BELLWAY P.L.C. ("BELLWAY" OR THE "GROUP"), THE NATIONAL HOUSEBUILDER, ANNOUNCES TODAY, TUESDAY 19 OCTOBER 2021, ITS PRELIMINARY RESULTS FOR THE YEAR ENDED 31 JULY 2021.

Summary

Financial strength and record order book provide platform for further growth in the years ahead

	Year ended 31 July 2021	Year ended 31 July 2020	Movement
Revenue	£3,122.5m	£2,225.4m	+40.3%
Gross profit (underlying)	£651.9m[1,4]	£422.2m[1,4]	+54.4%
Gross margin (underlying)	20.9%[1,4]	19.0%[1,4]	+190 bps
Operating profit (underlying)	£531.5m[1,4]	£321.7m[1,4]	+65.2%
Operating margin (underlying)	17.0%[1,4]	14.5%[1,4]	+250 bps
Profit before taxation (underlying)	£530.8m[1,4]	£309.3m[1,4]	+71.6%
Net legacy building safety expense and exceptional items	(£51.8m)	(£72.6m)	(28.7%)
Profit before taxation	£479.0m	£236.7m	+102.4%
Earnings per share	316.9p	156.6p	+102.4%
Proposed total dividend per share	117.5p	50.0p	+135.0%
Net cash	£330.3m[1]	£1.4m[1]	

Strong recovery in profitability, supported by good market conditions and a robust balance sheet

- Revenue rose by 40.3% to £3,122.5 million (2020 – £2,225.4 million, 2019 – £3,213.2 million), only 2.8% below the record level achieved in financial year 2019.
- The number of housing completions rose by 34.8% to 10,138 (2020 – 7,522, 2019 – 10,892).
- Good underlying demand across the country, with a private reservation rate of 169 per week (2020 – 141, 2019 – 160), an increase of 19.9% and 5.6% compared to the prior year and financial year 2019 respectively.
- Underlying profit before taxation rose by 71.6% to £530.8 million[1,4] (2020 – £309.3 million, 2019 – £662.6 million).
- A front-footed and early re-entry into the land market, with a record 19,819 plots[5] contracted (2020 – 12,124 plots, 2019 – 13,284 plots), at a value of £1,066.0 million[5] (2020 – £777.7 million, 2019 – £787.7 million), provides the opportunity for volume growth and margin recovery in the years ahead.
- Strong balance sheet, with year-end net cash of £330.3 million[1] (2020 – £1.4 million, 2019 – £201.2 million) and committed debt facilities of £500 million as at 18 October 2021, together ensure that Bellway retains strategic flexibility and can proactively respond to new investment opportunities.
- Proposed total dividend per share of 117.5p (2020 – 50.0p, 2019 – 150.4p), a rise of 135.0%.

Targeting ambitious future growth and increasing shareholder returns

- A strengthened land bank, comprising some 86,571 plots[6] (2020 – 72,361 plots, 2019 – 68,593 plots), ensures Bellway has the platform to deliver its long-term growth strategy.
- Ambitious growth plans, supported by our strengthened land bank and programme of future site openings, with a target annual output of 12,200 homes in financial year 2023, around 20% above the 31 July 2021 outturn.
- Target to generate cumulative, underlying profit before taxation, of around £1.25 billion[1,4], over the next two financial years, with one-third of the after-tax amount to be returned to shareholders in dividend payments.
- Substantial capacity to deliver further, ongoing volume growth and increase output, over several years, to between 16,000 and 18,000 homes per annum, thereby generating attractive, long-term returns for shareholders.
- Over the medium-term, the Board are targeting a sustainable, normalised operating margin, before considering any potential benefit of future house price inflation, less cost inflation, of between 18%[1,4] and 19%[1,4].

‘Better with Bellway’ embodies our approach to responsible and sustainable business practices

- Commencement of our new ‘Better with Bellway’ integrated sustainability framework, with a plan to publish our progress, strategic objectives, targets and KPIs in 2022.
- A continued focus on quality and customer service, supported by the launch of our ‘Customer First’ programme, has helped Bellway to retain its five-star homebuilder[3] status for the fifth consecutive year.
- The Group set aside a further net £51.8 million, as an adjusting item, as part of its commitment 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 £164.7 million, demonstrating our commitment to act responsibly with regards to this issue.
- Scope 1 and Scope 2 carbon emissions per home sold have reduced by 24.0% since 2018 and work is underway to establish ambitious science-based carbon reduction targets in the year ahead.

Current year outlook

- A substantial forward order book at 3 October 2021, with a value of £1,966.3 million[1] (4 October 2020 – £1,869.6 million, 29 September 2019 – £1,311.6 million), and a strong work-in-progress position, supports target growth in completions of around 10%, to over 11,100 homes, for the year ending 31 July 2022 (2021 – 10,138 homes). The increase in output is expected to be weighted towards the second half of the financial year.
- The average selling price for the full year ahead is expected to be around £295,000 (2021 – £306,479), with the moderation being a reflection of changes in product mix in advance of the change in Help-to-Buy rules.
- The underlying operating margin is expected to recover to around 18%[1,4] in the year ahead (2021 – 17.0%), driven by recent, higher margin land acquisitions and our programme of commercial, cost saving and value engineering initiatives.

1 Bellway uses a range of statutory performance measures and alternative performance measures when reviewing the performance of the Group against its strategy. Definitions of the alternative performance measures, and a reconciliation to statutory performance measures, are included in note 13.

2 All figures relating to completions, order book, reservations, cancellations and average selling price exclude the Group’s share of its joint ventures unless otherwise stated.

3 As measured by the Home Builders’ Federation Customer Satisfaction survey.

4 Underlying refers to any statutory performance measure or alternative performance measure before net legacy building safety expense and exceptional items (note 3).

5 Includes the Group’s share of land contracted through joint venture partners comprising 882 plots (2020 – 203 plots, 2019 – 171 plots), with a contract value of £39.2 million (2020 – £15.3 million, 2019 – £5.7 million) across 2 sites (2020 – 1 site, 2019 – 1 site).

6 Includes the Group’s share of land owned and controlled through joint venture partners comprising 938 plots (2020 – 472 plots, 2019 – 272 plots).

7 Comparatives are for the year ended 31 July 2020 or as at 31 July 2020 (‘2020’) or are for the year ended 31 July 2019 or as at 31 July 2019 (‘2019’) unless otherwise stated.

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/investor-centre. There is also a facility to join the presentation and Q&A session via a conference call. Participants should dial +44 (0)330 336 9434 and use confirmation code 6924047. A playback facility will be available shortly after the presentation has finished.

For further information, please contact:-

Jason Honeyman, Group Chief Executive
Keith Adey, Group Finance Director

Tel: +44 (0) 191 217 0717

Chairman's Statement

Introduction

Bellway has delivered a strong set of results and, despite the ongoing global pandemic, is well on the road to recovery. The positive response and actions from our colleagues, subcontractors and suppliers have helped the Group complete the sale of 10,138 homes (2020 – 7,522, 2019 – 10,892), restore housing revenue to just 2.3% below the pre-pandemic level and increase earnings per share by 102.4% to 316.9p (2020 – 156.6p, 2019 – 437.8p).

Our people

It is the hard work, dedication, and efforts of those who have worked for, and with, Bellway over the past year, that have enabled us to achieve this strong performance. On behalf of the Board, I would like to express our gratitude to all those who have contributed to this result, for their resilience, ongoing commitment, and their support for the continuous evolution in working practices.

Strategic priorities

The past financial year has been a period over which the Group has enjoyed a strong recovery, with housing revenue restored very close to 2019 levels and our land bank strengthened because of our front-footed, but responsible approach to investment.

The balance sheet is solid, and we retain our strong operational focus, with health and safety, quality, and customer service all integral to our culture and at the forefront of our business. We look to the new financial year with optimism, as we set out our three strategic priorities:-

1. Volume growth,
2. Value creation for shareholders, and
3. 'Better with Bellway', our approach to responsible and sustainable business practices, for the benefit of all stakeholders.

Volume growth

The long-term housing market fundamentals continue to be favourable. There remains a shortage of affordably priced, good-quality housing across many parts of the country and the planning environment is positive. There is a sustainable supply of mortgages, and this, together with the long-term prospect for low interest rates, ensures that finance for new homes remains both accessible and affordable.

Set against this backdrop, Bellway has an established and mature operating structure, with a widespread geographical presence, comprising 22 divisions across England, Scotland and Wales. This strong, nationwide platform provides extensive local market knowledge and the base from which to acquire land, source subcontractor labour and respond to localised sales demand. It has enabled Bellway to operate as the fourth largest housebuilder in the country for many years, with a current volume output of more than 10,000 homes per annum. This is some 35% to 45% lower than the recent peak output of our larger, national peers, providing scope for Bellway to continue to grow and take a larger share of the overall housing market.

In the context of these positive, broader market dynamics, Bellway has the capacity, over several years, to significantly increase volume output to between 16,000 and 18,000 homes per annum, with the growth rate in any given year determined by customer demand, ongoing positivity in the mortgage market, and access to good quality land. This is beyond our previous target of 14,000 homes, principally because of the strong long-term market fundamentals and our capacity, both financially and operationally, to open new divisions and make further investment in areas of strong demand.

In the shorter-term, the Board are targeting growth of around 20% above the 31 July 2021 outturn of 10,138 homes, with an annual output of around 12,200 new homes in financial year 2023. Principally, this can be achieved because of our record land investment over the past twelve months, which will lead to outlet growth as the newly acquired sites are advanced through the planning system. The growth in outlets will also help to place Bellway in a good position to mitigate the end of the Help-to-Buy scheme in March 2023. While ambitious, our two-year volume target is considered and reflects the strength of our underlying business, the magnitude of our sizeable order book and the ongoing success of the COVID-19 vaccine roll-out.

Value creation for shareholders

Crucial to the success of our volume growth strategy is our ability to deliver value for shareholders. The Board believes that value generation is best evaluated through capital growth, by increasing the net asset value per share ('NAV'), together with the payment of a regular dividend.

