Building homes, building value

Bellway p.l.c.
Annual Report and Accounts 2019

Financial and Strategic Highlights

Group revenue (£m)

£3,213.2m +8.6%

Profit before taxation (£m)

£662.6m +3.4%

Average selling price (£)

£291,968 +2.5%

Order book value at 31 July (£m)

£1,223.9m -5.9%

Plots contracted in the year (plots)

13,113 plots +1.2%

Owned and controlled land bank (plots)

42,721 plots +4.0%

Note:

Unless otherwise stated all numbers throughout the Annual Report and Accounts exclude joint ventures.

In this report

For further details on our business please visit:

www.bellwayplc.co.uk

Bellway has been building quality homes for over 70 years.

We also build careers for nearly 3,000 people.

We build trust by working in a sustainable way.

We build value for our shareholders.

We are building homes, building value.

Why Bellway

Our **homes**

We build high quality homes designed to complement the style of existing local architecture in communities that meet local demand and enhance the area in which they are built. With a range that extends from one-bedroom apartments to six-bedroom family homes, we offer an extensive choice from which customers can choose a property that meets their particular requirements. We also provide homes to housing associations for social housing.

Our focus is to provide desirable, traditional family housing across our divisions outside of London and to provide apartments within the London boroughs, with our activity in London predominantly in zone 3 and beyond.

Our **brands**

Bellway and Ashberry are the main brands we use to sell our homes. Bellway is the brand we are most well known for. The Ashberry brand was introduced a few years ago as a means of helping us to develop larger sites more quickly. These sites are dual branded and shared between adjacent divisions so one will sell as Bellway and the other as Ashberry. Ashberry branded homes are of equal quality to Bellway homes but offer customers different elevations and interior specifications. We have also launched a Bellway London brand.

Bellway Ashberry Homes

Our **people**

Our people are the key to our success and we aim to provide them with a rewarding and fulfilling career.

Bellway has long had a reputation as a good employer, taking a personal interest in its workforce and supporting career development. As a result, many employees have spent a large proportion of their working lives with us. However, we are not complacent and strive to continue to be an employer of choice.

Our **customers**

We pride ourselves on understanding the aspirations of all of our customers, not just in the type of home that suits their needs, but in the environment in which they want to live. All of our customers are treated with the same high level of customer service. Our high standard of service and build quality is endorsed by our customers, with 9 out of 10 customers saying they would recommend to a friend buying a new home from Bellway. Our Customer Experience Committee drives improvements to quality and works to develop and share best practice across the Group to further enhance our service to customers.

Our **business**

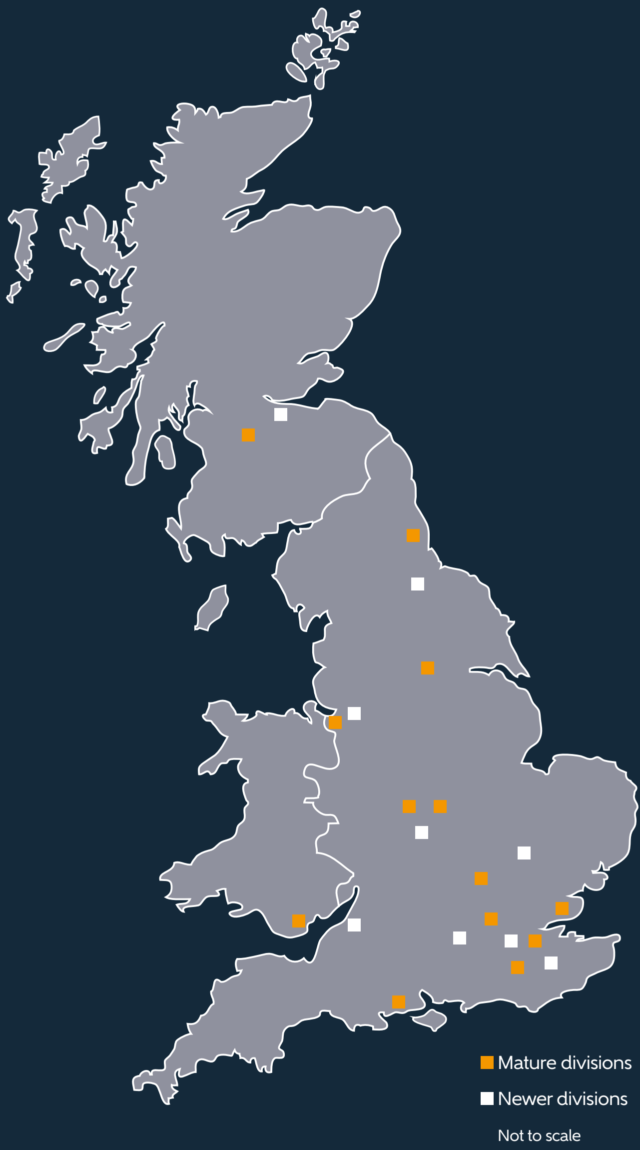
We are committed to being a responsible homebuilder. Our aim is to operate our business in an ethical and sustainable manner while at the same time building attractive, desirable and sustainable developments in which customers want to live, in harmony with existing communities.

As one of the UK's largest homebuilders, we have an important role to play in addressing the national housing shortage by building high quality homes in desirable locations. We work with a range of stakeholders to build trust so that we can fulfil this role whilst at the same time operating our business in a socially responsible, ethical and sustainable way.

We currently operate from 22 divisions covering the main population centres across England, Scotland and Wales. Our divisional structure allows local management teams to respond to specific demands in their area and, through their detailed local knowledge, acquire land on which to design and build homes that meet or exceed the expectations of our customers and contribute to creating strong local communities. The divisional teams are supported by our Regional Chairmen and by our specialist Head Office teams.

Our capacity for **growth**

We continue to focus on our growth strategy to help us build on our success in 2018/19 and beyond. Providing market conditions continue to remain supportive, the Group has the operational and financial strength to further expand the divisional network, thereby supporting additional growth in the years ahead and delivering further sustainable long-term returns for shareholders.



Rating from the Home Builders Federation Customer Satisfaction survey

5 star

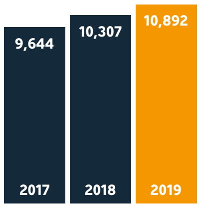
Principal KPIs

The Group has seven principal KPIs, which are shown below. Our secondary performance measures, which support these KPIs, are shown on pages 12 to 16.

Number of homes sold (homes)

10,892 homes

+5.7%

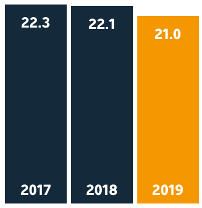


This KPI demonstrates how well the business model is able to support the Group's strategy of delivering volume growth.

Operating margin (%)

21.0%

-110bps

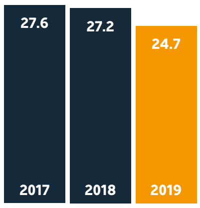


Operating margin demonstrates how efficiently the business is being operated.

Return on capital employed (%)(~)

24.7%

-250bps

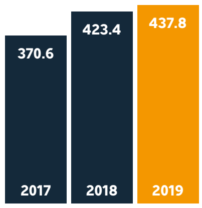


Return on capital employed ('RoCE') is a key indicator of how we are delivering our strategy of building shareholder value, which is reliant on land acquisition and the subsequent performance of our developments.

Earnings per ordinary share (p)

437.8p

+3.4%

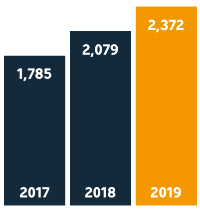


Earnings per ordinary share ('EPS') is a useful measure of how profitable Bellway is, year on year.

Net asset value per ordinary share (p)(~)

2,372p

+14.1%

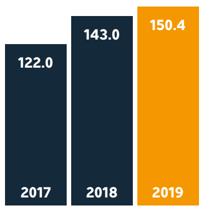


The directors consider net asset value per ordinary share ('NAV') to be a useful proxy when reviewing whether shareholder value, on a share by share basis, has increased or decreased in the period.

Total dividend per ordinary share (p)

150.4p

+5.2%



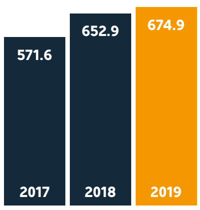
This is another useful indicator of how the directors are delivering the strategy of generating shareholder value, particularly when combined with NAV. Note that the 2019 final dividend figure is proposed.

Operating profit (£m)

£674.9m

+3.4%

- R -



Operating profit is another measure of how efficiently the business is being operated and of the profitability of the Group's core business. This KPI is one of the measures used to determine the directors' annual bonus payment.

Note:

~ Bellway uses a range of statutory performance measures and alternative performance measures when reviewing the performance of the Group against its strategy. Definitions of the alternative performance measures and a reconciliation to statutory performance measures can be found on pages 116 to 117. Throughout this report '~' refers to alternative performance measures.

- R - Link to remuneration – see pages 58 to 76.

Chairman's Statement

> The Board continues to believe that value generation is best evaluated through capital growth, by increasing net asset value per share, together with the payment of a regular dividend.
>
> **Paul Hampden Smith**
> Chairman

Introduction

The Group, now comprising 22 operating divisions, delivered another positive set of results, consistent with its long-term growth strategy and in doing so, achieved record volume, revenue and profit. In this tenth consecutive year of volume growth, Bellway completed the sale of 10,892 homes (2018 – 10,307), thereby making another substantial contribution to addressing the housing shortage in the UK. This growth, together with a solid operational performance, resulted in a 3.4% increase in earnings per share, which rose to 437.8p (2018 – 423.4p). Return on Capital Employed ('RoCE') also remained high at 24.7%(~) (2018 – 27.2%).

Importantly, growth was achieved alongside a continued prioritisation of both build quality and customer care. For the third year in succession, the Group was recognised as a five star homebuilder, a testament to our significant and continued efforts in this crucial aspect of the business. This achievement further builds upon our reputation as a leading national homebuilder, with a focus on customer service and quality. Bellway remains fully committed to growing the business in a safe, responsible and sustainable manner.

The Group has consistently exercised strong financial disciplines, resulting in net cash at 31 July of £201.2 million(~) (2018 – £99.0 million). The strength and efficiency of the balance sheet will not only provide Bellway with significant flexibility and capacity for future investment, but it also ensures that the Group can respond positively should there be any unexpected changes in the economic environment.

Market conditions supportive of disciplined volume growth strategy

The ongoing imbalance between supply and demand for affordably priced, good quality housing remains across many parts of the country. Additionally, strong demand for new homes has continued to be supported by the ongoing availability of Help to Buy, together with an environment of low interest rates.

The land market remains attractive and the planning environment favourable, with the Group continuing to identify value enhancing opportunities which meet our requirements in respect of both gross margin and RoCE. Whilst a shortage of skilled labour remains a challenge for the wider construction sector, this did not prevent Bellway from delivering a record number of new homes in the year.

Bellway continues to draw upon these favourable market conditions, retaining its clear strategy to deliver long-term and disciplined volume growth. This, together with the continued focus on quality and customer care, enables all stakeholders to benefit from our continued success.

Commitment to value creation over the long-term

The Board continues to believe that value generation is best evaluated through capital growth, by increasing net asset value per share ('NAV'), together with the payment of a regular dividend.

For the year ended 31 July 2019, the solid trading performance resulted in NAV rising by 14.1% to 2,372p(~) (2018 – 2,079p). Furthermore, the growth in earnings has enabled the Board to recommend a 5.3% increase in the final dividend to 100.0p per share (2018 – 95.0p), increasing the proposed total dividend for the year by 5.2% to 150.4p per share (2018 – 143.0p). The dividend is determined following careful consideration of capital requirements, as well as the Group's operational capability to deliver further long-term volume growth. If approved, the total dividend will be covered by earnings by 2.9 times (2018 – 3.0 times).

Measured over the medium-term, in the three years since 31 July 2016, the increase in NAV of 850p and cumulative dividend payments of 389.4p per share have resulted in total growth in value of 1,239.4p(~) per share. This is equivalent to a substantial annualised accounting return of 22.0%(~) relative to the 31 July 2016 NAV of 1,522p per share.

For the foreseeable future, and assuming continued opportunity for investment and volume growth, the Group will continue to reinvest earnings into attractive land opportunities, as well as delivering sustainable and appropriate growth in the dividend, thereby driving further long-term value creation for shareholders.

People and supply chain

It is the hard work, dedication and efforts of those who have worked for and with Bellway over the last twelve months which have enabled the Group to deliver these record results in a responsible and sustainable manner. On behalf of the Board I would therefore like to extend our gratitude to all of those who have contributed to another strong performance.

Paul Hampden Smith
Chairman

14 October 2019

Our Marketplace

Conditions in the new build UK housing market remain positive, with strong demand for affordably priced homes supported by high employment, good access to affordable mortgage finance and the continued availability of Help to Buy.

The primary market factors that can affect the Group's performance against its strategy are as follows:

The affordability of mortgages

Mortgage affordability is a crucial ingredient for a successful and sustainable housing market. Access to affordable finance assists potential purchasers in securing a new home. Competition in the mortgage market and low interest rates ensure new homes remain affordable. Average mortgage repayments, as a percentage of income, have gradually fallen from a peak in 2007, following the downturn in the housing market in 2008/09.

The chart below demonstrates the affordability of houses in the UK:

The availability of mortgages

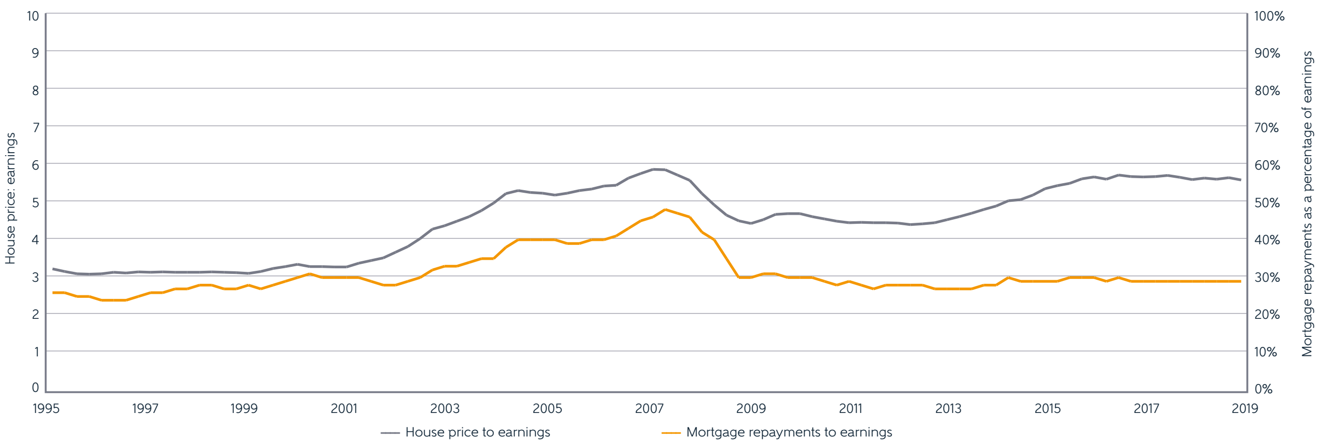
Mortgage availability is an important component in a successful housing market. Following the introduction of the government's Help to Buy scheme in April 2013 for new build homes, the availability of 75% loan to value mortgage finance has increased significantly, thereby assisting in an increase in the sale of new homes, particularly for first-time buyers or purchasers in London where affordability is most constrained.

The government announcement that the equity loan element of the Help to Buy scheme in England will be supported up to 2023, although with lower regional limits, provides certainty for the new build housing market and will greatly assist purchasers of new homes and first-time buyers, in particular. It also allows the industry to invest for the medium-term.

Help to Buy now accounts for 31% of all homes sold in the new build sector, and 36% of all homes we sell. Undoubtedly, this has helped boost new build output, which represents an increasing proportion of the overall market.

Due to the confidence in the current marketplace, aided by the continued success of Help to Buy, lenders are offering a wider range of more competitive products to buyers. This increased willingness of lenders to provide funding together with the introduction of the Mortgage Market Review has resulted in a more sustainable mortgage market.

Affordability of houses in the UK



Source: Halifax

Demand

Demand for new homes remains strong across the country.

Help to Buy provides ongoing support to the sector's ability to grow output, providing access to mortgage finance for those with at least a 5% deposit. Additionally, the ongoing environment of low interest rates ensures that new homes remain affordable in a historical context, further supporting the strong underlying demand.

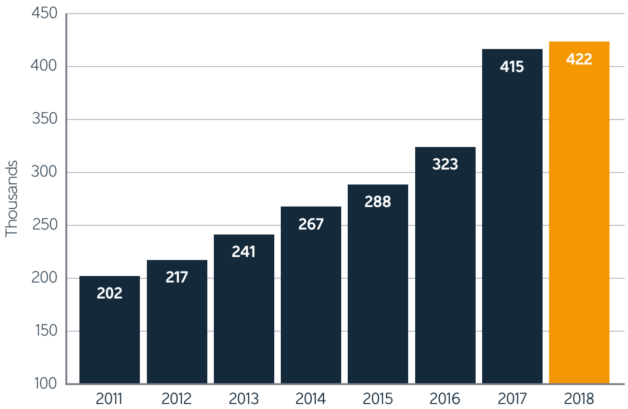
Supply

Land supply and planning permissions

The land market continues to provide good buying opportunities. House prices are firm, supporting land values and hence vendors' appetite to sell.

The availability of land is supported by a positive planning environment. This is evidenced in the chart below, which shows a record number of planning permissions granted in England, Scotland and Wales over recent years:

Planning permissions granted in England, Scotland and Wales



Source: HBF

The availability of land at attractive margins

Acquiring land in areas of high demand and in attractive locations, in accordance with the Group's financial and non-financial acquisition criteria, is one of the key factors in the success of Bellway.

The market for land in the UK, particularly in the main conurbations, remains competitive.

The planning system

The Group's ability to deliver new homes is dependent on the efficiency of the planning system, to provide the necessary planning consents in a timely and effective manner, to meet the requirements of the Group's volume targets.

The National Planning Policy Framework system ('NPPF') introduced in March 2012, working in parallel with the Localism Act 2011, has had a positive effect on the planning environment. This is evidenced by an increase in the number of planning permissions over recent years. Further changes as a result of the revised NPPF, published in July 2018, and the government's housing white paper, which includes favourable proposals such as 'brownfield' first, a standard method for calculating housing need and a requirement to publish 'ambitious' local plans, has resulted in an uplift in housing demand in many locations across the UK, however, it has resulted in more difficult circumstances in the north of England with many local authorities reducing their housing target.

Availability of labour and materials

Labour and material availability remain a constraint to growth in the sector, with pressures tending to be specific to certain trades, locations and supplies of items such as structural timber, plastics, bricks and blocks. These pressures are a result of the growth in housebuilding over the last five years, an industry-wide lack of investment in training over the long-term and the cyclical nature of the industry. As a result, good forward planning disciplines, longer lead-in times and extended build periods over recent years all need to be considered when planning construction and sales programmes. There has been some ongoing, but manageable, upward pressure on material costs, arising due to the weaker exchange rate, and whilst labour availability in general remains an issue for the industry, the shortage does not appear to have been exacerbated as a result of the decision to leave the EU.

Summary of market backdrop

The market backdrop supporting Bellway's ongoing and disciplined growth strategy remains favourable.

- The ongoing imbalance between supply and demand for affordably priced, good quality housing remains across many parts of the country.
- Strong demand for new homes has continued to be supported by the ongoing availability of Help to Buy, together with an environment of low interest rates.
- The land market remains attractive and the planning environment favourable, with the Group continuing to identify value enhancing opportunities which meet our requirements in respect of both gross margin and RoCE.
- Whilst a shortage of skilled labour remains a challenge for the wider construction sector, this did not prevent Bellway from delivering a record number of new homes in the year.
- There is cross-party support to deliver an increased supply of new homes.

Bellway continues to draw upon these favourable market conditions, retaining its clear strategy to deliver long-term and disciplined volume growth. This, together with the continued focus on quality and customer care, enables all stakeholders to benefit from our continued success.

The Group's strategic priorities take into consideration this synopsis of the market backdrop.

Key Stakeholder Relationships

Maintaining good relationships with our essential stakeholders is key to what we do – ensuring our business runs effectively and our homes add value to the local community.

Customers

- Our highly trained and dedicated team of Sales Advisors engage and communicate with customers from the first visit, through the home reservation stage and on to the final legal completion and beyond. They are always available to help ensure that the whole home buying process runs as smoothly as possible.
- Following legal completion, our Customer Charter sets out the process of engagement with our customers to ensure that the after-sales experience continues to be a positive one.
- Our dedicated customer care team at each division is supported by a Group Head of Customer Care and our Customer Experience Committee.

Investors

- Our executive management team meets with major shareholders and analysts at least twice a year to discuss interim and full year financial results.
- The Board receives reports from our brokers and PR advisors following our interim and full year results presentations that provide feedback from investors and analysts.
- We seek the views of shareholder representative bodies where necessary, especially on the areas of director remuneration and Board succession.
- We respond to ad hoc queries from shareholders wherever possible.
- During the year the Chairman met with or wrote to our top 15 shareholders.

Employees

- We ensure that our colleagues are well informed and have the knowledge they need to operate successfully in the best interests of Bellway, our customers and stakeholders.
- Our employees receive regular communications and training in relation to changes to policies, procedures, services and advice.
- The focus of our dedicated Human Resources team continues to be on the attraction, development and retention of talent across the business.
- Senior management regularly present to the Board and directors visit the divisions, which helps to inform the Board on matters that are important to our employees.

Suppliers/ consultants/sub-contractors

- We regularly hold meetings and communicate with our suppliers, sub-contractors and consultants, passing on relevant information to each division as appropriate. Where there is new product information, this is communicated in a timely manner to each division.
- Our Group Commercial department oversees the development of our relationships with and management of our supply chain. The uncertainty surrounding Brexit poses a potential threat to materials' availability, however, we have good forward planning disciplines and we have engaged with key suppliers to ensure that there is minimal short-term effect on the supply chain.
- We strive to maintain long-term working relationships with reputable sub-contractors to reduce health and safety risks and to ensure the availability and quality of materials and labour.
- We strive to maintain long-term working relationships with our suppliers, sub-contractors and consultants to further strengthen the long-term interests of our business.

Local communities

- Prior to the submission of a planning application, we undertake comprehensive consultation with the local community in accordance with the public engagement policy of the local authority. This frequently involves informing communities about the proposed development and attending public meetings and exhibitions. In consultation with the local authority, we listen and act on feedback received where reasonable and practicable.
- This process allows us to ensure that the views of the local community and neighbouring land owners are taken into account as far as is reasonable and practicable.
- We operate the Considerate Constructors Scheme on developments where appropriate.

Government and regulators

- We maintain national and regional representation with Homes England, working closely on their public land and housing investment agendas. We are a significant partner in the government's Help to Buy programme and, through our presence on national forums, we contribute to the efficient delivery of this major policy initiative.
- We are an active participant in the Homes and Communities Agency's Delivery Partner Panel ('DPP3'). We have national coverage through representation in all five regional frameworks and are also a member of the Greater London Authority's ('GLA') London Development Panel.
- Regional and local government policy has a significant influence on the operation of our business and we seek to work collaboratively with local authorities and key statutory bodies, ensuring that developments are brought forward efficiently and with regard to local needs. In London we work closely with the GLA and London boroughs, and elsewhere engage at a senior level with both the Welsh Assembly and Scottish Parliament, working closely on their respective Help to Buy programmes.
- Bellway also engages at a strategic level with senior officials within the Ministry of Housing, Communities & Local Government, the treasury and the cabinet office to address the pressing issues of accelerating housing delivery, widening home ownership opportunity and the regeneration of communities.

Affordable housing providers

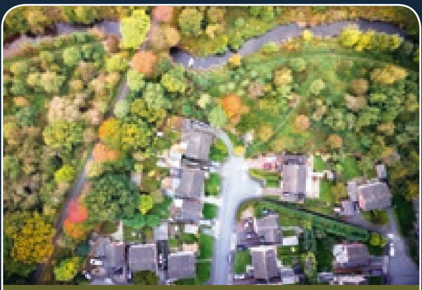
- Effective partnerships with a range of public bodies and agencies is central to the success of Bellway's business. We value the opportunities that partnerships bring and the benefits these relationships deliver to the communities in which we build.
- We have long established relationships with housing association ('HA') partners across the country, ranging from large national and regional organisations to small rural providers. Together we work to build communities and improve the affordability of housing for local people.
- Our engagement with HAs ranges from strategic partnerships and joint ventures to the ongoing delivery of affordable housing on most of our developments. These relationships are maintained across the Group through regular meetings at national, regional and local levels.

Land owners

- We actively seek land for development and are always interested in hearing from land owners and agents who have land to sell.
- Our local teams of specialist land buyers work directly with private land owners, commercial vendors and the public sector alike to realise land opportunities. They are able to consider any site, whether greenfield or brownfield and regardless of current planning status, and they have direct access to substantial funds, allowing for highly competitive offers to be arrived at quickly, subject to the appropriate approval process.
- Through our local regional offices we have extensive knowledge of local planning policies and frameworks and have proven expertise in guiding challenging sites through the planning system.
- In addition to acquiring land outright, we are also able to consider joint venture and partnership agreements.

Business Model

The following timeline demonstrates how we create value from purchasing land to selling homes.

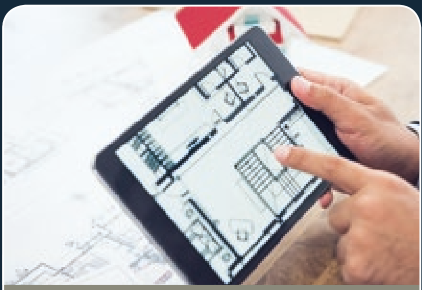


Selecting the right land

For more information see page 12.

What we do

- Land opportunities are identified by our divisional and Head Office land and planning teams using their local knowledge and contacts. A viability assessment and appraisal is prepared by the division, which is assessed in detail at divisional, regional and then Group level, where the final decision is taken on whether to purchase the site. Board approval may also be required depending upon the value and nature of the proposed acquisition.
- The number of large, long-term sites that we own is strictly controlled to avoid having too much capital tied up or concentrated in one location.
- We often secure land without the benefit of an implementable detailed planning permission ('DPP'), typically brownfield sites with an outline planning consent or on a 'subject to planning' basis. We use the expertise of our land and planning teams to obtain DPP which thereby reduces risks, adds value and enables higher returns.
- We aim to increase the number of homes sold through continued investment in land and in our divisional teams.



Managing the planning process

For more information see page 13.

What we do

- Our land bank is comprised of three tiers:
  - i) owned or unconditionally contracted land with DPP.
  - ii) pipeline plots of land owned or controlled by the Group pending DPP, with development expected to commence within the next three years.
  - iii) strategic land, which is longer-term plots typically held under option.
- Our divisional and Head Office planning teams work closely with local authorities and communities to obtain DPP to construct homes which reflect local planning and vernacular requirements. The divisional and Head Office planning teams progress a combination of medium-term 'pipeline' land and land from our strategic land bank through the planning system.

Constructing the right product

For more information see page 14.

What we do

- We construct a wide range of homes to suit a variety of budgets and lifestyles. Our homes are built to a high standard in compliance with specific building, technical and health and safety regulations and other regulatory requirements, as well as to our own quality standards.
- We take very seriously the health and safety of our employees, sub-contractors and visitors to any of our locations.
- We strive to maintain long-term working relationships with reputable sub-contractors to reduce health and safety risks and to ensure the availability and quality of materials and labour.
- We seek to ensure that we have suitable building materials available at competitive prices to enable us to construct homes to the high standards expected of us by our customers, within budget and on time.
- We closely monitor work in progress to ensure that build rates are consistent with sales rates.

Delivering an excellent customer experience

For more information see page 15.

What we do

- From the moment our customers first encounter Bellway to the day they move into their new home and beyond, we strive to provide an excellent customer experience and to deliver a home which people aspire to live in.
- We have earned a reputation for delivering an excellent experience to our customers throughout the home buying process and beyond.
- Our customer care teams are located within each division and supported at a Group level by our Head of Customer Care.
- Our Customer Experience Committee continues to drive future improvements to quality and customer care.
- We work hard to retain our HBF 5 star homebuilder status.

Investing in our people

For more information see page 16.

What we do

- Our people are key to the success of our business and we aim to provide them with a rewarding and fulfilling career.
- We aim to continue attracting and hiring top quality people to complement our existing workforce.
- We provide opportunities for employees to develop and grow by delivering structured training programmes for graduates, apprentices and trainees through our new Bellway Academy and relevant training for other employees. We are pleased to be launching our new graduate training programme 'Great Careers built with us' this year.
- We provide career pathways to enable long-term development, progression and succession planning.
- We provide information and organise events to promote and encourage our employees to lead a healthy and balanced lifestyle.

