

BELLWAY P.L.C. ('BELLWAY' OR THE 'GROUP'), THE NATIONAL HOUSEBUILDER, ANNOUNCES TODAY, TUESDAY 28 MARCH 2023, ITS INTERIM RESULTS FOR THE HALF YEAR ENDED 31 JANUARY 2023.

Summary

Operational strength, strategic flexibility and a £100 million share buyback

	Half year ended 31 January 2023	Half year ended 31 January 2022	Movement
Revenue	£1,809.3m	£1,780.0m	+1.6%
Gross profit (underlying)	£389.3m ^{2,3}	£397.5m ^{2,3}	(2.1%)
Gross margin (underlying)	21.5% ^{2,3}	22.3% ^{2,3}	(80 bps)
Operating profit (underlying)	£317.7m ^{2,3}	£332.2m ^{2,3}	(4.4%)
Operating margin (underlying)	17.6% ^{2,3}	18.7% ^{2,3}	(110 bps)
Profit before taxation (underlying)	£312.1m ^{2,3}	£327.2m ^{2,3}	(4.6%)
Net legacy building safety expense	£6.2m	£19.6m	(68.4%)
Profit before taxation	£305.9m	£307.6m	(0.6%)
Earnings per share	186.8p	203.1p	(8.0%)
Interim dividend per share	45.0p	45.0p	-
Net asset value per share	2,819p ²	2,779p ²	+1.4%
Net cash	£292.5m ²	£195.8m ²	+49.4%
Land bank (total plots)	100,367 ⁴	88,894 ⁴	+12.9%
RoCE (underlying)	18.6% ^{2,3}	19.8% ^{2,3}	(120 bps)

Group Chief Executive, Jason Honeyman said:

“Bellway has delivered another strong performance, notwithstanding the challenging operating and trading conditions in the period. We have been encouraged by the moderate, yet sustained improvement in reservations since the start of January 2023, and the Group remains on track to deliver volume output of around 11,000 homes in the full financial year (31 July 2022 – 11,198 homes).

“Bellway’s experienced team has a proven ability to adapt to an evolving economic backdrop. The proactive expansion of our land bank in recent years has provided vital strategic flexibility and our disciplined approach to capital allocation is reflected by the £100 million share buyback announced today. The Group has a robust balance sheet with strong cash resources and, combined with our strategic land holdings, Bellway has an excellent foundation to deliver long-term returns for shareholders.”

Robust financial performance during a period of challenging trading

- Revenue rose by 1.6% to £1,809.3 million (2022 – £1,780.0 million), a half year record level for the Group.
- Strong volume output, with the completion of 5,695 homes (2022 – 5,694 homes), and a 1.6% increase in the overall average selling price to £316,929 (2022 – £311,849).
- The overall reservation rate reduced by 31.7% to 138 per week (2022 – 202), with weaker private demand partially offset by the Group’s programme of accelerating the construction of social homes.
- Elevated mortgage rates, particularly during the autumn, and the end of Help-to-Buy have contributed to a 43.8% decrease in the private reservation rate to 91 per week (2022 – 162).
- The underlying operating margin was 17.6%^{2,3} (2022 – 18.7%) and, notwithstanding the Group’s ongoing disciplined approach to cost control, the reduction reflects the effect of extended site durations, together with build cost and overhead inflation.
- Underlying profit before taxation was £312.1 million^{2,3} (2022 – £327.2 million).

Strong land bank

- Strong overall land bank, comprising 100,367 plots⁴ (2022 – 88,894 plots), ensures Bellway can remain selective in its approach to land acquisition.
- Bellway's owned and controlled land bank length is 5.2 years (2022 – 5.6 years), based on the last 12 months' legal completions, and provides visibility with regards to outlet openings.
- The Group is well-placed to deliver a modest increase in the number of outlets from the half year level by summer 2023.
- Reflecting the difficult economic backdrop and the strength of our land bank, the Group reduced investment in new land and only contracted 2,428 owned and controlled plots (2022 – 8,660 plots) across 16 sites (2022 – 45 sites). Activity in the period was weighted towards securing land interests with significant flexibility in the contract terms.
- Further expansion of our strategic land bank, which rose to 41,700 plots (2022 – 30,500 plots), underpins the Group's longer-term prospects, with a relatively low initial capital outlay.

Resilient balance sheet supports additional capital returns

- Resilient balance sheet with net cash of £292.5 million² (2022 – £195.8 million) and low adjusted gearing, inclusive of land creditors, of only 2.3%² (2022 – 4.5%).
- Net asset value per share increased by 3.4% in the half year to 2,819p² (31 July 2022 – 2,727p).
- The interim dividend has been held at 45.0p per share (2022 – 45.0p) and, given the Group's financial strength, the Board expects to maintain the total dividend for financial year 2023, in line with the prior year payment of 140.0p per share.
- Reflecting our disciplined approach to capital allocation and given the strength of our land bank and balance sheet, the Board has approved a return of surplus capital of £100 million to shareholders. This is to be implemented through a share buyback programme and will commence on Tuesday 28 March 2023, with an initial tranche of £50 million.

'Better with Bellway'

- Research at the 'Energy House 2.0' project has recently started at the University of Salford, which will trial a range of technologies in a Bellway 'Future Home'. Bellway has ambitious targets to significantly reduce scope 3 carbon emissions and the results of the research will help to inform how we will build homes to meet these targets and achieve the requirements of the Future Homes Standard.
- Our ongoing focus on providing high quality homes and service for our customers has resulted in Bellway being recognised as a five-star⁵ homebuilder for the seventh consecutive year.
- Bellway is aiming to be an 'Employer of Choice' in the industry and, in our latest employee engagement survey, 95% of colleagues said they would recommend Bellway as 'a great place to work'.
- Bellway remains fully committed to acting responsibly with regards to building safety and good progress is being made on the remediation of legacy developments through our Building Safety division.
- The Group has recently signed the Self-Remediation Terms (the 'SRT') which convert the principles of the Building Safety Pledge (the 'Pledge') into a binding agreement between Government and Bellway.

Recent trading and outlook

- Customer demand has improved in this calendar year, helped by a seasonal uplift and a fall in mortgage rates.
- Recent reservation rates are higher than the levels in the quarter to 31 December 2022, although below the very strong comparative in the prior year. In the six weeks since the 1 February, the overall weekly reservation rate was 192 (2022 – 291) and the private reservation rate was 135 per week (2022 – 239).
- The Group has a healthy forward sales position, with an order book at 12 March 2023 comprising 5,842 homes (13 March 2022 – 7,491 homes) and with a value of £1,602.0 million² (13 March 2022 – £2,206.5 million). If the reservation rates since the start of calendar year are sustained through the spring, Bellway is well-placed to deliver volume output of around 11,000 homes in the current financial year (31 July 2022 – 11,198 homes).
- In line with previous guidance, the overall average selling price for the full financial year is expected to be around £300,000 (31 July 2022 – £314,399), with the moderation from 2022 primarily reflecting a higher proportion of social housing in the second half of the financial year.

- For the full year, a lower number of completions, together with the effects of build cost inflation and the continued use of targeted sales incentives, will lead to a further modest reduction in the underlying operating margin from the level achieved in the first half.
- The disciplined expansion of our land bank in recent years allows the Group to remain highly selective in the land market in the coming months, and overall plots contracted in financial year 2023 are expected to be significantly below volume output.
- The UK housebuilding industry has strong and attractive long-term fundamentals given the shortage of high quality, energy efficient and affordable homes across the country. Bellway has operational strength and significant financial capacity to invest, when compelling market opportunities arise, to ensure ongoing value creation for our shareholders in the future.

¹ All figures relating to completions, order book, reservations, cancellations and average selling price exclude the Group's share of its joint ventures unless otherwise stated.

² Bellway uses a range of statutory performance measures and alternatives performance measures when reviewing the performance of the Group against its strategy. Definitions of the alternative performance measures, and a reconciliation to statutory performance measures, are included in note 13.

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

⁴ Includes the Group's share of land owned and controlled through joint venture partners comprising 947 plots (2022 – 918 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 2022 or as at 31 January 2022 ('2022') unless otherwise stated.

Analyst presentation, webcast and conference call

There will be an analyst presentation held at the offices of Numis at 9.30 am 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 Half Year Results' when prompted by the operator.

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

For further information, please contact:

Jason Honeyman, Group Chief Executive
 Keith Adey, Group Finance Director
 Gavin Jago, Group Investor Relations Director

Tel: +44 (0) 191 217 0717

Chairman's Overview

Introduction

Bellway has delivered another strong performance, including a record number of half year completions. This was achieved through a combination of our significant order book at the start of the financial year and the hard work and dedication of our colleagues, subcontractors and supply chain partners.

