BELLWAY P.L.C. ("BELLWAY" OR THE "GROUP"), THE NATIONAL HOUSEBUILDER, ANNOUNCES TODAY, TUESDAY 29 MARCH 2022, ITS INTERIM RESULTS FOR THE HALF YEAR ENDED 31 JANUARY 2022.

Summary

Revenue growth and margin improvement drives strong results

	Half year ended 31 January 2022	Half year ended 31 January 2021	Movement
Revenue	£1,780.0m	£1,720.5m	+3.5%
Gross profit (underlying)	£397.5m[1,4]	£357.5m[1,4]	+11.2%
Gross margin (underlying)	22.3%[1,4]	20.8%[1,4]	+150 bps
Operating profit (underlying)	£332.2m[1,4]	£297.7m[1,4]	+11.6%
Operating margin (underlying)	18.7%[1,4]	17.3%[1,4]	+140 bps
Profit before taxation (underlying)	£327.2m[1,4]	£300.5m[1,4]	+8.9%
Net legacy building safety expense	£19.6m	£20.3m	(3.4%)
Profit before taxation	£307.6m	£280.2m	+9.8%
Earnings per share	203.1p	185.9p	+9.3%
Interim dividend per share	45.0p	35.0p	+28.6%
Net asset value per share	2,779p[1]	2,564p[1]	+8.4%
Net cash	£195.8m[1]	£346.4m[1]	

Strong financial performance, supported by positive market conditions

- Revenue rose by 3.5% to £1,780.0 million (2021 – £1,720.5 million, 2020 – £1,541.4 million).
- Further growth in volume output, with the completion of 5,694 new homes (2021 – 5,656 homes, 2020 – 5,321 homes), a reflection of strong operational delivery, notwithstanding the production challenges facing the wider sector.
- Strong underlying demand, with a 5.8% increase in the overall reservation rate to 202 per week (2021 – 191, 2020 – 194) and a 3.8% increase in the private reservation rate to 162 per week (2021 – 156, 2020 – 151).
- The underlying operating margin improved to 18.7%[1,4] (2021 – 17.3%, 2020 – 19.3%), driven by price optimisation, disciplined cost control and an efficient absorption of overheads, due to the strong first half revenue performance.
- Underlying profit before taxation rose by 8.9% to £327.2 million[1,4] (2021 – £300.5 million, 2020 – £291.8 million).
- Ongoing investment in land to facilitate further growth in the years ahead, with 8,660 plots[5] contracted (2021 – 8,848 plots, 2020 – 7,005 plots), across 45 sites[5] (2021 – 54 sites, 2020 – 41 sites), at attractive rates of return and with an expected gross margin of 23%.
- Strong balance sheet and net cash of £195.8 million[1] (2021 – £346.4 million, 2020 – £4.6 million) provides significant financial resilience and capacity to invest for further growth, with adjusted gearing, inclusive of land creditors, very modest at 4.5%[1] (2021 – 0.8%, 2020 – 8.9%).
- The interim dividend has been increased to 45.0p per share (2021 – 35.0p, 2020 – nil), a rise of 28.6% and the Board anticipates that the dividend cover will be 3 times underlying earnings for the full financial year.
- The Board intends to reduce dividend cover to around 2.5 times underlying earnings by 31 July 2024, a prudent and sustainable level, supported by strong investment returns and enhanced cash generation, arising in part, from increased investment in land over the past 18 months. Volume growth and higher expected shareholder returns can be achieved, notwithstanding the future increase in corporation tax rates.

Launch of 'Better with Bellway' sustainability strategy

- Launch of our new 'Better with Bellway' sustainability strategy, including eight priority areas, each with their own targets and headline KPIs, aligned to the underlying operations of the business.
- New, ambitious greenhouse gas targets, intended to reduce carbon emissions beyond the requirements imposed by the Future Homes Standard, have been shared with the Science Based Target initiative ('SBTi') for validation.
- Our approach to customer service has resulted in Bellway being recognised as a five-star[3] homebuilder for the sixth consecutive year, with 93.6% of customers prepared to recommend Bellway to a friend. We have also set a stretching,

longer-term plan to achieve similar positive feedback from customers when they are surveyed nine-months after occupation.

- We continue our responsible approach towards fire safety and have provided an additional £22.1 million, before recoveries of £2.5 million, in relation to historical fire safety issues. The total amount set aside since 2017, which broadly relates to our 10-to-12 year warranty period, is £186.8 million.
- We welcome the Government's attempt to restore a more proportionate and risk-based approach towards dealing with historical, industrywide, life-critical fire safety issues, on older buildings and we are engaging positively with them to help establish a workable, industrywide solution.
- We also recognise the Government's ambition that builders agree to self-remediate life-critical fire safety issues, over an extended timespan of 30 years. This is beyond the scope of our existing provision, and if agreed, it would require Bellway to extend the period covered by its assessment by a further 18-to-20 years and would result in a significant, additional provision.

Outlook and growth targets

- A strong forward sales position, with an order book comprising 7,491 homes (14 March 2021 – 6,028 homes, 8 March 2020 – 5,772 homes) and a value of £2,206.5 million[1] (14 March 2021 – £1,643.2 million, 8 March 2020 – £1,515.8 million) at 13 March 2022. This provides confidence that Bellway can deliver strong volume growth of around 10% to over 11,100 homes this financial year (31 July 2021 – 10,138 homes, 31 July 2020 – 7,522 homes).
- The forward visibility provided by the order book means that the average selling price is now expected to be over £305,000 for the full financial year (31 July 2021 – £306,479, 31 July 2020 – £293,054), a further improvement compared to previous guidance, driven by mix and pricing benefits.
- For the full year, the underlying operating margin is expected to be around 18.5%[1,4] (31 July 2021 – 17.0%, 31 July 2020 – 14.5%), with the improvement driven by strong commercial disciplines and positive sales price momentum.
- Our substantial order book, strong land bank, and significant balance sheet capacity supports our growth strategy and medium-term target to deliver annual output of around 12,200 homes in financial year 2023.

1 Bellway uses a range of statutory performance measures and alternatives 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 using the eight week NHBC Customer Satisfaction survey.

4 Underlying refers to any statutory performance measure or alternative performance measure before net legacy building safety expense (note 2).

5 Includes the Group's share of land contracted through joint venture partners comprising nil plots (2021 – nil plots, 2020 – 203 plots), with a contract value of nil (2021 – nil, 2020 – £15.3 million) across no sites (2021 – nil, 2020 – one site).

6 Includes the Group's share of land owned and controlled through joint venture partners comprising 918 plots (2021 – 367 plots, 2020 – 258 plots).

7 Comparatives are for the half year ended 31 January 2021 or as at 31 January 2021 ('2021') or are for the half year ended 31 January 2020 or as at 31 January 2020 ('2020') 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)330 165 4012 and use confirmation code 9275981. A playback facility will be available shortly after the presentation has finished.

For further information, please contact:-

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Chairman's Overview

Introduction

Bellway has delivered another strong set of results, with a record number of completions, an improvement in underlying operating margin and a 9.3% rise in earnings per share to 203.1p (2021 – 185.9p, 2020 – 194.4p). The sales market is strong, the order book is substantial, and our balance sheet is robust, with net cash of £195.8 million[1] (2021 – £346.4 million, 2020 – £4.6 million).

The Group is well positioned to deliver future growth, and despite global uncertainty, it retains the strength and resilience to deliver value for shareholders and stakeholders, well into the future.

Strategic priorities

In October, we set out our three strategic priorities of:-

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

I set out an update with regards to each below.

Volume growth

Notwithstanding the record and elevated number of completions achieved in the prior half year, volume output has grown to 5,694 homes in the six months under review (2021 – 5,656 homes, 2020 – 5,321 homes). In addition, Bellway remains well positioned to further increase output, by around 10%, to over 11,100 homes, for the full year ending 31 July 2022.

Beyond this year, our land bank, which has been further strengthened, will support future outlet growth. Together with our sizeable order book, this will assist the Group in achieving its volume target of around 12,200 homes in financial year 2023, some 20% above the 31 July 2021 outturn of 10,138 homes.

The long-term housing market fundamentals remain favourable. In addition, Bellway benefits from a strong operational focus and experienced divisional management teams with the capability to incrementally increase volume output to over 16,000 homes per annum. The growth rate in any given year will be determined by customer demand, a supportive mortgage market, and access to good quality land.

Value creation for shareholders

In October 2021, Bellway published a target to generate around £1.25 billion[1,4] in cumulative, underlying profit before taxation, over the two years ending 31 July 2023, and is making good progress towards exceeding this.

In addition to this target, the Board believes that pursuing volume growth through disciplined, high return on capital development opportunities, leads to compounding value generation, measured by an increased net asset value per share ('NAV'), and an increase in the ordinary dividend per share.

The net asset value rose by 8.5% over the past twelve months to £3,429.8 million (2021 – £3,162.4 million, 2020 – £3,038.9 million), representing a NAV of 2,779p[1] (2021 – 2,564p, 2020 – 2,467p). Further, because of our robust balance sheet, the Board is pleased to increase the interim dividend by 28.6%, to 45.0p per share (2021 – 35.0p, 2020 – nil). This is ahead of the increase in earnings in the period and reflects the Board's broad expectation that around one third of the dividend will be declared with the Interim Results, with the remaining two thirds expected to be proposed with the Preliminary Results in October. Overall, the Board expects to maintain a full year dividend cover of around three times underlying earnings.

Beyond this financial year, Bellway will benefit from strong investment returns and enhanced cash generation. These will be driven by its strengthened land bank, following a period of increased investment over the past 18 months. As a result, we can balance volume growth with higher dividend returns for shareholders, notwithstanding an expected increase in corporate tax rates. We therefore plan to progressively reduce dividend cover to around 2.5 times underlying earnings by 31 July 2024, a level we see as prudent and sustainable.

Our strong balance sheet will continue to provide resilience in the context of global uncertainty, but also offers strategic flexibility, with sufficient capital to invest to achieve future growth.

'Better with Bellway'

As set out later in this report, I am delighted that Bellway has now published its overarching strategy with regards to acting responsibly and sustainably, setting out eight priority areas. Our ambition is to take a sector leading position in our three flagship areas of Carbon Reduction, Customers and Communities, and becoming an Employer of Choice.