How we create value

- Earnings for employees of £188.2 million (2018 – £168.5 million).
- Payments to sub-contractors, suppliers and consultants of £1.7 billion (2018 – £1.6 billion).
- Investment in communities of £77.3 million (2018 – £79.0 million).
- Payments to national and local government of £210.9 million (2018 – £216.0 million).
- Dividends to shareholders of £178.9 million (2018 – £162.6 million).

Over the next few pages we explain our business model in more detail, including how this is aligned with our three corporate responsibility pillars.

Environment

Construction

Society and economy

Selecting the right land

What we rely on

Where sites require planning consent it may take many months to progress a parcel of land through the planning consent promotion process before we can start building and selling homes. We therefore require our land teams to purchase sufficient sites to ensure that we have the necessary amount of land to meet our short-term volume growth targets as well as a pipeline of land for subsequent years.

Alignment with our corporate responsibility pillars

By building a significant number of quality homes on brownfield land we are contributing to the regeneration of areas in mainly urban locations.

By paying section 106 and Community Infrastructure Levy ('CIL') contributions we provide local authorities with revenue for community investment.

Local authorities benefit from additional revenue under the New Homes Bonus.

For more information see pages 33 to 41.

The risk we mitigate

The inability to source suitable land that meets our financial and non-financial acquisition criteria, including minimum gross margin and RoCE hurdle rates. There has been no change to this risk during the year.

For more information see pages 26 to 27.

How we measure our performance

Acquiring high quality sustainable sites in areas of strong customer demand that meet or exceed both our financial and non-financial acquisition criteria is key to the success of the business. Failure to have an adequate supply of land would put our ability to achieve our volume growth targets under pressure. We therefore link part of the executive directors' bonuses to the delivery of a sufficient land bank to meet our growth aspirations. RoCE is a key indicator of how we are delivering our strategy of building shareholder value, which is reliant on land acquisition and the subsequent performance of our developments. Gross margin enables us to monitor the robustness of our land purchasing process and the level of profit on land purchases and we regularly review the pipeline to ensure that our land bank remains appropriate.

Sufficient land bank of plots with DPP

Achieved

No change

- R -

Gross margin (%)

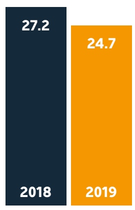
24.6%

-100bps

RoCE (%)(~)

24.7%

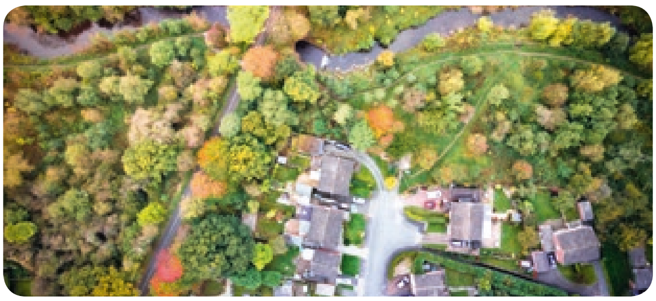
-250bps



Note:

1. Restated following the adoption of IFRS 15 'Revenue from contracts with customers'. See note 25 to the accounts for further details.

- R - Link to remuneration – see pages 58 to 76.



Managing the planning process

What we rely on

Our planning teams build collaborative relationships with local councils, residents and interest groups so that our completed developments benefit the communities in which they are built and reflect local needs. We also rely on government support to the planning process such as the continuation of the NPPF.

Alignment with our corporate responsibility pillars

We consult with local residents as part of the planning process to help us build the homes our customers desire locally.

We make contributions to local communities through section 106 and CIL payments and through the provision of the New Homes Bonus.

For more information see pages 33 to 41.

The risk we mitigate

Delays and increasing complexity and cost in the planning process. There has been no change in this risk during the year.

For more information see pages 26 to 27.

How we measure our performance

These KPIs enable us to monitor the number of plots in each tier of our land bank to ensure they remain sufficient to help us deliver our strategy of volume growth.

At the end of the year we had an appropriate number of plots in each land bank tier to meet our strategy.

Number of plots in owned and controlled land bank with DPP (plots)

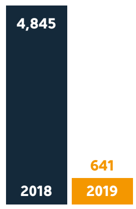
26,421 plots

-1.7%

Number of plots acquired with DPP (plots)

641 plots

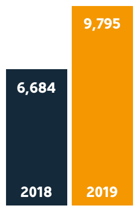
-86.8%



Number of plots converted from medium-term 'pipeline' (plots)

9,795 plots

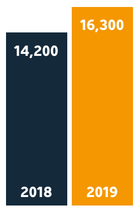
+46.5%



Number of plots in 'pipeline' (plots)

16,300 plots

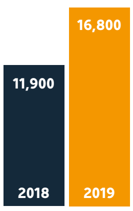
+14.8%



Number of plots in strategic land bank – longer-term interests (plots)

16,800 plots

+41.2%



Number of plots in strategic land bank – positive planning status (plots)

8,800 plots

+3.5%

Constructing the right product

What we rely on

Experienced construction people, strong relationships with skilled sub-contractors and consultants, together with Group purchasing arrangements with suppliers and manufacturers, are key to enabling us to deliver homes built to the right standard, at the right time and at the right price.

Alignment with our corporate responsibility pillars

The health and safety of everyone who works on and visits any of our locations is paramount.

Reducing waste on-site and in divisional offices and sales centres delivers cost savings for the business and reduces the amount of waste sent to landfill.

Building strong long-term relationships with sub-contractors, consultants, and suppliers and manufacturers of materials generates benefits for us, those we do business with and the communities in which we operate.

For more information see pages 33 to 41.

The risks we mitigate

- Shortage of building materials at competitive prices.
- Shortage of appropriately skilled construction people and sub-contractors.
- Significant health and safety risks inherent in the construction process.

There has been no change to these risks during the year.

For more information see pages 26 to 27.

How we measure our performance

The health and safety of our employees, sub-contractors and visitors on site is paramount. Health and safety performance is taken into account as part of the overall assessment of the executive directors' potential bonus payment. Improvements in health and safety performance are indicated by a lower NHBC health and safety incident rate and by a reduction in the RIDDOR seven-day reportable incident rate per 100,000 site operatives.

The number of NHBC Pride in the Job Awards reduced slightly but all other KPIs have improved.

NHBC health and safety incident rate

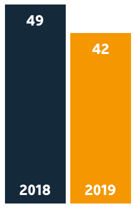
0.856

-1.3%

Number of NHBC Pride in the Job Awards (awards)

42 awards

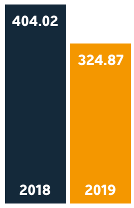
-14.3%



Number of RIDDOR seven-day reportable incidents per 100,000 site operatives (accidents)

324.87 accidents

-19.6%



Number of NHBC Health and Safety Awards (awards)

12 awards

+9.1%

Delivering an excellent customer experience

What we rely on

Sales and customer care teams that are well trained, have the right attitude and have the resources available to them to deliver excellent service to our customers, both before and after occupation of their home. We also rely on well trained Site Managers who are responsible for, and take genuine pride in, the quality of each finished home that we build.

Alignment with our corporate responsibility pillars

We continue to improve energy efficiency by building homes that are, on average, more energy efficient than is required by building regulations.

Customer handover folders contain information on sustainable travel, local recycling centres and energy efficiency advice.

For more information see pages 33 to 41.

The risks we mitigate

There are a number of risks, which if not appropriately mitigated, will negatively impact customer experience. Our risk management processes, including the initiatives being delivered by our Customer Experience Committee, seek to reduce the impact of all of these risks, thus trying to maintain an excellent level of customer experience.

These risks are not regarded as principal risks and so have not been included in our principal risk table on pages 26 to 27. These risks have not changed during the year.

For more information see pages 26 to 27.

How we measure our performance

We have chosen the following KPIs as they demonstrate progress made in delivering our strategy of volume growth. We believe that customer satisfaction plays a very important part in achieving this volume growth and part of the bonus available to the executive directors is based upon improvements made in customer service.

The order book value has fallen slightly, our HBF homebuilder status remains unchanged, but all other KPIs have improved during the year.

Customer satisfaction score (%)

86.4%

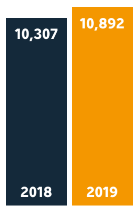
+4bps

-R-

Number of homes sold (homes)

10,892 homes

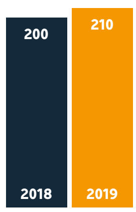
+5.7%



Reservations rate (homes per week)

210 homes per week

+5.0%



HBF homebuilder status (star)

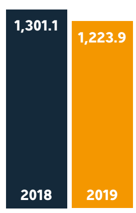
5 star

No change

Order book value at 31 July (£m)

£1,223.9m

-5.9%



-R- Link to remuneration – see pages 58 to 76.

Investing in our people

What we rely on

That our skilled, professional and dedicated employees are provided with the right level of training, support and resources. We also rely on our dedicated Human Resources team, which focusses on the attraction, development and retention of diverse talent across the business. We ensure that the human rights of our employees and of those who work with us are respected and protected, and we ensure that we provide a workplace and environment for our employees to succeed, which looks after their safety as well as their health and wellbeing.

Alignment with our corporate responsibility pillars

We have introduced employee listening groups, made further improvements in training and development and have improved parental leave. We have appointed Diversity and Inclusion Champions in all operating divisions alongside the introduction of mandatory diversity and inclusion training for all employees.

For more information see pages 33 to 41.

The risk we mitigate

The inability to attract and retain appropriate people remains a significant risk to the business. There has been no change to this risk during the year.

For more information see pages 26 to 27.

How we measure our performance

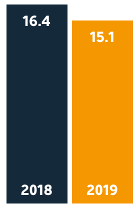
We use the following KPIs as indicators of how successful we have been during the year in managing and developing our people.

We have increased the number of graduates and apprentices within the business, and continue to develop our staff through increased levels of training. However, employee turnover still remains high, and we are taking steps to address this (see our strategy on page 19). The decrease in the percentage of employees who have worked for the Group for 10 years or more is a reflection of the increase in the number of new employees joining the business during this period of sustained growth. We have policies and training in place to protect the human rights of our employees and those who work for us. These are overseen by our Human Resources department to ensure these policies are adhered to, and any concerns are reported through our whistleblowing hotline (see pages 37 and 57 for further information). During the year the Board has increased its focus on the number of women in its senior management team, resulting in an increase to 19% (2018 – 14%).

Employees who have worked for the Group for 10 years or more (%)

15.1%

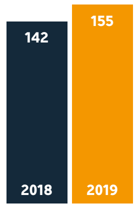
-130bps



Number of graduates and apprentices (number)

155

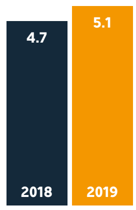
+9.2%



Training days per employee (days)

5.1 days

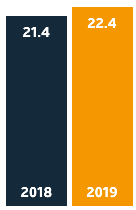
+8.5%



Employee turnover (%)

22.4%

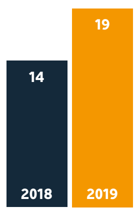
+100bps



Senior management gender split (%)

19%

+500bps



Building homes, building value

by investing in our people

Courtenay Hoare is a trainee buyer in our Wessex division. She joined Bellway part way through a foundation degree and we continued to support her development over a period of three years via a day release programme. Having graduated in June with a first in Construction Management, Courtenay also won an award for her dissertation which looked at diversity within the industry, specifically focussing on the role of women in construction.

Strategy

Bellway's strategy is to build shareholder value through sustainable and disciplined volume growth, utilising the Group's operational and balance sheet capacity, combined with a strong focus on RoCE. This generates growth in the Group's NAV which, when combined with a progressive dividend policy, results in value creation for shareholders.

To achieve our overall strategy we have identified the following seven key strategic priorities.

The metrics we use to measure our performance are on pages 12 to 16.

Strengthening the brand

Overview

The Bellway brand is synonymous with quality homes, built in desirable locations at affordable prices. By making sure that our customers receive an excellent experience we will help to make a Bellway home the home of choice.

How we performed in 2018/19

- We retained our HBF 5 star homebuilder status.
- We have maintained the momentum of our Customer Experience Committee and introduced more formal divisional representation.
- We rolled out our new customer website.
- We rolled out our new Bellway London brand.
- We have improved our customer satisfaction score.

Our plans for 2019/20

- We will work hard to retain our HBF 5 star homebuilder status.
- We will continue to develop and improve our communications with prospective customers, those who are in the buying process and those who own a Bellway home.
- We will aim to further improve our customer satisfaction score.

Volume growth

Overview

Delivering disciplined growth through our national divisional structure, selecting the right land and managing the planning process.

How we performed in 2018/19

- We maintained our current disciplined growth strategy.
- We continued to focus our land buying in areas of strong customer demand and in sustainable locations.
- We secured DPP on sufficient land during the year to meet our requirements for 2019/20.
- We have invested in sufficient land in all tiers of our land bank to support our volume growth aspirations.
- We opened two new divisions during the year.
- We focussed our land buying on sites which suit smaller or lower average selling price homes reflecting the upcoming changes to Help to Buy.

Our plans for 2019/20

- We will maintain our current disciplined growth strategy, whilst being mindful of market conditions.
- We will task newer divisions with delivering ambitious long-term growth plans.
- We will seek to purchase land where possible with the benefit of an existing DPP consent or subject to such consent being granted prior to acquisition.

Driving down costs

Overview

Providing an appropriate product range on housing and apartment developments, at prices that are affordable for our customers and which are built efficiently and to a high quality.

How we performed in 2018/19

- We have made further design improvements to The Artisan Collection of standard house types and secured cost savings through standardisation and procurement efficiencies and improved build times.
- Building upon our already strong culture of cost control, we have launched a two-year Group-wide cost saving initiative, BWY2020, which is designed to generate cost savings, maintain quality and improve efficiencies by sharing and implementing best practice across our divisions.
- We have increased the use of technology to improve benchmarking and secure savings.
- We appointed a new senior and experienced member of staff, the Group Commercial Director.

Our plans for 2019/20

- We will continue design development and the introduction of standard house types into The Artisan Collection.
- We will deliver further cost savings through the BWY2020 initiative, standardisation and procurement efficiencies and improved build times.
- We will trial the use of innovative new products.

Appointing the right people

Overview

Providing our people with a rewarding and fulfilling career, enabling them to achieve their full potential and deliver high levels of performance, contributing to the success of the business.

How we performed in 2018/19

- We have introduced a new Bellway Academy.
- We have introduced a Site Manager training programme.
- We have launched a new graduate recruitment programme.
- We have started to update and refine our divisional management progression and retention plan.
- We have introduced exit interviews to improve our understanding of employee turnover.
- We have introduced total reward statements to assist in staff retention.
- We have improved the focus of diversity across the Group.
- We have introduced employee listening groups.

Our plans for 2019/20

- We will continue to refine our divisional management progression and retention plan.
- We will continue to improve the focus of diversity across the Group.
- We will continue to promote the benefit of employee listening groups and conduct an employee engagement survey.
- We will train around 100 Mental Health First Aiders.
- We will continue to invest in the Bellway Academy, Site Manager, apprenticeships and graduate training programmes.
- We will introduce the Bellway Employee Awards celebrating employee achievements and long service across the Group.

Focus on return on capital employed

Overview

Ensuring that our assets are used in the most efficient way to deliver shareholder returns.

How we performed in 2018/19

- We have maintained our focus on balance sheet management, with particular emphasis on large capital-intensive sites and a drive to increase sales through the use of the Ashberry brand.
- We have maintained RoCE as a key assessment when buying land.
- We have closely monitored and controlled work in progress.

Our plans for 2019/20

- We will continue to maintain a focus on balance sheet management, with particular emphasis on large capital-intensive sites.
- We will continue to maintain RoCE as a key assessment when buying land.
- We will continue to monitor and control work in progress.

Value creation through capital and dividend growth

Overview

Reinvestment of earnings into financially attractive land opportunities, whilst maintaining a focus on RoCE, has led to a substantial increase in value for shareholders through a combination of the ongoing growth in NAV and increasing dividend payments.

How we performed in 2018/19

- We continued to invest capital into land and work in progress in areas with high demand, without compromising our RoCE and margin requirements, to ensure that the Group is well placed to deliver further growth.
- Paid dividends of £178.9 million.
- Increased NAV by 14.1% to 2,372p.

Our plans for 2019/20

- We will continue to invest capital into land and work in progress in a controlled manner in areas of high demand to ensure that the Group is well placed to deliver further growth. This will be done without compromising our gross margin and RoCE requirements.
- The dividend is determined following careful consideration of capital requirements, as well as the Group's operational capability to deliver further long-term volume growth. If the final 2018/19 dividend is approved, the total dividend will be covered by earnings by 2.9 times.

Maintaining a flexible capital structure

Overview

We use a combination of cash, bank facilities and equity to provide us with access to finance in a balanced and flexible way. This enables us to deliver our growth strategy while managing the cash flow requirements of the business, including delivering dividends to our shareholders.

How we performed in 2018/19

- We increased our banking facilities to £575 million.
- We have maintained our current banking arrangements.
- We have maintained our current investor relations activities.

Our plans for 2019/20

- We will maintain our current banking arrangements.
- We will maintain our current investor relations activities.

Operating Review

Beyond this new financial year, with a consistent operating margin, the Board continues to see further opportunities for both volume and earnings growth.

Jason Honeyman
Chief Executive

Trading performance

Demand for new homes remained strong across the country and based on this, the Group has made further considered investment into land and work in progress, opening an additional 110 new sites, resulting in an average of 268 active outlets (2018 – 247) throughout the year. This positive action has resulted in an all-time high reservation rate of 210 per week (2018 – 200), a 5.0% increase on last year. As is typically the trend, the reservation rate in the second half of the year was higher, which is a reflection of the stronger spring market. Furthermore, the rate of increase in the second half of the year was more pronounced at 7.2%, in part driven by site openings, but also reflecting more positive customer sentiment following some uncertainty in the run up to Christmas. In addition to a robust overall performance, the private reservation rate was also strong at 160 per week (2018 – 152 per week), a rise of 5.3%, demonstrating the positive underlying demand for new homes.

The cancellation rate remained low at 12% (2018 – 11%), moderating slightly in the second half of the year, which again was a reflection of stronger consumer sentiment in the period.

The pricing environment remained firm and on some sites, typically in affordable areas where demand is strongest, low single digit price increases over budget expectations were achieved. More generally, however, the rate of house price inflation reduced throughout the year and its margin enhancing benefit continues to diminish.

Help to Buy provides ongoing support to the sector's ability to grow output, providing access to mortgage finance for those with at least a 5% deposit. Additionally, the ongoing environment of low interest rates ensures that new homes remain affordable in a historical context, further supporting the strong underlying demand. Help to Buy was used across the Group in 36% of completions (2018 – 39%), with first-time buyers representing approximately two-thirds of customers using the scheme. As in prior years, the use of Help to Buy was more prevalent in London, given higher house prices and hence deposit requirements in this part of the country.

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

Homes sold (number)

	Private		Social		Total	
	2019	2018	**2019**	2018	**2019**	2018
North	**4,397**	4,171	**803**	890	**5,200**	5,061
South	**4,045**	4,092	**1,647**	1,154	**5,692**	5,246
Group	**8,442**	8,263	**2,450**	2,044	**10,892**	10,307

Average selling price (£000)

	Private		Social		Total	
	2019	2018	**2019**	2018	**2019**	2018
North	**264.0**	258.0	**108.8**	95.8	**240.1**	229.5
South	**409.1**	390.1	**168.3**	155.2	**339.4**	338.4
Group	**333.5**	323.4	**148.8**	129.3	**292.0**	284.9

The total number of homes sold rose by 5.7% to 10,892 (2018 – 10,307), with this rate of increase positively affected by a 19.9% rise in the number of social completions, which rose to 2,450 (2018 – 2,044). This reflects planned construction programmes and the requirements of planning agreements and is in accordance with previous guidance.

The Ashberry brand, introduced to increase the sales rate and improve capital efficiency on some of our larger sites, continued to support volume growth, contributing 564 completions (2018 – 348). Ashberry now represents 5.2% of total homes sold (2018 – 3.4%) and has the potential to expand further in the years ahead, building upon the success already achieved to date.

In all regions, the market remained strongest for affordably priced homes in desirable locations. Divisions such as Manchester, East Midlands and Northern Homes Counties all performed well, each completing in excess of 600 homes, benefitting from positive market conditions, together with land investment and outlet openings over recent years. Our new Scotland East division, which opened on 1 August 2018 and is based in Livingston, completed the sale of 273 homes in its first year of trading, benefitting from investment in land and strong demand for new homes.

In addition, good progress has been made in our most recently launched divisions, Eastern Counties and London Partnerships, both of which opened on 1 February 2019. Eastern Counties delivered its first completions in the year and has secured land in a number of locations to enable further growth in the year ahead. London Partnerships, whose benefit to the Group will grow over the longer-term, has commenced on-site production and will contribute completions in the next twelve months.

In London, where the Group has gradually reduced invested capital, demand remains robust for affordably priced homes. The London boroughs contributed 1,010 completions (2018 – 1,118) at an average selling price of £499,617 (2018 – £414,872), with this representing 9.3% of the number of homes sold (2018 – 10.8%).

Bellway's exposure at the higher end of the London market is limited, with The Residence development at Nine Elms in Battersea remaining a noteworthy exception. This site comprises 514 apartments at an anticipated overall average selling price of around £670,500. It has sold very well to date, contributing 214 completions in the year (2018 – 132), at an average selling price of £820,467 (2018 – £705,567), representing 5.5% of housing revenue (2018 – 3.2%).

Land at The Residence was bought in December 2013 and the gross margin achieved has therefore been substantially enhanced by positive house price growth and the post-acquisition redesignation of the area as 'zone 1' by Transport for London. Accordingly, the contribution to operating margin from the site at Nine Elms in the year under review was around 80 basis points greater than the contribution recognised in the prior financial year. The site is now close to conclusion, with only 31 apartments remaining to complete in the new financial year.

Excluding completions from Nine Elms, the Group's average selling price in the capital was affordable at £413,359 (2018 – £375,956) and demand remains robust at this price point. The Group will continue to invest in financially viable locations in London where demand is strong, however the proportion of homes sold in London is likely to reduce in the foreseeable future, reflecting the positive availability of good quality land at attractive returns elsewhere in the country.

Overall, the Group's average selling price increased by 2.5% to £291,968 (2018 – £284,937), driven mainly by investment in good quality locations. Exposure at the upper end of the market was limited, with just 4% of completions beyond the Help to Buy threshold of £600,000. Notwithstanding the reducing proportion of revenue generated in London, the Board still expects the average selling price in the year ahead to be in excess of £285,000.

Driving down costs

Given competition for resources, there is continued upward pressure on build costs in the construction sector, as has been the case for a number of years. To mitigate cost pressures, the Group continues to pursue a number of cost control initiatives across the business, under the direction of a recently appointed and highly experienced Group Commercial Director.

The Artisan Collection is one such initiative, introduced last year, whereby the rationalised range of 43 standard Group house types should more readily comply with local authority planning requirements and reduce costs through the speed of build and the scale of standardisation. Additionally, the collection is appealing to customers, designed to enable the

Proportion of completions under the Ashberry brand

5.2% +180bps

creation of distinctive communities with individual character areas within developments. The Artisan Collection is currently plotted on around 12,000 plots at 97 developments. The first completion is due later this month at our site in Kings Norton, Birmingham.

As previously reported, an experienced Head of Procurement joined the Group in July 2018, with a key focus on achieving savings from standardisation and rationalisation of Group deals, whilst maintaining the quality of the homes we build. This approach to cost saving is not just limited to the Group procurement function, but is widespread throughout the organisation. Building upon our already strong culture of cost control, we have launched a two-year Group-wide cost saving initiative, BWY2020, which is designed to generate cost savings, maintain quality and improve efficiencies by sharing and implementing best practice across our divisions.

Lastly, to better understand the effect of all of these initiatives, the Group initiated a significant upgrade of IT systems, in partnership with COINS, to strengthen financial and commercial processes across the Group. This two-year programme is progressing in line with expectations and over the longer-term, it is expected to improve the quality of management information. This will be used to target cost saving measures and identify further opportunities for improvement.

Leaving the EU

Bellway has been in close contact with its supply chain partners over the last year to reduce any adverse risks to the business from Brexit. Whilst most of our materials are sourced in the UK, a limited number of our supply chain partners manufacture in Europe, supplying goods such as electrical appliances and ceramic tiles. We have forecast our material requirements for the coming year and communicated these to our suppliers. In turn, they have considered alternative trade routes to bring goods into the UK and have increased their stock levels to ensure that they have materials available in the event of delays through ports.

Investing for growth

The land market remains attractive and we continue to focus on population hubs in affordable areas, where there is high demand for new homes. Our land teams have identified value enhancing opportunities in accordance with the Group's requirements in respect of both gross margin and RoCE. Accordingly, Bellway entered into contracts to acquire 13,113 plots (2018 – 12,962 plots) across 93 sites (2018 – 100 sites), with a total value of £782.0 million (2018 – £833.5 million). Contracted plots include additions to both sections of the owned and controlled land bank. Geographically, 48% of those sites contracted were located in the north of the country and 52% in the south, a balanced approach to investment, with some diversification of risk and returns across the country.

The table below analyses the Group's land holdings at 31 July:

	2019	2018
Owned and controlled plots		
DPP: plots with implementable detailed planning permission	**26,421**	26,877
Pipeline: plots pending an implementable DPP	**16,300**	14,200
Total owned and controlled plots	**42,721**	41,077
Strategic plots		
Positive planning status	**8,800**	8,500
Longer-term interests	**16,800**	11,900
Total strategic land holdings	**25,600**	20,400

Ensuring that land is in place to deliver growth remains a key priority for the Group, and in that regard, the total owned and controlled land bank rose to 42,721 plots (2018 – 41,077 plots), representing a supply of 3.9 years (2018 – 4.0 years) based on last year's output.

The number of plots benefitting from an implementable detailed planning permission ('DPP') remained broadly unchanged at 26,421 (2018 – 26,877 plots). The Group either acquired land or obtained DPP on 10,436 plots (2018 – 11,529 plots), with 94% of these additions to the top tier of the owned and controlled land bank originating from the land 'pipeline'. These are typically sites which are bought conditionally and on which value is added by progressing through the planning process. Notwithstanding this success, the 'pipeline' section of the land bank grew by 14.8% to 16,300 plots (2018 – 14,200 plots).

As previously reported, as the Group continues to grow, longer-term strategic land becomes more important as a supplementary source of supply. Accordingly, Bellway continues to invest in its strategic land bank and entered into option agreements to buy an additional 29 sites (2018 – 27 sites). The Group's strategic land holdings have risen to some 25,600 plots (2018 – 20,400 plots), offering opportunity for further volume growth in the years ahead.

Included within this total are 8,800 plots (2018 – 8,500 plots) with a positive planning status, representing only those plots that are the subject of a current planning application or form part of an emerging local plan. The rise in plots has been achieved notwithstanding the successful promotion of 1,717 plots into the owned and controlled land bank.

In addition to these shorter-term strategic plots, Bellway has a further interest in an estimated 16,800 plots (2018 – 11,900 plots), which have the potential to obtain planning permission over a longer time frame.

Providing compelling opportunities can be identified, Bellway will make further investment in its strategic land resource, further bolstering its in-house land team, thereby ensuring that the contribution from this part of the business increases in the future.

Strengthening the brand

Ensuring that the Bellway brand is one in which customers can trust is fundamental in all that we do. As a result of our considerable efforts in this area, we are delighted to have achieved the status as a five star homebuilder in the Home Builders Federation Customer Satisfaction survey for the third consecutive year.

We are also proud that the high standards achieved by Site Managers in the business were recognised, with 42 (2018 – 49) individuals receiving NHBC Pride in the Job Awards. Furthermore, the Customer Experience Committee formed two years ago continues to drive future improvements to quality and customer care.

The Group has enhanced its efforts with regards to digital marketing, launching a new consumer website in September 2018 and a new corporate website in March this year. More recently, in September 2019, we launched new Instagram and Facebook accounts for both existing and prospective customers. Increasing the amount of resource dedicated to this area will make our marketing efforts more effective and improve the buying experience for our customers. Both the websites and our social media content will continue to evolve in the future.

We will continue to prioritise quality and service in the year ahead, ensuring that a positive customer experience is an integral part of how we manage our business. An example of this approach is the investment we are making in a new customer care system. This will help us to better and more efficiently manage customer appointments, building upon the systems already in place in the business in order to deliver further improvements to our customers' experience.

