NATIONAL HOUSEBUILDER BELLWAY p.l.c. TODAY, WEDNESDAY 24 MARCH, ANNOUNCES INTERIM RESULTS FOR THE HALF YEAR ENDED 31 JANUARY 2021

Results

Strong first half results

	Half year ended 31 January 2021	Half year ended 31 January 2020	Movement
Revenue	£1,720.5m	£1,541.4m	+11.6%
Gross profit	£357.5m[1,2]	£356.5m	+0.3%
Gross margin	20.8%[1,2]	23.1%	(230 bps)
Operating profit	£297.7m[1,2]	£297.2m	+0.2%
Operating margin	17.3%[1,2]	19.3%	(200 bps)
Net legacy building safety expense	£20.3m	-	n/a
Profit before taxation	£280.2m	£291.8m	(4.0%)
Earnings per share	185.9p	194.4p	(4.4%)
Interim dividend per share	35.0p	Nil	+100.0%
Net asset value per share ('NAV')	2,564p[2]	2,467p	+3.9%
Return on capital employed	19.3%[1,2]	19.9%	(60 bps)

- Volume growth of 6.3% to a record 5,656 homes (2020 – 5,321 homes) at the half year, and for the full year, the Board now expects that Bellway will complete the sale of around 10,000 homes (31 July 2020 – 7,522 homes).

- The increase in volume, together with average selling price growth of 5.8% to £303,206 (2020 – £286,570), has resulted in a 12.5% increase in housing revenue to a record £1,714.9 million (2020 – £1,524.8 million).

- Strong underlying demand, with a 3.3% increase in the private reservation rate to 156 per week (2020 – 151), building upon last year's robust first half trading performance.

- The operating margin, before net legacy building safety expense, was 17.3%[1,2] (2020 – 19.3%) and has been positively influenced by an efficient absorption of overheads due to the strong first half revenue performance. For the full year, the Board now expects that the operating margin, before net legacy building safety expense, will be around 17%[1,2] (31 July 2020 – 14.5%[5]).

- The balance sheet is strong, with net cash of £346.4 million[2] (2020 – £4.6 million), providing resilience and strategic flexibility. Land creditors remain low, at £371.7 million (2020 – £274.9 million).

- A further £20.3 million, net of recoveries, has been set aside to help owners of legacy apartment schemes undertake fire safety improvements. This brings the total amount provided since 2017, in relation to fire safety, to £131.6 million, with £91.6 million of this remaining unutilised at 31 January.

- The interim dividend has been reinstated at 35.0p per share (2020 – Nil).

Operational highlights

- The Group has retained its status as a five-star homebuilder[3] for the fifth consecutive year and our 'Customer First' programme, designed to enhance the customer experience in respect of construction quality and service levels, will formally launch in April.

- Significant investment in land, with a record 8,848 plots contracted (2020 – 7,005 plots) with a value of £452.8 million (2020 – £408.2 million) at attractive margins, reflecting the opportunity in the market during a period of reduced competition. This investment ensures that the Group is well positioned to deliver future volume growth.

- New higher margin land, together with ongoing cost control and efficiency initiatives, will lead to future recovery in the gross margin.

- Our 'Artisan Collection' house-type range, which is being well received by our customers, has now been plotted across 195 developments (2020 – 128 developments) and will help drive quality, improved efficiency and long-term cost savings.

Current trading and outlook

- A robust forward sales position, with the forward order book at 14 March 8.4% ahead at £1,643.2 million[2] (8 March 2020 – £1,515.8 million) and comprising 6,028 homes (8 March 2020 – 5,772 homes).

- The clarity provided by the forward order book has raised the expectation for the full year average selling price to be more than £295,000 (31 July 2020 – £293,054).

- Bellway is in an excellent position to continue its long-term, disciplined growth strategy, increasing the supply of good quality, new homes, while generating future value for our stakeholders.

[1] Before net legacy building safety expense (note 3).
[2] 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 15.
[3] As measured by the Home Builders' Federation Customer Satisfaction survey.
[4] All figures relating to completions, order book, reservations, cancellations, average selling price and land exclude the Group's share of its joint ventures.
[5] Before net legacy building safety expense and other exceptional items (note 3).

Analyst and investor conference call and webcast

There will be an analyst and investor presentation via webcast, hosted by Jason Honeyman, Group Chief Executive and Keith Adey, Group Finance Director, at 9.30am today. To join the presentation, go to the Bellway p.l.c. corporate website, www.bellwayplc.co.uk. There is also a facility to join the presentation and Q&A session via a conference call. Participants should dial +44 (0) 330 336 9411 and use confirmation code 7569986. A playback facility will be available shortly after the presentation has finished.

For further information, please contact:-

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Chairman's Overview

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

Bellway has delivered a good first half trading performance, achieving record first half revenue because of its strong brought forward sales position and investment in work-in-progress. We have delivered this growth, while retaining our core focus on quality and customer care and have been recognised as a five-star homebuilder[3] for the fifth consecutive year.

We have acted cautiously and responsibly throughout the COVID-19 pandemic, ensuring safe working practices across all our construction sites, sales centres, and divisional offices. In addition, we continue to offer support to our colleagues, whose ongoing efforts have been crucial in helping Bellway emerge strongly from this global crisis, with ongoing mental health and wellbeing campaigns.

As a responsible developer, Bellway recognises concerns with regards to fire safety in apartment buildings. As part of our efforts to help building owners of legacy apartment schemes, we have recognised an additional net legacy building safety expense of £20.3 million in the period. The brings the total amount provided by the Group since 2017, in relation to fire safety, to £131.6 million. This is a substantial sum which demonstrates Bellway's responsible approach to supporting customers with regards to this issue.

Our front-footed approach to land investment during the period will help to secure further volume growth and margin recovery in the years ahead. In addition, we continue to make good progress on several internal initiatives, not least our initial strides towards meeting the Government's Future Homes Standard by 2025.

The Group's balance sheet is robust, with substantial cash resources, and I am therefore pleased to announce that we are reinstating the interim dividend at 35.0p per share (2020 – Nil). For the full year, the Board expects the dividend to be weighted towards the second half and to maintain a dividend cover of around three times earnings.

As the country prepares to emerge from the latest national 'lockdown', Bellway is in an excellent position to continue its long-term, disciplined growth strategy, increasing the supply of good quality, new homes, while generating future value for our stakeholders.

Group Chief Executive's Operating Review

Strong housing fundamentals

The fundamentals of the housing market remain robust, with an underlying requirement for new homes in the UK. Affordability is good, supported by an ongoing environment of low interest rates and the mortgage market is broadly supportive, although deposit requirements generally remain high, outside of the Government's Help-to-Buy scheme. The continuation of this scheme, albeit with the introduction of regional price caps from April 2021, together with the temporary and extended stamp duty holiday are both welcome, providing important support to the housing market and especially those looking to make their first step onto the housing ladder.

Bellway is also hopeful that the Government's new mortgage guarantee scheme will lead to the return of competitive, long-term, higher loan-to-value mortgages for both the new build sector and the wider market. If successful, this will underpin ongoing customer demand, while helping the sector to increase the much-needed supply of new homes. In doing so, it will promote a stable and sustainable housing market.

Positive trading conditions

Sales rates were more pronounced in the Summer and early Autumn, given the pent-up demand arising from the Spring national 'lockdown'. The reservation rate slowed during November, as the sector transitioned to the new Help-to-Buy rules and more widespread 'lockdown' measures were reintroduced. Despite the escalation of these 'lockdown' measures in the new calendar year, sales rates recovered to a more normalised level for the remainder of the trading period, boosted by the effective transition to the new Help-to-Buy scheme, which has been well received by our customers.

For the whole period, the private reservation rate rose by 3.3% to 156 per week (2020 – 151), and the overall reservation rate was resilient at 191 per week (2020 – 194). In line with respective Government guidance, sales centres have remained open in England and Scotland on an appointment only basis, but remain closed except for essential visits in Wales. The cancellation rate was low, at just 14% (2020 – 13%).

The pricing environment has remained firm, with some modest house price inflation, benefiting selected sites in localities where demand is particularly strong, with this most pronounced on developments in the north west of England and the Midlands.

Strong revenue growth

Bellway has achieved a good first half performance, benefiting from its elevated order book and investment in work-in-progress at the start of the financial year, together with ongoing customer demand for our mid-market, high quality housing product.

Housing revenue rose by 12.5% to £1,714.9 million (2020 – £1,524.8 million), in part driven by strong growth in the number of homes sold, which rose by 6.3% to 5,656 (2020 – 5,321 homes). This includes 334 homes (2020 – 275 homes) sold using our Ashberry brand, which continues to perform well and supports enhanced sales rates on larger sites, through the provision of an additional, differentiated sales outlet.

