BELLWAY P.L.C. ('BELLWAY' OR THE 'GROUP'), THE NATIONAL HOUSEBUILDER, ANNOUNCES TODAY, TUESDAY 26 MARCH 2024, ITS INTERIM RESULTS FOR THE HALF YEAR ENDED 31 JANUARY 2024.

Summary

Maintaining resilience and positioning for recovery

	Half year ended 31 January 2024	Half year ended 31 January 2023	Movement
Housing completions	4,092	5,695	(28.1%)
Revenue	£1,273.1m	£1,809.3m	(29.6%)
Underlying performance measures:			
Gross profit (underlying)	£210.5m[2,3]	£389.3m[2,3]	(45.9%)
Gross margin (underlying)	16.5%[2,3]	21.5%[2,3]	(500 bps)
Operating profit (underlying)	£139.9m[2,3]	£317.7m[2,3]	(56.0%)
Operating margin (underlying)	11.0%[2,3]	17.6%[2,3]	(660 bps)
Profit before taxation (underlying)	£134.2m[2,3]	£312.1m[2,3]	(57.0%)
Earnings per share (underlying)	80.6p[2,3]	190.5p[2,3]	(57.7%)
RoCE (underlying)	8.1%[2,3]	18.6%[2,3]	(1,050 bps)
Statutory and other measures:			
Net legacy building safety expense	£16.8m	£6.2m	171.0%
Profit before taxation	£117.4m	£305.9m	(61.6%)
Earnings per share	70.6p	186.8p	(62.2%)
Interim dividend per share	16.0p	45.0p	(64.4%)
Net asset value per share	2,888p[2]	2,819p[2]	2.4%
Net cash	£76.6m[2]	£292.5m[2]	(73.8%)
Land bank (total plots)	94,492[4]	100,367[4]	(5.9%)

Jason Honeyman, Group Chief Executive, commented:

"Bellway has delivered another resilient performance in a period of challenging trading conditions. Although the economic backdrop remains uncertain, the gradual reduction in mortgage interest rates throughout the first half has helped to ease affordability constraints and we have been encouraged by the improvement in reservations since the start of the new calendar year.

The Group remains on track to deliver volume output of around 7,500 homes (31 July 2023 – 10,945 homes) in the full financial year and, if market conditions remain stable, we are well-placed to build the order book through the second half which will serve as a platform for a return to growth in financial year 2025.

Overall, the long-term fundamentals of the UK housebuilding industry remain attractive, given the shortage of energy efficient and affordable homes across the country. We remain confident that the Group's robust balance sheet and operational strength, combined with the depth and quality of our land bank, will enable Bellway to successfully navigate changing market conditions and capitalise on future growth opportunities."

Financial performance in line with our expectations

- Housing completions of 4,092 homes (2023 – 5,695 homes) at an overall average selling price of £309,278 (2023 – £316,929), both in line with the Board's expectations.
- Total revenue of £1,273.1 million (2023 – £1,809.3 million), a reduction of 29.6% driven primarily by the lower level of private reservations in the prior year.
- The private reservation rate in the first half of financial year 2024 increased by 15.4% to 105 per week (2023 – 91), representing a private reservation rate per outlet per week of 0.43 (2023 – 0.38).

- The underlying operating margin was 11.0%[2,3] (2023 – 17.6%), with the reduction reflecting the effect of lower volume output, cost inflation and the use of sales incentives, together with extended site durations.
- Underlying profit before taxation was £134.2 million[2,3] (2023 – £312.1 million).

High-quality land bank to support strong outlet opening programme and volume recovery

- The Group has a high-quality land bank which comprises a total of 94,492 plots[4] (2023 – 100,367 plots).
- Bellway's owned and controlled land bank of 49,365 plots (2023 – 57,720 plots) remains healthy and provides good visibility with regards to outlet openings.
- The Group traded from an average of 243 outlets (2023 – 238), an increase of 2.1% driven by our strong land bank and achieved against the backdrop of a challenging planning system.
- Our site teams successfully opened 34 new sales outlets in the period, and we remain on track to open over 40 additional new outlets in the second half of the financial year. This, together with our strong work-in-progress position, supports our plans for future volume recovery.
- Building upon our increased activity in the strategic land market in recent years, there has been further expansion of our strategic land bank, which rose to 44,200 plots (2023 – 41,700 plots). This underpins the Group's longer-term growth prospects for a relatively low initial capital outlay.
- The strong period of investment prior to financial year 2023 has enabled an ongoing cautious and targeted approach to shorter-term land acquisition in the first half, with the Group contracting to purchase 1,237 owned and controlled plots (2023 – 2,428 plots) across 9 sites (2023 – 16 sites).
- Given the improving outlook in terms of both lower interest rates and house price stability, we have been more active in the land market since the start of the new calendar year. Our future pipeline of potential acquisitions is rebuilding, with Heads of Terms agreed on around 6,600 plots at 10 March 2024.

Robust and well-capitalised balance sheet

- Robust balance sheet with net cash of £76.6 million[2] (2023 – £292.5 million) and low adjusted gearing, inclusive of land creditors, of only 4.7%[2] (2023 – 2.3%).
- In addition to the net cash position, the Group has access to significant levels of committed debt finance, totalling £530 million.
- Net asset value per share increased by 2.4% to 2,888p[2] (2023 – 2,819p).
- The interim dividend is 16.0p per share (2023 – 45.0p) which reflects reduced underlying earnings and the Board's previously stated target of underlying dividend cover of 2.5 times[2,3] for the full financial year.

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

- The efforts of our colleagues in delivering our 'Better with Bellway' sustainability strategy have been reflected through multiple industry awards, including 'Large Housebuilder of the Year' and 'Best Staff Development Award' at the 2023 Housebuilder Awards.
- The Group's flagship 'Future Homes' research project into carbon reduction at the University of Salford has also won several accolades, including 'Best Sustainability Initiative' at the 2023 Housebuilder Awards and 'Major Project of the Year' at the 2023 National Sustainability Awards.
- Our ongoing focus on providing high-quality homes and service for our customers has resulted in Bellway being recognised as a five-star[5] homebuilder for the eighth consecutive year.
- Bellway remains fully committed to acting responsibly with regards to building safety, and we continue to make good progress on assessing and remediating legacy properties through our dedicated Building Safety division.

Encouraging recent trading and improving outlook

- The moderation in mortgage interest rates through the first half helped to ease affordability constraints and, together with a seasonal pick-up in customer demand, has supported an improvement in reservation rates in the early weeks of the spring selling season.
- In the six weeks since 1 February, the private reservation rate increased by 20.7% to 163 per week (1 February to 12 March 2023 – 135), representing a private reservation rate per outlet per week of 0.67 (1 February to 12 March 2023 – 0.56). The overall reservation rate rose by 7.8% to 207 per week (1 February to 12 March 2023 – 192).
- Reflecting recent trading and volume output, the order book has increased from the level at 31 January 2024. The forward order book at 10 March 2024 comprised 4,914 homes (12 March 2023 – 5,842 homes) with a value of £1,301.9 million[2] (12 March 2023 – £1,602.0 million).
- Headline pricing has remained firm and, in line with previous guidance, the overall average selling price for financial year 2024 is expected to be around £295,000 (31 July 2023 – £310,306). The moderation from 2023 reflects a further planned increase in the proportion of social homes in the second half of the current financial year and the ongoing use of targeted sales incentives.
- In financial year 2024 the Board continues to anticipate a reduction in the underlying operating margin[2,3] of at least 600 basis points from the level in the prior year (31 July 2023 – 16.0%). The decrease will be driven by a lower volume output and average selling price, together with the effects of build cost inflation and extended site durations.
- Bellway is well-placed to deliver volume output of around 7,500 homes in the current financial year (31 July 2023 – 10,945 homes) and, if recent reservation rates are sustained throughout the spring, to build the order book through the second half which will serve as a platform for a return to growth in financial year 2025.
- The combination of Bellway's operational and financial strength leaves the Group very well-placed to deliver long-term sustainable growth and ongoing value creation for shareholders.

[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 14.

[3] Underlying refers to any statutory performance measure or alternative performance measure before net legacy building safety expense and exceptional items (note 2).

[4] Includes the Group's share of land owned and controlled through joint venture partners comprising 927 plots (2023 – 947 plots).

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

[6] Comparatives are for the half year ended 31 January 2023 or as at 31 January 2023 ('2023') unless otherwise stated.

Analyst presentation, webcast and conference call

There will be an analyst presentation held at the offices of Deutsche Numis at 9.00am 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 Interim Results' when prompted by the operator.

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

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Chair's Statement

Introduction

Bellway has delivered another resilient operational performance against a backdrop of ongoing challenges for our industry. On behalf of the Board, I would like to express our gratitude to our colleagues, subcontractors and supply chain partners who have shown continued resourcefulness and commitment to providing high-quality homes and service for our customers.

The hard work and dedication of our teams has been recognised through several industry accolades in the period, including 'Large Housebuilder of the Year' at the 2023 Housebuilder Awards. I am also delighted that Bellway has been awarded five-star[5] homebuilder status by the HBF for the eighth consecutive year.

Strategic priorities

The Group has a clear focus on maintaining financial and operational strength to enable ongoing value creation for shareholders through the delivery of our strategic priorities. Further details of these priorities are set out below:

- Deliver long-term volume growth;
- Drive a long-term improvement in RoCE; and
- Operate responsibly and sustainably through our 'Better with Bellway' strategy.

Long-term volume growth

Given the generally weaker trading conditions since the summer of 2022 and ongoing challenges in the planning system, we expect a decrease in volume output in the current financial year from last year's near-record high. Notwithstanding this near-term reduction, the housing market outlook is improving, and we are beginning to rebuild our order book. Given these factors, the Board is confident that the Group is well-positioned to build on its proven track record of organic volume growth from financial year 2025 onwards. The Group's plans for volume recovery will be further supported by the strength of our land bank and programme of sales outlet openings, together with a healthy work-in-progress position.

The long-term housing market fundamentals remain positive, and we are hopeful that this can be bolstered by improved clarity over future housing policy beyond the next General Election. Bellway's balance sheet strength will enable future investment to ensure the Group continues to play an important role in meeting the need for new energy efficient homes across the country.

Long-term improvement in RoCE

The Group has a clear focus on driving both profitable growth and a long-term improvement in RoCE, given the positive compounding effect on shareholder value that this can create. While lower expected profitability in the current financial year will lead to a further reduction in underlying RoCE (31 July 2023 – 15.8%[2,3]), we are encouraged that some industry headwinds, including affordability constraints and cost inflation, are receding from the elevated levels in the last two years. As market conditions stabilise, and if planning challenges ease over the longer-term, the Board is optimistic that Bellway is well-placed to deliver a normalised underlying RoCE of up to 20%[2,3].

