**NATIONAL HOUSEBUILDER BELLWAY p.l.c. TODAY, WEDNESDAY 27 MARCH, ANNOUNCES INTERIM RESULTS FOR THE HALF YEAR ENDED 31 JANUARY 2019**

# Results

## Continued delivery of growth strategy and a strong financial performance

| | Half year ended 31 January 2019 | Half year ended 31 January 2018[4] | Movement |
|---|---|---|---|
| Revenue | £1,488.0m | £1,324.4m | + 12.4% |
| Gross profit | £377.5m | £344.5m | + 9.6% |
| Gross margin | 25.4% | 26.0% | (60 bps) |
| Operating profit | £319.8m | £294.2m | + 8.7% |
| Operating margin | 21.5% | 22.2% | (70 bps) |
| Profit before taxation | £313.9m | £288.7m | + 8.7% |
| Earnings per share | 207.5p | 191.6p | + 8.3% |
| Interim dividend per share | 50.4p | 48.0p | + 5.0% |
| Net asset value per share[1] | 2,189p | 1,892p | + 15.7% |
| Return on capital employed[1] | 24.2% | 25.3% | (110 bps) |

**Robust results and a solid balance sheet**

- Another good operating performance, with the completion of 5,007 homes (2018 – 4,741), an increase of 5.6%.
- The ongoing growth in volume, together with a 6.5% increase in the average selling price, which rose to £293,832 (2018 – £275,945), contributed to total revenue rising by 12.4% to £1,488.0 million (2018 – £1,324.4 million).
- Earnings per share rose by 8.3% to 207.5p (2018 – 191.6p), a half year record for the Group.
- The interim dividend will increase by 5.0% to 50.4p per share (2018 – 48.0p per share).
- A solid balance sheet, with modest net bank debt of only £26.6 million (2018 – £131.4 million), ensures that Bellway remains agile and is able to grow further, responding to new land opportunities as they arise.

**Ongoing operational strength**

- An ongoing emphasis on high standards of customer care resulted in the Group being recognised as a five-star homebuilder[2] for the third year in succession.
- The new Artisan house type range has been plotted on 53 developments with the first completions expected next financial year.
- Further disciplined investment in land has resulted in the owned and controlled land bank growing to 42,261 plots (2018 – 39,994 plots), with implementable detailed planning permission secured on all plots included in the next financial year's anticipated completion forecast.

**Delivering growth in the years ahead**

- In addition to the 12.4% growth in revenue in the first six months, recent trading is positive and the forward order book strong, with a value of £1,485.2 million at 10 March 2019 (11 March 2018 – £1,524.9 million), comprising 5,724 homes (11 March 2018 – 5,485 homes).
- Our recently opened Eastern Counties division will begin to deliver completions in the second half of this financial year and our new London Partnerships division will contribute to growth in the next financial year.
- Bellway has capacity to deliver up to 13,000 homes per annum from its current divisional structure.
- Further volume growth is expected both this financial year and over the longer term as the Group continues to benefit from investment in newer divisions and further expands its divisional network.

## Chairman's Overview

*Commenting on the results, Chairman, Paul Hampden Smith, said:*

**A long term approach to growth that benefits all of our stakeholders**

Bellway has delivered another positive set of financial results driven by a strong operational performance. The continuation of our growth strategy has resulted in additional volume output and a further rise in the average selling price, with earnings increasing by 8.3% to 207.5p per share (2018 – 191.6p per share), a record for a first half trading period.

Our approach is to deliver value for our shareholders over the longer term, through responsible business practices, whilst considering the effect of our activity upon all of our stakeholders and the wider communities in which we operate. Through adopting this approach, the Group has achieved substantial volume growth and following ten consecutive years of rising output, the number of homes sold by Bellway has risen by almost 150%. Not only has this growth made a significant contribution to the supply of much needed new homes, Bellway has achieved this whilst maintaining an ongoing focus on quality and customer care, retaining our status as a five-star homebuilder[2] and further building upon our reputation as a leading, national housebuilder.

As a result of the strong operational and financial performance, I am pleased to announce that the interim dividend will rise by 5.0% to 50.4p per share (2018 – 48.0p per share). Bellway retains significant capacity for further growth, both from its existing divisional structure and through the continued investment in new sites and divisions, where land opportunities meet or exceed the Group's minimum return requirements. Accordingly, whilst Bellway can be flexible with regards to dividend payments, for the full financial year the Board expects to maintain a dividend cover of around three times earnings.

**FOR FURTHER INFORMATION, PLEASE CONTACT JASON HONEYMAN, CHIEF EXECUTIVE OR KEITH ADEY, FINANCE DIRECTOR FROM WEDNESDAY 27 MARCH – FRIDAY 29 MARCH ON 0191 217 0717.**

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.

4 Restated following the adoption of IFRS 15 'Revenue from contracts with customers'. See note 1 for further details.

# Chief Executive's Operating Review

## Housing market

Conditions in the new build UK housing market remain positive, with strong demand for affordably priced homes supported by high employment, good access to affordable mortgage finance and the continued availability of Help to Buy.

These favourable market parameters, together with Bellway's disciplined investment in new sales outlets, led to a 2.8% increase in total reservations, net of cancellations, to 183 per week (2018 – 178 per week), the highest ever achieved by the Group in a first half trading period. This record performance is set against a strong comparator period, during which reservations were 7.2% ahead of the equivalent period in the year before last.