Building new homes safely

The health and safety of both operatives and members of the public who visit our sites is of the utmost importance to the Group. Sites are frequently inspected by both our in-house health and safety team and external consultants, including the NHBC, to ensure that we maintain high standards. We also use these visits to benchmark our performance against other organisations in the sector and we continue to compare favourably with our peers.

Our efforts in this area of the business have been recognised in the NHBC Health and Safety Awards, with 12 of our Site Managers receiving Commended Awards (2018 – 11), representing 23% of the total awards issued across the industry, significantly ahead of our share of volume output.

During their regular site visits, our own health and safety team review processes and procedures in order to evaluate compliance, develop good practice, identify training needs and encourage innovation from our staff. We continue to run campaigns on key target areas, utilising a variety of formats, including billboards and on-site tool box talks. Performance of individual sites is not only evaluated at divisional level, but it is also highlighted to senior management, demonstrating the importance of this issue throughout the Group. Through continually focussing on improving our efforts around health and safety we have continued to reduce the lost time from accidents, with the seven-day reportable incidence rate having fallen by 19.6% to 324.87 incidents per 100,000 site operatives (2018 – 404.02). We have a number of important initiatives and focus areas for the coming year including work around mental health and wellbeing.

The Grenfell tragedy has understandably increased the focus on fire safety across the industry and more specifically on apartment blocks. Government guidance issued in December 2018 has sought to improve fire protection measures within wall systems on buildings above 18 metres in height. Bellway has a small number of developments, which obtained full building regulation approval at the time of construction, where cladding has been used. Given evolving guidance in this complex area, as a responsible developer and along with the wider housebuilding sector, we continue to work proactively with the government and our delivery partners in relation to fire safety on apartment schemes.

Appointing the right people

Given the strong growth in the business, Bellway continued to expand its workforce, employing an average of 2,980 employees during the year (2018 – 2,808), an increase of 6.1%. In addition, through indirect sub-contract labour and the Group's supply chain, we estimate that we supported around 30,000 to 34,000 jobs during the year, providing a valuable boost to both local employment and the wider economy.

Bellway has a responsibility to ensure that the industry has the right skill base in order to grow in the future. We continue to invest in young talent and have increased the number of apprenticeships and graduates in our business by 9.2% to 155 (2018 – 142). This is also ahead of our initial target, which was set when we became members of 'The 5% Club', a charitable organisation which recognises our commitment to have at least 5% of our workforce employed in these developmental roles. With the launch of our graduate training programme, 'Great Careers built with us', later this year, we expect that this number will continue to grow in the next twelve months. Bellway continues to participate in the HBF Home Building Skills Partnership which works to attract new talent and develop, grow and sustain the workforce required by the industry to deliver further increases in housing supply.

The Group encourages and supports a diverse workforce and has implemented a number of initiatives around equality, diversity and inclusion. These include enhancing parental leave benefits, equality, diversity and inclusion training programmes and creating diversity champions in each of our divisions to promote progress in this area.

Bellway4Good

Bellway remains committed to being a responsible homebuilder and ensuring that its growth is achieved in an ethical and sustainable manner for all its stakeholders, including customers, employees, shareholders, suppliers and local communities. Bellway4Good is the Group banner for managing our corporate responsibility activities, with targets focussed around the three 'pillars' of the environment, construction and society and economy.

Under 'environment', the focus is on energy efficient work and for the second year running, 100% of construction compounds were fitted with energy saving devices. All showhomes have also been fitted with LED lighting, further contributing to carbon savings. Additionally, from 1 February 2019, all compound electrical supplies were bought under the Renewable Energy Guarantees of Origin system, thereby ensuring a commitment to buying energy generated from renewable energy sources. As a result of these actions, the Group reduced its own carbon emissions per legal completion, i.e. excluding those arising from its supply chain, to 2.4 tonnes (2018 – 2.5 tonnes). We also remain committed to ensuring timber purchased by Bellway is from sustainable sources, mandating that all supplies have Forest Stewardship Council ('FSC') timber certification.

Within 'construction', for the fifth year running we have increased the percentage of waste diverted from landfill to 98.4% (2018 – 98.1%). Waste diversion from offices has also increased to 54.9% (2018 – 44.6%).

Under 'society and economy' our charitable initiatives have gathered momentum. We are proud that at the end of the year, our colleagues and business partners had raised £494,812 for Cancer Research UK (2018 – £394,453), taking total donations over the past three years to a noteworthy £1,275,178, well ahead of our £1 million target. In recognition of this effort, Bellway won the Cancer Research UK 'Flame of Hope' award, acknowledging our significant fundraising achievement and support for this worthwhile cause.
We continue to match employee fundraising for charities of their choice and offer a payroll giving scheme for those who wish to participate. In total, charitable donations amounted to £754,793 (2018 – £564,040) in the year, of which £391,736 (2018 – £272,096) was raised by our employees or sub-contractors.

Current trading and outlook

In addition to delivering volume growth of 5.7%, the Group ended the financial year with a sizeable forward order book of 4,878 homes (2018 – 4,841), with a value of £1,223.9 million(~) (2018 – £1,301.1 million). In the first nine weeks of the new financial year, trading has remained robust, with the Group achieving 183 reservations per week (1 August to 30 September 2018 – 176), an increase of 4.0%. As a result of this positive start, the order book at 29 September 2019 remained strong and comprised 5,190 homes (30 September 2018 – 5,380 homes) with a value of £1,311.6 million(~) (30 September 2018 – £1,469.5 million). The slight reduction is a result of the higher number of completions recorded in this short trading period, a reflection of good on-site construction progress.

The Board is mindful that the uncertainty surrounding Brexit could pose a threat to consumer confidence. Assuming market conditions remain favourable, the strong order book, together with additional, considered investment in land and work in progress, should enable Bellway to deliver further, yet more moderate volume growth in the year ahead.

Also in the new financial year, the one-off benefit to the operating margin from Nine Elms will not be repeated and in addition, in the absence of house price inflation, industry-wide build cost pressures will continue to have a moderating effect. As a result of these combined influences, the reduction to a consistent, underlying operating margin will be more pronounced.

Beyond this new financial year, with a consistent operating margin, the Board continues to see further opportunities for both volume and earnings growth. Specifically, following the growth potential afforded by investment in the additional new divisions of Eastern Counties and London Partnerships, the Group has capacity to increase output to 13,000 homes per annum. Over the medium-term there is opportunity to expand beyond this, with further new divisions. This, together with the Group's strong financial position, ensures our strategy for growth will deliver further sustainable value for shareholders.

Jason Honeyman
Group Chief Executive

14 October 2019

Financial Review

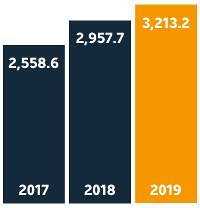
"Bellway's long-term growth strategy and continued disciplined investment in high return land opportunities continues to deliver further value growth for shareholders.

Keith Adey
Group Finance Director

Group revenue (£m)

£3,213.2m

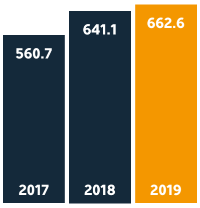
+8.6%



Profit before taxation (£m)

£662.6m

+3.4%

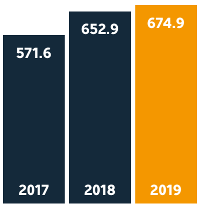


Operating profit (£m)

£674.9m

+3.4%

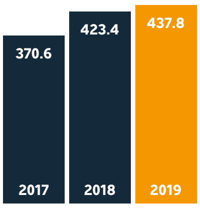
-R-



Earnings per ordinary share (p)

437.8p

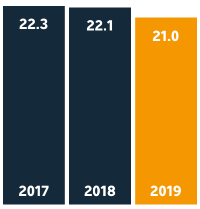
+3.4%



Operating margin (%)

21.0%

-110bps

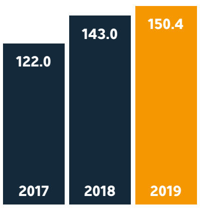


Total dividend per ordinary share (p)

150.4p

+5.2%

Note that the 2019 final dividend figure is proposed.



-R- Link to remuneration – see pages 58 to 76.

Operating performance

The successful delivery of the Group's disciplined growth strategy has resulted in further growth in housing revenue for the tenth successive year, with this increasing by 8.3% to £3,180.1 million (2018 – £2,936.8 million). This was driven principally by the number of housing completions rising by 5.7% to 10,892 homes (2018 – 10,307 homes), a record level for the Group. Additionally, the 2.5% increase in average selling price to £291,968 (2018 – £284,937) contributed to this growth, as a result of favourable changes in product and geographic mix.

Other revenue, which includes non-recurring land, commercial and ground rent sales, increased by £12.2 million to £33.1 million (2018 – £20.9 million). This, combined with housing revenue growth, resulted in total revenue rising by 8.6% to £3,213.2 million (2018 – £2,957.7 million).

The gross margin, although still high, was slightly below last year at 24.6% (2018 – 25.6%[1]), with the reduction likely to continue as Nine Elms trades out and build cost increases remain a facet of the industry, with house price inflation continuing to diminish.

Under IFRS 15 we now separately disclose the effect of part-exchange sales which, during the period, resulted in a loss of £5.6 million (2018 – £4.1 million).

In order to boost operational capability and support continued growth, Bellway invested further in its regional structure, with 22 operating divisions as at 31 July 2019. As a consequence, administrative expenses grew to £109.7 million (2018 – £100.5 million), but as a proportion of revenue, they remained flat at 3.4%[~] (2018 – 3.4%).

The positive trading performance resulted in operating profit increasing by 3.4% to £674.9 million (2018 – £652.9 million) and the operating margin remained high at 21.0% (2018 – 22.1%).

Net finance expense

The net finance expense was £14.4 million[~] (2018 – £13.6 million) and principally includes bank interest and notional interest on land acquired on deferred terms. Bank interest, which includes interest on drawn monies, commitment fees and refinancing costs, increased to £6.3 million (2018 – £5.2 million). Average net debt reduced to £165.4 million[~] (2018 – £191.5 million). Notional interest on land acquired on deferred terms decreased by £1.0 million to £7.8 million (2018 – £8.8 million).

Profitability

Profit before taxation rose by 3.4% to £662.6 million (2018 – £641.1 million), in line with the rate of operating profit growth. The corporation tax charge was £124.0 million (2018 – £121.2 million), reflecting an effective tax rate of 18.7% (2018 – 18.9%). The effective tax rate is below the standard rate of corporation tax of 19.0% (2018 – 19.0%), primarily due to an enhanced tax deduction for remediating previously developed, brownfield land.

Basic earnings per share rose by 3.4% to 437.8p per share (2018 – 423.4p).

Investing cash for future growth

The Group is highly cash generative and generated cash from operations of £419.1 million (2018 – £375.6 million), representing 62.1% of operating profit (2018 – 57.5%), with this after making further investment in inventories to generate future revenue growth.

The tax paid was £119.3 million and after dividend payments of £178.9 million, joint venture funding of £4.3 million and other minor cash outflows of £14.4 million, net cash at the end of the year was £201.2 million[~] (2018 – £99.0 million), with this ungeared balance sheet demonstrating the financial strength of the business. Following a change in legislation regarding the timing of tax payments-on-account, the cash outflow in relation to tax in the new financial year will increase by around 50%, although the effective tax rate in the income statement is likely to be similar to that reported in the year ended 31 July 2019.

Land creditors, which are considered to be a source of longer-term debt finance, stood at £297.9 million (2018 – £365.4 million) and continue to be used only when it is cost effective to do so. Including land creditors, total debt stood at £96.7 million (2018 – £266.4 million), representing very modest adjusted gearing of 3.3%[~] (2018 – 10.4%).

A balanced and flexible capital structure

The balance sheet principally comprises amounts invested in land and work in progress, with the balance of inventories rising by 6.3% to £3,477.6 million (2018 – £3,271.6 million). The carrying value of land remained broadly unchanged at £2,004.4 million (2018 – £2,011.9 million) reflecting the lower average plot cost of sites acquired in the period. Work in progress rose by 16.4% to £1,298.2 million (2018 – £1,115.1 million) and was 40.8% (2018 – 38.0%) as a proportion of housing revenue.

Consistent with previous years, the financing structure remains simple and transparent, with growth financed through retained earnings, net bank borrowings and land creditors. The Group has committed borrowing facilities of £575 million, extending in tranches through to December 2023. This provides reassurance on the security of funding for the years ahead.

The Group had a modest retirement benefit asset of £2.8 million (2018 – £1.3 million) at 31 July reflecting an ongoing commitment to funding this future, long-term obligation.

A focus on capital employed

Following the dividend payment of 145.4p per share, the net asset value rose by 14.2% to £2,921.2 million (2018 – £2,557.1 million), representing a net asset value per share of 2,372p[~] (2018 – 2,079p).

This growth in NAV and the payment of the dividend resulted from the compounding effect of reinvesting earnings back into high return land opportunities. RoCE remains high at 24.7%[~] (2018 – 27.2%), or 22.1%[~] (2018 – 23.6%) when including land creditors as part of the capital base. Notwithstanding the lowly geared balance sheet, the post tax return on equity remained high at 19.8%[~] (2018 – 22.1%).

Bellway's long-term growth strategy and continued disciplined investment in high return land opportunities continues to deliver further value growth for shareholders.

Keith Adey
Group Finance Director

14 October 2019

Note:

1. Restated following the adoption of IFRS 15 'Revenue from contracts with customers'. See note 25 to the accounts for further details.

Principal Risks

We have identified the following principal risks to our business:

Risk and description	Strategic relevance	KPIs	Mitigation	Change in year
Land				
Inability to source suitable land at appropriate gross margins and RoCE	• Insufficient land would affect our volume growth targets. • Failure to buy land at the right margin would have a detrimental effect on future returns.	• Land bank (with DPP). • Number of homes sold. • RoCE. • Gross margin. • EPS.	• Budgeting and forecasting of growth targets to ensure land bank supports strategic target. • Pre-purchase due diligence and viabilities on all proposed land purchases. • Authorisation of all land purchases in accordance with Group procedures and our Approvals Matrix.	No change.
Planning				
Delays and complexity in the planning process	• Failure to obtain planning within appropriate timescales would have a detrimental impact on our growth prospects and have an adverse effect on returns.	• EPS. • RoCE. • Number of plots acquired directly in land bank with an implementable DPP. • Number of plots converted from medium-term pipeline to land with DPP. • Number of plots in our pipeline land bank. • Number of plots identified in our strategic land bank with a positive planning status.	• Group and divisional planning specialists provide advice and support to the divisions to assist with securing planning permissions. • Management of immediate, medium-term and strategic land to maintain an appropriate balance of land in terms of quantity and location.	No change.
Construction resources				
Shortage of appropriately skilled sub-contractors and shortages of building materials at competitive prices	• Failure to secure required and appropriate resources causes delays in construction, impacting the ability to deliver volume growth targets. • Pricing pressure would impact returns.	• Number of homes sold. • Customer satisfaction score. • Employee turnover. • EPS.	• Systems are in place to select, appoint, monitor, manage and build long-term relationships with our sub-contractors. • Competitive rates and prompt payment for our sub-contractors. • Group-wide purchasing arrangements are in place. • Continued review and monitoring of supplier and sub-contractor performance.	No change.
Health and safety				
There are significant health and safety risks inherent in the construction process	• In addition to the moral obligation and the requirement to act in a responsible manner, injuries to any individual while at one of our business locations would delay construction and could result in criminal prosecution, civil litigation and reputational damage.	• Number of RIDDOR seven-day lost time accidents per 100,000 site operatives. • NHBC health and safety benchmark. • NHBC Health and Safety Awards.	• The Board considers health and safety issues at every meeting. • Regular visits to sites by senior management (independent of our divisions) and external consultants to monitor health and safety standards and performance against the health and safety policies and procedures.	No change.
External environment				
There are a number of external factors that could affect our ability to generate sales, including but not limited to: • **Economic factors, especially house price inflation and interest rates** • **Mortgage availability** • **Government housing policy**	• The impact of these external factors would be on the ability to sell houses and apartments and on returns.	• Number of homes sold. • Forward order book. • Reservations rate. • Customer satisfaction score. • EPS. • RoCE.	• Ongoing monitoring of key business metrics and development of action plans as necessary. • Product range and pricing strategy determined based on regional market conditions. • Use of sales incentives, such as part-exchange, to encourage the selling process. • Use of government-backed schemes to encourage home ownership.	No change.

Risk and description	Strategic relevance	KPIs	Mitigation	Change in year
External environment				
Uncertainty over Brexit and the future impact on the economy could significantly impact our ability to deliver our strategic objectives	• The uncertainty that currently exists in relation to Brexit and the economy has resulted in splitting out the risk associated with Brexit due to the potential impact on our business.	• Number of homes sold. • Forward order book. • Reservations rate. • EPS. • RoCE.	• While outside of our direct control, we continue to monitor business performance and build a robust future-proof business with a solid strategy and sound financial controls.	No change.
Human resources				
Inability to attract and retain appropriate people	• Failure to attract and retain people with appropriate skills will affect our ability to perform and deliver our volume growth target.	• Employee turnover. • Number of graduates and apprentices. • Number of people who have worked for the Group for 10 years or more. • Training days per employee. • Senior management gender split.	• Continued development of the Group Human Resources function and implementation of our people strategy. • Monitoring and review of staff turnover and feedback from exit interviews. • Competitive salary and benefits packages which are regularly reviewed and benchmarked. • Succession plans in place and key person dependencies identified and mitigated. • Increased level of training provided to employees. • Trainee Assistant Site Manager apprenticeship training programme in place. • Increased number of graduates and apprentices.	No change.
IT and security				
Failure to have suitable systems in place and appropriate back up, contingency plans and security policies	• Poor performance of our systems would affect operational efficiency, profitability and our control environment.	• EPS.	• Group-wide systems are in operation which are centrally controlled with an outsourced support function in place. • Continued investment in systems. • Regular review and testing of our security measures, contingency plans and IT security policies. • Group-wide Cyber Security Committee in place.	No change.
Legal and regulatory compliance				
Failure to comply with legislation and regulatory requirements, including changes to Building Regulations, Fire Safety Regulations and leasehold reform legislation as a result of ongoing government consultations	• Lack of appropriate procedures and compliance would result in delays in land development, construction and sales completions plus possible re-work to sites all of which could have a detrimental impact on profitability and reputation potentially leading to financial penalties and other regulatory consequences. • We await the outcome of the government's review under the Building Safety Programme. We are co-operating with the CMA regarding their leasehold investigation into the sale of homes in the new build housing market and await the government's detailed proposals on leasehold reform legislation.	• Volume growth. • EPS. • Number of homes sold. • RoCE. • Gross margin.	• In-house expertise from Group Company Secretariat, Legal, Health and Safety and Technical functions who advise and support divisions on compliance and regulatory matters. • Consultation with government agencies, specialist external legal advisors and subject matter experts (e.g. fire safety consultants) including ongoing co-operation with the CMA. • Strengthened Group-wide policies, procedures and training for key regulatory matters. • Continual monitoring and review of changes to legislation and regulation, including any supporting guidance and advice notes. • Continual liaison with the HBF on regulation and compliance matters.	No change.

The Group continues to invest in its control environment, with a significant IT implementation project and developments to both IT and business processes ongoing. The risks associated with these changes, including those relating to the adjustment of employees to new processes, are regularly monitored by management and the Board.

Risk Management

Our established framework for managing risks has continued to be in place across the business throughout this financial year, with the responsibility to implement the Board's policies on risk management and internal control sitting with management.

Our risk management objectives continue to be:

- assess risks against an agreed appetite for risk, which is regularly reviewed.
- improve the balance of risk and return through developing and maintaining a proactive, risk aware culture.
- ensure there is a consistent approach for the identification, assessment, control, monitoring, follow up and reporting of risks.
- develop and implement action plans to ensure that risks are mitigated where required, are within our agreed risk appetite and that improvements are made to our control environment.
- ensure the approach to risk management meets the needs of the business, senior management and all key stakeholders.

Risk management framework

The Board

- Overall responsibility for risk management.
- Review, challenge and approve the risk management framework and corresponding policy, processes and annual risk plan.
- Review and agree risk appetite.
- Conduct a robust assessment of the principal risks facing the Company.
- Review and challenge risk reports.

Audit Committee

- Oversee risk management framework, policy and processes.
- Review routine risk reports and utilise risk information to review and approve assurance plans and priorities.
- Provide assurance over risk management to the Board.
- Monitor the progress of risk mitigating actions and recommendations.

Executive Management

- Review, challenge and approve the risk management framework and corresponding policy and processes.
- Review and challenge risk information against stated business objectives.
- Approve risk treatments and actions.
- Approve risk reports for the Board.
- Review and agree risk appetite.

Head of Risk

- Design and implement the risk management framework and corresponding policy and processes.
- Facilitate and implement the risk management framework, policy and processes.
- Undertake risk management activities and produce reports in accordance with risk management policy.

Key

Reports to

Direct and monitor

Risk management roles and responsibilities

In all businesses, the responsibility of managing risk sits with every employee. In undertaking their roles, employees are assisting in identifying, assessing and managing risks. Specific roles and responsibilities as set out in our risk management framework and corresponding policy are set out in the diagram below:

Risk management process

Identify all business areas → **Evaluate** severity of risks → **Treat** to bring within risk appetite → **Action** mitigate risks (where needed) → **Report** monitor risks and report progress of mitigation

Risk management process

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

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

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

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

More information on risk management and internal controls is included within the Audit Committee Report on pages 52 to 57.

Financial risk management

The Group's financial instruments comprise cash, bank loans and overdrafts and various items such as trade receivables and trade payables that arise directly from its operations.

The main objective of the Group's policy towards financial instruments is to maximise returns on the Group's cash balances, manage the Group's working capital requirements and finance the Group's ongoing operations.

Capital management

The Board's policy is to maintain a strong capital base to underpin the future development of the business in order to deliver value to shareholders. The Group finances its operations through reinvested profits, bank borrowings, cash in hand and the management of working capital.

The dividend is determined following careful consideration of capital requirements, as well as the Group's operational capability to deliver further long-term volume growth. If the final dividend is approved, the total dividend will be covered by earnings by 2.9 times (2018 – 3.0 times).

Management of financial risk

The main risks associated with the Group's financial instruments held during the year have been identified as credit risk, liquidity risk, interest rate risk and housing market risk. The Board is responsible for managing these risks and the policies adopted, which have remained unchanged during the year and are set out below.

Credit risk

The Group's exposure to credit risk is largely mitigated as the vast majority of the Group's sales are made on completion of a legal contract, at which point monies are received in exchange for transfer of legal title. There is no specific concentration of credit risk in respect of home sales as the exposure is spread over a number of customers.

In respect of trade and other receivables, the amounts presented in the balance sheet are measured at amortised cost less a loss allowance for expected credit losses which are assessed on the basis of an average weighting of the risk of default (see note 13 to the accounts). For this purpose, a default is determined to have occurred if the Group becomes aware of evidence that it will not receive all contractual cash flows that are due. Trade and other receivables includes £39.0 million (2018 – £39.3 million) due from Homes England relating to the Help to Buy scheme. As Homes England is a UK government agency, the Group considers the risk of default to be minimal.

No credit limits were exceeded during the reporting period or subsequently and the Group does not anticipate any losses from non-performance by these counterparties.

The Board considers the Group's exposure to credit risk to be acceptable and normal for an entity of its size, in the industry in which it operates.

Liquidity risk

The Group finances its operations through a mixture of equity (comprising share capital, reserves and reinvested profit) and debt (comprising bank overdraft facilities and borrowings). The Group manages its liquidity risk by monitoring existing facilities and cash flows against forecast requirements based on a three-year rolling cash forecast.

The Group's Treasury Policy has, as its principal objective, the maintenance of flexible bank facilities in order to meet anticipated borrowing requirements. The Group's banking arrangements outlined in note 15 to the accounts are considered to be adequate in terms of flexibility and liquidity for its medium-term cash flow needs. Relationships with banks and overall cash management are co-ordinated centrally. The Group is operating well within its financial covenants and available bank facilities.

Short-term cash surpluses are placed on deposit at competitive rates with high quality counterparties. Other than those disclosed, there are no financial instruments or derivative contracts. The Board therefore considers the Group's liquidity risk to be mitigated.

In relation to land payables, certain payables are secured on the respective land asset held (see note 14 to the accounts). No other security is held against any other financial assets of the Group.

Interest rate risk

Interest rate risk reflects the Group's exposure to fluctuations in interest rates. The risk arises because the Group's overdraft and floating rate bank loans bear interest based on LIBOR.

The Group's attitude to interest rate risk and forecast debt is influenced by the existing and forecast conditions prevailing at the time that each new interest-bearing instrument is entered into. This will determine, amongst other things, the term and whether a fixed or floating interest rate is obtained.

During the year ended 31 July 2019, it is estimated that an increase of 1% in interest rates applying to the full year would have decreased the Group's profit before taxation by £1.7 million (2018 – £1.9 million).

Housing market risk

The Group is affected by movements in UK house prices. These in turn are affected by factors such as credit availability, employment levels, interest rates, consumer confidence and supply of land with planning.

While it is not possible for the Group to fully mitigate housing market risk on a national macroeconomic basis, the Group does continually monitor its geographical spread within the UK, seeking to balance investment in areas offering the best immediate returns with a long-term spread of its operations throughout the UK to minimise the effect of local microeconomic fluctuations.

Going Concern Statement

After conducting a full review, the directors have a reasonable expectation that the Group has adequate resources to fund its operations for at least the next 12 months. For this reason, they continue to adopt the going concern basis in preparing the accounts as discussed further on page 80.

Long-Term Viability Statement

In accordance with provision C.2.2 of the UK Corporate Governance Code, the directors have assessed the viability of the Group over a period of three years which is longer than that required by the going concern assumption. This assessment is based on the Group's current position and the potential effect of its principal risks facing the Group, which are summarised on pages 26 to 27.

The output of this review considered the profitability, cash flows and funding requirements of the Group over a period of three years, which is generally the same period used for internal forecasts. The review entailed sensitising the expected number of legal completions, average selling prices, overheads and land expenditure, assuming a severe downside scenario. The assessment included an assumption that existing banking facilities remained in place, but were not renewed at the end of their tenures. Based on the results of this review, the directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over this three-year period.

Building homes, building value

by regenerating communities

We are working with housing association The Riverside Group to develop a regeneration scheme in Camberwell.

The proposals guarantee that all tenants currently living within the estate will be offered a new home which will meet their housing needs. Four hundred homes are planned for the site, as well as investment in new community facilities. Under rules introduced in 2018 by the Mayor of London, tenants of housing associations or local authorities are balloted on regeneration schemes that involve demolition of their homes. In Camberwell, 67% voted in favour of the scheme.

Building homes, building value

by being a responsible builder

Bellway's commitment to being a responsible homebuilder has been developed over a number of years. Our aim is to operate our business in an ethical and sustainable manner while at the same time delivering high quality homes to address the housing shortage across the UK.

Corporate Responsibility

Environment

Biodiversity and ecology, Carbon emissions, Energy, Transport, Water

For more information see pages 34 to 35.

Construction

Planning, Procurement, Research and development, Site management, Waste

For more information see pages 36 to 37.

Society and economy

Charities, Customers, Economic development, Employees, Health and safety, Stakeholders

For more information see pages 38 to 40.

As one of the UK's leading homebuilders, Bellway is committed to providing high quality homes in desirable locations to address the country's ongoing housing shortage. We aim to do this while operating our business in a responsible and ethical way, delivering long-term benefits for our customers, employees, shareholders, suppliers and the wider communities where we build.

Our Corporate Responsibility ('CR') activities continue to operate under the three core pillars of environment, construction and society and economy, ensuring that we consider the interests of our diverse stakeholder groups and make positive social, environmental and economic contributions across our business. While the Chief Executive is ultimately responsible for maintaining our overarching CR programme, our CR Steering Committee manages CR at a strategic level. Chaired and led by the Group Finance Director, functional heads meet to assess progress against targets and objectives, review principal CR KPIs and discuss new initiatives to further embed CR within the business.

Our key achievements in 2018/19

We have continued to make progress on our CR aims, specifically against the 15 targets we set ourselves for the 2018/19 year. Of these, 11 were achieved, 1 was refined and 2 are multi-year targets which are ongoing. The final target was a three-year project to assess the benefits of the 'Building for Life 12' standard on a Bellway development and while this was not completed in the expected timeframe, we do expect the final assessments to be completed in the next few months.

11	1	2	1
targets achieved	target refined	targets are multi-year and progress will continue into 2019/20	target missed

While some of our key achievements are outlined to the right, our CR website includes full details of our performance as well as our targets for the 2019/20 year.

For full details of our CR activity visit www.bellwayplc.co.uk/corporate-responsibility

Environment

- Completed the programme to replace all fork lifts on site with models fitted with 55 kW engines, delivering fuel and carbon savings.
- Switched to LED lights in all new showhomes to reduce energy use and carbon.
- Improved our office waste diversion to 54.9% (2018 – 44.6%).