In addition to our ongoing close management of costs, we are aiming to deliver meaningful benefits from the expansion of our strategic land bank and increased use of timber frame. These areas of focus can support improvements in both margin and asset turn and combined with our value-driven approach to capital allocation, we have a strong platform to drive a recovery in returns beyond the current financial year.

'Better with Bellway'

'Better with Bellway' is the Group's strategy and long-term commitment with regards to acting responsibly and sustainably. The strategy outlines ambitious targets in respect of our three flagship areas of Carbon Reduction, Customers and Communities, and becoming an Employer of Choice.

Through a range of initiatives, we have embedded the 'Better with Bellway' sustainability strategy across the Group's operations, and we are delighted that the efforts of our colleagues have been recognised through several industry awards. More details are set out later in this report and are also available on our website at www.bellwayplc.co.uk/sustainability.

In relation to building safety, our ongoing focus on this serious matter is reflected by the proactive approach to assessing and remediating schemes through our dedicated Building Safety division. We remain fully committed to acting responsibly with regards to building safety and since the start of our remediation programme, the Group has spent over £120 million on legacy building safety issues.

Value creation for shareholders

The successful delivery against our strategic priorities will ensure the Group continues to generate long-term value for shareholders, and the Board believes this is best gauged through increasing NAV per share and supplemented by capital returns.

In the half year to 31 January 2024, NAV increased to 2,888p[2] per share (31 July 2023 – 2,871p), with the benefit of the £100 million share buyback completed in October 2023 offsetting the effect of the reduction in earnings in the first half and the payment of the 2023 final dividend of 95.0p per share.

In the current financial year and in line with the Board's previously stated target, underlying dividend cover will be around 2.5 times[2,3]. Reflecting this, and the lower expected earnings in financial year 2024, the Board has announced an interim dividend of 16.0p per share (2023 – 45.0p).

Looking ahead, the strength of our land bank and balance sheet provides a solid foundation from which we can return to growth and, in turn, a recovery in earnings should drive a commensurate increase in dividend payments. Furthermore, the reinvestment of capital into compelling land opportunities will be critical to achieving our strategic objectives and will continue to be balanced with future shareholder returns.

Competition and Markets Authority – Housebuilding market study

The UK Competition and Markets Authority ('CMA') launched a market study into the housebuilding sector in England, Scotland and Wales in February 2023, the results of which were published in the CMA's final report on 26 February 2024.

The CMA's wide-ranging study found that the UK's complex and unpredictable planning system was primarily responsible for the persistent under delivery of new homes. The report highlighted that local authority planning departments are typically under resourced, and several do not have up to date local plans, clear targets or strong incentives to deliver the number of homes needed in their areas. Furthermore, the practice of housebuilders holding land banks was seen as a symptom of the planning system, rather than a primary reason for the shortage of new homes. The CMA has recommended a streamlining of the planning system, together with improved consumer protections, to support the increased delivery of new homes across the country, which we wholly support.

With regard to consumer protections, we are striving to continually improve our levels of customer service and Bellway is a registered developer with the New Homes Quality Board, which offers consumers protection through the current industry code of practice, the New Homes Quality Code ('NHQC'). To ensure that all housebuilders work to a consistent set of quality standards, the CMA considers that the NHQC could be evolved to be a single mandatory consumer code, covering the quality of new homes and customer service. We welcome this recommendation and believe it would contribute to a further improvement in standards across the wider sector.

During the study, the CMA also found evidence which indicated some housebuilders may be sharing commercially sensitive information with competitors, which could be influencing the build-out rate of sites and the prices of new homes. While the CMA does not consider such sharing of information to be one of the main factors in the persistent under delivery of homes, the CMA is concerned that it may weaken competition in the market. As a result, the CMA has launched an investigation under the Competition Act 1998 into eight housebuilders, including Bellway. The CMA has not yet reached any conclusions, and Bellway will continue to engage positively and co-operate fully with the CMA during the investigation.

Future long-term success

Bellway has an experienced leadership team with operational strength-in-depth across the organisation. Given these qualities and our robust balance sheet, I am confident that the Group is well-positioned to capitalise on future growth opportunities, deliver against our strategic priorities and create a positive outcome for our stakeholders over the long term.

John Tutte
Chair
25 March 2024

Chief Executive's Market and Operational Review

Market

Customer confidence and reservation rates gradually improved throughout the period, driven by wage increases and a moderation of both consumer price inflation and mortgage interest rates. Demand for our high-quality new homes was further supported by good availability of mortgage finance, although affordability remains relatively constrained for those customers requiring higher loan-to-value mortgages.

While sales rates have been impacted by higher borrowing costs since the summer of 2022, the improvement in affordability through the first half of the current financial year led to a 15.4% increase in the private reservation rate to 105 per week (2023 – 91). This represented a private reservation rate per outlet per week of 0.43 (2023 – 0.38), including a modest contribution of 0.03 from bulk sales (2023 – nil). There were encouraging levels of customer enquiries in the traditionally quieter winter trading period and together with a seasonal pick-up, this resulted in an increase in the private reservation rate in January to 0.59 per outlet per week (January 2023 – 0.45).

Notwithstanding the higher demand for private housing, the overall reservation rate rose only slightly to 140 per week (2023 – 138), which partly reflects the expected reduction in social housing output in financial year 2025 from the current elevated levels. Customer confidence continued to improve which led to a lower cancellation rate of 16% (2023 – 20%) for the whole of the first half and a reduction to a normalised level of around 13% during January 2024.

The Group traded from an average of 243 outlets in the period (2023 – 238), in line with our expectations and ahead of the closing position of 240 outlets at 31 July 2023. The 2.1% increase in average outlets was driven by our strong land bank and achieved despite the ongoing delays in the planning system. The Group's Ashberry brand is used on over 9% of our active outlets, and typically on larger sites alongside our core Bellway brand. Ashberry offers customers a choice of layouts and elevational treatments, all from our standard house type range, and the use of dual branding on sites can drive both enhanced sales rates and an improvement in RoCE.

Overall, headline pricing across our regions has remained firm, and our sales teams continue to use a range of targeted incentives to encourage further customer interest and secure reservations. The use of selling incentives has generally increased since the summer of 2023, although there has been more limited use in regions where affordability remains good in the context of the local market and in areas with healthy employment levels. In this regard and supported by good-quality sites and new outlet openings, our divisions in Manchester and Northern Home Counties enjoyed strong customer demand, with an average private reservation rate in excess of 0.60 per outlet per week in the first half.

As part of our range of controlled incentives used to generate increased sales, the 'Own New Rate Reducer' scheme has recently been launched. Supported by a subsidy from Bellway, it offers customers significantly reduced monthly mortgage payments for a fixed period of between two and five years. In conjunction with some of the UK's major mortgage lenders, the scheme is available on new-build homes only, for both first time buyers and home movers. While affordability pressures have generally eased in recent months, we are optimistic that this scheme will widen our customer base and add further support to the improving market backdrop.

High-quality land bank to support strong outlet opening programme and volume recovery

The Group has a high-quality land bank, which was enhanced by a period of front-footed investment prior to financial year 2023. Bellway's owned and controlled land bank remains strong and comprises 49,365 plots (2023 – 57,720 plots), with the decrease reflecting the volume output and lower land buying activity during the last year. Within our owned and controlled land bank, we have 29,765 plots (2023 – 31,420 plots) with an implementable detailed planning permission ('DPP') and 19,600 pipeline plots (2023 – 26,300 plots).

The table below analyses the Group's land holdings:

	31 January 2024	**31 January 2023**
DPP: plots with implementable detailed planning permission	**29,765**	31,420
Pipeline: plots pending an implementable DPP	**19,600**	26,300
Bellway owned and controlled plots	**49,365**	57,720
Bellway share of land owned and controlled by joint ventures	**927**	947
Total owned and controlled plots	**50,292**	58,667
Strategic land holdings	**44,200**	41,700
Total land bank[4]	**94,492**	100,367

Our investment in strategic land has continued during the period, which has enhanced our overall land supply for a relatively low initial capital outlay. In the first half, we entered into option agreements to buy 10 sites (2023 – 12 sites), building upon our increased activity in the strategic land market in recent years. Bellway's strategic land portfolio now comprises 44,200 plots (2023 – 41,700 plots), which has grown by around 60% over the last three years (31 January 2021 – 27,700 plots).

Overall, the Group's ongoing investment in strategic land continues to provide balance sheet efficiency and financial flexibility through the use of option and promotion agreements, while also supporting our longer-term growth ambitions.

The strength of our land bank has enabled an ongoing cautious and targeted approach to shorter-term land acquisition in the period. This has been focused on securing land interests which offer compelling and enhanced financial returns and, where possible, include significant flexibility in the contract terms. During the first half, the Group contracted to purchase 1,237 owned and controlled plots (2023 – 2,428 plots) across 9 sites (2023 – 16 sites) with a total contract value of £103.4 million (2023 – £197.3 million), and we also decided not to proceed with the purchase of 1,359 plots (2023 – 418 plots) across 7 previously approved sites (2023 – 3 sites). This resulted in a net cancellation of 122 owned and controlled plots (2023 – net addition of 2,010 plots).

While overall plots contracted in financial year 2024 are expected to be below volume output, our experienced land teams have been more active in the land market since the start of the new calendar year, reflecting the improving outlook in terms of both lower interest rates and house price stability. Ongoing disciplined investment in land will be essential to achieving our strategic priority of long-term volume growth and we are rebuilding our future pipeline of potential acquisitions, with Heads of Terms agreed on around 6,600 plots at 10 March 2024.

The Group was operating from 246 outlets as at 31 January 2024, having opened 34 new sales outlets in the period and as noted earlier, having traded from an average of 243 (2023 – 238). We have good visibility on the expected timing of near-term planning decisions and, notwithstanding the risks to further planning delays in the run up to this year's General Election, we currently expect to open over 40 additional new selling outlets in the second half.

In line with previous guidance, the Group remains well-positioned to deliver a modest increase in the number of outlets from the half year level by the end of the current financial year, with the outcome also dependent on sales rates and therefore the number of outlets closing.

Production and cost control

Build cost inflation has moderated and was running in the low single digits by the end of the period. The easing of cost increases has been supported by the combined effect of lower levels of construction activity and the continued fall in energy costs since their peak in the summer of 2022.

The industry-wide decline in order books and construction activity has reduced the demand for building materials, resulting in limited overall material cost inflation on new tenders. This changing backdrop enabled the Group to negotiate recent cost reductions on several products, and many suppliers are reintroducing normalised fixed price periods of between 9 and 12 months.