The private reservation rate also remained strong at 136 sales per week (2018 – 136 per week), in line with the same period in the prior financial year. This robust performance has been achieved despite a small increase in the cancellation rate, which rose to 13% (2018 – 11%), attributed to a slight moderation in customer confidence in the wider economy as a result of the uncertainty with regards to the UK's exit from the EU.

The pricing environment, in general, remained firm, with modest pricing gains achieved in certain locations across the country, supported by the strong demand for affordably priced homes. On higher value developments, where the Group has limited exposure, sales rates tend to be slower and hence the measured use of incentives has continued.

## 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 | |
| | **2019** | 2018 | **2019** | 2018 | **2019** | 2018 | **2019** | 2018 | **2019** | 2018 | **2019** | 2018 |
| North | **2,097** | 1,857 | **345** | 474 | **2,442** | 2,331 | **260.8** | 255.9 | **112.2** | 94.3 | **239.8** | 223.0 |
| South | **1,831** | 1,911 | **734** | 499 | **2,565** | 2,410 | **417.8** | 373.0 | **164.5** | 151.6 | **345.3** | 327.2 |
| **Group** | **3,928** | 3,768 | **1,079** | 973 | **5,007** | 4,741 | **333.9** | 315.3 | **147.8** | 123.7 | **293.8** | 275.9 |

The favourable market conditions, together with the Group's significant investment in land and work in progress, have enabled Bellway to complete the sale of 5,007 homes (2018 – 4,741 homes), an increase of 5.6%. The number of private homes sold rose by 4.2% to 3,928 (2018 – 3,768), representing 78% of the total (2018 – 79%). For the full financial year, the proportion of social completions is expected to rise, reflecting anticipated build completion dates and the requirements of planning agreements. This follows strong growth in private completions in the prior financial year, during which the number of private homes sold rose by 9.2% to 8,263 and the number of social homes sold fell slightly, by 1.6% to 2,044.

Both the north and the south of the country have shown growth, with the strongest performances achieved in our Essex, Northern Homes Counties and East Midlands divisions, all of which have sold in excess of 350 new homes. Our divisions in Scotland, where market conditions are strong, have also performed well, bolstered by the opening of our Scotland East division on 1 August 2018. In total, our combined Scottish businesses completed the sale of 437 homes (2018 – 414 homes) and have set the foundations to deliver more significant growth over the medium term.

London continues to be an important part of the business, representing 10% of total completions (2018 – 12%). Demand is strong in London for affordably priced homes, with sites such as Lansbury Square in Poplar and Legacy Wharf in Stratford contributing a total of 125 completions, at an average selling price of just over £410,000. In addition, our flagship development at Nine Elms in Battersea, where the average selling price in the period was £828,528 (2018 – £562,285), continues to perform very well and contributed 125 completions in the first six months of the year (2018 – 53). The outlook on this development is positive, with 95% of the apartments in this scheme either exchanged or completed at 31 January 2019 at prices in line with or above the most recent site appraisal.

Overall, the average selling price of all homes sold rose by 6.5% to £293,832 (2018 – £275,945) with the rise, in part, influenced by the additional homes sold from our Nine Elms development. In addition, the average selling price has been positively affected by acquiring land in areas of high customer demand across the country, where the pricing environment is robust.

For the full financial year, the Board still expects the average selling price to be slightly in excess of £290,000 (31 July 2018 – £284,937).

**Operating performance**

The gross margin was 25.4% (2018 – 26.0%[4]), a strong result, with the moderation of 60 basis points arising as the benefit of historical house price inflation captured since land acquisition begins to diminish.

In addition, the industry faces ongoing pressure with regards to costs and overall cost increases are around 3%. There are, however, early indications that subcontractor cost increases are beginning to abate for certain trades, in some locations. In addition, Bellway is continuing to take positive measures to ensure that costs are well controlled both now and in the years ahead.

The forthcoming exit from the EU poses some threat to materials availability, however, the Group has good forward planning disciplines and has engaged with key suppliers to ensure that there is minimal short term effect on the supply chain.

Administrative expenses rose to £54.8 million (2018 – £48.9 million), but remain low at just 3.7%[1] of revenue (2018 – 3.7%). Operating profit rose by 8.7% to £319.8 million with the reducing benefit of historical house price inflation contributing to the operating margin tempering by 70 basis points to 21.5% (2018 – 22.2%). The Group expects to maintain the operating margin at around this level for the full financial year, following which there is likely to be further, gradual moderation in the subsequent financial year. Notwithstanding this, Bellway retains significant capacity for long term growth and with our strong customer and operational focus, together with our emphasis on cost control, the Group is well positioned to deliver further value for shareholders.

**Earnings**

The net finance expense was £7.3 million (2018 – £6.3 million), a slight increase compared to the same period last year, primarily as a result of the increase in the Bank of England base rate in August 2018. Profit before taxation rose by 8.7% to £313.9 million (2018 – £288.7 million) and after incurring a taxation charge of £58.8 million (2018 – £53.7 million) at an effective tax rate of 18.7% (2018 – 18.6%), earnings per share rose by 8.3% to 207.5p (2018 – 191.6p).

**Return on capital employed**

Bellway continues to focus on return on capital employed as a key metric to drive the long term performance of the business and this remained strong at 24.2%[1] (2018 – 25.3%). In addition, the Group maintained a post tax return on equity at a high level of 19.4%[1] (2018 – 20.8%), with this continued strong performance being achieved from a conservative balance sheet which carries virtually no net bank debt.

