BELLWAY P.L.C. ("BELLWAY" OR THE "GROUP"), THE NATIONAL HOUSEBUILDER, ANNOUNCES TODAY, TUESDAY 18 OCTOBER 2022, ITS PRELIMINARY RESULTS FOR THE YEAR ENDED 31 JULY 2022.

Summary

Strong land bank and resilient balance sheet provide platform for growth and strategic flexibility

	Year ended 31 July 2022	**Year ended 31 July 2021**	**Movement**
Revenue	£3,536.8m	£3,122.5m	+13.3%
Gross profit (underlying)	£787.0m[2,3]	£651.9m[2,3]	+20.7%
Gross margin (underlying)	22.3%[2,3]	20.9%[2,3]	+140 bps
Operating profit (underlying)	£653.2m[2,3]	£531.5m[2,3]	+22.9%
Operating margin (underlying)	18.5%[2,3]	17.0%[2,3]	+150 bps
Profit before taxation (underlying)	£650.4m[2,3]	£530.8m[2,3]	+22.5%
Earnings per share (underlying)	420.8p[2,3]	350.9p[2,3]	+19.9%
Net legacy building safety expense	£346.2m	£51.8m	+568.3%
Profit before taxation	£304.2m	£479.0m	(36.5%)
Earnings per share	196.9p	316.9p	(37.9%)
Proposed total dividend per share	140.0p	117.5p	+19.1%
Net asset value per share	2,727p[2]	2,664p[2]	+2.4%
Net cash	£245.3m[2]	£330.3m[2]	(25.7%)
Land bank (total plots)	97,706[5]	86,571[5]	+12.9%
RoCE (underlying)	19.4%[2,3]	16.9%[2,3]	+250 bps

Chief Executive, Jason Honeyman said:

"Bellway has delivered another strong performance. Our strengthened land bank and resilient balance sheet provide a platform for long-term growth and, importantly, during a period of economic uncertainty, they enable the Group to take a more cautious approach to land investment in the year ahead.

"Our long-term model is our strength and is supported by an underlying demand for new homes. Bellway's growth will continue to be disciplined as we maintain a clear focus on the high standard of our product, margin, quality of profit and value creation."

Record housing output and revenue delivered with further underlying margin improvement

- Total revenue rose by 13.3% to £3,536.8 million (2021 – £3,122.5 million, 2020 – £2,225.4 million), a record for the Group.
- Housing completions grew by 10.5%, and ahead of our ambitious target, to a record 11,198 homes (2021 – 10,138, 2020 – 7,522).
- Strong underlying demand across the country, with a 6.9% increase in the overall reservation rate to 218 per week (2021 – 204, 2020 – 178).
- Further improvement in the underlying operating margin to 18.5%[2,3] (2021 – 17.0%, 2020 – 14.5%), driven by improved site operating efficiency, management of cost pressures and completions from more recently acquired land.
- Underlying profit before taxation rose by 22.5% to £650.4 million[2,3] (2021 – £530.8 million, 2020 – £309.3 million).
- Resilient balance sheet, with year-end net cash of £245.3 million[2] (2021 – £330.3 million, 2020 – £1.4 million) and low adjusted gearing, inclusive of land creditors, of 4.4%[2] (2021 – 3.8%, 2020 – 11.4%).
- Proposed total dividend per share growth of 19.1% to 140.0p (2021 – 117.5p, 2020 – 50.0p), representing dividend cover of 3.0 times[2,3] underlying earnings. As previously announced, the Board intends to progressively reduce dividend cover to around 2.5 times[2,3] underlying earnings by 31 July 2024.

Strengthened land bank supports outlet growth and underpins long-term growth ambitions

- Another year of disciplined land investment in high quality locations, with 19,089 plots[4] (2021 – 19,819 plots, 2020 – 12,124 plots) contracted at attractive rates of return, for a total contract value of £1,300.3 million[4] (2021 – £1,066.0 million, 2020 – £777.7 million).
- Additional investment in our strategic land team, resulting in the strategic land holdings growing further to 35,600 plots at 31 July 2022 (2021 – 30,400 plots, 2020 – 27,300 plots), providing scope for longer-term outlet and volume growth.
- In total, our overall land bank, comprising 97,706 plots[5] (2021 – 86,571 plots, 2020 – 72,361 plots), provides scope to increase the number of sales outlets in the second half of the current financial year and beyond, notwithstanding ongoing sector-wide delays in the planning system.
- The strengthened overall land bank enables the Group to reinforce its disciplined financial land buying criteria in the year ahead, while retaining its long-term capacity to grow volume output to over 16,000 homes per annum.

'Better with Bellway' – our long-term commitment to sustainable business practices

- In March 2022, we launched 'Better with Bellway', our new sustainability strategy. The strategy covers eight priority areas, each with their own targets and headline KPIs, aligned to the underlying operations of the business.
- Commitment to significantly reduce carbon emissions, with ambitious targets aligned to the Paris Agreement, which go beyond the requirements of the Future Homes Standard. Our carbon reduction targets have recently been validated by the Science Based Target initiative ('SBTi').
- Sustained focus on build quality and customer satisfaction through our 'Customer First' programme is reflected by Bellway retaining its position as a five-star[6] homebuilder for the sixth consecutive year.
- Aiming to be an 'Employer of Choice' by retaining our people and attracting the best talent from across the industry. We are delighted with the results from our recent employee engagement survey in which 95% of colleagues said they would recommend Bellway as 'a great place to work'.
- We have provided an additional net £346.2 million in relation to legacy building safety, as an adjusting item, mainly as a result of the Group's commitment to the Building Safety Pledge (the 'Pledge') in April 2022 and the Developers' Pact with the Welsh Government, earlier this month. This primarily comprises a net £326.6 million charge in the second half, which is in line with previous guidance. The total amount set aside in relation to England, Scotland and Wales since 2017 is £513.7 million, demonstrating our continued commitment to act responsibly with regards to building safety.
- Proficient remediation of legacy schemes to be completed through our new Building Safety division, led by a recently appointed Managing Director and supported by an experienced team. This division is separately resourced so as not to detract from day-to-day operations and growth prospects elsewhere in the Group.

Current trading and growth outlook

- Bellway entered the new financial year with a strong forward order book. We have also increased our investment in work-in-progress, although this is weighted towards earlier stages of production and stock available for sale is currently lower than the prior year.
- Elevated demand since the start of the pandemic has moderated and in the nine weeks since 1 August, weekly reservations were 191 per week (1 August to 3 October 2021 – 218 per week, 1 August to 4 October 2020 – 239 per week), a decrease of 12.4% compared to the equivalent period in the prior year.
- The Group retains a strong forward sales position with a value of £2,093.8 million[2] as at 2 October (3 October 2021 – £1,966.3 million, 4 October 2020 – £1,869.6 million). The order book comprised 7,257 homes (3 October 2021 – 6,731 homes, 4 October 2020 – 6,624 homes), of which 71% were exchanged (3 October 2021 – 62%, 4 October 2020 – 62%).
- While Bellway entered the year with a strong forward order book, given the backdrop of rising interest rates and wider economic uncertainty, the Board currently expects to deliver volume at a similar level to the prior year. The final outturn will be dependent on the autumn and spring selling seasons and the Group will prioritise its strong disciplines in relation to both margin and quality of profit.
- Pricing has remained firm and we anticipate an overall average selling price of around £300,000 (2022 – £314,399) in the current year. The moderation from 2022 primarily reflects a higher proportion of social housing completions.
- Given the current economic backdrop, the range of potential outcomes for underlying operating margin in financial year 2023 is wider than the prior year. The result will be partly supported by our substantial order book and, assuming

current prices and volume output similar to last year, we expect the underlying operating margin for the current financial year to be over 18%[2,3].

- Over the long-term, the Group has significant capacity to deliver further increases in output. Our growth will continue to be disciplined, while maintaining the high standard of our product, and a clear focus on delivering value creation for shareholders.
- The combined strength of our balance sheet, land bank and order book provide strategic flexibility to respond to changes in the housing market, the long-term fundamentals of which remain strong. There is a shortage of high quality, energy efficient and affordable homes across the country and Bellway will continue to play an important role in increasing housing supply in the years ahead.

[1] 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.

[2] 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.

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

[4] Includes the Group's share of land contracted through joint venture partners comprising 237 plots (2021 – 882 plots, 2020 – 203 plots), with a contract value of £12.7 million (2021 – £39.2 million, 2020 – £15.3 million) across 1 site (2021 – 2 sites, 2020 – 1 site).

[5] Includes the Group's share of land owned and controlled through joint venture partners comprising 962 plots (2021 – 938 plots, 2020 – 472 plots).

[6] As measured by the Home Builders' Federation using the eight week NHBC Customer Satisfaction survey.

[7] Total scope 3 emissions are reported in line with the targets validated by the Science Based Target initiative, and exclude category 11b (use of sold products – indirect). Categories 8, 9, 10, 14 and 15 are not relevant to the Group.

[8] Comparatives are for the year ended 31 July 2021 or as at 31 July 2021 ('2021') or are for the year ended 31 July 2020 or as at 31 July 2020 ('2020') unless otherwise stated.

Analyst presentation, webcast and conference call

There will be an analyst presentation held at the offices of Numis at 9.30am today. The presentation will be hosted by Jason Honeyman, Group Chief Executive and Keith Adey, Group Finance Director.

A listen-only webcast and conference call will accompany the presentation. To join the webcast, go to the Bellway p.l.c. corporate website, www.bellwayplc.co.uk/investor-centre.

To join via the conference call, participants should dial +44 (0)33 0551 0200 and quote 'Bellway' when prompted by the operator.

A playback facility will be available on our corporate website shortly after the presentation has finished.

For further information, please contact:

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Chairman's Overview

Introduction

This is my first statement as Non-Executive Chairman of Bellway, following my appointment at the beginning of April 2022. I am delighted to have joined the Group given its long-term growth potential and financial resilience. In my first few months I have been impressed by the focus on build quality, customer service and the Group's responsible approach to business.

Bellway has delivered another strong performance with volume output and revenue reaching record levels. The benefits of our ongoing disciplined investment in land have also helped drive improvements in the underlying operating margin and return on capital employed. Underlying earnings per share rose by 19.9% to 420.8p[2,3] (2021 – 350.9p, 2020 – 204.3p).

The Group has a strong order book and a robust balance sheet, and together with its operational expertise, I am confident Bellway is very well-placed to navigate through the current headwinds in the wider economy and deliver on its long-term growth strategy.

Our people

It is largely the dedication and hard work of our colleagues, subcontractors and supply chain partners that have made this strong performance possible. On behalf of the Board, I would like to express our gratitude to all those who have contributed to these results, for their resilience, resourcefulness, and ongoing commitment.

Strategic priorities

Bellway's strong balance sheet provides the financial flexibility and capacity to invest in the future and, together with our commitment to responsible business practices, supports our three strategic priorities to:

- Achieve long-term volume growth,
- Deliver value creation for shareholders, and
- Operate responsibly and sustainably through our 'Better with Bellway' strategy.

Long-term volume growth

The long-term fundamentals of the housing market remain positive. Good quality, affordably priced housing is in short supply across many parts of the country and in recent years this has been exacerbated by bottlenecks in the planning system.

Notwithstanding this, and to meet the rising demand for new homes, Bellway has significantly expanded its geographical coverage across England, Scotland and Wales. Through the successful execution of our organic growth strategy, we have delivered a 114% increase in volume output over the last decade. Fundamental to this has been the expansion of our strong divisional structure from 13 to 22 trading divisions over the same period. Each of our divisional teams have the expertise, experience and local knowledge to purchase land, source materials and subcontract labour to deliver high quality homes to our customers.

Our operational structure has the capacity to organically grow volume in the longer-term to over 16,000 homes per annum through a combination of growing output in recently opened divisions and targeting our more mature divisions to create opportunities for further geographical expansion.