For the year ended 31 July 2021, NAV rose by 9.8% to 2,664p[1] (2020 – 2,427p, 2019 – 2,372p), a reflection of the recovery in earnings. In addition, because of our strong balance sheet, the Board is delighted to recommend a 65.0% increase in the final dividend to 82.5p per share (2020 – 50.0p, 2019 – 100.0p). This means that the proposed total dividend for the year will increase by 135.0% to 117.5p per share (2020 – 50.0p, 2019 – 150.4p), with the interim dividend in the prior year cancelled due to uncertainty at the time, because of the pandemic. If approved, the overall dividend will be covered 2.7 times[1] by total earnings (2020 – 3.1, 2019 – 2.9) and 3.0 times[1,4] by underlying earnings (2020 – 4.1, 2019 – 2.9).

Given the growth potential in the business, reinvesting capital into attractive, high-return land opportunities will generate strong, compounding returns in the years ahead. This will be balanced with a regular shareholder cash distribution, through an ongoing dividend, with the Board broadly expecting to maintain an annual, ordinary dividend cover of around 3 times underlying earnings[1,4] for the foreseeable future.

Over the next two years, the value for shareholders arising from this approach will not only be influenced by volume growth, but also the ongoing operating margin recovery, driven by recent, higher margin land acquisitions and our programme of commercial, cost saving and value engineering initiatives. At the same time, there will be some, previously highlighted, dilutive effect on the average selling price, as the Group continues to strategically reposition itself to offer an affordable mix of product, in advance of the expiry of the Help-to-Buy scheme in March 2023.

Taking these factors into consideration, the Board expects Bellway to generate around £1.25 billion[1,4] in cumulative, underlying profit before taxation over the next two financial years, with approximately one-third of the after-tax amount to be distributed to shareholders.

'Better with Bellway'

Our growth strategy is a long-term ambition, the success of which requires us to engage positively with our colleagues, subcontractors and supply chain partners in order to safely deliver a high-quality product, that is appealing to our customers.

Integral to our culture is our responsible approach to business and in that regard, we are developing 'Better with Bellway', a new long-lasting initiative, led by Executive Management and overseen by the Board. Not only will this add momentum to the many positive activities we already undertake, which benefit our wider stakeholder groups, but it will also spearhead our campaign to adopt more sustainable and responsible, long-term business practices.

We are delighted to have retained our status as a five-star homebuilder[3] for the fifth consecutive year, demonstrating our commitment to quality and customer service. We also continue to act responsibly with regards to fire safety and have put aside an additional net £51.8 million to deal with legacy building safety issues on apartment schemes.

More widely, adopting sustainable business practices and exerting a positive influence on our stakeholders and the environment, is not only responsible, but it also sets a solid foundation for the future financial and operational success of Bellway. The Board has initiated a holistic review of Bellway's approach to sustainability, engaging with a wide range of stakeholders to understand their priorities, to determine how our approach can be improved. This review will be completed within the next financial year, but the intention is that our response to environmental, societal and governance ('ESG') matters will be brought together under the 'Better with Bellway' banner.

'Better with Bellway' will become an integral feature of our approach to business and will be embedded within our core operational processes. We will start by building upon our existing, strong culture and traditions to establish a set of ESG priorities, which are core to day-to-day operations. These will incorporate existing initiatives such as 'Customer First', our programme to further improve quality and customer service, our goal to become an employer of choice and our responsible stance towards legacy building safety issues.

In addition, our 'Better with Bellway' framework will also be broadened to consider wider aspects of the business. Importantly, we have commenced the process of measuring our Scope 3 carbon emissions so that we can set meaningful, science-based carbon reduction targets. Our intention is not just to comply with ambitious regulatory requirements arising from the Government's Future Homes Standard, but also to look at the feasibility of pursuing other opportunities, within our business, to further reduce carbon emissions.

During 2022, we will publish science-based carbon reduction targets, which will build upon the success we have already achieved over the past three years, in reducing Scope 1 and 2 carbon emissions.

Our sustainability strategy will continue to evolve as we gain knowledge and fully embed 'Better with Bellway' across our sites and divisions. Over time though, we fundamentally believe that our responsible approach is the right one to ensure the long-term future success of the Group and to contribute to strong, ongoing financial returns.

We will report upon progress and priorities in the next financial year and will also look to develop and publish appropriate KPIs to measure performance against our targets.

Future long-term success

The Group is recovering well from the pandemic and looking ahead, Bellway is in a robust position, with a motivated and dedicated workforce. It benefits from a strong, ungeared[1] balance sheet, a record order book, and a strengthened land bank. Our focus on quality, our responsible approach to business and our capacity to expand, lay the foundations for long-term, sustainable volume growth. I am therefore confident that our three strategic priorities of volume growth, value creation for shareholders, and our 'Better with Bellway' approach to sustainability, will continue to ensure the ongoing and long-term success of Bellway and its stakeholders.

Paul Hampden Smith
Chairman
18 October 2021

Chief Executive's Market and Operational Review

Market

Bellway has performed well throughout the financial year, benefitting from strong underlying demand across the country for our high-quality and affordable new homes.

The mortgage market has remained supportive and low interest rates ensure that new homes are affordable. It took longer to obtain valuations and progress mortgage applications earlier in the financial year, as lenders initially dealt with a COVID-19 related backlog and increased demand, but the time taken for customers to obtain mortgage offers has since reduced over recent months.

Lenders also exercised increased caution during the year, particularly in relation to higher loan-to-value mortgages, where, in general, there remains an absence of widely available products at competitive interest rates. Customers with a 5% deposit are therefore often unable to access affordable mortgage finance outside of the Government's Help-to-Buy scheme.

Against this backdrop, visitor numbers have remained strong, and our appointment only system, introduced in response to social distancing requirements, has proven to be successful, allowing our sales advisors to spend more quality time with interested buyers. In addition, further investment in our website has provided ongoing benefits, especially in the context of evolving customer trends, and this has contributed to a 45% increase in website traffic over the financial year.

Sales rates were more pronounced in the summer and early autumn, given the pent-up demand arising from the spring 2020 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 period under review, supported by the effective transition to the new Help-to-Buy scheme in April 2021.

For the whole year, average weekly private reservations were 169 (2020 – 141, 2019 – 160), an increase of 19.9% compared to the prior year and 5.6% ahead of financial year 2019. The overall reservation rate rose by 14.6% to 204 per week (2020 – 178, 2019 – 210), with this achieved from an average of 270 outlets. Help-to-Buy was used in 30% (2020 – 40%, 2019 – 35%) of total reservations and the cancellation rate was low, at just 13% (2020 – 17%, 2019 – 12%).

The pricing environment remains positive, with low-to-mid-single digit house price inflation benefitting sites where demand is particularly strong. This is most pronounced in Scotland and regions such as the North West, the Midlands and the Home Counties, with customers' evolving working routines providing opportunities to live further away from traditional centres of commerce. In general, and across the Group, house price inflation has offset rises in build costs.

Three brands to support demand

Bellway continues to operate under three brands being Bellway, Ashberry and Bellway London. The core Bellway brand remains the foundation of the business, contributing 86.1% of completions (2020 – 88.1%, 2019 – 85.5%).

Ashberry is used on larger sites, where the site layout and market demand justify two selling outlets. In these instances, we can use the two brands together to offer differing elevational treatments and internal layouts. This provides greater customer choice, enhanced sales rates and an improved return on capital employed. Ashberry was used in 6.8% of completions during the year (2020 – 5.7%, 2019 – 5.2%).

Our Bellway London brand is intended to create a single approach to marketing across the Capital, recognising that the product offering, specification, and customer approach to buying a new home, often differ to elsewhere in the country. Bellway London contributed 7.1% of the Group's completions (2020 – 6.2%, 2019 – 9.3%), with almost 90% of these apartments. Our London activity continues to target the more affordable outer transport zones, with our sites located at Barking Riverside, Beckton and Bexleyheath all contributing 100 or more completions in the year. The average selling price of private homes sold in the Capital was £408,051 (2020 – £514,313, 2019 – £562,554) which remains affordable in the context of the London market.

A front-footed approach to land buying

Our front-footed and opportunistic, yet disciplined approach towards land acquisition, at a time when there was less pronounced competition, has led to a record investment in new sites since our re-entry into the market in early summer 2020. This is driven by market opportunity and the strong, structural demand for good quality housing. It has resulted in a strengthened land bank, providing a solid platform for ongoing growth and margin recovery in the years ahead.

The Group has contracted to purchase 19,819 plots[5] (2020 – 12,124 plots, 2019 – 13,284 plots) across 109 sites[5] (2020 – 69 sites, 2019 – 94 sites), with a contract value of £1,066.0 million[5] (2020 – £777.7 million, 2019 – £787.7 million). The anticipated average gross margin, based upon revenue and cost at the time of acquisition, is 23%.

The average size of contracted sites is 182 plots[5] (2020 – 176 plots, 2019 – 141 plots), an increase on prior years, with our ability to fund larger acquisitions, often with higher anticipated returns, proving to be valuable when placing land bids. We have also made a measured investment in a handful of larger sites, in primary locations, to strengthen the land bank. This is a balanced approach, providing an alternative deployment of capital, as our investment focus over recent years has moved away from more cash intensive, high-rise sites in London.

Our approach to investment has been to acquire sites in desirable locations, with high demand, where the product is affordable in the context of localised market conditions. In addition, we have acquired sites which reflect the demand for family housing with more space, home-working solutions, and customers' desire to live in suburban locations as commuting habits continue to evolve.

The average expected selling price of plots contracted, at around £280,000, is lower than the average selling price achieved over the past year of £306,479. This intended reduction is to ensure that future sales outlets offer customers an affordable product mix, mitigating any potential downward effect on sales rates that may arise as the revised Help-to-Buy scheme comes to an end in March 2023.

In the year ahead, the Board expects the overall average selling price to be around £295,000.