Construction

- Continued to increase our overall waste diversion rate to 98.4% (2018 – 98.1%).
- Retained the highest rank in the WWF's Timber Scorecard 2019 (3 Trees), one of only five national homebuilders to achieve this score.
- Achieved a 0.19 NHBC reportable items per inspection against an internal target of ≤ 0.3.

Society and economy

- Achieved our 5 star homebuilder status from the HBF for the third year running.
- Continued our partnership with Cancer Research UK, achieving our target of £1 million in fundraising and donations six months early.
- Achieved a reduced RIDDOR seven-day reportable incident rate per 100,000 site operatives of 324.87 (2018 – 404.02), the third year in a row we have reduced this rate.

We continue to contribute to the Carbon Disclosure Project's ('CDP') 'Climate Change' and 'Forests' programmes and for 2018 our scores for both were 'Awareness – C', in line with our sector average and the CDP programme average.

Environment

The protection of the environment and climate change are two significant challenges that we face both as a company and as a society. At Bellway we aim to minimise the harmful effect our sites have on these two important aspects through adopting a sustainable approach to our operations.

4 targets achieved

1 target was refined

Energy
We will ensure that 100% of our compounds are fitted with energy saving devices by 2020.

Energy
We will limit the engine size of fork lifts to 55 kW on all sites by 2019, delivering fuel and carbon savings.

Energy
We will implement PIR sensors in all new showhome lighting to reduce energy usage.

Carbon
We will investigate opportunities for a carbon strategy and assess and implement a range of energy reduction initiatives across the business.

Office Waste
We will increase the percentage of waste diverted from landfill at divisional offices where we have responsibility for our waste.

Decrease in carbon per home sold

-4.0%

Biodiversity and ecology

Our aim is to create sustainable communities, now and for the future, ensuring that we protect, conserve and enhance the environments in which we operate. Each new site undergoes a risk assessment that will include biodiversity and ecology where necessary. On sites where biodiversity impacts are potentially significant, we may carry out detailed Environmental Impact Assessments as well as implementing biodiversity mitigation, enhancement or offsetting where agreed with the planning authority.

Such measures may include the provision of bat boxes, relocation of protected species, tree retention and improved woodland/grassland areas, construction of on-site and off-site ponds for both drainage and to support and promote biodiversity, as well as contributing financially to assist in the protection of Special Protection Areas.

We continue to build a proportion of our new homes on brownfield land and this redevelopment can help to improve the local environment, as well as having a positive effect on the local community, helping to increase local employment and create green spaces. In the past year 43% of our new homes were built on previously developed land (2018 – 53%).

Energy

As a responsible business we have a duty to minimise our energy usage where we can, even though energy is not a significant financial cost for the business compared to land, labour and materials. As reported last year, we met our target early to fit all site compounds with energy saving technology and all new compounds continue to meet this specification. This year we completed our target to move our telehandler fleet over to more efficient engines, with 100% of the fleet now compliant (2018 – 88.6%). We have also investigated the potential for adding photovoltaic panels onto compound roofs, and while at present this is not cost effective, we will keep a watching brief as the technology continues to reduce in price.

We set ourselves a target to introduce Passive Infrared ('PIR') sensors in all new showhome lighting this year. However, this did not prove to be cost effective, with minimal energy savings compared to installation costs. Instead we have moved all new showhomes over to 100% LED lighting to deliver energy savings, as well as converting existing showhomes to LED lighting where the property will be open for a further six months or more.

We continue to fit renewable energy and energy saving technology on new homes, with 36.0% of homes fitted this year (2018 – 36.9%), helping customers to reduce the energy

consumption of their new homes. We also continue to design our homes to be energy efficient, with the Dwelling Emission Rate (a measure of energy efficiency) of new Bellway homes being on average 4.5% better than required by the relevant building regulations (2018 – 5.0%).

Carbon reporting

In accordance with the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013, we report on our greenhouse gas ('GHG') emissions as part of the annual Strategic Report. Our GHG reporting year is the same as our financial year and the previous year's figures have been provided as comparators.

The methodology used to calculate our emissions is based on the UK government's Environmental Reporting Guidelines (2013) and emission factors from the 2018 government GHG Conversion Factors for Company Reporting. We now use the market-based method for calculating our scope 2 emissions to account for the benefits of our purchased renewable electricity.

The reported emission sources include those which we are responsible for, with the exception of the following which were excluded from this report:

- Gas and electricity from part-exchange properties due to immateriality and difficulty in accurately reporting and recording this data.
- Emissions from site-based combined heat and power units for which we do not have operational control.

An element of carbon estimation is undertaken in the following areas:

- Diesel fuel usage on a small number of sites where fuel is provided by our groundworks contractors. Bellway's share of the usage is estimated based on fork lift usage.
- Divisional offices where gas and electricity usage is included within landlord charges. Bellway's usage is estimated using a kWh per square metre of occupied floor space figure derived from other divisional offices with utility billing in place.

Our overall carbon emissions have risen by only 1.8% to 25,715 tonnes CO_2e (2018 – 25,253), against a 5.7% increase in homes sold. This smaller increase in carbon, compared to construction growth, has been driven in part by our switch during this year to procuring site compound electricity from renewable sources through Renewable Energy Guarantee of Origin ('REGO') backed supplies. For the current year this has saved 961 tonnes of carbon from entering the atmosphere and helped us reduce carbon from our electricity usage by 2.5%, despite usage increasing by 16.9%. Reporting via business metrics, overall carbon emissions per home sold have decreased by 4.0% to 2.4 tonnes (2018 – 2.5) while carbon emissions per employee have fallen by 4.4% to 8.6 tonnes (2018 – 9.0).

Both the 2017/18 and 2018/19 emissions have been externally verified by Zeco Energy to a 'reasonable assurance level'.

Greenhouse gas emissions (tonnes of CO_2e)[1]

	2019	2018
Scope 1 – Combustion of fuel and operation of facilities (including diesel and petrol used on-site and in company cars on Group business)	**20,560**	19,964
Scope 2 – Electricity purchased for our own use (market-based method)[2]	**5,155**	5,289
Total scope 1 and 2 emissions (market-based method)[2]	**25,715**	25,253

Emissions intensity[2]		
tCO_2e per Bellway home sold	**2.4**	2.5
tCO_2e per Bellway employee[3]	**8.6**	9.0

Notes:

1. Carbon dioxide equivalent as per the meaning given in section 93(2) of the Climate Change Act 2008.
2. Scope 2 emissions are now reported using the market-based method to account for electricity supplies purchased under REGO contracts. Scope 2 emissions for 2018 have been restated using the same methodology.
3. Based on the average number of employees during the year.

Construction

As a homebuilder, the construction process is the most visible impact we have on local communities, society and the wider environment. We take a partnership approach on our developments, working closely with suppliers, contractors, local authorities and local communities to create new, attractive and sustainable communities and developments.

1	2	1
target achieved	targets are multi-year and progress will continue into 2019/20	target missed

Waste
We will maintain the proportion of waste diverted from landfill on construction sites at 97.5% or above.

Waste
We will aim to reduce the quantity of waste we generate (excluding ground works waste) per home under construction by 2021.

Sustainable Construction
We will complete research into six sustainable construction methods and products, undertake trials at a division level and implement successful outcomes across the Group by 2021.

Planning
We will pilot 'Building for Life 12' on a minimum of one site and assess the impact on planning, construction costs and development desirability over the next three years (2016/17 – 2018/19).

Communities

Creating communities is about more than just putting together bricks and mortar. Our developments include private housing, affordable housing, mixed-use and mixed tenure, ensuring we create desirable, sustainable and balanced communities for people to live in. We aim to improve the overall health and wellbeing of the area by incorporating recreational and community facilities into development plans and working with local partners to bring added value to development schemes.

We continued our assessment work on the benefits of utilising the 'Building for Life 12' industry standard for the design of new housing developments. This work was due to complete this year but unfortunately the final assessment process has been delayed and will now be undertaken in the first half of the coming year. We will then use the findings to help shape our evolving approach to delivering homes and communities that are attractive, functional and sustainable.

It is acknowledged that while we need to build many more homes to address the UK's housing shortage, this needs to be undertaken with due consideration for the long-term sustainability of communities. As a result, our investment in communities extends far beyond the creation of new developments. We estimate that our construction activities deliver a combined employment (direct, indirect and induced) of between 30,000 and 34,000, with the benefits being felt both locally and nationally. We also provide local support through planning obligations and Community Infrastructure Levy payments, with £77.3 million (2018 – £79.0 million) invested in a range of local services and amenities, including education, sport and leisure, health and highway improvements.

Waste

The materials we use to build our homes are resources that require careful management. Our aim is to use such resources as efficiently as possible, ensuring that we limit our impact on the environment by minimising waste, and so deliver cost and efficiency savings which benefit our wider business, customers and stakeholders.

This year 98.4% of our waste was diverted from landfill for re-use, recycling or, as a last resort, 'refuse-derived fuel' (2018 – 98.1%), delivering on our target to maintain diversion rates at 97.5% or above. As part of our target to reduce the quantity of waste we generate, we have refined our metrics and now report on 'waste per home built', which has increased this year to 10.97 tonnes (2018 – 9.31 tonnes). The ongoing standardisation of our house type designs will aid waste minimisation and efforts in the coming years will focus on best practice and supplier engagement to reduce the waste we generate on sites.

Supply Chain

At Bellway we aim to create sustainable long-term relationships with our suppliers and sub-contractors, with procurement controlled by a central supply chain function supported by divisional teams. Our supply chain spend this year was £1.7 billion (2018 – £1.6 billion) and with the HBF estimating that 90% of housebuilders' supply chain spend remains in the UK, Bellway's supply chain activity would deliver a £1.5 billion investment in the UK economy. With a substantial portion of this spent in our divisions, local companies and communities are significant beneficiaries.

A proportion of our procurement is through Group contracts with each national supplier subject to an audit process prior to commencing work with Bellway, covering a range of issues from environmental and safety matters, to quality and security of supply. We also work with many smaller businesses and companies that are local to specific development sites, providing materials, labour and services to Bellway and we are committed to paying our suppliers and sub-contractors within agreed terms and remain a signatory to the Prompt Payment Code.

We do not tolerate any form of slavery, servitude and forced compulsory labour or human trafficking in our supply chain or in any part of our business. Our Anti-Slavery Policy reflects this commitment and is available to view on our website, along with our latest Slavery and Human Trafficking Statement which sets out the actions being taken. We require all applicable suppliers and sub-contractors to confirm that they either have their own modern slavery policies in place or that they adopt Bellway's policy. Relevant staff receive training to help them identify signs of slavery and our Anti-Slavery Compliance Team monitors compliance activity throughout the year.

Bellway's zero tolerance approach to bribery and corruption has been adopted by the Board. It extends to all of the Group's business dealings and transactions and our policy and procedures set out the standards expected of all of our employees and those who work for and with the Group. Management are responsible for enforcing compliance and additional checks are carried out via Head Office functions.

Our whistleblowing procedure enables concerns of any wrongdoing to be reported in confidence. There were a small number of reports made during the year where sadly the behaviour of a few employees fell short of the standards required of them, and appropriate disciplinary action was taken.

Quality

The quality of Bellway construction continues to be recognised in the NHBC Pride in the Job Awards, the only UK-wide awards dedicated to recognising Site Managers who achieve the highest standards in homebuilding. This year Bellway Site Managers achieved 42 awards (2018 – 49), with candidates assessed on a wide range of criteria, including technical knowledge, leadership qualities and organisational skills. Another yard-stick of Bellway's quality is the NHBC reportable items per inspection measure, and this year we successfully maintained this at 0.19 reportable items per inspection (2018 – 0.19).

Society and economy

Investment in new homes is a key driver in regional and national economic prosperity, playing a significant role in directly stimulating growth and supporting jobs and employment. It is also vital to addressing the housing shortage in the UK.

6

targets achieved

Customer engagement

We will deliver high levels of customer satisfaction, aiming to retain our 5 star homebuilder status for the year.

Health and safety

We will aim to maintain RIDDOR rates at the 2018 level or below.

Health and safety

We will deliver 'Site Tidiness' and 'Working at Height' safety briefings/training at 100% of sites to maintain a safe working environment.

Employee development

We will develop a structured and integrated training programme for Site Managers that will also consider sustainability issues.

Employee development

We will increase the number of apprentices and graduates we employ, helping to address the industry-wide issue of skills shortages.

Charitable giving

We will extend our partnership with Cancer Research UK for a further year and aim to increase our fundraising and donation total across the three year period to at least £1 million.

Economy

Investment in new homes is vital for regional economies as well as the broader national economy, playing a significant role in directly stimulating growth and supporting employment. The HBF estimates that new housebuilding generated £38 billion of economic output to the Great Britain economy in 2017, as well as supporting almost 700,000 direct and indirect jobs and contributing £2.7 billion in tax revenues[1].

We have again used the HBF's, Lichfield's and other publicly available metrics to estimate Bellway's own contribution to the wider economy[2]:

- £1.3 billion in estimated gross value added generated by our construction activities.
- 30,000 – 34,000 direct, indirect and induced jobs supported.
- £210.9 million contribution to public finances.
- £71.1 million in New Homes Bonus and council tax payments to local authorities.

Customers

As a leading UK homebuilder, a large number of customers rely on Bellway to deliver the home of their dreams. Year-on-year we aim to deliver an excellent customer experience, preserving our reputation as a high quality homebuilder, and we are pleased to report that for the third year running we have achieved 5 star homebuilder status from the HBF. At least nine out of ten of our customers would recommend Bellway to their friends.

Affordability

There continues to be a shortage of new homes in the UK, with a government pledge aiming to increase the number of new homes built to 300,000 per year. In addition, affordability is often cited as a barrier to people wanting to take their first step on the property ladder[3].

As part of Bellway's contribution to addressing these issues, we continue to build a range of quality homes to meet differing budgets and needs. Our average selling price in 2019 was £291,968 (2018 – £284,937) with 7% of homes sold to unassisted first-time buyers (2018 – 8%). A further 36% of homes were sold to customers requiring additional assistance via the various Help to Buy schemes (2018 – 39%), which remain important mechanisms to supporting home ownership in the UK. In total 30% of our homes were sold to first-time buyers (2018 – 34%), representing 3,258 individuals and families whom Bellway helped to get their first step on the property ladder (2018 – 3,520).

Bellway also continues to incorporate affordable housing into developments, creating mixed and diverse new communities. This year 22% of our new homes were sold to affordable housing providers (2018 – 20%).

Employees

The quality of our new homes and the high levels of customer service we deliver are dependent on the people who work for us. Directly employing an average of 2,980 individuals (2018 – 2,808), thousands more work indirectly with Bellway as sub-contractors and suppliers, and our people are key to the success of the business.

We continue to invest in our workforce, providing a range of training opportunities to both address the ongoing skills-shortage in construction and also to allow employees to reach their full potential with Bellway. We have increased the overall number of graduates and apprentices in the business by 9.2% to 155 (2018 – 142) and a new graduate training programme has been developed that will see the first cohort joining Bellway in January 2020.

We are pleased to be able to report progress on our work on diversity with an increase in the number of women in our senior management team (see table on page 51). We have now appointed Diversity and Inclusion Champions in all divisions and introduced mandatory diversity and inclusion training for all employees.

Over the past year our employee turnover rate has increased to 22.4% (2018 – 21.4%), broadly in line with our sector.

As a responsible employer we are committed to ensuring that all of our people are treated with fairness, consideration and respect, and we operate a range of policies and provide training to ensure equal opportunities are provided to all existing and prospective employees, including modern slavery and diversity and inclusion training. These policies are listed on our website, and staff may report any concerns to our HR department or through our SpeakUp procedure via an independent provider.

Safety

The wellbeing of everyone who interacts with our business is a top priority for Bellway. Utilising a range of measures, including tool box talks, training, sharing of best practices and formal inspections, we work with direct employees and sub-contractors to actively promote a safe working culture and to ensure all of our developments operate in a safe manner.

We are pleased that in the NHBC Health and Safety Awards, the work of our Site Managers has again been recognised. Twelve Site Managers collected 'Commended' Awards (2018 – eleven).

Over the course of the year, our focus on health and safety has seen our RIDDOR seven-day reportable incident rate fall to 324.87 incidents per 100,000 site operatives (2018 – 404.02), the third year in a row that we have successfully reduced this rate. Bellway also continues to outperform the industry average on the NHBC health and safety incident rate, achieving a score of 0.856 (2018 – 0.867).

Notes:

1. 'The Economic Footprint of House Building in England and Wales' (July 2018), prepared for the HBF by Lichfields.
2. Full details can be found in 'Our Economic and Social Impact 2018-19' summary which is available on our website.
3. 'Fixing our Broken Housing Market' (February 2017), Department for Communities and Local Government.

Corporate Responsibility continued

Charitable Engagement

As a responsible business, part of our ethos is to support both the local communities where we build as well as those sections of society less fortunate than ourselves. Our charitable focus remains on three key areas: supporting our national charity partner Cancer Research UK ('CRUK'); supporting our divisions; and supporting our employees.

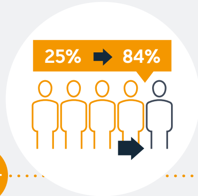
At the end of 2017/18 we extended our already successful partnership with CRUK for a further year with the aim of reaching £1 million in fundraising and donations, and we continue to be overwhelmed by the support our staff show to this cause. This year £283,841 was raised by employees, sub-contractors and suppliers; a 43% increase on last year (2018 – £198,953). When combined with Bellway's 'double matching' of employee fundraising, the total raised and donated this year was £494,812; a 25% increase on last year (2018 – £394,453). That brings the total donated to CRUK over the past three years of our partnership to an amazing £1,275,178, well above our £1 million target. We are proud that our partnership has again been recognised, this time at the CRUK's Flame of Hope Awards, with the Bellway divisional charity co-ordinators named as the Corporate Fundraising Team of the Year.

As well as our CRUK partnership, our employees undertake personal fundraising for causes of their choice, with their fundraising matched by Bellway. This year employees raised a total of £107,895 for their own causes; an increase of 49% from last year (2018 – £72,643). In addition, our divisions continue to operate their own charity budgets to assist local charities and community groups in their operating area. In total, across all our charitable activities, Bellway, our employees, sub-contractors and suppliers have raised and donated a total of £754,793 to good causes this year; an increase of 34% (2018 – £564,040). Of this total, £391,736 was raised by our employees, sub-contractors and suppliers, 44% higher than last year (2018 – £272,096).

A timeline of Bellway and Cancer Research UK

2016

We partner with the British Thoracic Society and develop a smartphone app to give doctors quick and easy access to guidelines to help diagnose lung cancer.



2016

Our scientists announce exciting results from the STAMPEDE trial, one of the largest clinical trials ever conducted for prostate cancer. Combining abiraterone with a steroid, plus standard hormone therapy, improves survival by an astounding 37%, with a 70% reduction in disease progression. What's more, it does this with fewer side effects. Prostate cancer survival in the UK has tripled in the last 40 years.

2016 Bellway

Bellway and Cancer Research UK begin a life-saving and what would become an award winning partnership.

2017 Bellway

Bellway celebrate raising a record breaking £385k in the first year of our partnership.

2018 Bellway

Bellway celebrate winning Charity Partnership of the year in property and construction category at the Business Charity Awards and set their employees the challenge to raise £1 million by the end of year three through the 'Help Us Raise a Million' campaign.

2018

Michelle Mitchell OBE took up her position at the helm of CRUK. 'It's an honour for me to be appointed CEO of Cancer Research UK. Without any government funding for the work we do, we need to make sure that people understand why their support is so important and how we can beat cancer together.'

2019

Cancer Research UK announce three major international research initiatives and award almost £60 million collectively to explore some of the biggest challenges in cancer research.

2019 Bellway

BELLWAY HIT THE £1 MILLION MILESTONE!

'As a company we are proud to say that we have raised £1 million for vital cancer research happening across the UK'. Jason Honeyman – CEO of Bellway.

RIGHT NOW

OUR LIFE SAVING WORK CONTINUES

Looking Forward

In the coming year work will continue on our existing and new targets, and more details on our 2019 performance can be found on our website: www.bellwayplc.co.uk/corporate-responsibility.

Some of our key objectives for the coming year are outlined below:

- Assess the use of single-use plastic in our business to understand where we can reduce or eliminate usage.
- Aim to reduce our direct carbon emissions by 10% by 2023 (measured by CO_2e per home sold).
- Train 75 Mental Health First Aiders by 2020.
- Extend our partnership with Cancer Research UK for a further two years and increase our cumulative fundraising and donation total to at least £2 million.

2019 has been another successful year in terms of CR performance, and we are especially proud of the ongoing commitment of our people to the CRUK partnership. We remain committed to operating our business in a responsible and sustainable way, meeting the needs of our customers and shareholders while also delivering benefits to our wider stakeholder groups.

Non-financial information statement

The table below identifies the pages of this annual report where we discuss the information required to comply with the Non-Financial Reporting Regulations set out in sections 414CA and 414CB of the Companies Act 2006. Relevant policies are available on our website, together with our Economic and Social Impact report.

Non-financial information	Page
Environment matters	34 and 35
Employees	8, 11, 16 and 39
Social matters	38 to 40
Human rights	16, 37 and 39
Anti-bribery and corruption	37
Risks	26 to 30
Business model	10 to 16
Non-financial KPIs	IFC, 12 to 16

Approval of the Strategic Report

The Strategic Report was approved by the Board and signed on its behalf by:

Jason Honeyman
Group Chief Executive

14 October 2019

Board of Directors and Group General Counsel and Company Secretary

Paul Hampden Smith

Chairman

Committees

N* R

Appointed to the Board on 1 August 2013.

Background and experience

Paul, a Chartered Accountant, was appointed as Chairman on 12 December 2018, having previously been a non-executive director since 1 August 2013, and Audit Chair since 1 February 2014 until his appointment as Chairman. Paul was Group Finance Director of Travis Perkins plc from 1996 until his retirement in February 2013, having worked for Travis Perkins since 1988. He was previously senior independent non-executive director and Chairman of the Audit Committee of Clipper Logistics plc and a non-executive director and Chairman of the Audit Committee of Pendragon PLC and Redrow plc.

Other appointments

Grafton Group plc – senior independent non-executive director, Chairman of the Audit & Risk Committee and a member of the Nomination and Remuneration Committees.

Delapre Abbey Preservation Trust – Treasurer and Chair of the Finance Committee.

Cumberland Lodge, Windsor Great Park – Chairman of the Audit Committee.

Denise Jagger

Senior Independent Non-Executive Director

Committees

A N R

Appointed to the Board on 1 August 2013.

Background and experience

Denise, a solicitor, was appointed as a non-executive director on 1 August 2013 and became senior independent non-executive director on 1 November 2018. Denise is a consultant at Eversheds-Sutherland LLP, having been a partner from 2004 to April 2019. Previously she was Company Secretary and General Counsel at ASDA Group plc, later part of Wal-Mart, from 1993 to 2004. Prior to this she worked in the City in corporate finance with Slaughter and May. Denise's previous non-executive directorships include Redrow plc and SCS Upholstery plc.

Other appointments

CLS Holdings plc – non-executive director and a member of the Audit and Remuneration Committees.

Pool Reinsurance Limited – non-executive director and Chair of Remuneration Committee and Nominations and Conflicts Committee.

University of York – Chairman and pro Chancellor.

St Giles Trust – Chairman.

Yorkshire 2019 Limited – senior independent director.

Eversheds-Sutherland LLP – consultant.

Jason Honeyman

Chief Executive

Committee

NR*

Appointed to the Board on 1 September 2017.

Background and experience

Jason commenced employment with the Group in January 2005 as Managing Director of the Thames Gateway division, becoming Southern Regional Chairman in December 2011. Jason joined the Board as Chief Operating Officer and was promoted to Chief Executive on 1 August 2018.

Keith Adey

Group Finance Director

Committee

NR

Appointed to the Board on 1 February 2012.

Background and experience

Keith, a Chartered Accountant, joined Bellway in December 2008 as Group Chief Accountant, becoming Group Finance Director on 1 February 2012. Prior to joining Bellway he worked at KPMG and Grainger plc.

Jill Caseberry

Independent Non-Executive Director

Committees

A N R*

Appointed to the Board on 1 October 2017.

Background and experience
Jill was appointed to the Board as a non-executive director on 1 October 2017. Jill has extensive sales, marketing and general management experience across a number of blue chip companies including Mars, PepsiCo and Premier Foods.

Other appointments
Halfords Group plc – non-executive director, Remuneration Committee Chair and a member of the Audit and Nominations Committees.

C&C Group plc – non-executive director and a member of the Remuneration Committee.

St. Austell Brewery Company Limited – non-executive director and a member of the Audit, Nomination and Remuneration Committees.

Ian McHoul

Independent Non-Executive Director

Committees

A* N R

Appointed to the Board on 1 February 2018.

Background and experience
Ian, an accountant, was appointed to the Board as a non-executive director on 1 February 2018, and appointed as Chairman of the Audit Committee on 12 December 2018. He was Finance & Strategy Director of the Inntrepreneur Pub Company Limited from 1995 to 1998 and then served at Scottish & Newcastle plc from 1998 to 2008, first as Finance Director of Scottish Courage and later as Group Finance Director of Scottish & Newcastle plc. From 2008 to 2017 he was Chief Financial Officer of Amec Foster Wheeler plc. He was also a non-executive director of Premier Foods plc from July 2004 to April 2013.

Other appointments
The Vitec Group plc - Chairman.

Britvic plc – senior independent non-executive director and Chairman of the Audit Committee.

Young & Co's Brewery, P.L.C. – non-executive director and Chairman of the Audit Committee.

Simon Scougall

Group General Counsel and Company Secretary

Appointed on 1 February 2016.

Background and experience
Simon, a solicitor, was appointed Group General Counsel and Company Secretary in February 2016. Simon joined Bellway in March 2011 and has held senior positions within the Group including that of Group Commercial Director. He has over 20 years' experience in the housebuilding sector, working either in-house or for clients in private practice.

Key:

- A Audit Committee
- N Nomination Committee
- R Remuneration Committee
- NR Board Committee on Non-Executive Directors' Remuneration
- * Denotes Committee Chairman

Chairman's Statement on Corporate Governance

> The Board reinforces our culture and the focus on health and safety and customer care throughout the Group.
>
> **Paul Hampden Smith**
> Chairman

Dear Shareholder

Changes to the Board

As reported in last year's annual report, John Cuthbert retired from the Board on 31 October 2018 and was succeeded by Denise Jagger as senior independent non-executive director.

John Watson retired on 12 December 2018 at the conclusion of the AGM, and I took over from him as Chairman.

Diversity

The Board is committed to making appointments on merit against objective criteria and the Board strongly supports the principle of boardroom diversity in all its aspects. I am pleased to report that women make up 33% of our Board. Our Board Diversity Policy is available to view on our website.

As at 31 July 2019 our female employees made up 30% (2018 – 28%) of our total workforce.

During the year the Board has increased its focus on increasing the number of women in its senior management team. As at 31 July 2019 19% (2018 – 14%) of our senior management were women, and of our Head Office senior management team, 30% are women (2018 - 25%).

Our culture – 'retaining an entrepreneurial spirit'

The Board has continued to develop the core principles of the Company's culture that exist within the business, and has consulted with employees via our newly formed employee listening groups. The Board reinforces our culture and the focus on health and safety and customer care throughout the Group through divisional visits and informal Board dinners to which senior managers are invited. We will be conducting an employee engagement survey in 2019/20.

Board effectiveness and evaluation

During the year the evaluation of the Board and its committees was conducted with the assistance of the Group General Counsel and Company Secretary.

Each director completed a questionnaire in relation to the performance of the Board and any committees of which they were a member. This was followed by the Chairman discussing individually with each director and the Group General Counsel and Company Secretary the points raised.

The Chairman's performance was assessed by the senior independent non-executive director, who considered the views of the other directors and the Group General Counsel and Company Secretary as part of that process.

The Chairman evaluated the performance and effectiveness of each of the directors. Each committee chairman reviewed the responses to the committee questionnaires before reaching their conclusions on how the committees had performed during the year. The Board, led by the Chairman, evaluated its own performance.

These evaluations concluded that the Board and committees were well run and continued to be operating effectively.

The main areas highlighted for further development or improvement were:

- Board dinners to be used to allow non-executive directors to meet more management below board level.
- Continue our work on improving diversity below board level.
- Increase communications between board meetings.

The Board and the Group General Counsel and Company Secretary will work with senior management to develop and improve these areas during the year, and the progress made will be reported on in next year's annual report.

The areas highlighted for improvement in last year's Board evaluation and progress made are set out in the table overleaf.