Notwithstanding the challenging operating conditions in the period, our teams demonstrated their ongoing commitment to provide high quality homes and service for our customers. In this regard, I am delighted that Bellway has been recognised as a five-star⁵ homebuilder for the seventh consecutive year.

Strategic priorities

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

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

Long-term volume growth

Bellway's successful organic growth strategy has helped to deliver a significant increase in volume output over the last decade. In the current financial year, and notwithstanding the uncertain trading backdrop, the Group's strong first half performance and the health of the order book should ensure there is only a modest reduction in completions from last year's record level.

While there has been an improvement in trading since the fourth quarter of calendar year 2022, the industry faces several short-term headwinds, including the recent expiry of Help-to-Buy, affordability constraints resulting from higher mortgage rates, and ongoing delays and complexities in the planning system. The combination of these factors is likely to result in a further reduction in volume output for the Group in the next financial year.

Beyond the near-term, the Board is confident that the strength of our land bank and balance sheet can support the delivery of further organic volume growth. The long-term housing market fundamentals remain positive, and Bellway will continue to play an important role in meeting the need for new homes in the years ahead.

Value creation for shareholders

The Group continues to focus on long-term value generation for shareholders through increasing net asset value per share ('NAV') and the payment of regular dividends.

In the half year to 31 January 2023, NAV increased by 3.4% to 2,819p² per share (31 July 2022 – 2,727p). The growth was driven by robust earnings in the period which were partly offset by the payment of the 2022 final dividend of 95.0p per share.

Bellway's strong balance sheet and land bank provide strategic flexibility and a platform for additional shareholder returns in the current year. Firstly, the Board is pleased to announce an interim dividend of 45.0p per share (2022 – 45.0p) and, given the Group's financial strength, we expect to maintain the total dividend for financial year 2023, in line with the prior year payment of 140.0p per share.

We previously announced an intention to reduce dividend cover to around 2.5 times^{2,3} underlying earnings by no later than 31 July 2024. The Board recognises the importance of regular dividends for our shareholders and, in the event of lower year-on-year profit in financial years 2023 or 2024, and subject to market conditions and opportunities next year, our balance sheet also provides the scope to temporarily reduce underlying dividend cover below 2.5 times^{2,3}.

In addition, and reflecting our disciplined approach to capital allocation, the Board has approved a £100 million share buyback that will commence on Tuesday 28 March 2023. This is being undertaken from a position of financial strength and is in keeping with our strategy to deliver value creation for our shareholders.

Over the longer-term, the reinvestment of capital into land opportunities, offering attractive returns, will continue to be balanced with regular dividends.

'Better with Bellway'

Bellway's sustainability strategy, 'Better with Bellway' was launched in March 2022 and good progress is being made to embed its eight business priorities across the Group's operations. The strategy includes ambitious targets in respect of our three flagship areas of Carbon Reduction, Customers and Communities, and becoming an Employer of Choice, an update on which is provided later in this report.

In relation to building safety, our ongoing focus on this matter is reflected by the proactive approach to remediating schemes through our Building Safety division. The Group has also recently signed the SRT which converts the principles of the Pledge into a binding agreement with Government.

Competition and Markets Authority Market Study

The UK Competition and Markets Authority ('CMA') has recently announced that it is launching a market study into the housebuilding sector in England, Scotland and Wales. As part of the study, the CMA will be focusing on the relationships between the main participants in the industry, in order to better understand how it operates through the key stages of land acquisition, planning, construction and sales.

We look forward to contributing to the study, which will provide an opportunity to help inform Government of the current challenges facing the sector. The results of the study are due to be published by the end of February 2024 and we are hopeful that it will have a positive impact on future housing policy, and addresses some of the barriers to meeting the UK's housing shortage.

Future long-term success

The Group has successfully navigated through a range of operating and trading headwinds in recent years, with our experienced teams demonstrating an ability to adapt to rapidly changing market conditions. Given these operational strengths and our resilient balance sheet, I am confident that the successful execution of Bellway's strategic priorities will continue to add value and create a positive outcome for our stakeholders over the long-term.

John Tutte

Chairman

27 March 2023

Chief Executive's Market and Operational Review

Market

Customer demand for our high quality and energy efficient new homes was lower than the prior year, with higher mortgage rates and cost-of-living pressures contributing to the weaker trading conditions.

The overall lending environment has improved since the challenging fourth quarter of calendar year 2022, when the pace and level of mortgage rate increases was combined with a period of lower mortgage product availability. Since the start of this calendar year, competition amongst lenders has increased, the availability of products has improved, and mortgage rates have fallen.

The supply of mortgage finance is currently good for those customers with access to an adequate deposit, however, the expiry of Help-to-Buy and the relative shortage of affordably priced higher loan-to-value mortgage products has led to lower demand for our homes from first-time buyers.

While weaker private demand was partially offset by the Group's programme of accelerating the construction of social housing, the overall reservation rate decreased by 31.7% to 138 per week (2022 – 202). The use of Help-to-Buy, which was available to customers in England up to 31 October 2022, fell to 4% of total reservations (2022 – 18%), over the six-month trading period.

The private reservation rate reduced by 43.8% to 91 per week (2022 – 162) and the weakest demand was experienced in the fourth quarter of calendar year 2022, when it was down by 60%. This was followed by a modest increase in January 2023 to 107 per week (January 2022 – 195). The private reservation rate increased week-on-week throughout January, supported by a seasonal pick-up and some easing of mortgage rates.

The overall cancellation rate in the first half was 20% (2022 – 13%). This period included an average cancellation rate of over 25% in the fourth quarter of calendar year 2022, which largely reflected the heightened market uncertainty at the time. The average weekly cancellation rate has trended down into the mid-teens in the new calendar year, supported by the modest improvement in trading.

The Group operated from an average of 238 outlets in the period (2022 – 247), a slight increase on the closing position of 235 outlets at 31 July 2022 and broadly in line with our expectations.

Overall, headline pricing across our regions has remained robust and customer demand was generally more resilient where affordability remains good in the context of the local market. Our divisions in the East Midlands, Manchester and the Northern Home Counties were notable strong performers. In some instances, targeted incentives have been used and we expect their use to increase through the spring to attract customers and secure reservations.

Strong land bank provides strategic flexibility

The strength and depth of the Group's land bank has provided vital strategic flexibility through the recent period of weaker trading, and our activity in the land market has been lower than the prior half year. While our experienced land teams have continued to engage with vendors, sites are only being contracted where they offer compelling and enhanced financial returns, and overall plots contracted in financial year 2023 are expected to be significantly below volume output.

During the period, the Group contracted to purchase 2,428 owned and controlled plots (2022 – 8,660 plots) across 16 sites (2022 – 45 sites) with a total contract value of £197.3 million (2022 – £567.8 million), and we also decided not to proceed with the purchase of 418 plots across 3 previously approved sites.

The table below analyses the Group's land holdings:

	31 January 2023	31 January 2022
DPP: plots with implementable detailed planning permission	31,420	29,876
Pipeline: plots pending an implementable DPP	26,300	27,600
Bellway owned and controlled plots	57,720	57,476
Bellway share of land owned and controlled by joint ventures	947	918
Total owned and controlled plots	58,667	58,394
Strategic land holdings	41,700	30,500
Total land bank⁴	100,367	88,894

In the period, Bellway's owned and controlled land bank has grown slightly to 57,720 plots (2022 – 57,476 plots). This represents a land bank length of 5.2 years (2022 – 5.6 years), based on the last 12 months' legal completions, allowing Bellway to continue with its selective approach to land investment in the coming months.

Within our owned and controlled land bank, we have 31,420 plots (2022 – 29,876 plots) with an implementable detailed planning permission ('DPP') and 26,300 pipeline plots (2022 – 27,600 plots). Reflecting our proactive and early entry into the land market in summer 2020 and, notwithstanding the ongoing delays and increased complexity in the planning system, the number of plots with a DPP has increased by 15.1% over the last two years (31 January 2021 – 27,306 plots).

As noted earlier, Bellway operated from an average of 238 outlets in the period (2022 – 247) with 240 active outlets at 31 January 2023. We have good visibility on the expected timing of near-term planning decisions and, together with a disciplined approach to construction starts, the Group is well-placed to deliver a modest increase in the number of outlets from the half year level by summer 2023.

The Group's proactive and disciplined land investment in recent years has provided a good platform for new site openings and, notwithstanding the proposed reforms to the Government's National Planning Policy Framework, we are targeting further outlet growth in financial year 2024.

Reflecting the current economic backdrop, the Group has executed a deliberate strategy to secure land interests with a low capital outlay, leading to a further strengthening of our strategic land bank. During the period we entered into option and promotion agreements to buy 64 sites (2022 – 11 sites), which included a small corporate acquisition.