We have established ambitious targets to reduce greenhouse gas emissions, over and above the requirements of the Future Homes Standard, and these are being verified by the SBTi.

We retain our position as a five-star[3] homebuilder, with a score of 93.6% in the HBF's most recently published eight-week survey, which asks customers whether they would recommend Bellway to a friend. We also have ambitions to meet the 90% threshold score by 2026, in the response to the same survey question, but undertaken nine months after occupation.

We have several initiatives in place to maintain our position as a leading employer and become recognised as an Employer of Choice. These include targets to improve both gender and ethnic diversity, increase the proportion of colleagues in 'earn and learn' roles and to reduce the staff voluntary turnover rate. Overall, we hope to further enhance our reputation as an attractive employer to attract and retain talent in the future. In that regard, we will continue to seek feedback from colleagues and our ambition is to achieve an average 90% score, measured over the next three years, when colleagues are asked whether they would recommend Bellway as 'a great place to work'.

We take very seriously the issue of building safety and agree with the principle that residents should not have to fund life-critical fire safety remedial works. Since 2017, we have set aside a total of £186.8 million to deal with legacy fire safety issues, principally relating to apartments constructed over the past 10-to-12 years, with details of our approach to date set out in the Financial Review.

We are engaging positively with Government and are participating in ongoing discussions to establish a sector-wide solution to address historical, industrywide critical fire safety issues on older buildings. We welcome their commitment to work with lenders, insurers, RICS and others to ensure proportionality is embedded across the system as set out in our 'Better with Bellway' Sustainability Review.

More broadly, our Better with Bellway sustainability and responsibility strategy includes targets in respect of biodiversity, resource efficiency, charitable engagement, and sustainability throughout the supply chain. Again, more details are included later in our 'Better with Bellway' Sustainability Review and on our website at www.bellwayplc.co.uk/sustainability.

Future long-term success

Together, the successful execution of our three strategic priorities of volume growth, value creation for shareholders and our 'Better with Bellway' approach to sustainability, will continue to secure the ongoing and long-term success of Bellway and its stakeholders.

Board changes

As previously announced, I will be retiring from the Board as Non-executive Chairman on 1 April 2022, following almost nine-years' service as a non-executive director. I will be replaced by John Tutte, who joined the Board as Non-executive Chairman Designate on 1 March 2022.

John brings extensive leadership skills and over 40 years of housebuilding experience, principally through various senior roles at Redrow plc, including Group Chief Executive, Executive Chairman and then Non-executive Chairman, prior to retiring from their Board in 2021. John is also a Non-executive Director of the Home Builders Federation and, until 2020, he was also Chairman of the Home Building Skills Partnership.

I would like to take this opportunity to wish John every success in his new role and I am sure his contribution, together with the invaluable support and effort of our colleagues and all those connected with Bellway, will ensure the continued long-term success of the Group.

Paul Hampden Smith
Chairman
28 March 2022

Chief Executive's Market and Operating Review

Market

Customer demand for our high quality, family homes is strong across all our operating regions, with site visitor numbers and website traffic both ahead of last year.

The mortgage market is generally supportive and notwithstanding the recent, modest rises in interest rates and ongoing cost-of-living inflationary pressures, our mid-market product remains affordable in a historical context. The supply of mortgage finance is good for those customers with access to an adequate deposit and there have been some gradual improvements in the availability and pricing of higher loan-to-value mortgages, from some lenders.

The overall reservation rate rose by 5.8% to 202 per week (2021 – 191, 2020 – 194) and the average weekly private reservation rate was 162 (2021 – 156, 2020 – 151), an increase of 3.8% against the prior half year. This has been achieved from an average of 247 outlets during the period (2021 – 278, 2020 – 274), with the strong sales rate resulting in some sites trading-out earlier than expected. Demand has been strong throughout the six months under review and has followed the usual, traditional profile of an upbeat autumn selling season, followed by a quieter, yet strong winter period. The cancellation rate remained low, at 13% (2021 – 14%, 2020 – 13%), and the use of Help-to-Buy fell to just 18% of total reservations (2021 – 41%, 2020 – 35%), a marked reduction compared to previous years.

The pricing environment has been positive, with annualised, mid-single digit house price inflation benefitting sites in all divisions, and particularly those developments on the edge of settlements, which offer more spacious, flexible accommodation, attractive to those customers with home-working requirements.

Further investment in land to deliver growth

We continue our disciplined, yet entrepreneurial approach to land buying, following last financial year's record level of activity. Competition in the land market has increased, driven by a resumption of activity across the wider sector, although we continue to transact on attractive opportunities. We have contracted to purchase 8,660 plots[5] (2021 – 8,848 plots, 2020 – 7,005 plots) across 45 sites[5] (2021 – 54 sites, 2020 – 41 sites), with a contract value of £567.8 million[5] (2021 – £452.8 million, 2020 – £408.2 million). The anticipated average gross margin of the newly acquired land, based upon revenue and costs at the time of acquisition, is around 23%.

The expected average selling price of homes that will be constructed on the plots contracted in the period is over £310,000, higher than that on land acquired over recent years, reflecting the market demand for larger family housing. The higher anticipated average selling price also reflects positive pricing momentum across the housing market.

The table below analyses the Group's land holdings:

	31 January 2022	31 January 2021	31 January 2020
DPP: plots with implementable detailed planning permission	**29,876**	27,306	25,277
Pipeline: plots pending an implementable DPP	**27,600**	21,700	18,800
Bellway owned and controlled plots	**57,476**	49,006	44,077
Bellway share of land owned and controlled by joint ventures	**918**	367	258
Total owned and controlled plots	**58,394**	49,373	44,335
Strategic land holdings	**30,500**	27,700	25,700
Total land bank[6]	**88,894**	77,073	70,035

Overall, the Group had 57,476 plots (2021 – 49,006 plots, 2020 – 44,077 plots) within its owned and controlled land bank, a rise of 17.3%, with this growth achieved notwithstanding the usage of plots arising from the record number of homes sold in the period.

Within the owned and controlled land bank, 29,876 plots (2021 – 27,306 plots, 2020 – 25,277 plots) benefit from an implementable detailed planning permission ('DPP'), where there is good visibility with regards to the timing of outlet openings and the likely construction and sales profile.

Our investment in pipeline land has grown to 27,600 plots (2021 – 21,700 plots, 2020 – 18,800 plots) and this will help to drive outlet growth in the years ahead as we obtain DPP on those sites acquired over the past 18 months. There are constraints and delays in the planning system, principally driven by a COVID related backlog, however, we still expect outlet growth in financial year 2023.

As well as investing in land that meets our shorter-term needs, we have also continued to invest in our strategic land bank, entering into option agreements to buy an additional 11 sites throughout the country (2021 – 8 sites, 2020 – 5 sites). In addition, the Group has acquired 2 freehold strategic sites in the half year, which benefit from a longer-term positive planning prognosis. As a result of this overall approach, our strategic land portfolio now comprises some 30,500 plots (2021 – 27,700 plots, 2020 – 25,700 plots) with further growth expected in the future, driven by the recent and previously announced expansion of our dedicated strategic land team.

Bellway's bolstered land bank and our continued, disciplined activity in the land market will help the Group to achieve its future growth ambitions in the years ahead.

Design, productivity, and labour and material costs

Costs pressures persist across the wider sector, but overall, cost inflation has been offset by house price gains. We continue to manage challenges in the supply chain to reduce constraints to production and we use a range of commercially focussed initiatives, designed to preserve, or improve quality, ensure good control of costs, and secure the supply of labour and materials.

We have strong, long-term relationships with key supply chain partners, which have helped to secure product availability, despite challenges across the sector and the wider economy. We continue to assess and deploy value engineering opportunities, such as ongoing reviews of plot drainage designs, retaining wall systems and piling systems, all of which help to offset some of the cost pressures in the wider market. Our investment in IT, including our COINs valuation system, continues to help the Group deploy a structured and controlled approach to site valuations and our analysis of data is helping to drive improved site cost comparisons and procurement savings. The use of our Artisan Collection range of house types, which has now been planned on 32,000 plots within the land bank, is lending itself to improved site layouts and ongoing design savings, with this of particular importance as we look to meet the challenges of the Future Homes Standard. More generally, we have nominated internal cost control champions in all our divisions, whose objective is to reinforce our strong commercially focussed culture, while retaining our high-quality product.

Overall, these initiatives have helped to mitigate some of the cost and supply issues affecting the wider sector, although shortages of bricks, blocks and roof tiles continue to pose a manageable challenge. Materials shortages, rising fuel prices and wage costs are expected to result in continued inflationary pressures in the year ahead, with these potentially exacerbated by the worldwide consequences of the crisis in Ukraine, although we generally expect these to be offset by further revenue gains.

Notwithstanding these inflationary pressures, the Group is delivering a robust underlying operating margin, at a sustainable level, with further improvement above the 31 July 2022 outturn expected for the year ending 31 July 2023.

Recent trading

The order book at 31 January was substantial, comprising 6,628 homes (2021 – 5,889 homes, 2020 – 4,598 homes), with a value of £1,940.9 million[1] (2021 – £1,625.3 million, 2020 – £1,163.1 million). Since then, customer interest and trading conditions have remained strong, with early indications suggesting that the underlying market demand will result in an upbeat spring selling season.

In the six weeks since 1 February, weekly reservations rose to 291 (2021 – 263, 2020 – 278), an increase of 10.6% compared to the equivalent period in the prior year. As a result, the forward order book has grown further, and at 13 March comprised 7,491 homes (14 March 2021 – 6,028 homes, 8 March 2020 – 5,772 homes), with a value of £2,206.5 million[1] (14 March 2021 – £1,643.2 million, 8 March 2020 – £1,515.8 million). This is primarily expected to contribute to completions over the next twelve months.

Outlook

Market conditions and customer confidence are strong. Our robust forward sales position ensures that Bellway is well-placed to deliver its full year target of growing volume by around 10%, to over 11,100 new homes (31 July 2021 – 10,138 homes, 31 July 2020 – 7,522 homes). Completions will be weighted slightly towards the first half of the financial year, as was the case in financial year 2021, with this a reflection of onsite construction progress. Bellway also remains on track to deliver target completions of around 12,200 homes in financial year 2023, representing volume growth of some 20% over a two-year period.