The market was strongest for affordably priced homes in desirable locations, with areas such as Manchester, the Midlands, Essex and the Home Counties, all delivering solid results. This strong demand for affordably priced homes has influenced our London strategy, which has evolved over recent years, to focus on the outer zones, where customers can often obtain better value. Completions using our Bellway London brand account for 7% of homes sold (2020 – 6%), although this has reduced compared to earlier years, as more compelling land investment opportunities can often be sourced elsewhere in the country. Our average selling price of private homes in London was accessible to a range of buyers at £440,391 (2020 – £497,419), with sites such as Beckton Parkside in Beckton, Eastside Quarter in Bexleyheath and St. George's Park in Hornchurch all experiencing strong demand.

The overall average selling price for the Group rose by 5.8% to £303,206 (2020 – £286,570), influenced by a greater proportion of private housing completions, which rose to 78% of the total (2020 – 77%). The Group deliberately accelerated the construction and sales completion of higher value homes in advance of the change in the Help-to-Buy price caps, which will become effective from 1 April 2021. The increase in the average selling price in the half year is therefore a short-term adjustment and for the full year, the overall average selling price is expected to be in excess of £295,000 (31 July 2020 – £293,054), before moderating to around £290,000 in the following financial year, assuming no change in underlying selling prices.

The Group recognised other revenue of £5.6 million (2020 – £16.6 million), a decrease from the prior period, which included a disposal of freehold reversionary interests on apartments schemes. This no longer forms a recurring source of other income.

Total revenue, including both housing revenue and other revenue, rose by 11.6% to £1,720.5 million (2020 – £1,541.4 million).

Gross margin and cost control

Gross profit, before net legacy building safety expense, was in line with the prior period at £357.5 million[1,2] (2020 – £356.5 million), with the increase in volume and the rise in the average selling price being offset by a reduction in the gross margin, which reduced to 20.8%[1,2] (2020 – 23.1%). As previously reported, this reduction is partly due to an earlier period of cost inflation, set against a trading backdrop where house price inflation had been flat. The consequence is that this will continue to dilute the gross margin throughout the duration of those sites affected. In addition, as reported in the previous financial year, there are costs associated with extended site durations because of COVID-19 and again, this will continue to influence the gross margin throughout the life of those sites. The proportion of these extra COVID-19 costs that traded through the income statement in the half year is £12 million.

Going forward, our land acquisition programme is replacing sites with an anticipated gross margin of around 23%, based on expected costs and selling prices at the time of entering into land contracts, and this will help the gross margin to recover beyond the current financial year. In addition, we continue to adopt several 'business-as-usual' cost control and efficiency initiatives, including strong procurement disciplines, site groundwork reviews, internal cost-saving campaigns, upgraded IT systems and further house-type standardisation. In that regard, our 'Artisan Collection' house-type range continues to be well received by our customers and has now been plotted across 25,000 plots on 195 developments (2020 – 128 developments). The 'Artisan Collection' not only embodies our focus on high standards and quality, but the variety of elevational treatments and considered site layouts result in attractive street scenes and an improved sense of placemaking.

There has been no discernible effect on the supply chain because of the UK's new trading arrangements with the EU. Many suppliers and subcontractors have looked to secure certainty and build their order books over the shorter-term and although there are some exceptions, this has helped curb overall cost inflation to low single digits.

Operating performance

Administrative expenses rose slightly to £59.5 million (2020 – £56.7 million) but fell to an unusually low 3.5%[2] of revenue (2020 – 3.7%), because of the strong growth in revenue and one-off weighting of completions towards the first half of the financial year. Maintaining a strong and well-established operational structure, notwithstanding the disruption caused by COVID-19, helps maintain the growth potential in the business in the years ahead.

Other operating income and expenses, which net to a modest expense of £0.3 million (2020 – £2.6 million), relate to the cost of running our part-exchange programme. The cost is unusually low as the use of part-exchange was initially restricted in order to preserve the strength of the balance sheet, with the onset of the initial 'lockdown' restrictions last year. The cost is expected to revert to previous levels in the year ahead.

Overall, operating profit, before net legacy building safety expense, was £297.7 million[1,2] (2020 – £297.2 million) and the operating margin, before net legacy building safety expense, was 17.3%[1,2] (2020 – 19.3%). This operating margin is expected to be stronger in the first half due to the more efficient absorption of administrative overheads driven by the higher first half volume. The continuing strong trading sentiment, however, means that the Board now expect that the operating margin, before net legacy building safety expense, for the full financial year will be around 17%[1,2] (31 July 2020 – 14.5%[5]).

Building safety

We continue to take a proactive approach to nationwide concerns with regards to fire safety in high rise buildings across the UK. Bellway recognises its responsibilities in its legacy apartment portfolio and continues to review combustion risks, in external wall systems, on past high-rise developments.

The legal responsibility for ensuring fire safety in buildings usually rests with the current owners or their managing agents, which in most cases for our legacy portfolio, is not Bellway. As a responsible developer, however, Bellway takes apartment safety concerns seriously and has therefore established a fire remediation team to work with building owners to help resolve historical issues. In instances where Bellway considers that it may have a contractual responsibility, we are committed to assisting with remediation works to ensure that apartment blocks meet with the current interpretation of building regulations, which were in force at the time they were constructed.

In that regard, the total amount provided since 2017, in relation to fire safety, is £131.6 million. This is a substantial sum, demonstrating Bellway's commitment to act responsibly with regards to this issue. Some £91.6 million of this provision, relating to 24 developments, most of which are over 18 metres in height, remains unutilised at 31 January. This remaining provision is stated after incurring an additional net legacy building safety expense of £20.3 million in the period, which is reported after recoveries of £13.5 million.

Initially, our review efforts were directed towards those buildings over 18 metres in height, where Aluminium Composite Material had been used in the construction of the external wall envelope. The scope of our review has since widened, following the 'Advice for Building Owners of Multi-storey, Multi-occupied Residential Buildings', issued by the Ministry of Housing, Communities and Local Government in January 2020.

We therefore now approach this issue, with the benefit of sector-wide hindsight and, by applying revised guidance which clarifies the Government's interpretation of the extant building regulations that were in place at the time of construction. Our reviews, which often include the results of investigative surveys, consider whole external wall systems to determine whether the combination of materials used adequately prevent external fire spread, thereby rendering the building safe.

Differing regulatory frameworks result in ongoing changes with regards to the scope of potential remediation works. In addition, obtaining a supply of suitable replacement materials, and appropriately skilled remediation experts, proves to be an enduring challenge. As a result, while a prudent approach has been taken, there continues to be inevitable labour constraints and upward pressure on costs as we work with third parties to establish fully costed remediation solutions on the 24 developments. We believe we have captured the vast majority of issues and all known liabilities are properly provided for. The extent of the provision could increase, however, in line with normal accounting practice if new issues are identified, as building owners continue to undertake their own investigative works on other schemes within our legacy portfolio. Bellway is actively pursuing recoveries from previous suppliers, subcontractors and professional advisors where they have fallen short of the standards required.

We have strong controls in place to comply with current building regulations and have enhanced our internal fire safety procedures. We welcome the Government's initiatives to assist leaseholders, particularly on buildings between 11 and 18 metres in height, where building owners may have concerns with regards to the safety of cladding. The recent announcement from the Royal Institute of Chartered Surveyors in relation to External Wall System certification will also help to unlock the housing market for many concerned residents. Ultimately, a coordinated response from Government and lenders will lead to a clearer, long-term solution, which ensures that the UK's stock of apartment schemes meets appropriate fire safety standards.

Earnings

The net finance expense, which mainly relates to imputed land creditor interest and bank commitment fees, was £5.1 million[2] (2020 – £5.9 million). This is a slight reduction on the prior period, reflecting the strong average net cash generation in the past six months.

Joint venture income, which was £7.9 million (2020 – £0.5 million), principally relates to two developments. The increase in the period is because of the completion phasing of apartment blocks and for the full year, total joint venture income is expected to approach £10 million (31 July 2020 – £1.0 million).

Profit before taxation was £280.2 million (2020 – £291.8 million) and the taxation charge of £51.0 million (2020 – £52.5 million) represented an effective tax rate of 18.2% (2020 – 18.0%). This is broadly in line with the standard rate of corporation tax of 19.0% (2020 – 18.3%) and following the Chancellor's recent budget statement, it is expected to rise to 25.0% from April 2023.

Basic earnings per share was 185.9p (2020 – 194.4p).

Strengthening the brand

We are determined to continue building upon our reputation as one of the country's leading national housebuilders, ensuring that customers are at the core of what we do, and that the Bellway brand is one in which customers can trust. We are therefore delighted to have been recognised as a five-star homebuilder[3] in the Home Builders' Federation Customer Satisfaction survey for the fifth consecutive year.