While there are presently good levels of product availability across the Group, we are mindful of the potential risks to global supply chains, particularly for commodities such as semi-conductors, which are used in kitchen appliances and gas boilers. In this regard, our experienced procurement teams continue to work closely with our wide range of supply chain partners on demand planning, and to ensure we are prepared for our targeted increase in volume output in financial year 2025 and beyond.

Bellway has well-established relationships with its subcontract partners and together with our strong commercial disciplines, the Group's subcontract labour costs continue to be tightly managed. As construction output has declined across the country, requests for subcontract price increases remain low for most trades. The Group's outlet opening programme has provided good visibility on pipeline work for subcontractors and remains beneficial when negotiating new labour contracts and pricing.

Our subcontractors are also becoming increasingly familiar with our Artisan Collection house-types, which continue to drive a range of other benefits across the Group, including improved site layouts. Artisan homes are expected to increase to around 55% of total legal completions in the current financial year (31 July 2023 – 45%). As part of our growth strategy, we are increasing the use of sustainably sourced timber-frame construction across the Group, which can improve build efficiencies and asset turn, as well as reducing embodied carbon and sequestering emissions throughout the tree growing and replanting phase.

While underlying cost pressures are currently more moderate, the higher levels of inflation experienced on costs incurred in earlier periods, and carried in our work-in-progress, will be realised through the income statement for legal completions in the months ahead.

As the industry works towards building to the requirements of the Future Homes Standard beyond this financial year, our Artisan Collection standard house-types and centralised approach to design, procurement and site layout reviews will continue to help the Group maintain efficiency and mitigate cost pressures.

Recent trading

The lower opening order book position and the higher expected weighting of housing completions in the first half of the current financial year led to a reduced, yet still sizeable, order book at 31 January 2024. This comprised 3,970 homes (2023 – 5,108 homes), with a value of £1,012.5 million[2] (2023 – £1,386.8 million).

In the early weeks of the spring selling season, the combination of competitive mortgage interest rates, pent-up customer demand and a seasonal uplift has led to a sustained improvement in trading. In the six weeks since 1 February, the private reservation rate increased by 20.7% compared to the equivalent period in the prior year to 163 per week (1 February to 12 March 2023 – 135). This represented a private reservation rate per outlet per week of 0.67 (1 February to 12 March 2023 – 0.56). The overall reservation rate rose by 7.8% to 207 per week (1 February to 12 March 2023 – 192).

Reflecting recent trading and volume output, the order book has increased from the level at 31 January 2024. The forward order book at 10 March 2024 comprised 4,914 homes (12 March 2023 – 5,842 homes) with a value of £1,301.9 million[2] (12 March 2023 – £1,602.0 million).

Outlook

The encouraging levels of website traffic and visitors to our outlets since the start of the calendar year reflect the strong underlying demand for our homes. This, combined with our order book and healthy work-in-progress position leaves the Group on track to deliver volume output of around 7,500 homes in the current financial year (31 July 2023 – 10,945 homes).

There has been early customer interest in the 'Own New Rate Reducer' scheme since its launch earlier this month and while there has been a modest increase in mortgage interest rates over the same period, customer enquiry levels have remained healthy. Given this backdrop and our outlet opening programme, we are well-placed to build the order book through the second half. While the Board remains alert to future risks to customer demand and cost inflation, if market conditions remain stable, Bellway is in a strong position to return to growth in financial year 2025.

Over the long-term, Bellway's divisional structure has significant capacity to deliver sustainable organic volume growth. We remain confident that the Group's robust balance sheet and operational strength, combined with the depth of our land bank, will enable Bellway to successfully navigate changing market conditions and capitalise on future growth opportunities.

Jason Honeyman
Group Chief Executive
25 March 2024

Financial Review

Trading performance

The Group has delivered housing revenue of £1,265.6 million (2023 – £1,804.9 million), a reduction of 29.9%, which was in line with our expectations and follows a period of reduced private reservations in the prior financial year. Other revenue was £7.5 million (2023 – £4.4 million) and comprises ancillary items including commercial sales and management fee income earned on our joint venture schemes. Total revenue was 29.6% lower at £1,273.1 million (2023 – £1,809.3 million).

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

	Homes sold (number)						Average selling price (£000)					
	Private		Social		Total		Private		Social		Total	
	2024	2023	**2024**	2023	**2024**	2023	**2024**	2023	**2024**	2023	**2024**	2023
North	**1,651**	2,368	**268**	473	**1,919**	2,841	**316.0**	333.2	**146.4**	127.8	**292.3**	299.0
South	**1,427**	2,151	**746**	703	**2,173**	2,854	**388.4**	385.5	**201.5**	179.6	**324.2**	334.8
Group	**3,078**	4,519	**1,014**	1,176	**4,092**	5,695	**349.6**	358.1	**186.9**	158.7	**309.3**	316.9

The number of completions reduced by 28.1% to 4,092 homes (2023 – 5,695 homes), with the decline reflecting the generally softer market conditions since late summer 2022 and the lower order book at 1 August 2023.

The overall average selling price was £309,278 (2023 – £316,929), and the modest reduction of 2.4% was primarily driven by the lower proportion of private completions which reduced to 75.2% of the total (2023 – 79.4%). We continue to expect the full year overall average selling price to be around £295,000 (31 July 2023 – £310,306), reflecting a further increase in the proportion of social homes in the second half and a continued use of targeted incentives, together with geographic and mix changes.

The Group began to accelerate the construction of social homes as part of a wider programme of cash generation and maintaining financial resilience when trading conditions became challenging in late summer 2022. This led to the delivery of 2,779 social homes in financial year 2023. In the current financial year, as previously guided, we expect the number of social completions to be around 2,100 homes, and they will rise as a proportion of total volume (31 July 2023 – 25.4%) given the lower level of private completions. Given these two years of elevated social output, in financial year 2025, we anticipate a lower number of social completions, and as we target a sustained recovery in overall volume over the longer-term, the proportion of social homes is expected to normalise towards around 20% of total volume output.

Underlying operating performance

The Group's commercial disciplines and proactive management of site-based overheads helped to alleviate some of the margin pressures faced during the period. Notwithstanding this, the impact of build cost inflation, extended site durations and the increased use of customer incentives led to a 500 basis point reduction in the underlying gross margin to 16.5%[2,3] (2023 – 21.5%). As a result, underlying gross profit decreased by 45.9% to £210.5 million[2,3] (2023 – £389.3 million).

Other operating income and expenses, which net to an expense of £0.9 million (2023 – £0.3 million), relate to the running of our part-exchange programme. Part-exchange activity remained disciplined and was used for only 2.8% (2023 – 1.2%) of completions with a balance sheet investment at 31 January 2024 of £20.1 million (2023 – £10.7 million). The Group has strong controls around the use of part-exchange as a selling tool, and we have the financial capacity to increase its use in the future, in a controlled manner, if market conditions require it.

Administrative expenses decreased by 2.2% to £69.7 million (2023 – £71.3 million). The reduction reflects the lower headcount resulting from workforce planning in calendar year 2023, which was partly offset by underlying cost inflation and increases in pay and employee benefits. As a proportion of revenue, administrative expenses were 5.5%[2] (2023 – 3.9%), and we continue to expect full year administrative expenses to be similar to the prior year (31 July 2023 – £142.2 million).

The underlying operating margin for the half year was 11.0%[2,3] (2023 – 17.6%), with the decrease driven by the lower gross margin and operational gearing effect of the decline in volume output. There will be a further reduction in the second half of the financial year, primarily due to reduced overhead absorption, given the weighting of housing revenue to the first half.

For the full year and in line with previous guidance, the Board continues to anticipate a reduction in the underlying operating margin[2,3] of at least 600 basis points from the level in the prior year (31 July 2023 – 16.0%).

Beyond the current financial year, higher profit margins will help to achieve our strategic priority of improving RoCE. With the expected rise in volume from financial year 2025, overhead recovery will improve, and we will continue with our disciplined approach to land investment and cost management. Together with the support of stable conditions in the housing market, the Board is confident that an underlying operating margin in the mid-to high-teens[2,3] is sustainable over the longer-term.

Adjusting item: net legacy building safety expense

Bellway continues to act responsibly with regards to building and resident safety, and this is reflected by the significant resource and funding the Group has committed to remediate its legacy apartments.

In the first half, the Group has recognised a net adjusting charge of £16.8 million (2023 – £6.2 million) in relation to the Self-Remediation Terms ('SRT') and associated review provision, including £8.0 million (2023 – £3.0 million) through cost of sales, predominantly reflecting a reduction in discount rates in the period.

The charge also included an adjusting finance expense of £8.8 million (2023 – £3.2 million) in relation to the unwinding of the discount on the SRT and associated review provision, which is in line with previous guidance. The primary driver of the increase in the adjusting finance expense was the application of higher discount rates to the provision which arose from the movement in gilt rates in the six months to 31 July 2023.

The total amount Bellway has set aside for the SRT and associated review in England, Scotland and Wales since 2017 is £599.6 million, with a remaining provision of £479.6 million at 31 January 2024. Costs have been provided regardless of whether Bellway still retains ownership of the freehold interest in the building or whether warranty providers have a responsibility to carry out remedial works. The provision has been calculated based on our extensive experience to date, using analysis of previously tendered works and prudent, professional estimates based on our knowledge of known issues. For buildings where full investigations have not yet been undertaken or cost reports obtained, an allowance has been made for as yet undiscovered problems, based on experience to date from similar developments.

In March 2023 the Group signed the SRT with the Department of Levelling Up, Housing and Communities ('DLUHC'), and we have also signed up to the Welsh Government Building Safety Developer Remediation Pact (the 'Pact') and the Scottish Safer Buildings Accord, reinforcing our responsible UK-wide approach to legacy building safety.

Under the terms of the SRT, developers have agreed to identify and remediate life-critical fire safety defects in residential buildings over 11 metres in height that they have developed or refurbished since April 1992. Signing the SRT has led to improved clarity on the standards required for internal and external remediation, including Publicly Available Specification 9980:2022, which is the code of practice for Fire Risk Appraisals of External Wall construction ('FRAEW'). Buildings are deemed to be assessed under the requirements of the SRT when a qualifying assessment has been approved by the DLUHC. This requires the completion of both a FRAEW and a Fire Safety Assessment ('FSA').

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. During the period we have experienced ongoing delays in relation to obtaining building access licences for our site remediation teams. Despite this challenging backdrop, the Group's dedicated Building Safety division is making progress with assessment and remediation.

As at 31 January 2024 and in addition to those freeholders that have been awarded an application by the Building Safety Fund or ACM Funds, Bellway has a total of 119 buildings where work is complete or underway, or where remediation programmes and scope are being determined.