Longer-term, the industry fundamentals remain strong, and our substantial order book and strengthened land bank provide a solid platform for further volume growth and improving underlying margin. Bellway has significant financial capacity to invest and is well placed to continue increasing the supply of high-quality new homes, create ongoing value for shareholders, and make a positive contribution for all our stakeholders.

Jason Honeyman
Group Chief Executive
28 March 2022

Financial Review

Trading performance

Bellway has delivered a good first half trading performance, with housing revenue increasing by 3.5% to £1,775.7 million (2021 – £1,714.9 million, 2020 – £1,524.8 million). Other revenue was £4.3 million (2021 – £5.6 million, 2020 – £16.6 million) and comprises ancillary items such as land sales and management fee income earned on our joint venture schemes.

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	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
North	**2,471**	2,259	**394**	307	**2,865**	2,566	**309.7**	295.8	**120.1**	114.5	**283.6**	274.1
South	**2,230**	2,176	**599**	914	**2,829**	3,090	**384.4**	385.1	**176.8**	189.9	**340.5**	327.4
Group	**4,701**	4,435	**993**	1,221	**5,694**	5,656	**345.1**	339.6	**154.3**	171.0	**311.8**	303.2

The number of completions rose slightly to 5,694 (2021 – 5,656 homes, 2020 – 5,321 homes), a new record for the Group, and slightly ahead of the prior half year, which benefitted from pent-up demand and elevated construction progress. The proportion of higher value private completions rose slightly to 82.6% of the total (2021 – 78.4%, 2020 – 76.6%).

The average selling price rose by 2.9% to £311,849 (2021 – £303,206, 2020 – £286,570), slightly higher than previously expected, with the greater proportion of private completions and positive pricing momentum both contributing to the rise. As a result of this upward momentum, the average selling price for the full year is also expected to rise above previous expectations, to over £305,000 (31 July 2021 – £306,479, 31 July 2020 – £293,054). As previously guided, the average selling price is likely to moderate slightly next financial year, a reflection of land buying in earlier years and corresponding mix changes intended to mitigate the end of Help-to-Buy in March 2023.

Underlying operating performance

The growth in revenue, together with an improvement in the underlying gross margin, resulted in underlying gross profit rising by 11.2% to £397.5 million[1,4] (2021 – £357.5 million, 2020 – £356.5 million).

The underlying gross margin was 22.3%[1,4] (2021 – 20.8%, 2020 – 23.1%), an improvement on the prior half year. COVID related costs, recognised in site-based valuations in financial year 2020, affected fewer sites and their moderating influence on the overall underlying gross margin is therefore less pronounced. The positive effect of house price inflation, together with strong commercial disciplines, has offset build cost increases and has also resulted in some modest gross margin gains.

The administrative expense increased to £65.3 million (2021 – £59.5 million, 2020 – £56.7 million) because of further investment in operational teams to support land buying and achieve growth. In addition, cost inflation is a feature of the wider market and there are upward pressures in relation to pay and employee benefits to attract and retain quality talent within the organisation.

The underlying operating margin for the half year was 18.7%[1,4] (2021 – 17.3%, 2020 – 19.3%) and for the full year, the underlying operating margin is expected to be around 18.5%[1,4] (31 July 2021 – 17.0%, 31 July 2020 – 14.5%). The slightly stronger first half margin is because of a more efficient overhead absorption rate, driven by the higher number of completions, and the corresponding weighting of housing revenue, towards the first half of the financial year.

The Board expects further improvements in the underlying operating margin beyond this current financial year.

Adjusting item: net legacy building safety improvements

We have set aside an additional £22.1 million, at 31 January 2022, in relation to legacy building safety improvements. This resulted in a net adjusting charge of £19.6 million in the period, after taking recoveries of £2.5 million into consideration.

The increase in the provision relates to cost inflation and validation of the required scope of works on certain schemes that had previously been under investigation. The Group has set aside a total of £186.8 million since 2017, in relation to 33 developments, to deal with legacy building safety issues, with £128.3 million of this provision remaining at 31 January 2022 (2021 – £91.6 million). We have recognised total recoveries of £29.7 million since 2017 and will continue to pursue further recoveries from suppliers, subcontractors and professional advisors, where they have fallen short of the standards required. We will also continue our work with warranty providers so that they comply with their obligations.

Works have been assessed as necessary, in line with each change in Government guidance, and most recently, the requirements of the Consolidated Advice Note ('CAN'). Our assessments, which are still ongoing for several developments due to the required complex technical analysis and onsite investigative works, have been undertaken with the assistance of third-party experts and warranty providers.

Our provision includes buildings that remain within their warranty period, which are typically those constructed within the last 10-to-12 years. Buildings over 18 metres in height and importantly, those within the 11-18 metre category have been included within the amount set aside. Our remaining provision also assumes that Bellway incurs the full costs of remediation, with no future recoveries, other than contractually agreed settlements, from main contractors or those in the supply chain. Costs have been provided regardless of whether Bellway still retains ownership of the freehold interest in the building or whether warranty providers have a responsibility to carry out remedial works.

The CAN was withdrawn on 10 January 2022 and has since been replaced with Publicly Available Specification ('PAS') 9980:2022 produced by the British Standards Institute. It has not yet been possible for the sector to assess how the PAS will work in practice, including its interpretation from fire engineers, surveyors, professional indemnity insurers and mortgage lenders. It will therefore take time to assess whether its intended, more proportionate, response to dealing with fire safety measures will have any effect on the provision.

We are engaging with the Government, both directly and via the HBF with respect to their objective to address more widespread and historical life-critical fire safety issues that have arisen across the wider sector and the supply chain. We set out our approach in our 'Better with Bellway' Sustainability Review later in this announcement.

Operating profit

After taking these adjusting items into consideration, total operating profit increased by 12.7% to £312.6 million (2021 – £277.4 million, 2020 – £297.2 million).

Net finance expense

The net finance expense was £6.0 million (2021 – £5.1 million, 2020 – £5.9 million) and principally includes notional interest on land acquired on deferred terms of £3.3 million (2021 – £3.3 million, 2020 – £3.6 million) and interest on the Group's fully drawn USPP loan notes of £1.7 million (2021 – nil, 2020 – nil).

Profit before taxation

Profit before taxation increased by 9.8%, to £307.6 million (2021 – £280.2 million, 2020 – £291.8 million). The underlying profit before taxation rose by 8.9%, to £327.2 million[1,4] (2021 – £300.5 million, 2020 – £291.8 million).

Taxation

The income tax charge was £57.2 million (2021 – £51.0 million, 2020 – £52.5 million), reflecting an effective tax rate of 18.6% (2021 – 18.2%, 2020 – 18.0%). For the full financial year, the effective tax rate is expected to increase to around 20% (31 July 2021 – 18.4%, 31 July 2020 – 18.5%) as it will include an allowance for the Residential Property Developer Tax ('RPDT'). This is planned to be introduced from April 2022, at a rate of 4% of relevant taxable profits, to support the Government's Building Safety Fund.

The effective tax rate will increase further, to around 25% in financial year 2023, because of the planned 6% increase in the standard rate of UK corporation tax in April 2023. Thereafter, in financial year 2024 and beyond, both the RPDT and the higher rate of UK corporation tax will be in effect for the duration of the full financial year and, as a result, the Group's effective tax rate is expected to approach 29%.

Profit for the period

After considering taxation, profit for the period rose by 9.2% to £250.4 million (2021 – £229.2 million, 2020 – £239.3 million). The underlying profit for the period rose by 8.4%, to £266.3 million[1,4] (2021 – £245.6 million, 2020 – £239.3 million).

Basic earnings per share ('EPS') rose by 9.3% to 203.1p (2021 – 185.9p, 2020 – 194.4p).

Net cash and financial position

Bellway benefits from a strong balance sheet and notwithstanding cash expenditure on land of £579 million (2021 – £351 million, 2020 – £397 million), which includes payment of land creditors, net cash at 31 January was £195.8 million[1] (2021 – £346.4 million, 2020 – £4.6 million). Committed land obligations remain low, at £349.0 million (2021 – £371.7 million, 2020 – £274.9 million) and adjusted gearing, inclusive of land creditors, is very modest at 4.5%[1] (2021 – 0.8%, 2020 – 8.9%).

In addition to the net cash position, the Group has access to total committed debt lines, including its USPP loan notes, of £530 million, providing significant financial capacity to invest in further compelling land opportunities to achieve its growth strategy.

A robust balance sheet provides strength and flexibility

Following cash dividend payments made in the period totalling £101.8 million, the net asset value rose by 8.5% over the past 12 months to £3,429.8 million (2021 – £3,162.4 million, 2020 – £3,038.9 million), representing a NAV of 2,779p[1] (2021 – 2,564p, 2020 – 2,467p).

RoCE increased to 19.8%[1,4] (2021 – 19.3%, 2020 – 19.9%) driven by the improved underlying operating margin. RoCE was 17.7%[1,4] (2021 – 17.3%, 2020 – 18.2%), when including land creditors as part of the capital base. Notwithstanding the strong cash position, post-tax return on equity was 14.9%[1] (2021 – 14.9%, 2020 – 16.1%).

Bellway's volume growth strategy and ability to invest in high return land opportunities will lead to a compounding growth effect on both NAV and dividend payments in the future.

Keith Adey
Group Finance Director
28 March 2022

‘Better with Bellway’ Sustainability Review

A responsible and sustainable approach to business

As previously reported, Bellway has established a new sustainability framework, ‘Better with Bellway’, integrated within day-to-day operations, with the purpose of embedding sustainable and responsible practices across all aspects of the business.

Our strategy has been developed after undertaking extensive research and analysis, engaging with a wide range of stakeholders, and mapping our own understanding of risks and business priorities across a framework of sustainability priorities.

The result is a long-term commitment to responsible and sustainable business practices, at the core of our operational strategy, encompassing issues around both people and the environment.

By adopting this approach, we have identified eight priority areas and corresponding objectives:-

- Carbon reduction – delivering low carbon homes
- Customers and communities – putting customers and communities at the heart of everything we do
- Employer of choice – becoming first choice for a great place to work
- Building quality homes, safely – achieving quality and safety first for everyone
- Sustainable supply chain – driving sustainability through long term partnerships
- Charitable engagement – giving, to build better lives
- Resource efficiency – designing out waste by building better
- Biodiversity – protecting and preserving nature

Our ambition, across each of these eight priority areas, is to either take a leading position across the sector, or to be considered towards the ‘front of the pack’. To achieve this, we have established headline targets and key performance indicators (‘KPIs’) to set a direction of travel and measure broad progress. We have also set several secondary targets and KPIs against each priority area and these are published on our website.