Bellway's strategic land portfolio now comprises 41,700 plots (2022 – 30,500 plots), which has grown by over 50% in the last two years (31 January 2021 – 27,700 plots). Our increased focus on strategic land provides financial flexibility, through the use of option agreements, and it also supports our longer-term growth ambitions, with plots usually expected to obtain planning permission over a period of five years or more.

Design, productivity, and labour and material costs

Build cost inflation in the period was approaching 10% and primarily driven by energy prices, where they form a large component of the cost base. Elevated levels of construction activity also contributed to the upward pressure on costs, given the very strong demand for new homes in the two years up to the summer of 2022. Following the recent slowdown in reservation rates across the wider sector, we anticipate overall supply chain pressures to ease in the year ahead.

While material availability issues continue to be well-managed by our experienced procurement teams, product shortages have led to some instances of construction delays. Since the start of the new calendar year, lower demand for construction materials is helping to alleviate some of these pressures. For bricks and blocks, availability should begin to improve following the recent increase in UK manufacturing capacity, while also reducing the requirement for more expensive imports.

The Group has continued to demonstrate its strong commercial disciplines and we have agreed a range of temporary energy surcharges with manufacturers, providing both transparency and potential flexibility in pricing for certain products. The long-term, supportive trading history with our supply chain partners has also helped support a more consistent supply of kitchen appliances, against the backdrop of the global shortage of semiconductors.

Bellway has well-established relationships with its subcontract partners and the Group's site overheads continue to be managed tightly. While there have been ad hoc shortages of certain trades at a regional level, these have not led to any significant disruption to our build programmes. In addition to providing cash flow benefits, the Group's programme of

accelerating the construction of social homes 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 provide a range of benefits, with cost savings delivered through improved site layouts and larger, national procurement deals. To drive further efficiency, we have rationalised the Artisan range since its launch in 2018 and the house-types have been plotted across a total of 44,000 plots. Artisan homes are expected to increase to over 40% of Group completions in the current financial year (31 July 2022 – 26%).

Overall, while the Group expects inflationary pressures to reduce from their recent high levels, cost increases will persist in the near-term. Beyond this financial year, as the industry works towards building to the requirements of the Future Homes Standard, 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

A period of strong volume output and softer trading led to a lower, yet still sizeable, order book at 31 January 2023, comprising 5,108 homes (2022 – 6,628 homes), with a value of £1,386.8 million² (2022 – £1,940.9 million).

In January 2023, website traffic and visitors to our outlets both showed a marked improvement from the levels in the fourth quarter of calendar year 2022. Since then, customer interest has remained healthy and reservation rates have seen a further uplift, providing an encouraging start to the spring selling season.

Notwithstanding the recent improvement in trading, in the six weeks since 1 February, average overall weekly reservations were 192 (1 February 2022 to 13 March 2022 – 291), representing a decrease of 34.0% compared to the very strong equivalent period of trading in the prior year. The private reservation rate was 135 per week (1 February 2022 to 13 March 2022 – 239).

As a result, the forward order book at 12 March 2023 comprised 5,842 homes (13 March 2022 – 7,491 homes), with a value of £1,602.0 million² (13 March 2022 – £2,206.5 million). Contracts are exchanged on 72% of plots within the order book (2022 – 65%), the majority of which are expected to contribute to completions over the next twelve months.

Outlook

While current reservation rates are lower than the prior year equivalent period, the Group's order book provides confidence that Bellway can deliver volume output of around 11,000 homes in the current financial year (31 July 2022 – 11,198 homes). Given the expected robust near-term completion profile and the current run rate of reservations, we now expect a year-on-year reduction in both the order book by 31 July 2023 and volume output in the next financial year.

Looking further ahead, the housebuilding industry has strong and attractive long-term fundamentals given the shortage of high quality and energy efficient homes across the country. Bellway has operational strength and significant financial capacity to invest, when compelling market opportunities arise, to ensure ongoing value creation for our shareholders in the future.

Jason Honeyman
Group Chief Executive
27 March 2023

Financial Review

Trading performance

Bellway has delivered a robust first half performance, with housing revenue increasing by 1.6% to £1,804.9 million (2022 – £1,775.7 million). Other revenue was £4.4 million (2022 – £4.3 million) and comprises ancillary items such as commercial sales and management fee income earned on our joint venture schemes. Total revenue increased by 1.6% to £1,809.3 million (2022 – £1,780.0 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	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
North	2,368	2,471	473	394	2,841	2,865	333.2	309.7	127.8	120.1	299.0	283.6
South	2,151	2,230	703	599	2,854	2,829	385.5	384.4	179.6	176.8	334.8	340.5
Group	4,519	4,701	1,176	993	5,695	5,694	358.1	345.1	158.7	154.3	316.9	311.8

The number of completions rose slightly to 5,695 homes (2022 – 5,694 homes), a new record for the Group. The proportion of higher value private completions reduced to 79.4% of the total (2022 – 82.6%), partly reflecting the accelerated construction of social housing homes, which form part of the Group's ongoing priority to generate cash.

Notwithstanding the increased proportion of social homes, geographic and mix changes supported a 1.6% increase in the overall average selling price to £316,929 (2022 – £311,849). We continue to expect the overall average selling price to moderate in the second half of the year, with the full year overall average selling price expected to be around £300,000, primarily reflecting a further increase in the proportion of social homes.

Underlying operating performance

Notwithstanding the Group's strong commercial disciplines, value engineering initiatives and ongoing review of site overheads, underlying gross profit reduced slightly to £389.3 million^{2,3} (2022 – £397.5 million). The underlying gross margin was 21.5%^{2,3} (2022 – 22.3%), and was affected by the costs associated with extended site durations and elevated build cost inflation. Given these factors and the increased use of customer incentives, we expect a further modest reduction in the underlying gross margin in the second half of the financial year.

Other operating income and expenses, which net to an expense of £0.3 million (2022 – nil), relate to the running of our part-exchange programme. Part-exchange was used for only 1.2% (2022 – 1.1%) of completions with a balance sheet investment at 31 January 2023 of only £10.7 million (2022 – £5.0 million). The Group has strong controls around the use of part-exchange homes as a selling tool, and we have the financial capacity to increase its use in the year ahead, in a controlled manner, if market conditions require it.

The administrative expense increased to £71.3 million (2022 – £65.3 million), reflecting the additional costs of our recently established Building Safety division, together with underlying cost inflation and increases in pay and employee benefits. As a proportion of revenue, administrative expenses were 3.9% (2022 – 3.6%). The Group is maintaining a sharp focus on costs, which currently includes a freeze on new recruitment, and we now expect full year administrative expenses to be around £145 million, and below our previous guidance.

The underlying operating margin for the half year was 17.6%^{2,3} (2022 – 18.7%) and for the full year, we expect a modest reduction from the level in the first half. This will be due to reduced overhead absorption in the second half of the financial year, given the weighting of housing revenues to the first half, and the effect of the slightly lower anticipated underlying gross margin.

Adjusting item: Net legacy building safety expense

The Group has recognised a net adjusting charge of £6.2 million in relation to legacy building safety improvements, including £3.0 million through cost of sales, and an adjusting finance expense of £3.2 million.

The net adjusting charge of £3.0 million, recognised through cost of sales, includes one-off cost recoveries of £50.0 million, which have been pursued for several years. This has been offset by an additional charge of £53.0 million, following a prudent reassessment of expected legacy remediation costs. This additional cost estimate takes into account more progressed inspections of internal wall systems, which tend to be more costly to rectify than external works. The charge also reflects movements in the required discount rate and the expected timing of cash flows.

Since 2017, the Group has set aside a total of £569.9 million, before the benefit of cost recoveries totalling £80.0 million over the same period, to remediate legacy apartment blocks, with a remaining provision of £480.9 million at 31 January 2023. The recent signing of the SRT has not resulted in any increase in the provision and while it contains some onerous reporting obligations, it also provides improved clarity on the standards required for internal and external works on legacy buildings.

Bellway has a strong, well-capitalised balance sheet with net cash of £292.5 million², net assets of £3,481.4 million and committed debt facilities of £530 million. In this regard, the Group is well placed to meet its commitments under the SRT and importantly, the expected level and timings of the costs will not be detrimental to our long-term strategic priorities.

The adjusting finance expense in relation to the discount unwind of the legacy building safety improvements provision was £3.2 million (2022 – nil). This adjusting charge is subject to a range of assumptions, and based on the 31 January 2023 forward looking discount rate, we currently anticipate an adjusting finance expense of around £8 million in the second half of financial year 2023.

Operating profit

After taking these adjusting items into consideration, total operating profit was slightly ahead of the prior half year at £314.7 million (2022 – £312.6 million).