In the second half of financial year 2023, the Group identified an isolated design issue with the reinforced concrete frame of an apartment scheme built 13 years ago in Greenwich, London, and recognised a structural defects provision of £30.5 million at 31 July 2023. In the first half of the current financial year, and in relation to this provision, the Group recognised a credit through cost of sales of £0.6 million and a net finance expense of £0.6 million, which netted to an adjusting charge of £nil. As a result, the remaining structural defects provision as at 31 January 2024 was £30.5 million (2023 – £nil).

The adjusting finance expense is subject to a range of assumptions, and based on the 31 January 2024 forward looking discount rate, we currently anticipate a total net legacy building safety adjusting finance expense, in relation to both the SRT and associated review provision and structural defects provision, of around £8 million in the second half of financial year 2024.

Since the start of our remediation programme, the Group has spent over £120 million on building safety. We have a strong, well-capitalised balance sheet with net cash of £76.6 million[2], net assets of £3,434.2 million and committed debt facilities of £530 million. In this regard, the Group is well-placed to meet its future legacy building safety commitments and importantly, the expected level and timings of the costs will not be detrimental to our long-term strategic priorities.

Operating profit

After taking the cost of sales adjusting items into consideration, total operating profit decreased by 57.9% to £132.5 million (2023 – £314.7 million).

Underlying net finance expense

The underlying net finance expense was £4.3 million[2,3] (2023 – £6.0 million). This includes notional interest on land acquired on deferred terms of £5.3 million (2023 – £6.3 million), with the decrease reflecting the reduction in land creditors. The expense also comprises interest on the Group's fully drawn fixed rate US Private Placement ('USPP') loan notes of £1.7 million (2023 – £1.7 million) and net bank interest income of £0.5 million (2023 – £1.3 million). Net bank interest income includes net interest receivable on cash balances, commitment fees and refinancing costs, and the reduction largely reflects the lower average cash balance in the period.

Based on prevailing interest rates and in line with previous guidance, the underlying net finance expense[2,3] in financial year 2024 is anticipated to be similar to the prior year (31 July 2023 – £9.9 million).

Profit before taxation

Including our share of loss from joint ventures of £1.4 million (2023 – £0.4 million share of profit), which reflects upfront financing costs on a long-term scheme, underlying profit before taxation reduced by 57.0%, to £134.2 million[2,3] (2023 – £312.1 million). Reported profit before taxation was £117.4 million (2023 – £305.9 million).

Taxation

The income tax expense was £33.4 million (2023 – £75.9 million), reflecting an effective tax rate of 28.4% (2023 – 24.8%). The increase in the tax rate in the period was driven by the full year effect of the six percentage points increase in the standard rate of UK corporation tax in April 2023.

Profit for the period

The underlying profit for the period was lower by 59.1%, at £95.9 million[2,3] (2023 – £234.6 million) and underlying earnings per share was 80.6p[2,3] (2023 – 190.5p).

After considering the net legacy building safety expense, reported profit for the period reduced by 63.5% to £84.0 million (2023 – £230.0 million). Basic earnings per share was 70.6p (2023 – 186.8p).

Strong balance sheet and financial position

Bellway's well-capitalised balance sheet principally comprises amounts invested in land and work-in-progress. Within total inventories of £4,542.4 million (2023 – £4,417.3 million), the carrying value of land was £2,438.2 million (2023 – £2,696.6 million) and work-in-progress increased by 21.9% to £1,953.8 million (2023 – £1,602.5 million). The higher work-in-progress balance reflects our ongoing investment in site infrastructure and early-stage foundation work, in preparation for our strong programme of outlet openings, together with underlying build cost inflation.

Notwithstanding the lower volume output in the period, we have maintained financial resilience and net cash at 31 January 2024 was £76.6 million[2] (2023 – £292.5 million). During the first half, expenditure on land, including payment of land creditors, was £257 million (2023 – £231 million), primarily comprising cash payments on contracts approved in previous financial years. Committed land obligations have reduced significantly to £238.5 million (2023 – £372.4 million) and adjusted gearing, inclusive of land creditors, remains low at 4.7%[2] (2023 – 2.3%).

Long-term value creation

Net assets decreased slightly in the half year to £3,434.2 million (31 July 2023 – £3,461.6 million), as lower profitability was offset by cash dividend payments made in the period totalling £112.7 million. The positive effect of the £100 million share buyback completed in October 2023 led to a modest increase in NAV per share to 2,888p[2] (31 July 2023 – 2,871p).

Underlying post-tax return on equity was 5.6%[2,3] (2023 – 13.7%) and underlying RoCE was 8.1%[2,3] (2023 – 18.6%), or 7.5%[2,3] (2023 – 16.7%) when including land creditors as part of the capital base. The reduction in these returns metrics was driven by the lower asset turn and underlying operating margin, and a further moderation is expected for the full financial year given the anticipated lower volume output and underlying operating profit.

Looking beyond the near-term and given Bellway's financial strength and high-quality land bank, the Board is confident that through improvements in both asset turn and underlying operating margin, the Group can deliver a normalised, longer-term recovery in underlying RoCE of up to 20%[2,3].

Keith Adey
Group Finance Director
25 March 2024

‘Better with Bellway’

Our responsible and sustainable approach to business

‘Better with Bellway’ is the Group’s strategy and long-term commitment with regards to acting responsibly and sustainably, which encompasses issues around people and the environment. Through a range of initiatives, we continue to embed the strategy across the Group’s operations, and we are delighted that the efforts of our colleagues have been recognised through several industry awards, including ‘Large Housebuilder of the Year’ at the 2023 Housebuilder Awards.

‘Better with Bellway’ covers eight priority areas each with their own specific targets and KPIs linked to the underlying operations of the Group. The strategy 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 in these areas are shown below:

Carbon Reduction

To achieve a lower carbon footprint at Bellway, we have committed to a significant reduction in scope 1 to 3 greenhouse gas emissions by 2030. We have already made strong headway in laying the foundations to meet our stretching targets, which were validated by the Science Based Targets initiative (‘SBTi’) in 2022.

As part of our detailed plan to cut emissions, we have several research projects underway across the business, where we are trialling new technologies and working with our customers, to drive best practice for carbon reduction.

Our flagship research project is at the University of Salford where a Bellway ‘Future Home’ has been constructed in the ‘Energy House 2.0’ environmental chamber, which can recreate a range of temperatures and weather conditions. In this controlled environment, testing is underway for a variety of innovative technologies and the project has already produced valuable data on the performance of the fabric of the ‘Future Home’ which will help to inform how Bellway will build homes in the years ahead and achieve the requirements of the Future Homes Standard.

In recognition of the important work being carried out at ‘Energy House 2.0’, we are delighted that the research project has recently won several accolades, including ‘Best Sustainability Initiative’ at the 2023 Housebuilder Awards and ‘Major Project of the Year’ at the 2023 National Sustainability Awards.

As we work towards reducing the level of embodied carbon in the supply chain, we will need to adopt new construction practices and the use of alternative materials. In this regard, we have increased the use of timber frame construction across the Group, as compared to other mainstream building materials, sustainably sourced timber requires minimal processing and has lower levels of embodied carbon. Timber frame construction is now being increasingly used in five of Bellway’s divisions, including its long-established use in our two Scottish divisions.

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

Customers and Communities

Bellway aims to provide a consistently high service and quality homes to all our customers, and the efforts under our Customer First programme have resulted in the Group retaining its position as a five-star[5] homebuilder for the eighth consecutive year. This was awarded by the HBF using the NHBC'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.

While we are proud of this achievement, our teams are working hard to continually improve levels of customer service through a range of initiatives underway within the business. These include investment in technology to streamline the quality assurance process and ongoing training across our sales, customer care and construction teams.

As part of our Customer First programme, we launched Bellway’s ‘Meet the Builder’ days in financial year 2023, where our customers can visit their new home prior to taking ownership. These are being successfully rolled out across our developments, providing customers with an insight into the build process and an opportunity to have any questions answered by our site managers.

To complement ‘Meet the Builder’ days, we have introduced Bellway’s ‘House to Home’ on all new sites starting construction in financial year 2024. On each of these sites, a ‘House to Home’ standardised demonstration plot is divided into areas showing different construction stages to help develop customers’ knowledge of the materials used in the build process, our sustainability principles, our commitment to energy efficiency and the benefits of buying a Bellway home. This initiative has received strong positive feedback, and we believe it will enhance the overall customer experience and underpin confidence in the quality of our new homes.

Employer of Choice

Bellway is aiming to be an 'Employer of Choice' in the industry by creating a safe, diverse and inclusive environment that our colleagues can thrive in, and we are very proud that this priority area of our 'Better with Bellway' strategy won the 'Best Staff Development Award' at the 2023 Housebuilder Awards.

Despite the challenging market conditions over the last year, in our most recent employee engagement survey, 89% of colleagues said they would recommend Bellway as 'a great place to work'. The Group is aiming to improve on this high level of employee satisfaction, and we continue to seek feedback from our colleagues to attract talent and improve staff retention.

Bellway has an ongoing programme of structured apprenticeships and graduate training, and we continue to operate as a fully accredited Living Wage Employer, which covers both directly employed and subcontracted staff. Overall, these measures will help to achieve our aim of increasing the proportion of employees in 'earn and learn' positions (31 July 2023 – 8.3%) and support the ongoing success of the business.

The Group has several initiatives in place to promote diversity and inclusion and, together with a range of opportunities for career progression through our Bellway Academy, will help to ensure Bellway continues to be a rewarding place to work in the years ahead.

Further progress

The Group has made good headway towards the targets and KPIs set for the other priority areas within 'Better with Bellway' and we look forward to reporting further progress on our sustainability strategy with our Preliminary Results in October 2024.

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
25 March 2024

Condensed Group Income Statement

	Note	**Half year ended 31 January 2024 £m**	Half year ended 31 January 2023 £m	Year ended 31 July 2023 £m
Revenue	1	**1,273.1**	1,809.3	3,406.6
Cost of sales		**(1,070.0)**	(1,423.0)	(2,757.9)
Analysed as:				
Underlying cost of sales		**(1,062.6)**	(1,420.0)	(2,719.3)
Adjusting item: net legacy building safety expense	2	**(7.4)**	(3.0)	(38.6)
Gross profit		**203.1**	386.3	648.7
Other operating income		**22.7**	9.0	29.1
Other operating expenses		**(23.6)**	(9.3)	(30.3)
Administrative expenses		**(69.7)**	(71.3)	(142.2)
Operating profit		**132.5**	314.7	505.3
Finance income	8	**4.7**	3.7	9.9
Finance expenses	8	**(18.4)**	(12.9)	(30.8)
Analysed as:				
Underlying finance expenses		**(9.0)**	(9.7)	(19.8)
Adjusting item: net legacy building safety expense	2,8	**(9.4)**	(3.2)	(11.0)
Share of result of joint ventures		**(1.4)**	0.4	(1.4)
Profit before taxation		**117.4**	305.9	483.0
Income tax expense	4	**(33.4)**	(75.9)	(118.0)
Profit for the period *		**84.0**	230.0	365.0
Earnings per ordinary share – Basic	3	**70.6p**	186.8p	297.7p
Earnings per ordinary share – Diluted	3	**70.1p**	186.1p	296.3p
Dividend per ordinary share	11	**16.0p**	45.0p	140.0p

* All attributable to equity holders of the parent.