**Driving down costs**

Bellway is taking proactive action to protect the margin and to mitigate cost pressures over the longer term. Our new standard house type range, the Artisan collection, now encompasses 43 different house types which have been plotted across 53 developments. The new range captures the best elements of design from around the Group and incorporates a variety of elevational treatments to comply with local planning requirements. At the same time, the new house types should result in design, engineering and procurement savings. The first Artisan homes are expected to be delivered in the year ending 31 July 2020.

In conjunction with the roll out of our new house types, the Group is also part way through the implementation of COINS, an industry leading accounting and valuation system. This will help to secure further cost savings in the future through better analysis, benchmarking and improved purchasing power.

Bellway benefits from a strong culture of maintaining quality and controlling costs. We will continue to review further initiatives in the year ahead in order to drive efficiencies, whilst maintaining the high standard of our products. An update on these cost saving initiatives will be provided at the time of the full year results.

**Strengthening the brand**

Bellway's long term and sustainable business model focusses on building good quality products which customers can buy with confidence. We are therefore delighted to have achieved recognition as a five-star homebuilder[2] for the third year in succession, a reflection of our high standards of customer care and long term approach towards managing the business.

In addition, the Group is taking positive steps to improve customer awareness of the Bellway brand. Improved marketing capability through the launch of our new website and CRM system has resulted in a stronger digital marketing presence and as a result of this investment, visitors to our website are up 15% in the period.

Our ongoing and significant presence in London has now been re-launched with the use of a new London specific logo and related branding. This has now been rolled out across all relevant developments, ensuring a consistent marketing approach and therefore improved brand recognition in the capital.

Lastly, our Ashberry brand, which is intended to increase output on larger sites through the use of second sales outlets, continues to gather momentum, contributing 253 homes in the period (2018 – 127). Not only does this initiative help to increase the supply of new homes, it also ensures an efficient utilisation of capital intensive land assets, helping to improve return on capital on larger sites.

**Appointing the right people**

Bellway has successfully undergone a rapid period of expansion, increasing the size of its divisional structure by almost 70%, from 13 to 22 divisions, over a period of less than six years. This expansion has been achieved by successfully attracting, retaining and developing talent throughout the organisation and hence the continuation of this approach will be key to delivering further growth in the years ahead.

Recognising not only this, but also the shortage of skilled personnel throughout the sector, Bellway takes its responsibility to train and develop individuals across a variety of disciplines very seriously. The strengthening of our human resources function has resulted in the creation of both site manager and trainee site manager development programmes to ensure that those who work for Bellway have the right skillset to continue to efficiently build high quality products in the future. In total, around 45 individuals are due to participate in this training programme, with further uptake expected in the years ahead.

In addition, following Bellway's membership and commitment to 'The 5% Club', a charitable organisation dedicated to increasing the number of apprentices, graduates and trainees within business, we are delighted to report that there are now 187 individuals employed in these 'earn and learn' roles, representing 6.2% of the total workforce.

This continued and growing investment in people ensures that Bellway has a solid people platform from which to continue expanding its business.

**Land and planning**

The planning environment remains positive and our land teams have continued to identify sufficient opportunities that meet or exceed the Group's high financial requirements with respect to gross margin and return on capital employed. To that extent, Bellway has contracted to acquire 5,980 plots (2018 – 6,726 plots), thereby further strengthening the owned and controlled land bank.

Over recent months, the Group has adopted a more cautious approach to land buying and has temporarily slowed the rate of investment on a number of site acquisitions, pending the outcome of the UK's exit from the EU. Nevertheless, Bellway has all land in place, with an implementable detailed planning permission, in order to deliver the planned completion forecast in the next financial year.

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

| | 31 January 2019 | 31 January 2018 |
|---|---|---|
| **Owned and controlled plots** | **42,261** | 39,994 |
| Comprising:- | | |
| DPP: plots with implementable detailed planning permission | **27,561** | 26,294 |
| Pipeline: plots pending an implementable DPP | **14,700** | 13,700 |
| **Joint ventures owned and controlled plots with DPP** | **203** | 244 |
| **Strategic plots with a positive planning status** | **>8,100** | >6,850 |

The owned and controlled land bank has risen to 42,261 plots (2018 – 39,994 plots), representing an average future land supply of 4.2 years (2018 – 4.2 years), based on the rate of output achieved in the first half of the financial year.

Given the growth of the Group, longer term strategic land, typically held under option, is also of rising importance. We have therefore assigned further resource over recent years to our strategic land function and this has assisted our land teams in successfully concluding contracts or obtaining planning permission on 579 plots (2018 – 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 10 option agreements (2018 – 9 option agreements) where planning permission is expected to be obtained over the short to medium term.

As a result of this continued investment in strategic land and following this successful period of obtaining planning permission on plots previously designated as strategic, the Group now has 8,100 plots (2018 – 6,850 plots) within its strategic land bank. This is a prudent approach to reporting, representing only those plots 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.

## London Partnerships

Our new London Partnerships business, launched on 1 February 2019, is gathering momentum and construction will commence on two sites this summer. Heads of terms are agreed on a further three sites and the small team has established good working relationships with a number of potential delivery partners. The first legal completions are expected in the second half of next financial year.

## Net bank debt and financial position

Bellway is highly cash generative and produced £269.9 million[1] from operations (2018 – £228.9 million), before increasing the amount invested in land, net of land creditors, and work in progress. After taking this into consideration, the Group generated £56.9 million from operations (2018 – £18.9 million). This, together with the payment of the dividend of £116.8 million (2018 – £103.7 million), taxation of £57.0 million (2018 – £55.1 million), interest of £4.2 million (2018 – £1.9 million) and other minor cash outflows of £4.5 million (2018 – £5.6 million), resulted in the Group ending the period with modest net bank debt of £26.6 million[1] (2018 – £131.4 million), representing gearing of less than 1.0%[1] (2018 – 5.7%).