Net underlying finance expense

The net underlying finance expense was £6.0 million^{2,3} (2022 – £6.0 million) and principally includes notional interest on land acquired on deferred terms of £6.3 million (2022 – £3.3 million), with the increase reflecting the rise in interest rates. This was largely offset by a rise in finance income on cash deposits, which rose to £2.8 million (2022 – nil), and again, this reflects the rise in interest rates in the period. Based on current interest rates, the net underlying interest expense in financial year 2023 is anticipated to be similar to the prior year (31 July 2022 – £12.1 million).

Profit before taxation

Including our share of results from joint ventures of £0.4 million (2022 – £1.0 million), underlying profit before taxation reduced by 4.6%, to £312.1 million^{2,3} (2022 – £327.2 million) and reported profit before taxation was £305.9 million (2022 – £307.6 million).

Taxation

The income tax charge was £75.9 million (2022 – £57.2 million), reflecting an effective tax rate of 24.8% (2022 – 18.6%). The effective tax rate increased in the period, following the introduction of the Residential Property Developer Tax ('RPDT') in April 2022, charged at a rate of 4% of relevant taxable profits. In addition, the planned 6% increase in the standard rate of UK corporation tax in April 2023 has contributed to the rise in the effective tax rate and its full year effect means that the Group's effective tax rate is expected to approach 29% in financial year 2024.

Profit for the period

The underlying profit for the period was lower by 11.9%, at £234.6 million^{2,3} (2022 – £266.3 million) and underlying earnings per share was 190.5p^{2,3} (2022 – 216.0p).

After considering taxation charged at the increased effective rate, and the net legacy building safety expense, reported profit for the period reduced by 8.1% to £230.0 million (2022 – £250.4 million). Basic earnings per share ('EPS') was 186.8p (2022 – 203.1p).

Strong balance sheet and financial position

Bellway's strong balance sheet principally comprises amounts invested in land and work-in-progress. Within total inventories of £4,417.3 million (2022 – £4,083.1 million), the carrying value of land was £2,696.6 million (2022 – £2,607.9 million) and work-in-progress increased by 17.8% to £1,602.5 million (2022 – £1,360.1 million).

Net cash at 31 January 2023 increased to £292.5 million² (31 January 2022 – £195.8 million, 31 July 2022 – £245.3 million). During the first half, expenditure on land, including payment of land creditors, was £231 million (2022 – £579 million), primarily comprising cash payments on contracts approved in the previous two financial years.

Committed land obligations remain low at £372.4 million (2022 – £349.0 million) and adjusted gearing, inclusive of land creditors, is modest at only 2.3%² (2022 – 4.5%).

In addition to the net cash position, the Group has access to significant levels of committed debt finance, totalling £530 million. This matures in stages, over the medium and long-term, with the Group having extended the maturity date on tranches totalling £225 million in the period.

Ongoing value creation

Following cash dividend payments made in the period totalling £117.0 million, net assets rose by 3.4% in the half year to £3,481.4 million (31 July 2022 – £3,367.8 million), representing an NAV per share of 2,819p² (31 July 2022 – 2,727p).

Underlying post-tax return on equity was 13.7%^{2,3} (2022 – 15.9%) and underlying RoCE was 18.6%^{2,3} (2022 – 19.8%). Underlying RoCE was 16.7%^{2,3} (2022 – 17.7%), when including land creditors as part of the capital base, and the moderation from the prior year was predominantly driven by the slightly lower underlying operating margin.

Building on Bellway's long-term track record of capital discipline and, supported by our resilient balance sheet and strong cash flow generation, we have announced the return of surplus capital of £100 million to shareholders. This is to be implemented through a share buyback programme and will commence on Tuesday 28 March 2023, with an initial tranche of £50 million.

We remain confident that the depth of our land bank and the strength of our balance sheet provide strategic flexibility and a strong platform for investment to deliver on the Group's strategic priorities.

Keith Adey

Group Finance Director
27 March 2023

‘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. The strategy was launched in March 2022, and over the last 12 months we have made good progress, through a range of initiatives, to embed the framework in the day-to-day operations of the business.

‘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 and our stretching targets were validated by the Science Based Target initiative (‘SBTi’) in autumn 2022. Around 99% of the Group’s carbon footprint arises from scope 3 emissions, which are from sources which Bellway does not own or control. By 2030 we have an ambitious target to reduce scope 3 carbon intensity by 55% from our 2019 base line.

Part of our detailed plan to cut emissions includes the recently launched ‘Energy House 2.0’ research project at the University of Salford. As part of the project, a Bellway ‘Future Home’ has been constructed in an environmental chamber, where a variety of innovative technologies are being trialled in a range of temperatures and weather conditions.

Together with several research and development projects we have across the country, the results from the ‘Energy House 2.0’ project will help to inform how the Group will build homes in the future. In addition to driving best practice for carbon reduction, the projects will help us to decide which products are both practical and cost-effective for our customers and construction teams.

The Group’s scope 1 and scope 2 emissions are those generated by Bellway in our own operations, and combined, these account for around 1% of our total carbon footprint. To align to the ‘1.5 degrees Celsius’ pathway in the Paris Agreement, Bellway is targeting a 46% reduction in these emissions by 2030.

To help achieve this, the Group is aiming to increase the mix of hydrotreated vegetable oil (‘HVO’) biodiesel within our construction site usage, which can reduce carbon emissions by over 90% compared to fossil diesel. We are currently trialling a switch from diesel to HVO fuel on over 50 sites. If this trial is successful and our future sites transition to HVO usage, it will play a significant role in our scope 1 and 2 reductions.

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

Customers and Communities

Bellway aims to provide a consistently high service and quality homes to all our customers, and this is at the core of our Customer First programme. In this regard, we are very proud to have retained our position as a five-star⁵ homebuilder for the seventh consecutive year. This was awarded in the HBF’s most recent Customer Satisfaction survey, which asks customers whether they would recommend Bellway to a friend, when surveyed eight weeks after their moving date.

While the recent pressures in the supply chain have extended our response times to deal with minor snagging issues in our new homes, we are striving to continually improve our levels of customer service. We have a range of initiatives underway within the business to attain this goal, including additional training across our sales, customer care and construction teams. The Group is also investing in technology to streamline the quality assurance process and we have recently launched a working group within Bellway to drive a reduction in common defects and resolution timescales.

More broadly, and in advance of the New Homes Quality Code (‘NHQC’) becoming the industry code of practice later this year, Bellway registered with the New Homes Quality Board and signed up to the New Homes Ombudsman Service in 2022.

The NHQC is intended to consolidate and improve upon the existing protections that are available to purchasers of new build homes and it will reinforce several of the Group’s existing practices, including our comprehensive after-sales service. Our customers can also visit their new home prior to taking ownership as part of Bellway’s ‘Meet the Builder’ days. 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.

The new code places an emphasis on providing customers with enhanced information from the point of initial enquiry through to the early years of home occupation. In this regard, we are investing in training on the requirements of the NHQC for all of our customer facing employees. We are also providing customers with information about the sustainability and energy efficiency benefits of our homes and a guide to the anticipated costs associated with running a new home over a period of 10 years.

Overall we believe the NHQC will contribute to a further improvement in standards across the wider sector.

'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. We are very proud that, in our 2022 employee engagement survey, 95% of colleagues said they would recommend Bellway as 'a great place to work'. The Group is aiming to maintain this high level of employee satisfaction and we continue to seek feedback from our colleagues to attract talent and improve staff retention.

We are delighted that, well in advance of our July 2024 target, we have recently been awarded full accreditation as a Living Wage Employer, which covers both directly employed and subcontracted staff. A standard, consistent induction and onboarding process is also being introduced for all new starters at Bellway and we have seen an encouraging reduction in voluntary staff turnover during the second half of calendar year 2022.

The Group has several initiatives in place to promote inclusion and to improve ethnic and gender diversity 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 2023.

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

Jason Honeyman
Group Chief Executive
27 March 2023

Condensed Group Income Statement

	Note	Half year ended 31 January 2023 £m	Half year ended 31 January 2022 £m	Year ended 31 July 2022 £m
Revenue	1	1,809.3	1,780.0	3,536.8
Cost of sales		(1,423.0)	(1,402.1)	(3,094.0)
Analysed as:				
Underlying cost of sales		(1,420.0)	(1,382.5)	(2,749.8)
Adjusting item: net legacy building safety expense	2	(3.0)	(19.6)	(344.2)
Gross profit		386.3	377.9	442.8
Other operating income		9.0	10.1	25.3
Other operating expenses		(9.3)	(10.1)	(25.1)
Administrative expenses		(71.3)	(65.3)	(134.0)
Operating profit		314.7	312.6	309.0
Finance income	7	3.7	0.5	1.6
Finance expenses	7	(12.9)	(6.5)	(15.7)
Analysed as:				
Underlying finance expenses		(9.7)	(6.5)	(13.7)
Adjusting item: unwinding of discount on the legacy building safety improvements provision	2,7	(3.2)	-	(2.0)
Share of result of joint ventures		0.4	1.0	9.3
Profit before taxation		305.9	307.6	304.2
Income tax expense	4	(75.9)	(57.2)	(61.6)
Profit for the period *		230.0	250.4	242.6
Earnings per ordinary share – Basic	3	186.8p	203.1p	196.9p
Earnings per ordinary share – Diluted	3	186.1p	202.3p	196.2p
Dividend per ordinary share	10	45.0p	45.0p	140.0p

* All attributable to equity holders of the parent.