Delivering low carbon homes

Working in collaboration with The Carbon Trust, a global climate consultancy driven by the mission to accelerate the move to a decarbonised future, we have adopted a quantity-based approach, the most comprehensive and representative method available to the Group, to estimate our greenhouse gas footprint. This involves calculating emissions in each component of our business and construction process. We have used 2019 as a base year, with this being the most representative due to the impact of COVID.

We are committed to aligning our targets to the Paris Agreement, the purpose of which is to hold the increase in global average temperature to ‘well below 2 degrees Celsius’ above pre-industrial levels by 2100, and to pursue efforts to limit this to 1.5 degrees Celsius to prevent the most significant impacts of climate change. In line with best practice, we have planned two targets for carbon reduction, one for scope 1 and 2 emissions, and one for scope 3 emissions.

Scope 1 and 2 emissions

In broad terms, our assessment has shown that just 1% of our emissions are categorised within scope 1 and scope 2, with these being emissions generated by Bellway in our own operations. This includes direct emissions from gas used in office and construction site heating systems and diesel used in onsite machinery. It also includes indirect emissions generated remotely, because of activities undertaken by Bellway, such as our use of electricity in offices, sales centres and show homes.

Our total emissions in financial year 2019 in respect of scope 1 and 2 were 25,715 tonnes of carbon dioxide. We have proposed a headline target to reduce these emissions, by around 45% in absolute terms, to under 14,000 tonnes by 2030, with the intention that this is aligned to the 1.5 degrees Celsius pathway.

To achieve this target, we have already moved our owned offices onto renewable tariffs for electricity and are working with landlords to achieve the same objective on leased office premises. We are also working with telehandler lease providers to determine whether we can use HVO biodiesel in our fleet of telehandlers. If approved, this has the potential to save up to 10,000 tonnes of carbon per year, at an annual cost of around £700,000. We also plan to replace our existing company car scheme, commencing in August 2022, with a new green car salary sacrifice scheme. This will be open to all monthly paid employees and will offer only cars with emissions 75g/km or under. Not only will this contribute to reducing Bellway’s own carbon footprint for business journeys, but it will also encourage the use of greener modes of transport for colleagues in their personal lives. We are also considering several further initiatives to reduce scope 1 and 2 carbon emissions.

While a relatively low part of our overall emissions, our campaigns to reduce scope 1 and 2 emissions will touch the lives of all colleagues within our organisation. They are therefore particularly important to improve engagement and foster a positive culture of change throughout Bellway.

Scope 3

Some 99% of our carbon emissions arise from sources that we do not directly own or control, originating throughout the supply chain, during the construction process or from customers' use of products, such as heating systems, already installed within the homes that they buy.

Our total carbon emissions in financial year 2019 in respect of scope 3 were just over 2.0 million tonnes of carbon dioxide, equivalent to 2.0 tonnes per metre squared of homes constructed. We have proposed a physical intensity target to reduce these emissions by around 55% to under 1 tonne per square metre by 2030, with the intention that this is aligned to the 'well below 2 degrees Celsius' pathway. This is a stretching target and exceeds the reduction in carbon intensity of around 35% to 40% that we expect to achieve by meeting the ambitious requirements of the Future Homes Standard, for homes built after 2025.

Success will require us, over time, to reduce carbon by changing construction practices. In that regard, we are already considering alternative products in our construction process, particularly alternatives to cementitious materials, which account for the bulk of our embodied carbon. We are trialling the use of timber frame kits in two divisions, outside the usual traditional heartlands of Scotland, with the aspiration that this method of construction has the potential to reduce embodied carbon throughout the Group in the future. We will consider several other initiatives in the years ahead to achieve our target.

Our targets, and our quantity-based methodology, are now subject to review and validation by the SBTi and we hope to report their conclusions in the second half of the calendar year.

Putting customers and communities at the heart of everything that we do

Putting customers at the heart of everything we do is a cornerstone of Bellway's culture. We have again been awarded five-star[3] status in the HBF's most recent customer satisfaction survey, with 93.6% of customers stating that they would recommend a Bellway product to a friend, when surveyed eight weeks after moving date. This is the sixth consecutive year that we have been awarded this important accolade and a testament to our efforts under our Customer First Programme.

We want to go further, and in that regard, we have set a challenging and ambitious headline target to improve the results to the same question in the HBF's follow up survey, undertaken nine-months after completion, from our latest score of 81.5%, to 90% by 2026. To achieve this, we have several initiatives in place, including further improving our NHBC Construction Quality Review score, a measure of underlying construction quality, which has already risen to 84.0 at 31 January 2022 (2021 – 83.8).

We are also investing in IT systems to improve customer telephone call handling, provide further information for customers through 'Your Bellway', our fledgling digital customer hub, due to be launched later this calendar year, and better monitor the cause and our response to more frequently occurring customer care issues across the Group.

Our approach to customer service also ties in with our wider 'Better with Bellway' objectives. For example, we are introducing a new environmentally focussed customer Welcome Pack, packaged with recycled materials and comprising Fairtrade goods and products to help improve the biodiversity gain on new developments, such as bird houses, 'hedgehog highways' and 'bee bombs'. We also provide customers with information on local recycling facilities and sustainable transport solutions in their area. Going forward, we intend to accelerate the installation of electric vehicle charging points, both in our offices, and in the homes we build, ahead of the changes in building regulations, thereby supporting colleagues and customers who choose to invest in low emission vehicles.

More generally, we welcome the introduction of the New Home Ombudsman and believe this will contribute to a further improvement in standards across the wider sector.

First choice for a great place to work

Bellway's aim is to be a first choice as an employer to attract, train and retain the highest calibre of individuals to contribute to the ongoing success of the Group. We hope to recognise this by achieving a 90% average score for those colleagues who would recommend Bellway as a 'great place to work' in our employee engagement survey, over the three-year period between ending 31 July 2024, surpassing the very high score of 89% achieved in respect of the year ended 31 July 2021.

We will deploy several initiatives to achieve this goal. For example, we aim to have 12% of our workforce employed in 'learning and earning' roles by 31 July 2024, an increase from 8.5% at 31 July 2021. We also have plans to increase the proportion of our workforce with ethnically diverse backgrounds, from 3.8% to 7% by July 2024, and are taking steps, for example through our 'Rising Stars' career progression programme, to increase the proportion of women in senior leadership roles to 25% by July 2024.

At the start of the financial year, we increased the available matched pension contribution to 7% for all employees, including our site-based construction staff. Not only does this ensure we offer a competitive overall remuneration package, but it also demonstrates our commitment to offering a responsible pension provision, supporting colleagues from all backgrounds and in all roles to retire comfortably in the future.

More generally, our agile and flexible working policies, training programmes, career progression and inclusive approach to recruitment are all helping to ensure Bellway continues to be a great, rewarding place to work, both now and in the future.

Constructing safe and quality new homes

Building quality homes, safely

Ensuring the health and safety of our colleagues, subcontractors and site visitors remains a priority for Bellway and we continue to seek ways to make continual improvements. We have set a target to reduce our average Reporting of Injuries, Diseases and Dangerous Occurrences Regulations ('RIDDOR') score, measured over a three-year period, to under 305 incidents per 100,000 site operatives by July 2024 from 336.49 at 31 July 2021.

We have also set targets to reduce accident rates on an annual basis and roll out improved safety inductions across the Group. In addition, and recognising the issues often faced particularly by men employed in the construction industry, we plan to increase the proportion of colleagues receiving mental health awareness training, from 3% at 31 July 2021, to 20% by 31 July 2024.

Legacy building safety improvements

Actions to date

Bellway has taken a proactive and responsible approach to concerns about fire safety and recognises its responsibilities with regards to remediating legacy building safety issues, both on apartments it has previously constructed, and in instances where it has played a major part in the management of the construction process.

The Group has responded positively to evolving Government guidance. It has worked with resident management companies and freeholders of apartment blocks, generally built within its 10-to-12 year warranty period, to develop remediation strategies in respect of life-critical fire safety defects identified on those blocks. As noted in the Financial Review, because of this assessment, the total amount set aside since 2017 and broadly relating to this 10-to-12 year period, is £186.8 million.

As a result of our diligent and early response, substantial progress has been made to date. Work has been completed on four developments, is underway on 13 developments and is in design stages on a further three developments. Importantly, work is undertaken at no cost to residents, regardless of whether Bellway retains ownership of the freehold of the building. This has been a complex exercise, involving many third parties, and there is often a requirement to obtain planning and regulatory approval before works commence.

Going forward

Going forward, we are engaging positively with Government to establish a workable, sector-wide solution towards more widespread fire remediation issues and are in ongoing discussions in that regard. We welcome the Government's commitment to work with lenders, insurers, RICS and others to ensure a more proportionate and risk-based approach is embedded across the system. This is a complex subject, with historical issues often arising through the involvement of several third parties, including building owners and management companies, planning authorities, subcontractors, suppliers, warranty providers, designers and building control authorities, and it is set against a backdrop of evolving building regulations.

Our dialogue with Government and the HBF includes consideration of the optimum method of working towards meeting, and quantifying, the Government's broad objective to develop proportionate, risk-based remediation strategies on older buildings, which have critical fire safety issues. As part of this process, it is important to consider how to fairly share the responsibility and cost of remediating older buildings, including those built by overseas developers. Critical to the success of these discussions is an agreed upon, consistent, practical and proportionate interpretation of the new PAS, not only from housebuilders, but also from lenders, surveyors and fire engineers.

A key ambition of the Government is that where builders have been involved in the construction process, they agree to self-remediate life-critical fire safety defects on apartments over 11 metres in height, over an extended timespan of 30 years. This is beyond our normal 10-to-12 year warranty period and is therefore outside the scope of our existing provision. If agreed, it would broadly require Bellway to extend the period covered by its review by a further 18-to-20 years and would result in a significant, additional provision.