Value creation for shareholders

Bellway's volume growth strategy is inextricably linked to the generation of long-term value for our shareholders. The Board continues to believe that value creation from the business is best gauged against capital growth by increasing net asset value per share ('NAV') and supplemented by paying regular dividends.

In the year ended 31 July 2022, NAV rose by 2.4% to 2,727p[2] (2021 – 2,664p, 2020 – 2,427p), with the increase achieved due to the strong growth in underlying earnings and notwithstanding a £346.2 million charge in the year in relation to legacy building safety issues. In addition, the Board is pleased to recommend a 15.2% increase in the final dividend to 95.0p per share (2021 – 82.5p, 2020 – 50.0p). This brings the total proposed dividend to 140.0p per share (2021 – 117.5p, 2020 – 50.0p), an increase of 19.1%. If approved, the overall dividend will be covered 3.0 times[2,3] by underlying earnings (2021 – 3.0 times, 2020 – 4.1 times).

Given the Group's capacity for, and track-record of, delivering long-term volume growth, the reinvestment of capital into land opportunities offering high returns will continue to be balanced with regular dividends. Our strong balance sheet and record land bank also provides us with the strategic flexibility and agility to respond to any material changes in market conditions as a result of the current backdrop of economic uncertainty.

As previously announced, we plan to progressively reduce dividend cover to around 2.5 times[2,3] underlying earnings by 31 July 2024, a level of cover the Board sees as both prudent and sustainable. The reducing cover will also help offset the impact of the Residential Property Developer Tax ('RPDT'), charged at 4% of relevant taxable profits, from April 2022, and rising corporation tax rates, likely to be effective from April 2023.

'Better with Bellway'

In March 2022, Bellway launched a new sustainability strategy 'Better with Bellway', and we have a range of initiatives underway to embed the framework across the business. The strategy covers eight priority areas, each with their own specific targets and KPIs linked to the underlying operations of the Group. 'Better with Bellway' includes ambitious targets in respect of our three flagship priority areas of Carbon Reduction, Customers and Communities, and becoming an Employer of Choice. Some recent highlights and progress in these areas are set out below:

Carbon Reduction – Bellway has worked with The Carbon Trust to develop a detailed plan to significantly reduce our greenhouse gas emissions by 2030. We have established stretching, quantity-based targets which are in line with the Paris Agreement and go beyond the demanding requirements of the Future Homes Standard. I am delighted that these targets have recently been validated by the SBTi as we aim to play an important role in carbon reduction within our industry.

Customers and Communities – We are proud to have retained our position as a five-star[6] homebuilder for the sixth consecutive year, 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. Alongside maintaining our five-star[6] status for the eight-week survey, we have also made strides to improve our score in the nine-month survey to 82.1% (2021 – 79.9%) and we are targeting further incremental improvements. In addition, Bellway was one of the first major developers to sign up to the New Homes Ombudsman Service earlier this month, which reaffirms our commitment to consistent and outstanding levels of customer service.

Employer of Choice – We are delighted with the results from our recent employee engagement survey in which 95% of colleagues said they would recommend Bellway as 'a great place to work'. Maintaining a high level of employee satisfaction is important to the future success of the business and we will continue to seek feedback from our colleagues in order to attract talent and improve staff retention. We also have a range of initiatives in place to promote inclusivity, improve gender and ethnic diversity and to increase the proportion of colleagues in 'earn and learn' roles.

In addition to the flagship priority areas, the 'Better with Bellway' strategy includes targets in respect of biodiversity, resource efficiency, charitable engagement, sustainability throughout the supply chain and building quality homes safely. More details are set out later in this report and are also available on our website at www.bellwayplc.co.uk/sustainability.

Our ongoing focus on the serious issue of building safety is reflected by the level of provision set aside for legacy safety issues and the establishment of our new Building Safety division. The new division comprises an experienced team, with a clear directive to undertake the proficient remediation of our legacy schemes. Bellway signed up to the Building Safety Pledge in April 2022 and the Developers' Pact with the Welsh Government earlier this month, and we continue to engage with Government as the industry works towards a solution to address the safety issues on older buildings.

Board changes

As previously announced, I was appointed as Non-Executive Chairman on 1 April 2022. On behalf of the Board, I would like to take this opportunity to thank my predecessor, Paul Hampden Smith, who dedicated almost nine years' service as a Non-Executive Director of Bellway. I would also like to take this opportunity to thank Denise Jagger for her valued contribution to the Board over the past nine years and more recently in her role as Senior Independent Director. Denise will be stepping down from the Board ahead of this year's AGM.

I am delighted that Sarah Whitney has recently joined Bellway as an independent Non-Executive Director. Sarah joined the Board on 1 September 2022 and has also been appointed as a member of the Audit, Nomination and Remuneration Committees.

Sarah has significant senior executive experience in the property sector and her current roles include being Chair of the Supervisory Board of BBGI Global Infrastructure S.A. and a Non-Executive Director and member of the Audit and Management Engagement Committees of Tritax EuroBox plc. Sarah's real estate specialism combined with her experience as a Non-Executive Director will further strengthen the Board and we look forward to working with her in the years ahead.

Future long-term success

Bellway's experienced team has a proven ability to adapt to changes in market conditions. I am confident that the strategic flexibility afforded by our land bank and strong balance sheet provides the Group with the resilience and a platform to capitalise on further growth opportunities in the long-term.

Furthermore, 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 add value and create a positive experience for our stakeholders in the future.

John Tutte
Chairman
17 October 2022

Chief Executive's Market and Operational Review

Market

Bellway's high quality and energy efficient new homes have attracted strong customer demand across all regions where we operate, supported by our well-designed product range and ongoing investment in land and selling outlets in desirable locations. The overall reservation rate rose by 6.9% to 218 per week (2021 – 204, 2020 – 178), with particular strength in the autumn and spring, following a traditional seasonal pattern.

Average weekly private reservations were slightly ahead of the prior year at 170 per week (2021 – 169, 2020 – 141) and benefitted from a second consecutive year of strong pent-up demand after the onset of COVID-19. The increase was achieved notwithstanding the Group operating from a lower number of outlets compared to the prior year and a reduction in the use of the Help-to-Buy scheme. Customers used Help-to-Buy in 16% of total reservations (2021 – 30%, 2020 – 40%), with utilisation most pronounced on apartment schemes in, and around, London, where the Group has intentionally reduced its exposure in recent years.

Throughout the year the pricing environment was positive, with mid-to-high single digit house price inflation benefitting reservations across most of our divisions. There was a continuation of strong demand from second-time buyers, which accounted for around 60% of private reservations. Bellway's focus on traditional two-storey family housing attracts a wide range of customers and this provides some resilience for the year ahead as Help-to-Buy expires. Overall, confidence amongst our customers is strong and reflected in a consistently low cancellation rate of 13% (2021 – 13%, 2020 – 17%).

Customer demand is supported by low unemployment, and we also welcome the recent positive changes to stamp duty thresholds, which will aid customers saving to purchase a new home. Over recent weeks, some lenders have sought to moderate the number of fixed rate mortgages, in response to shorter-term uncertainty over fundings costs. We do not expect a long-term structural decline in the availability of mortgage finance and a number of major lenders have already relaunched mortgage products to reflect the recent increase in borrowing costs. In general, there remains good availability of finance, particularly for customers with higher deposits.

For customers with a 5% deposit, the availability of 95% loan-to-value mortgages remains relatively limited, although some lending institutions are gradually reintroducing these products for new build properties, including those provided through the Deposit Unlock scheme. Customer uptake is currently low, however, the availability of this product provides some encouragement regarding the availability of alternative financing arrangements as the Help-to-Buy scheme draws to a close for new reservations later this month.

Higher interest rates and fuel costs have contributed to the rise in the cost-of-living, which, to some extent, is being partially offset by wage rises. We also welcome the Government's Energy Price Guarantee, which came into effect earlier this month, and offers financial support and more certainty for consumers about their energy costs over the coming months. This will help ease overall inflation in the economy and we are hopeful this will have a positive impact on consumer confidence.

Our homes have high energy efficiency ratings and 97% of the homes we construct have an Energy Performance Certificate ('EPC') rating of B, compared to an average rating of D for second-hand housing stock. In this regard, a recent study by the HBF ('Watt a Save', Autumn 2022), shows that a typical new build home currently offers energy cost savings of around £2,000 a year when compared to an existing home. This adds to the overall competitive advantage of our new build homes over second-hand homes.

Land investment provides near-term flexibility and a foundation for long-term growth

Bellway's experienced land teams have continued with a programme of disciplined investment. This supports our growth ambitions by providing scope for outlet openings to help mitigate market headwinds, including rising living costs and delays in the planning system. All contracted sites are assessed by our divisional teams and again by the Group's Head Office land team, which challenges acquisition assumptions and reviews layouts and engineering designs. This Group-wide oversight ensures we focus our investment resource in the areas of strongest demand and acquire land that meets our minimum hurdle rates in relation to both margin and return on capital.

Building on the proactive and early entry into the land market in summer 2020, the Group has contracted to acquire 19,089 plots[4] during 2022 (2021 – 19,819 plots, 2020 – 12,124 plots) across 107 sites[4] (2021 – 109 sites, 2020 – 69 sites). The value of the contracted plots was £1,300.3 million[4] (2021 – £1,066.0 million, 2020 – £777.7 million). We include the expected costs of building to the requirements of the Future Homes Standard in our land appraisals and the average gross margin, based upon revenue and cost at the time of acquisition, continues to be attractive at around 23%.

The market for larger sites, typically over 150 units, attracts lower levels of competition and can offer higher expected returns than smaller sites. In that regard, the average size of the sites contracted in the year was 178 plots[4] (2021 – 182, 2020 – 176). This not only recognises that slightly larger sites offer better returns, but it also reflects our skillset to acquire land and obtain planning permission on larger, often more complicated acquisitions. In addition, given the strength and growing size of our balance sheet, the Group has access to capital to fund larger acquisitions in areas where demand is robust and has an ability to avoid an undue concentration of capital and risk in one locality. The use of dual branding on larger sites also offers customers a wider choice of product, which in turn can drive higher sales rates.

Over the last two financial years, Bellway has contracted to acquire 38,908 plots[4], representing around 180% of homes completed in that period and all at expected attractive rates of return. Over half of these plots were contracted in the year ended 31 July 2021, when competition in the land market was diminished due to the impact of the pandemic.

Notwithstanding a more competitive backdrop in financial year 2022, we retained our well-established and disciplined approach to land buying. We have maintained our focus on acquiring land in desirable locations where there is an undersupply of new housing, and where the product is affordable in the context of localised market conditions.

The table below analyses the Group's land holdings:

	2022	2021	2020
DPP: plots with implementable detailed planning permission	**32,344**	30,933	28,289
Pipeline: plots pending an implementable DPP	**28,800**	24,300	16,300
Bellway owned and controlled plots	**61,144**	55,233	44,589
Bellway share of land owned and controlled by joint ventures	**962**	938	472
Total owned and controlled plots[5]	**62,106**	56,171	45,061
Strategic land holdings	**35,600**	30,400	27,300
Total land bank[5]	**97,706**	86,571	72,361

Given the opportunities presented in the land market, Bellway's owned and controlled land bank has grown to 61,144 plots (2021 – 55,233 plots, 2020 – 44,589 plots), representing a land bank length of 5.5 years (2021 – 5.4 years, 2020 – 5.9 years) when based on the last 12 months' legal completions. The record land investment since the summer of 2020 has led to our land bank length growing significantly from 3.9 years in financial year 2019. This provides scope for outlet growth and flexibility to respond to changes in the market.