The table below analyses the Group's land holdings:

	2021	2020	2019
DPP: plots with implementable detailed planning permission	**30,933**	28,289	26,421
Pipeline: plots pending an implementable DPP	**24,300**	16,300	16,300
Bellway owned and controlled plots	**55,233**	44,589	42,721
Bellway share of land owned and controlled by joint ventures	**938**	472	272
Total owned and controlled plots	**56,171**	45,061	42,993
Strategic land holdings	**30,400**	27,300	25,600
Total land bank[6]	**86,571**	72,361	68,593

As a result of our proactive approach to land buying, Bellway's owned and controlled land bank at 31 July 2021 represents 5.4 years forward supply (2020 – 5.9 years, 2019 – 3.9 years). This is a modest reduction compared to 31 July 2020, when the metric was temporarily inflated due to the drop in completions in that year, but a considerable increase on the pre-pandemic figure of 3.9 years, reported at 31 July 2019.

There are 30,933 plots with an implementable detailed planning permission ('DPP') and the Board has good visibility with regards to the likely construction and sales profile of these. In addition, our investment in pipeline land has grown to 24,300 plots; this will help to drive outlet growth in the years ahead as DPP is obtained on those sites.

Together, the sizeable investment in DPP and pipeline land is a key determinant in our volume growth ambitions over the next two financial years. As a result of our strengthened position, in the year ahead, closing outlet numbers are expected to increase by around 10% from a base of 254 as at 31 July 2021 (2020 – 276, 2019 – 271). Average outlet numbers, which were 270 in the year, are likely to grow more moderately as site openings are likely to be skewed towards the second half of the year. This is in line with the expected timing of planning decisions and construction starts, and this will serve to deliver further, strong volume growth in financial year 2023.

As well as investing in land that meets the Group's immediate needs, we have also continued to invest in our strategic land bank, entering into option agreements to buy an additional 24 sites throughout the country (2020 – 15 sites, 2019 – 29 sites). The Group's strategic land bank now comprises 30,400 plots (2020 – 27,300 plots, 2019 – 25,600 plots), providing a useful long-term source of future land supply.

Going forward, we are further expanding our strategic land team and are planning a step-change in our approach to investment. Our dedicated strategic land headcount will grow and in addition, every division will nominate a strategic land champion to aid, resource and support the growth of our strategic land portfolio. Their joint remit will be to capture opportunities, primarily options, which are expected to obtain planning permission over a five-to-fifteen-year time horizon. This approach reflects the growing importance of strategic land in providing a useful, alternative source of land supply in a business of our size, and which can, on some sites, be margin accretive.

In the foreseeable future, our strong balance sheet and substantial cash resources will enable Bellway to target further, high return opportunities in the land market, although the Board notes that competition for good sites has become more pronounced over recent months. Our healthy land bank therefore allows the Group to remain selective and retain its disciplined investment criteria.

Design, productivity, and labour and material costs

We continue to improve the efficiency of our operations through several cost control and productivity initiatives, while preserving or enhancing the quality of our product.

Our 'Artisan Collection' house-type range, which embodies our focus on high standards and quality, with attractive street scenes and an improved sense of placemaking, has now been plotted across 29,000 plots (2020 – 21,000 plots, 2019 – 12,000 plots) on 212 developments (2020 – 164 developments, 2019 – 97 developments). In addition, our standardised design drawings and specification continue to lead to improvements in onsite efficiency and cost savings through design evolution and national procurement deals.

The COINs system, a groupwide financial and commercial IT system, is now in place across all our divisions and has improved transparency and accountability in the divisional site-valuation process. We are using technology to make further improvements, with onsite surveying tasks now performed electronically in many divisions, leading to greater efficiency and more timely receipt of information. We will continue to invest in technology to obtain greater benefits from our commercial and procurement processes, using improved information from COINs to aid our design and procurement teams as we continue to refine the 'Artisan Collection'.

On a site level, we continue to undertake centralised layout and ground-work reviews, to ensure that quality is preserved, while driving further cost efficiencies in the construction process. We have also developed a matrix to help determine the optimum and most cost effective solution for retaining walls, depending on aesthetic requirements and we continue to encourage the sharing of best practice and new ideas through cross-functional and divisional working groups.

Notwithstanding our strong commercial disciplines, overall cost inflation during the year has been in the mid-single digits, although this, in general, has been offset by rises in house prices. We continue to see price inflation on commodities such as steel, timber, MDF and polymers, but there are signs that some of the more pronounced price increases over recent months are beginning to subside.

There remain ongoing constraints in the supply chain and intermittent labour shortages across the sector as, despite the vaccine success, colleagues, subcontractors and suppliers are subject to self-isolation requirements to curtail the spread of COVID-19. In addition, the national shortage of heavy goods vehicle drivers and recent disruption to fuel supplies has had some impact on the availability of materials. In general, these constraints are manageable by adopting good procurement disciplines and forward planning. They will, however, mean that construction output in the first half of financial year 2022 is likely to remain similar to that achieved in the first half of financial year 2021.

Recent trading

Bellway ended the year with a substantial forward order book, comprising 7,082 homes (2020 – 6,588 homes, 2019 – 4,878 homes) with a value of £2,022.3 million[1] (2020 – £1,760.2 million, 2019 – £1,223.9 million). In the first nine weeks of the new financial year, trading has remained strong, with overall weekly reservations at 218 per week (1 August to 4 October 2020 – 239 per week, 1 August to 29 September 2019 – 183 per week). This is lower than the same period in the prior financial year, when reservations were elevated due to pent-up demand as the country emerged from the first national lock-down, but 19.1% ahead of the first nine weeks of the financial year ended 31 July 2020. Site numbers at the start of the new year were slightly lower at 254 (2020 – 276, 2019 – 271), but are expected to increase throughout the new financial year.

As a result of this positive start, the order book at 3 October rose by 5.2% to £1,966.3 million[1], (4 October 2020 – £1,869.6 million, 29 September 2019 – £1,311.6 million) and it comprised 6,731 homes (4 October 2020 – 6,624 homes, 29 September 2019 – 5,190 homes).

Outlook

The Board recognises that there are wider economic uncertainties because of Brexit and the continuing pandemic. Notwithstanding these concerns, market conditions and customer confidence are strong, and the success of the vaccination programme is having a positive impact on the UK's prospective economic performance. In addition, our substantial order book and our strengthened land bank provide a solid platform for both future volume growth and margin recovery in the years ahead. As a result, the Board expects the Group to increase output by around 10% to over 11,100 new homes in the year ending 31 July 2022, with growth weighted towards the second half of the financial year.

Longer-term, the industry fundamentals remain strong. Bellway has significant cash holdings, providing resilience and strategic flexibility. Our strategy of volume growth, and our 'Better with Bellway' approach to sustainability, ensures we can continue to increase the supply of high-quality new homes, create long-term value for shareholders and make a positive contribution for all our stakeholders.

Jason Honeyman
Group Chief Executive
18 October 2021

Group Finance Director’s Review

Trading performance

The Group has delivered significant growth in housing revenue, which rose by 40.9% to £3,107.1 million (2020 – £2,204.4 million, 2019 – £3,180.1 million), with this only 2.3% below the housing revenue generated in financial year 2019.

Other revenue was £15.4 million (2020 – £21.0 million, 2019 – £33.1 million), and includes land and commercial sales, and other ancillary items. Together with the increase in housing revenue, total revenue increased by 40.3% to £3,122.5 million (2020 – £2,225.4 million, 2019 – £3,213.2 million).

The table below shows the number and average selling price of homes completed in the year, analysed geographically, between private and social homes:

	Homes sold (number)						Average selling price (£000)					
	Private		Social		Total		Private		Social		Total	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
North	**3,983**	3,182	**714**	526	**4,697**	3,708	**304.4**	281.8	**116.7**	112.4	**275.9**	257.7
South	**3,913**	2,669	**1,528**	1,145	**5,441**	3,814	**389.7**	394.0	**187.5**	172.2	**332.9**	327.4
Group	**7,896**	5,851	**2,242**	1,671	**10,138**	7,522	**346.7**	332.9	**165.0**	153.4	**306.5**	293.1

The growth in housing revenue has principally been achieved by the recovery in volume output, with housing completions rising by 34.8% to 10,138 (2020 – 7,522, 2019 – 10,892), with the proportion of lower value social completions remaining unchanged at 22% (2020 – 22%, 2019 – 22%).

The market is strongest for good quality, affordably priced homes in desirable locations, with our Scotland, Manchester, Yorkshire and East Midlands divisions all enjoying a particularly strong performance in the north of the country, a reflection of the favourable market conditions and our land investment over recent years.

In the South, our established Northern Homes Counties and Essex divisions have performed well, both contributing over 700 completions in the year. In addition, our fledgling Eastern Counties division delivered over 200 completions and is expected to have a growing influence in the years ahead, because of significant investment in both land and people.

Geographical mix changes and the benefit of some underlying house price inflation have resulted in the overall average selling price rising by 4.6% to £306,479 (2020 – £293,054, 2019 – £291,968). As previously guided, the overall average selling price is expected to moderate in the year ending 31 July 2022 to around £295,000, with this a reflection of changes in product mix.

Underlying operating performance

The recovery in revenue, together with a less disruptive COVID-19 influence on site productivity, resulted in underlying gross profit rising by 54.4% to £651.9 million[1,4] (2020 – £422.2 million, 2019 – £790.2 million).

The underlying gross margin was 20.9%[1,4] (2020 – 19.0%, 2019 – 24.6%) and is stated after considering a charge of £21.7 million in relation to site extensions and enhanced health and safety requirements due to COVID-19. These additional costs were reflected in site-based valuations in the prior financial year but continue to influence the underlying gross margin as affected sites trade out.

Other operating income and expenses, which net to an expense of £0.3 million (2020 – £3.1 million, 2019 – £5.6 million), relate to the cost of running our part-exchange programme, with activity substantially reduced due to the strength of the underlying second-hand market.