Adjusting items

	Note	**Half year ended 31 January 2024 £m**	Half year ended 31 January 2023 £m	Year ended 31 July 2023 £m
Gross profit				
Gross profit per the Condensed Group Income Statement		**203.1**	386.3	648.7
Adjusting item: net legacy building safety expense	2	**7.4**	3.0	38.6
Underlying gross profit		**210.5**	389.3	687.3
Operating profit				
Operating profit per the Condensed Group Income Statement		**132.5**	314.7	505.3
Adjusting item: net legacy building safety expense	2	**7.4**	3.0	38.6
Underlying operating profit		**139.9**	317.7	543.9

Profit before taxation				
Profit before taxation per the Condensed Group Income Statement		**117.4**	305.9	483.0
Adjusting item: net legacy building safety expense	2	**16.8**	6.2	49.6
Underlying profit before taxation		**134.2**	312.1	532.6
Profit for the period				
Profit for the period per the Condensed Group Income Statement		**84.0**	230.0	365.0
Adjusting item: net legacy building safety expense	2	**16.8**	6.2	49.6
Adjusting item: income tax on net legacy building safety expense	2	**(4.9)**	(1.6)	(12.4)
Underlying profit for the period		**95.9**	234.6	402.2

Condensed Group Statement of Comprehensive Income

	Note	**Half year ended 31 January 2024 £m**	Half year ended 31 January 2023 £m	Year ended 31 July 2023 £m
Profit for the period		**84.0**	230.0	365.0
Other comprehensive expense				
Items that will not be recycled to the income statement:				
Remeasurement losses on defined benefit pension plans		**(1.1)**	(3.3)	(4.9)
Income tax on other comprehensive expense	4	**0.3**	1.0	1.4
Other comprehensive expense for the period, net of income tax		**(0.8)**	(2.3)	(3.5)
Total comprehensive income for the period *		**83.2**	227.7	361.5

* All attributable to equity holders of the parent.

Condensed Group Statement of Changes in Equity

	Note	Issued capital £m	Share premium £m	Capital redemption reserve £m	Other reserves £m	Retained earnings £m	Total equity £m
Half year ended 31 January 2024							
Balance at 1 August 2023		15.0	182.0	20.4	1.5	3,242.7	3,461.6
Total comprehensive income for the period							
Profit for the period		-	-	-	-	84.0	84.0
Other comprehensive expense *		-	-	-	-	(0.8)	(0.8)
Total comprehensive income for the period		-	-	-	-	83.2	83.2
Transactions with shareholders recorded directly in equity:							
Dividends on equity shares	11	-	-	-	-	(112.7)	(112.7)
Credit in relation to share options and tax thereon	4	-	-	-	-	2.5	2.5
Share buyback programme and cancellation of shares	10	(0.2)	-	0.2	-	(0.4)	(0.4)
Total contributions by and distributions to shareholders		(0.2)	-	0.2	-	(110.6)	(110.6)
Balance at 31 January 2024		**14.8**	**182.0**	**20.6**	**1.5**	**3,215.3**	**3,434.2**

	Note	Issued capital £m	Share premium £m	Capital redemption reserve £m	Other reserves £m	Retained earnings £m	Total equity £m
Half year ended 31 January 2023							
Balance at 1 August 2022		15.4	182.0	20.0	1.5	3,148.9	3,367.8
Total comprehensive income for the period							
Profit for the period		-	-	-	-	230.0	230.0
Other comprehensive expense *		-	-	-	-	(2.3)	(2.3)
Total comprehensive income for the period		-	-	-	-	227.7	227.7
Transactions with shareholders recorded directly in equity:							
Dividends on equity shares	11	-	-	-	-	(117.0)	(117.0)
Credit in relation to share options and tax thereon	4	-	-	-	-	2.9	2.9
Total contributions by and distributions to shareholders		-	-	-	-	(114.1)	(114.1)
Balance at 31 January 2023		15.4	182.0	20.0	1.5	3,262.5	3,481.4

	Note	Issued capital £m	Share premium £m	Capital redemption reserve £m	Other reserves £m	Retained earnings £m	Total equity £m
Year ended 31 July 2023							
Balance at 1 August 2022		15.4	182.0	20.0	1.5	3,148.9	3,367.8
Total comprehensive income for the period							
Profit for the period		-	-	-	-	365.0	365.0
Other comprehensive expense *		-	-	-	-	(3.5)	(3.5)
Total comprehensive income for the period		-	-	-	-	361.5	361.5
Transactions with shareholders recorded directly in equity:							
Dividends on equity shares	11	-	-	-	-	(171.7)	(171.7)
Credit in relation to share options and tax thereon	4	-	-	-	-	4.5	4.5
Share buyback programme and cancellation of shares	10	(0.4)	-	0.4	-	(100.5)	(100.5)
Total contributions by and distributions to shareholders		(0.4)	-	0.4	-	(267.7)	(267.7)
Balance at 31 July 2023		15.0	182.0	20.4	1.5	3,242.7	3,461.6

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

Condensed Group Balance Sheet

	Note	**At 31 January 2024 £m**	At 31 January 2023 £m	At 31 July 2023 £m
ASSETS				
Non-current assets				
Property, plant and equipment		**30.1**	33.4	31.7
Financial assets		**47.6**	28.2	38.6
Equity accounted joint arrangements		**3.5**	6.6	4.9
Deferred tax assets	4	**-**	0.1	1.7
Retirement benefit assets		**1.4**	4.0	2.5
		82.6	72.3	79.4
Current assets				
Inventories	5	**4,542.4**	4,417.3	4,575.6
Trade and other receivables		**66.6**	139.6	88.3
Corporation tax receivable	4	**-**	-	8.8
Cash and cash equivalents	7	**206.6**	422.5	362.0
		4,815.6	4,979.4	5,034.7
Total assets		**4,898.2**	5,051.7	5,114.1
LIABILITIES				
Non-current liabilities				
Interest-bearing loans and borrowings	7	**(130.0)**	(130.0)	(130.0)
Trade and other payables		**(97.0)**	(121.9)	(107.3)
Deferred tax liabilities	4	**(2.4)**	(7.1)	(6.2)
Provisions	6	**(401.5)**	(413.5)	(403.5)
		(630.9)	(672.5)	(647.0)
Current liabilities				
Corporation tax payable	4	**(11.1)**	(4.6)	-
Trade and other payables		**(713.4)**	(825.8)	(900.8)
Provisions	6	**(108.6)**	(67.4)	(104.7)
		(833.1)	(897.8)	(1,005.5)
Total liabilities		**(1,464.0)**	(1,570.3)	(1,652.5)
Net assets		**3,434.2**	3,481.4	3,461.6
EQUITY				
Issued capital	10	**14.8**	15.4	15.0
Share premium		**182.0**	182.0	182.0
Capital redemption reserve	10	**20.6**	20.0	20.4
Other reserves		**1.5**	1.5	1.5
Retained earnings	10	**3,215.3**	3,262.5	3,242.7
Total equity		**3,434.2**	3,481.4	3,461.6

Condensed Group Cash Flow Statement

	Note	**Half year ended 31 January 2024 £m**	Half year ended 31 January 2023 £m	Year ended 31 July 2023 £m
Cash flows from operating activities				
Profit for the period		**84.0**	230.0	365.0
Depreciation charge		**2.6**	2.9	6.0
Finance income	8	**(4.7)**	(3.7)	(9.9)
Finance expenses	8	**18.4**	12.9	30.8
Share-based payment expense		**2.3**	2.9	4.5
Share of post-tax result of joint ventures		**1.4**	(0.4)	1.4
Income tax expense	4	**33.4**	75.9	118.0
Decrease/(increase) in inventories		**33.2**	6.3	(152.0)
Decrease/(increase) in trade and other receivables		**21.6**	(23.2)	28.7
Decrease in trade and other payables		**(167.3)**	(94.8)	(75.3)
(Decrease)/increase in provisions	6	**(7.5)**	36.2	55.7
Cash inflow from operations		**17.4**	245.0	372.9
Interest paid		**(3.3)**	(3.8)	(6.9)
Income tax paid		**(15.1)**	(72.8)	(129.8)
Net cash (outflow)/inflow from operating activities		**(1.0)**	168.4	236.2
Cash flows from investing activities				
Acquisition of property, plant and equipment		**(0.9)**	(1.3)	(2.7)
Proceeds from sale of property, plant and equipment		**-**	0.1	0.1
Increase in loans to joint ventures		**(7.0)**	(6.5)	(15.6)
Dividends from joint ventures		**-**	3.1	3.0
Interest received		**2.9**	2.2	6.9
Net cash outflow from investing activities		**(5.0)**	(2.4)	(8.3)
Cash flows from financing activities				
Payment of lease liabilities		**(1.8)**	(1.8)	(3.5)
Share buyback programme	10	**(34.9)**	-	(66.0)
Dividends paid	11	**(112.7)**	(117.0)	(171.7)
Net cash outflow from financing activities		**(149.4)**	(118.8)	(241.2)
Net (decrease)/increase in cash and cash equivalents		**(155.4)**	47.2	(13.3)
Cash and cash equivalents at beginning of period		**362.0**	375.3	375.3
Cash and cash equivalents at end of period	7	**206.6**	422.5	362.0

Notes

Basis of preparation

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

These condensed consolidated interim financial statements, prepared to 31 January 2024, include the results of the Company, its subsidiaries and the Group's interest in joint arrangements (together referred to as the 'Group').

These condensed consolidated interim financial statements are unaudited and were authorised for issue by the Board on 25 March 2024.

a) Basis of preparation

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

The comparative figures for the financial year ended 31 July 2023 are not the Group's statutory financial statements for that financial year as defined in section 434 of the Companies Act 2006. Those financial statements have been reported on by the Group's auditor and delivered to the Registrar of Companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The annual financial statements of the Group for financial year ended 31 July 2024 will be prepared in accordance with UK adopted International Accounting Standards ('IAS'). As required by the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority, these condensed consolidated interim financial statements have been prepared applying the accounting policies and presentation that were applied in the preparation of the Group's published consolidated financial statements for the year ended 31 July 2023.

b) Going concern

The Group's activities are financed principally by a combination of ordinary shares and cash in hand less debt. At 31 January 2024, Bellway had net cash of £76.6 million[2] (note 7), having cash outflows of £155.4 million (note 7) during the period, including £17.4 million of cash generated from operations.