Within our land bank we have 32,344 plots (2021 – 30,933 plots, 2020 – 28,289 plots) with an implementable detailed planning permission ('DPP'). In addition, our pipeline land bank has increased to 28,800 plots (2021 – 24,300 plots, 2020 – 16,300 plots), representing growth of 76.7% over the past two years. The increase in pipeline plots reflects both the strength of our land investment and bottlenecks in the planning system, as sites await the receipt of implementable DPP. As these plots achieve planning permission, it presents further scope to grow outlets in the years ahead.

In addition to delays in the planning system, the sector also needs to accommodate the increasing regulations around nutrient and water neutrality, and biodiversity. Our new Head of Biodiversity will lead on this area and help the Group navigate the associated planning complexities.

Our recent land investment and strengthening of the land teams positions the Group well to mitigate planning delays and begin to reverse the reduction in outlet numbers that has affected the wider industry. The Group was operating from 235 outlets at 31 July 2022 (2021 – 254, 2020 – 276).

To help deliver further growth in volume output, the Group has good visibility on the expected timing of planning decisions and construction starts and is well placed to increase the number of selling outlets by 31 July 2023. We currently expect to open around 120 new outlets in financial year 2023. Growth in outlets is likely to be weighted towards the second half with the forecast number of outlets at July 2023 also dependent upon sales rates and therefore the number of outlets closing.

Overall, our strengthened land bank, supported by our strong balance sheet and financial disciplines, allows the Group to reinforce its selective approach and disciplined land buying in the year ahead. Given the depth of our land bank and current uncertainty in the wider economy, we expect to contract fewer plots in the year to 31 July 2023 than the average over the last two years, while still retaining a focus on longer-term growth ambitions.

Strategic land investment to further support our long-term growth ambitions

During the last two years we have increased our investment in strategic land, providing additional support to our longer-term growth ambitions. We have expanded our experienced strategic land team which has Group oversight, and implemented a new structure with dedicated resource that sits alongside our four Regional Chairs. We have also appointed several graduates to the team, to ensure the continued success of the function.

The sourcing of longer-term land opportunities has been further devolved to all divisions, each of which has a nominated strategic land champion. Their joint remit is to identify and capture land opportunities, typically through option agreements, which are usually expected to obtain planning permission over a period of five years or more.

Our long-term land-sourcing was enhanced in June 2022 when the Group completed the acquisition of a regional strategic land business for total consideration of £8.4 million. As part of the transaction, Bellway acquired a range of land options and promotion agreements, providing access to over 2,500 plots in the years ahead and broadening our presence in the South East and Midlands.

As a result of this acquisition and our new approach to strategic land sourcing, the Group has entered into an additional 30 option agreements in 2022 (2021 – 24, 2020 – 15), with these sites located in areas across the country where there is a strong structural demand for new housing supply. As at 31 July 2022 the strategic land bank had grown by 17.1% and comprised 35,600 plots (2021 – 30,400 plots, 2020 – 27,300 plots).

Overall, the Group's increased focus on strategic land provides an opportunity to strengthen our land pipeline and more broadly, it can generate margin enhancement due to land values typically being agreed at a discount to open market cost, once planning permission has been obtained.

Range of brands for our broad customer base

Bellway continues to operate under three distinctive brands – Bellway, Ashberry and Bellway London. Our core Bellway brand remains the foundation of the business and contributed 83.7% of legal completions (2021 – 86.1%, 2020 – 88.1%).

Ashberry is primarily used on larger sites, alongside our Bellway brand, where there is capacity and market demand for two selling outlets. The use of two brands provides customers with greater choice through a wider range of elevations and internal layouts. This can drive higher sales rates and return on capital employed, while also acting as a mitigant to slower market conditions. Ashberry represented a growing proportion of our active selling sites during 2022 and was used in 8.6% of completions (2021 – 6.8%, 2020 – 5.7%).

Bellway London is marketed as a standalone brand for our operations across the Capital where our product range, specification and customer approach to buying a home differs to other parts of the country. The brand contributed 7.7% of completions (2021 – 7.1%, 2020 – 6.2%), the large majority of which were apartments.

Our strategy in London remains focused on the more affordable outer transport zones and is supported by our relatively new London Partnerships division, which contributed 29% of Bellway London completions during the year. The total average selling price of our completions in London was £389,684 (2021 – £337,338, 2020 – £449,466), an affordable level in the context of the Capital's residential market.

Design, productivity, and labour and material costs

Upward pressure on build costs persisted across the sector throughout the year, with rising energy prices, global supply chain constraints and increasing wage costs all contributing to the rise. Bellway's long-term relationships, strong commercial disciplines, value engineering initiatives and forward buying have helped to mitigate these cost pressures. Cost inflation during the year has been approaching 10% and overall has been offset by house price inflation.

The use of our Artisan Collection house-types has delivered a range of benefits including improved site layouts and cost savings through design evolution and national procurement deals. As our subcontractors become increasingly familiar with the range, there are also opportunities to drive improvements in build speed.

Since the launch of the Artisan Collection in 2018, our new house-types have been plotted across 43,000 plots (2021 – 29,000 plots, 2020 – 21,000 plots) on 295 developments (2021 – 212 developments, 2020 – 164 developments). This increase is reflected in the proportion of Artisan homes within Group completions, which rose to 26% in financial year 2022 (2021 – 7%, 2020 – 1%) and we expect further growth in the current year.

To help offset some of the cost pressures in the wider market, we have continued to implement a range of value engineering initiatives, including ongoing reviews of plot drainage designs, retaining wall systems and piling systems. Each of our divisions also has a nominated internal cost control champion whose remit is to promote and reinforce our strong commercial culture, while maintaining the high quality of our homes.

Ongoing investment in technology across the business is delivering improvements in our commercial and procurement processes. Bellway uses COINs, a Group-wide financial and commercial system, and we have recently rolled out its on-site valuation tool, mTick, across the Group. This enables on-site surveying tasks to be completed electronically, driving greater efficiency and improved site-cost comparisons.

The availability of materials gradually improved through the second half of the financial year and, although we continue to experience ad hoc shortages at a regional level, these are being well-managed by our experienced procurement teams. There continue to be extended lead times and shortages of certain products, such as roof tiles and clay bricks. Where possible, Bellway has sourced alternative products, whilst maintaining the high standard of our homes.

The global shortage of semiconductors has also impacted the availability of kitchen appliances and gas boilers, although we have seen a gradual improvement in supply over recent months. While challenges are expected to persist for the industry in the year ahead, our long-standing relationships with subcontractors and suppliers, sourcing of alternative products and good on-site disciplines will continue to help ease production constraints.

In the near-term, we do not expect cost inflation to abate, given materials shortages, rising wage costs and elevated energy prices. Longer-term, as we move towards building to the requirements of the Future Homes Standard, our Artisan standard house types and centralised approach to design, procurement and site layout reviews will continue to help the Group maintain efficiency and offset future cost pressures.

Recent trading

The pandemic caused distortions to typical seasonal sales patterns over the last two years and the generally strong sales market led to a further increase in the order book at 31 July 2022. This comprised 7,223 homes (2021 – 7,082 homes, 2020 – 6,588 homes) and had risen in value by 4.5% to a financial year-end record of £2,114.3 million[2] (2021 – £2,022.3 million, 2020 – £1,760.2 million).

The Group has a strong order book and work-in-progress position, with more units currently in production than the prior year. Given these are typically at an earlier stage of construction and further to our record volume output last year, the number of finished units available for sale is relatively low.

Overall, there has been a moderation in our recent sales rate and while pricing has remained firm, in the first nine weeks of the new financial year overall weekly reservations declined by 12.4% to 191 per week (1 August to 3 October 2021 – 218 per week, 1 August to 4 October 2020 – 239 per week).

Reflecting our construction programmes, the forward order book has increased slightly since the financial year end and comprised 7,257 homes at 2 October (3 October 2021 – 6,731 homes, 4 October 2020 – 6,624 homes), of which 71% were exchanged (3 October 2021 – 62%, 4 October 2020 – 62%). The order book had a value of £2,093.8 million[2] at 2 October (3 October 2021 – £1,966.3 million, 4 October 2020 – £1,869.6 million).

Outlook

While the sector faces a number of near-term headwinds, including rising interest rates and the expiry of Help-to-Buy, unemployment levels remain low and the recent positive changes to stamp duty thresholds offer additional support for housing demand. The combined strength of our balance sheet, land bank and order book support our ability to grow outlets in the year ahead, but also provide strategic flexibility to respond to changes in the housing market.

In the current financial year and supported by our recent investment in land and work-in-progress, the Group retains the operational capacity to grow output up to 12,200 homes, an ambition set out at our preliminary announcement in October 2021.

Output is, however, expected to be more moderate, given the uncertain economic backdrop. We have a strong order book, and our build programmes are weighted to a higher proportion of social completions and given this, the Board currently expects volume output to be similar to the prior year. The final outturn will be dependent on the autumn and spring selling seasons and the Group will prioritise the high standard of our product, margin, quality of profit and value creation.

The long-term fundamentals of our industry remain strong and there is a shortage of high quality, energy efficient and affordable homes across the country. If market conditions remain robust, Bellway has ambitions and significant capacity to deliver further sustainable volume growth, over several years, to in excess of 16,000 units. This can be delivered from a platform of our strong land investment, substantial cash position, potential expansion into new regions and the ongoing maturity of divisions.

Further volume growth and delivering on all aspects of our 'Better with Bellway' sustainability strategy, will ensure that the Group continues to generate value for shareholders and make a positive contribution for all our stakeholders.

Jason Honeyman
Group Chief Executive
17 October 2022

Group Finance Director's Review

Trading performance

The Group has delivered significant growth in housing revenue, which rose by 13.3% to £3,520.6 million (2021 – £3,107.1 million, 2020 – £2,204.4 million). This is 10.7% above the previous peak of housing revenue generated in financial year 2019 of £3,180.1 million.

Other revenue was £16.2 million (2021 – £15.4 million, 2020 – £21.0 million), and comprises ancillary items such as land and commercial sales. Total revenue increased by 13.3% to £3,536.8 million (2021 – £3,122.5 million, 2020 – £2,225.4 million).

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

	Homes sold (number)						Average selling price (£000)					
	Private		Social		Total		Private		Social		Total	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
North	**4,637**	3,983	**817**	714	**5,454**	4,697	**312.1**	304.4	**118.7**	116.7	**283.1**	275.9
South	**4,503**	3,913	**1,241**	1,528	**5,744**	5,441	**387.3**	389.7	**187.5**	187.5	**344.1**	332.9
Group	**9,140**	7,896	**2,058**	2,242	**11,198**	10,138	**349.1**	346.7	**160.2**	165.0	**314.4**	306.5

The growth in housing revenue has been primarily driven by the increase in volume output, with total completions rising by 10.5% to 11,198 homes (2021 – 10,138, 2020 – 7,522). Private output rose by 15.8% to 9,140 homes (2021 – 7,896, 2020 – 5,851), more than offsetting the lower number of social completions, which reduced to 18.4% of the total (2021 – 22.1%, 2020 – 22.2%). The lower level of social units was due to the timing of build programmes and the relative strength of the brought forward private order book. In the current financial year, the Group's recent investment in land and phasing of construction programmes provides strong visibility on new outlets and we expect a greater weighting of social housing completions.

The majority of our divisions contributed to the overall growth in the Group's volume output. Our five strongest operating divisions delivered in excess of 675 completions each, demonstrating the capacity of a well-run, mature division in a healthy sales market. A further eleven of our divisions each completed 500 units or less in the year and therefore have capacity for future volume growth in the long-term. Our significant investment in land and people will also help to support increases in output in the years ahead.

The overall average selling price rose by 2.6% to £314,399 (2021 – £306,479, 2020 – £293,054) and was influenced by a combination of product mix changes and some underlying house price inflation. The overall average selling price in the year ending 31 July 2023 is expected to be around £300,000. This slight moderation from the level in the prior year reflects expected dilution from the increasing proportion of lower value social completions.

