2015 benefits from the finalisation of prior year corporation tax returns.

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 employee share ownership plans 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. It is assumed that all dilutive potential ordinary shares are converted at the beginning of the accounting period. 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 2015 £m	**Weighted average number of ordinary shares 2015 Number**	**Earnings per share 2015 p**	Earnings 2014 £m	Weighted average number of ordinary shares 2014 Number	Earnings per share 2014 p
For basic earnings per ordinary share	**126.4**	**122,159,123**	**103.5**	80.7	121,761,063	66.3
Dilutive effect of options and awards		**414,832**	**(0.4)**		641,889	(0.4)
For diluted earnings per ordinary share	**126.4**	**122,573,955**	**103.1**	80.7	122,402,952	65.9

7. DIVIDENDS ON EQUITY SHARES

Amounts recognised as distributions to equity holders in the period:

	Half year ended 31 January 2015 £m	Half year ended 31 January 2014 £m	Year ended 31 July 2014 £m
Final dividend for the year ended 31 July 2014 of 36.0p per share (2013 – 21.0p)	**44.0**	25.6	25.6
Interim dividend for the year ended 31 July 2014 of 16.0p per share (2013 – 9.0p)	**–**	–	19.5
	44.0	25.6	45.1
Proposed interim dividend for the year ending 31 July 2015 of 25.0p per share (2014 – 16.0p)	**30.6**	19.5	–

The proposed interim dividend was approved by the Board on 24 March 2015 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 Wednesday 1 July 2015 to all ordinary shareholders on the Register of Members on Friday 29 May 2015. The ex-dividend date is Thursday 28 May 2015.

8. ANALYSIS OF NET DEBT

	At 1 August 2014 Restated* £m	Cash flows £m	**At 31 January 2015 £m**
Cash and cash equivalents	33.6	63.5	**97.1**
Bank loans	(30.0)	(160.0)	**(190.0)**
Net cash/(debt)	3.6	(96.5)	**(92.9)**

9. OTHER FINANCIAL ASSETS

	£m
At 1 August 2014	32.2
Redemptions	(5.8)
Imputed interest	0.1
At 31 January 2015	**26.5**

Other financial assets carried at fair value are categorised as level 3 within the hierarchical classification of IFRS 13 (as defined within the standard).

Other financial assets comprise loans, largely with non-fixed repayment dates and variable repayment amounts, provided as part of sales transactions that are secured by way of a second legal charge on the related property. The assets are recorded at fair value, being the estimated amount receivable by the Group, discounted to present day values.

The fair value of future anticipated cash receipts takes into account the directors' view of significant unobservable inputs including future house price movements, the expected timing of receipts and the likelihood that a purchaser defaults on a repayment. The directors revisit the future anticipated cash receipts from the assets at the end of each reporting period. At 31 January 2015 the estimated fair value of these assets included an allowance for low single-digit price inflation.

The difference between the anticipated future receipt and the initial fair value is credited over the estimated deferred term to cost of sales, with the financial asset increasing to its full expected cash settlement value on the anticipated receipt date. The imputed interest credited to cost of sales for the six months ended 31 January 2015 was £0.1 million.

Credit risk, which the directors currently consider to be largely mitigated through holding a second legal charge over the assets, is accounted for in determining present values. The directors review the financial assets for impairment at the end of each reporting period. There were no indicators of impairment at 31 January 2015 and none of the other financial assets are past their due dates.

9. OTHER FINANCIAL ASSETS (CONTINUED)

At initial recognition, the fair value of the assets is calculated using a discount rate, appropriate to the class of assets, which reflects market conditions at the date of entering into the transaction. The directors consider at the end of each reporting period whether the initial market discount rate still reflects up to date market conditions. If a revision is required, the fair value of the asset is re-measured at the present value of the revised future cash flows using this revised discount rate; the difference between this value and the carrying value of the asset is recorded against the carrying value of the asset and recognised directly in the Statement of Comprehensive Income.

The directors considered that there was no material difference between the initial market discount rate and the market discount rate at 31 January 2015 and accordingly have not recognised any movements directly within the Statement of Comprehensive Income to date.

10. 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 2014.

11. 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.

12. HALF YEAR REPORT

The condensed consolidated interim financial statements were approved by the Board on 24 March 2015 and copies are being posted to all shareholders. Further copies are available on application to the Company Secretary, Bellway p.l.c., Seaton Burn House, Dudley Lane, Seaton Burn, Newcastle upon Tyne, NE13 6BE and are also available on our website at www.bellway.co.uk.

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, with prices rising in certain locations, particularly in the south east and London. There was however, an increased availability of land.	• 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 tied up 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 protect the value of its assets. • 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 seems to be 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 has increased during the period as the labour market has become more competitive and the lead time for the provision of some materials has increased.	• 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. • Making sure 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 effects of our operations on the environment must be managed in a responsible and sustainable manner. This should ensure, as far as possible, that this does not have a detrimental effect on the Group's reputation and ability to sell homes.	• It is an objective to ensure that, at the conclusion of a development, an attractive and sustainable new environment has been created. See our website at www.bellway.co.uk/corporate-responsibility, for further information.

Principal Risks and Uncertainties
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. The sales risk decreased during the period as the use of the government's Help to Buy scheme proved popular with customers.	• 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 increased during the period as the labour market has become more 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 90% of site workers (including sub-contractors) are fully accredited under 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.

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 2015 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 2014.

For and on behalf of the Board

Ted Ayres
Chief Executive
24 March 2015

Registered number 1372603

Notes

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Bellway

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