The Group has operated within all its debt covenants throughout the period, and covenant compliance was considered as part of the going concern assessment. In addition, the Group had bank facilities of £400.0 million at 31 January 2024, expiring in tranches up to December 2027. Furthermore, in February 2021 the Group drew down a sterling US Private Placement ('USPP') for a total amount of £130.0 million, as part of its ordinary course of business financing arrangements, which has maturity dates in 2028 and 2031. In aggregate, the Group had committed debt lines of £530.0 million at 31 January 2024.

Including committed debt lines and cash, Bellway had access to total funds of £606.6 million, along with net current assets (excluding cash) of £3,775.9 million at 31 January 2024, providing the Group with appropriate liquidity to meet its current liabilities as they fall due.

The Group's internal forecasts have been regularly updated, incorporating our actual experience along with our expected future outturn. The latest available base forecast has been sensitised, setting out the Group's resilience to the principal risks and uncertainties in the most severe but plausible scenario. The sensitivity includes a recession due to economic uncertainty and a deterioration in customer confidence. This could lead to a reduction in both the total number of legal completions and private average selling price, with overheads, land spend and construction spend reducing accordingly.

This sensitivity includes the following principal assumptions:

- Private completions in H2 FY24 are supported by the forward order book, but still fall to 66% of that achieved in H1 of FY24. In the 12 months to 31 July 2025, private completions reduce by around 50% compared to the 12-month pre-stress peak in FY22. This is followed by a gradual recovery based on the lower base position.

Notes (continued)

Basis of preparation (continued)

b) Going concern (continued)

- Private average selling price in H2 FY24 remains in line with internal forecasts due to the order book position. In the 12 months to 31 July 2025, 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.

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

- Plots in the land bank only being replaced at the same rate that they are utilised.

- Construction spend is reduced in line with housing revenue.

- Dividends were reduced in line with earnings.

The sensitivity analysis was modelled over the period to 31 July 2025 for the going concern assessment. In addition to the scenario, several additional mitigating measures remain available to management that were not included in the scenario. These include withholding discretionary land spend and instead trading out of the substantial existing land holdings.

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 will have sufficient funds to continue to meet its liabilities as they fall due for the period to 31 July 2025, aligning with the first year end after the minimum 12 month assessment period, and have therefore prepared the condensed consolidated interim financial statements on a going concern basis.

c) Accounting policies

Effect of new accounting standards and amendments

The adoption of the new accounting standards and amendments effective for the first time in these condensed consolidated interim financial statements have not had a material effect on the Groups' equity or profit for the period.

d) Accounting estimates and judgements

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

When preparing these condensed consolidated interim financial statements, the major judgements in applying the Group's accounting policies and the major sources of estimation uncertainty were those applied in the Group's Annual Report and Accounts for the year ended 31 July 2023.

e) Seasonality

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

Notes (continued)

Performance for the period

1. Revenue

Segmental analysis

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

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

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

Revenue from contracts with customers

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

	Half year ended 31 January 2024 £m	Half year ended 31 January 2023 £m	Year ended 31 July 2023 £m
Housing revenue	**1,265.6**	1,804.9	3,396.3
Non-housing revenue	**7.5**	4.4	10.3
Total revenue	**1,273.1**	1,809.3	3,406.6

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

(a) Private/social

	Half year ended 31 January 2024 £m	Half year ended 31 January 2023 £m	Year ended 31 July 2023 £m
Private	**1,076.0**	1,618.2	2,931.3
Social	**189.6**	186.7	465.0
Total housing revenue	**1,265.6**	1,804.9	3,396.3

(b) North/South

	Half year ended 31 January 2024 £m	Half year ended 31 January 2023 £m	Year ended 31 July 2023 £m
North	**561.0**	849.5	1,608.8
South	**704.6**	955.4	1,787.5
Total housing revenue	**1,265.6**	1,804.9	3,396.3

Notes (continued)

2. Net legacy building safety expense

Profit before taxation has been arrived at after recognising the following items in the income statement:

	Half year ended 31 January 2024			Half year ended 31 January 2023		
	SRT and associated review £m	**Structural defects £m**	**Total £m**	SRT and associated review £m	Structural defects £m	Total £m
Provisions (note 6)	**8.0**	**(0.6)**	**7.4**	53.0	-	53.0
Reimbursement assets	**-**	**-**	**-**	(50.0)	-	(50.0)
Net cost of sales (note 6)	**8.0**	**(0.6)**	**7.4**	3.0	-	3.0
Finance expenses (notes 6, 8)	**8.8**	**0.6**	**9.4**	3.2	-	3.2
Total net legacy building safety expense	**16.8**	**-**	**16.8**	6.2	-	6.2

	Year ended 31 July 2023		
	SRT and associated review £m	Structural defects £m	Total £m
Provisions	58.1	30.5	88.6
Reimbursement assets	(50.0)	-	(50.0)
Net cost of sales	8.1	30.5	38.6
Finance expenses (note 8)	11.0	-	11.0
Total net legacy building safety expense	19.1	30.5	49.6

The net legacy building safety expense was expanded during the year ended 31 July 2023 to include structural defects relating to a legacy building, as explained below. As at 31 January 2023 and prior, the net legacy building safety expense only included items related to the SRT and associated review.

The income tax rate applied to the total net legacy building safety expense in the income statement is the Group's standard rate of income tax, including both corporation tax and Residential Property Developer Tax ('RPDT'), of 29.0% (31 January 2023 – 25.0%, 31 July 2023 – 25.0%).

SRT and associated review

Bellway continues to act responsibly with regards to building and resident safety, and this is reflected by the significant resource and funding the Group has committed to remediate its legacy apartments.

In March 2023 the Group signed the SRT with DLUHC. Under the terms of the SRT, developers have agreed to identify and remediate, life-critical fire safety defects in residential buildings over 11 metres in height that they have developed or refurbished since April 1992. The Group contractually committed to remediate its legacy buildings in both Wales and Scotland by signing the Pact with The Welsh Ministers (the 'Pact') in May 2023 and the Scottish Safer Buildings Accord in July 2023.

Signing the SRT has led to improved clarity on the standards required for internal and external remediation, including Publicly Available Specification ('PAS') 9980:2022, which is the code of practice for Fire Risk Appraisals of External

Notes (continued)

2. Net legacy building safety expense (continued)

Wall construction ('FRAEW'). Buildings are deemed to be assessed under the requirements of the SRT when a qualifying assessment has been approved by the DLUHC. This requires the completion of both a FRAEW and a Fire Safety Assessment ('FSA').

In total, for the half year ended 31 January 2024 Bellway set aside a net exceptional pre-tax expense of £16.8 million (2023 – £6.2 million), in relation to the SRT and associated review. Of this expense, a net £8.0 million (2023 – £3.0 million) is recognised in cost of sales and an adjusting finance expense of £8.8 million (2023 – £3.2 million) in relation to the unwinding of the discount of the provision to present value. The net amount recognised in cost of sales includes £10.3 million (2023 – £95.2 million) relating to cost estimate increases and £7.8 million (2023 – £23.2 million reduction) following a decrease (2023 – increase) in discount rates during the period (note 6), which are offset by provision releases of £10.1 million (2023 – £19.0 million).

The total amount Bellway has set aside in relation to the SRT and associated review since 2017 is £599.6 million (31 July 2023 – £582.8 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.

The provision 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 30-year period.

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 the PAS 9980:2022, liaison and negotiations with building owners, appointment of contractors and time taken to obtain access licences.

As at 31 January 2024 and in addition to those freeholders that have been awarded an application by the Building Safety Fund or ACM Funds, Bellway has a total of 119 buildings where work is complete or underway, or where remediation programmes and scope are being determined.

The net exceptional cost of sales expense includes one-off cost recoveries of £nil (2023 – £50.0 million).

Total recoveries recognised since 2017 are £80.0 million (31 July 2023 – £80.0 million). Reimbursement assets of £nil (2023 – £50.0 million) remained outstanding at the period end.

Structural defects

During the year ended 31 July 2023 a structural defect relating to the reinforced concrete frame was identified at a historical high-rise apartment scheme in Greenwich, London with the remediation work expected to cost £30.5 million. This cost estimate is based on an expert third-party report and reflects management's expected scope of works. A provision has been recognised as Bellway has a legal obligation to undertake the remedial work.

In total, for the half year ended 31 January 2024 Bellway set aside a net exceptional pre-tax expense of £nil (2023 – £nil), in relation to the structural defects. Of this, £0.6 million of net income (2023 – £nil) is recognised in cost of sales which is offset by an adjusting finance expense of £0.6 million (2023 – £nil) relating to the unwinding of the discount of the provision to present value. The net amount recognised in cost of sales includes provision releases of £0.9 million (2023 – £nil), which are offset by £0.3 million (2023 – £nil) following a decrease in discount rates during the period (note 6).

Notes (continued)

2. 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 BCIS index. 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 Group has carried out a review of other buildings constructed by, or on behalf of Bellway, where the same third parties responsible for the design of the frame in the Greenwich development have been involved. To date, no other similar design issues with reinforced concrete frames have been identified.

We are actively seeking recoveries in relation to the structural defect identified, but as these are not virtually certain at the balance sheet date, no reimbursement assets have been recognised.

The cash outflow is expected to be over the next three years.

3. Earnings per ordinary share

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

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

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

	Earnings 2024 £m	**Weighted average number of ordinary shares 2024 Number**	**Earnings per share 2024 p**	Earnings 2023 £m	Weighted average number of ordinary shares 2023 Number	Earnings per share 2023 p
For basic earnings per ordinary share	**84.0**	**119,014,789**	**70.6**	230.0	123,157,330	186.8
Dilutive effect of options and awards		**764,651**	**(0.5)**		414,600	(0.7)
For diluted earnings per ordinary share	**84.0**	**119,779,440**	**70.1**	230.0	123,571,930	186.1

Underlying basic and underlying diluted earnings per share exclude the effect of adjusting items and any associated net tax amounts. Reconciliations of these are outlined below:

	Underlying earnings 2024 £m	**Weighted average number of ordinary shares 2024 Number**	**Underlying earnings per share 2024 p**	Underlying earnings 2023 £m	Weighted average number of ordinary shares 2023 Number	Underlying earnings per share 2023 p
For basic underlying earnings per ordinary share	**95.9**	**119,014,789**	**80.6**	234.6	123,157,330	190.5
Dilutive effect of options and awards		**764,651**	**(0.5)**		414,600	(0.7)
For diluted underlying earnings per ordinary share	**95.9**	**119,779,440**	**80.1**	234.6	123,571,930	189.8

Notes (continued)

Taxation

4. Taxation

The income tax expense includes both corporation tax and RPDT. This is calculated by applying the best estimate of the expected annual corporation tax rate and RPDT rate to the profit before taxation adjusted for non-taxable items and enhanced deductions.