Underlying operating performance

The Group's record revenue, together with improved site operating efficiency and completions from more recently acquired land, resulted in underlying gross profit rising by 20.7% to £787.0 million[2,3] (2021 – £651.9 million, 2020 – £422.2 million).

The underlying gross margin increased by 140 basis points to 22.3%[2,3] (2021 – 20.9%, 2020 – 19.0%). This is stated after COVID-19 related costs, which were recognised in site-based valuations in financial year 2020. Fewer sites were affected in 2022 and the related charge was £17.5 million (2021 – £21.7 million). As the affected sites continue to trade out, we expect the associated costs to reduce further in financial year 2023.

Other operating income and expenses, which net to income of £0.2 million (2021 – £0.3 million net expense, 2020 – £3.1 million net expense), relate to the running of our part-exchange programme. Due to the strength of the underlying second-hand market in the period, part-exchange activity was low and used for only 1.1% of completions (2021 – 1.3%, 2020 – 8.2%). The balance sheet investment at 31 July 2022 was £5.4 million, providing the Group with capacity to increase the use of part-exchange in the year ahead, if market conditions require it.

Underlying administrative expenses increased by 11.6% to £134.0 million[2,3] (2021 – £120.1 million, 2020 – £97.4 million), primarily reflecting the ongoing investment in our land and commercial teams to achieve growth. As a proportion of revenue, underlying administrative expenses were 3.8%[2,3] (2021 – 3.8%, 2020 – 4.4%).

Investment will continue in financial year 2023 and while we will adopt a restrained approach, we expect administrative expenses to be in excess of £150 million. The increase on the prior year reflects the ongoing investment in people to achieve long-term growth and underlying increases in pay and employee benefits, including higher pension contributions. This is to support our colleagues as the cost-of-living increases and to attract and retain quality talent within the business. The expected increase also includes a full year of overhead costs for our recently established Building Safety division.

The underlying operating margin for the full financial year increased by 150 basis points to 18.5%[2,3] (2021 – 17.0%, 2020 – 14.5%). The combination of strong pricing in the order book, improved site operating efficiency and completions from more recently acquired land would normally be expected to lead to further improvement in our underlying operating margin in the year ahead. Nevertheless, the economic backdrop and sustained and elevated levels of build cost inflation provide increased uncertainty which could offset these potential margin gains. Therefore, based on current prices and delivering volume output similar to last year, we currently anticipate delivering an underlying operating margin of over 18%[2,3] in financial year 2023. With the support of normal conditions in the housing market, the Board believes an underlying operating margin within the range of 18%[2,3] to 19%[2,3] is sustainable over the medium and longer-term.

Adjusting item: Net legacy building safety expense

Bellway's continued commitment to act responsibly with regards to building safety is reflected by the level of our prudent provision and the actions the Group has taken since the tragic events at Grenfell in 2017. Government guidance and regulations in relation to legacy building safety have evolved since 2017 and apartment blocks are now to be assessed in accordance with the Publicly Available Specification ('PAS') 9980:2022, produced by the British Standards Institute.

In the first half of financial year 2022, the Group set aside a net £19.6 million for legacy safety improvements, bringing the total provided in the period between 2017 and up to 31 January 2022 to £186.8 million. This was in relation to apartment buildings over 11 metres in height, which were generally built within our 10-to-12 year warranty period.

On 7 April 2022, as part of the Building Safety Pledge (the 'Pledge'), we announced that this commitment would be extended to a 30-year period to include buildings constructed by the Group since 5 April 1992 and to reimburse the Building Safety Fund and the ACM Fund in accordance with the principles set out in the Pledge.

Earlier this month, the Group also signed up to the Developers' Pact with the Welsh Government. Similar in regard to the Pledge, this is a commitment to remediate buildings over 11 metres in height with life critical fire safety issues, which were constructed in Wales since 5 April 1992. Reflecting our ongoing and responsible UK-wide approach to legacy building safety, the expected cost of the remediation works in Wales were included in our provision estimate announced on 7 April 2022.

The Group entered into these commitments acknowledging that resident safety is of paramount importance and an additional net amount of £326.6 million was set aside in the second half of financial year 2022, which is in line with previous guidance.

In total, for the year ended 31 July 2022 Bellway set aside a net £346.2 million, in relation to legacy building safety improvements. The net charge comprises a gross expense of £349.0 million, less recoveries of £2.8 million. The gross expense includes an adjusting charge of £347.0 million through cost of sales in relation to remediation costs, and an adjusting charge of £2.0 million through finance expense, in relation to the unwinding of the discount of the provision to present value.

The total amount Bellway has set aside for UK legacy building safety since 2017 is £513.7 million. 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.

Although the application of the PAS is still under consideration by both the Group and the wider industry, the Board nevertheless believes that the level of provision is robust. It has been calculated based on our extensive experience to date, using analysis of previously tendered works and prudent, professional estimates based on knowledge of known issues. In addition, on developments where full investigations have not yet been undertaken or cost reports obtained, costs to date on similar developments have been used to assess the likely cost. We have also made assumptions with regards to the likely cost of resolving potential issues that we have not yet been made aware of, on schemes covered by the extended 30-year period.

The provision calculation uses the expected timings of cash outflows which are adjusted for management's estimate of inflation, informed by appropriate indices. The provision is discounted back to a present value using UK gilt rates with maturities which reflect the expected timing of cash outflows. The unwinding of this discount is charged through the income statement as a non-cash adjusting finance expense item.

The precise timings of cash outflows for building safety improvements are uncertain, although they are expected to be over several years. This reflects the complex issues around remediation including identifying the works required, design and planning obligations, interpretation of PAS, liaison and negotiations with building owners, and appointment of contractors.

Bellway has a strong, well-capitalised balance sheet with net cash of £245.3 million[2], a net asset value of £3,367.8 million and committed debt facilities of £530 million as at 31 July 2022. In this regard, the Group is well placed to meet its commitments under the Pledge and importantly, the expected level and timings of the costs will not be detrimental to our long-term growth ambitions.

Operating profit

After taking these adjusting items into consideration, total operating profit decreased by 35.6% to £309.0 million (2021 – £479.7 million, 2020 – £249.1 million).

Net finance expense

The net finance expense was £14.1 million (2021 – £11.1 million, 2020 – £13.4 million) and comprises an underlying interest expense of £12.1 million[3] and an adjusting expense of £2.0 million in relation to the unwinding of the discount on the building safety provision, as noted above.

The underlying net finance expense principally includes notional interest on land acquired on deferred terms, interest on the Group's fully drawn US Private Placement ('USPP') loan notes and bank interest. Notional interest on land acquired on deferred terms was £7.3 million (2021 – £6.5 million, 2020 – £6.9 million). The interest charge on the USPP debt was £3.4 million (2021 – £1.6 million, 2020 – nil), with the increase reflecting a full year of cost following the draw down in February 2021. Net bank interest, which includes interest receivable on cash balances, commitment fees and refinancing costs, was £2.0 million (2021 – £3.1 million, 2020 – £6.0 million).

The recent rise in borrowing costs will impact the Group's variable interest charges in the year ahead, primarily on the notional interest on deferred land purchases. Based on current interest rates, the net underlying interest expense in financial year 2023 is anticipated to increase by up to £5 million[3].

The adjusting finance expense in relation to the discount unwind of the legacy building safety provision is expected to increase, reflecting a full year of charge, after signing up to the Pledge in April 2022. The charge is subject to a range of assumptions, and based on the 31 July 2022 forward looking discount rate, we currently anticipate an adjusting expense of over £3 million in the first half of financial year 2023. The expense in the second-half of the year will, in part, be dependent upon the movement in gilt rates.

Share of results of joint ventures

Our share of profit from joint ventures decreased slightly to £9.3 million (2021 – £10.4 million, 2020 – £1.0 million). In the year to 31 July 2023, we anticipate a small loss of around £1 million for our share of results from joint ventures, reflecting a lower expected number of completions and the upfront financing costs on a longer-term scheme.

Profit before taxation

Underlying profit before taxation rose by 22.5%, to £650.4 million[2,3] (2021 – £530.8 million, 2020 – £309.3 million). Reported profit before taxation reduced by 36.5% to £304.2 million (2021 – £479.0 million, 2020 – £236.7 million), with the growth in underlying profitability more than offset by the increase in the building safety provision in the year.

Taxation

The corporation tax charge was £61.6 million (2021 – £88.3 million, 2020 – £43.8 million), reflecting an effective tax rate of 20.2% (2021 – 18.4%, 2020 – 18.5%). The effective tax rate increased in the year following the introduction of the RPDT in April 2022, charged 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 year

The underlying profit for the year increased by 19.8%, to £518.5 million[2,3] (2021 – £432.7 million, 2020 – £251.7 million) and underlying earnings per share rose by 19.9% to 420.8p[2,3] (2021 – 350.9p, 2020 – 204.3p).

After considering taxation and the net legacy building safety expense, profit for the year fell by 37.9% to £242.6 million (2021 – £390.7 million, 2020 – £192.9 million). Basic earnings per share ('EPS') reduced by 37.9% to 196.9p (2021 – 316.9p, 2020 – 156.6p).

Net cash and financial position

Bellway continues to operate with a strong balance sheet and ended the year with net cash of £245.3 million[2] (2021 – £330.3 million, 2020 – £1.4 million), representing an ungeared[2] position (2021 – ungeared, 2020 – ungeared). Average net cash was £223.9 million[2] during the year (2021 – net cash of £266.3 million, 2020 – net debt of £55.4 million), demonstrating that the year-end position is not inflated through one-off items and reflects the resilience of the financial position throughout the year.

Committed land obligations are modest, at £393.4 million (2021 – £455.8 million, 2020 – £343.6 million) and adjusted gearing, inclusive of land creditors, remains low at 4.4%[2] (2021 – 3.8%, 2020 – 11.4%).

In addition to the net cash position, Bellway has access to significant levels of medium and long-term debt finance, totalling £530 million. This comprises committed bank facilities of £400 million and £130 million of fully drawn sterling USPP loan notes, which have maturity dates that extend in tranches to February 2031. Bellway's balance sheet resilience will continue to be maintained through the current economic uncertainties and we expect to maintain a cash surplus in the year ahead.

In the near-term, Bellway's record land bank provides strategic flexibility against the current economic backdrop. Over the longer-term, continued disciplined investment in land is essential to drive volume output, to ensure the ongoing success of the Group and to generate NAV growth. Overall, our land investment will continue to be balanced with the payment of regular ordinary dividends to generate value creation for shareholders.

A well-capitalised balance sheet provides strength and flexibility

The Group's balance sheet is well-capitalised and provides both financial resilience and capacity for further investment to achieve long-term growth. The balance sheet principally comprises amounts invested in land and work-in-progress, with total inventories rising by 9.7% to £4,423.6 million (2021 – £4,032.2 million, 2020 – £3,863.0 million). The carrying value of land rose to £2,786.4 million (2021 – £2,483.9 million, 2020 – £2,216.2 million). Work-in-progress increased by 6.5% to £1,524.8 million (2021 – £1,431.4 million, 2020 – £1,496.1 million) and was 43.3%[2] (2021 – 46.1%, 2020 – 67.9%) as a proportion of housing revenue.

In relation to its legacy, defined benefit pension scheme, the Group had a retirement benefit asset of £7.1 million (2021 – £10.2 million, 2020 – £1.3 million) at 31 July 2022, reflecting an ongoing commitment to fund this future, long-term obligation.

Value creation

Underlying post-tax return on equity increased by 170 basis points to 15.4%[2,3] (2021 – 13.7%, 2020 – 8.4%). Reported post-tax return on equity was 7.2%[2] (2021 – 12.4%, 2020 – 6.5%), with the reduction largely reflecting the net effect of the increase in the legacy building safety improvements provision.