We are assessing the additional cost that could arise because of this potential extended review period, but this is a highly judgemental area, not least because the final details of any pledge have not been agreed, and particularly given the ongoing uncertainties with respect to the required standard of remediation and the related position of lenders and surveyors. We continue to refine our assessment of the number of buildings potentially covered by the extended 30-year review period, but the Board note that Bellway has a long history of building apartments, particularly in the mid-2000s, when some 50% of output was flats. This reflects Bellway's then strategy of brownfield, urban regeneration, with a focus on first-time buyers. This was aligned to Government policy at the time, which encouraged high density living in accordance with the requirements of Planning Policy Guidance 3.

We will continue our proactive and responsible approach, while sharing the Government's general sentiment that the costs of correcting historical life-critical fire safety defects should not be borne by residents.

We intend to provide a further update as we make further progress towards an agreement with Government.

Further initiatives

The Group has plans to implement a range of targets and initiatives across all our eight priority areas. These include a review of modern slavery compliance across our subcontractors, reduction of plastic waste usage in the supply chain, additional targets to improve biodiversity on our sites and the mandatory use of recycled paper across the Group.

All our targets and KPIs, together with further background information, are published on our website at www.bellwayplc.co.uk/sustainability.

Next steps

We will report progress on all our externally published targets on our website on an annual basis and are in the process of aligning these, where possible, to externally recognised reporting frameworks. These include the Global Reporting Initiative, Sustainability Accounting Standards Board, EU Sustainable Finance Disclosure Regulation and UN Sustainable Development Goals.

We plan to formally launch 'Better with Bellway' internally to colleagues after Easter and look forward to reporting progress in the future.

Jason Honeyman
Group Chief Executive
28 March 2022

Condensed Group Income Statement

	Note	**Half year ended 31 January 2022 £m**	Half year ended 31 January 2021 £m	Year ended 31 July 2021 £m
Revenue	1	**1,780.0**	1,720.5	3,122.5
Cost of sales		**(1,402.1)**	(1,383.3)	(2,522.4)
Analysed as:				
Underlying cost of sales		**(1,382.5)**	(1,363.0)	(2,470.6)
Adjusting item: net legacy building safety expense	2	**(19.6)**	(20.3)	(51.8)
Gross profit		**377.9**	337.2	600.1
Other operating income		**10.1**	41.3	54.6
Other operating expenses		**(10.1)**	(41.6)	(54.9)
Administrative expenses		**(65.3)**	(59.5)	(120.1)
Operating profit		**312.6**	277.4	479.7
Finance income	7	**0.5**	0.1	0.6
Finance expenses	7	**(6.5)**	(5.2)	(11.7)
Share of result of joint ventures		**1.0**	7.9	10.4
Profit before taxation		**307.6**	280.2	479.0
Income tax expense	4	**(57.2)**	(51.0)	(88.3)
Profit for the period *		**250.4**	229.2	390.7
Earnings per ordinary share – Basic	3	**203.1p**	185.9p	316.9p
Earnings per ordinary share – Diluted	3	**202.3p**	185.4p	315.8p
Dividend per ordinary share	10	**45.0p**	35.0p	117.5p

* All attributable to equity holders of the parent.

Adjusting items

	Note	**Half year ended 31 January 2022 £m**	Half year ended 31 January 2021 £m	Year ended 31 July 2021 £m
Gross profit				
Gross profit per the Condensed Group Income Statement		**377.9**	337.2	600.1
Adjusting item: net legacy building safety expense	2	**19.6**	20.3	51.8
Underlying gross profit		**397.5**	357.5	651.9
Operating profit				
Operating profit per the Condensed Group Income Statement		**312.6**	277.4	479.7
Adjusting item: net legacy building safety expense	2	**19.6**	20.3	51.8
Underlying operating profit		**332.2**	297.7	531.5
Profit before taxation				
Profit before taxation per the Condensed Group Income Statement		**307.6**	280.2	479.0
Adjusting item: net legacy building safety expense	2	**19.6**	20.3	51.8
Underlying profit before taxation		**327.2**	300.5	530.8

Condensed Group Statement of Comprehensive Income

	Note	**Half year ended 31 January 2022 £m**	Half year ended 31 January 2021 £m	Year ended 31 July 2021 £m
Profit for the period		**250.4**	229.2	390.7
Other comprehensive (expense)/income				
Items that will not be recycled to the income statement:				
Remeasurement (losses)/gains on defined benefit pension plans		**(0.8)**	2.1	8.5
Income tax credit/(charge) on other comprehensive (expense)/income	4	**0.2**	(0.4)	(2.2)
Other comprehensive (expense)/income for the period, net of income tax		**(0.6)**	1.7	6.3
Total comprehensive income for the period*		**249.8**	230.9	397.0

* All attributable to equity holders of the parent.

Condensed Group Statement of Changes in Equity

	Note	Issued capital £m	Share premium £m	Capital redemption reserve £m	Other reserves £m	Retained earnings £m	Total equity £m
Half year ended 31 January 2022							
Balance at 1 August 2021		15.4	179.8	20.0	1.5	3,071.1	3,287.8
Total comprehensive income for the period							
Profit for the period		-	-	-	-	250.4	250.4
Other comprehensive expense		-	-	-	-	(0.6)	(0.6)
Total comprehensive income for the period		-	-	-	-	249.8	249.8
Transactions with shareholders recorded directly in equity:							
Dividends on equity shares	10	-	-	-	-	(101.8)	(101.8)
Purchase of own shares	9	-	-	-	-	(7.4)	(7.4)
Shares issued		-	0.2	-	-	-	0.2
Credit in relation to share options and tax thereon	4	-	-	-	-	1.2	1.2
Total contributions by and distributions to shareholders		-	0.2	-	-	(108.0)	(107.8)
Balance at 31 January 2022		**15.4**	**180.0**	**20.0**	**1.5**	**3,212.9**	**3,429.8**
Half year ended 31 January 2021							
Balance at 1 August 2020		15.4	178.4	20.0	1.5	2,778.7	2,994.0
Total comprehensive income for the period							
Profit for the period		-	-	-	-	229.2	229.2
Other comprehensive income		-	-	-	-	1.7	1.7
Total comprehensive income for the period		-	-	-	-	230.9	230.9
Transactions with shareholders recorded directly in equity:							
Dividends on equity shares	10	-	-	-	-	(61.6)	(61.6)
Purchase of own shares	9	-	-	-	-	(2.5)	(2.5)
Shares issued		-	0.1	-	-	-	0.1
Credit in relation to share options and tax thereon	4	-	-	-	-	1.5	1.5
Total contributions by and distributions to shareholders		-	0.1	-	-	(62.6)	(62.5)
Balance at 31 January 2021		15.4	178.5	20.0	1.5	2,947.0	3,162.4
Year ended 31 July 2021							
Balance at 1 August 2020		15.4	178.4	20.0	1.5	2,778.7	2,994.0
Total comprehensive income for the period							
Profit for the period		-	-	-	-	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	10	-	-	-	-	(104.7)	(104.7)
Purchase of own shares	9	-	-	-	-	(2.5)	(2.5)
Shares issued		-	1.4	-	-	-	1.4
Credit in relation to share options and tax thereon	4	-	-	-	-	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

Condensed Group Balance Sheet

	Note	**At 31 January 2022 £m**	At 31 January 2021 £m	At 31 July 2021 £m
ASSETS				
Non-current assets				
Property, plant and equipment		**35.0**	36.9	35.7
Financial assets		**35.3**	29.9	39.6
Equity accounted joint arrangements		**16.7**	13.2	15.7
Deferred tax assets	4	**0.5**	0.3	0.9
Retirement benefit assets		**9.5**	3.6	10.2
		97.0	83.9	102.1
Current assets				
Inventories		**4,083.1**	3,678.5	4,032.2
Trade and other receivables		**114.7**	103.0	82.2
Cash and cash equivalents	6	**325.8**	346.4	460.3
		4,523.6	4,127.9	4,574.7
Total assets		**4,620.6**	4,211.8	4,676.8
LIABILITIES				
Non-current liabilities				
Interest-bearing loans and borrowings	6	**(130.0)**	-	(130.0)
Trade and other payables		**(121.4)**	(89.0)	(89.7)
Deferred tax liabilities	4	**(7.9)**	(4.7)	(8.2)
Provisions	5	**(87.9)**	-	(89.0)
		(347.2)	(93.7)	(316.9)
Current liabilities				
Trade and other payables		**(797.1)**	(853.0)	(1,041.1)
Corporation tax payable	4	**(6.1)**	(11.1)	(4.0)
Provisions	5	**(40.4)**	(91.6)	(27.0)
		(843.6)	(955.7)	(1,072.1)
Total liabilities		**(1,190.8)**	(1,049.4)	(1,389.0)
Net assets		**3,429.8**	3,162.4	3,287.8
EQUITY				
Issued capital	9	**15.4**	15.4	15.4
Share premium		**180.0**	178.5	179.8
Capital redemption reserve	9	**20.0**	20.0	20.0
Other reserves		**1.5**	1.5	1.5
Retained earnings	9	**3,212.9**	2,947.0	3,071.1
Total equity		**3,429.8**	3,162.4	3,287.8

Condensed Group Cash Flow Statement

	Note	**Half year ended 31 January 2022 £m**	Half year ended 31 January 2021 £m	Year ended 31 July 2021 £m
Cash flows from operating activities				
Profit for the period		**250.4**	229.2	390.7
Depreciation charge		**3.2**	3.1	6.5
Profit on the sale of property, plant and equipment		**-**	(0.7)	(0.7)
Finance income	7	**(0.5)**	(0.1)	(0.6)
Finance expenses	7	**6.5**	5.2	11.7
Share-based payment expense		**1.5**	1.6	2.6
Share of post-tax result of joint ventures		**(1.0)**	(7.9)	(10.4)
Income tax expense	4	**57.2**	51.0	88.3
(Increase)/decrease in inventories		**(50.9)**	186.2	(160.3)
Increase in trade and other receivables		**(32.0)**	(33.1)	(12.0)
(Decrease)/increase in trade and other payables		**(223.2)**	(27.5)	158.1
Increase in provisions	5	**12.3**	21.3	45.7
Cash inflow from operations		**23.5**	428.3	519.6
Interest paid		**(3.0)**	(0.9)	(3.0)
Income tax paid		**(55.1)**	(40.7)	(84.1)
Net cash (outflow)/inflow from operating activities		**(34.6)**	386.7	432.5
Cash flows from investing activities				
Acquisition of property, plant and equipment		**(1.5)**	(3.0)	(3.3)
Proceeds from sale of property, plant and equipment		**0.1**	1.5	1.5
Increase in loans to joint ventures		**(0.5)**	(0.5)	(17.1)
Repayment of loans by joint ventures		**5.3**	26.1	33.0
Acquisition of joint operation		**-**	-	(8.9)
Interest received		**-**	-	0.4
Net cash inflow from investing activities		**3.4**	24.1	5.6
Cash flows from financing activities				
Decrease in bank borrowings		**-**	(50.0)	(50.0)
Increase in fixed rate sterling USPP notes		**-**	-	130.0
Payment of lease liabilities		**(1.7)**	(1.8)	(3.4)
Proceeds from the issue of share capital on exercise of share options		**0.2**	0.1	1.4
Purchase of own shares		**-**	(2.5)	(2.5)
Dividends paid	10	**(101.8)**	(61.6)	(104.7)
Net cash outflow from financing activities		**(103.3)**	(115.8)	(29.2)
Net (decrease)/increase in cash and cash equivalents		**(134.5)**	295.0	408.9
Cash and cash equivalents at beginning of period		**460.3**	51.4	51.4
Cash and cash equivalents at end of period	6	**325.8**	346.4	460.3

Notes

Basis of preparation

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

These condensed consolidated interim financial statements, prepared to 31 January 2022, include the results of the Company, its subsidiaries and the Group's interest in joint arrangements (together referred to as the "Group").