Our 'Customer First' programme, which will formally launch in April, is gathering momentum. It is designed to enhance the customer experience and help Bellway to exceed customer expectations in respect of the quality of product and service levels. It involves a holistic review of all aspects of the business, from planning through to construction and then customer care, taking into account the sales process along the way. Initiatives arising from this review so far include the introduction of senior management training programmes, an increased number of Customer Quality Reviews and improved, more regular communication with customers throughout the sales and construction process.

Attracting talent for the longer-term

Attracting, developing and retaining talent throughout the organisation is key to meeting our future growth ambitions. We undertook our first ever employee engagement survey during the period and were delighted by the excellent participation from our colleagues. The Group scored well against a range of metrics and particularly with respect to 'engagement', achieving a score of 91%. In addition, we achieved a score of 94% when colleagues were asked whether the changes made to the business as a result of COVID-19 were effective. These changes included mental health and wellbeing programmes, which continue to be in place as the country remains in a national 'lockdown'. We will use the results of the survey to focus our efforts in the year ahead, particularly around areas of internal communications and enabling more permanent, flexible working patterns.

Our recently constructed Bellway Academy has been established to spearhead training and development across the Group. This encompasses an enhanced learning and development programme, which is focussing on the key areas of site management and construction, together with ongoing training in respect of our Customer First programme. In addition, we have had significant interest in our latest graduate recruitment drive and are delighted to have made offers to a further 38 graduates across a range of disciplines. We are also pleased that 8.6% (2020 – 8.4%) of our workforce are now employed in 'learning and earning' positions.

Better with Bellway

Our commitment to operating in an ethical and responsible manner forms part of the underlying culture at Bellway and is embodied with our wide-reaching 'Better with Bellway' initiative. The aim of this is to make tangible improvements to business operations to the benefit of society and wider stakeholder groups.

A new, revised Environmental, Social and Governance ('ESG') committee has been created, including both Board level and senior management representation, with the ambition of broadening the scope of our current corporate responsibility programme. Current initiatives include the establishment of science-based targets to reduce the use of scope 3 carbon emissions throughout the supply chain. This will build upon our previously published target, set last financial year, of reducing scope 1 and 2 carbon emissions per home sold by 10% by 2023.

We have also established an internal zero carbon working group, which includes several new appointments, whose ambition is to meet and exceed the requirements of new building regulations on our path towards achieving the Government's Future Homes Standard. In addition, along with a strategic business partner, we are also trialling modular housing at a new site, recently acquired in Tattenhoe, Milton Keynes, with the intention that our learnings from this process will influence our future carbon reduction strategy.

More broadly, we are looking to build upon initiatives already in place across the Group. We have established a project, using our own graduates, to look at site-based resource efficiency, with a target of reducing construction waste, having already achieved high waste diversion rates across the Group. We also have plans to further reduce the use of single-use plastics in the supply chain and water usage in our new homes.

Lastly, we remain committed to supporting our national charity partner, Cancer Research UK ('CRUK') and at the end of January, total donations to CRUK, raised by Bellway employees and business partners, amounted to £1.7 million since launching our partnership over four years ago.

Land and planning

Given the strong underlying demand for new homes, we have continued our disciplined programme of land acquisition, with our land teams tasked with identifying attractive investment opportunities which meet or exceed our minimum hurdle rates in respect of both gross margin and return on capital employed.

Accordingly, the Group has made good progress and has contracted to acquire 8,848 plots (2020 – 7,005 plots), across 54 sites (2020 – 41 sites), in good quality locations, with a contract value of £452.8 million (2020 – £408.2 million). This is a record half year investment, reflecting the opportunity in the market, during a period of reduced competition.

The sites acquired are housing-led developments, geographically spread across the country and will enable Bellway to offer its customers an affordable product, with less reliance on Help-to-Buy. As a result, the expected average selling price of the contracted plots is around £270,000. This is lower than the average selling price achieved in the period and this is expected to help mitigate any potential downward effect on sales rates that may arise as the revised Help-to-Buy scheme comes to an end in March 2023. The average forecast gross margin on land contracted is around 23%, based on expected costs and selling prices at the time of entering into the land contracts.

This responsible, but front-footed investment strategy, will contribute to the recovery in both volume and operating margin in the years ahead. The total cash spend on land, including payment of land creditors, was £351 million (2020 – £397 million).

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

	31 January 2021	31 January 2020
Owned and controlled plots		
DPP: plots with implementable detailed planning permission	**27,306**	25,277
Pipeline: plots pending an implementable DPP	**21,700**	18,800
Total owned and controlled plots	**49,006**	44,077
Strategic plots	**27,700**	25,700
Total land bank	**76,706**	69,777

Overall, the Group had 49,006 plots (2020 – 44,077 plots) within its owned and controlled land bank, a rise of 11.2%, with this growth achieved notwithstanding the usage of plots arising from the record number of homes sold in the period. Within the owned and controlled land bank, 27,306 plots (2020 – 25,277 plots) benefit from an implementable detailed planning permission and the anticipated sales demand and build progress on those plots is such that all land is in place to meet next year's anticipated legal completion forecast. Our proactive approach to investment ensures that the Group's land bank is in a strong position to help drive volume and margin recovery in the years ahead.

In relation to longer-term land opportunities, Bellway continues to invest in its strategic land portfolio, which now comprises some 27,700 plots (2020 – 25,700 plots).

Construction progress

As sites initially re-opened in late Spring last year, the Group focussed its construction investment on homes which were approaching build completion to maximise liquidity at a time of heightened uncertainty. This deliberate approach, together with the reduction in output in the prior financial year, resulted in elevated levels of work-in-progress at 31 July 2020.

This strategy facilitated strong growth in completions in the first half of the current financial year which, in turn, has resulted in a sizeable reduction in the amount invested in work-in-progress over the past six months. As we have completed homes already in production, construction investment over this time has moved, in general, towards new site starts and earlier stage construction phases and this, supported by strong on-site organisation, has enabled the Group to increase average active outlets in the period to 278 (2020 – 274).

Our construction sites operate efficiently with strict COVID-19 safe policies in place, however, the ongoing effects of 'lockdown' inevitably pose some delays to construction activity, particularly if site workers are subject to self-isolation requirements. In addition, although well-managed, we have experienced an elongated conveyancing process with both mortgage offers and home buyers' surveys often taking longer to complete.

Notwithstanding our site openings success, the reduced work-in-progress position, which generally includes plots that are in earlier stages of the construction process, will be a constraint to completions in the second half of the financial year. As a result, and as previously reported, in order to preserve production quality, the completion profile will be weighted towards the first half of this year.

Net cash and financial position

Bellway was highly cash generative in the period, producing £428.3 million from operations (2020 – £54.3 million), a result of the conversion of the elevated level of brought forward work-in-progress into cash.

Taxation payments were £40.7 million (2020 – £119.8 million), lower than last year due to the reduction in earnings, but also because the prior year outflow included an acceleration of quarterly payments following a one-off change in legislation. Dividend payments were £61.6 million (2020 – £123.1 million), net receipt of loans by Bellway from joint ventures was £25.6 million (2020 – net payment of loans £0.1 million) and there were other minor cash outflows of £6.6 million (2020 – £7.9 million). Overall, the Group had net cash of £346.4 million[2] (2020 – £4.6 million) at the end of the period, underlining

Bellway's strong balance sheet. Committed land obligations remain low at £371.7 million (2020 – £274.9 million). Including land creditors, net debt stood at £25.3 million[2] (2020 – £270.3 million), representing negligible adjusted gearing of 0.8%[2] (2020 – 8.9%).

The Group has committed bank facilities of £495 million, which mature in tranches through to 31 December 2023. In addition, the Group entered into a contractual arrangement during the period to issue a sterling US Private Placement ('USPP') for a total amount of £130 million, as part of its ordinary course of business financing arrangements. This USPP debt, which has maturity dates in seven and ten years and a weighted average fixed coupon of 2.7%, was drawn down on 17 February 2021. In aggregate, this provides the Group with access to total committed debt lines of £625 million, thereby securing a long-term and diversified source of capital. This, together with the Group's substantial cash resources, provides financial resilience in the event of unforeseen economic circumstances. In addition, it ensures that Bellway has significant capacity to invest in compelling land opportunities that meet or exceed its minimum financial acquisition criteria.

NAV growth and dividend

Following the final dividend payment of 50.0p per share in respect of the year ended 31 July 2020, the net asset value rose by 4.1% over the past twelve months to £3,162.4 million (2020 – £3,038.9 million), representing a net asset value per share of 2,564p[2] (2020 – 2,467p).