Land creditors, which are considered to be a long term source of finance reduced to £294.5 million (2018 – £367.3 million). Total long term debt, including net bank debt and land creditors, reduced to £321.1 million (2018 – £498.7 million), representing a reduced adjusted gearing metric of 11.9%[1] (2018 – 21.5%). While the forthcoming exit from the EU provides a degree of economic uncertainty, this strong balance sheet ensures that Bellway retains its ability to expand further by responding positively to opportunities in the land market as they arise.

The Board expects that the Group will end the financial year with a positive net cash balance of in excess of £150 million[1] (31 July 2018 – £99.0 million).

## Dividend and NAV growth

Our dividend policy takes into consideration the Group's operational capability of delivering further long term compounding growth. The successful execution of our ongoing growth strategy has resulted in the net asset value per share rising by 15.7% to 2,189p[1] (2018 – 1,892p) over the past twelve months and in addition, the interim dividend per share will rise by 5.0% to 50.4p (2018 – 48.0p). This is slightly lower than the rate of earnings growth in the period, reflecting a rebalancing of revenue and profits towards the first half of the financial year.

**Current trading and outlook**

Trading in the first six weeks since 1 February has been strong, with the Group achieving 259 reservations per week (2018 – 248 per week), an increase of 4.4% compared to the equivalent period in the prior financial year.

As a result, and in addition to the 12.4% revenue growth achieved in the six months to 31 January, the order book at 10 March remains strong with a value of £1,485.2 million (11 March 2018 – £1,524.9 million), comprising 5,724 new homes (11 March 2018 – 5,485 homes).

From a construction perspective, progress on site should enable Bellway to build up to 500 additional new homes this financial year. In addition, disciplined investment in new sales outlets should help to capture customer demand. The Board therefore expects Bellway to deliver further growth in completions this year, although the extent of this will depend upon the outcome of the spring selling season.

As previously reported, our new Eastern Counties and London Partnerships divisions commenced operations on 1 February 2019. Eastern Counties will begin to contribute completions in the second half of this financial year and London Partnerships will do so in the next financial year. This structure of 22 operating divisions provides capacity to deliver around 13,000 homes per annum. The Board sees the opportunity for further disciplined expansion beyond the existing divisional structure which, subject to market demand, should ensure that Bellway is well placed to continue its long term growth strategy and hence deliver significant value for shareholders.

**Jason Honeyman**
Chief Executive

26 March 2019

## Condensed Group Income Statement

| | Note | **Half year ended 31 January 2019 £m** | Half year ended 31 January 2018 Restated[4] £m | Year ended 31 July 2018 Restated[4] £m |
|---|---|---|---|---|
| **Revenue** | | **1,488.0** | 1,324.4 | 2,957.7 |
| Cost of sales | | **(1,110.5)** | (979.9) | (2,200.3) |
| **Gross profit** | | **377.5** | 344.5 | 757.4 |
| Other operating income | | **78.2** | 66.8 | 141.1 |
| Other operating expenses | | **(81.1)** | (68.2) | (145.1) |
| Administrative expenses | | **(54.8)** | (48.9) | (100.5) |
| **Operating profit** | | **319.8** | 294.2 | 652.9 |
| Finance income | 3 | **0.3** | 0.4 | 0.7 |
| Finance expenses | 3 | **(7.6)** | (6.7) | (14.3) |
| Share of result of joint ventures | | **1.4** | 0.8 | 1.8 |
| **Profit before taxation** | | **313.9** | 288.7 | 641.1 |
| Income tax expense | 4 | **(58.8)** | (53.7) | (121.2) |
| **Profit for the period *** | | **255.1** | 235.0 | 519.9 |
| **Earnings per ordinary share – Basic** | 5 | **207.5p** | 191.6p | 423.4p |
| **Earnings per ordinary share – Diluted** | 5 | **206.8p** | 190.7p | 421.6p |
| **Dividend per ordinary share** | 6 | **50.4p** | 48.0p | 143.0p |

## Condensed Group Statement of Comprehensive Income

| | Note | **Half year ended 31 January 2019 £m** | Half year ended 31 January 2018 £m | Year ended 31 July 2018 £m |
|---|---|---|---|---|
| **Profit for the period** | | **255.1** | 235.0 | 519.9 |
| **Other comprehensive (expense)/income** | | | | |
| Items that will not be recycled to the income statement: | | | | |
| Remeasurement (losses)/gains on defined benefit pension plans | | **(2.5)** | - | 5.0 |
| Income tax on other comprehensive expense/(income) | 4 | **0.4** | - | (0.8) |
| **Other comprehensive (expense)/income for the period, net of income tax** | | **(2.1)** | - | 4.2 |
| **Total comprehensive income for the period *** | | **253.0** | 235.0 | 524.1 |

* All attributable to equity holders of the parent.
[4] Restated following the adoption of IFRS 15 ‘Revenue from contracts with customers’ (see note 1).