Adjusting items	Note	Half year ended 31 January 2023 £m	Half year ended 31 January 2022 £m	Year ended 31 July 2022 £m
Gross profit				
Gross profit per the Condensed Group Income Statement		386.3	377.9	442.8
Adjusting item: net legacy building safety expense	2	3.0	19.6	344.2
Underlying gross profit		389.3	397.5	787.0
Operating profit				
Operating profit per the Condensed Group Income Statement		314.7	312.6	309.0
Adjusting item: net legacy building safety expense	2	3.0	19.6	344.2
Underlying operating profit		317.7	332.2	653.2

Profit before taxation				
Profit before taxation per the Condensed Group Income Statement		305.9	307.6	304.2
Adjusting item: net legacy building safety expense	2	6.2	19.6	346.2
Underlying profit before taxation		312.1	327.2	650.4
Profit for the period				
Profit for the period per the Condensed Group Income Statement		230.0	250.4	242.6
Adjusting item: net legacy building safety expense	2	6.2	19.6	346.2
Adjusting item: tax on net legacy building safety expense		(1.6)	(3.7)	(70.3)
Underlying profit for the period		234.6	266.3	518.5

Condensed Group Statement of Comprehensive Income

	Note	Half year ended 31 January 2023 £m	Half year ended 31 January 2022 £m	Year ended 31 July 2022 £m
Profit for the period		230.0	250.4	242.6
Other comprehensive expense				
Items that will not be recycled to the income statement:				
Remeasurement losses on defined benefit pension plans		(3.3)	(0.8)	(3.5)
Income tax credit on other comprehensive expense	4	1.0	0.2	0.5
Other comprehensive expense for the period, net of income tax		(2.3)	(0.6)	(3.0)
Total comprehensive income for the period *		227.7	249.8	239.6

* All attributable to equity holders of the parent.

Condensed Group Statement of Changes in Equity

	Note	Issued capital	Share premium	Capital redemption reserve	Other reserves	Retained earnings	Total equity
		£m	£m	£m	£m	£m	£m
Half year ended 31 January 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	10	-	-	-	-	(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
Half year ended 31 January 2022							
Balance at 1 August 2021		15.4	179.8	20.0	1.5	3,071.1	3,287.8
Total comprehensive income for the period							
Profit for the period		-	-	-	-	250.4	250.4
Other comprehensive expense *		-	-	-	-	(0.6)	(0.6)
Total comprehensive income for the period		-	-	-	-	249.8	249.8
Transactions with shareholders recorded directly in equity:							
Dividends on equity shares	10	-	-	-	-	(101.8)	(101.8)
Purchase of own shares	9	-	-	-	-	(7.4)	(7.4)
Shares issued		-	0.2	-	-	-	0.2
Credit in relation to share options and tax thereon	4	-	-	-	-	1.2	1.2
Total contributions by and distributions to shareholders		-	0.2	-	-	(108.0)	(107.8)
Balance at 31 January 2022		15.4	180.0	20.0	1.5	3,212.9	3,429.8
Year ended 31 July 2022							
Balance at 1 August 2021		15.4	179.8	20.0	1.5	3,071.1	3,287.8
Total comprehensive income for the period							
Profit for the period		-	-	-	-	242.6	242.6
Other comprehensive expense *		-	-	-	-	(3.0)	(3.0)
Total comprehensive income for the period		-	-	-	-	239.6	239.6
Transactions with shareholders recorded directly in equity:							
Dividends on equity shares	10	-	-	-	-	(157.2)	(157.2)
Purchase of own shares	9	-	-	-	-	(7.4)	(7.4)
Shares issued		-	2.2	-	-	-	2.2
Credit in relation to share options and tax thereon	4	-	-	-	-	2.8	2.8
Total contributions by and distributions to shareholders		-	2.2	-	-	(161.8)	(159.6)
Balance at 31 July 2022		15.4	182.0	20.0	1.5	3,148.9	3,367.8

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

Condensed Group Balance Sheet

	Note	At 31 January 2023 £m	At 31 January 2022 £m	At 31 July 2022 £m
ASSETS				
Non-current assets				
Property, plant and equipment		33.4	35.0	34.2
Financial assets		28.2	35.3	20.9
Equity accounted joint arrangements		6.6	16.7	9.3
Deferred tax assets	4	0.1	0.5	0.1
Retirement benefit assets		4.0	9.5	7.1
		72.3	97.0	71.6
Current assets				
Inventories		4,417.3	4,083.1	4,423.6
Trade and other receivables	5	139.6	114.7	114.6
Cash and cash equivalents	6	422.5	325.8	375.3
		4,979.4	4,523.6	4,913.5
Total assets		5,051.7	4,620.6	4,985.1
LIABILITIES				
Non-current liabilities				
Interest-bearing loans and borrowings	6	(130.0)	(130.0)	(130.0)
Trade and other payables		(121.9)	(121.4)	(106.6)
Deferred tax liabilities	4	(7.1)	(7.9)	(8.9)
Provisions	5	(413.5)	(87.9)	(400.8)
		(672.5)	(347.2)	(646.3)
Current liabilities				
Trade and other payables		(825.8)	(797.1)	(930.2)
Corporation tax payable	4	(4.6)	(6.1)	(0.1)
Provisions	5	(67.4)	(40.4)	(40.7)
		(897.8)	(843.6)	(971.0)
Total liabilities		(1,570.3)	(1,190.8)	(1,617.3)
Net assets		3,481.4	3,429.8	3,367.8
EQUITY				
Issued capital	9	15.4	15.4	15.4
Share premium		182.0	180.0	182.0
Capital redemption reserve	9	20.0	20.0	20.0
Other reserves		1.5	1.5	1.5
Retained earnings	9	3,262.5	3,212.9	3,148.9
Total equity		3,481.4	3,429.8	3,367.8

Condensed Group Cash Flow Statement

	Note	Half year ended 31 January 2023 £m	Half year ended 31 January 2022 £m	Year ended 31 July 2022 £m
Cash flows from operating activities				
Profit for the period		230.0	250.4	242.6
Depreciation charge		2.9	3.2	6.1
Finance income	7	(3.7)	(0.5)	(1.6)
Finance expenses	7	12.9	6.5	15.7
Share-based payment expense		2.9	1.5	3.1
Share of post-tax result of joint ventures		(0.4)	(1.0)	(9.3)
Income tax expense	4	75.9	57.2	61.6
Decrease/(increase) in inventories		6.3	(50.9)	(391.4)
Increase in trade and other receivables		(23.2)	(32.0)	(33.2)
Decrease in trade and other payables		(94.8)	(223.2)	(104.5)
Increase in provisions	5	36.2	12.3	325.5
Cash inflow from operations		245.0	23.5	114.6
Interest paid		(3.8)	(3.0)	(5.8)
Income tax paid		(72.8)	(55.1)	(63.8)
Net cash inflow/(outflow) from operating activities		168.4	(34.6)	45.0
Cash flows from investing activities				
Acquisition of property, plant and equipment		(1.3)	(1.5)	(0.5)
Proceeds from sale of property, plant and equipment		0.1	0.1	0.1
Increase in loans to joint ventures		(6.5)	(0.5)	(2.1)
Repayment of loans by joint ventures		-	5.3	21.6
Dividends from joint ventures		3.1	-	15.7
Interest received		2.2	-	0.5
Net cash (outflow)/inflow from investing activities		(2.4)	3.4	35.3
Cash flows from financing activities				
Payment of lease liabilities		(1.8)	(1.7)	(2.9)
Proceeds from the issue of share capital on exercise of share options		-	0.2	2.2
Purchase of own shares		-	-	(7.4)
Dividends paid	10	(117.0)	(101.8)	(157.2)
Net cash outflow from financing activities		(118.8)	(103.3)	(165.3)
Net increase/(decrease) in cash and cash equivalents		47.2	(134.5)	(85.0)
Cash and cash equivalents at beginning of period		375.3	460.3	460.3
Cash and cash equivalents at end of period	6	422.5	325.8	375.3

Notes

Basis of preparation

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

These condensed consolidated interim financial statements, prepared to 31 January 2023, 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 27 March 2023.

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 2022 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 the financial year ending 31 July 2023 will be prepared in accordance with UK adopted International Financial Reporting Standards ('IFRSs') and UK adopted international accounting standards. As required by the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority, these condensed consolidated interim financial statements have been prepared applying the accounting policies and presentation that were applied in the preparation of the Group's published consolidated financial statements for the year ended 31 July 2022, except as noted in c) below.