These condensed consolidated interim financial statements are unaudited and were authorised for issue by the Board on 28 March 2022.

a) Basis of preparation

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

The comparative figures for the financial year ended 31 July 2021 are not the Group's statutory financial statements for that financial year as defined in s434 of the Companies Act 2006. Those financial statements have been reported on by the Group's auditor and delivered to the Registrar of Companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The annual financial statements of the Group for the financial year ending 31 July 2022 will be prepared in accordance with UK adopted International Financial Reporting Standards ('IFRSs') and UK adopted international accounting standards. As required by the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority, these condensed consolidated interim financial statements have been prepared applying the accounting policies and presentation that were applied in the preparation of the Group's published consolidated financial statements for the year ended 31 July 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 January 2022, Bellway had net cash of £195.8 million[1] (note 6), having cash outflows of £134.5 million (note 6) during the period, including £23.5 million of cash generated from operations.

The Group has operated within all its debt covenants throughout the period, and covenant compliance was considered as part of the going concern assessment. In addition, the Group had bank facilities of £400.0 million at 31 January 2022, expiring in tranches up to December 2025. Furthermore, in February 2021 the Group drew down a sterling US Private Placement ('USPP') for a total amount of £130.0 million, as part of its ordinary course of business financing arrangements, which has maturity dates in 2028 and 2031. In aggregate, the Group had committed debt lines of £530.0 million at 31 January 2022.

Including committed debt lines and cash, Bellway had access to total funds of £725.8 million, along with net current assets (excluding cash) of £3,354.2 million at 31 January 2022, 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 H2 FY22 are supported by the strong forward order book, but still fall to 77% of that achieved in H1 of FY22. In the 12 months to 31 July 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 H2 FY22 remains in line with internal forecasts due to the strong order book position. In the 12 months to 31 July 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.

Notes (continued)

Basis of preparation (continued)

b) Going concern (continued)

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

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

- Plots in the land bank 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. 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 January 2022.

In this 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 condensed consolidated interim financial statements on a going concern basis.

c) Accounting policies

The adoption of the new standards, amendments and improvements effective for the first time in these condensed consolidated interim financial statements has not had a material effect on the Group's equity or profit for the period.

d) Accounting estimates and judgements

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

When preparing these condensed consolidated interim financial statements, the major judgements in applying the Group's accounting policies and the major sources of estimation uncertainty were those applied in the Group's Annual Report and Accounts for the year ended 31 July 2021.

e) Seasonality

In common with the rest of the UK housebuilding industry, activity occurs throughout the year, but is subject to the two main house selling seasons of spring and autumn. As these seasons fall in separate half years, the Group's financial results are not usually subject to significant seasonal variations.

Notes (continued)

Performance for the period

1. Revenue

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 Financial 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.

Revenue from contracts with customers

An analysis of the Group's revenue is as follows:

	Half year ended 31 January 2022 £m	Half year ended 31 January 2021 £m	Year ended 31 July 2021 £m
Housing revenue	**1,775.7**	1,714.9	3,107.1
Non-housing revenue	**4.3**	5.6	15.4
Total revenue	**1,780.0**	1,720.5	3,122.5

The Group's housing revenue can be analysed as follows:

	Half year ended 31 January 2022 £m	Half year ended 31 January 2021 £m	Year ended 31 July 2021 £m
(a) Private/social			
Private	**1,622.4**	1,506.1	2,737.3
Social	**153.3**	208.8	369.8
Total housing revenue	**1,775.7**	1,714.9	3,107.1

	Half year ended 31 January 2022 £m	Half year ended 31 January 2021 £m	Year ended 31 July 2021 £m
(b) North/South			
North	**812.5**	703.3	1,295.7
South	**963.2**	1,011.6	1,811.4
Total housing revenue	**1,775.7**	1,714.9	3,107.1

2. Net legacy building safety expense

Gross profit has been arrived at after recognising the following item in the income statement:

	Half year ended 31 January 2022 £m	Half year ended 31 January 2021 £m	Year ended 31 July 2021 £m
Net legacy building safety expense (note 5)	**19.6**	20.3	51.8

We continue to take a proactive approach to sectorwide 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 widened, following the issuance of the 'Consolidated Advice Notes ('CAN') by the Ministry of Housing, Communities and Local Government in January 2020. The CAN was withdrawn on 10 January 2022 by the DLUHC and has since been replaced with Publicly Available Specification ('PAS') 9980:2022 produced by the British Standards Institute. It has not yet been possible for the sector to assess how the recently issued PAS will work in practice, including its interpretation from fire engineers, surveyors, professional indemnity insurers and mortgage lenders. It will therefore take time to assess whether its intended, more proportionate, response to dealing with critical fire safety measures will have any effect on the provision. Accordingly, Bellway has continued to approach this issue, with the benefit of sector-wide hindsight and, by applying guidance included in the CAN which clarified 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 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 the guidance included in the CAN. 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.

Where the Group has confirmed an issue exists based on the CAN, a provision has been recognised, both for buildings owned by the Group, or where the freehold has been sold. The provision includes buildings over 18 metres in height and those in the 11 to 18 metre category. The review period is generally ten to twelve years and incorporates all buildings within their warranty period.

As a result of this evaluation, Bellway has recognised an additional net exceptional expense of £19.6 million (2021 – £20.3 million) in the half year as part of its commitment to help building owners remediate affected properties. This net expense includes an additional provision of £22.1 million (2021 – £33.8 million) less recoveries of £2.5 million (2021 – £13.5 million). The increase in the provision relates to cost inflation and validation of the required scope of works on certain schemes that had previously been under investigation.

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 and legislation, which continue to evolve.

Notes (continued)

2. Net legacy building safety expense (continued)

To date the Group has set aside a total of £186.8 million since 2017 which can be analysed as follows:

		Location		Freeholder owner		Height	
	Developments	**London**	**Outside London**	**Bellway**	**Other party**	**Below 18 metres**	**Above 18 metres**
	No.	**No.**	**No.**	**No.**	**No.**	**No.**	**No.**
Work completed	4	3	1	-	4	2	2
Included in provision (note 5)	29	21	8	2	27	10	19
Total	33	24	9	2	31	12	21

For all 33 developments included in the above, Bellway has provided for the full cost of the estimated remedial works.

Total recoveries recognised since 2017 are £29.7 million. Reimbursement assets of only £0.2 million (2021 – £0.9 million) remain outstanding at the period end.

The income tax rate applied to the net legacy building safety expense in the income statement is the Group's standard rate of corporation tax, 19.0% (2021 – 19.0%).

3. Earnings per ordinary share

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

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

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

	Earnings 2022 £m	**Weighted average number of ordinary shares 2022 Number**	**Earnings per share 2022 p**	Earnings 2021 £m	Weighted average number of ordinary shares 2021 Number	Earnings per share 2021 p
For basic earnings per ordinary share	**250.4**	**123,311,237**	**203.1**	229.2	123,270,262	185.9
Dilutive effect of options and awards		**473,591**	**(0.8)**		339,661	(0.5)
For diluted earnings per ordinary share	**250.4**	**123,784,828**	**202.3**	229.2	123,609,923	185.4

Notes (continued)

Taxation

4. Taxation

The effective rate of taxation for the period is 18.6% (2021 – 18.2%). The taxation charge for the period is calculated by applying the standard corporation tax rate of 19.0% (2021 – 19.0%) to the profit before taxation adjusted for non-taxable items and enhanced deductions. For the full financial year, the effective tax rate is expected to increase to around 20% (31 July 2021 – 18.4%) as it will include an allowance for the Residential Property Developer Tax ('RPDT'). This is planned to be introduced from April 2022, at a rate of 4% of relevant residential property development profits above an annual allowance of £25 million, to support the Government's Building Safety Fund.

In March 2021, the UK Government announced its intention to increase the corporation tax rate to 25.0% from April 2023. As this change was substantively enacted as at 31 July 2021, the deferred tax assets/liabilities of the Group at that balance sheet date were calculated based on the substantively enacted corporation tax rate of 25.0%. As at 31 January 2022 the Group recognised a net deferred tax liability of £7.4 million (2021 – £4.4 million). RPDT was substantively enacted on 2 February 2022, this will result in the remeasurement of the deferred tax balances at the year end.

Working capital

5. Provisions and reimbursement assets

	Legacy building safety improvements provision £m	Reimbursement assets £m	Total £m
At 1 August 2021	(116.0)	0.5	(115.5)
Additions (note 2)	(24.2)	2.5	(21.7)
Released (note 2)	2.1	-	2.1
Utilised/(recovered)	9.8	(2.8)	7.0
At 31 January 2022	**(128.3)**	**0.2**	**(128.1)**

The provision is classified as follows:

	Legacy building safety improvements provision £m
Current	(40.4)
Non-current	(87.9)
At 31 January 2022	**(128.3)**

The Group has established a provision for the cost of performing fire remedial works on a number of legacy developments (note 2). The timing of the provision is uncertain, so it has not been discounted.