Compliance with the UK Corporate Governance Code (the 'Code')

I am pleased to confirm that the Board considers that it has complied throughout the year with the detailed provisions of the Code published in 2016. The Code is available, free of charge, from the Financial Reporting Council, online at www.frc.org.uk or by telephoning 020 7492 2300. The revised Code published in July 2018 applies to the Company from 1 August 2019 and I can confirm we have complied with that Code from 1 August 2019 to the date of this report.

Shareholder engagement

The Company encourages active dialogue with its private and institutional shareholders, and the directors communicate with both existing and prospective institutional shareholders on a regular basis and as requested.

Following my appointment in December 2018, I wrote to 15 of our top shareholders and subsequently met with a number of them.

In addition to the financial results presentations, during the year our executive directors hosted further presentations attended by institutional investors, analysts and shareholders, with other members of the senior management team being present. We also consulted with a number of shareholders on our CR strategy. The Board receives regular updates from our advisers on investors' and analysts' views on the Company.

Shareholders are also kept up-to-date with our progress throughout the year through the annual report and announcements to the Stock Exchange for the full year and half year results and trading updates.

The whole Board is available for questions at the AGM, to which institutional and private investors are invited to attend. I am pleased to report that at the last AGM over 88% of the votes cast were cast in favour of the resolutions put to shareholders by the Board.

The senior independent non-executive director and I are always available to discuss issues with current and prospective shareholders and institutions, as and when required. In addition, the whole Board is regularly updated at Board meetings on shareholder and investor views and activities by the Chief Executive and the Group Finance Director.

Further information for shareholders is available on our website at www.bellwayplc.co.uk.

Paul Hampden Smith
Chairman

14 October 2019

Board evaluation 2017/18 update

Action	Progress
How to further improve the use of Board papers to ensure that the right balance is achieved in terms of content and time spent on the most important issues.	Board packs have been rationalised and have become more focussed. This will be kept under review.
How to further improve presentations to the Board.	These have become more succinct, with reports taken as read, allowing the Board to concentrate their time on discussion of the topics.
Continue to focus on strategy as a top priority.	Strategy is discussed at every Board meeting and at our annual strategy day. This work continues to be a top priority for the Board.

Corporate Governance Report

1 Ian McHoul
2 Denise Jagger
3 Simon Scougall
4 Jason Honeyman
5 Paul Hampden Smith
6 Jill Caseberry
7 Keith Adey

Board of Directors

- Audit Committee — See pages 52 to 57.
- Nomination Committee — See pages 50 to 51.
- Remuneration Committee — See pages 58 to 76.
- Board Committee on Non-Executive Directors' Remuneration — See page 49.

Executive Directors

- Group General Counsel and Company Secretary
- Head Office Senior Management Team
- Regional Chairmen

Divisional Boards

Statement about applying the Principles of good governance

The Board acknowledges the importance of, and is committed to the principle of, achieving and maintaining a high standard of corporate governance and in promoting a positive culture within the Group.

We have applied the Principles of good governance, including both the Main Principles and the Supporting Principles, by complying with the Code. Further explanations of how the Main Principles and Supporting Principles have been applied are set out below and in the Remuneration Report.

Leadership

At the date of this report the Board consists of six directors whose names, responsibilities and other details appear on pages 42 to 43. Currently two of the directors are executive and four are non-executive.

The Board sets the strategic aims, ensures that the necessary resources (including finances, people and materials) are in place for the Company to meet these objectives and also reviews management performance. It defines the Company's values and standards and ensures that its obligations to its shareholders are understood and met.

The Board has put in place the following structure which allows it to provide entrepreneurial leadership of the Group and to delegate authority for operational matters through a framework of prudent and effective controls, which enable risk to be assessed and managed.

Chairman

- promoting the highest standards of integrity, probity and corporate governance throughout the Group and particularly at Board level including ensuring that the correct cultural tone is set from the top.
- ensuring that the Company complies with the requirements of the UK Corporate Governance Code and adheres to the highest standards of governance.
- leading the Board and ensuring its effectiveness.
- setting the Board's agenda.
- ensuring the directors receive accurate, timely and clear information.
- ensuring effective communication with shareholders.
- ensuring the effective conduct of Board meetings and facilitating the effective contribution of all directors and the Group General Counsel and Company Secretary.
- leading the evaluation of the performance of the Board, its committees and individual directors.
- overseeing the induction of any new directors and the development of existing directors.
- ensuring that the views of shareholders are communicated to the Board as a whole.
- encouraging constructive relations between the executive and non-executive directors and the Group General Counsel and Company Secretary.
- approves land purchases over specified limits in conjunction with the wider Board.

Chief Executive

- implementing the strategy agreed by the Board.
- leading the executive directors and the senior management team in the day-to-day running of the Group's business.
- ensuring the effective implementation of Board decisions.
- reviewing the Group's organisational structure and recommending changes as appropriate.
- supervising the activities of the Regional Chairmen and divisional senior management, overseeing their development and succession planning.
- overseeing Group operations.
- overseeing the activities of subsidiary companies.
- approving land purchases within specified limits.
- overseeing divisional expansion plans.
- together with the Chairman, providing coherent leadership of the Group, including representing the Group to customers, suppliers, government, shareholders, financial institutions, employees, the media, the community and the general public.
- keeping the Chairman informed of all important matters.
- overseeing the purchase of strategic land.
- overseeing the health and safety, sales and marketing and technical departments.

Group Finance Director

- devising and implementing the financial strategy and policies of the Group including treasury and tax.
- developing budgets and financial plans.
- responsible for the Group's investor relations activities.
- overseeing the CR, finance, IT and risk departments.

Senior independent non-executive director

- acting as a sounding board for the Chairman, executive directors and the Group General Counsel and Company Secretary.
- being available to shareholders.
- leading the annual appraisal of the Chairman.
- holding meetings with the non-executive directors without the Chairman present.

Non-executive directors

- constructively challenging management.
- contributing to the development of strategy.
- scrutinising the performance of management.
- ensuring integrity of financial information and financial controls and ensuring systems of risk management are robust.
- determining appropriate levels of executive director and Group General Counsel and Company Secretary remuneration.
- appointing and removing executive directors and succession planning.
- serving on Board committees.

Group General Counsel and Company Secretary

- supporting the Chairman and Chief Executive in fulfilling their duties.
- keeping the Board regularly updated on corporate governance, legal, commercial and HR matters.
- responsible for legal compliance throughout the Group including ensuring policies and procedures are maintained and updated on a regular basis.
- providing support to the Board and committees.
- overseeing the legal, company secretarial, HR and Head Office land and planning departments.
- managing the Group's external legal panel.

Board effectiveness

All directors have access to the advice and services of the Group General Counsel and Company Secretary and his department. All of the directors may take independent professional advice at the Group's expense where they judge it necessary to discharge their responsibilities as directors.

In accordance with the Code, all of the directors will retire from the Board and offer themselves for re-election or election at the forthcoming AGM. None of the executive directors hold external directorships.

The Board, its committees and the individual directors are subject to annual performance evaluation and all directors are subject to annual re-election by shareholders. The Board regularly reviews the directors' other interests and appointments to ensure that there are no conflicts of interest.

The Chairman is responsible for leading the Board and ensuring it operates effectively. The directors possess an appropriate balance of skills and experience to meet the requirements of the business.

During the year there were seven full Board meetings, including one meeting dedicated almost entirely to strategy. Additional Board meetings are arranged as and when required. The number of committee meetings are set out in each committee report.

The non-executive directors formally met twice during the year, including once without the Chairman present.

Ian McHoul was unable to attend one Board meeting and the AGM due to a family bereavement. There were no other absences from any other Board or committee meetings.

The non-executive directors meet to review the performance of management and they also meet without the Chairman being present to appraise his performance. These meetings are chaired by the senior independent non-executive director.

Conflicts of interest

Pursuant to the provisions of the Companies Act 2006 relating to conflicts of interest, the Board has put in place a register to deal with the notification, authorisation, recording and monitoring of directors' interests and these procedures have operated throughout the year.

Board activity during the year

The Board meets formally and informally during the year to consider strategy, performance, risk, major land acquisitions, potential conflicts of interest and reports from senior employees and external advisers.

One meeting a year is devoted entirely to the consideration of strategy where the Board agrees the way forward and ensures that the necessary financial, human, land and other resources are in place to meet its objectives. Areas focussed on during the strategy day were the seven key strategic priorities of:

1. Strengthening the brand.
2. Volume growth.
3. Driving down costs.
4. Appointing the right people.
5. Focus on return on capital employed.
6. Value creation through capital and dividend growth.
7. Maintaining a flexible capital structure.

Each year we hold separate annual conferences for the divisional Managing Directors, Finance Directors, Sales Directors, Technical and Commercial Directors and Planning Managers which are attended by the executive directors or members of the Head Office senior management team.

We also host informal Board dinners where senior management meet members of the Board. The Chairman meets with executive management and individual directors on a regular basis outside of Board meetings. This process allows for two-way discussion enabling the Chairman to act as necessary to deal with any issues relating to Board effectiveness.

The executive directors, Group General Counsel and Company Secretary and Chairman regularly visited the divisions during the year. The Board also received presentations from the Regional Chairmen and certain Group function heads on the opportunities and challenges they face.

Each non-executive director separately visits at least one division during the year, independent of the executive directors, and reports their key findings and observations at the next Board meeting.

The meetings with operational management ensured that the Board's standards and values for integrity and honesty are disseminated. Each of our divisions has its own management team and staff who manage and take pride in the success of their own operational business within the strategy set by the Board. In this way we create a culture that motivates and rewards our colleagues. We promote a supportive culture that enables our employees to develop their talents and skills.

The Board has adopted a schedule of matters that are specifically reserved for its decision, which includes strategy and management, structure and capital, financial reporting and controls, internal controls covering both financial and operational areas of the business, land acquisition, contracts and agreements, communication, Board membership and other appointments, remuneration, delegation of authority, corporate governance matters, Group policies and other miscellaneous items.

In addition, it has a series of matters that are dealt with at regular Board meetings including both an operational and a strategic review, a financial review, major land acquisitions, major projects, risk, health and safety, HR, reporting requirements, corporate governance and internal control (including any whistleblowing issues).

We also receive presentations and reports from Head Office, regional and divisional management and external advisers throughout the year. The Board also takes a report from the Group General Counsel and Company Secretary on legal, HR, commercial and corporate governance matters at each Board meeting.

In-between Board meetings the directors receive updates from the Chairman or the Group General Counsel and Company Secretary to advise them of any significant matters affecting the Group or its performance.

During the year the work carried out by the Board included:

- strategy.
- considering regular reports on KPIs from the Chief Executive.
- risk and internal control.
- consideration of recommendations from the Board committees.
- scrutiny of reports from the Chief Executive, Group Finance Director, Group General Counsel and Company Secretary and senior management at each Board meeting.
- considering regular reports on health and safety matters from the Chief Executive.
- approval of major land purchases.
- Board evaluation.
- approval of bank facility agreements.
- receiving presentations from three of the four Regional Chairmen on the performance of the divisions under their responsibility.
- receiving presentations from Finance, HR, IT, Land, Procurement, Sales and Marketing and Technical Head Office departments.
- approval of the updated Group Anti-Bribery and Corruption Policy.
- approval of revised terms of reference for Board committees.
- approval of major IT expenditure.
- approval of the Group's insurance programme.
- approval of the Group's Slavery and Human Trafficking Statement for 2017/18.
- approval of the Annual Report and Accounts for 2017/18.
- approval of preliminary announcement, interim results and trading updates.
- recommending the final dividend for 2017/18 to be approved by shareholders and approval of the interim dividend for 2018/19.
- approval of tax strategy.

Training and development

The Board receives appropriate training and updates on various matters relevant to its role and responsibilities. Training needs are reviewed as part of the performance evaluation process and on an ongoing basis.

Following this year's evaluation no specific training needs were identified.

Non-executive directors attend external training sessions designed specifically for non-executives and members of Board committees as and when required.

Board balance and independence

The roles of Chairman and Chief Executive are separate, with a clear division of responsibilities ensuring a balance of responsibility and authority at the head of the Group.

The Company considers all of its non-executive directors, including the Chairman, to be independent, as defined in the Code. Each of the independent non-executive directors has, at all times, acted independently of management and has no relationship that would materially affect the exercise of his or her independent judgement and decision-making.

The senior independent non-executive director is Denise Jagger, with whom shareholders may raise any queries or concerns they may have.

Whenever any director considers that he or she is interested in any contract or arrangement to which the Group is or may be a party, due notice is given to the Board. No such instances have arisen during the year.

The Board committees

The Board has formally constituted Audit, Nomination and Remuneration Committees. The terms of reference for these committees are available either on request from the Group General Counsel and Company Secretary, at the AGM or on our website: www.bellwayplc.co.uk.

Other committees of the Board are formed to perform certain specific functions as and when required.

The work carried out by each of the Board committees during the year is described in the reports of the committee chairmen which follow.

Board Committee on Non-Executive Directors' Remuneration

The Board Committee on Non-Executive Directors' Remuneration comprises the executive directors and is chaired by the Chief Executive.

This committee meets at least once a year. Last year it met on one occasion to review the fees and terms of appointment of the non-executive directors (excluding the Chairman) and received advice from the Group General Counsel and Company Secretary and external remuneration consultants when required.

Nomination Committee Report

> The Committee's focus during the year has been the induction of myself as the new Chairman, continuing our work on succession planning and developing an action plan to improve diversity within the Group.
>
> **Paul Hampden Smith**
> Chairman of the Nomination Committee

Membership

Director	Date appointed to the Committee	Number of meetings attended during the year
Paul Hampden Smith (Chairman)	1 August 2013, appointed Committee Chairman on 1 November 2018	2/2
Denise Jagger	1 August 2013	2/2
Jill Caseberry	1 October 2017	2/2
Ian McHoul	1 February 2018	2/2
John Watson	1 February 2013 (retired 12 December 2018)	1/1
John Cuthbert	1 November 2009, appointed Committee Chairman on 1 February 2013 (retired 31 October 2018)	1/1

Main focus in 2018/19

- To monitor the effectiveness of the recent appointments and role changes at Board level, including my induction into my new role as Chairman of the Board.
- To continue to develop, with support from the executive directors and Group Human Resources, the succession plan for those immediately below Board level.
- To increase the focus on diversity throughout the Group.

Focus areas for 2019/20

- To continue our work to improve diversity within the Group, taking into account the recommendations from the Parker Review.
- To continue to develop, with support from the executive directors and Group Human Resources, the succession plan for those immediately below Board level.

Responsibilities and terms of reference

The main areas of the Nomination Committee's (the 'Committee') responsibilities are:

- to review the structure, size and composition of the Board, in accordance with the Board's Diversity Policy, and recommend to the Board any changes it considers appropriate. This encompasses membership of the Board committees and the reappointment, if appropriate, of non-executive directors at the end of their term of office.
- to consider succession planning not only within the Board but also immediately below Board level and ensure appropriate plans are in place.
- to identify candidates to fill Board vacancies and nominate these to the Board for approval. Appointments to the Board are made on merit using a formal, rigorous and transparent process against objective criteria recommended by the Committee. These criteria take into account the skills, knowledge and experience of existing members of the Board and the importance of diversity, in all its aspects, within the Board. The appointment of a non-executive director is for a specified term and reappointment is not automatic, rather it is made on the recommendation of the Committee.
- to carry out an annual performance evaluation of the Committee and review the results of the Board performance evaluation in relation to the composition of the Board.

The Committee meets at least twice a year and operates under its own terms of reference. These have been agreed by the Board and are available at www.bellwayplc.co.uk/investor-centre/governance/committees.

The members of the Committee are shown in the table to the left.

Activities in 2018/19

The Committee's focus during the year has been the induction of myself as the new Chairman and developing an action plan to improve diversity within the Group.

The work done in relation to diversity so far includes:

- equality, Diversity and Inclusion e-learning has been issued to employees and forms part of the mandatory training a new employee must undertake on commencing their new role. 99.6% of employees have completed this training within three months of this being issued to them.
- we held an externally facilitated Senior Leaders Diversity and Inclusion session which was focussed on agreeing our strategic priorities, job design and flexible working. Work is under way to expand these sessions to other senior managers in the business.
- each division has nominated at least one Diversity and Inclusion Champion. All champions are completing a NCFE Level 2 Equality and Diversity qualification.
- the following policies have been updated:
  - o Bullying, Harassment and Sexual Harassment Policy to include specifically how we will manage claims of sexual harassment and introduce strengthened reporting lines.
  - o Maternity and Paternity Policies to provide enhanced maternity and paternity pay schemes.
- Equality Policy and Flexible Working Policy are in the process of being updated in order to attract more women and younger people into housebuilding.
- launch of a new Group recruitment panel to include partners with a particular focus on improving diversity.
- we have begun working with www.Workingmums.co.uk. We will use this site to advertise professional and senior roles in order to encourage more women to come and work for Bellway. We have also attended roundtable events relating to diversity including the future of flexible working and women in leadership.
- working with the Regional Chairmen and Managing Directors to develop their progression and retention plans for the key employees within each division, promoting diversity where possible.
- we have introduced Personal Protective Equipment ('PPE') specifically designed for females, namely high-vis jackets, blouses and trousers.
- the Group Head of HR is a member of the HBF Equality, Diversity and Inclusion Group that was formed last year to understand what the housebuilding industry is doing to improve diversity and inclusion.

Also during the year the Committee continued to develop, with support from the executive directors and Group Human Resources, the succession plan for those immediately below Board level. This exercise will look to promote diversity where possible.

In addition the Committee considered and recommended to the Board that Denise Jagger be invited to remain on the Board for her third and final three-year term from 1 August 2019.

Focus in 2019/20

- following feedback from our employee listening groups we will trial flexi-time at one of our divisions and will also shortly commence a trial to give our Sales Advisors one weekend off each month. If successful, these initiatives will then be rolled out across the Group under an updated Flexible Working Policy.
- we have introduced an Applicant Tracking System to improve the candidate experience, improve and streamline recruitment processes. At the point of application, candidates are asked to complete equality and diversity data, including age band, disability, ethnicity, gender, marital status, religion and sexual orientation. After a very short period of time, we can already see that there are a diverse range of candidates applying for roles with Bellway.
- we are currently recruiting 40 graduates for our new Graduate Programme 'Great Careers built with us' which launches in January 2020. As part of this recruitment selection we are taking the opportunity to recruit female and BAME candidates where possible.
- we will review and create job descriptions and person specifications to make them (a) more inclusive, (b) include gender neutral language to attract more females into the business and (c) remove certain barriers, such as the requirement to hold a driving licence regardless of the role, which may have discouraged potential applicants with disabilities.
- we will run a national campaign to recruit more women into the construction side of the Group.
- we are running a series of case studies in our staff newsletter focussing on female employees who are progressing their careers within the business.

Director and employee profile

The following table shows the gender split in the Group as at 31 July 2019:

	Male No.	Male %	Female No.	Female %	Total No.	Workforce %
Board of directors	4	67	2	33	6	<1
Senior managers	129	81	30	19	159	5
Other employees	1,974	70	859	30	2,833	94
Total	**2,107**	**70**	**891**	**30**	**2,998**	**100**

Paul Hampden Smith
Chairman of the Nomination Committee

14 October 2019

Governance

Audit Committee Report

I consider the Committee to be effective and provide a robust and independent oversight over the financial reporting, internal control and risk and external audit activities of the Group.

Ian McHoul
Chairman of the Audit Committee

Director	Date appointed to the Committee	Number of meetings attended during the year
Ian McHoul (Chairman)	1 February 2018, appointed Committee Chairman on 12 December 2018	3/3
Denise Jagger	1 August 2013	3/3
Jill Caseberry	1 October 2017	3/3
Paul Hampden Smith	1 August 2013, appointed Committee Chairman on 1 February 2014 (retired from the Committee 12 December 2018)	1/1
John Cuthbert	15 January 2010 (retired 31 October 2018)	1/1

Main focus in 2018/19

- Financial reporting.
- Internal control and risk management.
- Audit effectiveness.
- Assist with the induction of the two new Committee members who joined during 2017/18.
- Handover of Chair to Ian McHoul from December 2018.

Focus areas for 2019/20

- Financial reporting.
- Internal control and risk management.
- Audit effectiveness.
- Approve annual tax strategy statement.

I am pleased to provide you with my first report as Chairman of the Audit Committee and to provide you with an update of the work undertaken by the Audit Committee (the 'Committee') during the period. The Committee supports the Board in achieving its governance framework, with its principal activities focussed on the integrity of financial reporting, the quality and effectiveness of internal controls, risk management and reviewing the performance of the external auditor.

Committee membership and meetings

During the year Paul Hampden Smith and John Cuthbert retired from the Committee and I replaced Paul as the Committee Chair. I would like to take this opportunity to thank Paul and John for their valuable contributions to the Committee during their tenures. The Committee currently comprises three independent non-executive directors shown in the table to the left. I believe that between us we have an appropriate and relevant combination of experience and knowledge.

I am currently Chair of the Audit Committee of both Britvic plc and Young & Co's Brewery, P.L.C. and was Chief Financial Officer of Amec Foster Wheeler plc until 2017. The Board consider that I have recent and relevant financial experience as required by the Code. The Board has also confirmed that they are confident that the collective and broad experience of the Committee members enables them to act effectively as an audit committee.

Further information on the experience and knowledge of the Committee members is included in the directors' biographies on pages 42 to 43.

In line with the terms of reference, there were three scheduled meetings of the Committee during the year and all members of the Committee in post at the date of the meeting attended each meeting.

The Group Finance Director, Group General Counsel and Company Secretary, Group Financial Controller and Head of Risk attend meetings by invitation and were present at all meetings during the year. The Committee is supported by the Deputy Group Company Secretary who acts as secretary to the Committee.

Representatives of KPMG LLP ('KPMG') attended all of the meetings during the year and also met the Committee independently of management. No significant concerns were raised during these discussions. I also had further discussions, independently of each other, with the Group Finance Director, Head of Risk and KPMG, and reported relevant information to other members of the Committee.

Detailed papers are prepared and circulated in advance of Committee meetings by both management and KPMG, thereby allowing informed discussions and decisions to take place.

Responsibilities and terms of reference

A comprehensive version of the Committee's terms of reference is available on the Group's website at www.bellwayplc.co.uk/investor-centre/governance/committees.

Main activities during the year

The Committee met on three occasions during the financial year. The activities undertaken at the October 2019 meeting concluded the Committee's activities in relation to the Group's financial reporting for the year ended 31 July 2019.

The main activities performed by the Committee at these meetings are described below:

Meeting date	Activities
October 2018	The Committee: • reviewed the final draft of the 2018 Annual Report and Accounts, together with a report produced by KPMG, which detailed their findings both on areas of key financial reporting judgements/matters and other areas of audit focus. • reviewed and concluded that the 2018 Annual Report and Accounts presented a fair, balanced and understandable assessment of the Group's position and prospects after considering reports from the external auditor. The Committee recommended the 2018 Annual Report and Accounts to the Board for approval. • reviewed the draft viability statement to appear in the 2018 Annual Report and Accounts. • received a paper on significant judgemental areas prepared by management and provided appropriate challenge to their assumptions. • reviewed a paper which analysed notable one-off items that affected profit during the year. • considered and challenged management about the use of Alternative Performance Measures ('APMs') and whether they are appropriate or whether GAAP measures would be more relevant. • reviewed a paper setting out progress made on the implementation of the new finance and valuation system across the Group. • considered a paper produced by management setting out management's assessment in relation to potential risks associated with cladding, work that will be performed and whether appropriate provision is included within the financial statements of the Group. • held a private meeting with KPMG.
January 2019	The Committee: • received a risk management update from the Head of Risk and reviewed the Risk Management Policy. • received an update on the Internal Audit activities undertaken in the previous calendar year and provided feedback on the proposed 2019 Internal Audit plan. • received a report on the risks associated with Brexit. • reviewed the terms of reference of the Committee, number of meetings and skills and experience of the Committee. • reviewed the Group's policies and procedures in relation to Whistleblowing, Anti-Bribery and Corruption, Anti-Slavery and Data Protection. • received an Anti-Money Laundering compliance report. • assessed the performance of the external auditor including obtaining an update from KPMG in relation to the general annual AQR audit quality findings the firm had received compared to their peers and understanding the effect, if any, they had on the Bellway audit. • reviewed the Independent Auditor Policy. • held a private meeting with KPMG.

Audit Committee Report continued

Main activities during the year continued

Meeting date	Activities
March 2019	The Committee: • received a paper on significant judgemental areas prepared by management and provided appropriate challenge to their assumptions. • reviewed the final draft of the 2019 Interim Announcement. • reviewed KPMG's audit plan, including the proposed Group, subsidiary and divisional materiality for the 2019 audit. • received a Risk and Internal Audit update. • reviewed an updated version of the approvals and authority levels matrix. • held a private meeting with KPMG.
October 2019	The Committee: • reviewed the final draft of the 2019 Annual Report and Accounts, together with a report produced by KPMG which detailed their findings both on areas of key financial reporting judgements/matters and other areas of audit focus. • reviewed and concluded that the 2019 Annual Report and Accounts presented a fair, balanced and understandable assessment of the Group's position and prospects after considering reports from the external auditor. The Committee recommended the 2019 Annual Report and Accounts to the Board for approval. • reviewed the draft viability statement to appear in the 2019 Annual Report and Accounts. • received a paper on significant judgemental areas prepared by management and provided appropriate challenge to their assumptions. • reviewed a paper which analysed notable one-off items that affected profit during the year. • considered and challenged management about the use of APMs and whether they are appropriate or whether GAAP measures would be more relevant. • reviewed a paper setting out the external audit tender process and correspondence that will be issued to various parties. • considered a paper produced by management setting out management's assessment in relation to potential risks associated with fire safety and work that will be performed and whether appropriate provisions and disclosures were included in the financial statements of the Group, including the contingent liability note. • reviewed a paper produced by management considering the Brexit risk associated with the supply chain. • reviewed and approved the Slavery and Human Trafficking Statement 2019. • received a Risk and Internal Audit update. • considered the findings of the performance evaluation of the Committee. • held a private meeting with KPMG.

Financial reporting

Significant and key financial reporting matters

The Committee confirmed that they believe the significant financial reporting judgements for the Group have not changed from last year and are:

- cost of sales recognition.
- the carrying value of the Group's land and work in progress.

In addition, the Committee consider the carrying value of investments by the Company a significant financial reporting matter.

The table overleaf sets out the matters considered and the action performed by the Committee during the year in relation to these significant financial reporting matters.

Matters considered

Cost of sales recognition (Group)

Cost of sales of £2,423.1 million has been recognised on housing and other revenue. Cost of sales for completed housing sales is recognised as an allocation of costs based on the latest whole site/phase margin, which is derived as part of the site/phase valuation process. These valuations are updated frequently throughout the life of the site/phase and include both actual and forecast selling prices, land costs and construction costs. The forecast costs and revenues are estimates and are inherently uncertain due to potential changes in market conditions.

The carrying value of the Group's land and work in progress (Group)

Land and work in progress are the most significant assets on the Group's balance sheet and at 31 July 2019 had a book value of £3,428.1 million. The carrying value of land and work in progress is affected by the profit recognition policy of the Group, as set out to the left. In addition all inventory is held at the lower of cost and net realisable value, which is determined by the whole site/phase margin as set out in the 'cost of sales recognition' column. The risk is that for any site/phase, currently trading or not, that the whole site/phase margin may be negative resulting in a net realisable value that is below cost. Divisional management review all sites/phases to ensure any with a forecast negative whole site/phase margin have an appropriate provision, and this has been re-assessed at regular intervals during the year.

The carrying value of investments (Company)

Investments in joint ventures and subsidiaries ('investments') is a significant asset on the Company's balance sheet and at 31 July 2019 had a carrying value of £41.4 million. Investments are held at cost less impairment. The risk surrounds the judgement about whether an impairment is required given the inherent uncertainty involved in forecasting future cash flows of an investment.

Action performed by the Committee

Cost of sales recognition (Group)

The Committee understands the Group's revenue and cost of sales recognition policy and the related systems and controls.

During the year the Committee reviewed a paper produced by management setting out the revenue recognition policy and adherence with this around reporting periods.

Management outlined the existing systems and controls surrounding cost of sales recognition and the valuation process. The Committee discussed these controls, challenging management where appropriate.

The external auditor explained to the Committee the work they have undertaken in relation to the systems and controls surrounding revenue recognition, cost of sales recognition and the valuation process and provided an explanation of the detailed substantive testing performed. The Committee also reviewed a summary prepared by KPMG explaining their findings from their work testing the design, implementation and operating effectiveness of the Group's systems and controls pertaining to revenue recognition and the valuation process.