The underlying administrative expense increased to £120.1 million[1,4] (2020 – £97.4 million, 2019 – £109.7 million), primarily as payments under the staff and divisional management incentive schemes were resumed, with no amounts being paid in the prior financial year due to the pandemic. In the year ahead, administrative expenses are expected to increase as we make further investment in our land and operational teams to achieve growth. In addition, we expect to incur additional costs, both to attract and retain quality people in a competitive market, and in relation to pension contributions, IT security, insurance and ESG matters. As a proportion of revenue, underlying administrative expenses were 3.8%[1,4] (2020 – 4.4%, 2019 – 3.4%), with the run rate expected to be around 4%[1,4] in the year ahead.

The underlying operating margin for the full financial year was 17.0%[1,4] (2020 – 14.5%, 2019 – 21.0%) and it is anticipated that this will continue to recover to around 18%[1,4] in the year ahead, driven by increased volume output and a higher proportion of completions from more recently acquired land.

Over the medium and longer-term, the Board is targeting a long-term, sustainable, normalised underlying operating margin of between 18%[1,4] and 19%[1,4] but recognises that market influences in certain years may result in an outturn either side of this range. This target is before considering any net benefit that may arise from potential future house price, less cost inflation. It also takes into consideration additional cost pressures arising from compliance with the requirements of the Future Homes Standard.

Adjusting item: Net legacy building safety improvements

The Group incurred an additional, net £51.8 million adjusting expense, to help remediate certain legacy apartment schemes, where fire safety improvements may be required to comply with latest Government guidance. The net charge comprises a gross expense of £66.9 million, less recoveries received of £15.1 million.

This is a highly complex area, with judgements and estimates in respect of the cost of remediation works, and scope of the properties within the applicable Government guidance, likely to evolve. The Board expects to incur further legacy building safety expense for the year ending 31 July 2022, but note that it believes all known substantial risks items are appropriately provided for, having set aside a total of £164.7 million since 2017, demonstrating our commitment to act responsibly with regards to this issue. The provision remaining at 31 July 2021 was £116.0 million and several schemes are currently undergoing remediation work. The often-complex nature of developing appropriate remediation strategies, on a site-by-site basis, means that it will take several years, working with planning authorities, warranty providers, subcontractors, suppliers and other third parties, to utilise all of the remaining provision.

Bellway is pursuing further recoveries from suppliers, subcontractors and professional advisors, where they have fallen short of the standards required, but as these are not virtually certain, an asset has not been recognised in the balance sheet.

Operating profit

After taking these adjusting items into consideration, total operating profit increased by 92.6% to £479.7 million (2020 – £249.1 million, 2019 – £674.9 million).

Net finance expense

The net finance expense was £11.1 million[1] (2020 – £13.4 million, 2019 – £14.4 million) and principally includes notional interest on land acquired on deferred terms and bank interest. Notional interest on land acquired on deferred terms reduced by £0.4 million to £6.5 million (2020 – £6.9 million, 2019 – £7.8 million). Bank interest, which includes interest on drawn monies, commitment fees and refinancing costs, decreased to £3.1 million (2020 – £6.0 million, 2019 – £6.3 million), principally reflecting the Group's reversion to an average net cash of £266.3 million[1] during the year (2020 – net debt of £55.4 million, 2019 – net debt of £165.4 million). In addition, the Group incurred an interest charge of £1.6 million on its US Private Placement ('USPP') debt (2020 – nil, 2019 – nil).

Profit before taxation

Profit before taxation increased by 102.4% to £479.0 million (2020 – £236.7 million, 2019 – £662.6 million). The underlying profit before taxation rose by 71.6%, to £530.8 million[1,4] (2020 – £309.3 million, 2019 – £662.6 million).

Taxation

The corporation tax charge was £88.3 million (2020 – £43.8 million, 2019 – £124.0 million), reflecting an effective tax rate of 18.4% (2020 – 18.5%, 2019 – 18.7%).

The effective tax rate will increase in the years ahead as the standard rate of corporation tax rises to 25%, with effect from April 2023. In addition, the Government has plans to introduce a Residential Property Developer Tax ('RPDT'), likely to be from April 2022, and at a rate to be determined, to seek a further industrywide contribution towards its Building Safety Fund.

Profit for the year

After considering taxation, profit for the year rose by 102.5% to £390.7 million (2020 – £192.9 million, 2019 – £538.6 million). The underlying profit for the year rose by 71.9%, to £432.7 million[1,4] (2020 – £251.7 million, 2019 – £538.6 million).

Basic earnings per share ('EPS') rose by 102.4% to 316.9p (2020 – 156.6p, 2019 – 437.8p).

Net cash and financial position

Bellway has a strong balance sheet and ended the year with net cash of £330.3 million[1] (2020 – £1.4 million, 2019 – £201.2 million), representing an ungeared[1] position (2020 – ungeared, 2019 – ungeared). This is ahead of previous expectations, reflecting the completion of additional homes and changes in the timing of anticipated cash outflows in relation to newly acquired land. Committed land obligations remain low, at £455.8 million (2020 – £343.6 million, 2019 – £297.9 million). Including land creditors, net debt stood at £125.5 million[1] (2020 – £342.2 million, 2019 – £96.7 million), representing very modest adjusted gearing of 3.8%[1] (2020 – 11.4%, 2019 – 3.3%).

Including renewals since 1 August 2021, the Group has committed bank facilities of £370 million, which mature in tranches through to 31 December 2025. In addition, the Group entered into a contractual arrangement during the year to issue a sterling 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, was drawn down on 17 February 2021. In aggregate, this provides the Group with access to total committed debt lines of £500 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 achieve its growth strategy by investing in compelling land opportunities, provided they meet our minimum financial acquisition criteria.

A robust balance sheet provides strength and flexibility

The balance sheet principally comprises amounts invested in land and work-in-progress, with total inventories rising by 4.4% to £4,032.2 million (2020 – £3,863.0 million, 2019 – £3,477.6 million). The carrying value of land rose to £2,483.9 million (2020 – £2,216.2 million, 2019 – £2,004.4 million), reflecting the substantial investment in new sites during the year.

Work-in-progress reduced by 4.3% to £1,431.4 million (2020 – £1,496.1 million, 2019 – £1,298.2 million) and was 46.1% (2020 – 67.9%, 2019 – 40.8%) as a proportion of housing revenue. The reduction reflects the stronger than expected completion profile in the second half of the financial year and a weighting towards plots in the earlier stages of construction.

In relation to its legacy, defined benefit pension scheme, the Group had a retirement benefit asset of £10.2 million (2020 – £1.3 million, 2019 – £2.8 million) at 31 July, reflecting an ongoing commitment to fund this future, long-term obligation. The improvement on the prior year mainly reflects investment returns on assets, together with updates to demographic assumptions.

Following cash dividend payments made in the year totalling £104.7 million, the net asset value rose by 9.8% to £3,287.8 million (2020 – £2,994.0 million, 2019 – £2,921.2 million), representing a net asset value per share of 2,664p[1] (2020 – 2,427p, 2019 – 2,372p).

As a result of the recovery in profitability and improved asset turn, underlying RoCE increased to 16.9%[1,4] (2020 – 10.8%, 2019 – 24.7%) or 15.0%[1,4] (2020 – 9.8%, 2019 – 22.1%), when including land creditors as part of the capital base. Post-tax return on equity was 12.4%[1] (2020 – 6.5%, 2019 – 19.8%).

Bellway's volume growth strategy and ability to invest in high return land opportunities will lead to future long-term value creation for shareholders.

Keith Adey
Group Finance Director
18 October 2021

'Better with Bellway' – a responsible and sustainable approach to business

A new approach

The ongoing development of 'Better with Bellway', our new integrated sustainability framework, is a long-term and strategic priority for the Group, alongside our other strategic priorities of volume growth and value creation for shareholders.

We have already established a diverse and well-resourced steering group, whose remit is to embed sustainable and responsible working practices within the day-to-day operations of the business. Working with external consultants and experts, we have engaged with a wide range of stakeholders to understand the sustainability priorities facing a variety of different groups. Using the results of this research and overlaying this with our own understanding of risks and business priorities, we are now developing a framework of strategic sustainability priorities, KPIs and targets, with a view to defining and reporting upon our strategy in the year ahead.

In the meantime, progress has been made in several key areas, as reported below.

Reducing our carbon footprint

In 2018, we set a target to reduce Scope 1 and 2 carbon emissions by 10% per home sold, by the year ending 31 July 2023. We are pleased to report that we have achieved this target two years early, not only reducing Scope 1 and 2 emissions per home sold by 24.0% to 1.9 tonnes (2020 – 2.8, 2019 – 2.4, 2018 – 2.5), but also reducing total Scope 1 and 2 emissions by 22.8% to 19,484 tonnes (2020 – 20,989 tonnes, 2019 – 25,715 tonnes, 2018 – 25,253 tonnes) compared to financial year 2018. Amongst other measures, we achieved this principally by extending our use of Renewable Energy Guarantees of Origin electricity supplies, beyond owned divisional offices and development compounds, to also include plots under construction, show homes and sales offices. As a result, over 69% of our electricity is now supplied from renewable sources. We are also trialling green diesel, made from hydrotreated vegetable oils, to use in our site generators and forklift telehandlers. If successful, this has the potential to further reduce our remaining Scope 1 and 2 emissions.

Going forward, the main challenges facing the sector in relation to carbon reduction are adhering to the new requirements of the Government's Future Homes Standard. These are designed to reduce regulated Scope 3 carbon emissions, arising throughout the lifetime of new homes built after 2025, by 75% to 80% compared to a base level determined by the 2013 building regulations. We have several initiatives in place to achieve this, including the construction of exemplar trial homes, on three sites across the Group, which use materials and products that already meet these stringent standards. We are also engaging with supply-chain partners to understand the technical constraints of the new requirements, as well as investing in energy monitoring equipment to assess customer energy consumption, post-completion.