Notes (continued)

<u>Financing</u>

6. Analysis of net cash

	At 1 August 2021 £m	Cash flows £m	**At 31 January 2022 £m**
Cash and cash equivalents	460.3	(134.5)	**325.8**
Fixed rate sterling USPP notes	(130.0)	-	**(130.0)**
Net cash	330.3	(134.5)	**195.8**

7. Finance income and expenses

	Half year ended 31 January 2022 £m	Half year ended 31 January 2021 £m	Year ended 31 July 2021 £m
Interest element of movement in pension scheme asset	**0.1**	-	-
Other interest receivable	**0.4**	0.1	0.6
Finance income	**0.5**	0.1	0.6
Interest payable on bank loans and overdrafts	**1.3**	1.6	3.1
Interest payable on fixed rate sterling USPP notes	**1.7**	-	1.6
Interest on deferred term land payables	**3.3**	3.3	6.5
Interest payable on leases	**0.2**	0.2	0.5
Other interest expense	**-**	0.1	-
Finance expenses	**6.5**	5.2	11.7

8. Financial instruments - fair value disclosures

The fair value of financial assets and liabilities are determined based on discounted cash flow analysis using prevailing market rates for similar instruments.

The carrying values of financial assets and liabilities approximate the fair value of the instruments.

Notes (continued)

Shareholder capital

9. Equity

Issued capital

The Group had 123,401,805 (2021 – 123,349,177) allotted, called up and fully paid 12.5p ordinary shares at 31 January 2022.

Own shares held

The Group holds shares within the Bellway Employee Share Trust (1992) (the 'Trust') for participants of certain share-based payment schemes. These are held within retained earnings. During the period 268,240 shares were purchased by the Trust (2021 – 105,967 shares) and the Trust transferred 36,947 (2021 – 47,923) shares to employees and directors. The number of shares held within the Trust and on which dividends have been waived, at 31 January 2022 was 333,146 (2021 – 101,853). These shares are held within the financial statements at a cost of £9.0 million (2021 – £2.4 million). The market value of these shares at 31 January 2022 was £9.5 million (2021 – £2.8 million).

Capital redemption reserve

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

10. Dividends

Amounts recognised as distributions to equity holders in the period:

	Half year ended 31 January 2022 £m	Half year ended 31 January 2021 £m	Year ended 31 July 2021 £m
Final dividend for the year ended 31 July 2021 of 82.5p per share (2020 – 50.0p)	**101.8**	61.6	61.6
Interim dividend for the year ended 31 July 2021 of 35.0p per share (2020 – nil)	**-**	-	43.1
	101.8	61.6	104.7
Proposed interim dividend for the year ending 31 July 2022 of 45.0p per share (2021 – 35.0p)	**55.4**	43.1	101.7

The proposed interim dividend was approved by the Board on 28 March 2022 and, in accordance with IAS 10 'Events after the Reporting Period', has not been included as a liability in these condensed consolidated interim financial statements. The interim dividend will be paid on Friday 1 July 2022 to all ordinary shareholders on the Register of Members on Friday 20 May 2022. The ex-dividend date is Thursday 19 May 2022.

Notes (continued)

Contingencies, related parties and subsidiaries

11. Contingent liabilities

Legacy building safety improvements

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

The methodology used for determining a liability is detailed in note 2. While a prudent approach has been taken, the extent of the provision could increase, in line with normal accounting practice if new issues are identified, as building owners continue to undertake their own investigative works on these and other schemes within the legacy portfolio.

The draft Building Safety Bill published on 5 July 2021, which is under review in the House of Lords, now proposes to extend the limitation period for claims under s.1 of the Defective Premises Act 1972 (DPA) from 6 years to 30 years.

The extension of this time period could 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.

Furthermore, the Department for Levelling Up, Housing and Communities ('DLUHC') contacted residential property developers on 10 January 2022 and 3 February 2022 in relation to funding and remediation of unsafe cladding on buildings above 11 metres in height that were constructed in the last 30 years. We are proactively engaging with the Government, both directly and via the HBF, in relation to fire safety issues that have arisen across the wider sector and the supply chain.

We are assessing the additional cost that could arise because of this potential extended review period, but this is a highly judgemental area, not least because the final details of any pledge have not been agreed, and particularly given the ongoing uncertainties with respect to the required standard of remediation and the related position of lenders and surveyors. We continue to refine our assessment of the number of buildings potentially covered by the extended 30-year review period, but the Directors note that Bellway has a long history of building apartments, particularly in the mid-2000s, when some 50% of output was flats.

12. Related party transactions

There have been no related party transactions in the first six months of the current financial year which have materially affected the financial position or performance of the Group.

The related parties, except as set out in the Statement of Director's Responsibilities, are consistent with those disclosed in the Group's Annual Report and Accounts for the year ended 31 July 2021.

Notes (continued)

Other information

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 Condensed Group 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 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.

- **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 period per ordinary share 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.

Notes (continued)

13. Alternative performance measures (continued)

- **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	**31 January 2022 £m**	**31 July 2021 £m**	**Movement £m**	31 January 2021 £m	31 July 2020 £m	Movement £m
Land	**2,607.9**	**2,483.9**	**124.0**	2,241.0	2,216.2	24.8
Work in progress	**1,360.1**	**1,431.4**	**(71.3)**	1,309.4	1,496.1	(186.7)
Increase/(decrease) in capital invested in land and work in progress in the year			**52.7**			(161.9)
Land creditors	**(349.0)**	**(455.8)**	**106.8**	(371.7)	(343.6)	(28.1)
Increase/(decrease) in capital invested in land, net of land creditors, and work in progress in the year			**159.5**			(190.0)

- **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 ('Underlying 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 and half year capital employed. The calculation is shown in the table below. The Directors consider this to be an important indicator of whether the Group is achieving a sufficient return on its investments.

	31 January 2022			31 January 2021		
	Capital employed £m	**Land creditors £m**	**Capital employed including land creditors £m**	Capital employed £m	Land creditors £m	Capital employed including land creditors £m
Underlying operating profit	**332.2**		**332.2**	297.7		297.7
Capital employed/land creditors:						
Opening	**3,287.8**	**455.8**	**3,743.6**	2,994.0	343.6	3,337.6
Half year	**3,429.8**	**349.0**	**3,778.8**	3,162.4	371.7	3,534.1
Average	**3,358.8**	**402.4**	**3,761.2**	3,078.2	357.7	3,435.9
Annualised return on capital employed	**19.8%**		**17.7%**	19.3%		17.3%

Notes (continued)

13. Alternative performance measures (continued)

- **Return on capital employed ('RoCE')** – This is calculated as operating profit divided by the average capital employed. Average capital employed is calculated based on opening and half year capital employed. The calculation is shown in the table below. The Directors consider this to be an important indicator of whether the Group is achieving a sufficient return on its investments.

	31 January 2022			31 January 2021		
	Capital employed	**Land creditors**	**Capital employed including land creditors**	Capital employed	Land creditors	Capital employed including land creditors
	£m	**£m**	**£m**	£m	£m	£m
Operating profit	**312.6**		**312.6**	277.4		277.4
Capital employed/land creditors:						
Opening	**3,287.8**	**455.8**	**3,743.6**	2,994.0	343.6	3,337.6
Half year	**3,429.8**	**349.0**	**3,778.8**	3,162.4	371.7	3,534.1
Average	**3,358.8**	**402.4**	**3,761.2**	3,078.2	357.7	3,435.9
Annualised return on capital employed	**18.6%**		**16.6%**	18.0%		16.1%

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

	31 January 2022 £m	31 January 2021 £m
Profit for the period	**250.4**	229.2
Net assets:		
Opening	**3,287.8**	2,994.0
Half year	**3,429.8**	3,162.4
Average	**3,358.8**	3,078.2
Annualised post-tax return on equity	**14.9%**	14.9%

- **Total growth in value per ordinary share** - The Directors use this as a proxy for the increase in shareholder value since 31 January 2019. A period of 3 years is used to reflect medium-term growth.

Net asset value per ordinary share:		
At 31 January 2022	2,779p	
At 31 January 2019	2,189p	
Net asset value growth per ordinary share		590.0p
Dividend paid per ordinary share:		
12 months to 31 January 2022	117.5p	
12 months to 31 January 2021	50.0p	
12 months to 31 January 2020	150.4p	
Cumulative dividends paid per ordinary share		317.9p
Total growth in value per ordinary share		907.9p

Notes (continued)

13. Alternative performance measures (continued)

- **Annualised accounting return in NAV and dividends paid since 31 January 2019 –** This is calculated as the annualised increase in net asset value per ordinary share plus cumulative ordinary dividends paid per ordinary share since 31 January 2019 (as detailed above) divided by the net asset value per ordinary share at 31 January 2019. The Directors use this as a proxy for the increase in shareholder value since 31 January 2019.

Net asset value growth per ordinary share	590.0p
Dividend paid per ordinary share	317.9p
Total growth in value per ordinary share	907.9p
Net asset value per ordinary share at 31 January 2019	2,189p
Total value per ordinary share	3,096.9p
Annualised accounting return = (3,096.9/2,189)^(1/3)-1	12.3%

- **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 6.

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

- **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.

	31 January 2022 £m	31 January 2021 £m
Cash from operations	**23.5**	428.3
Add: increase/(decrease) in capital invested in land, net of land creditors, and work in progress (as described above)	**159.5**	(190.0)
Cash generated from operations before investment in land, net of land creditors, and work in progress	**183.0**	238.3

- **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 potential risks and our risk management processes ensure that all aspects of the Group are considered, from strategy through to operational execution including any specialist business areas.

The risk register is reviewed as part of our management reporting processes, resulting in the regular assessment of risk, 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 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 and any changes that have occurred. Once a year, via the Audit Committee, the Board determines whether the risk management framework is appropriately designed and operating effectively.