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 2023, Bellway had net cash of £292.5 million² (note 6), having cash inflows of £47.2 million (note 6) during the period, including £245.0 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 2023, 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 2023.

Including committed debt lines and cash, Bellway had access to total funds of £822.5 million, along with net current assets (excluding net cash) of £3,659.1 million at 31 January 2023, 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 FY23 are supported by the forward order book, but still fall to 67% of that achieved in H1 of FY23. In the 12 months to 31 July 2024, private completions reduce by around 50% compared to the 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 FY23 remains in line with internal forecasts due to the strong order book position. In the 12 months to 31 July 2024, the private average selling price reduces by 10% compared to the latest achieved pricing. This is followed by a gradual recovery based on the lower base position.
- These assumptions reflect the Group's experience in the 2008-09 Global Financial Crisis.

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 2024 for the going concern assessment. In addition to the scenario, several additional mitigating measures remain available to management that were not included in the scenario. These include withholding discretionary land spend and instead trading out of the substantial existing land holdings and further reducing construction spend in recognition of the strong carried forward work-in-progress position at 31 January 2023.

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

The Directors consider that the Group is well placed to manage business and financial risks in the current economic environment. Consequently, the Directors are confident that the Group will have sufficient funds to continue to meet its liabilities as they fall due for the period to 31 July 2024, aligning with the first year end after the minimum 12 month assessment period, and have therefore prepared the condensed consolidated interim financial statements on a going concern basis.

c) Accounting policies

The Group has recently acquired a number of contractual arrangements with landowners in order to promote their land through the planning process to obtain detailed planning permission, and to subsequently market the sites for residential property development on behalf of the landowner. These agreements are accounted for in inventory and the amended inventories policy of the Group is set out below:

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, in relation to work-in-progress and showhomes, comprises direct materials and, where applicable, direct labour costs and those overheads, not including any general administrative overheads, that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and overheads.

Land comprises: land held for development; options purchased in respect of land; investments in land without the benefit of planning consent; and, promotion agreements in respect of land without the benefit of planning consent.

Land held for development, including land in the course of development until legal completion of the sale of the asset, is initially recorded at cost. Regular reviews are carried out to identify any impairment in the value of the land by comparing the total estimated selling prices less estimated selling expenses against the book cost of the land plus estimated costs to complete. A provision is made for any irrecoverable amounts. Where, through deferred payment terms, the fair value of land purchased differs from the amount that will subsequently be paid in settling the liability, the difference is charged as a finance expense in the income statement over the period to settlement.

Notes (continued)

Basis of preparation (continued)

c) Accounting policies (continued)

Options purchased in respect of land are capitalised initially at cost. Regular reviews are carried out for impairment in the value of these options and provisions made accordingly to reflect loss of value. The impairment reviews consider the period elapsed since the date of purchase of the option given that the option contract has not been exercised at the review date. Further, the impairment reviews consider the remaining life of the option, taking account of any concerns over whether the remaining time available will allow a successful exercise of the option. The carrying cost of the option at the date of exercise is included within the cost of land purchased as a result of the option exercise.

Investments in land without the benefit of planning consent, either through the purchase of land or non-refundable deposits paid on land purchase contracts subject to planning consent, are included initially at cost. Regular reviews are carried out for impairment in the values of these investments and provision made to reflect any irrecoverable element. The impairment reviews consider the existing use value of the land and assess the likelihood of achieving planning consent and the value thereof.

Promotion agreements in respect of land without the benefit of planning consent comprise initial costs of entering into the agreements, fees and consultancy costs in relation to obtaining planning permission and marketing sites on behalf of landowners. These costs are capitalised initially at cost. Regular reviews are carried out for impairment in the values of these costs incurred and provisions made accordingly to reflect loss of value. The impairment reviews consider the likelihood of securing planning permission, the successful marketing of the site and the remaining life of the promotion agreement.

Effect of accounting standard amendments effective for the first time

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

d) Accounting estimates and judgements

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

When preparing these condensed consolidated interim financial statements, the major judgements in applying the Group's accounting policies and the major sources of estimation uncertainty were those applied in the Group's Annual Report and Accounts for the year ended 31 July 2022.

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 2023 £m	Half year ended 31 January 2022 £m	Year ended 31 July 2022 £m
Housing revenue	1,804.9	1,775.7	3,520.6
Non-housing revenue	4.4	4.3	16.2
Total revenue	1,809.3	1,780.0	3,536.8

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

(a) Private/social

	Half year ended 31 January 2023 £m	Half year ended 31 January 2022 £m	Year ended 31 July 2022 £m
Private	1,618.2	1,622.4	3,190.9
Social	186.7	153.3	329.7
Total housing revenue	1,804.9	1,775.7	3,520.6

(b) North/South

	Half year ended 31 January 2023 £m	Half year ended 31 January 2022 £m	Year ended 31 July 2022 £m
North	849.5	812.5	1,543.9
South	955.4	963.2	1,976.7
Total housing revenue	1,804.9	1,775.7	3,520.6

Notes (continued)

2. Net legacy building safety expense

Profit before taxation for the half year ended 31 January 2023 has been arrived at after recognising the following items in the income statement:

	Half year ended 31 January 2023 £m	Half year ended 31 January 2022 £m	Year ended 31 July 2022 £m
Legacy building safety improvements provision (note 5)	53.0	22.1	347.0
Reimbursement assets (note 5)	(50.0)	(2.5)	(2.8)
Net cost of sales (note 5)	3.0	19.6	344.2
Finance expenses (notes 5,7)	3.2	-	2.0
Total net legacy building safety expense	6.2	19.6	346.2

Bellway's continued commitment to act responsibly with regards to fire safety is reflected by the level of our prudent provisions and the actions the Group has taken since the tragic events at Grenfell in 2017.

On 7 April 2022, as part of the Building Safety Pledge (the 'Pledge'), we announced that this commitment would be extended to a 30-year period to include buildings constructed by the Group since 5 April 1992 and to reimburse the Building Safety Fund and the ACM Fund in accordance with the principles set out in the Pledge. The Group signed the Self-Remediation Terms ('SRT') on 13 March 2023 which converted the principles of the Pledge into a binding agreement for the housebuilding industry.

In total, for the half-year ended 31 January 2023 Bellway set aside a net exceptional expense of £6.2 million, in relation to legacy building safety improvements. Of this expense, a net £3.0 million is recognised in cost of sales and an adjusting finance expense of £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 £95.2 million relating to cost estimate increases, which are in part offset by provision releases of £19.0 million and £23.2 million following an increase in discount rates during the period (note 5).

While the SRT relates to developments in England only, Bellway has taken a responsible, UK-wide approach to also provide for works in relation to the small number of apartment buildings the Group has developed in Scotland and Wales, where remediation is required. Taking this into consideration, the total amount Bellway has set aside for UK legacy building safety since 2017 is £569.9 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 extended 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.

Notes (continued)

2. Net legacy building safety expense (continued)

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 Publicly Available Specification ('PAS') 9980:2022, liaison and negotiations with building owners, and appointment of contractors.

Notwithstanding these complexities the Group has made good progress with work now completed on 7 developments, underway on 14 developments and works due to commence on a further 3 developments by the end of the financial year.

Total recoveries recognised since 2017 are £80.0 million. Reimbursement assets of £50.0 million (2022 – £0.2 million) remained outstanding at the period end and these were received in full on 9 February 2023.

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 25.0% (31 January 2022 – 19.0%, 31 July 2022 – 20.3%).

3. Earnings per ordinary share

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

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

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

	Earnings	Weighted average number of ordinary shares	Earnings per share	Earnings	Weighted average number of ordinary shares	Earnings per share
	2023	2023	2023	2022	2022	2022
	£m	Number	p	£m	Number	p
For basic earnings per ordinary share	230.0	123,157,330	186.8	250.4	123,311,237	203.1
Dilutive effect of options and awards		414,600	(0.7)		473,591	(0.8)
For diluted earnings per ordinary share	230.0	123,571,930	186.1	250.4	123,784,828	202.3

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 24.8% (31 January 2022 – 18.6%, 31 July 2022 – 20.2%).

The UK corporation tax rate will increase from 19.0% to 25.0% with effect from 1 April 2023. This change was substantively enacted during the year ended 31 July 2021. RPDT was effective from 1 April 2022, and is chargeable at 4% of profits generated from residential property development in excess of an annual threshold of £25 million.

The effect of the above tax changes is to increase the standard rate of taxation by:

- 6.0% (corporation tax 2.0% and RPDT 4.0%) compared to the half year ended 31 January 2022.
- 4.7% (corporation tax 2.0% and RPDT 2.7%) compared to the year ended 31 July 2022.