# 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 2019** | | | | | | | | | |
| **Balance at 1 August 2018** | | 15.3 | 173.7 | 20.0 | 1.5 | 2,346.6 | 2,557.1 | - | 2,557.1 |
| **Total comprehensive income for the period** | | | | | | | | | |
| Profit for the period | | - | - | - | - | 255.1 | 255.1 | - | 255.1 |
| Other comprehensive expense ** | | - | - | - | - | (2.1) | (2.1) | - | (2.1) |
| Total comprehensive income for the period | | - | - | - | - | 253.0 | 253.0 | - | 253.0 |
| **Transactions with shareholders recorded directly in equity:** | | | | | | | | | |
| Dividends on equity shares | 6 | - | - | - | - | (116.8) | (116.8) | - | (116.8) |
| Purchase of own shares | | - | - | - | - | (0.5) | (0.5) | - | (0.5) |
| Credit in relation to share options and tax thereon | | - | - | - | - | 1.0 | 1.0 | - | 1.0 |
| Total contributions by and distributions to shareholders | | - | - | - | - | (116.3) | (116.3) | - | (116.3) |
| **Balance at 31 January 2019** | | **15.3** | **173.7** | **20.0** | **1.5** | **2,483.3** | **2,693.8** | **-** | **2,693.8** |
| **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 |
| **Year ended 31 July 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 | | - | - | - | - | 519.9 | 519.9 | - | 519.9 |
| Other comprehensive income ** | | - | - | - | - | 4.2 | 4.2 | - | 4.2 |
| Total comprehensive income for the period | | - | - | - | - | 524.1 | 524.1 | - | 524.1 |
| **Transactions with shareholders recorded directly in equity:** | | | | | | | | | |
| Dividends on equity shares | 6 | - | - | - | - | (162.6) | (162.6) | - | (162.6) |
| Shares issued | | - | 2.4 | - | - | - | 2.4 | - | 2.4 |
| Credit in relation to share options and tax thereon | | - | - | - | - | 1.8 | 1.8 | - | 1.8 |
| Transactions with non-controlling interest | | - | - | - | - | - | - | 0.1 | 0.1 |
| Total contributions by and distributions to shareholders | | - | 2.4 | - | - | (160.8) | (158.4) | 0.1 | (158.3) |
| **Balance at 31 July 2018** | | 15.3 | 173.7 | 20.0 | 1.5 | 2,346.6 | 2,557.1 | - | 2,557.1 |

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

## Condensed Group Balance Sheet

| | Note | At 31 January 2019 £m | At 31 January 2018 £m | At 31 July 2018 £m |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Property, plant and equipment | | **29.6** | 12.2 | 13.1 |
| Investments in joint arrangements | | **46.6** | 38.9 | 43.5 |
| Deferred tax assets | 4 | **0.9** | 2.5 | 1.1 |
| Retirement benefit assets | | **-** | - | 1.3 |
| | | **77.1** | 53.6 | 59.0 |
| **Current assets** | | | | |
| Inventories | | **3,423.4** | 3,184.7 | 3,271.6 |
| Trade and other receivables | | **112.4** | 98.4 | 114.9 |
| Cash and cash equivalents | 7 | **33.4** | 36.6 | 99.0 |
| | | **3,569.2** | 3,319.7 | 3,485.5 |
| **Total assets** | | **3,646.3** | 3,373.3 | 3,544.5 |
| **LIABILITIES** | | | | |
| **Non-current liabilities** | | | | |
| Retirement benefit obligations | | **(1.3)** | (4.0) | - |
| Trade and other payables | | **(101.2)** | (80.0) | (82.3) |
| Deferred tax liabilities | 4 | **(2.3)** | (0.7) | (2.5) |
| | | **(104.8)** | (84.7) | (84.8) |
| **Current liabilities** | | | | |
| Interest-bearing loans and borrowings | 7 | **(60.0)** | (168.0) | - |
| Corporation tax payable | | **(63.0)** | (56.8) | (61.5) |
| Trade and other payables | | **(724.7)** | (739.9) | (841.1) |
| | | **(847.7)** | (964.7) | (902.6) |
| **Total liabilities** | | **(952.5)** | (1,049.4) | (987.4) |
| **Net assets** | | **2,693.8** | 2,323.9 | 2,557.1 |
| **EQUITY** | | | | |
| Issued capital | | **15.3** | 15.3 | 15.3 |
| Share premium | | **173.7** | 171.3 | 173.7 |
| Capital redemption reserve | | **20.0** | 20.0 | 20.0 |
| Other reserves | | **1.5** | 1.5 | 1.5 |
| Retained earnings | | **2,483.3** | 2,115.9 | 2,346.6 |
| **Total equity attributable to equity holders of the parent** | | **2,693.8** | 2,324.0 | 2,557.1 |
| **Non-controlling interest** | | **-** | (0.1) | - |
| **Total equity** | | **2,693.8** | 2,323.9 | 2,557.1 |