More broadly, we are also looking to reduce embodied Scope 3 carbon emissions, arising throughout the supply chain and construction process. Initiatives include a more widespread trial of timber frame housing across the Group's northern divisions, outside of Scotland, where this approach to construction is more routinely used. We also continue to progress a trial of modular homes at our site in Tattenhoe, Milton Keynes, in partnership with Homes England and are developing a joint venture site in Cherry Hinton, Cambridgeshire, where our intention is that the heating systems will not use traditional, carbon producing, gas powered boilers. We will use our learnings from these developments to help to influence our future carbon reduction strategy.

We have recently engaged The Carbon Trust to help us measure our groupwide carbon emissions, including Scope 3 emissions, using financial year 2019 as a base. We will use the results of this exercise to set ambitious, science-based carbon reduction targets, over and above the impending regulatory requirements, which are already challenging. In some instances, the adoption of these new targets will test established business practices, but it is incumbent upon Bellway to respond appropriately to mitigate the effects of climate change.

We look forward to reporting on these new targets and progress made towards achieving them in the next financial year.

Quality and our 'Customer First' agenda

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 brands are synonymous with trust.

We are proud that 39 of our site managers (2020 – 44, 2019 – 42) were recognised with NHBC Pride in the Job Awards, a testament to their hard work and dedication, especially given the ongoing challenges of responding effectively to COVID-19.

Our 'Customer First' agenda was formally launched to colleagues in April 2021 and is designed to enhance the customer experience and help Bellway to exceed customer expectations in respect of the quality of product and service levels. We have so far restructured our divisional customer service teams to ensure that we are best placed to give the highest level of service to our customers. We are providing additional training to colleagues, prioritising behavioural and leadership training to enshrine a strong 'Customer First' culture within the Group. We have also increased the number of visits customers are able to make to site during the construction process, thereby ensuring they are better informed throughout the build process.

As a result of our continued efforts, we are delighted to have achieved the status as a five-star homebuilder[3] for the fifth consecutive year, achieving a record, positive score of 93.5% in the last survey year, with this assessment undertaken eight weeks after customer completion dates. Going forward, we will continue to target improvements to our performance in the Home Builders' Federation follow-up customer satisfaction survey, which is undertaken nine-months after the completion date. While the customer response rates reduce considerably compared to the initial eight-week, post-completion survey, we are determined to build upon our latest score of 78.3% at 1 September 2021. We have plans to help achieve this in the year ahead, including ongoing engagement, training, and monitoring of subcontractor performance, together with the development of a customer portal, which will act as a single reference point for information for customers throughout the sales process and beyond.

Constructing safe and quality new homes

Building new homes, safely

Ensuring the health and safety of our colleagues, subcontractors and site visitors remains a priority for Bellway and we have continued to seek ways to refine our approach. We have engaged a new health and safety advisory service, Safety Services (UK) Limited, who have improved data collection systems and helped us to better identify areas that require improvement. In addition, we have improved internal communications to help ensure that colleagues and subcontractors are appraised of legislative changes, internal targets, and initiatives.

While our response to COVID-19 has continued to evolve, we retain key measures such as enhanced training, restrictions on the number of office workers, sanitising stations and clearly marked signage to help prevent the spread of the virus. We also continue to promote good mental health across the workforce and our trained mental health first aiders continue to help identify and assist those colleagues who may need support. Our seven-day reportable incidence rate also remains low at 336.49 incidents per 100,000 site operatives (2020 – 203.12, 2019 – 324.87).

Legacy building safety improvements

We continue to take a proactive and responsible approach to concerns about 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 reported in March, we have continued working with building owners and warranty providers, who are undertaking their own investigative works, to determine whether the combination of materials used in the construction of whole wall systems adequately prevents the spread of fire. As set out in the Chairman's statement and Group Finance Director's review, we have set aside an additional net amount, of £51.8 million for the full year, to continue supporting residents of affected buildings. The additional costs relate to developments where initial investigative works had not been previously concluded. In addition, they are associated with a widening scope of works on certain, more complex sites, with these being required to achieve an acceptable remediation strategy.

In addition to our own provisions and approach to legacy building safety issues, we have also participated in the Government's consultation on establishing the RPDT to raise revenue for the Government's Building Safety Fund.

Becoming an employer of choice

Bellway's aim is to become an 'employer of choice', to attract, train and retain the highest calibre individuals to contribute to the ongoing success of the Group.

In that regard, we are delighted to continue to make progress as a member of the 5% Club, with 8.5% of our employees engaged in 'learning and earning' positions (2020 – 8.3%, 2019 – 6.1%). We have plans to invest further in early years talent, through the ongoing expansion of our graduate and apprenticeship programmes. In addition, our new learning and development team are creating clearly defined career paths to aid future colleague progression and our Senior Leaders' Development Programme is also helping to identify and develop the rising stars of the future.

Attracting and retaining the best talent also means embracing equality, diversity and inclusion within our organisation. To achieve this, we have launched a new Equality, Diversity and Inclusion Policy, which outlines our commitment to becoming a more inclusive employer. All employees, including our senior leaders, have undertaken diversity and inclusion training, which encourages colleagues to challenge, reflect and approach scenarios from a different perspective. We have also launched our first diversity and inclusion network group, 'Balance', in February 2021 which is designed to empower individuals and raise awareness of potential constraints to career progression within Bellway.

Evolving working practices, because of the pandemic, have given us an opportunity to reflect upon our traditional approach to work and it has become clear that better productivity, greater inclusion, and an improved work-life balance can be achieved by a more flexible approach to employment. We have therefore introduced flexibility with regards to colleagues' start and finish times and have also launched our new Agile Working Policy, with the intention that this will allow eligible employees to permanently work from home for one day per week.

Separately, we have undertaken our second-ever employee engagement survey and the initial feedback is very positive, with 93% of colleagues who responded feeling proud of the quality service Bellway provides to our customers, and 89% willing to recommend Bellway to others as a great place to work. The survey also confirmed excellent progress on the priorities agreed following last year's results relating to training and development, internal communications, and leadership.

As a responsible employer, we recognise the importance of making a meaningful pension contribution, in order that colleagues can afford to retire when it is right for them to do so. This is especially important for our site-based staff, who often have physically demanding jobs. Accordingly, from August 2021, we have increased the available matched employer pension contribution from 5% to 7% for all employees, including our site-based construction staff and directly employed tradespeople and labourers. We will continue to review our pension provision in the future to ensure that our overall remuneration offering remains competitive.

In the year ahead, we will continue to take action to ensure that Bellway remains an attractive place to work and will continue to work towards achieving full Living Wage accreditation.

Charitable giving

We are committed to continuing our support for local and national charities, as well as the communities in which we develop. Fundraising activity has been more challenging because of the pandemic, however, despite this, we have raised and donated £520,413 to good causes in the year, of which £128,413 was raised by employees, subcontractors and suppliers.

Financial year 2021 was the fifth year of our partnership with Cancer Research UK ('CRUK') and employee engagement for this worthwhile cause continues to be strong. Notwithstanding the limited fundraising opportunities over the past year, our colleagues, suppliers, and subcontractors have, working with Bellway, raised a total amount of £1,954,829 in the five years since our partnership began, a fraction short of our £2 million target. We have extended our partnership with CRUK until 31 December 2023, over which time, we hope to increase our fundraising total to £3 million, supported by the imminent launch of our "3 for '23" campaign.

Further initiatives

Our 'Better with Bellway' strategic approach also includes initiatives with regards to biodiversity, sustainability in the supply chain and resource efficiency, which we intend to report on our website in the year ahead.

Next steps

We look forward to publishing our fully integrated 'Better with Bellway' strategy, along with appropriate targets and KPIs, in 2022.

Group Income Statement
For the year ended 31 July 2021

	Note	**2021 Before net legacy building safety expense £m**	**2021 Net legacy building safety expense (note 3) £m**	**2021 Total £m**	2020 Before net legacy building safety expense and exceptional items £m	2020 Net legacy building safety expense and exceptional items (note 3) £m	2020 Total £m
Revenue		**3,122.5**	**-**	**3,122.5**	2,225.4	-	2,225.4
Cost of sales		**(2,470.6)**	**(51.8)**	**(2,522.4)**	(1,803.2)	(71.9)	(1,875.1)
Gross profit		**651.9**	**(51.8)**	**600.1**	422.2	(71.9)	350.3
Other operating income		**54.6**	**-**	**54.6**	153.0	-	153.0
Other operating expenses		**(54.9)**	**-**	**(54.9)**	(156.1)	-	(156.1)
Administrative expenses		**(120.1)**	**-**	**(120.1)**	(97.4)	(0.7)	(98.1)
Operating profit		**531.5**	**(51.8)**	**479.7**	321.7	(72.6)	249.1
Finance income	9	**0.6**	**-**	**0.6**	0.2	-	0.2
Finance expenses	9	**(11.7)**	**-**	**(11.7)**	(13.6)	-	(13.6)
Share of result of joint ventures		**10.4**	**-**	**10.4**	1.0	-	1.0
Profit before taxation		**530.8**	**(51.8)**	**479.0**	309.3	(72.6)	236.7
Income tax expense	5	**(98.1)**	**9.8**	**(88.3)**	(57.6)	13.8	(43.8)
Profit for the year *		**432.7**	**(42.0)**	**390.7**	251.7	(58.8)	192.9
Earnings per ordinary share – Basic	4			**316.9p**			156.6p
Earnings per ordinary share – Diluted	4			**315.8p**			156.1p

Group Statement of Comprehensive Income
For the year ended 31 July 2021

		2021 £m	2020 £m
Profit for the period		**390.7**	192.9
Other comprehensive income/(expense)			
Items that will not be recycled to the income statement:			
Remeasurement gains/(losses) on defined benefit pension plans		**8.5**	(1.8)
Income tax on other comprehensive (income)/expense	5	**(2.2)**	0.3
Other comprehensive income/(expense) for the period, net of income tax		**6.3**	(1.5)
Total comprehensive income for the period *		**397.0**	191.4

* All attributable to equity holders of the parent.