The deferred tax assets/liabilities of the Group at 31 July 2022 were calculated based on the substantively enacted corporation tax and RPDT rates totalling 29.0%. At 31 January 2023 the Group recognised a net deferred tax liability of £7.0 million (31 January 2022 – £7.4 million, 31 July 2022 – £8.8 million).

Working capital

5. Provisions and reimbursement assets

	Legacy building safety improvements provision £m	Reimbursement assets £m	Total £m
At 1 August 2022	(441.5)	-	(441.5)
Adjusting item – cost of sales (note 2)	(53.0)	50.0	(3.0)
Analysed as:			
Additions	(95.2)	50.0	(45.2)
Released	19.0	-	19.0
Change in discount rate	23.2	-	23.2
Utilised	16.8	-	16.8
Adjusting item - unwinding of discount – finance expense (notes 2,7)	(3.2)	-	(3.2)
At 31 January 2023	(480.9)	50.0	(430.9)

The reimbursement assets of £50.0 million at the 31 January 2023 includes one-off cost recoveries across several sites, which have been pursued for several years.

The provision is classified as follows:

	Legacy building safety improvements provision £m
Current	(67.4)
Non-current	(413.5)
At 31 January 2023	(480.9)

Notes (continued)

5. Provisions and reimbursement assets (continued)

The basis for establishing the legacy building safety improvements provision is set out in note 2. The discount rates are updated to reflect UK gilt rates at each balance sheet date, with these rates increasing since 31 July 2022. The increase in the discount rates resulted in a reduction in the provision of £23.2 million.

Financing

6. Analysis of net cash

	At 1 August 2022 £m	Cash flows £m	At 31 January 2023 £m
Cash and cash equivalents	375.3	47.2	422.5
Fixed rate sterling USPP notes	(130.0)	-	(130.0)
Net cash	245.3	47.2	292.5

7. Finance income and expenses

	Half year ended 31 January 2023 £m	Half year ended 31 January 2022 £m	Year ended 31 July 2022 £m
Interest receivable on bank deposits	2.8	-	0.5
Net interest on defined benefit asset	0.1	0.1	0.1
Other interest receivable	0.8	0.4	1.0
Finance income	3.7	0.5	1.6
Interest payable on bank loans and overdrafts	1.5	1.3	2.5
Interest payable on fixed rate sterling USPP notes	1.7	1.7	3.4
Interest on deferred term land payables	6.3	3.3	7.3
Unwinding of the discount on the legacy building safety provision (notes 2,5)	3.2	-	2.0
Interest payable on leases	0.2	0.2	0.5
Finance expenses	12.9	6.5	15.7

8. 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. Other financial liabilities are subsequently measured at amortised cost using the 'effective interest rate' method.

The carrying values and fair values of financial assets and liabilities are materially the same.

Notes (continued)

Shareholder capital

9. Equity

Issued capital

The Group had 123,487,367 (2022 – 123,401,805) allotted, called up and fully paid 12.5p ordinary shares at 31 January 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 (2022 – 268,240 shares) and the Trust transferred 3,913 (2022 – 36,947) shares to employees and directors. The number of shares held within the Trust and on which dividends have been waived, at 31 January 2023 was 327,202 (2022 – 333,146). These shares are held within the financial statements at a cost of £8.8 million (2022 – £9.0 million). The market value of these shares at 31 January 2023 was £6.9 million (2022 – £9.5 million).

Capital redemption reserve

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

10. Dividends on equity shares

Amounts recognised as distributions to equity holders in the period:

	Half year ended 31 January 2023 £m	Half year ended 31 January 2022 £m	Year ended 31 July 2022 £m
Final dividend for the year ended 31 July 2022 of 95.0p per share (2021 – 82.5p)	117.0	101.8	101.8
Interim dividend for the year ended 31 July 2022 of 45.0p per share (2021 – 35.0p)	-	-	55.4
	117.0	101.8	157.2
Interim dividend for the year ending 31 July 2023 of 45.0p per share (2022 – 45.0p)	55.4	55.4	117.0

The interim dividend was approved by the Board on 27 March 2023 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 3 July 2023 to all ordinary shareholders on the Register of Members on Friday 26 May 2023. The ex-dividend date is Thursday 25 May 2023.

Notes (continued)

Contingencies and related parties

11. Contingent liabilities

Legacy building safety improvements

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

As detailed in note 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. For these developments we have established that the cost of the remedial works satisfies the accounting requirements of a provision at the balance sheet date. While a prudent approach has been taken, the extent of the provision could increase or reduce, in line with normal accounting practice if new issues are identified or if estimates change, as Bellway and building owners continue to undertake their own investigative works on these and other schemes within the legacy portfolio.

12. Related party transactions

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

Other than the acquisition of 100% of the ordinary share capital of Rosconn Strategic Land Limited for £25.4 million on 12 October 2022, which does not satisfy the requirements of a business combination, the related parties are consistent with those disclosed in the Group's Annual Report and Accounts for the year ended 31 July 2022.

Notes (continued)

Other information

13. Alternative performance measures

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

The APMs used by the Group are defined below:

- **Underlying gross profit and underlying operating profit** – Both of these measures are stated before net legacy building safety expense and exceptional items and are reconciled to total gross profit and total operating profit on the face of the Condensed Group Income Statement. The Directors consider that the removal of the net legacy building safety expense and exceptional items provides a better understanding of the underlying performance of the Group.
- **Underlying gross margin** – This is gross profit before net legacy building safety expense and exceptional items divided by total revenue. The Directors consider this to be an important indicator of the underlying trading performance of the Group.
- **Administrative expenses as a percentage of revenue** – This is calculated as the total administrative overheads divided by total revenue. The Directors consider this to be an important indicator of how efficiently the Group is managing its administrative overhead base.
- **Underlying operating profit margin** – This is operating profit before net legacy building safety expense and exceptional items divided by total revenue. The Directors consider this to be an important indicator of the operating performance of the Group.
- **Net underlying 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 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 proposed interim ordinary dividend, and for the full year it is the interim dividend paid plus the proposed final dividend. The Directors consider this an important indicator of the proportion of underlying earnings paid to shareholders and reinvested in the business.
- **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)

13. Alternative performance measures (continued)

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

	31 January 2023			31 January 2022		
	31 January 2023 £m	31 July 2022 £m	Movement £m	31 January 2022 £m	31 July 2021 £m	Movement £m
Per balance sheet						
Land	2,696.6	2,786.4	(89.8)	2,607.9	2,483.9	124.0
Work-in-progress	1,602.5	1,524.8	77.7	1,360.1	1,431.4	(71.3)
(Decrease)/increase in capital invested in land and work-in-progress in the period			(12.1)			52.7
Land creditors	(372.4)	(393.4)	21.0	(349.0)	(455.8)	106.8
Increase in capital invested in land, net of land creditors, and work-in-progress in the period			8.9			159.5

- **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 2023			31 January 2022		
	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	317.7		317.7	332.2		332.2
Capital employed/land creditors:						
Opening	3,367.8	393.4	3,761.2	3,287.8	455.8	3,743.6
Half year	3,481.4	372.4	3,853.8	3,429.8	349.0	3,778.8
Average	3,424.6	382.9	3,807.5	3,358.8	402.4	3,761.2
Annualised underlying return on capital employed	18.6%		16.7%	19.8%		17.7%

Notes (continued)

13. Alternative performance measures (continued)

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

	31 January 2023			31 January 2022		
	Capital employed	Land creditors	Capital employed including land creditors	Capital employed	Land creditors	Capital employed including land creditors
	£m	£m	£m	£m	£m	£m
Operating profit	314.7		314.7	312.6		312.6
Capital employed/land creditors:						
Opening	3,367.8	393.4	3,761.2	3,287.8	455.8	3,743.6
Half year	3,481.4	372.4	3,853.8	3,429.8	349.0	3,778.8
Average	3,424.6	382.9	3,807.5	3,358.8	402.4	3,761.2
Annualised return on capital employed	18.4%		16.5%	18.6%		16.6%

- **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 2023 £m	31 January 2022 £m
Profit for the period	234.6	266.3
Net assets:		
Opening	3,367.8	3,287.8
Half year	3,481.4	3,429.8
Average	3,424.6	3,358.8
Annualised post tax return on equity	13.7%	15.9%

- **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 2023 £m	31 January 2022 £m
Profit for the period	230.0	250.4
Net assets:		
Opening	3,367.8	3,287.8
Half year	3,481.4	3,429.8
Average	3,424.6	3,358.8
Annualised post-tax return on equity	13.4%	14.9%

Notes (continued)

13. Alternative performance measures (continued)

- **Total growth in value per ordinary share** – The Directors use this as a proxy for the increase in shareholder value since 31 January 2020. A period of 3 years is used to reflect medium-term growth.