# Condensed Group Cash Flow Statement

| | Note | **Half year ended 31 January 2019 £m** | Half year ended 31 January 2018 £m | Year ended 31 July 2018 £m |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| Profit for the period | | **255.1** | 235.0 | 519.9 |
| Depreciation charge | | **2.7** | 0.9 | 1.9 |
| Profit on sale of property, plant and equipment | | **-** | - | (0.1) |
| Finance income | 3 | **(0.3)** | (0.4) | (0.7) |
| Finance expenses | 3 | **7.6** | 6.7 | 14.3 |
| Share-based payment expense | | **1.1** | 1.3 | 2.5 |
| Share of post tax result of joint ventures | | **(1.4)** | (0.8) | (1.8) |
| Income tax expense | 4 | **58.8** | 53.7 | 121.2 |
| Increase in inventories | | **(151.8)** | (216.5) | (303.4) |
| Decrease/(increase) in trade and other receivables | | **4.1** | (12.8) | (29.3) |
| (Decrease)/increase in trade and other payables | | **(119.0)** | (48.2) | 51.1 |
| **Cash inflow from operations** | | **56.9** | 18.9 | 375.6 |
| Interest paid | | **(4.4)** | (2.0) | (5.5) |
| Income tax paid | | **(57.0)** | (55.1) | (116.1) |
| **Net cash (outflow)/inflow from operating activities** | | **(4.5)** | (38.2) | 254.0 |
| **Cash flows from investing activities** | | | | |
| Acquisition of property, plant and equipment | | **(2.5)** | (2.0) | (3.9) |
| Proceeds from sale of property, plant and equipment | | **0.2** | 0.2 | 0.3 |
| Increase in loans to joint ventures | | **(1.7)** | (3.8) | (7.3) |
| Interest received | | **0.2** | 0.1 | 0.1 |
| **Net cash outflow from investing activities** | | **(3.8)** | (5.5) | (10.8) |
| **Cash flows from financing activities** | | | | |
| Increase/(decrease) in bank borrowings | | **60.0** | 138.0 | (30.0) |
| Proceeds from the issue of share capital on exercise of share options | | **-** | - | 2.4 |
| Purchase of own shares | | **(0.5)** | - | - |
| Dividends paid | 6 | **(116.8)** | (103.7) | (162.6) |
| **Net cash (outflow)/inflow from financing activities** | | **(57.3)** | 34.3 | (190.2) |
| **Net (decrease)/increase in cash and cash equivalents** | | **(65.6)** | (9.4) | 53.0 |
| Cash and cash equivalents at beginning of period | | **99.0** | 46.0 | 46.0 |
| **Cash and cash equivalents at end of period** | 7 | **33.4** | 36.6 | 99.0 |

## 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 26 March 2019.

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

The comparative figures for the financial year ended 31 July 2018 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 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 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 2018, with the exception of the following due to the adoption of IFRS 15 'Revenue from contracts with customers' and IFRS 16 'Leases':

**Revenue recognition**

a) *Private and social (turnkey and plot sale) housing sales and land sales.*
Revenue is recognised in the income statement at a point in time when the performance obligation, being the transfer of a completed dwelling to a customer, has been satisfied. This is when legal title is transferred.

b) *Social housing properties as part of a land sale and design and build contract.*
Revenue is recognised in the income statement at a point in time when the performance obligations have been satisfied. This is when the homes are build complete and all material contractual obligations have been fulfilled.

*Incentives*
Sales incentives are substantially cash in nature but include part-exchange costs which mainly relate to amounts written down, where the part-exchange allowance given to the purchaser of the new home is greater than the valuation of the part-exchange property. Incentives are accounted for by reducing the housebuild revenue by the cost to the Group of providing the incentive. See the 'part-exchange properties' policy below.

**Part-exchange properties**

The purchase and subsequent sale of part-exchange properties is an activity undertaken in order to achieve the sale of a new property. The onward sale of a part-exchange property is not a principal activity of the Group with revenue and costs associated with this being recognised in other operating income and other operating expenses. Revenue is recognised in the income statement at a point in time when the performance obligations have been satisfied. This is when legal title is transferred.

**Leases**

The lease liability is initially measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate. The lease term comprises the non-cancellable period of the contract, together with periods covered by an option to extend the lease where the Group is reasonably certain to exercise that option. Subsequently, the lease liability is measured by increasing the carrying amount to reflect interest on the lease liability, and reducing it by the lease payments made. The lease liability is remeasured when the Group changes its assessment of whether it will exercise an extension or termination option.

## Notes (continued)

Right of use assets are initially measured at cost, comprising the initial measurement of the lease liability, plus any initial direct costs and an estimate of asset retirement obligations, less any lease incentives. Subsequently, right of use assets are measured at cost, less any accumulated depreciation and any accumulated impairment losses, and are adjusted for certain remeasurements of the lease liability. Depreciation is calculated on a straight-line basis over the length of the lease.

The Group has elected to apply exemptions for short term leases and leases for which the underlying asset is of low value. For these leases, payments are charged to the income statement on a straight-line basis over the term of the relevant lease.

Right of use assets are presented in property, plant and equipment in the balance sheet and lease liabilities are shown on the balance sheet in trade and other payables in current liabilities and non-current liabilities depending on the length of the lease term.

As set out above, the following standards were adopted for the period beginning on 1 August 2018:

- IFRS 15 'Revenue from contracts with customers'. This standard resulted in presentational changes to the income statement to gross up part-exchange revenue and expenses within operating profit which were previously recognised on a net basis within cost of sales. The Group used the full retrospective approach so prior year comparatives have been restated. The impact of IFRS 15 for the period ended 31 January 2019 was an increase in other operating income of £78.2 million, an increase in other operating expenses of £81.1 million, and a corresponding £2.9 million decrease in cost of sales.

The financial statement items affected by the adoption of IFRS 15 for the comparative periods are shown below. There was no change in previously reported balance sheet information or earnings per share.

| | **Half year ended 31 January 2018** | | | **Year ended 31 July 2018** | | |
|---|---|---|---|---|---|---|
| | **As previously reported** | **Adjustment in respect of part-exchange transactions** | **Restated[4]** | **As previously reported** | **Adjustment in respect of part-exchange transactions** | **Restated[4]** |
| | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** |
| **Revenue** | 1,324.4 | - | **1,324.4** | 2,957.7 | - | **2,957.7** |
| Cost of sales | (981.3) | 1.4 | **(979.9)** | (2,204.3) | 4.0 | **(2,200.3)** |
| **Gross profit** | 343.1 | 1.4 | **344.5** | 753.4 | 4.0 | **757.4** |
| Other operating income | - | 66.8 | **66.8** | - | 141.1 | **141.1** |
| Other operating expenses | - | (68.2) | **(68.2)** | - | (145.1) | **(145.1)** |
| Administrative expenses | (48.9) | - | **(48.9)** | (100.5) | - | **(100.5)** |
| **Operating profit** | 294.2 | - | **294.2** | 652.9 | - | **652.9** |