Given the robust balance sheet, substantial cash resources and resilient trading outlook, the Board is also delighted to restore the interim dividend at 35.0p per share. For the full year, the Board expects the dividend to be weighted towards the second half and to maintain a dividend cover[2] of around 3 times earnings. This remains in line with our long-term approach as we continue to reinvest in the business in order to facilitate growth.

Return on capital was 19.3%[1,2] (2020 – 19.9%), with the reduction reflecting the lower operating margin, partially offset by an improved asset turn. When including land creditors, a source of long-term debt, as part of the capital base, return on capital employed was 17.3%[1,2] (2020 – 18.2%). Notwithstanding the strong cash position, post-tax return on equity was 14.9%[2] (2020 – 16.1%).

Recent trading

In the six weeks since 1 February, trading was resilient, although given the ongoing national 'lockdown,' reservation rates were lower than the prior year at 263 per week (2020 – 278).

The forward order book remains substantial and at 14 March comprised 6,028 homes (8 March 2020 – 5,772 homes), with a value of £1,643.2 million[2] (8 March 2020 – £1,515.8 million), with this primarily expected to contribute to completions over the next 12 months.

Outlook

The reduced level of work-in-progress at 31 January, compared to July 2020, and higher proportion of homes in earlier stage construction phases, together with the focus on build quality, will result in a lower level of completions in the second half of the financial year, compared to the first half. Notwithstanding this, the temporary extensions to both the stamp duty holiday and the previous Help-to-Buy regime, have provided more certainty with regards to the completion profile over the coming months. As a result, the Board now expects that Bellway will complete the sale of around 10,000 homes (31 July 2020 – 7,522 homes) in the current financial year. The average selling price is expected to be excess of £295,000 (31 July 2020 – £293,054) and the operating margin, before net legacy building safety expense, is expected to be around 17%[1,2] (31 July 2020 – 14.5%[5]).

Beyond this financial year, Bellway has a strong land bank and capacity for disciplined, future growth in both volume and the operating margin, assuming market conditions remain supportive. This, together with our strong balance sheet, long-term approach, and focus on quality sets a solid foundation for the years ahead.

Jason Honeyman
Group Chief Executive

23 March 2021

Condensed Group Income Statement

	Note	**Half year ended 31 January 2021 Before net legacy building safety expense £m**	**Half year ended 31 January 2021 Net legacy building safety expense (note 3) £m**	**Half year ended 31 January 2021 Total £m**	Half year ended 31 January 2020 Total £m	Year ended 31 July 2020 Before net legacy building safety expense and other exceptional items £m	Year ended 31 July 2020 Net legacy building safety expense and other exceptional items (note 3) £m	Year ended 31 July 2020 Total £m
Revenue		**1,720.5**	**-**	**1,720.5**	1,541.4	2,225.4	-	2,225.4
Cost of sales		**(1,363.0)**	**(20.3)**	**(1,383.3)**	(1,184.9)	(1,803.2)	(71.9)	(1,875.1)
Gross profit		**357.5**	**(20.3)**	**337.2**	356.5	422.2	(71.9)	350.3
Other operating income		**41.3**	**-**	**41.3**	86.5	153.0	-	153.0
Other operating expenses		**(41.6)**	**-**	**(41.6)**	(89.1)	(156.1)	-	(156.1)
Administrative expenses		**(59.5)**	**-**	**(59.5)**	(56.7)	(97.4)	(0.7)	(98.1)
Operating profit		**297.7**	**(20.3)**	**277.4**	297.2	321.7	(72.6)	249.1
Finance income	4	**0.1**	**-**	**0.1**	0.2	0.2	-	0.2
Finance expenses	4	**(5.2)**	**-**	**(5.2)**	(6.1)	(13.6)	-	(13.6)
Share of result of joint ventures		**7.9**	**-**	**7.9**	0.5	1.0	-	1.0
Profit before taxation		**300.5**	**(20.3)**	**280.2**	291.8	309.3	(72.6)	236.7
Income tax expense	5	**(54.9)**	**3.9**	**(51.0)**	(52.5)	(57.6)	13.8	(43.8)
Profit for the period *		**245.6**	**(16.4)**	**229.2**	239.3	251.7	(58.8)	192.9
Earnings per ordinary share – Basic	6			**185.9p**	194.4p			156.6p
Earnings per ordinary share – Diluted	6			**185.4p**	193.7p			156.1p
Dividend per ordinary share	7			**35.0p**	Nil			50.0p

Condensed Group Statement of Comprehensive Income

	Note	**Half year ended 31 January 2021 £m**	Half year ended 31 January 2020 £m	Year ended 31 July 2020 £m
Profit for the period		**229.2**	239.3	192.9
Other comprehensive income/(expense)				
Items that will not be recycled to the income statement:				
Remeasurement gains/(losses) on defined benefit pension plans		**2.1**	-	(1.8)
Income tax on other comprehensive (income)/expense	5	**(0.4)**	-	0.3
Other comprehensive income/(expense) for the period, net of income tax		**1.7**	-	(1.5)
Total comprehensive income for the period *		**230.9**	239.3	191.4

* All attributable to equity holders of the parent.

Condensed Group Statement of Changes in Equity

	Note	Issued capital	Share premium	Capital redemption reserve	Other reserves	Retained earnings	Total equity
		£m	£m	£m	£m	£m	£m
Half year ended 31 January 2021							
Balance at 1 August 2020		15.4	178.4	20.0	1.5	2,778.7	2,994.0
Total comprehensive income for the period							
Profit for the period		-	-	-	-	229.2	229.2
Other comprehensive income **		-	-	-	-	1.7	1.7
Total comprehensive income for the period		-	-	-	-	230.9	230.9
Transactions with shareholders recorded directly in equity:							
Dividends on equity shares	7	-	-	-	-	(61.6)	(61.6)
Purchase of own shares	11	-	-	-	-	(2.5)	(2.5)
Shares issued		-	0.1	-	-	-	0.1
Credit in relation to share options and tax thereon	5	-	-	-	-	1.5	1.5
Total contributions by and distributions to shareholders		-	0.1	-	-	(62.6)	(62.5)
Balance at 31 January 2021		**15.4**	**178.5**	**20.0**	**1.5**	**2,947.0**	**3,162.4**
Half year ended 31 January 2020							
Balance at 1 August 2019		15.3	175.8	20.0	1.5	2,708.6	2,921.2
Total comprehensive income for the period							
Profit for the period		-	-	-	-	239.3	239.3
Other comprehensive income **		-	-	-	-	-	-
Total comprehensive income for the period		-	-	-	-	239.3	239.3
Transactions with shareholders recorded directly in equity:							
Dividends on equity shares	7	-	-	-	-	(123.1)	(123.1)
Credit in relation to share options and tax thereon	5	-	-	-	-	1.5	1.5
Total contributions by and distributions to shareholders		-	-	-	-	(121.6)	(121.6)
Balance at 31 January 2020		15.3	175.8	20.0	1.5	2,826.3	3,038.9
Year ended 31 July 2020							
Balance at 1 August 2019		15.3	175.8	20.0	1.5	2,708.6	2,921.2
Total comprehensive income for the period							
Profit for the period		-	-	-	-	192.9	192.9
Other comprehensive expense **		-	-	-	-	(1.5)	(1.5)
Total comprehensive income for the period		-	-	-	-	191.4	191.4
Transactions with shareholders recorded directly in equity:							
Dividends on equity shares	7	-	-	-	-	(123.1)	(123.1)
Shares issued		0.1	2.6	-	-	-	2.7
Credit in relation to share options and tax thereon	5	-	-	-	-	1.8	1.8
Total contributions by and distributions to shareholders		0.1	2.6	-	-	(121.3)	(118.6)
Balance at 31 July 2020		15.4	178.4	20.0	1.5	2,778.7	2,994.0