The effective rate of taxation, including RPDT, for the period is 28.4% (31 January 2023 – 24.8%, 31 July 2023 – 24.4%).

As part of the UK adoption of the Organisation for Economic Cooperation and Development ('OECD') Pillar Two rules, the UK government announced two new taxes, the Multinational Top-up Tax and the Domestic Top-up Tax which are designed to ensure corporations pay tax at a rate of at least 15%. The Domestic Top-up Tax will apply to the Group from 1 August 2024. As the Group's current effective tax rate is in excess of 15%, it is expected the introduction of this tax will not affect Bellway. The Multinational Top-up Tax is not expected to affect Bellway.

The carrying amount of the gross 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 of the Group at 31 July 2023 were valued at the substantively enacted corporation tax and RPDT rates of 29.0%. At 31 January 2024 the Group recognised a deferred tax liability of £2.4 million (31 January 2023 – net deferred tax liability of £7.0 million, 31 July 2023 – net deferred tax liability of £4.5 million).

Working capital

5. Inventories

	Half year ended 31 January 2024 £m	Half year ended 31 January 2023 £m	Year ended 31 July 2023 £m
Land	**2,438.2**	2,696.6	2,578.8
Work-in-progress	**1,953.8**	1,602.5	1,861.6
Showhomes	**130.3**	107.5	117.2
Part-exchange properties	**20.1**	10.7	18.0
Total	**4,542.4**	4,417.3	4,575.6

In the ordinary course of business, inventories have been written down by a net £4.6 million in the period (31 January 2023 – £3.5 million, 31 July 2023 – £18.4 million).

The Directors consider all inventories to be essentially current in nature although the Group's operational cycle is such that a proportion of inventories will not be realised within 12 months. It is not possible to determine with accuracy when specific inventory will be realised as this is subject to a number of factors including consumer demand and planning permission delays.

Notes (continued)

6. Provisions

	SRT and associated review £m	Structural defects £m	Total legacy building safety improvements £m
At 1 August 2023	(477.7)	(30.5)	(508.2)
Adjusting item – cost of sales (note 2)	(8.0)	0.6	(7.4)
Analysed as:			
Additions	(10.3)	-	(10.3)
Released	10.1	0.9	11.0
Change in discount rate	(7.8)	(0.3)	(8.1)
Utilised	14.9	-	14.9
Unwinding of discount – finance expense (notes 2,8)	(8.8)	(0.6)	(9.4)
At 31 January 2024	**(479.6)**	**(30.5)**	**(510.1)**

Provisions are classified as follows:

	SRT and associated review £m	Structural defects £m	Total legacy building safety improvements £m
Current	(107.5)	(1.1)	(108.6)
Non-current	(372.1)	(29.4)	(401.5)
Total	**(479.6)**	**(30.5)**	**(510.1)**

The Group has established a provision for the cost of performing fire remedial works on a number of legacy developments and a structural defect relating to a historical high rise apartment scheme (note 2).

Financing

7. Analysis of net cash

	At 1 August 2023 £m	Cash flows £m	**At 31 January 2024 £m**
Cash and cash equivalents	362.0	(155.4)	**206.6**
Fixed rate sterling USPP notes	(130.0)	-	**(130.0)**
Net cash	232.0	(155.4)	**76.6**

Notes (continued)

8. Finance income and expenses

	Half year ended 31 January 2024 £m	Half year ended 31 January 2023 £m	Year ended 31 July 2023 £m
Interest receivable on bank deposits	**2.3**	2.8	7.2
Net interest receivable on defined benefit asset	**0.1**	0.1	0.3
Other interest receivable	**2.3**	0.8	2.4
Finance income	**4.7**	3.7	9.9
Interest payable on bank loans and overdrafts	**1.8**	1.5	2.8
Interest payable on fixed rate sterling USPP notes	**1.7**	1.7	3.4
Interest on deferred term land payables	**5.3**	6.3	13.1
Unwinding of the discount on the SRT and associated review provision (notes 2, 6)	**8.8**	3.2	11.0
Unwinding of the discount on the structural defects provision (notes 2, 6)	**0.6**	-	-
Interest payable on leases	**0.2**	0.2	0.5
Finance expenses	**18.4**	12.9	30.8

9. Financial instruments - fair value disclosures

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

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

Shareholder capital

10. Reserves

Issued capital

The Group had 118,928,949 (2023 – 123,487,367) allotted, called up and fully paid 12.5p ordinary shares at 31 January 2024.

During the period, the Company purchased 1,631,263 of its own ordinary shares for a total consideration of £34.9 million, including transaction costs of £0.4 million. All shares purchased were for cancellation, as part of the £100.0 million share buyback programme entered into on 28 March 2023 and completed on 27 October 2023.

Own shares held

The Group holds shares within the Bellway Employee Share Trust (1992) (the 'Trust') for participants of certain share-based payment schemes. These are held within retained earnings. During the period nil shares were purchased by the Trust (2023 – nil shares) and the Trust transferred 1,000 (2023 – 3,913) shares to employees and directors. The number of shares held within the Trust and on which dividends have been waived, at 31 January 2024 was 326,202 (2023 – 327,202). These shares are held within the financial statements at a cost of £8.8 million (2023 – £8.8 million). The market value of these shares at 31 January 2024 was £9.0 million (2023 – £6.9 million).

Capital redemption reserve

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

Over the course of the calendar year 2023 the Company purchased 4,560,057 of its own shares which it cancelled. On cancellation of the shares, the aggregate nominal value of £0.6 million was transferred from issued capital to the capital redemption reserve.

This reserve is not distributable.

Notes (continued)

11. Dividends on equity shares

Amounts recognised as distributions to equity holders in the period:

	Half year ended 31 January 2024 £m	Half year ended 31 January 2023 £m	Year ended 31 July 2023 £m
Final dividend for the year ended 31 July 2023 of 95.0p per share (2022 – 95.0p)	**112.7**	117.0	117.0
Interim dividend for the year ended 31 July 2023 of 45.0p per share (2022 – 45.0p)	**-**	-	54.7
	112.7	117.0	171.7
Interim dividend for the year ending 31 July 2024 of 16.0p per share (2023 – 45.0p)	**19.0**	55.4	114.5

The interim dividend was approved by the Board on 25 March 2024 and, in accordance with IAS 10 'Events after the Reporting Period', has not been included as a liability in these condensed consolidated interim financial statements. The interim dividend will be paid on Monday 1 July 2024 to all ordinary shareholders on the Register of Members on Friday 24 May 2024. The ex-dividend date is Thursday 23 May 2024.

Contingencies and related parties

12. Contingent liabilities

SRT and associated review

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 2, 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 SRT, Welsh Pact or Scottish Safer Buildings Accord. 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 investigative works on these and other schemes within the legacy portfolio.

13. Related party transactions

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

Other than the restoration of Seaton Eight Limited, a previously dissolved, dormant wholly owned subsidiary, the related parties are consistent with those disclosed in the Group's Annual Report and Accounts for the year ended 31 July 2023.

Notes (continued)

Other information

14. Alternative performance measures

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

The APMs used by the Group are defined below:

- **Underlying gross profit and underlying operating profit** – Both of these measures are stated before net legacy building safety expense and exceptional items, and are reconciled to total gross profit and total operating profit on the face of the Condensed Group Income Statement. The Directors consider that the removal of the net legacy building safety expense 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.

- **Underlying net finance expense** – This is the net finance expense before any directly attributable finance expense or finance income relating to the net legacy building safety expense and exceptional items. The Directors consider this to be an important measure when assessing whether the Group is using the most cost effective source of finance.

- **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 period** – This is the profit for the period 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 period divided by the weighted average number of ordinary shares in issue during the period (excluding the weighted average number of ordinary shares held by the Company or Trust which are treated as cancelled).

- **Underlying dividend cover** – This is calculated as underlying profit for the period 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 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.

- **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 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.

Notes (continued)

14. Alternative performance measures (continued)

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

	31 January 2024			31 January 2023		
Per balance sheet	**31 January 2024 £m**	**31 July 2023 £m**	**Movement £m**	31 January 2023 £m	31 July 2022 £m	Movement £m
Land	**2,438.2**	**2,578.8**	**(140.6)**	2,696.6	2,786.4	(89.8)
Work-in-progress	**1,953.8**	**1,861.6**	**92.2**	1,602.5	1,524.8	77.7
Decrease in capital invested in land and work-in-progress in the period			**(48.4)**			(12.1)
Land creditors	**(238.5)**	**(368.8)**	**130.3**	(372.4)	(393.4)	21.0
Increase in capital invested in land, net of land creditors, and work-in-progress in the period			**81.9**			8.9

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

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

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

	31 January 2024			31 January 2023		
	Capital employed £m	**Land creditors £m**	**Capital employed including land creditors £m**	Capital employed £m	Land creditors £m	Capital employed including land creditors £m
Underlying operating profit	**139.9**		**139.9**	317.7		317.7
Capital employed/land creditors:						
Opening	**3,461.6**	**368.8**	**3,830.4**	3,367.8	393.4	3,761.2
Half year	**3,434.2**	**238.5**	**3,672.7**	3,481.4	372.4	3,853.8
Average	**3,447.9**	**303.7**	**3,751.6**	3,424.6	382.9	3,807.5
Annualised underlying return on capital employed	**8.1%**		**7.5%**	18.6%		16.7%

Notes (continued)

14. Alternative performance measures (continued)

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

	31 January 2024			31 January 2023		
	Capital employed £m	**Land creditors £m**	**Capital employed including land creditors £m**	Capital employed £m	Land creditors £m	Capital employed including land creditors £m
Operating profit	**132.5**		**132.5**	314.7		314.7
Capital employed/land creditors:						
Opening	**3,461.6**	**368.8**	**3,830.4**	3,367.8	393.4	3,761.2
Half year	**3,434.2**	**238.5**	**3,672.7**	3,481.4	372.4	3,853.8
Average	**3,447.9**	**303.7**	**3,751.6**	3,424.6	382.9	3,807.5
Annualised return on capital employed	**7.7%**		**7.1%**	18.4%		16.5%

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

	31 January 2024 £m	31 January 2023 £m
Underlying profit for the period	**95.9**	234.6
Net assets:		
Opening	**3,461.6**	3,367.8
Half year	**3,434.2**	3,481.4
Average	**3,447.9**	3,424.6
Annualised underlying post-tax return on equity	**5.6%**	13.7%

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

	31 January 2024 £m	31 January 2023 £m
Profit for the period	**84.0**	230.0
Net assets:		
Opening	**3,461.6**	3,367.8
Half year	**3,434.2**	3,481.4
Average	**3,447.9**	3,424.6
Annualised post-tax return on equity	**4.9%**	13.4%

Notes (continued)

14. 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 January 2021. A period of 3 years is used to reflect medium-term growth.