Net asset value per ordinary share:		
At 31 January 2023	2,819p	
At 31 January 2020	2,467p	
	<hr/>	
Net asset value growth per ordinary share		352p
Dividend paid per ordinary share:		
12 months to 31 January 2023	140.0p	
12 months to 31 January 2022	117.5p	
12 months to 31 January 2021	50.0p	
	<hr/>	
Cumulative dividends paid per ordinary share		307.5p
		<hr/>
Total growth in value per ordinary share		<u>659.5p</u>

- **Annualised accounting return in NAV and dividends paid since 31 January 2020** – 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 2020 (as detailed above) divided by the net asset value per ordinary share at 31 January 2020. The Directors use this as a proxy for the increase in shareholder value since 31 January 2020.

Net asset value growth per ordinary share	352p	
Dividend paid per ordinary share	307.5p	
	<hr/>	
Total growth in value per ordinary share	659.5p	
Net asset value per ordinary share at 31 January 2020	2,467p	
	<hr/>	
Total value per ordinary share	3,126.5p	
Annualised accounting return = $(3,126.5/2,467)^{(1/3)}-1$	8.2%	
	<hr/>	

- **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 2023	2,819p	
At 31 January 2022	2,779p	
	<hr/>	
Net asset value growth per ordinary share		40p
Dividend paid per ordinary share:		
12 months to 31 January 2023	140.0p	
	<hr/>	
Capital growth in the 12 month period		<u>180.0p</u>

- **Net cash/(debt)** – This is the cash and cash equivalents less bank debt and fixed rate sterling USPP notes. The Directors consider this to be a good indicator of the financing position of the Group. This is reconciled in note 6.

Notes (continued)

13. Alternative performance measures (continued)

- **Average net cash/(debt)** – This is calculated by averaging the net debt/cash position at 1 August and each month end during the period. The Directors consider this to be a good indicator of the financing position of the Group throughout the period.
- **Cash generated from operations before investment in land, net of land creditors, and work-in-progress** – This is calculated as shown in the table below. The Directors consider this as an indicator of whether the Group is generating cash before investing in land and work-in-progress to achieve future growth.

	31 January 2023 £m	31 January 2022 £m
Cash from operations	245.0	23.5
Add: increase in capital invested in land, net of land creditors, and work-in-progress (as described above)	8.9	159.5
	<hr/>	<hr/>
Cash generated from operations before investment in land, net of land creditors, and work-in-progress	253.9	183.0

- **Gearing** – This is calculated as net debt divided by total equity. The Directors consider this to be a good indicator of the financial stability of the Group.
- **Adjusted gearing** – This is calculated as the total of net debt/cash and land creditors divided by total equity. The Directors believe that land creditors are a source of long-term finance so this provides an alternative indicator of the financial stability of the Group.
- **Order book** – This is calculated as the total expected sales value of current reservations that have not legally completed. The Directors consider this to be an important indicator of the likely future operating performance of the Group.

14. Post balance sheet events

Self-Remediation Terms

On 7 April 2022, Bellway announced that the commitment, via the Building Safety Pledge (the 'Pledge'), to proficient remediation of legacy schemes would be extended to include buildings constructed by the Group since 5 April 1992 and further pledged to reimburse any costs incurred to date by the Building Safety Fund and the ACM Fund.

On the 30 January 2023, the Department for Levelling Up, Housing and Communities ('DLUHC') published the Self-Remediation Terms and Deed of Bilateral Contract which seeks to incorporate the commitments made by housebuilders under the Pledge, into a contractual arrangement. The contract does not extend the scope of the liabilities from those included in the Pledge. Bellway entered into the contract with DLUHC on 13 March 2023.

Share buyback

The Board has approved a return of £100 million surplus capital to shareholders, through a share buyback programme, with contract terms agreed on Monday 27 March 2023. The buyback programme will consist of two tranches. The first £50 million tranche is irrevocable, and it will therefore be recognised as a liability, on 27 March 2023. The second £50 million tranche is not yet contracted; it can therefore be revoked and, as such, it is not yet recognised as a liability.

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
<p>Construction resources Shortages of building materials and appropriately skilled subcontractors at competitive prices.</p>	<ul style="list-style-type: none"> ▪ 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. 	<ul style="list-style-type: none"> ▪ Number of homes sold. ▪ Operating profit. ▪ Operating margin. ▪ EPS. ▪ Gross margin. ▪ Customer Satisfaction score. 	<ul style="list-style-type: none"> ▪ 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.
<p>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.</p>	<ul style="list-style-type: none"> ▪ Reduced affordability has a negative impact on customer demand for new homes and consequently our ability to generate sales at good returns. 	<ul style="list-style-type: none"> ▪ Number of homes sold. ▪ Operating profit. ▪ Operating margin. ▪ RoCE. ▪ EPS. ▪ Gross margin. ▪ Customer Satisfaction score. ▪ Reservation rate. ▪ Order book value. 	<ul style="list-style-type: none"> ▪ 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.
<p>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.</p>	<ul style="list-style-type: none"> ▪ 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. 	<ul style="list-style-type: none"> ▪ Tonnes of carbon emissions per legal completion. ▪ Percentage of renewable electricity. ▪ Tonnes of waste per home built. ▪ Percentage of waste diverted from landfill. 	<ul style="list-style-type: none"> ▪ 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 of science-based carbon reduction targets.

<p>Health and safety A serious health and safety breach and/or incident occurs.</p>	<ul style="list-style-type: none"> ▪ 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. 	<ul style="list-style-type: none"> ▪ 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. 	<ul style="list-style-type: none"> ▪ 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.
<p>Human resources Inability to attract, recruit and retain high quality people.</p>	<ul style="list-style-type: none"> ▪ Failure to attract and retain people with appropriate skills would affect our ability to perform and deliver our strategy and volume growth targets. 	<ul style="list-style-type: none"> ▪ 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. 	<ul style="list-style-type: none"> ▪ 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.
<p>IT and security Failure to have suitable IT systems in place that are appropriately supported and secured.</p>	<ul style="list-style-type: none"> ▪ 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. 	<ul style="list-style-type: none"> ▪ Operating profit. ▪ Operating margin. ▪ RoCE. ▪ EPS. ▪ Gross margin. ▪ Customer Satisfaction score. 	<ul style="list-style-type: none"> ▪ 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.
<p>Land and planning Inability to source suitable land at appropriate gross margins and return on capital employed. Delays and complexity in the planning process.</p>	<ul style="list-style-type: none"> ▪ 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. 	<ul style="list-style-type: none"> ▪ 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'. 	<ul style="list-style-type: none"> ▪ 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.
<p>Legal and regulatory compliance Failure to comply with legislation and regulatory requirements.</p>	<ul style="list-style-type: none"> ▪ 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. 	<ul style="list-style-type: none"> ▪ Number of homes sold. ▪ Operating profit. ▪ Operating margin. ▪ RoCE. ▪ EPS. ▪ Gross margin. 	<ul style="list-style-type: none"> ▪ 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.

			<ul style="list-style-type: none"> ▪ Regular liaison with industry peers and the HBF on compliance requirements and matters.
<p>Unforeseen significant event An unforeseen significant national or global event occurs.</p>	<ul style="list-style-type: none"> ▪ The economic uncertainty brought about by an unforeseen significant event, such as the COVID-19 pandemic, could materially impact the Group's operations and liquidity. ▪ Damage to reputation if the Group is not perceived to be following Government guidelines and acting responsibly. ▪ We are also mindful of the tragic conflict in Ukraine and growing humanitarian crisis. We continue to monitor the situation, acknowledging the potential impact on the UK economy, supply chains and inflation. 	<ul style="list-style-type: none"> ▪ NAV. ▪ Operating profit. ▪ Operating margin. ▪ RoCE. ▪ EPS. ▪ Total dividend per ordinary share. ▪ Gross margin. ▪ Reservation rate. ▪ Order book value. ▪ Employee turnover. 	<ul style="list-style-type: none"> ▪ 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

Average Selling Price

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

COVID

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

DLUHC

Department for Levelling Up, Housing and Communities.

Earnings per Share ('EPS')

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

Executive Board

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

Home Builders Federation ('HBF')

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

Help-to-Buy

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

Land Bank

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

National House Building Council ('NHBC')

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

Pipeline

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

Planning Permission

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

REGO

This is Renewable Energy Guarantees of Origin certified electricity.

Residential Property Developer Tax ('RPDT')

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

RIDDOR

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

Site/Phase

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

Social Housing

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

Underlying

Throughout this announcement, underlying refers to any statutory performance measure or alternative performance measure which is before net legacy building safety expense 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 2023 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 2022. Denise Jagger retired from the Board as a non-executive director on 16 December 2022.

For and on behalf of the Board

Jason Honeyman
Group Chief Executive

Registered number 1372603
27 March 2023

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