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

Condensed Group Balance Sheet

	Note	**At 31 January 2021 £m**	At 31 January 2020 £m	At 31 July 2020 £m
ASSETS				
Non-current assets				
Property, plant and equipment		**36.9**	35.2	36.7
Financial assets and equity accounted joint arrangements		**43.1**	50.5	60.8
Deferred tax assets	5	**0.3**	1.4	0.5
Retirement benefit assets		**3.6**	2.9	1.3
		83.9	90.0	99.3
Current assets				
Inventories		**3,678.5**	3,581.2	3,863.0
Trade and other receivables		**103.0**	157.8	69.9
Cash and cash equivalents	8	**346.4**	24.6	51.4
Corporation tax receivable	5	**-**	0.7	-
		4,127.9	3,764.3	3,984.3
Total assets		**4,211.8**	3,854.3	4,083.6
LIABILITIES				
Non-current liabilities				
Trade and other payables		**(89.0)**	(95.4)	(131.2)
Deferred tax liabilities	5	**(4.7)**	(2.2)	(2.6)
		(93.7)	(97.6)	(133.8)
Current liabilities				
Interest-bearing loans and borrowings	8	**-**	(20.0)	(50.0)
Corporation tax payable	5	**(11.1)**	-	(1.5)
Trade and other payables		**(853.0)**	(697.8)	(834.0)
Provisions	9	**(91.6)**	-	(70.3)
		(955.7)	(717.8)	(955.8)
Total liabilities		**(1,049.4)**	(815.4)	(1,089.6)
Net assets		**3,162.4**	3,038.9	2,994.0
EQUITY				
Issued capital		**15.4**	15.3	15.4
Share premium		**178.5**	175.8	178.4
Capital redemption reserve	11	**20.0**	20.0	20.0
Other reserves		**1.5**	1.5	1.5
Retained earnings	11	**2,947.0**	2,826.3	2,778.7
Total equity		**3,162.4**	3,038.9	2,994.0

Condensed Group Cash Flow Statement

	Note	**Half year ended 31 January 2021 £m**	Half year ended 31 January 2020 £m	Year ended 31 July 2020 £m
Cash flows from operating activities				
Profit for the period		**229.2**	239.3	192.9
Depreciation charge		**3.1**	3.1	6.3
Profit on the sale of property, plant and equipment		**(0.7)**	-	-
Finance income	4	**(0.1)**	(0.2)	(0.2)
Finance expenses	4	**5.2**	6.1	13.6
Share-based payment expense		**1.6**	1.1	2.1
Share of post-tax result of joint ventures		**(7.9)**	(0.5)	(1.0)
Income tax expense	5	**51.0**	52.5	43.8
Decrease/(increase) in inventories		**186.2**	(103.6)	(385.0)
(Increase)/decrease in trade and other receivables		**(33.1)**	(30.0)	58.0
(Decrease)/increase in trade and other payables		**(27.5)**	(113.5)	55.0
Increase in provisions	9	**21.3**	-	70.3
Cash inflow from operations		**428.3**	54.3	55.8
Interest paid		**(0.9)**	(1.9)	(6.0)
Income tax paid		**(40.7)**	(119.8)	(107.7)
Net cash inflow/(outflow) from operating activities		**386.7**	(67.4)	(57.9)
Cash flows from investing activities				
Acquisition of property, plant and equipment		**(3.0)**	(4.3)	(8.3)
Proceeds from sale of property, plant and equipment		**1.5**	-	0.1
Increase in loans to joint ventures		**(0.5)**	(0.5)	(9.9)
Repayment of loans by joint ventures		**26.1**	0.4	-
Interest received		**-**	0.2	0.3
Net cash inflow/(outflow) from investing activities		**24.1**	(4.2)	(17.8)
Cash flows from financing activities				
(Decrease)/increase in bank borrowings		**(50.0)**	20.0	50.0
Payment of lease liabilities		**(1.8)**	(1.9)	(3.7)
Proceeds from the issue of share capital on exercise of share options		**0.1**	-	2.7
Purchase of own shares	11	**(2.5)**	-	-
Dividends paid	7	**(61.6)**	(123.1)	(123.1)
Net cash outflow from financing activities		**(115.8)**	(105.0)	(74.1)
Net increase/(decrease) in cash and cash equivalents		**295.0**	(176.6)	(149.8)
Cash and cash equivalents at beginning of period		**51.4**	201.2	201.2
Cash and cash equivalents at end of period	8	**346.4**	24.6	51.4

Notes

1. Basis of preparation and accounting policies

Bellway p.l.c. (the “Company”) is a company incorporated in England and Wales.

These condensed consolidated interim financial statements, prepared to 31 January 2021, include the results of the Company, its subsidiaries and the Group’s interest in joint arrangements (together referred to as the “Group”).

These condensed consolidated interim financial statements are unaudited and were authorised for issue by the Board on 23 March 2021.

a) **Basis of preparation**
This set of condensed consolidated interim 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 2020 are not the Group's statutory financial statements for that financial year as defined in s434 of the Companies Act 2006. Those financial statements have been reported on by the Group'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 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, these condensed consolidated interim financial statements have been prepared applying the accounting policies and presentation that were applied in the preparation of the Group's published consolidated financial statements for the year ended 31 July 2020, except as noted in (c) below.

b) **Going concern**

The Group’s activities are financed principally by a combination of ordinary shares and bank borrowings less cash in hand, and, with effect from 17 February 2021, US Private Placement (“USPP”) debt. At 31 January 2021, net cash was £346.4 million[2] (note 8) having generated cash of £345.0 million (note 8) during the period, which includes £428.3 million of cash from operations. The Group has operated comfortably within all its banking covenants throughout the period. The Group has committed bank facilities of £495.0 million, expiring in tranches up to December 2023. Furthermore, in February 2021 the Group issued a sterling USPP for a total amount of £130 million, as part of its ordinary course of business financing arrangements. This debt, has maturity dates in seven and ten years.

At 31 January 2021, Bellway had access to total funds, being net cash and undrawn borrowings, of £841.4 million, along with net current assets (excluding net cash) of £2,825.8 million, providing the Group with adequate headroom and liquidity to meet its current liabilities as they fall due.

The Group’s internal forecasts have been regularly updated, as usual, throughout the various COVID-19 'lockdowns' and restrictions, incorporating our actual experience along with our expected future outturn. The most up to date base forecast has been sensitised, setting out the Group’s resilience to the principal risks and uncertainties. These sensitivities include a recession due to economic uncertainty and a deterioration in customer confidence. This could lead to a reduction in both the total number of legal completions and private average selling price, with overheads, land spend and construction spend reducing accordingly.

The most severe but plausible downside scenario is a severe recession. It includes the following principal assumptions:

- Private completions in H2 of FY21 are supported by the strong order book, but still fall to 64% of that achieved in H1 of FY20, the last period unaffected by COVID-19. In the 12 months to 31 July 2022, private completions reduce by around 50% compared to the pre-COVID-19 ‘lockdown’ peak. This is followed by a gradual recovery based on the lower base position.

- Private average selling price in H2 of FY21 remains in line with internal forecasts due to the strong order book position. In the 12 months to 31 July 2022, private average selling price reduces by 10% compared to the latest achieved pricing. This is followed by a gradual recovery based on the lower base position.

- These assumptions reflect the Group's experience in the 2008-09 global financial crisis.

A number of prudent mitigating actions were incorporated into the plausible but severe downside scenario, including:

- Plots in the land bank being replaced at the same rate that they are utilised.
- Construction spend reducing in line with housing revenue.

The sensitivity analysis was modelled over the period to 31 July 2024. In addition to the scenario, several additional mitigating measures remain available to management that were not included in the scenario. These include further reducing discretionary land spend and instead trading out of the substantial existing land holdings and reducing or cancelling future dividend payments.

In both the base forecast and the most severe but plausible downside scenario, the Group has significant headroom in both its financial debt covenants and existing debt facilities, and meets its liabilities as they fall due.

The directors consider that the Group is well placed to manage business and financial risks in the current economic environment. Consequently, the directors are confident that the Group will have sufficient funds to continue to meet its liabilities as they fall due for the foreseeable future and have therefore prepared the condensed consolidated interim financial statements on a going concern basis.

c) **Accounting policies**

The Group has recently entered into a small number of contractual arrangements with certain social housing providers and this will affect the recognition of the associated revenue and trade receivables in both the current and future accounting periods. The amended revenue recognition and trade and other receivables accounting policies of the Group are:

Revenue recognition

i. Private 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.

ii. Social housing:

The Group reviews social housing contracts on a contract by contract basis and determines the appropriate revenue recognition based on the specific terms of each contract.

Where a contract with a housing association transfers both land and social housing on legal completion ("turnkey and plot sale contracts" which typically represents around one third of social housing revenue), there is one performance obligation and revenue is recognised in the income statement at a point in time when the homes are build complete and all material contractual obligations have been fulfilled. This is when legal title is transferred.

Where a contract with a housing association transfers legal title of land once foundations are in place ("design and build" contracts' which typically represents around two thirds of social housing revenue) and separately transfers the social housing dwellings when they are build complete, there is a judgement as to whether the sale of land is a separate performance obligation for the purposes of revenue recognition and consequentially whether revenue should be recognised over time or at a point in time basis for the social housing units. Based on the contractual terms in the majority of such contracts, notably those that enable the Group to retain control over the land regardless of the transfer of title, the Group has determined that these contracts include one performance obligation which is appropriately recognised at a point in time, when the homes are build complete and all material contractual obligations have been fulfilled.