Following cash dividend payments made in the year totalling £157.2 million (127.5p per share), and the net legacy building safety expense of £346.2 million, which nets to £275.9 million after taxation (223.9p per share), the net asset value rose by 2.4% to £3,367.8 million (2021 – £3,287.8 million, 2020 – £2,994.0 million). This represents NAV per share of 2,727p[2] (2021 – 2,664p, 2020 – 2,427p).

Capital growth in the period, measured as the increase in NAV combined with the cash dividend, was 190.5p per share[2], which equates to 7.2% of the NAV at the start of financial year 2022. Underlying capital growth, measured before the effect of the net building safety expense, was 15.6%[2,3].

A core part of the Group's strategy is to maintain a sharp focus on RoCE, which is measured using average unadjusted net assets as its capital base. During the year, the improvement in both asset turn and underlying operating margin delivered an increase in underlying RoCE to 19.4%[2,3] (2021 – 16.9%, 2020 – 10.8%) or 17.4%[2,3] (2021 – 15.0%, 2020 – 9.8%), when including land creditors as part of the capital base. The Group's capital employed was, however, suppressed in the year by the additional post-tax provision in relation to legacy building safety. The reducing effect of the provision on capital employed contributed around 110 basis points to the increase in underlying RoCE.

In the years ahead, retaining a strong balance sheet will be key to supporting our strategic priorities of delivering volume growth and value creation for shareholders.

Keith Adey
Group Finance Director
17 October 2022

'Better with Bellway'

Our responsible and sustainable approach to business

In March 2022, we launched 'Better with Bellway', our overarching strategy and long-term commitment with regards to acting responsibly and sustainably. The strategy was 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.

We have a range of initiatives underway to embed the new sustainability framework in the day-to-day operations of the business, which encompasses issues around people and the environment. The strategy covers eight priority areas each with their own specific targets and KPIs linked to the underlying operations of the Group.

The 'Better with Bellway' eight priority areas and corresponding objectives are:

- Carbon Reduction – delivering low carbon homes
- Customers and Communities – putting customers and communities at the heart of everything we do
- Employer of Choice – creating an environment that our colleagues can thrive in
- Building quality homes, safely – 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

The 'Better with Bellway' strategy includes ambitious targets in respect of our three flagship priority areas of Carbon Reduction, Customers and Communities, and becoming an Employer of Choice. The following section details our ambitions and progress made towards the respective targets for these flagship areas.

Carbon Reduction

Our carbon reduction targets were developed in collaboration with the global climate consultancy, The Carbon Trust, using a quantity-based approach. Using 2019 as the base year, due to the impact of COVID since, we estimated the scope 1 to 3 greenhouse gas emissions from each part of our business and construction process, which totalled just over 2.0 million tonnes[7] of carbon dioxide.

We have committed to a significant reduction in these emissions by 2030 and we are delighted that our stretching targets have recently been validated by the SBTi.

Our targets are aligned 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 – targeting a 46% reduction by 2030

The emissions generated by Bellway in our own operations are categorised as scope 1 and scope 2, and combined, these account for around 1% of our total carbon footprint in 2022. These include direct emissions from diesel used in onsite machinery and gas used in office and construction site heating systems. They also include indirect emissions generated remotely, from activities undertaken by Bellway, such as our use of electricity in offices, sales centres and show homes.

Bellway is targeting a 46% reduction in these emissions to align to the '1.5 degrees Celsius' pathway in the Paris Agreement and we have a range of initiatives underway to achieve this.

We have recently launched a new green car salary sacrifice scheme which is open to all monthly paid employees and only offers cars with emissions of 75g/km or under. The scheme commenced in August 2022 and we are encouraged by the early levels of take-up as we work towards achieving the target of our entire company car fleet being 100% electric or hybrid by July 2025.

We are aiming to increase the mix of hydrotreated vegetable oil ('HVO') biodiesel within our construction site usage, which can reduce carbon emissions by over 90% compared to fossil diesel and will play a significant role in our scope 1 and 2 reductions. We are currently working towards using HVO biodiesel in our fleet of leased telehandlers which has the potential to save up to 10,000 tonnes of carbon per year.

The Group is also targeting 100% of its purchased electricity to be Renewable Energy Guarantees of Origin ('REGO') certified by December 2023. Across our owned offices we have already moved onto REGO tariffs for electricity and are working with landlords to achieve the same objective on leased office premises.

While scope 1 and 2 account for a relatively small part our total carbon footprint, we expect the campaigns to reduce emissions within Bellway to foster a positive cultural change and increase colleague engagement.

Scope 3 emissions – targeting a 55% reduction by 2030

Around 99% of the Group's carbon footprint arises from sources that we do not directly own or control. These are scope 3 emissions which originate from a range of sources including through 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 scope 3 emissions in financial year 2019 were just over 2.0 million tonnes of carbon dioxide, equivalent to 2.0 tonnes per metre squared of homes constructed. Bellway has an ambitious target to reduce these carbon intensity levels by 55% to under 1 tonne per square metre by 2030. This target is aligned to the 'well below 2 degrees Celsius' pathway in the Paris Agreement and exceeds the reduction in carbon intensity of around 35% to 40% that we expect to achieve by meeting the requirements of the Future Homes Standard, for homes built after 2025.

We have developed a detailed plan to reduce emissions and Bellway is already installing electric vehicle ('EV') charging points on all new developments in advance of regulatory requirements in 2023. We are also working on five research and development projects, where we are trialling new technologies and working with our customers, to drive best practice for scope 3 carbon reduction. The results of these projects will feed directly into our 'Bellway Future Home' specifications.

At our Callerton development in Newcastle, four timber-frame homes are being marketed for sale as 'Bellway Future Homes' and each one is being constructed using different materials and technologies to the others. The range of products across the four homes includes triple-glazed windows, air-source heat pumps, underfloor heating, oversized radiators, wastewater heat recovery systems and photovoltaics. Customers are expected to move in during 2023 with ongoing support and energy use monitoring provided by Bellway.

At the University of Salford, a Bellway 'Artisan' house is being constructed in an environmental chamber which can create a range of temperatures and weather conditions. The initial build is due to be completed later this calendar year and the controlled environment will enable the monitoring, testing and comparison of different products.

To help achieve our stretching target for scope 3 reduction, the Group will have to engage with suppliers to reduce embodied carbon through the supply chain. We have had initial discovery meetings with several supply chain partners and we are aiming to complete meetings with our top 50 suppliers over the next two years.

Furthermore, we will need to adopt new construction practices and the use of alternative materials. In this regard, Bellway is already trialling the use of timber-frame in two divisions, beyond its long-established use in our two Scottish divisions. Compared to other mainstream building materials, timber requires minimal processing and has very low relative levels of embodied carbon. This method of construction has the potential to reduce embodied carbon throughout the Group in the future.

In financial year 2022, we have also increased the use of concrete bricks to around 3% of brick usage, which have significantly less embodied carbon than clay bricks. We are continuing to trial these products, though their use is being partly held back by restrictive planning requirements across many local authorities in the UK.

To achieve our ambitious targets and in addition to the measures highlighted, we are considering several further initiatives to reduce scope 1 to 3 carbon emissions in the years ahead.

Customers and Communities

We aim to provide a consistently high service and quality homes to all our customers and this is at the core of our Customer First programme, which was launched within the business in the prior year. We are very proud to have retained our position as a five-star[6] homebuilder for the sixth consecutive year, a reflection of the efforts under our Customer First programme. This was awarded with a score of 93.6% in the HBF's most recent Customer Satisfaction survey, which asks customers whether they would recommend Bellway to a friend, when surveyed eight weeks after their moving date.

Alongside maintaining our five-star[6] status for the eight-week survey, we have also made strides to improve our score in the nine-month survey to 82.1% (2021 – 79.9%) and we are targeting further improvement in the years ahead. We have a range of initiatives in place to achieve this, including improving our NHBC Construction Quality Review score, a measure of underlying construction quality. Our score has risen to 84.5% at 31 July 2022 (2021 – 83.8%), only slightly behind the challenging target of 85.0% we set for the year.

The Group was also aiming for an improvement in the NHBC overall customer satisfaction score and we are pleased to report an increase in the year to 87.1% (2021 – 86.6%). Bellway's drive to deliver high quality homes is further reflected by 36 of our site managers winning NHBC Pride in the Job Awards during the year (2021 – 39). This is the NHBC's flagship competition for build quality across the UK and, from a field of over 8,000 site managers entering, only around 5% receive these awards.

Later this financial year we will be launching a digital customer hub, 'Your Bellway'. This simple to use portal will enable our customers track build progress and report any issues that may arise after completion. This will enable us to better monitor the cause and our response to more frequently occurring customer care issues across the Group and drive improvements in our customer satisfaction and build quality KPIs. Over time, the hub will be developed to also enable customers to select additions for their new home, such as worktops and floorboards. We have also appointed a new Customer Experience Director, whose task is to further enhance the customer journey, from the initial reservation process, right through to the post-completion service that we offer.

One of the 'Better with Bellway' objectives for Customers and Communities was to plant our first 'Tiny Forest'. This was completed with 600 trees planted by 52 volunteers in conjunction with a schools' engagement programme. 'Tiny Forest' projects bring together urban communities and raise awareness of climate change and we are aiming to deliver more across the country in the years ahead, subject to obtaining the necessary planning consents within the planting seasons.

More generally, we welcomed the publication in December 2021 of the New Homes Quality Code ('NHQC') through the independent body, The New Homes Quality Board ('NHQB'). Bellway registered with the NHQB in February 2022 and was one of the first major developers to sign up to the New Homes Ombudsman Service earlier this month.

The NHQC is intended to consolidate and improve upon the existing protections that are available to purchasers of new build homes. Later this year it will become the industry code of practice for all registered builders and will reinforce a number of Bellway's existing practices regarding customer service. These include a comprehensive after sales service and our customers having the opportunity to visit their new home prior to taking ownership together with a pre-completion inspection conducted by a professional. Overall we believe the NHQC will contribute to a further improvement in standards across the wider sector.

Employer of Choice

As part of the 'Better with Bellway' strategy our aim is to be first choice as an employer in the industry and to create an environment that our colleagues can thrive in. In this regard, we are delighted with the results from our recent employee engagement survey in which 95% of colleagues said they would recommend Bellway as 'a great place to work'.

To maintain this high level of employee satisfaction is important and we will continue to seek feedback from our colleagues in order to attract talent and improve staff retention. We also have a range of initiatives in place to promote inclusion, improve ethnic and gender diversity and to increase the proportion of colleagues in 'earn and learn' roles.

We are pleased to report an increase in the proportion of our workforce with ethnically diverse backgrounds to 4.3% (2021 – 3.9%) as we work towards our target of 7% by 31 July 2025. We have also seen a strong increase in the proportion of women in senior leadership roles to 23% (2021 – 19%) and we are aiming for further improvement to 25% by 31 July 2025.

Bellway has already been awarded Gold membership status from the '5% Club' which recognises employers with 5% or more of their employees in 'earn and learn' positions. We are aiming to maintain this and have set an ambitious target to have 12% of our workforce employed in 'earn and learn' roles by 31 July 2024 from the 7% level at 31 July 2022. There has been a meaningful increase in this proportion since September 2022, when we welcomed 29 graduates and 61 apprentices into new roles across the Group. We are also proud to have been voted a Top 100 Apprenticeship Employer in the Department for Education's 2022 national league table.

Against the backdrop of rises in the cost-of-living, we have taken steps to support our colleagues financially by awarding increases in pay and employee benefits, further demonstrating our commitment to social responsibility. This includes an employer pension contribution of up to 10% of salary made available for all employees, including our site-based construction staff at the start of financial year 2023. Overall, we are ensuring we offer a competitive remuneration package including a responsible pension provision, helping to support colleagues from all backgrounds and in all roles to retire comfortably in the future.