- IFRS 16 'Leases'. This standard requires lessees to recognise a lease liability reflecting future lease payments and a 'right of use asset' for virtually all lease contracts. The Group used the modified retrospective approach so comparative information has not been restated. The right of use asset at the date of transition was equal to the lease liability at that date. The impact of IFRS 16 as at 31 January 2019 was an increase in non-current assets of £15.2 million, lease liabilities of £15.3 million, finance expenses of £0.2 million and a decrease in administrative expenses of £0.1 million. The weighted average incremental borrowing rate applied to lease liabilities at the date of initial application was 3.15%.

In addition, the Group has also adopted the following standards for the first time in these financial statements:

- IFRS 9 ‘Financial Instruments’.

- Annual Improvements to IFRS Standards 2014-2016 Cycle.

- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions.

The adoption of these standards has not had a material effect on these financial statements.

## Notes (continued)

### 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.

### 3. Finance income and expenses

| | **Half year ended 31 January 2019 £m** | Half year ended 31 January 2018 £m | Year ended 31 July 2018 £m |
|---|---|---|---|
| Interest receivable on bank deposits | **0.1** | 0.1 | 0.2 |
| Interest on fair value through profit or loss | **0.1** | 0.3 | 0.4 |
| Other interest income | **0.1** | - | 0.1 |
| Finance income | **0.3** | 0.4 | 0.7 |
| Interest payable on bank loans and overdrafts | **3.3** | 2.1 | 5.4 |
| Interest on deferred term land payables | **4.1** | 4.5 | 8.8 |
| Interest element of movement in pension scheme deficit | **-** | 0.1 | 0.1 |
| Other interest expense | **0.2** | - | - |
| Finance expenses | **7.6** | 6.7 | 14.3 |

### 4. Income tax expense

The effective rate of taxation for the period is 18.7% (2018 – 18.6%). The taxation charge for the period is calculated by applying the standard corporation tax rate of 19.0% (2018 – 19.0%) to the profit before taxation adjusted for non-taxable items and enhanced deductions. The taxation expense also includes adjustments in respect of prior years and the period to 31 January 2019 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.

## Notes (continued)

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

| | **Earnings 2019 £m** | **Weighted average number of ordinary shares 2019 Number** | **Earnings per share 2019 p** | Earnings 2018 £m | Weighted average number of ordinary shares 2018 Number | Earnings per share 2018 p |
|---|---|---|---|---|---|---|
| For basic earnings per ordinary share | **255.1** | **122,940,947** | **207.5** | 235.0 | 122,658,652 | 191.6 |
| Dilutive effect of options and awards | | **421,192** | **(0.7)** | | 585,379 | (0.9) |
| For diluted earnings per ordinary share | **255.1** | **123,362,139** | **206.8** | 235.0 | 123,244,031 | 190.7 |

### 6. Dividends on equity shares

Amounts recognised as distributions to equity holders in the period:

| | **Half year ended 31 January 2019 £m** | Half year ended 31 January 2018 £m | Year ended 31 July 2018 £m |
|---|---|---|---|
| Final dividend for the year ended 31 July 2018 of 95.0p per share (2017 – 84.5p) | **116.8** | 103.7 | 103.7 |
| Interim dividend for the year ended 31 July 2018 of 48.0p per share (2017 – 37.5p) | **-** | - | 58.9 |
| | **116.8** | 103.7 | 162.6 |
| Proposed interim dividend for the year ending 31 July 2019 of 50.4p per share (2018 – 48.0p) | **62.0** | 58.9 | 116.8 |

The proposed interim dividend was approved by the Board on 26 March 2019 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 Thursday 4 July 2019 to all ordinary shareholders on the Register of Members on Friday 24 May 2019. The ex-dividend date is Thursday 23 May 2019.

### 7. Analysis of net cash/(debt)

| | **At 1 August 2018 £m** | **Cash flows £m** | **At 31 January 2019 £m** |
|---|---|---|---|
| Cash and cash equivalents | 99.0 | (65.6) | **33.4** |
| Bank loans | - | (60.0) | **(60.0)** |
| **Net cash/(debt)** | 99.0 | (125.6) | **(26.6)** |

### 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 2018, 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.

## Notes (continued)

### 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.

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 2019** | | | 31 January 2018 | | |
|---|---|---|---|---|---|---|
| | **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 | **319.8** | | **319.8** | 294.2 | | 294.2 |
| Capital employed/land creditors: | | | | | | |
| Opening | **2,557.1** | **365.4** | **2,922.5** | 2,191.3 | 366.8 | 2,558.1 |
| Half year | **2,720.4** | **294.5** | **3,014.9** | 2,455.3 | 367.3 | 2,822.6 |
| Average | **2,638.7** | **330.0** | **2,968.7** | 2,323.3 | 367.1 | 2,690.4 |
| Annualised return on capital employed | **24.2%** | | **21.5%** | 25.3% | | 21.9% |

## Notes (continued)

- **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 2019 £m** | 31 January 2018 £m |
|---|---|---|
| Profit for the period | **255.1** | 235.0 |
| Net assets: | | |
| Opening | **2,557.1** | 2,191.3 |
| Half year | **2,693.8** | 2,323.9 |
| Average | **2,625.4** | 2,257.6 |
| Annualised post tax return on equity | **19.4%** | 20.8% |