The Group recognises revenue in the income statement over time for contracts where the control of land is irrevocably transferred to the customer before or during construction. Revenue is recognised from the point that control is irrevocably transferred to the customer.

Where revenue is recognised over time and the outcome of the contract can be estimated reliably, it is recognised based on the stage of completion of the contract at the balance sheet date. This is usually by reference to surveys of work performed to the balance sheet date. Variations to such contracts are included in revenue to the extent that they have been agreed with the customer. Where the outcome of such a contract cannot be measured reliably, revenue is recognised to the extent of costs incurred.

Revenue is measured at the fair value of consideration received or receivable, net of incentives.

Incentives
Sales incentives are substantially cash in nature. Cash incentives are recognised as a reduction in housebuild revenue by the cost to the Group of providing the incentive.

Rental income
Rental income is recognised in the income statement on a straight-line basis over the term of the lease.

Trade and other receivables

Trade and other receivables are stated at their fair value at the date of initial recognition and subsequently at amortised cost less allowances for impairment. Amounts recoverable on certain social housing contracts where revenue is recognised over time are included in trade receivables to the extent that they have been invoiced, or if not they are included within prepayments and accrued income, and are stated as the amount due less any foreseeable losses.

Consideration which is contingent on future events is recognised based on the estimated amount if it is probable and can be reliably measured. Any subsequent changes to the fair value of the contingent consideration are recognised in the income statement.

The directors consider the effect of the updated accounting policies to be immaterial on revenue, profit and equity in these condensed consolidated interim financial statements.

Effect of accounting standard amendments effective for the first time

The Group adopted the following IFRS amendments and improvements for the first time in these condensed consolidated interim financial statements:

- Amendments to IFRS 3 ‘Business Combinations’
- Amendments to IFRS 9 ‘Financial Instruments’, IAS 39 ‘Financial Instruments: Recognition and Measurement’ and IFRS 7 ‘Financial Instruments: Disclosures’
- Amendments to IAS 1 ‘Presentation of Financial Statements’ and IAS 8 ‘Accounting Policies, Changes in Accounting Estimates and Errors’
- The Conceptual Framework for Financial Reporting

The adoption of these amendments and improvements has not had a material effect on the Group’s equity or profit for the period.

d) **Accounting estimates and judgements**

While preparing these condensed consolidated interim financial statements, the directors are required to make significant estimates and judgements that could have a significant effect on these financial statements when applying the Group’s accounting policies.

When preparing these condensed consolidated interim financial statements, the major judgements in applying the Group’s accounting policies and the major sources of estimation uncertainty were those applied in the Group’s Annual Report and Accounts for the year ended 31 July 2020, with the exception of the judgement relating to the COVID-19 exceptional items as no additional related expense or income has been recognised in the period that satisfies the requirements to be treated as exceptional.

Notes (continued)

2. Segmental analysis

The executive Board (the Chief Operating Decision Maker as defined in IFRS 8 'Operating Segments') 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 in to 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. Net legacy building safety expense and other exceptional items

The net legacy building safety expense and other exceptional items are those which, in the opinion of the Board, are material by size or nature and of such significance that they require separate disclosure on the face of the income statement to allow the users of the financial statements to understand the performance of the Group and make more informed decisions.

Operating profit for the half year ended 31 January 2021 has been arrived at after recognising the following adjusting item in the income statement:

	Half year ended 31 January 2021 £m	Half year ended 31 January 2020 £m	Year ended 31 July 2020 £m
Net legacy building safety expense (note 9)	**20.3**	-	46.8
COVID-19 related exceptional items			
a) Aborted land contracts	**-**	-	9.9
b) Abnormal, non-productive site-based costs arising from the interruption to construction activity during 'lockdown'	**-**	-	14.5
c) Restructuring costs	**-**	-	1.4
Total COVID-19 related exceptional items	**-**	-	25.8
Total net legacy building safety expense and other exceptional items	**20.3**	-	72.6

Net legacy building safety expense

We continue to take a proactive approach to nationwide concerns with regards to fire safety in high rise buildings across the UK. Bellway recognises its responsibilities in its legacy apartment portfolio and continues to review combustion risks, in external wall systems, on past high-rise developments.

Initially, our review efforts were directed towards those buildings over 18 metres in height, where Aluminium Composite Material ('ACM') had been used in the construction of the external wall envelope. The scope of our review has since widened, following the 'Advice for Building Owners of Multi-storey, Multi-occupied Residential Buildings', issued by the Ministry of Housing, Communities and Local Government in January 2020.

We therefore now approach this issue, with the benefit of sector-wide hindsight and, by applying revised guidance which clarifies the Government's interpretation of the extant building regulations that were in place at the time of construction. Our reviews, which often include the results of investigative surveys, consider whole external wall systems to determine whether the combination of materials used adequately prevent external fire spread, thereby rendering the building safe.

Notes (continued)

As previously reported, Bellway has identified a number of developments, which obtained building regulation approval at the time of construction, where the building materials used may not fully comply with this most recent Government guidance. Notwithstanding the complexities in assessing legal liability, as a responsible developer, we continue to assess our portfolio of legacy apartment schemes to determine the scope of potential remediation works.

As a result of this evaluation, Bellway has made an additional net exceptional provision of £20.3 million (half year ended 31 January 2020 – £nil, year ended 31 July 2020 – £46.8 million) as part of its commitment to help building owners remediate affected properties.

This is a highly complex area with judgements and estimates in respect of the cost of rectification works and the extent of those properties within the scope of the latest government guidance which are likely to evolve. The Group is also pursuing recoveries from third parties and a £0.9m reimbursement asset has been recognised on the balance sheet at 31 January 2021, being those assets which are virtually certain.

COVID-19 related exceptional items

This category solely relates to the year ended 31 July 2020, with no items recognised in either the half year ended 31 January 2021 or 31 January 2020. The onset of the COVID-19 pandemic in March 2020 initially affected the Group, and a COVID-19 related exceptional item was recognised in the financial statements for the year ended 31 July 2020.

Aborted land contracts – as conditions changed in the land market following the onset of COVID-19, a number of land deals were aborted or indefinitely suspended, a full impairment of inventories was performed, resulting in a land impairment of £9.9 million during the year ended 31 July 2020.

Abnormal, non-productive site-based costs arising from the interruption to construction activity during 'lockdown' – a number of site-based costs, which would have ordinarily been capitalised in to work-in-progress, were incurred when construction activity was initially suspended across the Group as the UK entered the first national 'lockdown'. These costs did not contribute to bringing the inventory into its current location or condition during this period of interruption, and accordingly £14.5 million was expensed to the income statement.

Restructuring costs – a modest workforce rationalisation programme was undertaken in response to reduced output and the suspension of divisional expansion plans

4. Finance income and expenses

	Half year ended 31 January 2021 £m	Half year ended 31 January 2020 £m	Year ended 31 July 2020 £m
Interest receivable on bank deposits	**-**	0.2	0.2
Other interest income	**0.1**	-	-
Finance income	**0.1**	0.2	0.2
Interest payable on bank loans and overdrafts	**1.6**	2.2	6.2
Interest on deferred term land payables	**3.3**	3.6	6.9
Interest payable on leases	**0.2**	0.3	0.5
Other interest expense	**0.1**	-	-
Finance expenses	**5.2**	6.1	13.6

Notes (continued)

5. Income tax expense

The effective rate of taxation for the period is 18.2% (2020 – 18.0%). The taxation charge for the period is calculated by applying the standard corporation tax rate of 19.0% (2020 – 18.3%) to the profit before taxation adjusted for non-taxable items and enhanced deductions.

In March 2021, the UK Government announced its intention to increase the corporation tax rate to 25.0% from April 2023. As this change had not been substantively enacted as at 31 January 2021, the deferred tax assets/liabilities of the Group have been calculated based on the substantively enacted corporation tax rate of 19.0%.

6. Earnings per ordinary share

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

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

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

	Earnings 2021 £m	**Weighted average number of ordinary shares 2021 Number**	**Earnings per share 2021 p**	Earnings 2020 £m	Weighted average number of ordinary shares 2020 Number	Earnings per share 2020 p
For basic earnings per ordinary share	**229.2**	**123,270,262**	**185.9**	239.3	123,119,444	194.4
Dilutive effect of options and awards		**339,661**	**(0.5)**		443,288	(0.7)
For diluted earnings per ordinary share	**229.2**	**123,609,923**	**185.4**	239.3	123,562,732	193.7

7. Dividends on equity shares

Amounts recognised as distributions to equity holders in the period:

	Half year ended 31 January 2021 £m	Half year ended 31 January 2020 £m	Year ended 31 July 2020 £m
Final dividend for the year ended 31 July 2020 of 50.0p per share (2019 – 100.0p)	**61.6**	123.1	123.1
Interim dividend for the year ended 31 July 2020 of nil per share (2019 – 50.4p)	**-**	-	-
	61.6	123.1	123.1
Proposed interim dividend for the year ending 31 July 2021 of 35.0p per share (2020 – nil)	**43.1**	-	61.7

The proposed interim dividend was approved by the Board on 23 March 2021 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 1 July 2021 to all ordinary shareholders on the Register of Members on Friday 21 May 2021. The ex-dividend date is Thursday 20 May 2021.