More broadly, our agile and flexible working policies, training programmes through our Bellway Academy, 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.

Building quality homes, safely

Health and safety

At Bellway, the health, safety, and wellbeing of our colleagues and subcontractors is our highest priority and we have set ambitious targets to raise the quality and safety of our work to even higher levels.

The Group's standards and practices are subject to continual review to challenge unsafe behaviours and drive improvements. We have set targets to reduce accident rates on an annual basis and rolled-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 to 20% by 31 July 2024. During the year to 31 July 2022 we increased the proportion of colleagues trained on this important subject to 5.3%, from 3% in the prior year.

Legacy building safety improvements

Bellway continues to take its responsibilities with regards to building safety very seriously and the Group is taking a proactive approach to remediating legacy schemes.

In this regard, a Managing Director has recently been appointed to lead our new Building Safety division, supported by an experienced team, whose remit includes the proficient and economical remediation of legacy schemes. This division is separately resourced so as not to detract from day-to-day operations and growth prospects elsewhere in the Group.

As noted in the Group Finance Director's review, since 2017 the Group has set aside £513.7 million for legacy safety improvements in England, Scotland and Wales. This includes our commitments as part of the Pledge, and the Developers' Pact, to remediate buildings constructed by the Group since 5 April 1992. Through our new Building Safety division, Bellway is continuing to work with resident management companies and freeholders of apartment blocks to develop remediation strategies in respect of life-critical fire safety defects identified on those buildings.

Against the backdrop of evolving Government guidance and regulations, the development of remediation strategies is a complex exercise, involving many third parties, and there is often a requirement to obtain planning and regulatory approval before works commence. Notwithstanding these issues, the Group has made good progress with work now completed on 6 developments, underway on 15 developments and works are due to commence on a further 3 developments by the end of the calendar year. Importantly, remedial work is undertaken at no cost to residents, regardless of whether Bellway retains ownership of the freehold of the building.

We are continuing to engage with Government and the HBF to convert the commitments made in the Pledge into a legal document. This is a complex subject, and 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. Bellway is committed to the principles of the Pledge and we continue to work towards a solution for the remediation of legacy schemes.

Further initiatives

The Group has made good progress against the targets and KPIs set for the other priority areas of the 'Better with Bellway' strategy.

We are aiming to source all our products and services in an ethical, sustainable, and socially conscious way. To help achieve this, and with the aim of further improving our on-site induction processes and communications, we have completed a risk assessment of our sites and, with the support of subject matter experts, focused on subcontractor labour and compliance with our modern slavery procedures.

Bellway is also a member of the Supply Chain Sustainability School ('SCSS'), which offers a range of training and resources to help businesses become more sustainable. We have a SCSS Gold member accreditation and we are targeting 75% of our top 100 supply chain partners to have a SCSS Gold membership by July 2023 (31 July 2022 – 16%).

The priority area of resource efficiency has a range of stretching targets and we are already changing the specification of our new homes to be built to the '115 litres per person per day' water standard. We are also trialling timber-frame construction across several sites and research and development projects as we work towards increasing the use of timber-frame in our homes by July 2024.

Biodiversity is also a key focus within Bellway and to meet new legal requirements we are aiming to achieve a 10% biodiversity net gain on all new sites submitted for planning from June 2023 and onwards. In financial year 2022, in addition to the 600 trees at our 'Tiny Forests' project, we planted around 16,000 tree saplings across our developments (2021 – 17,200 tree saplings) and all new sites starting from the current year will incorporate 'hedgehog highways'.

Charitable engagement is a core part of Bellway's culture and we are delighted that our colleagues raised over £600,000 for Cancer Research UK in the year to 31 July 2022. This is the largest amount we have raised for the charity in any single year since the beginning of our partnership five years ago. We have now raised a total of over £2.5 million which leaves us well placed to meet our target of £3 million by the end of 2023.

We look forward to reporting further progress on our sustainability strategy with our interim results in March 2023.

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

Jason Honeyman
Group Chief Executive
17 October 2022

Group Income Statement
For the year ended 31 July 2022

	Note	2022 £m	2021 £m
Revenue	2	**3,536.8**	3,122.5
Cost of sales		**(3,094.0)**	(2,522.4)
Analysed as:			
Underlying cost of sales		**(2,749.8)**	(2,470.6)
Adjusting item: net legacy building safety expense	3	**(344.2)**	(51.8)
Gross profit		**442.8**	600.1
Other operating income		**25.3**	54.6
Other operating expenses		**(25.1)**	(54.9)
Administrative expenses		**(134.0)**	(120.1)
Operating profit		**309.0**	479.7
Finance income	8	**1.6**	0.6
Finance expenses	8	**(15.7)**	(11.7)
Analysed as:			
Underlying finance expenses		**(13.7)**	(11.7)
Adjusting item: unwinding of discount on the legacy building safety provision	3	**(2.0)**	-
Share of result of joint ventures		**9.3**	10.4
Profit before taxation		**304.2**	479.0
Income tax expense	5	**(61.6)**	(88.3)
Profit for the year *		**242.6**	390.7
Earnings per ordinary share – Basic	4	**196.9p**	316.9p
Earnings per ordinary share – Diluted	4	**196.2p**	315.8p

* All attributable to equity holders of the parent.

Adjusting items

	Note	2022 £m	2021 £m
Gross profit			
Gross profit per the Group Income Statement		**442.8**	600.1
Adjusting item: net legacy building safety expense	3	**344.2**	51.8
Underlying gross profit		**787.0**	651.9
Operating profit			
Operating profit per the Group Income Statement		**309.0**	479.7
Adjusting item: net legacy building safety expense	3	**344.2**	51.8
Underlying operating profit		**653.2**	531.5
Profit before taxation			
Profit before taxation per the Group Income Statement		**304.2**	479.0
Adjusting item: net legacy building safety expense	3	**346.2**	51.8
Underlying profit before taxation		**650.4**	530.8
Profit for the year			
Profit for the year per the Group Income Statement		**242.6**	390.7
Adjusting item: net legacy building safety expense	3	**346.2**	51.8
Adjusting item: tax on net legacy building safety expense	3	**(70.3)**	(9.8)
Underlying profit for the year		**518.5**	432.7

Group Statement of Comprehensive Income
For the year ended 31 July 2022

	Note	2022 £m	2021 £m
Profit for the period		**242.6**	390.7
Other comprehensive (expense)/income			
Items that will not be recycled to the income statement:			
Remeasurement (losses)/gains on defined benefit pension plans		**(3.5)**	8.5
Income tax on other comprehensive expense/(income)	5	**0.5**	(2.2)
Other comprehensive (expense)/income for the period, net of income tax		**(3.0)**	6.3
Total comprehensive income for the period *		**239.6**	397.0

* All attributable to equity holders of the parent.

Group Statement of Changes in Equity
At 31 July 2022

	Note	Issued capital	Share premium	Capital redemption reserve	Other reserves	Retained earnings	Total equity
		£m	£m	£m	£m	£m	£m
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	11	-	-	-	-	(104.7)	(104.7)
Purchase of own shares	10	-	-	-	-	(2.5)	(2.5)
Shares issued		-	1.4	-	-	-	1.4
Credit in relation to share options and tax thereon	5	-	-	-	-	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
Total comprehensive income for the period							
Profit for the period		-	-	-	-	242.6	242.6
Other comprehensive expense **		-	-	-	-	(3.0)	(3.0)
Total comprehensive income for the period		-	-	-	-	239.6	239.6
Transactions with shareholders recorded directly in equity:							
Dividends on equity shares	11	-	-	-	-	(157.2)	(157.2)
Purchase of own shares	10	-	-	-	-	(7.4)	(7.4)
Shares issued		-	2.2	-	-	-	2.2
Credit in relation to share options and tax thereon	5	-	-	-	-	2.8	2.8
Total contributions by and distributions to shareholders		-	2.2	-	-	(161.8)	(159.6)
Balance at 31 July 2022		**15.4**	**182.0**	**20.0**	**1.5**	**3,148.9**	**3,367.8**

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

Group Balance Sheet
At 31 July 2022

	Note	2022 £m	2021 £m
ASSETS			
Non-current assets			
Property, plant and equipment		**34.2**	35.7
Financial assets		**20.9**	39.6
Equity accounted joint arrangements		**9.3**	15.7
Deferred tax assets	5	**0.1**	0.9
Retirement benefit assets		**7.1**	10.2
		71.6	102.1
Current assets			
Inventories		**4,423.6**	4,032.2
Trade and other receivables		**114.6**	82.2
Cash and cash equivalents	7	**375.3**	460.3
		4,913.5	4,574.7
Total assets		**4,985.1**	4,676.8
LIABILITIES			
Non-current liabilities			
Interest-bearing loans and borrowings	7	**130.0**	130.0
Trade and other payables		**106.6**	89.7
Deferred tax liabilities	5	**8.9**	8.2
Provisions	6	**400.8**	89.0
		646.3	316.9
Current liabilities			
Corporation tax payable		**0.1**	4.0
Trade and other payables		**930.2**	1,041.1
Provisions	6	**40.7**	27.0
		971.0	1,072.1
Total liabilities		**1,617.3**	1,389.0
Net assets		**3,367.8**	3,287.8
EQUITY			
Issued capital		**15.4**	15.4
Share premium	10	**182.0**	179.8
Capital redemption reserve	10	**20.0**	20.0
Other reserves		**1.5**	1.5
Retained earnings	10	**3,148.9**	3,071.1
Total equity		**3,367.8**	3,287.8

Group Cash Flow Statement
For the year ended 31 July 2022

	Note	2022 £m	2021 £m
Cash flows from operating activities			
Profit for the year		**242.6**	390.7
Depreciation charge		**6.1**	6.5
Profit on sale of property, plant and equipment		**-**	(0.7)
Finance income	8	**(1.6)**	(0.6)
Finance expenses	8	**15.7**	11.7
Share-based payment expense		**3.1**	2.6
Share of post tax result of joint ventures		**(9.3)**	(10.4)
Income tax expense	5	**61.6**	88.3
Increase in inventories		**(391.4)**	(160.3)
Increase in trade and other receivables		**(33.2)**	(12.0)
(Decrease)/increase in trade and other payables		**(104.5)**	158.1
Increase in provisions	6	**325.5**	45.7
Cash from operations		**114.6**	519.6
Interest paid		**(5.8)**	(3.0)
Income tax paid		**(63.8)**	(84.1)
Net cash inflow from operating activities		**45.0**	432.5
Cash flows from investing activities			
Acquisition of property, plant and equipment		**(0.5)**	(3.3)
Proceeds from sale of property, plant and equipment		**0.1**	1.5
Increase in loans to joint ventures		**(2.1)**	(17.1)
Repayment of loans by joint ventures		**21.6**	33.0
Dividends from joint ventures		**15.7**	-
Acquisition of joint operation		**-**	(8.9)
Interest received		**0.5**	0.4
Net cash inflow from investing activities		**35.3**	5.6
Cash flows from financing activities			
Decrease in bank borrowings		**-**	(50.0)
Increase in fixed rate sterling USPP notes		**-**	130.0
Payment of lease liabilities		**(2.9)**	(3.4)
Proceeds from the issue of share capital on exercise of share options		**2.2**	1.4
Purchase of own shares		**(7.4)**	(2.5)
Dividends paid	11	**(157.2)**	(104.7)
Net cash outflow from financing activities		**(165.3)**	(29.2)
Net (decrease)/increase in cash and cash equivalents		**(85.0)**	408.9
Cash and cash equivalents at beginning of year		**460.3**	51.4
Cash and cash equivalents at end of year	7	**375.3**	460.3

Notes

1. Basis of preparation and accounting policies

a) Basis of consolidation

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

The financial information set out above does not constitute the Group's statutory financial statements for the years ended 31 July 2022 or 2021, but is derived from those financial statements. Statutory financial statements for 2021 have been delivered to the registrar of companies, and those for 2022 will be delivered in due course. The auditor, Ernst & Young LLP, has reported on those financial statements; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Whilst the financial information included in this announcement has been prepared in accordance with Adopted IFRSs, this announcement does not itself contain sufficient information to comply with Adopted IFRSs. The Group expects to send its 2022 Annual Report and Accounts to shareholders on 7 November 2022.

b) Going concern

The Group's activities are financed principally by a combination of ordinary shares and cash in hand less debt. At 31 July 2022, Bellway had net cash of £245.3 million[2] (note 7), having utilised cash of £85.0 million (note 7) during the year, including £114.6 million of cash generated from operations.