Following enquiry with management and the external auditor, the Committee concluded that there are appropriate systems and internal controls in place to assess and quantify both actual and forecast selling prices and costs, and that the Group's cost of sales recognition policy is appropriate and has been properly applied in these financial statements.

The carrying value of the Group's land and work in progress (Group)

The Committee understands the Group's methodology in reviewing the carrying value of the Group's land and work in progress and the surrounding controls. Management provided a summary of the work undertaken which was considered by the Committee.

The external auditor explained to the Committee the work they performed in relation to the carrying value of the Group's land and work in progress. This included the procedures identified in relation to profit recognition and a review of the latest site/phase valuation for all sites/phases active during the year and those that are yet to commence production.

Following enquiry with management and the external auditor, the Committee concluded that there are appropriate systems and internal controls in place to assess the carrying value of the Group's land and work in progress, and that the carrying value of these assets in the financial statements is appropriate.

The carrying value of investments (Company)

The Committee reviewed a paper comparing the carrying value of the investments held by the Company to their associated net assets.

Following a review of this paper and enquiry with management and the external auditor, the Committee concluded that the carrying value of investments is appropriate.

Viability statement

In accordance with section C.2.2. of the Code and the FRC guidance on Risk Management, Internal Control and Related Financial and Business Reporting, the Committee challenged management on the assumptions, methodology and timespan that the viability statement covers.

A paper prepared by management was considered by the Committee who concluded that the viability statement and going concern basis of preparation is appropriate. This was then recommended to the Board for approval.

Internal control and risk management

The Committee is responsible for reviewing and assessing the Group's internal controls and risk management systems and providing guidance on these to the Board. The Board is responsible for reviewing the effectiveness of the system of internal controls.

Throughout the year the risk register for the Group has been reviewed and updated by management. This review includes ensuring the completeness of risks, assessing their likelihood, their impact and the effectiveness of the control environment to mitigate the risks.

Risk is considered by the Board, with a full review of the risk register taking place throughout the business at least annually. The internal control and risk management process only reduces the risk of material misstatement or loss, and does not eliminate this risk completely.

The principal risks facing the Group, which are described in the Strategic Report on pages 26 to 27, are regularly reviewed and cover all aspects of Bellway's operations including land acquisition, planning, construction, health and safety, sales, HR, IT and legal and regulatory compliance.

The continuing role of the Board is, on a systematic and ongoing basis, to review the key risks inherent in the business, the operation of the systems and controls necessary to manage such risks and their effectiveness and to satisfy itself that all reasonable steps are being taken to mitigate these risks.

The key areas of control are as follows:

- the Board has agreed a list of key risks which affect the Group, that are reviewed throughout the year and has considered the extent to which the measures taken by the Group mitigate those risks.
- the acquisition of land and land interests is initiated by divisional management and reviewed by the appropriate Regional Chairman prior to submission to Head Office for approval. All land acquisitions must achieve minimum financial acquisition criteria and are subject to approval by the executive directors and in certain circumstances, approval by the Board.
- a comprehensive monitoring and reporting system is in place including annual budgets, monthly forecasting and management reporting, incorporating variance analysis and commentary. This is produced by divisional management and reviewed by the Regional Chairmen and function heads at Head Office. Summaries are also provided to the executive directors.
- monthly divisional board meetings are held to review divisional performance, which are attended by the Regional Chairmen. The executive directors attend certain divisional board meetings on a regular basis during the year, and this is supplemented with main Board visits to divisions.
- site/phase valuations are produced periodically throughout the life of a site/phase, with a summary of the actual and forecast costs and revenues produced at a divisional level prior to review by the divisional management team and Head Office team.
- regular visits to sites by in-house health and safety teams and external consultants to monitor health and safety standards and performance.
- a central treasury function operates at Head Office ensuring the optimum financing is obtained for the Group as a whole.
- a number of the Group's key functions are dealt with centrally. These include taxation, pensions, insurance, IT, legal, HR, regulatory compliance and company secretarial functions. This centralisation ensures a consistent approach and the appropriate range of skills to manage these specialised areas.

Where any control recommendations are made by the external auditors, these are considered, and where relevant are implemented to further strengthen the control environment.

The Group has a risk function which, in part, performs internal audit reviews. The Head of Risk has a direct reporting line into both the Group Finance Director and myself. During the year the risk function undertook a number of internal audit reviews, utilising specialists from within relevant functions. The Head of Risk provided the Committee with a summary of the findings together with recommendations to further enhance the control environment. A register is maintained centrally which monitors progress against any system and control enhancements to ensure they are implemented appropriately and in a timely and controlled manner.

External audit

Audit effectiveness and reappointment

The external auditor of the Group is KPMG. Their performance is regularly reviewed by both management and the Committee, and this is done formally on an annual basis.

The Committee considered a paper produced by management which used the FRC guidance note titled 'Audit Quality' as the basis.

This review consisted of:

- considering the robustness and appropriateness of KPMG's approach to auditing the significant risk areas facing the Group.
- considering whether KPMG's materiality proposal for the 2017/18 financial year, which was the most up-to-date information held at the date of the review, was set at an appropriate level for the component parts of the Group.
- discussions with management who were involved in the financial reporting processes.

- an understanding of the findings of the Audit Quality Review ('AQR') team of the FRC following their inspection of audit firms including KPMG. This included understanding whether any of the findings would have affected the Bellway audit.
- an understanding of the AQR and internal KPMG quality review findings specifically in relation to the new engagement partner for the 2019 audit, Johnathan Pass.
- considering KPMG's independence, objectivity and professional scepticism.
- reviewing the performance of KPMG against their audit strategy for the 2017/18 financial year, the most recent fully completed audit cycle, and their interaction with the Committee during the process.
- considering where KPMG have added value and demonstrated proactivity.

As part of this review a few small areas of improvement were identified which have been fed back to KPMG who have incorporated them in to their audit for the year ending 31 July 2019.

Following this review, the Committee recommended to the Board, which is in turn recommending to the shareholders, that KPMG be reappointed as the auditor of the Group. Following the completion of the 2018 audit, Johnathan Pass replaced Nick Plumb who had been the lead audit partner for five years.

KPMG has been the auditor of the Group since 1979 when Bellway was listed and the audit has not been tendered in the intervening period. In line with UK rules relating to the requirement for rotation of auditors of FTSE 350 companies, we have commenced the tender process for the appointment of a new external auditor. The incoming auditor will sit alongside KPMG during the 2020 audit to ensure a smooth transition takes place before they are formally appointed for the 2021 audit.

Auditor independence and non-audit fees

The Independent Auditor Policy, which seeks to preserve the independence of the external auditor by defining those non-audit services which the external auditor may and may not provide, was reviewed during the year and no changes were made.

There are clearly defined levels of approval depending on the value of the work to be provided. Where fees exceed £100,000 Board approval is required.

The Group's external auditor is not engaged for any of the following non-audit related services:

- tax compliance and other tax services.
- bookkeeping or other services related to the accounting records or financial statements of the Group.
- financial information system design and implementation.
- appraisal or valuation services, fairness opinions, or contributions in kind reports.
- actuarial services.
- internal audit outsourcing services.
- management functions or human resources.
- broker or dealer, investment adviser or investment banking services.
- legal services and expert services unrelated to the audit.
- technical accounting advice.
- assistance on FTSE matters.
- any other service that is impermissible by regulation.

For an analysis of fees paid to KPMG see note 4 to the accounts.

The ratio of non-audit fees for the year to the external audit fee was 0:1. KPMG provide written confirmation on at least an annual basis that they remain independent.

The Committee confirms there are no independence issues in relation to the external auditor and that the policy has been adhered to throughout the year.

Audit Committee assessment

During the year the Committee assessed both the performance of the Committee as a whole and that of its individual members, utilising a questionnaire that was internally facilitated. No major areas of improvement were identified.

Following a review of these results, I consider that the Committee is effective and provides a robust and independent oversight over the financial reporting, internal control and risk and external audit activities of the Group. The Committee has an appropriate and complementary set of skills and experience that enable it to deliver the aforementioned.

Other legislative requirements

Whistleblowing

The Group's Whistleblowing Policy is well publicised at all locations, and allows all employees to raise concerns in confidence to either the Deputy Group Company Secretary or, alternatively, an independent third party.

During the year the Committee approved minor changes to the Whistleblowing Policy.

Bribery Act

The Group's Anti-Bribery and Corruption Policy and procedures are circulated throughout the Group and are included on the Group's intranet.

Ian McHoul
Chairman of the Audit Committee

14 October 2019

Remuneration Report

The Committee continues to operate a remuneration structure… which it considers closely aligns shareholder interests with those of management.

Jill Caseberry
Chairman of the Remuneration Committee

Annual Statement

Dear Shareholder

I am pleased to present the Report of the Remuneration Committee (the 'Committee'). This report consists of this Annual Statement and the Annual Report on Remuneration for the 2018/19 financial year, which will be subject to a single advisory shareholder vote at the forthcoming AGM.

This is the second year of reporting on the current remuneration policy and so the Committee will be bringing a resolution to approve a renewal of the policy to next year's AGM.

Board changes

A number of changes have taken place in the year:

- As I explained last year, Jason Honeyman was promoted from his role as Chief Operating Officer to Chief Executive from 1 August 2018.
- John Cuthbert retired on 31 October 2018 and Denise Jagger took over his role as senior independent non-executive director.
- John Watson retired at the AGM on 12 December 2018 and was succeeded by Paul Hampden Smith as non-executive Chairman, with Ian McHoul replacing Paul as the Chairman of the Audit Committee on the same date.

The new remuneration arrangements for these individuals are covered below in the section on implementation of the remuneration policy in 2018/19.

Performance and reward in 2018/19

The Committee continues to operate a remuneration structure based on the three core elements of basic salary, annual cash bonus and a share-based long-term incentive plan, which it considers closely aligns shareholder interests with those of management.

The Group has delivered another positive set of results, consistent with its long-term growth strategy and has achieved record volume, revenue and operating profit. We have sold 10,892 homes (2018 – 10,307), increased revenue by 8.6% to £3,213.2 million (2018 - £2,957.7 million) and operating profit by 3.4% to £674.9 million (2018 - £652.9 million). Earnings per share rose to 437.8p (2018 – 423.4p) and RoCE remained high at 24.7%(~) (2018 – 27.2%).

The Committee has awarded the executive directors a bonus payment of 76.67% of basic salary and the long-term incentive plan awarded in 2016/17 will vest at 30.57% of the award. The award made to Jason Honeyman in November 2016 was made in respect of his position as Southern Regional Chairman, before he joined the Board. Full details of the bonus and long-term incentive plan performance and levels of award, along with the CEO to employee pay ratio are set out in the Annual Report on Remuneration on pages 61 to 70. The Committee considers that the level of bonus payment and long-term incentive vesting reflects the strong performance of the Group and the executive directors during the twelve-month and three-year period to 31 July 2019.

How we will implement the remuneration policy in 2019/20

From 1 August 2019, the Group Finance Director was awarded a salary increase of 2%, consistent with the average salary increase to the general workforce.

As disclosed last year and in line with the current policy on salaries for new executive directors, the salary of Jason Honeyman, the Chief Executive, was initially set at a level significantly below market levels with the clear intention of then increasing it. Jason was appointed to the Board as Chief Operating Officer in September 2017 at a salary of £383,000, taking on many of the functions of the Chief Executive due to Ted Ayres' ill heath absence the previous month. On 1 August 2018 he was appointed to the Chief Executive role with a salary of £530,000, which was £137,425 more than the Group Finance Director's salary, but £126,000 below the retiring Chief Executive's salary. This allowed him to gain experience and fully develop into the role.

The Committee announced its intention in last year's report to increase Jason Honeyman's salary to £689,000 from 1 August 2019, subject to his satisfactory personal performance, to reflect an appropriate salary for the level of responsibility and scope of the full role. This brought the salary in to line with the salary that would have been payable to Ted Ayres from that date (having applied two years of workforce salary increases) if he had remained as Chief Executive. The Committee has therefore phased his salary increase over three years and sees no reason to make any further increase above that applying to the general workforce, in this policy period.

The 2019/20 annual bonus will continue to be based mainly on financial performance, with a bonus opportunity of 85% of salary based on operating profit. The remaining bonus opportunity of 35% of salary will be based on the same strategic measures as last year of land bank and customer care, however, a third customer care measure has been added. This new measure will attract a bonus opportunity of 6.25% of basic salary and will be based on a survey on the standard of finish which will be conducted eight weeks after each legal completion. The existing customer care measure of achieving 5 star homebuilder status will have a bonus opportunity of 7.5% of basic salary, and the customer satisfaction score will attract a bonus opportunity of 6.25% of basic salary. Land bank continues to attract a bonus opportunity of 15% of salary. Health and safety performance will be taken into account as part of the Committee's overall assessment of the bonus payment which it does every year before making a final determination.

The PSP award level is unchanged from last year at 150% of salary for executive directors, measured by relative TSR performance against the same two peer groups. The Committee considers this level of award provides a strong focus on incentivising long-term, sustained performance.

For bonus years commencing and PSP awards granted after 1 August 2018, the time period over which clawback and malus provisions will apply is the third anniversary of payment of bonus or vesting of the PSP award, as relevant. These provisions will also apply in the case of corporate failure or material reputational damage.

Whilst not a requirement of the policy, the Chief Executive has informed the Committee that he will invest 25% of his 2019 and 2020 bonuses (after income tax and national insurance) in Bellway shares which he will keep for a minimum of three years. This will help to build his shareholding ahead of a change in the policy that the Committee will consider proposing to the 2020 AGM.

The Committee has also determined that in the event that a new executive director is appointed, their pension allowance will be capped at the workforce level.

The Committee continues to monitor changes in best practice and corporate governance to ensure the policy, how it is operated and our disclosures remain appropriate. These and further changes (for example post-employment shareholding requirements) will be brought to next year's AGM for approval as part of our renewed policy.

I hope you will support the resolution relating to directors' remuneration which will be put to shareholders for approval at the 2019 AGM.

Jill Caseberry
Chairman of the Remuneration Committee

14 October 2019

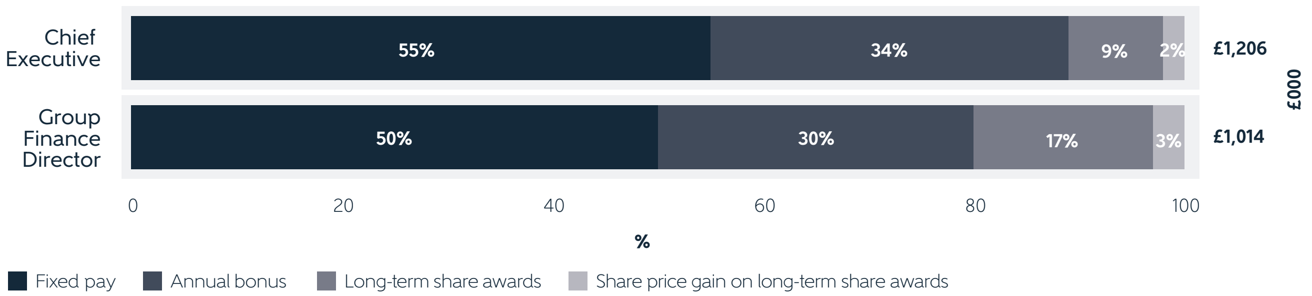
Remuneration Report continued

Remuneration at a glance

How remuneration links to our strategy (see pages 18 and 19 for details of our performance)

Strategic objective	Link to remuneration	Metric	Performance against metric
Volume growth and driving down costs	Annual bonus	Operating profit	Partly achieved
Volume growth and focus on RoCE	Annual bonus	Sufficient land bank of plots with DPP	Achieved
Strengthening the brand	Annual bonus	Achieve 5 star homebuilder status	Achieved
Strengthening the brand	Annual bonus	Customer satisfaction score	Partly achieved
Appointing the right people	Underpin to annual bonus	Overall health and safety performance	Achieved
Value creation through capital and dividend growth	Long-term incentive plan	Relative TSR against two comparator groups	Partly achieved

How our executive directors were paid during 2018/19



Bonus outcomes – see pages 62 and 63

Strategic objective	Weighting (% of salary)	Threshold (39% pays out)	Maximum value (100% pays out)	Actual[1]	Payment (% of maximum)	Payment (% of salary)
Operating profit (pre-exceptional)	90%	£665.0 million	£710.0 million	£677.0 million	55.2%	49.67%

Strategic objectives and performance against target		Score
Land bank	The land bank of plots with DPP (available for completion in the following financial year) exceeded the maximum target and an award of 15% of salary was achieved.	Achieved in full – 15% of salary awarded.
Customer care	We retained our 5 star homebuilder status.	Achieved in full – 7.5% of salary awarded.
	The Group's customer satisfaction score in 2019 was 86.4% compared with the base of 86.0%. The maximum score was 87.5%. The customer care score improved slightly and the minimum payment of 4.5% of salary was achieved.	Partly achieved – 4.5% of salary awarded.

Note:

1. For profit and land bank bonus purposes, targets and outcomes include joint ventures.

LTIP outcomes – see page 63

The PSP awards granted in 2016/17 were based on a three-year TSR performance for the period to 31 July 2019.

Metric	Performance condition	Threshold target	Stretch target	Actual	% vesting
50% of awards	Relative TSR against an index of peer housebuilders	41.4% TSR (median)	63.9% TSR (median +22.5%)	39.7% Bellway TSR	0.00%
50% of awards	Relative TSR against the FTSE 250 (excluding financial services companies and investment trusts)	84 rank (median)	42.5 rank (upper quartile)	64 Bellway rank	61.14%
Total					**30.57%**

Annual Report on Remuneration

Committee membership and activity

The Committee met five times during the year and details of the Committee members and their attendance are set out in the table below.

Membership

Director	Date appointed to the Committee	Number of meetings attended during the year
Jill Caseberry (Chairman)	1 October 2017 (appointed as Committee Chairman on 13 December 2017)	5/5
Paul Hampden Smith	1 August 2013	5/5
Denise Jagger	1 August 2013	5/5
Ian McHoul	1 February 2018	5/5
John Cuthbert	15 January 2010 (retired 31 October 2018)	2/2

The operation of the Committee is conducted by reference to its terms of reference which have been prepared to comply with relevant statutory, regulatory and corporate governance requirements and best practice and are available at www.bellwayplc.co.uk/investor-centre/governance/committees.

None of the Committee members have a personal financial interest, other than as shareholders, in the matters to be decided. There are no conflicts of interest arising from cross-directorships and no day-to-day involvement in running the business.

The Committee has received independent external advice from Korn Ferry since 1 January 2019. Prior to that the Committee was advised by New Bridge Street ('NBS'), part of Aon Hewitt. Both Korn Ferry and NBS were appointed by the Committee and do not provide any other services to the Company other than to the Remuneration Committee and the Board Committee on Non-Executive Directors' Remuneration. They are both members of the Remuneration Consultants Group and abide by its Code of Conduct. The Committee is satisfied that both Korn Ferry and NBS are independent. The total fee paid to Korn Ferry and NBS for advice to the committees during the year was £41,043 and £25,182 respectively, totalling £66,225 (2018 - £50,696 – fee paid to NBS only). The Committee also benefitted from advice received from the Group General Counsel and Company Secretary on issues other than those relating to his own remuneration.

The remuneration of the non-executive directors (apart from the Chairman) is determined by the Board Committee on Non-Executive Directors' Remuneration, which comprises the executive directors. It also receives advice from the Group General Counsel and Company Secretary and Korn Ferry.

Main focus in 2018/19

- Approve the bonus payments and long-term incentive awards vesting levels for the 2017/18 year.
- Approve the 2017/18 Remuneration Report.
- Set the bonus targets for the 2019/20 year.
- Make awards under the long-term incentive scheme.
- Review and determine the remuneration packages for the executive directors and the Group General Counsel and Company Secretary, and the first tier of management below Board level.
- Review remuneration policies for senior management below Board level and the wider workforce.
- Put the role of remuneration consultant out to tender and deal with the handover between the outgoing and incoming consultant firm.

Remuneration Report continued

Focus areas for 2019/20

- Implement the requirements of the UK Corporate Governance Code 2018 which apply to the Company from 1 August 2019.
- Commence review of the new Remuneration Policy for 2020/21 to 2022/23 financial years, subject to approval by shareholders at the 2020 AGM.
- Approve the bonus payments and long-term incentive awards vesting levels for the 2018/19 year.
- Approve the 2018/19 Remuneration Report.
- Set the bonus targets for the 2020/21 year.
- Make awards under the long-term incentive scheme.
- Review and determine the remuneration packages for the executive directors and the Group General Counsel and Company Secretary, and the first tier of management below Board level.
- Review remuneration policies for senior management below Board level and the wider workforce.

Implementation of remuneration policy in 2018/19

The auditor is required to report on the information contained in the following part of this report.

Annual bonus for the year ended 31 July 2019

The annual bonus is payable in November 2019 for performance during the year ended 31 July 2019. The performance targets for the 2018/19 bonus comprised operating profit and two strategic targets.

The actual bonus payment against operating profit was determined on the following basis:

Strategic objective	Weighting (% of salary)	Threshold (39% pays out)	Maximum value (100% pays out)	Actual[1]	Payment (% of maximum)	Payment (% of salary)
Operating profit (pre-exceptional)	90%	£665.0 million	£710.0 million	£677.0 million	55.2%	49.67%

Operating profit grew by 3.4% to £677.0 million, above the minimum threshold but below the maximum threshold.

The basis for payment of the actual bonus against the two strategic measures is set out below:

Strategic measure	Objectives and performance against target	Score
Land bank	Increase in the land bank of plots with detailed planning permission ('DPP') (available for completion in the following financial year) in the year to 31 July 2019 to ensure our growth aspirations are not frustrated by land shortages in future years. A payment of 10% of salary would be triggered for a predetermined percentage increase in plots with DPP, with an additional 1% payment for further improved performance, up to a maximum of 15% of salary.	Maximum – 15% of salary.
	The land bank of plots with DPP (available for completion in the following financial year) exceeded the maximum target and an award of 15% of salary was achieved. The land bank targets are commercially sensitive and will be disclosed one year in arrears.	Achieved – 15% of salary awarded.
Customer care	Achievement of 5 star homebuilder status (as measured by the HBF).	Maximum – 7.5% of salary.
	We retained our 5 star homebuilder status and an award of 7.5% was made.	Achieved – 7.5% of salary awarded.
	No deterioration of the previous year's customer satisfaction score would result in a minimum payment of 4.5% of salary, with an additional bonus opportunity of 1% of salary for each additional 0.5% improvement in the score up to a maximum of 7.5% of salary.	Maximum – 7.5% of salary.
	The Group's customer satisfaction score in 2019 was 86.4% compared with the base of 86.0%. The customer care score improved slightly and the minimum payment of 4.5% of salary was achieved.	Partly achieved – 4.5% of salary awarded.

Note:

1. For profit and land bank bonus purposes, targets and outcomes include joint ventures.

Health and safety performance is taken into account by the Committee as part of its overall assessment of the bonus payment, and the Committee has discretion to reduce the overall bonus payment if it considers that health and safety standards have been unsatisfactory. The Committee is satisfied with the health and safety standards over the year with an improved RIDDOR seven-day reportable incident rate per 100,000 site operatives of 324.87 (2018 – 404.02); the third year in a row we have reduced this rate. Bellway also continues to outperform the industry average on the NHBC health and safety incident rate, and have improved the score this year to 0.856 (2018 – 0.867).

Overall, the Committee is satisfied that the resulting bonus payment of 76.67% of salary (out of 120%) is reflective of the Company's performance during the year. The Committee considered that there were no circumstances that warranted the exercise of discretion.

Bonus 2017/18 update

For the previous year's bonus payment, the land bank element was calculated using the opening land bank with DPP, including joint ventures, available for completion, in the 2018/19 financial year at 1 August 2017 of 10,634 plots. The base target to be achieved by 1 August 2018 was set at 11,432 plots with a maximum target of 11,697 plots. The actual position as at 1 August 2018 was 11,510 plots and therefore a bonus of 11% of salary (out of a maximum of 15% of salary) was achieved.

Long-term incentives vesting in respect of performance period ended 31 July 2019

The PSP awards granted in 2016/17 were based on a three-year TSR performance for the period to 31 July 2019. The applicable vesting percentages will be as follows:

Metric	Performance condition	Threshold target	Stretch target	Actual	% vesting
50% of awards	Relative TSR against an index of peer housebuilders comprising Barratt Developments PLC, The Berkeley Group plc, Bovis Homes Group PLC, Crest Nicholson Holdings plc, Persimmon plc, Redrow plc and Taylor Wimpey plc ('Index'): 25% of this part of an award vests at the median, increasing pro-rata, to full vesting at median +22.5% (+7.5% p.a.).	41.4% TSR (median)	63.9% TSR (median +22.5%)	39.7% Bellway TSR	0.00%
50% of awards	Relative TSR against the FTSE 250 (excluding financial services companies and investment trusts): 25% of this part of an award vests at median, increasing pro-rata, to full vesting at the upper quartile.	84 rank (median)	42.5 rank (upper quartile)	64 Bellway rank	61.14%
Total					**30.57%**

Regardless of TSR performance, no part of an award will vest unless the Committee is satisfied that there has been an improvement in the underlying financial performance of the Group over the performance period, taking into account, inter alia, operating profit, operating margin, RoCE and NAV.

The Committee agreed that this underpin had been met and considered there were no circumstances that warranted the exercise of discretion. As a result, the following awards are expected to vest on 9 November 2019, and will be subject to a two-year post-vesting holding period whereby shares may not be sold, other than to pay tax, until November 2021. The award made to Jason Honeyman in 2016 was made in respect of his position as Southern Regional Chairman, before he joined the Board.

Director	Value on award £000[1]	Number of shares at grant	Vesting (% of max)	Guaranteed number of shares to vest	Share price growth £000[2]	Dividend equivalent £000	Estimated value at vesting[2] £000
Jason Honeyman	309	13,143	30.57	4,018	20	17	131
Keith Adey	484	20,569	30.57	6,288	31	26	205
Ted Ayres	476	20,233[3]	30.57	6,185	31	26	202

Notes:

1. Based on 100% salary for Jason Honeyman and 130% for Keith Adey and Ted Ayres (see also note 3).
2. Based on a share price of £28.51, being the average share price for the last quarter of the financial year i.e. 1 May – 31 July 2019 as a proxy for the share price at vesting. The estimated value at vesting includes the value of dividend equivalent shares.
3. The award made to Ted Ayres has been pro-rated down from 35,223 to 20,233 on a time basis to 31 July 2018, the date on which he retired from the Board.