Group Statement of Changes in Equity
At 31 July 2021

	Note	Issued capital	Share premium	Capital redemption reserve	Other reserves	Retained earnings	Total equity
		£m	£m	£m	£m	£m	£m
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	11	-	-	-	-	(123.1)	(123.1)
Shares issued		0.1	2.6	-	-	-	2.7
Credit in relation to share options and tax thereon		-	-	-	-	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
Total comprehensive income for the period							
Profit for the period		-	-	-	-	390.7	390.7
Other comprehensive income **		-	-	-	-	6.3	6.3
Total comprehensive income for the period		-	-	-	-	397.0	397.0
Transactions with shareholders recorded directly in equity:							
Dividends on equity shares	11	-	-	-	-	(104.7)	(104.7)
Purchase of own shares		-	-	-	-	(2.5)	(2.5)
Shares issued		-	1.4	-	-	-	1.4
Credit in relation to share options and tax thereon		-	-	-	-	2.6	2.6
Total contributions by and distributions to shareholders		-	1.4	-	-	(104.6)	(103.2)
Balance at 31 July 2021		**15.4**	**179.8**	**20.0**	**1.5**	**3,071.1**	**3,287.8**

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

Group Balance Sheet
At 31 July 2021

	Note	2021 £m	2020 £m
ASSETS			
Non-current assets			
Property, plant and equipment		**35.7**	36.7
Financial assets		**39.6**	55.5
Equity accounted joint arrangements		**15.7**	5.3
Deferred tax assets	5	**0.9**	0.5
Retirement benefit assets		**10.2**	1.3
		102.1	99.3
Current assets			
Inventories		**4,032.2**	3,863.0
Trade and other receivables		**82.2**	69.9
Cash and cash equivalents	8	**460.3**	51.4
		4,574.7	3,984.3
Total assets		**4,676.8**	4,083.6
LIABILITIES			
Non-current liabilities			
Interest-bearing loans and borrowings		**130.0**	-
Trade and other payables		**89.7**	131.2
Deferred tax liabilities	5	**8.2**	2.6
Provisions	6	**89.0**	-
		316.9	133.8
Current liabilities			
Interest-bearing loans and borrowings	8	**-**	50.0
Corporation tax payable		**4.0**	1.5
Trade and other payables		**1,041.1**	834.0
Provisions	6	**27.0**	70.3
		1,072.1	955.8
Total liabilities		**1,389.0**	1,089.6
Net assets		**3,287.8**	2,994.0
EQUITY			
Issued capital		**15.4**	15.4
Share premium	10	**179.8**	178.4
Capital redemption reserve	10	**20.0**	20.0
Other reserves		**1.5**	1.5
Retained earnings	10	**3,071.1**	2,778.7
Total equity		**3,287.8**	2,994.0

Group Cash Flow Statement
For the year ended 31 July 2021

	Note	2021	2020
		£m	£m
Cash flows from operating activities			
Profit for the year		**390.7**	192.9
Depreciation charge		**6.5**	6.3
Profit on sale of property, plant and equipment		**(0.7)**	-
Finance income	9	**(0.6)**	(0.2)
Finance expenses	9	**11.7**	13.6
Share-based payment expense		**2.6**	2.1
Share of post tax result of joint ventures		**(10.4)**	(1.0)
Income tax expense	5	**88.3**	43.8
Increase in inventories		**(160.3)**	(385.0)
(Increase)/decrease in trade and other receivables		**(12.0)**	58.0
Increase in trade and other payables		**158.1**	55.0
Increase in provisions	6	**45.7**	70.3
Cash from operations		**519.6**	55.8
Interest paid		**(3.0)**	(6.0)
Income tax paid		**(84.1)**	(107.7)
Net cash inflow/(outflow) from operating activities		**432.5**	(57.9)
Cash flows from investing activities			
Acquisition of property, plant and equipment		**(3.3)**	(8.3)
Proceeds from sale of property, plant and equipment		**1.5**	0.1
Increase in loans to joint ventures		**(17.1)**	(9.9)
Repayment of loans by joint ventures		**33.0**	-
Acquisition of joint operation	7	**(8.9)**	-
Interest received		**0.4**	0.3
Net cash inflow/(outflow) from investing activities		**5.6**	(17.8)
Cash flows from financing activities			
(Decrease)/increase in bank borrowings		**(50.0)**	50.0
Increase in fixed rate sterling USPP notes		**130.0**	-
Payment of lease liabilities		**(3.4)**	(3.7)
Proceeds from the issue of share capital on exercise of share options		**1.4**	2.7
Purchase of own shares		**(2.5)**	-
Dividends paid	11	**(104.7)**	(123.1)
Net cash outflow from financing activities		**(29.2)**	(74.1)
Net increase/(decrease) in cash and cash equivalents		**408.9**	(149.8)
Cash and cash equivalents at beginning of year		**51.4**	201.2
Cash and cash equivalents at end of year	8	**460.3**	51.4

Notes

1. Basis of preparation and accounting policies

a) Basis of preparation

Bellway p.l.c. is a company incorporated in England and Wales.

The financial information set out above does not constitute the Group's statutory financial statements for the years ended 31 July 2021 or 2020, but is derived from those financial statements. Statutory financial statements for 2020 have been delivered to the registrar of companies, and those for 2021 will be delivered in due course. The auditor, Ernst & Young LLP, has reported on those financial statements; their reports were (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 preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Whilst the financial information included in this announcement has been prepared in accordance with Adopted IFRSs, this announcement does not itself contain sufficient information to comply with Adopted IFRSs. The Group expects to send its 2021 Annual Report and Accounts to shareholders on 3 November 2021.

b) Going concern

The Group's activities are financed principally by a combination of ordinary shares and cash in hand less debt. At 31 July 2021, Bellway had net cash of £330.3 million (note 8), having generated cash of £328.9 million (note 8) during the year, including £519.6 million of cash from operations.

The Group has operated within all its debt covenants throughout the year, and covenant compliance was considered as part of the going concern assessment. In addition, the Group had bank facilities of £420.0 million at 31 July 2021, expiring in tranches up to July 2024. These have subsequently reduced to £370.0 million at 24 September 2021, with tranches expiring up to December 2025, as a result of planned business as usual bank refinancing. Furthermore, the Group entered into a contractual arrangement during the year to issue a sterling US Private Placement ('USPP') for a total amount of £130.0 million, as part of its ordinary course of business financing arrangements. This USPP debt, which has maturity dates in seven and ten years, was fully drawn down on 17 February 2021. In aggregate, this provided the Group with committed debt lines of £550.0 million at 31 July 2021, which have reduced to £500.0 million at 24 September 2021.

Including committed debt lines and cash, Bellway had access to total funds of £880.3 million, along with net current assets (excluding net cash) of £3,042.3 million at 31 July 2021, providing the Group with appropriate liquidity to meet its current liabilities as they fall due.

The Group's internal forecasts have been regularly updated, incorporating our actual experience along with our expected future outturn. The latest available base forecast has been sensitised, setting out the Group's resilience to the principal risks and uncertainties in the most severe but plausible scenario. The sensitivity includes 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.

This sensitivity includes the following principal assumptions:

- Private completions in H1 FY22 are supported by the strong forward order book, but still fall to 83% of that achieved in H1 of FY21. In the 12 months to 31 January 2023, 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 H1 FY22 remains in line with internal forecasts due to the strong order book position. In the 12 months to 31 January 2023, the 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.

Notes (continued)

1. Basis of preparation and accounting policies (continued)

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

- Plots in the land bank only being replaced at the same rate that they are utilised.
- Construction spend is reduced in line with housing revenue.
- Dividends were reduced in line with earnings.

The sensitivity analysis was modelled over the period to 31 July 2023 for the going concern assessment, but extended to the 31 July 2025 for the Director's viability assessment. In addition to the scenario, several additional mitigating measures remain available to management that were not included in the scenario. These include withholding discretionary land spend and instead trading out of the substantial existing land holdings and further reducing construction spend in recognition of the strong carried forward work in progress position at 31 July 2021.

In the scenario, the Group had significant headroom in both its financial debt covenants and existing debt facilities and met its liabilities as they fall due. The going concern assessment is not considered to be materially affected by the Future Homes Standard as it is due to be implemented beyond the assessment period.

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 period to 31 July 2023, aligning with the first year end after the minimum 12 month assessment period, and have therefore prepared the 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 year ended 31 July 2021 and future accounting periods. The amended revenue recognition and trade and other receivables accounting policies of the Group are:

Revenue recognition

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

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 or land 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.

Notes (continued)

1. Basis of preparation and accounting policies (continued)

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 on 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.

Incentives

Sales incentives are substantially cash in nature. Cash incentives are recognised as a reduction in housing 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.

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

Effect of new standards and interpretations effective for the first time

The adoption of the standards and interpretations effective for the first time in these financial statements has not had a material effect on the Group's profit for the year or equity.

Standards and interpretations in issue but not yet effective

At the date of authorisation of these financial statements there were a number of standards and interpretations which were in issue but not yet effective. These have not been applied in these financial statements and are not expected to have a material effect when adopted.

Notes (continued)

1. Basis of preparation and accounting policies (continued)

d) Accounting estimates and judgements

While preparing these 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 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 2020 Annual Report and Accounts, 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.

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.

Additional information on average selling prices and the unit sales split between north, south, private and social has been included in the Group Finance Director's Review. The Board does not, however, consider these categories to be separate reportable segments as they review the entire operations at a consolidated and divisional level when assessing performance and making decisions about the allocation of resources.

3. Net legacy building safety expense and exceptional items

Operating profit for the years ended 31 July 2021 and 31 July 2020 has been arrived at after recognising the following items in the income statement:

	2021 £m	2020 £m
Net legacy building safety expense (note 6)	**51.8**	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 expense	**-**	25.8
Total net legacy building safety expense and exceptional items	**51.8**	72.6

£51.8 million (2020 – £71.9 million) of the total net legacy building safety expense and exceptional items is recognised within cost of sales and £nil (2020 – £0.7 million), relating to a proportion of the restructuring costs, is included within administrative expenses.