- **Net (debt)/cash** – 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 2019 £m** | **31 July 2018 £m** | **Movement £m** | 31 January 2018 £m | 31 July 2017 £m | Movement £m |
|---|---|---|---|---|---|---|
| Land | **2,033.0** | **2,011.9** | **21.1** | 1,985.4 | 1,838.2 | 147.2 |
| Work in progress | **1,236.1** | **1,115.1** | **121.0** | 1,081.0 | 1,017.7 | 63.3 |
| Increase in capital invested in land and work in progress in the period | | | **142.1** | | | 210.5 |
| Land creditors | **(294.5)** | **(365.4)** | **70.9** | (367.3) | (366.8) | (0.5) |
| Increase in capital invested in land, net of land creditors, and work in progress in the period | | | **213.0** | | | 210.0 |

- **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 2019 £m** | 31 January 2018 £m |
|---|---|---|
| Cash inflow from operations | **56.9** | 18.9 |
| Add: increase in capital invested in land, net of land creditors, and work in progress (as described above) | **213.0** | 210.0 |
| Cash generated from operations before investment in land, net of land creditors, and work in progress | **269.9** | 228.9 |

- **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.

**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.<br>▪ Failure to buy land at the right margin would have a detrimental effect on future returns. | ▪ Land bank (with DPP).<br>▪ Number of homes sold.<br>▪ RoCE.<br>▪ Gross margin.<br>▪ EPS. | ▪ Budgeting and forecasting of growth targets to ensure land bank supports strategic target.<br>▪ Pre-purchase due diligence and viabilities on all proposed land purchases.<br>▪ Authorisation of all land purchases in accordance with our Approvals Matrix. | No change. |
| **Planning** | | | | |
| **Delays and complexity in the planning process** | ▪ Failure to obtain planning within appropriate timescales would have a detrimental impact on our growth prospects and have an adverse effect on returns. | ▪ EPS.<br>▪ RoCE.<br>▪ Number of plots acquired directly in land bank with an implementable DPP.<br>▪ Number of plots converted from medium term pipeline to land with DPP.<br>▪ Number of plots in our pipeline land bank.<br>▪ Number of plots identified in our strategic land bank with a positive planning status. | ▪ Group and divisional planning specialists provide advice and support to the divisions to assist with securing planning permissions.<br>▪ Management of immediate, medium term and strategic land to maintain an appropriate balance of land in terms of quantity and location. | No change. |
| **Construction resources** | | | | |
| **Shortage of appropriately skilled sub-contractors and shortages of building materials at competitive prices** | ▪ Failure to secure required and appropriate resources causes delays in construction, impacting the ability to deliver volume growth targets.<br>▪ Pricing pressure would impact returns. | ▪ Number of homes sold.<br>▪ Customer satisfaction score.<br>▪ Employee turnover.<br>▪ EPS. | ▪ Systems are in place to select, appoint, monitor, manage and build long term relationships with our sub-contractors.<br>▪ Competitive rates and prompt payment for our sub-contractors.<br>▪ Group purchasing arrangements are in place.<br>▪ 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 would 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.<br>▪ NHBC health and safety benchmark.<br>▪ NHBC Health and Safety Awards. | ▪ The Board considers health and safety matters at every meeting.<br>▪ 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:**<br>▪ **Economic factors, especially house price inflation and interest rates**<br>▪ **Mortgage availability**<br>▪ **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.<br>▪ Forward order book.<br>▪ Reservations rate.<br>▪ Customer satisfaction score.<br>▪ EPS.<br>▪ RoCE. | ▪ Ongoing monitoring of key business metrics and development of action plans as necessary.<br>▪ Product range and pricing strategy determined based on regional market conditions.<br>▪ Use of sales incentives, such as part-exchange, to encourage the selling process.<br>▪ Use of government-backed schemes to encourage home ownership. | No change. |
| **Sales and external factors** | | | | |
| **Uncertainty over Brexit and the future impact on the economy could significantly impact our ability to deliver our strategic objectives** | ▪ The ultimate impact of Brexit could be on the ability to sell properties and the corresponding impact on returns. | ▪ Number of homes sold.<br>▪ Forward order book.<br>▪ Reservations rate.<br>▪ Customer satisfaction score.<br>▪ EPS.<br>▪ RoCE. | ▪ While outside of our direct control, we continue to monitor business performance and build a robust future-proof business with a solid strategy and sound financial controls. | 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.<br>▪ Number of graduates and apprentices.<br>▪ 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.<br>▪ Competitive salary and benefits packages which are regularly reviewed.<br>▪ Succession plans in place and key person dependencies identified and mitigated.<br>▪ Increased level of training provided to employees.<br>▪ Introduction of a Trainee Assistant Site Manager apprenticeship programme.<br>▪ Increase in number of graduates and apprentices. | 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.<br>▪ Continued investment in systems.<br>▪ Regular review and testing of our security measures, contingency plans and IT security policies.<br>▪ Group-wide Cyber Security Committee. | No change. |
| **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.<br>▪ EPS. | ▪ Central Secretariat, Legal, Health and Safety and Technical functions advise and support divisions on compliance and regulatory matters.<br>▪ Group-wide policies, procedures and training for key regulatory matters. | No change. |

**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 2019 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 2018. John Watson retired from the Board on 12 December 2018. John Cuthbert retired from the Board as a non-executive director on 31 October 2018.

For and on behalf of the Board

**Jason Honeyman**
Chief Executive

Registered number 1372603
26 March 2019

*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.*