Single figure of total remuneration

		Salary and fees £	Taxable benefits[7] £	Pension[8] £	Annual bonus £	Sub-total £	Long-term incentives[9] £	Other items[10] £	Total £
Non-executive Chairman									
Paul Hampden Smith[1]	**2019**	**162,837**	**–**	**–**	**–**	**162,837**	**–**	**–**	**162,837**
	2018	65,920	–	–	–	65,920	–	–	65,920
John Watson[2]	**2019**	**79,010**	**726**	**–**	**–**	**79,736**	**–**	**–**	**79,736**
	2018	309,051	989	–	102,360	412,400	–	–	412,400
Executive directors									
Jason Honeyman[3]	**2019**	**530,000**	**32,424**	**106,000**	**406,351**	**1,074,775**	**131,203**	**–**	**1,205,978**
	2018	351,083	28,898	70,217	359,369	809,567	391,012	–	1,200,579
Keith Adey	**2019**	**392,575**	**32,424**	**78,515**	**300,987**	**804,501**	**205,329**	**3,748**	**1,013,578**
	2018	383,000	31,525	76,599	392,039	883,163	647,749	–	1,530,912
Ted Ayres[4]	**2019**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	2018	567,480	31,277	131,126	–	729,883	1,002,716	4,497	1,737,096
Non-executive directors									
Denise Jagger[5]	**2019**	**65,700**	**–**	**–**	**–**	**65,700**	**–**	**–**	**65,700**
	2018	57,680	–	–	–	57,680	–	–	57,680
Jill Caseberry[6]	**2019**	**68,200**	**–**	**–**	**–**	**68,200**	**–**	**–**	**68,200**
	2018	53,138	–	–	–	53,138	–	–	53,138
Ian McHoul[6]	**2019**	**64,423**	**–**	**–**	**–**	**64,423**	**–**	**–**	**64,423**
	2018	28,841	–	–	–	28,841	–	–	28,841
John Cuthbert[6]	**2019**	**17,050**	**–**	**–**	**–**	**17,050**	**–**	**–**	**17,050**
	2018	65,920	–	–	–	65,920	–	–	65,920
Mike Toms[6]	**2019**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	2018	24,256	–	–	–	24,256	–	–	24,256
Totals	**2019**	**1,379,795**	**65,574**	**184,515**	**707,338**	**2,337,222**	**336,532**	**3,748**	**2,677,502**
	2018	1,906,369	92,689	277,942	853,768	3,130,768	2,041,477	4,497	5,176,742

Notes:

1. Paul Hampden Smith became Chairman on 12 December 2018. Prior to that date (and for the full 2017/18 year) he was a non-executive director and the Audit Committee Chairman. His remuneration for 2018/19 therefore reflects his two roles during the year. His remuneration as Chairman during the year was paid at a rate of £217,000 p.a.
2. John Watson received an additional payment of £100,000 p.a. from 14 August 2017 to 31 July 2018 to reflect the executive responsibilities he undertook during Ted Ayres' leave of absence. This payment was eligible for a bonus on the same basis as the bonus payable to the executive directors. On 1 August 2018 he resumed his role as non-executive Chairman until his retirement on 12 December 2018. His fee in 2018/19 therefore reflects his shorter period of service during the financial year.
3. Jason Honeyman was appointed to the Board on 1 September 2017 as Chief Operating Officer. His salary and bonus were set at the same level as Keith Adey's but the amounts shown as paid reflects the fact that he joined the Board after the start of the financial year. On 1 August 2018 Jason was appointed Chief Executive and his salary was increased to reflect his promotion.
4. Ted Ayres' basic salary for 2017/18 was £656,000 and where reference is made in this report to his basic salary for 2017/18 this is the amount to which reference is being made. The figure shown in the table above is the actual amount paid during the financial year, reflecting a reduction in his take-home pay during his absence on sick leave. Ted stepped down from the Board on 31 July 2018 and his remuneration during the 2018/19 financial year is not disclosed in the table above as he was not a director during that year, however he received compensation during that year in accordance with his service agreement and our remuneration policy as a good leaver. As such, he was entitled to salary, pension, benefits and car allowance for his 12 months' notice period, but not bonus, and as a good leaver, his outstanding PSP awards have all been time pro-rated by reference to 31 July 2018 and have vested/will vest on their normal vesting dates, subject to achievement of the relevant performance conditions for each award over the three-year performance periods.
5. Denise Jagger became senior independent non-executive director on 1 November 2018 and received an additional fee from that date.
6. Jill Caseberry was appointed to the Board on 1 October 2017, Mike Toms retired from the Board on 13 December 2017, Ian McHoul was appointed to the Board on 1 February 2018 and John Cuthbert retired from the Board on 31 October 2018. Fees paid to these non-executive directors reflect their shorter period of service during the relevant financial years.
7. Taxable benefits include car allowance and health insurance.
8. Pension includes both payments in lieu of pension of £174,515 and contributions to a defined contribution scheme of £10,000. None of the directors are members of the Group's defined benefit scheme and all of the executive directors are members of a defined contribution scheme.
9. The value of long-term incentives in 2019 reflects the vesting of the November 2016 PSP awards, which will be exercisable in 2019/20, including additional shares in lieu of dividends accrued from the date of grant to the date of vesting. The value shown is based on a share price of £28.51, being the average share price for the last quarter of the financial year i.e. 1 May – 31 July 2019 as a proxy for the share price at vesting. The 2018 figures for Jason Honeyman, Keith Adey and Ted Ayres have been adjusted upwards by £20,707 for Jason Honeyman's award and adjusted downwards by £50,165 and £77,657 for Keith Adey and Ted Ayres' awards respectively to reflect the actual share prices at the dates of vesting, which took place after the publication of last year's report, and the additional shares in lieu of dividends accrued from the date of grant to the date of vesting of the award made to Jason Honeyman of 1,636 shares. The additional shares in lieu of dividends accrued for the awards made to Keith Adey and Ted Ayres of 2,395 and 3,708 shares respectively were already included in the figures shown in last year's report.
10. Other items refer to the discount on the awards, during the year stated, under the Group's all-employee savings related share option scheme.

Directors' share-based rewards and options

Details of all directors' interests in the Company's share-based reward schemes are shown below:

Jason Honeyman

Scheme	Awards/ options held at 1 August 2018	Granted/ awarded during the year	Exercised during the year	Lapsed during the year	**Awards/ options held at 31 July 2019**	Exercise price/market price at date of award (p)	Date of grant/ award	Exercisable/ capable of vesting from
PSP[1], [6]	11,727	–	(11,700)	(27)	**–**	2,558.0	21.01.2016	21.01.2019
PSP[2], [6]	13,143	–	–	–	**13,143**	2,351.0	09.11.2016	09.11.2019
PSP[3]	16,822	–	–	–	**16,822**	3,450.0	10.11.2017	10.11.2020
PSP[4]	–	28,909	–	–	**28,909**	2,750.0	22.10.2018	22.10.2021
Totals	41,692	28,909	(11,700)	(27)	**58,874**			

Keith Adey

Scheme	Awards/ options held at 1 August 2018	Granted/ awarded during the year	Exercised during the year	Lapsed during the year	**Awards/ options held at 31 July 2019**	Exercise price/market price at date of award (p)	Date of grant/ award	Exercisable/ capable of vesting from
PSP[1]	19,701	–	(19,656)	(45)	**–**	2,382.0	13.11.2015	13.11.2018
PSP[2]	20,569	–	–	–	**20,569**	2,351.0	09.11.2016	09.11.2019
PSP[3]	16,822	–	–	–	**16,822**	3,450.0	10.11.2017	10.11.2020
PSP[4]	–	21,413	–	–	**21,413**	2,750.0	22.10.2018	22.10.2021
2013 SRSOS[7], [8]	439	–	(439)	–	**–**	2,048.8	16.11.2015	01.02.2019
2013 SRSOS[7]	1,099	–	–	–	**1,099**	1,378.0	17.11.2014	01.02.2020
2013 SRSOS[7]	–	621	–	–	**621**	2,414.4	03.12.2018	01.02.2024
Totals	58,630	22,034	(20,095)	(45)	**60,524**			

Notes:

1. The performance period was 1 August 2015 – 31 July 2018. The TSR performance condition was in two parts. Half was measured by reference to the median of a group of UK housebuilders comprising Barratt Developments PLC, The Berkeley Group plc, Bovis Homes Group PLC, Crest Nicholson Holdings plc, Persimmon plc, Redrow plc and Taylor Wimpey plc ('Housebuilders' Index'). If Bellway's TSR matched that of the median of the companies in that group, 25% of the awards would vest. Full vesting would be achieved for 7.5% per annum outperformance of the median (22.5% in total). The other half was measured by reference to the companies in the FTSE 250 Index (excluding financial services companies and investment trusts). Awards would start to vest at 25% if Bellway's TSR matches the median of the companies in the group, increasing on a straight-line basis so that full vesting would be achieved if Bellway's TSR reached the upper quartile. Regardless of TSR performance, no part of an award will vest unless the Committee is satisfied that there has been an improvement in the underlying financial performance of the Company over the performance period, taking into account, inter alia, operating profit, operating margin, RoCE and NAV. The first part of the performance condition was met in full and 99.550% of the second, so 99.775% of these awards vested.
2. Details of the vesting of these awards which will take place in the 2019/20 financial year are set out in full under the heading 'Long-term incentives vesting in respect of performance period ended 31 July 2019' above. These awards are also subject to clawback provisions.
3. The performance period is 1 August 2017 – 31 July 2020. The awards are subject to the same TSR performance condition set out in note 1 above, and these awards are also subject to clawback provisions.
4. On 22 October 2018, awards of performance shares under the PSP were made to Jason Honeyman and Keith Adey, equal to 150% of their respective salaries at the date of grant. The face values on grant of these awards were £794,998 and £588,858 respectively. The performance period is 1 August 2018 – 31 July 2021. The awards are subject to the same TSR performance condition set out in note 1 above, and these awards are also subject to clawback provisions. The awards were in the form of nil cost options.
5. All of the above options set out in notes 1–4 were granted for nil consideration.
6. These awards were made to Jason Honeyman during his employment as Southern Regional Chairman, before he joined the Board.
7. Further details of the 2013 SRSOS are shown in the summary of outstanding share options in note 22 to the accounts.
8. The gross gain made by the executive directors on the exercise of their 2013 SRSOS awards in 2019 was £4,462 (2018 – £46,442).
9. The value of long-term incentive plans for the executive directors which were exercised in the year and those which will become exercisable in 2019/20 are shown in the single figure of total remuneration table on page 64.
10. The market price of the ordinary shares at 31 July 2019 was 2,970p and the closing range during the year was 2,419p to 3,226p.

Payments to past directors

Other than payments made to Ted Ayres, as described below under 'Payments for loss of office' and elsewhere in this report, no other past director received any payment during the year.

Payments for loss of office

Payments have been made to Ted Ayres in the 2018/19 financial year in relation to his retirement from the Board on 31 July 2018. These related to contractual notice payments and the exercise of share awards as a good leaver.

Statement of directors' shareholdings and share interests

The directors' interests (including family interests) in the ordinary share capital of the Company at 31 July 2019 are set out below:

Director	Beneficially owned at 31 July 2019	% basic salary held by executive directors in shares[1]	Shareholding target of 200% of basic salary met?	Beneficially owned at 31 July 2018	Outstanding and unvested PSP awards	Outstanding and unvested share options	Share options exercised in the year
Jason Honeyman	**16,586**	93	In progress	9,531	58,874	–	11,700
Keith Adey	**64,853**	491	Yes	52,748	58,804	1,720	20,095
Paul Hampden Smith	**12,548**	N/A	N/A	12,548	N/A	N/A	N/A
Denise Jagger	**1,250**	N/A	N/A	1,250	N/A	N/A	N/A
Jill Caseberry	**–**	N/A	N/A	–	N/A	N/A	N/A
Ian McHoul	**–**	N/A	N/A	–	N/A	N/A	N/A

Notes:

1. Executive directors are required to accumulate a minimum shareholding equivalent to 200% of basic salary. Jason Honeyman joined the Board in September 2017 so has not yet had sufficient time to build the target shareholding from vesting share awards. Jason has informed the Committee that he will spend 25% of his 2018/19 and 2019/20 bonuses buying Bellway shares that he will then hold for at least three years. The % shareholding is based on salaries as at 31 July 2019.
2. There has been no change in any of the above interests between 31 July 2019 and the date of this report.

The following section of this report is not required to be audited.

Implementation of remuneration policy in 2019/20

This section sets out how the Company will implement the remuneration policy for the 2019/20 financial year. Full details of how each element will operate are set out in the remuneration policy table later in this report.

The Committee has taken into account the remuneration and related policies for the rest of the workforce generally when setting the 2019/20 targets for the executives.

Basic salaries

The Committee has awarded Keith Adey a salary increase in line with the increases given to the general workforce of around 2% for 2019/20. Therefore from 1 August 2019, Keith's salary was increased to £400,427 p.a.

As disclosed last year and in line with the current policy on salaries for new executive directors, the salary of the Chief Executive was initially set at a level significantly below market levels with the clear intention of then increasing it. Jason was appointed to the Board as Chief Operating Officer in September 2017 at a salary of £383,000 taking on many of the functions of the Chief Executive due to Ted Ayres' ill heath absence the previous month. On 1 August 2018 he was appointed to the Chief Executive role with a salary of £530,000 which was £137,425 more than the Group Finance Director's salary but £126,000 below the retiring Chief Executive's salary. This allowed him to gain experience and fully develop into the role. The Committee announced its intention in last year's report to increase this to £689,000 from 1 August 2019, subject to his satisfactory personal performance and proving himself in the role over the year, to reflect an appropriate salary for the level of responsibility and scope of the full role. It brought the salary in to line with the salary that would have been payable to Ted Ayres from that date (having applied two years of workforce salary increases) if he had remained as Chief Executive. The Committee has therefore phased his salary increase over three years and sees no reason to make any further increase above that applying to the general workforce, in this policy period.

Annual bonus

For the 2019/20 financial year, the bonus opportunity will continue to be limited to 120% of basic salary. The performance conditions relate to a stretching target of adjusted (pre-exceptional) operating profit (with a maximum payment of 85% of basic salary achievable) and the following strategic performance measures which provide a maximum bonus opportunity of 35% of basic salary. The increased weighting for customer care reflects the Committee's belief that this is more important than in previous years.

Strategic measure	Objectives	Score
Land bank	Increase in the land bank of plots with DPP (available for completion in the following financial year) in the year to 31 July 2020 to ensure our growth aspirations are not frustrated by land shortages in future years. A payment of 10% of salary would be triggered for a predetermined percentage increase in plots with DPP, with an additional 1% payment for further improved performance, up to a maximum of 15% of salary.	Maximum – 15% of salary.
Customer care	This will be in three parts: • 7.5% of salary for achieving 5 star homebuilder status (as measured by the HBF). • 6.25% of salary linked to customer satisfaction score. • 6.25% of salary based on standard of finish (survey results after eight weeks of each legal completion). The customer satisfaction score element is assessed using the average of six key indicators, as measured by the NHBC. This measure is used as it reflects the metrics by which the performance of each division is managed by the executives.	Maximum – 20% of salary.

In the event that the threshold profit criterion is not met, no bonus will be payable under the strategic targets. Health and safety performance will be taken into account as part of the Committee's overall assessment of the bonus payment.

The Committee would have discretion if, for example, health and safety standards have been unsatisfactory, or there has been a major safety failure, to reduce the overall bonus payment and could, in exceptional cases, reduce the overall bonus payment to nil. This includes a possible reduction to the 2019/20 bonus in relation to the outcome of any health and safety investigation which has concluded in respect of the prior year. Maintaining a strong health and safety record remains a critical objective and this bonus structure allows for health and safety to have a greater influence on annual bonus outcomes.

The actual annual bonus performance targets are considered to be commercially sensitive at this time, and the Committee will disclose these retrospectively in next year's annual report on remuneration, provided they are no longer commercially sensitive.

Long-term incentives

The Company anticipates making a grant under the PSP in October 2019 with a face value equivalent to 150% of salary to the executive directors. Awards will vest to executives after three years, subject to the achievement of performance conditions based around TSR, which measures the total return on a notional investment in Bellway shares, compared to the return on the same notional investment in shares in a group of other companies or an index. This award will be subject to a relative TSR condition with 50% of awards measured against a group of housebuilders and the other 50% against the constituents of the FTSE 250 (excluding financial services companies and investment trusts). This is shown below. Regardless of the vesting outcome the Committee may adjust the level of vesting (including to nil) to such extent as it considers appropriate to ensure the level of vesting is a true reflection of the overall performance of the Company over the performance period.

Metric	Performance condition	Threshold target	Stretch target
50% of awards	Relative TSR against a group of peer housebuilders comprising Barratt Developments PLC, The Berkeley Group plc, Bovis Homes Group PLC, Crest Nicholson Holdings plc, Persimmon plc, Redrow plc and Taylor Wimpey plc: 25% of this part of an award vests at the median, increasing pro-rata, to full vesting at median +7.5% p.a.	Median	Median +7.5% p.a.
50% of awards	Relative TSR against the FTSE 250 (excluding financial services companies and investment trusts): 25% of this part of an award vests at median, increasing pro-rata, to full vesting at the upper quartile.	Median	Upper quartile

Governance

Chairman and non-executive director fees from 1 August 2019

	Fee from 1 August 2018 £	% increase	Fee from 1 August 2019 £
Non-executive Chairman fee	217,000	**2.0**	**221,340**
Non-executive director fee	58,200	**–**	**58,200**
Senior independent non-executive director, Audit and Remuneration Committee Chair fees	10,000	**13.5**	**11,350**

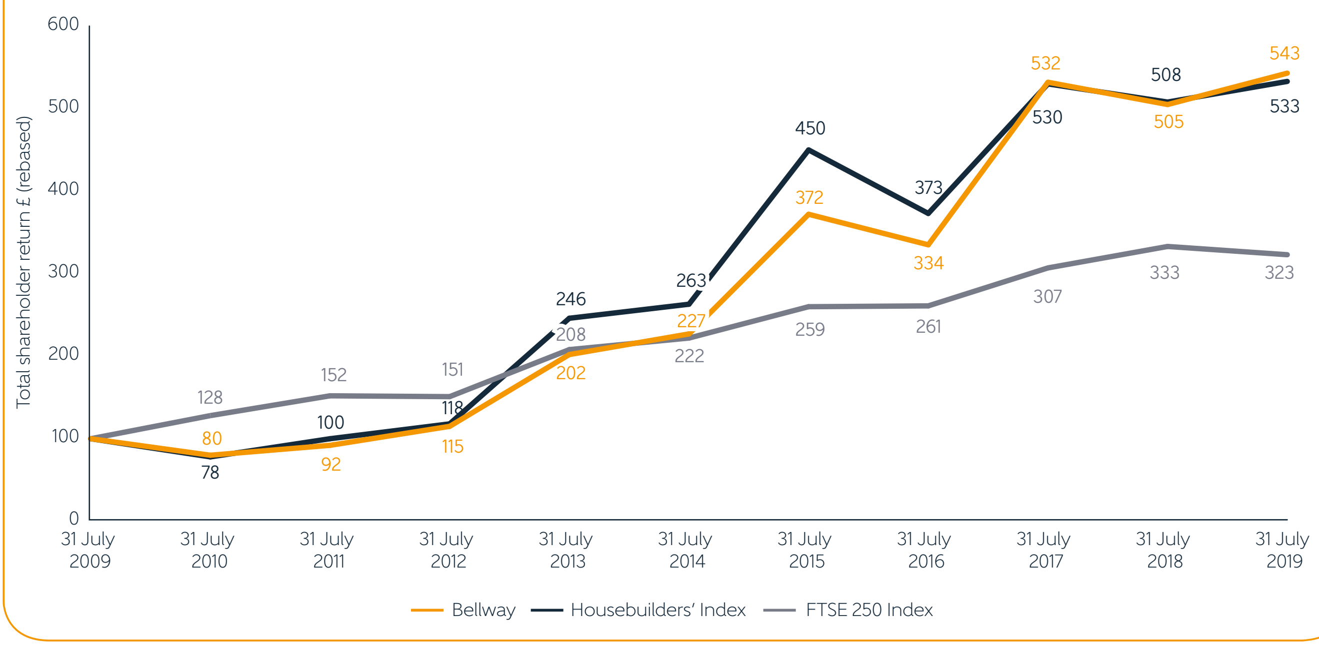
The average fee increase for the Chairman and non-executive directors, taking into account the increase to the fees paid for acting as senior independent non-executive director/chairing a committee (which each of the three non-executive directors receive) is 2%, which is consistent with the average salary increase to the general workforce.

The Company's Articles of Association specify an annual limit on non-executive director fees of £500,000. This excludes the fees for the Chairman and additional fees payable to the senior independent non-executive director and to Committee Chairs. Shareholder approval is required to amend this limit.

Performance graph and table

The graph below shows the TSR performance over the past ten years of the Company, the FTSE 250 Index and the bespoke Housebuilders' Index (as defined in note 1 on page 65). The FTSE 250 Index has been selected as the most appropriate 'broad equity market index' as the Company has been a constituent of the FTSE 250 Index over this period. The bespoke Housebuilders' Index has been selected as these companies have been used for the Company's long-term incentive plans.

Total shareholder return
Source: Datastream (Thomson Reuters)



This graph shows the value, by 31 July 2019, of £100 invested in Bellway on 31 July 2009 compared with the value of £100 invested in the FTSE 250 Index and £100 invested equally in each of the other seven large housebuilders. The other points plotted are the values at intervening financial year ends.

Chief Executive total remuneration

The table below sets out the total remuneration for the Chief Executive over the same ten-year period as for the chart overleaf, together with the percentage of annual bonus paid and the vesting of long-term incentives as a percentage of the maximum (relating to the performance periods ending in that year).

	2010	2011	2012	2013	2014	2015	2016	2017	2018[3]	**2019[4]**
Total remuneration (£000)	1,532	1,899	1,396	1,243[1]	1,450	1,960	2,785	3,468	1,737[2]	**1,206**
Annual bonus paid (as % of maximum)	76.9%	100.0%	99.3%	100.0%	91.6%	88.8%	95.8%	93.8%	0.0%	**76.67%**
PSP vesting (as a % of maximum)	48.3%	99.6%	0.0%	0.0%	50.0%	50.0%	100.0%	100.0%	99.8%	**30.57%**

Notes:

1. John Watson held the role of Chief Executive up until 31 January 2013 and Ted Ayres was Chief Executive for the remainder of the financial year from 1 February 2013 to 31 July 2013. The total remuneration for the period as Chief Executive was £714,053 for John Watson and £528,500 for Ted Ayres.
2. Restated as per note 9 to the table on page 64.
3. Ted Ayres was absent during the 2017/18 financial year due to ill health and so the figures shown are lower than would normally be expected if he had been at work during the year.
4. Jason Honeyman was appointed as Chief Executive on 1 August 2018.

Percentage change in remuneration of the Chief Executive

The table below shows the percentage change over the financial year in respect of the Chief Executive's base salary, benefits and annual bonus compared to the average increase across all employees.

		% change
Salary	Chief Executive	+3
	All other employees	+10
Benefits	Chief Executive	No change
	All other employees	+29
Annual bonus	Chief Executive	+1
	All other employees	+7

CEO pay ratio

Although not required until our 2019/20 annual report, we are publishing our CEO pay ratio figures for the current year. Over time, ten years' ratios will eventually be disclosed.

		Upper quartile			Median			Lower quartile		
Financial year	Method	Pay ratio	Total pay and benefits £	Salary component £	Pay ratio	Total pay and benefits £	Salary component £	Pay ratio	Total pay and benefits £	Salary component £
2018/19	A	19:1	62,168	50,200	28:1	42,845	22,647	40:1	29,858	23,305

The pay ratios have been calculated as at 31 July 2019 using Option A of the Regulations, that is, the full-time equivalent pay and benefits for all of our employees to identify those employees on the quartiles. Employee benefits include company car, car allowance, private medical, employer pension contributions and share option gains. The bonus element for the Chief Executive is the bonus earned during the 2018/19 financial year which will be paid in November 2019 but the bonus element for all other employees is calculated as bonus or commission paid during the 2018/19 financial year. The bonus earned by employees during 2018/19 will be paid in November 2019 but these individual amounts will not be known until after the date of this report and therefore the prior year's bonus figures have been used.

Importance of remuneration relative to dividends and section 106 and CIL payments

The table below shows the relative expenditure of the Group in respect of employee remuneration, dividends and section 106 and CIL payments, together with the percentage change in each, for the financial years ended 31 July 2018 and 31 July 2019. The directors have chosen dividends and section 106 and CIL payments as comparators to employee costs as they consider that these demonstrate the relative importance of the remuneration of its employees to the returns the Group generates to shareholders and the contribution it makes to developing communities through section 106 and CIL payments.

	2019 £000	2018 £000	% change
Employee costs[1]	**167,054**	148,768	+12
Dividends[2]	**185,139**	175,809	+5
Section 106 and CIL payments[3]	**77,271**	79,023	-2

Notes:

1. Employee costs are calculated as wages and salaries, bonus and taxable benefits (including the directors).
2. The dividend figures shown are the interim and final dividends paid or payable for the relevant financial year less forfeited dividends (see note 6 to the accounts).
3. The section 106 and CIL payments figures are calculated from invoices received for these payments.

Dilution limits/shares held in Trust to satisfy awards

The Bellway Employee Share Trust (1992) (the 'Trust') holds market-purchased shares to satisfy awards made under some of the Company's executive and employee share schemes. At 31 July 2019 the Trust held 64,629 shares. It is the Company's current intention to use new issue shares to satisfy awards made under the PSP. Awards made under the deferred bonus plans (to which the executive directors are not eligible) must be satisfied using market-purchased shares. The SRSOS uses new issued shares. The Company's share plans comply with the IA guidance on dilution limits and the position as at 31 July 2019 was:

Limit of 5% in any ten years under all executive share plans	Actual 0.25%
Limit of 10% in any ten years under all share plans	Actual 1.42%

This part of the remuneration report, the Directors' Remuneration Policy, has been prepared in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013.

The overall remuneration policy has been developed in compliance with the principles of the UK Corporate Governance Code, UK institutional investor guidance and the Listing Rules.

The remuneration policy set out on the following pages was approved by shareholders at the AGM on 13 December 2017 and is intended to apply for three years unless a new policy is put to shareholders before then. The main areas of the policy report have been reproduced for information and have been updated where appropriate to reflect the passage of time. The full approved version can be found in the 2017 Annual Report on the Company's website at www.bellwayplc.co.uk/media/1163/21110_bellway-ar17_web.pdf.

Directors’ Remuneration Policy

Objectives of remuneration policy

The aim of the Committee is to ensure that the Company has competitive remuneration packages in place that will promote the long-term success of the Company and motivate executive directors in the overall interests of shareholders, the Group, its employees and its customers.

The Committee has a policy of paying a level of remuneration comparable with that at a peer group of similar UK housebuilding businesses, subject to experience and performance.

The Committee uses this comparative approach to benchmarking with caution, recognising the relatively few direct housebuilding comparators, their differing size and the risk of an upward ratchet effect with any peer-based analysis. The structure of the package has been designed to ensure that the performance-related elements of remuneration (annual bonus and long-term incentives) constitute a significant proportion of an executive’s potential total remuneration package, but are only receivable if stretching performance targets are achieved.

The structure of the performance conditions for annual bonus and long-term incentives has been designed to provide a strong link to the Group’s performance, namely a focus on maximising profit in a sustainable fashion and producing superior shareholder returns, thereby generating a strong alignment of interest between senior executives and shareholders. The two year post-vesting holding period which applies to the long-term incentive plan (which also applies to good leavers) reinforces that alignment.

Consideration of employment conditions elsewhere in the Group

Whilst we do not consult directly with employees when drawing up the executive remuneration policy, our employee listening groups provide an opportunity for employees to raise issues which are reported to the Board. In determining the elements of remuneration for the executive directors the Committee takes into consideration the pay and conditions of employees throughout the Group as a whole, paying particular attention to the levels of basic pay increase awarded to the workforce generally.

All eligible employees, including the executive directors, can join the Group’s savings related share option arrangements, have life assurance benefits and have access to pension arrangements. A significant proportion of employees benefit from health insurance, a company car or car allowance and are eligible to participate in a discretionary bonus scheme.

The Committee is apprised regularly of any significant policy changes for the workforce generally and management below Board level in particular.

Clawback/Malus

The time period over which clawback/malus will apply to bonus years ended and PSP awards made prior to 1 August 2018 is at any time before the later of:

(i) the first anniversary of the date on which the bonus is paid or an award vests, as relevant; or

(ii) the date of publication of the Company’s first set of audited financial statements covering the financial year in which the payment or vesting took place, as relevant.

The time period over which clawback/malus will apply to bonuses in respect of bonus years commencing and PSP awards granted after 1 August 2018 is at any time before the third anniversary of payment of bonus or vesting of PSP award, as relevant.

Incentive plan discretions

The Committee will operate the annual bonus plan and PSP in accordance with their respective rules. As part of the rules the Committee holds certain discretions which are required for both an efficient operation and administration of these plans, and are consistent with standard market practice. Any use of the discretions would, where relevant, be explained in the Annual Report on Remuneration and may, as appropriate, be the subject of consultation with the Company’s major shareholders.

Policy table

This section of the report describes the key components of each element of the remuneration arrangements for executive and non-executive directors.