The income tax rate applied to the total net legacy building safety expense and exceptional items in the income statement is the Group's standard rate of corporation tax, 19.0% (2020 – 19.0%).

Notes (continued)

(i) 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.

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 expense of £51.8 million (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 remedial works, and the extent of those properties within the scope of the applicable government guidance, which is likely to evolve.

The Group has also recognised recoveries from third parties, with gross income of £15.1 million (2020 – £1.7 million), relating to those assets which are virtually certain. The majority has been received in cash with only £0.5 million (2020 – £nil) outstanding at the year end.

(ii) COVID-19 related exceptional items

This category solely relates to the year ended 31 July 2020, with no items recognised during the year ended 31 July 2021. The onset of the COVID-19 pandemic in March 2020 materially 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 during the year ended 31 July 2020.

Restructuring costs – a modest workforce rationalisation programme was undertaken in response to reduced output and the suspension of divisional expansion plans during the year ended 31 July 2020.

Notes (continued)

4. 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 year (excluding the weighted average number of ordinary shares held by the Trust 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	**390.7**	**123,306,035**	**316.9**	192.9	123,205,211	156.6
Dilutive effect of options and awards		**411,633**	**(1.1)**		390,245	(0.5)
For diluted earnings per ordinary share	**390.7**	**123,717,668**	**315.8**	192.9	123,595,456	156.1

5. Taxation

The effective tax expense is 18.4% of profit before taxation (2020 – 18.5%) and compares favourably to the Group's standard tax rate for the year of 19.0% (2020 – 19.0%). The lower effective tax rate in the current year is principally due to enhanced tax deductions received by the Group in relation to land remediation relief and the finalisation of the prior year corporation tax returns.

The deferred tax assets/(liabilities) held by the Group at the start of the current year have been revalued at the substantively enacted corporation tax rate that will be effective when they are expected to be realised. An increase in the UK corporation rate to 25% from 1 April 2023 has been announced and substantively enacted at the balance sheet date.

The deferred tax assets/(liabilities) held by the Group at the start of the comparative year were revalued from 17% to 19% to reflect the repeal, in March 2020, of the planned corporation tax rate reduction.

6. Provisions and reimbursement assets

	Legacy building safety improvements provision £m	**Reimbursement assets £m**	**Total £m**
At 1 August 2020	(70.3)	-	(70.3)
Additions (note 3)	(69.6)	15.1	(54.5)
Released (note 3)	2.7	-	2.7
Utilised/(recovered)	21.2	(14.6)	6.6
At 31 July 2021	**(116.0)**	**0.5**	**(115.5)**

Notes (continued)

6. Provisions and reimbursement assets (continued)

The provision is classified as follows:

	Legacy building safety improvements provision £m
Current	(27.0)
Non-current	(89.0)
Total	**(116.0)**

The Group has established a provision for the cost of performing fire remedial works on a number of legacy developments. The timing of the provision is uncertain so it has not been discounted.

7. Acquisition of joint arrangement

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 which 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. DFE progressed its land interest through the planning process prior to acquisition and therefore the Group concluded DFE satisfied the definition of a business. 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 £0.4 million 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:

	£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 estimated market value.

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.

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

Notes (continued)

7. Acquisition of joint arrangement (continued)

Following the acquisition by the Group, the following has been recognised in the income statement for the year ended 31 July 2021:

	£m
Revenue	3.0
Cost of sales	(3.0)
Administrative expenses	0.1
Income tax expense	(0.2)
Loss for the year	**(0.1)**

8. Analysis of net cash

	At 1 August 2020 £m	Cash flows £m	**At 31 July 2021 £m**
Cash and cash equivalents	51.4	408.9	**460.3**
Bank loans	(50.0)	50.0	**-**
Fixed rate sterling USPP notes	-	(130.0)	**(130.0)**
Net cash	1.4	328.9	**330.3**

9. Finance income and expenses

	2021 £m	2020 £m
Interest receivable on bank deposits	**-**	0.2
Other interest receivable	**0.6**	-
Finance income	**0.6**	0.2
Interest payable on bank loans and overdrafts	**3.1**	6.2
Interest payable in fixed rate sterling USPP notes	**1.6**	-
Interest on deferred term land payables	**6.5**	6.9
Interest payable on leases	**0.5**	0.5
Finance expenses	**11.7**	13.6

Notes (continued)

10. Reserves

Share premium

This reserve is not distributable.

Own shares held

The Group holds shares within the Bellway Employee Share Trust (1992) (the 'Trust') for participants of certain share-based payment schemes. The cost of these is charged to 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 July 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 July 2021 was £3.3 million (2020 – £1.1 million).

Capital redemption reserve

On 7 April 2014 the Group redeemed 20,000,000 £1 preference shares, being all of the preference shares in issue. An amount of £20.0 million, equivalent to the nominal value of the shares redeemed, was transferred to a capital redemption reserve on the same date. This reserve is not distributable.

11. Dividends on equity shares

	2021	2020
	£m	£m
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 July 2020 of 50.0p per share (2019 – 100.0p)	**61.6**	123.1
Interim dividend for the year ended 31 July 2021 of 35.0p per share (2020 – nil per share)	**43.1**	-
	104.7	123.1
Proposed final dividend for the year ended 31 July 2021 of 82.5p per share (2020 – 50.0p)	**101.7**	61.7

The 2021 proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 6 December 2021 and, in accordance with IAS 10 'Events after the Reporting Period', has not been included as a liability in these financial statements. The proposed final dividend, subject to shareholder approval, will be paid on 12 January 2022 to all ordinary shareholders on the Register of Members on 3 December 2021. The ex-dividend date is 2 December 2021. At the record date for the final dividend for the year ended 31 July 2021, shares were held by the Bellway Employee Share Trust (1992) (the 'Trust') on which dividends had been waived (note 10).

The level of distributable reserves are sufficient in comparison to the proposed dividend.

12. 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 detailed in note 3, 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. For these developments we have established that the cost of the remedial works satisfies the accounting requirements of a provision at the balance sheet date. 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.

Furthermore, the draft Building Safety Bill published on 5 July 2021 proposes to extend the limitation period for claims under s.1 of the Defective Premises Act 1972 (DPA) from 6 years to 15 years. The extension of this time period could

Notes (continued)

12. Contingent liabilities (continued)

result in further schemes in our legacy portfolio falling into scope of the provision. We note, however, that our existing approach for provisioning, considers a range of contractual and legislative frameworks, not just the DPA. Provisions are assessed on a site-by-site basis and in most cases, Bellway's assessment of its legal liability period extends beyond the 6 year period included in the extant DPA legislation.

Due to the uncertainties in when the draft Building Safety Bill will become law together with uncertainty with regards to the final detail of the legislation, it is not possible to determine what schemes, over and above those already included as part of the legacy building safety improvement provision, will fall into scope. In addition, for buildings currently constructed outside of the existing legal limitation period, Bellway has not undertaken conclusive on-site investigative works. Therefore, the cost of any further potential remedial works cannot be measured reliably.

13. 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:

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

- **Underlying gross profit margin** – This is gross profit before net legacy building safety expense and 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.

- **Underlying administrative expenses** – This measure is stated before exceptional items and is reconciled to total administrative expenses on the face of the consolidated income statement. The Directors consider that the removal of the exceptional items provides a better understanding of how efficiently the Group is managing its underlying administrative overhead base.

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

- **Underlying operating profit margin** – This is operating profit before net legacy building safety expense and 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.

- **Underlying profit before taxation** – This is the profit before taxation before net legacy building safety expense and exceptional items. The Directors consider this to be an important indicator of the profitability of the Group before taxation.

- **Underlying profit for the year** – This is the profit for the year before net legacy building safety expense and exceptional items. The Directors consider this to be an important indicator of the profitability of the Group.

Notes (continued)

13. Alternative performance measures (continued)

- **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 an important indicator of the proportion of earnings paid to shareholders and reinvested in the business.

- **Underlying dividend cover** – This is calculated as underlying profit for the year 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 an important indicator of the proportion of underlying earnings paid to shareholders and reinvested in the business.

- **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.

Per balance sheet	**2021 £m**	**2020 £m**	**Mvt £m**	2020 £m	2019 £m	Mvt £m
Land	**2,483.9**	**2,216.2**	**267.7**	2,216.2	2,004.4	211.8
Work in progress	**1,431.4**	**1,496.1**	**(64.7)**	1,496.1	1,298,2	197.9
Increase in capital invested in land and work in progress in the year			**203.0**			409.7
Land creditors	**(455.8)**	**(343.6)**	**(112.2)**	(343.6)	(297.9)	(45.7)
Increase in capital invested in land, net of land creditors, and work in progress in the year			**90.8**			364.0

- **Net asset value per ordinary 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 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.

- **Underlying return on capital employed ('RoCE')** – This is calculated as operating profit before net legacy building safety expense and 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)

13. Alternative performance measures (continued)

	2021 Capital employed £m	2021 Land creditors £m	2021 Capital employed including land creditors £m	2020 Capital employed £m	2020 Land creditors £m	2020 Capital employed including land creditors £m
Underlying operating profit	**531.5**		**531.5**	321.7		321.7
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
Closing	**3,287.8**	**455.8**	**3,743.6**	2,994.0	343.6	3,337.6
Average	**3,148.1**	**390.4**	**3,538.4**	2,984.7	305.5	3,290.2
Return on capital employed	**16.9%**		**15.0%**	10.8%		9.8%

- **Return on capital employed ('RoCE')** – This is calculated as operating profit divided by the average capital employed. Average capital employed is calculated based on opening, 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.