We have identified the following principal risks to our business:

Risk and description	Strategic relevance	KPIs	Mitigation
Construction resources Shortages of building materials and appropriately skilled subcontractors at competitive prices.	▪ Failure to secure the required quantity and quality of resources causes delays in construction, impacting the ability to deliver volume growth targets. ▪ Pricing pressures / increased costs impact returns.	▪ Number of homes sold. ▪ Operating profit. ▪ Operating margin. ▪ EPS. ▪ Gross margin. ▪ Customer Satisfaction score.	▪ Robust forecasting and forward planning of labour and materials requirements. ▪ Processes are in place to select, appoint, manage, and build long-term relationships with subcontractors and suppliers. ▪ Review of subcontractor and supplier performance, with regular communications to understand their position and any potential issues with their own supply chain. ▪ Competitive rates and prompt payment.
Economy and market Changes in the external environment (including, but not limited to, house price inflation, interest rates, mortgage availability, unemployment, Government housing policy and post-Brexit trade agreements) reduce the affordability of new homes.	▪ Reduced affordability has a negative impact on customer demand for new homes and consequently our ability to generate sales at good returns.	▪ Number of homes sold. ▪ Operating profit. ▪ Operating margin. ▪ RoCE. ▪ EPS. ▪ Gross margin. ▪ Customer Satisfaction score. ▪ Reservation rate. ▪ Order book value.	▪ Board level monitoring of the housing market and economic environment alongside key business metrics, leading to development of action plans as necessary. ▪ Disciplined operating framework, strong balance sheet and low financial gearing. ▪ Product range and pricing strategy based on regional market conditions. ▪ Regular engagement with industry peers, representative bodies, and new build mortgage lenders. ▪ Use of sales incentives such as part-exchange, and Government-backed schemes to encourage the selling process. ▪ Quarterly site valuations and monthly budget reviews based on latest market data.
Environment and climate change Failure to evolve sustainable business practices and operations in response to climate change, including physical environmental impacts and transition risks associated with new regulation, reporting requirements, and increased 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 Government 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.	▪ Tonnes of carbon emissions per legal completion. ▪ Percentage of renewable electricity. ▪ Tonnes of waste per home built. ▪ Percentage of waste diverted from landfill.	▪ Continual monitoring of new and evolving requirements as part of our legal and regulatory compliance framework, including TCFD, the Future Homes Standard and the Environment Act. ▪ Climate change and carbon reduction is a key priority under the Group's 'Better with Bellway' sustainability strategy. ▪ Dedicated sustainability and innovations resource in place to assess risks relating to climate change, monitor performance and drive improvement. ▪ Consultation with specialist external advisors and subject matter experts (e.g., sustainability consultants). ▪ Regular review of the design and features of new homes, along with construction methods and the sustainability of materials, to increase energy efficiency and reduce waste. ▪ Investment in energy-saving measures for offices and sites, including transition to REGO certified electricity. ▪ Development of science-based carbon reduction targets.

Risk and description	Strategic relevance	KPIs	Mitigation
Health and safety A serious health and safety breach and/or incident occurs.	▪ Failure to maintain safe working conditions would impact employee wellbeing and the creation of a positive working environment. ▪ Injury to an individual whilst at one of our business locations could delay construction and result in criminal prosecution, civil litigation, and reputational damage.	▪ Number of RIDDOR seven-day reportable incidents per 100,000 site operatives. ▪ Health and safety incident rate. ▪ Number of NHBC Pride in the Job Awards.	▪ Health and safety policy and procedures in place, supported by Group-wide training. ▪ Regular visits to sites by both our Group Health and Safety function (independent of divisions) and external specialist consultants to monitor standards and performance against health and safety policies and legislation. ▪ The Board considers health and safety matters at each meeting.
Human resources Inability to attract, recruit and retain high quality people.	▪ Failure to attract and retain people with appropriate skills would affect our ability to perform and deliver our strategy and volume growth targets.	▪ Employee turnover. ▪ Number of graduates, trainees, and apprentices. ▪ Employees who have worked for the Group for 10 years or more. ▪ Training days per employee. ▪ Senior management gender split. ▪ Percentage of staff in earning and learning roles. ▪ Employee engagement survey response rate.	▪ Continued development of our Group HR function and implementation of our people strategy. ▪ Established human resources programme for apprentices, graduates, and site management. ▪ Monitoring of staff turnover and analysis of feedback from exit interviews. ▪ Competitive salary and benefits packages which are regularly reviewed and benchmarked. ▪ Employee engagement activities undertaken, including an annual survey, with results communicated to the Board. ▪ Succession plans in place and key person dependencies identified and mitigated. ▪ Robust programme of training provided to employees which is regularly updated and refreshed. ▪ Senior Leaders Development Programme underway, with Middle Managers Programme currently being developed.
IT and security Failure to have suitable IT systems in place that are appropriately supported and secured.	▪ Poor performance of our systems would disrupt operational activity and impact the delivery of our strategy. ▪ An IT security breach could result in the loss of data, with significant potential fines and reputational damage.	▪ Operating profit. ▪ Operating margin. ▪ RoCE. ▪ EPS. ▪ Gross margin. ▪ Customer Satisfaction score.	▪ Continued investment in infrastructure and systems. ▪ Group-wide systems in operation which are centrally controlled by an in-house IT function, supported by a specialist outsourced provider. ▪ IT security policy and procedures in place with regular Group-wide training. ▪ Regular review and testing of our IT security measures, contingency plans and policies. ▪ Security Committee in place.
Land and planning Inability to source suitable land at appropriate gross margins and return on capital employed. Delays and complexity in the planning process.	▪ Insufficient land at appropriate margins, onerous planning conditions or a failure to obtain planning approval within appropriate timescales would exacerbate the challenge of developing new homes, restrict our ability to deliver volume growth targets and impact future returns.	▪ Number of homes sold. ▪ Operating profit. ▪ Operating margin. ▪ RoCE. ▪ EPS. ▪ Gross margin. ▪ Number of plots in owned and controlled land bank with DPP. ▪ Number of plots in 'pipeline'. ▪ Number of plots in strategic land bank – positive planning status. ▪ Number of plots in strategic land bank – longer-term interests. ▪ Number of plots acquired with DPP. ▪ Number of plots converted from medium-term 'pipeline'.	▪ Continued development of our Group Strategic Land function and implementation of our land strategy. ▪ Increased investment in land and more sites with DPP. ▪ Regular review by Group and divisions of the quantity, location, and planning status of land against growth targets to ensure our land bank supports immediate, medium-term, and strategic requirements. ▪ Formal land acquisition process in place for the appraisal and approval of all land purchases, including pre-purchase due diligence and Group level challenge of viability assumptions. ▪ Group and divisional planning specialists in place to support the securing of implementable planning permissions.
Legal and regulatory compliance Failure to comply with legislation and regulatory requirements.	▪ Lack of an appropriate compliance framework and/or compliance breaches could incur fines, delay business operations and lead to re-work across sites, which will impact our reputation and profitability.	▪ Number of homes sold. ▪ Operating profit. ▪ Operating margin. ▪ RoCE. ▪ EPS. ▪ Gross margin.	▪ In-house expertise from Group functions such as Company Secretariat, Legal, Health and Safety and Technical/Design, who advise and support divisions on legal compliance and regulatory matters. ▪ Consultation with Government agencies, specialist external legal advisors and subject matter experts, (e.g., fire safety engineers).

Risk and description	Strategic relevance	KPIs	Mitigation
			▪ Strengthened Group-wide policies, guidance, and training in place supported by externally facilitated whistleblowing and reporting procedures. ▪ Continual monitoring and review of changes to legislation and regulation, including Government guidance, advice notes and sector specific updates. ▪ Regular liaison with industry peers and the HBF on compliance requirements and matters.
Unforeseen significant event An unforeseen significant national or global event occurs.	▪ The economic uncertainty brought about by an unforeseen significant event, such as the COVID-19 pandemic, could materially impact the Group's operations and liquidity. ▪ Damage to reputation if the Group is not perceived to be following Government guidelines and acting responsibly. ▪ We are also mindful of the tragic conflict in Ukraine and growing humanitarian crisis. We continue to monitor the situation, acknowledging the potential impact on the UK economy, supply chains and inflation.	▪ NAV. ▪ Operating profit. ▪ Operating margin. ▪ RoCE. ▪ EPS. ▪ Total dividend per ordinary share. ▪ Gross margin. ▪ Reservation rate. ▪ Order book value. ▪ Employee turnover.	▪ Strong balance sheet, low financial gearing, committed bank loan facilities and USPP debt which would help ensure resilience during a recession. ▪ Maintenance of business resilience and continuity plans covering offices, sites, and IT. ▪ Experienced and well-established senior management team. ▪ Continued investment in systems and infrastructure to enable robust home working. ▪ COVID-19 risk assessments in place and safe working practices implemented across offices and sites. ▪ Monitoring of Government guidelines (including Public Health England and the Construction Leadership Council). ▪ Regular communications with subcontractors and suppliers to understand their position and any potential issues with their own supply chain.

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

DLUHC
Department for Levelling Up, Housing and Communities.

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

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.

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.

REGO
This is Renewable Energy Guarantees of Origin certified electricity.

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.

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.

Statement of Directors' Responsibilities

We confirm that to the best of our knowledge:

- the condensed consolidated interim financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting';

- the Half Year Report 2022 includes a fair review of the information required by:

  a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed consolidated set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

  b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the Group during that period; and any changes in the related party transactions described in the last annual report that could do so.

The directors of Bellway p.l.c. are listed in the Annual Report and Accounts for the year ended 31 July 2021. On 1 March 2022, John Tutte joined the Board as Non-executive Chairman Designate and will succeed Paul Hampden Smith as Non-executive Chairman on 1 April 2022.

For and on behalf of the Board

Jason Honeyman
Group Chief Executive

Registered number 1372603
28 March 2022

Note on forward-looking statements

Certain statements in this announcement are forward–looking statements which are based on Bellway p.l.c.'s expectations, intentions and projections regarding its future performance, anticipated events or trends and other matters that are not historical facts. Such forward–looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward–looking statements sometimes use words such as 'aim', 'anticipate', 'target', 'expect', 'estimate', 'intend', 'plan', 'goal', 'believe', or other words of similar meaning. These statements are not guarantees of future performance and are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those expressed or implied by such forward–looking statements. Given these risks and uncertainties, prospective investors are cautioned not to place undue reliance on forward–looking statements. Forward–looking statements speak only as of the date of such statements and, except as required by applicable law, Bellway p.l.c. undertakes no obligation to update or revise publicly any forward–looking statements, whether as a result of new information, future events or otherwise