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

Including committed debt lines and cash, Bellway had access to total funds of £775.3 million, along with net current assets (excluding cash) of £3,567.2 million at 31 July 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 H1 FY23 are supported by the strong forward order book, but still fall to 84% of that achieved in H1 of FY22. In the 12 months to 31 January 2024, private completions reduce by around 50% compared to the 12 month pre-stress peak achieved in FY22. This is followed by a gradual recovery based on the lower base position.

- Private average selling price in H1 FY23 remains in line with internal forecasts due to the strong order book position. In the 12 months to 31 January 2024, the private average selling price reduces by 10% compared to the latest achieved pricing. This is followed by a gradual recovery based on the lower base position.

- These assumptions reflect the Group's experience in the 2008-09 Global Financial Crisis.

Notes (continued)

1. Basis of preparation and accounting policies (continued)

A number of prudent mitigating actions within the Directors' control 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 reducing in line with housing revenue.
- Dividends reducing in line with earnings.

The sensitivity analysis was modelled over the period to 31 July 2024 for the going concern assessment, but extended to the 31 July 2026 for the Directors' viability assessment. In addition to the above, 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.

In the scenario, the Group had significant headroom in both its financial debt covenants and existing debt facilities and met its liabilities as they fall due. In relation to climate risks, and in particular the requirement of the Group to reduce carbon emissions, the going concern assessment is not considered to be materially affected by the Future Homes Standard.

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 and Company will have sufficient funds to continue to meet its liabilities as they fall due for the period to 31 July 2024, aligning with the first year end after the minimum 12 month assessment period, and have therefore prepared the financial statements on a going concern basis.

c) Accounting policies

Effect of new standards and interpretations effective for the first time

On 31 December 2020, IFRS as adopted by the European Union at that date was brought into UK law and became UK adopted international accounting standards, with future changes being subject to endorsement by the UK Endorsement Board. The Group transitioned to UK adopted international accounting standards in its consolidated financial statements on 1 August 2021, with this change constituting a change in accounting framework. There was no impact on recognition, measurement or disclosure in the period reported as a result of the change in framework, or changes in accounting policies from the transition.

The Group adopted and applied the following amendments in the year, which are relevant to its operations, none of which had a material impact on the financial statements:

- Interest Rate Benchmark Reform – Phase 2 – amendments to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement', IFRS 7 'Financial Instruments: Disclosures', IFRS 4 'Insurance Contracts' and IFRS 16 'Leases'.

Standards and interpretations in issue but not yet effective

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

d) Accounting estimates and judgements

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

When preparing these financial statements, the major judgements in applying the Group's accounting policies and the major sources of estimation uncertainty were those applied in the Group's 2021 Annual Report and Accounts.

2. Segmental analysis

The Executive Board (the Chief Operating Decision Maker as defined in IFRS 8 'Operating Segments') regularly reviews the Group's performance and balance sheet position at both a consolidated and divisional level. Each division is an operating segment as defined by IFRS 8 in that the Executive Board assess performance and allocates resources at this level. All of the divisions have been aggregated in to one reporting segment on the basis that they share similar economic characteristics including:

- National supply agreements are in place for key inputs including materials.
- Debt is raised centrally and the cost of capital is the same at each division.
- Sales demand at each division is subject to the same macroeconomic factors, such as mortgage availability and government policy.

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

Revenue from contracts with customers

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

	2022 £m	2021 £m
Housing revenue	**3,520.6**	3,107.1
Non-housing revenue	**16.2**	15.4
Total revenue	**3,536.8**	3,122.5

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

(a) Private/social

	2022 £m	2021 £m
Private	**3,190.9**	2,737.3
Social	**329.7**	369.8
Total housing revenue	**3,520.6**	3,107.1

(b) North/south

	2022 £m	2021 £m
North	**1,543.9**	1,295.7
South	**1,976.7**	1,811.4
Total housing revenue	**3,520.6**	3,107.1

Notes (continued)

3. Net legacy building safety expense

Profit before taxation for the years ended 31 July 2022 and 31 July 2021 has been arrived at after recognising the following items in the income statement:

	2022 £m	2021 £m
Net legacy building safety expense (note 6) – cost of sales	**344.2**	51.8
Net legacy building safety expense (note 6, 8) – finance expenses	**2.0**	-
Total net legacy building safety expense	**346.2**	51.8

The income tax rate applied to the total net legacy building safety expense in the income statement is the Group's standard rate of tax, 20.3% (2021 – 19.0%).

Bellway's continued commitment to act responsibly with regards to fire safety is reflected by the level of our prudent provisions and the actions the Group has taken since the tragic events at Grenfell in 2017. Government guidance and regulations in relation to legacy building safety have evolved since 2017 and apartment blocks are now to be assessed in accordance with the Publicly Available Specification ('PAS') 9980:2022, produced by the British Standards Institute.

In the first half of the year ended 31 July 2022 the Group set aside £19.6 million, net of recoveries, for legacy safety improvements, bringing the total provided in the period between 2017 and up to 31 January 2022 to £186.8 million. These are in relation to apartment buildings over 11 metres in height, which were generally built within our 10-to-12 year warranty period.

On 7 April 2022, as part of the Building Safety Pledge (the 'Pledge'), we announced that this commitment would be extended to a 30-year period to include buildings constructed by the Group since 5 April 1992 and to reimburse the Building Safety Fund and the ACM Fund in accordance with the principles set out in the Pledge. The Group entered into this commitment acknowledging that resident safety is of paramount importance and an additional £326.6 million, net of recoveries, was set aside in the second half of financial year 2022.

In total, for the year ended 31 July 2022 Bellway set aside a net exceptional expense of £346.2 million, in relation to legacy building safety improvements. The net charge comprises a gross expense of £347.0 million, less recoveries of £2.8 million, and an adjusting finance expense of £2.0 million in relation to the unwinding of the discount of the provision to present value.

While the Pledge relates to developments in England-only, Bellway has taken a responsible, UK-wide approach to also provide for works in relation to the small number of apartment buildings the Group has developed in Scotland and Wales, where remediation is required. Taking this into consideration, the total amount Bellway has set aside for UK legacy building safety since 2017 is £513.7 million. 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.

Although the application of the PAS is still under consideration by both the Group and the wider industry, the Board nevertheless believes that the level of provision is robust. It has been calculated using cost estimates based on our extensive experience to date, using analysis of previously tendered works and prudent, professional estimates based on knowledge of known issues. In addition, on developments where full investigations have not yet been undertaken or cost reports obtained, costs to date on similar developments have been used to estimate the likely cost. We have also made assumptions with regards to the likely cost of resolving potential issues, that we have not yet been made aware of, on schemes covered by the extended 30-year period.

Notes (continued)

3. Net legacy building safety expense (continued)

The provision calculation uses the expected timings of cash outflows which are adjusted for future estimated cost inflation in accordance with the Build Cost Information Service ('BCIS') index, a leading provider of cost and price information to the construction industry. The provision is discounted back to a present value using UK gilt rates with maturities which reflect the expected timing of cash outflows. The unwinding of this discount is charged through the income statement as an adjusting finance expense.

The majority of the cash outflow is expected to be over the next five years, although there will be some residual expenditure beyond this. The anticipated timing reflects the complex issues around remediation including identifying the works required, design and planning obligations, interpretation of PAS, liaison and negotiations with building owners, and appointment of contractors.

Notwithstanding these complexities the Group has made good progress with work now completed on 6 developments, underway on 15 developments and works due to commence on a further 3 developments by the end of the calendar year.

Total recoveries recognised since 2017 are £30.0 million. Reimbursement assets of £nil (2021 – £0.5 million) remain outstanding at the period end.

4. Earnings per ordinary share

Basic earnings per ordinary share is calculated by dividing earnings by the weighted average number of ordinary shares in issue during the year (excluding the weighted average number of ordinary shares held by the Trust which are treated as cancelled).

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

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

	Earnings 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	**242.6**	**123,227,544**	**196.9**	390.7	123,306,035	316.9
Dilutive effect of options and awards		**416,029**	**(0.7)**		411,633	(1.1)
For diluted earnings per ordinary share	**242.6**	**123,643,573**	**196.2**	390.7	123,717,668	315.8

Notes (continued)

5. Taxation

The effective tax expense is 20.2% of profit before taxation (2021 – 18.4%).

The Finance Act 2022 received Royal Assent in February 2022 introducing a new residential property developer tax ('RPDT') which was effective from 1 April 2022 and is chargeable at 4% of profits generated from residential property development in excess of an annual threshold. RPDT was introduced by HM Treasury to obtain a contribution from the UK's largest residential property developers towards the cost of remediating defective cladding in the UK's high-rise housing stock and is expected to remain in force for up to ten years. RPDT will apply to the majority of the Group's profits. Both the standard tax rate and effective tax rate include RPDT.

The carrying amount of the deferred tax asset is reviewed at each balance sheet date and is recognised to the extent that there will be sufficient taxable profits to allow the asset to be recovered.

The deferred tax assets/(liabilities) held by the Group at the start of the current year have been revalued at the substantively enacted corporation tax rate that will be effective when they are expected to be realised. The deferred tax assets/(liabilities) have been revalued at 29% following the introduction of RPDT on 1 April 2022. The deferred tax assets/(liabilities) were previously recognised at 25% to take into account the increase in the UK corporation tax rate from 1 April 2023 that was substantively enacted in May 2021.

It is expected that the Group's standard rate of tax, including RPDT, for the year ending 31 July 2023 will be around 25%.

6. 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 3)	(349.5)	2.8	(346.7)
Released (note 3)	2.5	-	2.5
Utilised/(recovered)	23.5	(3.3)	20.2
Unwinding of discount (note 3)	(2.0)	-	(2.0)
At 31 July 2022	**(441.5)**	**-**	**(441.5)**

The provision is classified as follows:

	Legacy building safety improvements provision £m
Current	(40.7)
Non-current	(400.8)
Total	**(441.5)**

The Group has established a provision for the cost of performing fire remedial works on a number of legacy developments (note 3).

Notes (continued)

7. Analysis of net cash

	At 1 August 2021 £m	Cash flows £m	**At 31 July 2022 £m**
Cash and cash equivalents	460.3	(85.0)	**375.3**
Fixed rate sterling USPP notes	(130.0)	-	**(130.0)**
Net cash	330.3	(85.0)	**245.3**

8. Finance income and expenses

	2022 £m	2021 £m
Interest receivable on bank deposits	**0.5**	-
Net interest on defined benefit asset	**0.1**	-
Other interest receivable	**1.0**	0.6
Finance income	**1.6**	0.6
Interest payable on bank loans and overdrafts	**2.5**	3.1
Interest payable in fixed rate sterling USPP notes	**3.4**	1.6
Interest on deferred term land payables	**7.3**	6.5
Unwinding of the discount on the legacy building safety provision	**2.0**	-
Interest payable on leases	**0.5**	0.5
Finance expenses	**15.7**	11.7

The unwinding of the discount on the legacy building safety provision is an adjusting item (note 3).