	2021 Capital employed £m	2021 Land creditors £m	2021 Capital employed including land creditors £m	2020 Capital employed £m	2020 Land creditors £m	2020 Capital employed including land creditors £m
Operating profit	**479.7**		**479.7**	249.1		249.1
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
Closing	**3,287.8**	**455.8**	**3,743.6**	2,994.0	343.6	3,337.6
Average	**3,148.1**	**390.4**	**3,538.4**	2,984.7	305.5	3,290.2
Return on capital employed	**15.2%**		**13.6%**	8.3%		7.6%

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

	2021 £m	2020 £m
Profit for the year	**390.7**	192.9
Net assets:		
Opening	**2,994.0**	2,921.2
Half year	**3,162.4**	3,038.9
Closing	**3,287.8**	2,994.0
Average	**3,148.1**	2,984.7
Post tax return on equity	**12.4%**	6.5%

- **Total growth in value per ordinary share** – The Directors use this as a proxy for the increase in shareholder value since 31 July 2018. A period of 3 years is used to reflect medium-term growth.

Notes (continued)

13. Alternative performance measures (continued)

Net asset value per ordinary share:		
At 31 July 2021	2,664p	
At 31 July 2018	2,079p	
Net asset value growth per ordinary share		585p
Dividend paid per ordinary share:		
Year ended 31 July 2021	85.0p	
Year ended 31 July 2020	100.0p	
Year ended 31 July 2019	145.4p	
Cumulative dividends paid per ordinary share		330.4p
Total growth in value per ordinary share		915.4p

- **Annualised accounting return in NAV and dividends paid since 31 July 2018** – This is calculated as the annualised increase in net asset value per ordinary share plus cumulative ordinary dividends paid per ordinary share since 31 July 2018 (as detailed above) divided by the net asset value per ordinary share at 31 July 2018. The directors use this as a proxy for the increase in shareholder value since 31 July 2018**.**

Net asset growth per ordinary share	585p
Dividend paid per ordinary share	330.4p
Total growth in value per ordinary share	915.4p
Net asset value per ordinary share at 31 July 2018	2,079.0p
Total value per ordinary share	2,994.4p
Annualised accounting return $= \left(\frac{2,994.4}{2,079.0}\right)^{\wedge(1/3)} - 1$	12.9%

- **Net cash/debt** – This is the cash and cash equivalents less bank debt and fixed rate sterling USPP notes. The Directors consider this to be a good indicator of the financing position of the Group. This is reconciled in note 8.

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

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

	2021 **£m**	2020 £m
Cash from operations	**519.6**	55.8
Add: increase in capital invested in land, net of land creditors, and work in progress (as described above)	**90.8**	364.0
Cash generated from operations before investment in land, net of land creditors, and work in progress	**610.4**	419.8

- **Gearing** – This is calculated as net 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 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.

- **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.

Principal risks and uncertainties

A risk register is maintained detailing all of our potential risks, categorised between strategic, operational, financial and 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. The directors confirm that they have conducted a robust assessment of the principal risks facing the Company.

We have identified the following principal risks to our business:

Risk and description	Strategic relevance	KPIs	Mitigation	Change in year
Climate change Failure to evolve business practices and operations in response to climate change including physical impacts, reporting requirements and social/market expectations.	▪ There is an increased focus on the actions taken by businesses in response to climate change and the disclosures made. Failure to improve policies, reporting and performance in line with new regulations and heightened social/market 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 programmes.	▪ 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. ▪ Plans in place to meet the Task Force on Climate-related Financial Disclosures ('TCFD') requirements. ▪ Dedicated Head of Sustainability to assess risks relating to climate change, monitor performance and drive improvement. ▪ Consultation with specialist external advisers and subject matter experts (e.g. sustainability consultants). ▪ Investment in energy saving measures for offices and sites, including transition to Renewable Energy Guarantees of Origin ('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. ▪ Commencing development of science-based targets.	There is an increase in this risk given forthcoming regulatory changes and reporting requirements, as well as increasing market focus and expectations.
Construction resources Shortages of both appropriately skilled subcontractors and building materials at competitive prices.	▪ Failure to secure required and appropriate resources causes delays in construction, impacting the ability to deliver volume growth targets.	▪ 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 and suppliers.	No change.

Risk and description	Strategic relevance	KPIs	Mitigation	Change in year
	▪ Pricing pressure would impact returns.		▪ Group-wide purchasing arrangements are in place. ▪ Continued review and monitoring of supplier and subcontractor performance, with regular communications to understand their position and any potential issues with their own supply chain.	
COVID-19 Ongoing 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 July 2021 with committed bank facilities and USPP debt. ▪ Regular review of liquidity and cashflow at a Group level. ▪ Targeted spend on land and work in progress. ▪ 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. ▪ Strong, long-term relationships with subcontractors and suppliers. ▪ Group-wide purchasing arrangements, with prompt payments made. ▪ Ongoing review of supplier and subcontractor arrangements, including regular communications.	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 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.
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	▪ Number of RIDDOR seven day lost time accidents per 100,000 site operatives.	▪ The Board considers health and safety issues at every meeting. ▪ Regular visits to sites by the Health and Safety Team (independent of our	No change.

Risk and description	Strategic relevance	KPIs	Mitigation	Change in year
	any individual while at one of our business locations would delay construction and could result in criminal prosecution, civil litigation and reputational damage.	▪ NHBC health and safety benchmark.	divisions) and external consultants to monitor health and safety standards and performance against the health and safety policies and procedures.	
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 ten years or more. ▪ Training days per employee. ▪ Senior management gender split.	▪ Continued development of the Group HR 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.	There is an increase in this risk given the current level of competitiveness for candidates in the job market and the skills shortage faced by the industry.
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 by a specialist in-house IT team 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. ▪ Security Committee in place.	There is a decrease in this risk given improvements to IT systems and controls during the financial year.
Land and planning Inability to source suitable land at appropriate gross margins and RoCE. Delays and complexity in the planning process.	▪ Insufficient land would affect our volume growth targets. ▪ Failure to buy land at the right margin would have a detrimental effect on future returns. ▪ Failure to obtain planning within appropriate timescales would have a detrimental impact on our growth prospects and have an adverse effect on returns.	▪ Land bank (with DPP). ▪ Number of homes sold. ▪ RoCE. ▪ Gross margin. ▪ EPS. ▪ 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	▪ 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. ▪ 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.

Risk and description	Strategic relevance	KPIs	Mitigation	Change in year
			▪ Investment in strategic land, more sites with DPP.	
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 Ministry of Housing, Communities and Local Government's ('MHCLG') Building Safety Programme and the work being carried out by the Competition and Markets Authority ('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 advisers and subject matter experts (e.g. fire safety consultants. ▪ Strengthened Group-wide policies, guidance 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.

Emerging risks

The Group 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.

Glossary

Average Selling Price

Calculated by dividing the total price of homes sold by the number of homes sold.

COVID-19

COVID-19 is a disease caused by a new strain of coronavirus. 'CO' stands for corona, 'VI' for virus, and 'D' for disease. Formerly, this disease was referred to as '2019 novel coronavirus' or '2019-nCoV'. COVID-19 has been characterised as a pandemic by the World Health Organization.

Earnings per Share ('EPS')

Profit attributable to ordinary equity shareholders divided by the weighted average number of ordinary shares in issue during the financial year, excluding the weighted average number of ordinary shares held by the Bellway Employee Trust (1992) which are treated as cancelled.

Energy Savings Opportunity Scheme (ESOS)

The Energy Savings Opportunity Scheme is a mandatory energy assessment scheme for large organisations in the UK.

Executive Board

The Executive Board is made up of the Executive Directors of Bellway p.l.c.

Home Builders Federation ('HBF')

The HBF is an industry body representing the homebuilding industry in England and Wales. It represents member interests on a national and regional level to create the best possible environment in which to deliver new homes.

Help-to-Buy

The Help-to-Buy equity loan scheme is a government scheme which provides equity loans to both first-time buyers and home movers on newly constructed homes, subject to regional price caps. Buyers have to contribute at least 5% of the property price as a deposit and obtain a mortgage of up to 75% (55% in London) and the government provides a loan for up to 20% (40% in London) of the price.

Land Bank

The land bank is comprised of three tiers: i) owned or unconditionally contracted land with an implementable detailed planning permission ('DPP'); ii) medium-term 'pipeline' land owned or controlled by the Group, pending an implementable DPP; iii) strategic long-term plots which currently have a positive planning status and are typically held under option.

National House Building Council ('NHBC')

The NHBC is the leading warranty insurance provider and body responsible for setting standards of construction for UK housebuilding for new and newly converted homes.

New Homes Bonus ('NHB')

The NHB was introduced in 2011 by the coalition government with the aim of encouraging local authorities in England to grant planning permissions for the building of new houses in return for additional revenue. Under the scheme, the government has been matching the council tax raised on each new home built in England.

Pipeline

Plots which are either owned or contracted by the Group pending an implementable detailed planning permission, with development generally expected to commence within the next three years.

Planning Permission

Usually granted by the local planning authority, this permission allows a plot of land to be built on, change its use or for an existing building, be redeveloped or altered. Permission is either 'outline' when detailed plans are still to be approved, or 'detailed' when detailed plans have been approved.

Residential Property Developer Tax ('RPDT')

RPDT is a proposed tax to be charged on certain profits of companies carrying out residential development.

RIDDOR

RIDDOR refers to the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013. The regulations require an employer to report any absence by an employee of seven days or more caused by an accident at work to the Health and Safety Executive.

Site/Phase

A site is a concise area of land on which homes are being constructed. Larger sites may be divided into a number of phases which are developed at different times.

Social Housing

Housing that is let at low rents and on a secure basis to people in housing need. It is generally provided by councils and not-for profit organisations such as housing associations.

The 5% Club

Members of The 5% Club aspire to achieve 5% of the workforce in 'earn and learn' position (including apprentices, sponsored students and graduates on training schemes) within 5 years of joining.

Underlying

Throughout this announcement, underlying refers to any statutory performance measure or alternative performance measure which is before net legacy building safety expenses and exceptional items. The Group believes that underlying metrics are useful for investors as these measures are closely monitored by the Directors in assessing Bellway's operating performance, thereby allowing investors to understand and evaluate performance on the same basis as management.