Notes (continued)

8. Analysis of net cash

	At 1 August 2020 £m	Cash flows £m	**At 31 January 2021 £m**
Cash and cash equivalents	51.4	295.0	**346.4**
Bank loans	(50.0)	50.0	**-**
Net cash	1.4	345.0	**346.4**

9. Provisions and reimbursement assets

	Legacy building safety provision £m	Reimbursement assets £m	Total £m
At 1 August 2020	(70.3)	-	(70.3)
Additions (note 3)	(36.5)	13.5	(23.0)
Released (note 3)	2.7	-	2.7
Utilised/(recovered)	12.5	(12.6)	(0.1)
At 31 January 2021	**(91.6)**	**0.9**	**(90.7)**

The Group has a provision for the cost of performing fire remedial works on a small number of legacy developments. These estimates may change over time as further information is assessed, building works progress and the interpretation of fire safety regulations further evolve. The majority of the provision is expected to be utilised within five years, however, the timing is uncertain, so the provision has not been discounted.

This is a highly complex area with judgements and estimates in respect of the cost of rectification works and the extent of those properties within the scope of Bellway's legacy building safety improvement provision could be extended should the latest interpretation of government guidance further evolve (note 10).

10. Contingent liabilities

Legacy building safety improvements

We continue to take a proactive approach to nationwide concerns with regards to fire safety in high rise buildings across the UK. Bellway recognises its responsibilities in its legacy apartment portfolio and continues to review combustion risks, in external wall systems, on past high-rise developments.

As previously reported, Bellway has identified a number of developments, which obtained building regulation approval at the time of construction, where the building materials used may not fully comply with the most recent Government guidance. Notwithstanding the complexities in assessing legal liability, as a responsible developer, we continue to assess our portfolio of legacy apartment schemes to determine the scope of potential remedial works.

As a result of this evaluation, Bellway has made an additional net provision of £20.3 million in order to help building owners remediate affected properties, resulting in total outstanding remediation costs of £91.6 million (note 9).

While a prudent approach has been taken, the extent of the provision could increase, in line with normal accounting practice if new issues are identified, as building owners continue to undertake their own investigative works on these and other schemes within the legacy portfolio. The Group is also pursuing recoveries from third parties over and above the £0.9m reimbursement asset recognised on the balance sheet at 31 January 2021 (note 9), but as these are not virtually certain, no further assets have been recognised on the balance sheet.

Notes (continued)

11. Reserves

Own shares held

The Group holds shares within the Bellway Employee Share Trust (1992) (the 'Trust') for participants of certain share-based payment schemes. These are held within retained earnings. During the period 105,967 shares were purchased by the Trust (2020 – nil shares) and the Trust transferred 47,923 (2020 – 20,820) shares to employees and directors. The number of shares held within the Trust and on which dividends have been waived, at 31 January 2021 was 101,853 (2020 – 43,809). These shares are held within the financial statements at a cost of £2.4 million (2020 – £1.0 million). The market value of these shares at 31 January 2021 was £2.8 million (2020 – £1.7 million).

Capital redemption reserve

On 7 April 2014 the Company redeemed 20,000,000 £1 preference shares, being all of the preference shares in issue. An amount of £20 million, equivalent to the nominal value of the shares redeemed, was transferred to a capital redemption reserve on the same date.

12. 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.

Other than the business combination disclosed in note 13 and the acquisition of 100% of the ordinary share capital of both Galaxy Land Limited and Ainscough Land Limited on 3 March 2021, the related parties are consistent with those disclosed in the Group's Annual Report and Accounts for the year ended 31 July 2020.

13. Business combination

The Group acquired 50% of the ordinary share capital of DFE TW Residential Limited ("DFE") on 22 January 2021 for £8.9 million cash consideration solely to access a land interest where the pre-acquisition shareholders had achieved a positive planning prognosis over a number of years. The land interest was immediately transferred to both shareholders of DFE. As part of the acquisition of DFE there was no transfer of trade, nor any transfer of employees. As the shareholders of DFE have substantially all of the economic benefit of the assets and fund the liabilities of DFE, this entity is deemed to be a joint operation.

The Group incurred acquisition-related expenses of £0.4m on legal fees and due diligence costs. These costs have been included in 'cost of sales' in the period.

The following table summarises the fair value of assets acquired and liabilities assumed at the date of acquisition:

	Fair value £m
Inventories	13.7
Corporation tax liability	(0.1)
Deferred tax liabilities	(1.7)
Trade and other payables	(3.0)
Total identifiable net assets acquired	**8.9**

The valuation technique used for measuring the fair value of the material asset acquired is as follows:

Assets acquired	Valuation technique
Inventories	The fair value was determined as the consideration paid by the Group, on an arm's length basis, for the underlying inventory assets acquired, less the costs of sale.

If new information, obtained within one year of the date of acquisition, about facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts, then the accounting for the acquisition will be revised.

Notes (continued)

No goodwill arose on the acquisition as the consideration transferred was equal to the total identifiable net assets acquired.

Following the acquisition by the Group, both revenue and cost of sales of £1.4 million have been recognised in the reported condensed Group income statement for the half year ended 31 January 2021, resulting in no additional profit before taxation.

14. 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.

15. Alternative performance measures

Bellway uses a variety of alternative performance measures ('APMs') 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:

- **Gross profit and operating profit before net legacy building safety expense and other exceptional items** – Both of these measures are reconciled to total gross profit and total operating profit on the face of the condensed Group income statement. The directors consider that the removal of the net legacy building safety expense and other exceptional items provides a better understanding of the underlying performance of the Group.

- **Gross profit margin before net legacy building safety expense and other exceptional items** – This is gross profit before net legacy building safety expense and other exceptional items divided by total revenue. The directors consider this to be an important indicator of the underlying trading performance of the Group.

- **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.

- **Operating profit margin before net legacy building safety expense and other exceptional items** – This is operating profit before net legacy building safety expense and other exceptional items divided by total revenue. The directors consider this to be an important indicator of the operating performance of the Group.

- **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') before net legacy building safety expense and other exceptional items** – This is calculated as operating profit before net legacy building safety expense and other exceptional items divided by the average capital employed. Average capital employed is calculated based on opening, half year and closing 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.

Notes (continued)

	31 January 2021			31 January 2020		
	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 before net legacy building safety expense	**297.7**		**297.7**	297.2		297.2
Capital employed/land creditors:						
Opening	**2,994.0**	**343.6**	**3,337.6**	2,921.2	297.9	3,219.1
Half year	**3,162.4**	**371.7**	**3,534.1**	3,038.9	274.9	3,313.8
Average	**3,078.2**	**357.7**	**3,435.9**	2,980.1	286.4	3,266.5
Annualised return on capital employed	**19.3%**		**17.3%**	19.9%		18.2%

- **Return on capital employed ('RoCE')** – This is calculated as total 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 2021			31 January 2020		
	Capital employed	**Land creditors**	**Capital employed including land creditors**	Capital employed	Land creditors	Capital employed including land creditors
	£m	**£m**	**£m**	£m	£m	£m
Total operating profit	**277.4**		**277.4**	297.2		297.2
Capital employed/land creditors:						
Opening	**2,994.0**	**343.6**	**3,337.6**	2,921.2	297.9	3,219.1
Half year	**3,162.4**	**371.7**	**3,534.1**	3,038.9	274.9	3,313.8
Average	**3,078.2**	**357.7**	**3,435.9**	2,980.1	286.4	3,266.5
Annualised return on capital employed	**18.0%**		**16.1%**	19.9%		18.2%

- **Order book** – This is calculated as the total expected sales value of current reservations that have not legally completed. The directors consider this to be an important indicator of the likely future operating performance of the Group.

- **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 2021 £m	31 January 2020 £m
Profit for the period	**229.2**	239.3
Net assets:		
Opening	**2,994.0**	2,921.2
Half year	**3,162.4**	3,038.9
Average	**3,078.2**	2,980.1
Annualised post-tax return on equity	**14.9%**	16.1%

Notes (continued)

- **Net cash** – This is 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 8.