Net asset value per ordinary share:		
At 31 January 2024	2,888p	
At 31 January 2021	2,564p	
Net asset value growth per ordinary share		324p
Dividend paid per ordinary share:		
12 months to 31 January 2024	140.0p	
12 months to 31 January 2023	140.0p	
12 months to 31 January 2022	117.5p	
Cumulative dividends paid per ordinary share		397.5p
Total growth in value per ordinary share		721.5p

- **Annualised accounting return in NAV and dividends paid since 31 January 2021** – This is calculated as the annualised increase in net asset value per ordinary share plus cumulative ordinary dividends paid per ordinary share since 31 January 2021 (as detailed above) divided by the net asset value per ordinary share at 31 January 2021. The Directors use this as a proxy for the increase in shareholder value since 31 January 2021.

Net asset value growth per ordinary share	324p
Dividend paid per ordinary share	397.5p
Total growth in value per ordinary share	721.5p
Net asset value per ordinary share at 31 January 2021	2,564p
Total value per ordinary share	3,285.5p
Annualised accounting return = (3,285.5/2,564)^(1/3)-1	8.6%

- **Underlying capital growth in the 12 month period** – This is calculated as capital growth in the 12 month period before net legacy building safety expense and exceptional items per share.

Capital growth in the 12 month period	209.0p
Net legacy building safety expense per share	37.4p
Underlying capital growth in the period	246.4p
Net asset value at 31 January 2023	2,819p
Underlying capital growth (246.4p/2,819p)	8.7%

Notes (continued)

14. Alternative performance measures (continued)

- **Capital growth in the 12 month period** – This is calculated as the increase in NAV in the 12 month period combined with the ordinary dividend paid in the period.

Net asset value per ordinary share:		
At 31 January 2024	2,888p	
At 31 January 2023	2,819p	
Net asset value growth per ordinary share		69p
Dividend paid per ordinary share:		
12 months to 31 January 2024		140.0p
Capital growth in the 12 month period		209.0p

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

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

	31 January 2024 £m	31 January 2023 £m
Cash from operations	**17.4**	245.0
Add: increase in capital invested in land, net of land creditors, and work-in-progress (as described above)	**81.9**	8.9
Cash generated from operations before investment in land, net of land creditors, and work-in-progress	**99.3**	253.9

- **Adjusted gearing** – This is calculated as the total of net cash/(debt) 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.

- **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.

- **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.

Notes (continued)

15. Post balance sheet events

The UK Competition and Markets Authority (‘CMA’) launched a market study into the housebuilding sector in England, Scotland and Wales in February 2023, the results of which were published in the CMA’s final report on 26 February 2024.

The CMA’s wide-ranging study found that the UK’s complex and unpredictable planning system was primarily responsible for the persistent under delivery of new homes. The report highlighted that local authority planning departments are typically under resourced, and several do not have up to date local plans, clear targets or strong incentives to deliver the number of homes needed in their areas. Furthermore, the practice of housebuilders holding land banks was seen as a symptom of the planning system, rather than a primary reason for the shortage of new homes. The CMA has recommended a streamlining of the planning system, together with improved consumer protections, to support the increased delivery of new homes across the country, which we wholly support.

With regard to consumer protections, we are striving to continually improve our levels of customer service and Bellway is a registered developer with the New Homes Quality Board, which offers consumers protection through the current industry code of practice, the New Homes Quality Code (‘NHQC’). To ensure that all housebuilders work to a consistent set of quality standards, the CMA considers that the NHQC could be evolved to be a single mandatory consumer code, covering the quality of new homes and customer service. We welcome this recommendation and believe it would contribute to a further improvement in standards across the wider sector.

During the study, the CMA also found evidence which indicated some housebuilders may be sharing commercially sensitive information with competitors, which could be influencing the build-out rate of sites and the prices of new homes. While the CMA does not consider such sharing of information to be one of the main factors in the persistent under delivery of homes, the CMA is concerned that it may weaken competition in the market. As a result, the CMA has launched an investigation under the Competition Act 1998 into eight housebuilders, including Bellway. The CMA has not yet reached any conclusions, and Bellway will continue to engage positively and co-operate fully with the CMA during the investigation.

Principal risks and uncertainties

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

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

A summary of risks is reported to management, the Audit Committee and the Board, which is mainly, but not exclusively, comprised of risks considered to be outside of our risk appetite after mitigation. This summary is reviewed throughout the year, with the Board systematically considering the risks and any changes that have occurred. Once a year, via the Audit Committee, the Board determines whether the risk management framework is appropriately designed and operating effectively.

We have identified the following principal risks to our business:

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

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. ▪ Development programmes for senior leaders and middle managers underway.
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 security measures. ▪ Group-wide systems in operation which are centrally controlled by an in-house IT function, supported by a specialist outsourced provider. ▪ IT security policy and procedures in place with regular Group-wide training. ▪ Regular review and testing of our IT security measures, contingency plans and policies. ▪ Security Committee in place.
Land and planning Inability to source suitable land at appropriate gross margins and return on capital employed. Delays and complexity in the planning process.	▪ Insufficient land at appropriate margins, onerous planning conditions or a failure to obtain planning approval within appropriate timescales would exacerbate the challenge of developing new homes, restrict our ability to deliver volume growth targets and impact future returns.	▪ Number of homes sold. ▪ Operating profit. ▪ Operating margin. ▪ RoCE. ▪ EPS. ▪ Gross margin. ▪ Number of plots in owned and controlled land bank with DPP. ▪ Number of plots in ‘pipeline’. ▪ Number of plots in strategic land bank – positive planning status. ▪ Number of plots in strategic land bank – longer-term interests. ▪ Number of plots acquired with DPP. ▪ Number of plots converted from medium-term ‘pipeline’.	▪ Continued development of our Group Strategic Land function and implementation of our land strategy. ▪ Increased investment in land and more sites with DPP. ▪ Regular review by Group and divisions of the quantity, location, and planning status of land against growth targets to ensure our land bank supports immediate, medium-term, and strategic requirements. ▪ Formal land acquisition process in place for the appraisal and approval of all land purchases, including pre-purchase due diligence and Group level challenge of viability assumptions. ▪ Group and divisional planning specialists in place to support the securing of implementable planning permissions.
Legal and regulatory compliance Failure to comply with legislation and regulatory requirements.	▪ Lack of an appropriate compliance framework and/or compliance breaches could incur fines, delay business operations and lead to re-work across sites, which will impact our reputation and profitability.	▪ Number of homes sold. ▪ Operating profit. ▪ Operating margin. ▪ RoCE. ▪ EPS. ▪ Gross margin.	▪ In-house expertise from Group functions such as Company Secretariat, Legal, Health and Safety and Technical/Design, who advise and support divisions on legal compliance and regulatory matters. ▪ Consultation with Government agencies, specialist external legal advisors and subject matter experts, (e.g. fire safety engineers). ▪ 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 national or global event 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.	▪ 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 teams. ▪ Continued investment in systems and infrastructure to enable robust agile working. ▪ Risk assessments in place and safe working practices implemented across offices and sites. ▪ Monitoring of Government guidelines (including 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

Affordable Housing
Social rented and intermediate housing provided to specified eligible households whose needs are not met by the market, at a cost low enough for them to afford, determined with regard to local incomes and local house prices. It is generally provided by councils and not-for-profit organisations such as housing associations.

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, usually due to difficulties in obtaining mortgage finance. Reservation fees are refunded in accordance with the Consumer Code for Home Builders.

DLUHC
Department for Levelling up, Housing and Communities.

Earnings per Share ('EPS')
Profit attributable to ordinary equity shareholders divided by the weighted average number of ordinary shares in issue during the financial year, excluding the weighted average number of ordinary shares held by the Company or Trust 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.

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 or through a promotional agreement.

Land with DPP
Plots owned or unconditionally contracted by the Group where there is an implementable detailed planning permission.

Legacy Building Safety Improvements Provision
Included within this provision, there are two components (i) SRT and associated review, and (ii) Structural defects provision.

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.

Net Legacy Building Safety Expense
This contains the income statement movements in relation to the legacy building safety improvements provision and any associated reimbursement assets.

New Homes Ombudsman Service ('NHOS')
This has been introduced with the aim to provide dispute resolution for, and determine complaints by, buyers of new build homes.

New Homes Quality Board ('NHQB')
An independent not-for-profit body which was established for the purpose of developing a new framework to oversee reforms in the build quality of new homes and the customer service provided by developers.

New Homes Quality Code ('NHQC')
An industry code of practice that lays out a mandatory set of requirements which must be adopted and observed by all registered developers.

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 to 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
Renewable Energy Guarantees of Origin.

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 property development.

Science Based Target initiative ('SBTi')
Science-based targets provide companies and financial institutions with a clearly defined pathway to future-proof growth by specifying how much and how quickly they need to reduce their greenhouse gas emissions.

Section 75 and Section 106 Planning Agreements
These are legally-binding agreements or planning obligations entered into between a landowner and a local planning authority, under section 75 of the Town and Country Planning (Scotland) Act 1997 or section 106 of the Town and Country Planning Act 1990. These agreements are a way of delivering or addressing matters that are necessary to make a development acceptable in planning terms. They are increasingly used to support the provision of services and infrastructure, such as highways, recreational facilities, education, health and affordable housing.

Self-Remediation Terms ('SRT')
Is a commitment to remediate buildings over 11 metres in height with identified life critical fire safety issues, which were constructed in England and Wales since 5 April 1992.

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.

Strategic Plots
Longer-term plots which are typically held under option or through a promotional agreement.

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

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

Statement of Directors' Responsibilities

We confirm that to the best of our knowledge:

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

- the Half Year Report 2024 includes a fair review of the information required by:

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

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

The directors of Bellway p.l.c. are listed in the Annual Report and Accounts for the year ended 31 July 2023.

For and on behalf of the Board

Jason Honeyman
Group Chief Executive

Registered number 1372603
25 March 2024

Note on forward-looking statements

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