9. 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)

10. Reserves

Share premium

This reserve is not distributable.

Own shares held

The Group holds shares within the Bellway Employee Share Trust (1992) (the 'Trust') for participants of certain share-based payment schemes. The cost of these is charged to retained earnings. During the period 268,240 (2021 – 105,967) shares were purchased by the Trust and the Trust transferred 38,978 (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 July 2022 was 331,115 (2021 – 101,853). These shares are held within the financial statements at a cost of £8.9 million (2021 – £2.4 million). The market value of these shares at 31 July 2022 was £8.1 million (2021 – £3.3 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 £20.0 million, equivalent to the nominal value of the shares redeemed, was transferred to a capital redemption reserve on the same date. This reserve is not distributable.

11. Dividends on equity shares

	2022	2021
	£m	£m
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 July 2021 of 82.5p per share (2020 – 50.0p)	**101.8**	61.6
Interim dividend for the year ended 31 July 2022 of 45.0p per share (2021 – 35.0p)	**55.4**	43.1
	157.2	104.7
Proposed final dividend for the year ended 31 July 2022 of 95.0p per share (2021 – 82.5p)	**117.0**	101.7

The 2022 proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 16 December 2022 and, in accordance with IAS 10 'Events after the Reporting Period', has not been included as a liability in these financial statements. The proposed final dividend, subject to shareholder approval, will be paid on 11 January 2023 to all ordinary shareholders on the Register of Members on 2 December 2022. The ex-dividend date is 1 December 2022. At the record date for the final dividend for the year ended 31 July 2021, shares were held by the Bellway Employee Share Trust (1992) (the 'Trust') on which dividends had been waived (see note 10).

12. Contingent liabilities

Legacy building safety improvements

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

As detailed in note 3, Bellway has identified a number of developments, which obtained building regulation approval at the time of construction, where the building materials used may not fully comply with the most recent government guidance or where remedial works may need to be performed in line with the Pledge. For these developments we have established that the cost of the remedial works satisfies the accounting requirements of a provision at the balance sheet date. While a prudent approach has been taken, the extent of the provision could increase or reduce, in line with normal accounting practice if new issues are identified or if estimates change, as Bellway and building owners continue to undertake their own investigative works on these and other schemes within the legacy portfolio. Furthermore, the finer details of the government contract underlying the Pledge are to be agreed with the sector as a whole, and the scope could change until this is finally agreed.

Notes (continued)

13. Alternative performance measures

Bellway uses a variety of alternative performance measures ('APMs') which, although financial measures of either historical or future performance, financial position or cash flows, are not defined or specified by IFRSs. The Directors use a combination of APMs and IFRS measures when reviewing the performance, position and cash of the Group.

The APMs used by the Group are defined below:

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

- **Underlying gross 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 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.

- **Underlying earnings per share** – This is calculated as underlying profit for the year divided by the weighted average number of ordinary shares in issue during the year (excluding the weighted average number of ordinary shares held by the Trust which are treated as cancelled).

- **Dividend cover** – This is calculated as earnings per ordinary share for the period divided by the dividend per ordinary share relating to that period. At the half year the dividend per ordinary share is the proposed interim ordinary dividend, and for the full year it is the interim dividend paid plus the proposed final dividend. The Directors consider this an important indicator of the proportion of earnings paid to shareholders and reinvested in the business.

- **Underlying dividend cover** – This is calculated as underlying profit for the year per ordinary share for the period divided by the dividend per ordinary share relating to that period. At the half year the dividend per ordinary share is the proposed interim ordinary dividend, and for the full year it is the interim dividend paid plus the proposed final dividend. The Directors consider this an important indicator of the proportion of underlying earnings paid to shareholders and reinvested in the business.

- **Capital invested in land, net of land creditors, and work-in-progress** – This is calculated as shown in the table below. The Directors consider this as an indicator of the net investment by the Group in the period to achieve future growth.

Notes (continued)

13. Alternative performance measures (continued)

Per balance sheet	**2022 £m**	**2021 £m**	**Mvt £m**	2021 £m	2020 £m	Mvt £m
Land	**2,786.4**	**2,483.9**	**302.5**	2,483.9	2,216.2	267.7
Work-in-progress	**1,524.8**	**1,431.4**	**93.4**	1,431.4	1,496.1	(64.7)
Increase in capital invested in land and work-in-progress in the year			**395.9**			203.0
Land creditors	**(393.4)**	**(455.8)**	**62.4**	(455.8)	(343.6)	(112.2)
Increase in capital invested in land, net of land creditors, and work-in-progress in the year			**458.3**			90.8

- **Net asset value per ordinary share ('NAV')** – This is calculated as total net assets divided by the number of ordinary shares in issue at the end of each period. The Directors consider this to be a proxy when reviewing whether value, on a share by share basis, has increased or decreased in the period.

- **Capital employed** – Capital employed is defined as the total of equity and net debt. Equity is not adjusted where the Group has net cash. The Directors consider this to be an important indicator of the operating efficiency and performance of the Group.

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

	2022 Capital employed £m	**2022 Land creditors £m**	**2022 Capital employed including land creditors £m**	2021 Capital employed £m	2021 Land creditors £m	2021 Capital employed including land creditors £m
Underlying operating profit	**653.2**		**653.2**	531.5		531.5
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
Closing	**3,367.8**	**393.4**	**3,761.2**	3,287.8	455.8	3,743.6
Average	**3,361.8**	**399.4**	**3,761.2**	3,148.1	390.4	3,538.4
Underlying return on capital employed	**19.4%**		**17.4%**	16.9%		15.0%

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

Notes (continued)

13. Alternative performance measures (continued)

	2022 Capital employed £m	**2022 Land creditors £m**	**2022 Capital employed including land creditors £m**	2021 Capital employed £m	2021 Land creditors £m	2021 Capital employed including land creditors £m
Operating profit	**309.0**		**309.0**	479.7		479.7
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
Closing	**3,367.8**	**393.4**	**3,761.2**	3,287.8	455.8	3,743.6
Average	**3,361.8**	**399.4**	**3,761.2**	3,148.1	390.4	3,538.4
Return on capital employed	**9.2%**		**8.2%**	15.2%		13.6%

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

	2022 £m	2021 £m
Profit for the year	**242.6**	390.7
Net assets:		
Opening	**3,287.8**	2,994.0
Half year	**3,429.8**	3,162.4
Closing	**3,367.8**	3,287.8
Average	**3,361.8**	3,148.1
Post tax return on equity	**7.2%**	12.4%

- **Underlying post tax return on equity** – This is calculated as profit for the year before net legacy building safety expense and exceptional items, divided by the average of the opening, half year and closing net assets. The Directors consider this to be a good indicator of the operating efficiency of the Group.

	2022 £m	2021 £m
Underlying profit for the year	**518.5**	432.7
Net assets:		
Opening	**3,287.8**	2,994.0
Half year	**3,429.8**	3,162.4
Closing	**3,367.8**	3,287.8
Average	**3,361.8**	3,148.1
Underlying post tax return on equity	**15.4%**	13.7%

Notes (continued)

13. Alternative performance measures (continued)

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

Net asset value per ordinary share:		
At 31 July 2022	2,727p	
At 31 July 2019	2,372p	
Net asset value growth per ordinary share		355p
Dividend paid per ordinary share:		
Year ended 31 July 2022	127.5p	
Year ended 31 July 2021	85.0p	
Year ended 31 July 2020	100.0p	
Cumulative dividends paid per ordinary share		312.5p
Total growth in value per ordinary share		667.5p

- **Annualised accounting return in NAV and dividends paid since 31 July 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 July 2019 (as detailed above) divided by the net asset value per ordinary share at 31 July 2019. The directors use this as a proxy for the increase in shareholder value since 31 July 2019.

Net asset value growth per ordinary share	355p
Cumulative dividends paid per ordinary share	312.5p
Total growth in value per ordinary share	667.5p
Net asset value per ordinary share at 31 July 2019	2,372p
Total value per ordinary share	3,039.5p
Annualised accounting return $= \left(\frac{3{,}039.5}{2{,}372}\right)^{\wedge(1/3)} - 1$	8.6%

- **Capital growth in the period** – This is calculated as the increase in NAV in the period combined with the ordinary dividend paid in the year.

Net asset value per ordinary share:		
At 31 July 2022	2,727p	
At 31 July 2021	2,664p	
Net asset value growth per ordinary share		63p
Dividend paid per ordinary share:		
Year ended 31 July 2022		127.5p
Capital growth in the period		190.5p

- **Underlying capital growth in the period** – This is calculated as capital growth in the period adding back the net legacy building safety expense per share.

Capital growth in the period	190.5p
Net legacy building safety expense per share	223.9p
Underlying capital growth in the period	414.4p

- **Net cash/debt** – This is the cash and cash equivalents less bank debt and fixed rate sterling USPP notes. Net cash/debt does not include lease liabilities, which are reported within trade and other payables on the balance sheet. The Directors consider this to be a good indicator of the financing position of the Group. This is reconciled in note 7.

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

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

	2022 £m	2021 £m
Cash from operations	**114.6**	519.6
Add: increase in capital invested in land, net of land creditors, and work-in-progress (as described above)	**458.3**	90.8
Cash generated from operations before investment in land, net of land creditors, and work-in-progress	**572.9**	610.4

- **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.

14. Post balance sheet events

The Group acquired 100% of the ordinary share capital of Rosconn Strategic Land Limited on 12 October 2022 for £24.8 million cash consideration.

Earlier this month, the Group also signed up to the Developers' Pact with the Welsh Government. Similar to the Pledge, this is a commitment to remediate buildings over 11 metres in height with life critical fire safety issues, which were constructed in Wales since 1992. Reflecting our ongoing and responsible UK-wide approach to legacy building safety, the expected cost of the remediation works in Wales was probable at the year end and is included in our provision at 31 July 2022.

Principal risks and uncertainties

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

The risk register is reviewed on a regular basis as part of the management reporting process, resulting in the regular assessment of each risk, its severity and any required mitigating actions. The severity of risk is determined based on a defined scoring system assessing risk impact and likelihood.

A summary of principal risks is reported to management, the Audit Committee and the Board, which is mainly, but not exclusively, comprised of risks considered to be outside of our risk appetite after mitigation. This summary is reviewed throughout the year, with the Board systematically considering the risks taking into account any changes which may have occurred.

Once a year, via the Audit Committee, the Board determines whether the system of risk management is appropriately designed and operating effectively. The directors confirm that they have conducted a robust assessment of the principal risks facing the Company.

The Board has completed its assessment of the Group's emerging and principal risks. The following nine principal risks to our business have been identified:

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, innovations and biodiversity 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 completed, 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 detailed planning permission (DPP). ▪ Regular review by both 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 continuing conflict and humanitarian crisis in Ukraine. 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. ▪ 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 considers any emerging risks that have the potential to impact the achievement of our strategy, but which cannot yet be fully defined and assessed. These uncertainties are reviewed as part of our established risk management framework, discussed regularly by management, the Audit Committee and the Board, and elevated to principal risks (either as new risks or an extension of existing risks) when warranted.

Glossary

Average Selling Price

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

Cancellation Rate

The rate at which customers withdraw from a house purchase after paying the reservation fee, but before contracts are exchanged.

COVID-19

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

Earnings per Share (‘EPS’)

Profit attributable to ordinary equity shareholders divided by the weighted average number of ordinary shares in issue during the financial 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 tax, introduced in April 2022, which is charged at a rate of 4% 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.

Task Force on Climate-Related Financial Disclosures ('TCFD')

TCFD was created by the Financial Stability Board to develop consistent climate-related financial risk disclosures.

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