- **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 2021 £m	**31 July 2020 £m**	**Movement £m**	31 January 2020 £m	31 July 2019 £m	Movement £m
Land	**2,241.0**	**2,216.2**	**24.8**	2,068.3	2,004.4	63.9
Work in progress	**1,309.4**	**1,496.1**	**(186.7)**	1,333.2	1,298.2	35.0
(Decrease)/increase in capital invested in land and work in progress in the period			**(161.9)**			98.9
Land creditors	**(371.7)**	**(343.6)**	**(28.1)**	(274.9)	(297.9)	23.0
(Decrease)/increase in capital invested in land, net of land creditors, and work in progress in the period			**(190.0)**			121.9

- **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.

- **Average net debt** – This is calculated by averaging the net debt/cash position at 1 August and each month end during the period. The directors consider this to be a good indicator of the financing position of the Group throughout the period.

Principal risks and uncertainties

A risk register is maintained detailing all of our potential risks, categorised between strategic, operational, financial, compliance and reputational risks. The risk management processes are set up to ensure all aspects of the business are considered, from strategy through to business execution and including any specialist business areas.

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.

A summary of principal risks is reported to management, the Audit Committee and the Board, which is mainly, but not exclusively, comprised of risks considered to be outside of 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.

We have identified the following principal risks to our business:

Risk and description	Strategic relevance	KPIs	Mitigation	Change in period
Land Inability to source suitable land at appropriate gross margins and RoCE.	▪ Insufficient land would affect our volume growth targets. ▪ Failure to buy land at the right margin would have a detrimental effect on future returns.	▪ Land bank (with DPP). ▪ Number of homes sold. ▪ RoCE. ▪ Gross margin. ▪ EPS.	▪ Budgeting and forecasting of growth targets to ensure land bank supports strategic target. ▪ Targeted approach to land acquisitions, with pre-purchase due diligence and viabilities on all proposed land purchases. ▪ Authorisation of all land purchases in accordance with Group procedures and 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. ▪ RoCE. ▪ Number of plots acquired directly in land bank with an implementable DPP. ▪ Number of plots converted from medium term pipeline to land with DPP. ▪ Number of plots in our pipeline land bank. ▪ Number of plots identified in our strategic land bank with a positive planning status.	▪ Group and divisional planning specialists provide advice and support to the divisions to assist with securing planning permissions. ▪ Management of immediate, medium-term and strategic land to maintain an appropriate balance of land in terms of quantity and location.	No change.
Construction resources Shortage of appropriately skilled subcontractors 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. ▪ Pricing pressure would impact returns.	▪ Number of homes sold. ▪ Customer satisfaction score. ▪ Employee turnover. ▪ EPS.	▪ Systems are in place to select, appoint, monitor, manage and build long-term relationships with our subcontractors and suppliers. ▪ Competitive rates and prompt payment for our subcontractors. ▪ Group-wide purchasing arrangements are in place. ▪ Continued review and monitoring of supplier and subcontractor 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 could result in criminal prosecution, civil litigation and reputational damage.	▪ Number of RIDDOR seven day lost time accidents per 100,000 site operatives. ▪ NHBC health and safety benchmark. ▪ NHBC Health and Safety Awards.	▪ The Board considers health and safety issues at every meeting. ▪ Regular visits to sites by senior management (independent of our divisions) and external consultants to monitor health and safety standards and performance against the health and safety policies and procedures.	No change.
External environment There are a number of external factors that could affect our ability to generate sales, including but not limited to: ▪ Economic factors, especially house price inflation and interest rates. ▪ Mortgage availability. ▪ Government housing policy. ▪ Uncertainty over post-BREXIT agreements.	▪ The ultimate impact of these external factors would be on the ability to sell houses and apartments and on returns.	▪ Number of homes sold. ▪ Order book. ▪ Reservations rate. ▪ Customer satisfaction score. ▪ EPS. ▪ RoCE.	▪ Ongoing monitoring of key business metrics and development of action plans as necessary. ▪ Product range and pricing strategy determined based on regional market conditions. ▪ Use of sales incentives, such as part-exchange, to encourage the selling process. ▪ Use of Government-backed schemes to encourage home ownership. ▪ 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. ▪ Number of graduates and apprentices. ▪ Number of people who have worked for the Group for 10 years or more. ▪ Training days per employee. ▪ Senior management gender split.	▪ Continued development of the Group Human Resources function and implementation of our people strategy. ▪ Centralised recruitment support and employee engagement activities. ▪ Monitoring and review of staff turnover and feedback from exit interviews. ▪ Competitive salary and benefits packages which are regularly reviewed and benchmarked. ▪ Succession plans in place and key person dependencies identified and mitigated. ▪ Increased level of training provided to employees. ▪ Graduate, apprentice and site manager programmes in place.	No change.
IT and security Failure to have suitable systems in place and appropriate back up, contingency plans and security policies.	▪ Poor performance of our systems would affect operational efficiency, profitability and our control environment.	▪ EPS.	▪ Group-wide systems are in operation which are centrally controlled with an outsourced support function in place. ▪ Continued investment in systems. ▪ Regular review and testing of our security measures, contingency plans and IT security policies. ▪ Group-wide Cyber Security Committee in place.	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, construction and sales completions plus possible re-work to sites, all of which could have a detrimental impact on profitability and reputation, potentially leading to financial penalties and other regulatory consequences. ▪ Changes may occur as a result of the MHCLG's Building Safety Programme and the work being carried out by the CMA and Government on leasehold reform.	▪ Volume growth. ▪ EPS. ▪ Number of homes sold. ▪ RoCE. ▪ Gross margin.	▪ In-house expertise from Group Company Secretariat, Legal, Health and Safety and Technical functions who advise and support divisions on compliance and regulatory matters. ▪ Consultation with Government agencies, specialist external legal advisors and subject matter experts (e.g. fire safety consultants) including ongoing cooperation with the CMA. ▪ Strengthened Group-wide policies, procedures and training for key regulatory matters, supported by reporting and whistleblowing procedures. ▪ Continual monitoring and review of changes to legislation and regulation, including any supporting guidance and advice notes. ▪ Continual liaison with the HBF on regulation and compliance matters.	No change.
Climate change Failure to evolve business practices and operations in response to climate change, including physical impacts, reporting requirements and social expectations.	▪ There is an increased focus on the actions taken by businesses in response to climate change and the disclosures made. Failure to improve reporting and performance in line with new regulations and heightened social expectations could lead to financial penalties and reputational damage. ▪ The physical impacts of climate change (such as extreme weather) could lead to disruptions within the supply chain and build programme.	▪ Greenhouse gas emissions. ▪ Carbon emissions per completed home.	▪ Continual monitoring of new and evolving requirements as part of our legal and regulatory compliance framework, including the Future Homes Standard. ▪ Dedicated Head of Sustainability to assess risks relating to climate change, monitor performance and drive improvement. ▪ Investment in energy-saving measures for offices and sites, including transition to REGO certified electricity. ▪ Procurement of materials (e.g. timber) from sustainable sources. ▪ Regular review of the design and features of new homes to increase energy efficiency.	No change.
COVID-19 Uncertainty over the impact of COVID-19 on the Group's operational and financial performance.	▪ The economic uncertainty brought about by COVID-19, in addition to the factors below, affects construction and sales activity which ultimately impact the Group's liquidity: - Lack of high loan-to-value mortgages - Government imposed restrictions/guidance - Maintaining social distancing practices - Issues in the supply chain or high levels of staff/subcontractor absence. ▪ Damage to reputation if the Group is not perceived to be following Government guidelines and acting responsibly.	▪ EPS. ▪ Number of homes sold. ▪ RoCE. ▪ Gross margin. ▪ Order book value. ▪ Land bank (with DPP). ▪ Operating margin. ▪ Dividend per ordinary share. ▪ Operating profit. ▪ Net asset value per ordinary share. ▪ Employee turnover. ▪ Reservations rate.	▪ Strong balance sheet as at 31 January 2021 and committed bank facilities of £495 million. The Group also has USPP debt of £130 million. ▪ Regular review of liquidity and cashflow at a Group level. ▪ Targeted spend on land and WIP. ▪ Maintenance of business resilience plans supported by investment in IT to enable robust homeworking. Safe working practices and arrangements implemented across offices and sites for staff, subcontractors and customers with Marshalls appointed to monitor social distancing.	No change.

The Group also faces a number of emerging risks that have the potential to be significant to the achievement of our strategy, but which at present cannot be fully defined and assessed. These are considered as part of our established risk management framework, discussed by the Board regularly and elevated to principal risks when warranted.

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 2021 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 consolidated 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 2020.

For and on behalf of the Board

Jason Honeyman
Chief Executive

Registered number 1372603
23 March 2021

Note on forward-looking statements

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