Component and link to strategy	Operation	Maximum opportunity	Framework to assess performance
Salary			
To be market competitive and therefore assist in recruiting, retaining and motivating high quality executives. Reflects individual role and experience	Salaries are normally reviewed in July each year and changes normally take effect from 1 August. They are typically determined by reference to market levels of a peer group of similar UK housebuilding businesses, taking account of salaries at other companies of a similar size, and by taking account of the role, performance, and experience of the individual, Company performance, salary increases throughout the rest of the business and economic conditions. Where salaries of new executive directors are positioned below market levels, the Committee's policy is to progress these over time, with increases potentially higher than for the general workforce, as experience is gained, subject to performance.	No prescribed maximum. Increases are normally in line with the average for the workforce generally. Increases may be below or above this e.g. due to promotion, change in responsibility or experience, role change or a significant change in the size, value and/or complexity of the Company. Salaries are set out in the Annual Report on Remuneration.	In addition to the reviews by the Chairman, as part of the annual Board evaluation, the performance of the executives and the Company is kept under continuous review by the Board.
Pension			
To provide a structure and value that is market competitive	Pension contributions into the Company's Group Self Invested Personal Pension Plan and/or a salary supplement in lieu of pension contributions.	Up to 20% of salary.	Not applicable.
Benefits			
To provide a range and value that is market competitive	Typically comprises car or car allowance, life assurance and health insurance. Other benefits may be provided where appropriate. Any expenses incurred in carrying out duties will be fully reimbursed by the Company including any personal taxation associated with such expenses.	Not applicable.	Not applicable.
Annual bonus			
To reward achievement with a combination of financial and non-financial operational based performance targets in accordance with Group KPIs	Annual bonuses are normally payable in cash in November following the year end on 31 July, subject to the achievement of performance targets that were set at the start of the financial year. The Company operates a recovery mechanism which allows the Company to clawback some or all of the payments made under the variable components of an individual's remuneration, in the following circumstances: (i) material misstatement of results. (ii) error in assessing a performance condition. (iii) gross misconduct by the individual. (iv) in relation to bonuses for the financial year 2018/19 onwards, also in the case of corporate failure or material reputational damage*. *These circumstances are in addition to those approved under the current policy (noted at paragraphs (i) to (iii) above) and will be tabled for formal inclusion into the policy at a future date.	120% of basic salary maximum.	The bonus may be based on a combination of financial and strategic objectives, with financial performance accounting for a majority of the overall bonus opportunity. The Committee determines the choice of measure(s) and their weighting for each year to ensure alignment with the Board's priorities and Company strategy over the short to medium-term. The level of payout at threshold for financial metrics will not be more than 40% of maximum, and varies for non-financial metrics. Full vesting will take place for equalling or exceeding maximum, subject to the health and safety underpin. The Committee has discretion to adjust the payment outcome to ensure it reflects the individual's contribution and/or the overall performance of the Company over the performance period. Details of the performance measures used are set out in the Annual Report on Remuneration.
Share ownership guideline for executive directors			
To align executive directors' interests with those of shareholders	Executive directors are required to accumulate a minimum shareholding equivalent to 200% of basic salary. Within a period of three months of appointment an executive director must acquire a minimum of 1,000 ordinary shares in the Company and must retain at least 50% of any shares awarded under the PSP (or SMP in respect of awards granted in 2014 or before), after allowance for paying tax, until the requisite number of shares has been accumulated. If personal circumstances make this difficult, the Committee would exercise discretion.	Not applicable.	Not applicable.

Component and link to strategy	Operation	Maximum opportunity	Framework to assess performance
Long-term incentives ('PSP')			
To encourage long-term value creation, aid retention, encourage shareholding and promote alignment of interests with shareholders	The Company operates a PSP as its primary long-term incentive. Annual awards of nil cost options or conditional awards may be made under the PSP to the executive directors, at the discretion of the Committee. Awards normally vest three years after grant, subject to the achievement of stretching performance targets. Dividend equivalents (in cash or shares) may be payable, and will only accrue during the vesting and holding period on awards that ultimately vest. The Company operates recovery and withholding mechanisms which allow the Company, in exceptional circumstances, to clawback some or all of the payments made, or recover unvested awards, in the following circumstances: (i) material misstatement of results. (ii) error in assessing a performance condition. (iii) gross misconduct by the individual. (iv) in relation to awards for the financial year 2018/19 onwards, also in the case of corporate failure or material reputational damage*. *These circumstances are in addition to those approved under the current policy (noted at paragraphs (i) to (iii) above) and will be tabled for formal inclusion into the policy at a future date. A minimum holding period of two years applies to awards post-vesting.	150% of basic salary.	PSP awards are subject to stretching three-year targets. The current awards are subject to relative TSR conditions against relevant comparator companies. 25% will vest at threshold with full vesting taking place for equalling or exceeding maximum. For future awards the Committee may choose a financial measure, such as EPS, RoCE or NAV, in conjunction with or as an alternative to TSR depending on the medium to long-term priorities of the Group at the time of grant. If the Committee decides to introduce a financial measure, it will carry out prior consultation with major shareholders. The Committee has discretion to adjust the vesting outcome in exceptional circumstances to ensure it is a true reflection of the overall performance of the Company over the performance period. Further details of the performance metrics applying to the awards are set out in the Annual Report on Remuneration.
All-employee share schemes			
To encourage employees to build a stake in the future of the Company	The executive directors can participate in any HMRC-approved all-employee plans operated by the Company.	Subject to prevailing HMRC limits.	Not applicable.
Chairman and non-executive directors			
To set appropriate fees in light of the time commitment, responsibilities, wider market and best practice	The Chairman's fee is determined by the Remuneration Committee. The remuneration of the non-executive directors is determined by the Board Committee on Non-Executive Directors' Remuneration, which comprises the executive directors. Fee levels are normally reviewed annually, taking into account the time commitment and responsibilities of the roles including membership or chairmanship of Board committees and the level of fees for similar positions in comparable companies. Non-executive directors are not normally entitled to any benefits or pension. They do not participate in any bonus or long-term incentive plans and they are not entitled to compensation on termination of their arrangements, other than normal notice provisions of three months given by either party. Travel, accommodation and other related expenses incurred in carrying out the role will be paid by the Company including any personal taxation associated with such expenses.	Not applicable.	The performance of the non-executive directors is assessed by the Chairman. The senior independent non-executive director reviews the performance of the Chairman in conjunction with the directors.

For the avoidance of doubt, under this Directors' Remuneration Policy, authority is given to the Company to honour any commitments entered into with current or former directors that is consistent with the approved remuneration policy in force at the time the commitment was made (or, if made before the current policy was approved, as have been disclosed previously to shareholders), or was made at the time when the relevant individual was not a director of the Company. Details of any payments made to former directors will be set out in the Annual Report on Remuneration as they arise.

Remuneration Report continued

Approach to recruitment remuneration

In arriving at a total package and in considering the quantum for each element of the package, the Committee will take into account the skills and experience of the candidate and the market rate for a candidate of that experience, as well as the importance of securing the preferred candidate.

Element	General policy	Detail
Salary	At a level required to attract the most appropriate candidate.	Discretion to pay lower basic salary with incremental increases, potentially higher than for the general workforce, as new appointee becomes established in the role.
Pension and benefits	In accordance with Company policies.	Additional benefits in relation to recruitment may be provided where considered appropriate, for example, relocation expenses or allowances, legal fees and other recruitment-related costs may be payable. We intend that any new director's pension contributions will be in line with the rest of the workforce. The current employer pension contribution rates are between 5% and 10% of salary.
Bonus	In accordance with existing schemes.	Depending on the timing of recruitment, bespoke targets could be introduced for an individual within the maximum individual limits of the annual bonus plan applicable at the time. Pro-rating would be applied as appropriate for intra-year joiners.
Long-term incentives (PSP)	In accordance with Company policies and maximum limits in the PSP rules.	An award may be made in the year of joining or, alternatively, the award can be delayed until the following year. Targets would normally be the same as for other directors and grant levels consistent within the permitted individual maximum under the rules of the plan and this policy.
Buyout of forfeited remuneration	The Committee may make an award in cash or shares to replace deferred or incentive pay forfeited by an executive leaving a previous employer (and, if required, by relying on the flexibility provided in the Listing Rules to grant such replacement awards).	Awards would, where possible, be consistent with the awards forfeited in terms of the vehicle, structure, vesting periods, expected value and performance conditions.

Service contracts and loss of office payment policy

The details of the executive directors' service contracts are as follows:

Executive director	First appointed as a director	Current contract commencement date	Notice period from employer	Notice period from executive
Jason Honeyman	1 September 2017	1 August 2018	6 months	6 months
Keith Adey	1 February 2012	1 February 2012	12 months	6 months

The executive directors may accept external appointments provided that such appointments do not, in any way, prejudice their ability to perform their duties as executive directors of the Company. The extent to which any executive director is allowed to retain any fees payable in respect of such appointments, or whether such fees are remitted to the Company, will be assessed on a case-by-case basis. None of the executive directors currently hold any outside appointments.

All non-executive directors have letters of appointment with the Company for no more than three years, subject to annual reappointment at the AGM, with a three-month notice period by either side. The appointment letters for the Chairman and non-executive directors provide that no compensation is payable on termination, other than fees accrued and expenses.

Non-executive director	First appointed as a director	Current letter of appointment commencement date	Current letter of appointment expiry date
Paul Hampden Smith	1 August 2013	12 December 2018	12 December 2021
Denise Jagger	1 August 2013	1 August 2019	31 July 2022
Jill Caseberry	1 October 2017	1 October 2017	30 September 2020
Ian McHoul	1 February 2018	1 February 2018	31 January 2021

The overriding principle for payments on loss of office will be to honour contractual remuneration entitlements. The Committee would determine, on an equitable basis, the appropriate treatment of performance-linked elements of the package, taking account of the circumstances, in accordance with the rules of each respective plan. Failure will not be rewarded.

The Company may pay statutory claims. Reasonable costs of legal expenses incurred by the director may be reimbursed by the Company by making direct payment to the professional adviser.

Element	Bad leaver[1]	Departure on agreed terms[2]	Good leaver[3]
Salary, pension and benefits (after cessation of employment)	Nil.	Up to 12 months' basic salary, benefits and pension. Payments may be phased and subject to offsetting against alternative income from elsewhere during the notice period. The Company may pay in lieu of notice an amount equivalent to 12 months' salary, pension and benefits.	Apart from death, the Company may pay up to 12 months' basic salary, benefits and pension, less any period of notice worked. Payments may be phased and subject to offsetting against alternative income from elsewhere during the notice period. The Company may pay in lieu of notice an amount equivalent to 12 months' salary, pension and benefits.
Annual bonus	No bonus payable.	For the proportion of the financial year worked, bonus may be payable pro-rata, subject to performance, at the discretion of the Committee. There will be no bonus payment in respect of any period of notice not worked.	For the proportion of the financial year worked, bonus may be payable pro-rata, subject to performance, at the discretion of the Committee.
PSP (and SMP awards granted in 2014 or before)	All awards, including those which have vested but are unexercised will lapse immediately upon cessation of employment.	Awards will lapse upon cessation of employment, unless the Committee decides otherwise, in which case awards may vest. Where employment ends before the vesting date, awards may vest at the normal time (other than by exception) to the extent that the performance conditions have been satisfied. The level of vested award will be reduced, pro-rata, based upon the period of time after the grant date and ending on the date of cessation of employment, relative to the three-year performance period unless the Committee, acting fairly and reasonably, decides that such a scaling back is inappropriate in any particular case.	Awards may be exercised within 12 months of the vesting date. Where employment ends before the vesting date, awards may be exercised at the normal vesting time (other than by exception) and only to the extent that the performance conditions have been satisfied. The level of vested award will be reduced, pro-rata, based upon the period of time after the grant date and ending on the date of cessation of employment, relative to the three-year performance period unless the Committee, acting fairly and reasonably, decides that such a scaling back is inappropriate in any particular case.
Other payments	Nil.	Depending upon circumstances, the Committee may consider payments in respect of an unfair dismissal award, outplacement support and assistance with legal fees.	The Company may pay for outplacement support and assistance with legal fees.

Notes:

1. For example, normal resignation from the Company or termination for cause (e.g. disciplinary issues).
2. This may cover a range of circumstances such as business reorganisation, changes in reporting structure, change in requirements for the role, termination as a result of a failure to be re-elected at an AGM, etc.
3. Leaver for compassionate reasons such as death, injury, disability or retirement, with the agreement of the employer.

Statement of voting at AGMs

The votes cast by proxy at AGMs in relation to resolutions regarding directors' remuneration are set out in the table below:

	Directors' Remuneration Policy (binding vote at AGM on 13 December 2017)		Remuneration Report (advisory vote at AGM on 12 December 2018)	
	Number of votes	% of votes cast	Number of votes	% of votes cast
For	84,362,645	97.451	76,787,077	88.090
Against	2,206,550	2.549	10,381,411	11.910
Total votes cast (excluding votes withheld)	**86,569,195**	**100.000**	**87,168,488**	**100.000**
Votes withheld	578,001		2,027,564	

As a result of the 12% vote against the Remuneration Report, the Chairman and the Remuneration Committee Chairman engaged with a significant shareholder to discuss their concerns around the remuneration package for the Chief Executive. Following our engagement the shareholder has confirmed that it is now broadly comfortable with our approach.

This report will be put to an advisory vote of the Company's shareholders at the AGM on 10 December 2019.

On behalf of the Board

Jill Caseberry
Chairman of the Remuneration Committee

14 October 2019

Directors' Report

> The directors have proposed a final ordinary dividend for the year ended 31 July 2019 of 100.0p per share.
>
> **Simon Scougall**
> Group General Counsel and Company Secretary

Governance

The directors of Bellway p.l.c. present their report in accordance with section 415 of the Companies Act 2006.

Bellway p.l.c. is the holding company of the Bellway group of companies and is a UK publicly listed company whose shares are traded on the London Stock Exchange. The main trading company is Bellway Homes Limited and this and all other subsidiaries and joint arrangements of the Group are listed in note 24 to the accounts.

The following table sets out where information can be found which is required to be reported on in the Directors' Report, but has been included elsewhere in the Annual Report and Accounts, and is simply cross-referenced here to avoid repetition.

Topic	Page number
Directors	42 to 43
Appointment and replacement of directors	48 and in the Articles
Directors' interests	66
Future developments	23 of the Strategic Report
Group undertakings	113
Environmental issues	34 and 35 of the Strategic Report
Greenhouse gas emissions	35 of the Strategic Report
Whistleblowing	57
Financial risk management	29 of the Strategic Report
Going concern	30 of the Strategic Report

Results and dividends

The profit for the year attributable to equity holders of the parent company amounts to £538.6 million (2018 – £519.9 million).

The directors have proposed a final ordinary dividend for the year ended 31 July 2019 of 100.0p per share (2018 – 95.0p). This has not been included within creditors as it was not approved by shareholders before the end of the financial year. The directors recommend payment of the final dividend on Wednesday 8 January 2020 to shareholders on the Register of Members at the close of business on Friday 29 November 2019.

Dividends paid during the year comprise a final dividend of 95.0p per share in respect of the year ended 31 July 2018, together with an interim dividend in respect of the year ended 31 July 2019 of 50.4p per share.

Directors' indemnities and Directors' and Officers' liability insurance

The Company carries appropriate insurance cover in respect of possible legal action being taken against its directors, officers and senior employees. The Articles provide the directors and officers with further protection against liability to third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of this report.

Major interests in shares

As at 31 July 2019 and as at the date of this report, the Company had been notified under DTR 5 of the following interests, amounting to 3% or more of the voting rights in the issued ordinary share capital of the Company:

	As at 31 July 2019		As at 14 October 2019	
	Number of shares with voting rights	**% total voting rights**	Number of shares with voting rights	% total voting rights
Standard Life Aberdeen plc	**9,482,382**	**7.71**	9,482,382	7.71
Dimensional Fund Advisors LP	**6,150,585**	**5.00**	6,150,585	5.00
BlackRock, Inc.	**6,143,561**	**5.00**	6,143,561	5.00
Credit Suisse Securities (Europe) Ltd	**3,890,282**	**3.38**	3,890,282	3.38
Polaris Capital Management, LLC	**3,729,913**	**3.03**	3,729,913	3.03

Post balance sheet events

There were no post balance sheet events.

Information on those third parties with which the Company has contracts or arrangements essential to its business

The Company is party to a number of banking agreements with major clearing banks. The withdrawal of such facilities could have a material effect on the financing of the business. There are no other arrangements that the Group considers to be critical to the performance of the business.

Takeovers Directive and change of control

The Company is party to a number of banking agreements that may be terminable in the event of a change of control of the Company. On a change of control any outstanding options and awards granted under the Group's share schemes would become exercisable, subject to any performance conditions being met.

Share capital

The Company's total issued share capital, as at 31 July 2019, consisted of 123,167,828 ordinary shares of 12.5p each. Further details of the issued capital of the Company can be found in note 16 to the accounts. The rights and obligations attaching to the ordinary shares in the Company are set out in the Articles of Association (the 'Articles'). Copies of the Articles can be obtained from Companies House or by writing to the Group General Counsel and Company Secretary at the Company's registered office.

Restrictions on the transfer of shares

The restrictions on the transfer of shares are set out in the Articles. In compliance with the Company's Share Dealing Code, Company approval is required for directors, certain employees and those persons closely associated with them to deal in the Company's ordinary shares. No person has special rights of control over the Company's share capital.

Rights in relation to the shares held in the employee benefit trust

The voting rights on shares held in the Bellway Employee Share Trust (1992) in relation to the Company's employee share schemes are exercisable by the trustees.

Restrictions on voting rights

Details of the deadlines for exercising voting rights are set out in the Articles. The directors are not aware of any agreements between shareholders that may result in restrictions on the transfer of securities or on voting rights.

Amendments to the Articles

The Company may amend its Articles by passing a special resolution at a general meeting of its shareholders.

Powers of the Board

The business and affairs of the Company are managed by the directors, who may exercise all such powers of the Company as are, not by law or by the Articles, required to be exercised by the Company in general meetings. Subject to the provisions of the Articles, all powers of the directors are exercised at meetings of the directors which have been validly convened and at which a quorum is present.

Allotment of shares

During the year, 187,562 new ordinary shares were issued to satisfy awards made under the Company's employee share schemes. The directors have authority to allot shares within limits agreed by shareholders. Details of the renewal of this authority, including the resolutions which seek to renew this authority, are set out in the Notice of Meeting of the AGM, to be held on Tuesday 10 December 2019.

Purchase of the Company's own shares

The Company was given authority at the AGM on 12 December 2018 to purchase its own ordinary shares. As at the date of this report, no market purchases have been made by the Company. This authority will expire at the end of the forthcoming AGM. Details of the renewal of this authority including the resolution which seeks to renew this authority for a further year are set out in the Notice of Meeting of the AGM.

Listing Rules

There are no disclosures required by LR9.8.4 that apply to the Company.

Accountability and audit

The Going Concern Statement, Long-Term Viability Statement and the Statement of Directors' Responsibilities in respect of the Annual Report and Financial Statements are shown on pages 30, 30 and 80 respectively.

The Audit Committee, whose role is detailed on pages 52 to 57, has meetings at least twice a year with the Company's auditor, KPMG LLP.

People

The important role that our people perform is described throughout the Strategic Report. The following disclosures provide additional information on how we treat our people and how we engage with them.

We are an equal opportunities employer. It is our policy to develop and apply, throughout the Group, procedures and practices which are designed to ensure that equal opportunities are provided to all of our employees, or those who seek employment with the Group, irrespective of their age, colour, disability, ethnic origin, gender, marital status, nationality, parental status, race, religion, belief or sexual orientation.

All employees, whether part-time, full-time or temporary, are treated fairly and equally. Selection for employment, promotion, training or other matters affecting their employment is on the basis of aptitude and ability. All employees are supported and encouraged to develop to their full potential and the talents and resources of the workforce are fully utilised to maximise the efficiency of the organisation. Training at each division is planned and monitored through an annual training plan.

It is our policy to give full and fair consideration to the employment needs of disabled persons (and persons who become disabled whilst employed by the Group) and to comply with any current legislation with regard to disabled persons.

The importance of good communications with employees is recognised by the directors and senior management team. A newsletter is issued to all of our employees on a regular basis and each division maintains good employee relations using a variety of means appropriate to its own particular needs, with guidance when necessary from Head Office.

All new employees, when eligible, are automatically entered into the Group's pension arrangements. In addition, we operate a savings related share option scheme and have discretionary bonus arrangements in place. We also provide life assurance cover to all of our employees, offer a private medical scheme (depending on seniority) and offer childcare vouchers.

Health and safety at work

We promote all aspects of health and safety throughout our operations in the interests of employees, sub-contractors, suppliers, customers and visitors to our sites and premises. Health and safety issues are considered at each Board meeting and are addressed in the Strategic Report and on our website at www.bellwayplc.co.uk/corporate-responsibility. The Board receives external advice and training from specialist advisers on both the directors' and the Company's regulatory obligations.

Auditor

In accordance with section 489 of the Companies Act 2006, a resolution for the appointment of KPMG LLP as auditor of the Company is to be proposed at the forthcoming AGM.

AGM – special business

Five resolutions will be proposed as special business at the AGM to be held on Tuesday 10 December 2019. Explanatory notes on these resolutions are set out in the Notice of Meeting of the AGM.

Disclosure of all relevant information to the auditor

The directors who held office at the date of this report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware and that each director has taken all the steps that he or she ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Statement of Directors' Responsibilities in respect of the Annual Report and the Financial Statements

The directors are responsible for preparing the Annual Report and the Group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law and have elected to prepare the parent company financial statements on the same basis.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of their profit or loss for that period. In preparing each of the Group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently.
- make judgements and estimates that are reasonable, relevant and reliable.
- state whether they have been prepared in accordance with IFRSs as adopted by the EU.
- assess the Group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern.
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement of the directors in respect of the Annual Report and the Financial Statements

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole.
- the Strategic Report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

By order of the Board

Simon Scougall
Group General Counsel and Company Secretary

14 October 2019

Independent Auditor's Report to the Members of Bellway p.l.c.

1. Our opinion is unmodified

We have audited the financial statements of Bellway p.l.c. ("the Company") for the year ended 31 July 2019 which comprise the Group Income Statement, Group and Company Statements of Comprehensive Income, Statements of Changes in Equity, Balance Sheets, Cash Flow Statements and the related notes, including the accounting policies.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 July 2019 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the Audit Committee.

We were first appointed as auditor of the Company before 1979. The period of total uninterrupted engagement is for more than the 40 financial years ended 31 July 2019. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview

Materiality: Group financial statements as a whole	£31 million (2018 – £31 million) 4.7% (2018 – 4.8%) of Group profit before tax	
Coverage	100% (2018 – 100%) of Group profit before tax	
Key audit matters		vs 2018
Recurring risks	Cost of sales recognition on current sites and carrying amount of land held for development and work in progress	◀▶
	Recoverability of parent company's investment in subsidiaries	◀▶
Event driven	**New:** The impact of uncertainties due to the UK exiting the European Union	▲

Independent Auditor's Report to the Members of Bellway p.l.c. continued

2. Key audit matters: including our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
The impact of uncertainties due to the UK exiting the European Union on our audit Refer to page 27 (principal risks), page 30 (viability statement) and page 93 (accounting policy).	**Unprecedented levels of uncertainty:** All audits assess and challenge the reasonableness of estimates, in particular as described in the carrying amount of land held for development and work in progress below, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements (see below). All of these depend on assessments of the future economic environment and the Group's future prospects and performance. In addition, we are required to consider the other information presented in the Annual Report including the principal risks disclosure and the viability statement and to consider the directors' statement that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy. Brexit is one of the most significant economic events for the UK and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown.	We developed a standardised firm-wide approach to the consideration of the uncertainties arising from Brexit in planning and performing our audits. Our procedures included: • **Our Brexit knowledge:** We considered the directors' assessment of Brexit-related sources of risk for the Group's business and financial resources compared with our own understanding of the risks. We considered the directors' plans to take action to mitigate the risks. • **Sensitivity analysis:** When addressing going concern and the carrying amount of land held for development and work in progress and other areas that depend on forecasts, we compared the directors' analysis to our assessment of the full range of reasonably possible scenarios resulting from Brexit uncertainty and, where forecast cash flows are required to be discounted, considered adjustments to discount rates for the level of remaining uncertainty. • **Assessing transparency:** As well as assessing individual disclosures as part of our procedures on the carrying amount of land held for development and work in progress we considered all of the Brexit related disclosures together, including those in the strategic report, comparing the overall picture against our understanding of the risks. **Our results:** • As reported under the carrying amount of land held for development and work in progress, we found the resulting estimates and related disclosures of the carrying amount of land held for development and work in progress and disclosures in relation to going concern to be acceptable. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

	The risk	Our response
Group: Cost of sales recognition and carrying amount of land held for development and work in progress **Land held for development and work in progress** (£3,428 million; 2018 – £3,224 million) **Cost of sales** (£2,423 million; 2018 – £2,200 million) Refer to page 55 (Audit Committee Report), pages 94 and 97 (accounting policies) and note 12 on page 103 (financial disclosures).	**Subjective estimate:** The cost of sales recognised is based upon an allocation of whole site costs to each plot when it is legally completed. Cost of sales is subject to estimation uncertainty as it is reliant on the Group's estimate of future selling prices and associated build costs, both of which are uncertain and can vary with market conditions. The assessment of recoverability of the carrying value of land held for development and work in progress is also dependent on these same estimates. The effect of these matters is that, as part of our risk assessment, we determined that the cost of sales estimate of £2,423 million and carrying amount of land held for development and work in progress of £3,428 million have a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The financial statements disclose the sensitivity estimated by the Group.	Our procedures included: • **Control observation:** Attending a selection of site valuation meetings to assess whether divisional senior management sufficiently challenge the latest site valuations. • **Test of details:** For all sites with unit sales during the year, comparing the gross profit margin recognised to the latest site valuation and determining whether variances are supported by changes in site valuations and post year end sales. • **Test of details:** For a sample of undeveloped land sites, corroborating explanations received from divisional management as to their status by assessing underlying planning and legal documents and quantity surveyor assessments where applicable. • **Test of details:** For a sample of sites, assessing the accuracy of inputs in to the valuations such as sales price forecasts to actual selling prices after the year end and cost forecasts to latest assessments. • **Historical comparisons:** For all sites that have been legally completed during the year performing a retrospective review to compare the budgeted gross profit margin with the margin actually achieved. • **Historical comparisons:** Comparing budgeted and latest site valuations to assess the Group's ability to accurately forecast; and • **Assessing transparency:** Assessing the adequacy of the Group's disclosures about the degree of estimation involved in calculating cost of sales and carrying value of land and work in progress. **Our results:** • We found the carrying value of land and work in progress to be acceptable (2018 result – acceptable). • We found the level of cost of sales recognised to be acceptable (2018 result – acceptable).
Company: Recoverability of parent company's investment in subsidiaries (£41.4 million; 2018 – £39.7 million) Refer to page 55 (Audit Committee Report), page 94 (accounting policy) and note 10 on page 102 (financial disclosures).	**Low risk, high value:** The carrying amount of the parent company's investments in subsidiaries represents 6% (2018 – 6%) of the company's total assets. Their recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the parent company financial statements, this is considered to be the area that had the greatest effect on our overall parent company audit.	Our procedures included: • **Tests of detail:** Comparing the carrying amount of 100% of investments with the relevant subsidiaries' draft balance sheet to identify whether their net assets, being an approximation of their minimum recoverable amount, were in excess of their carrying amount and assessing whether those subsidiaries have historically been profit-making. • **Assessing subsidiary audits:** Assessing the work performed by the subsidiary audit teams on all of those subsidiaries and considering the results of that work, on those subsidiaries' profits and net assets. **Our results:** • We found the Group's assessment of the recoverability of the investment in subsidiaries to be acceptable (2018 – acceptable).

Independent Auditor's Report to the Members of Bellway p.l.c. continued

3. Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £31 million, determined with reference to a benchmark of Group profit before tax of £662.6 million, of which it represents 4.7% (2018 – 4.8%).

Materiality for the parent company financial statements as a whole was set at £10.6 million (2018 – £10.6 million), determined with reference to a benchmark of company total assets, of which it represents 1.7% (2018 – 1.7%).

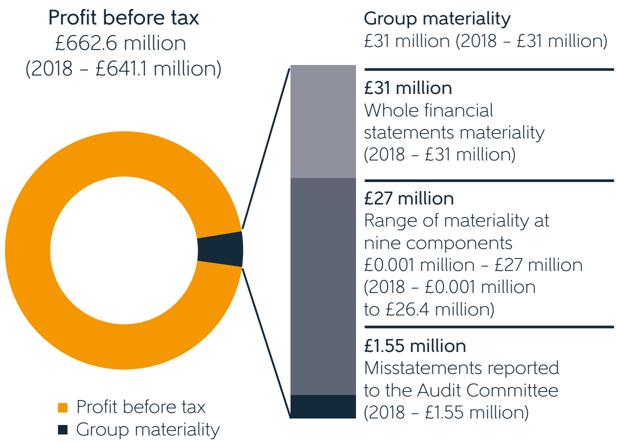
We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £1.55 million, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's nine (2018 – nine) reporting components, we subjected nine (2018 – nine) to full scope audits for Group purposes.

The components within the scope of our work accounted for the percentages illustrated opposite.

For the three (2018 – three) residual components, we performed analysis at an aggregated Group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The Group team approved the component materialities, which ranged from £0.001 million to £27 million (2018 – £0.001 million to £26.4 million), having regard to the mix of size and risk profile of the Group across the components. The work on all of the components (2018 – all components), including the audit of the parent Company, was performed by the Group team.



Group revenue

Group profit before tax

Group total assets

Full scope for Group audit purposes 2019
Residual Components 2019
Full scope for Group audit purposes 2018
Residual Components 2018

4. We have nothing to report on going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or the Group or to cease their operations, and as they have concluded that the Company's and the Group's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Our responsibility is to conclude on the appropriateness of the directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group and the Company will continue in operation.

In our evaluation of the directors' conclusions, we considered the inherent risks to the Group's and Company's business model and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group's and Company's available financial resources over this period were:

- increases in build costs or delays in build programmes;
- changes in government regulation and policy;
- reductions in mortgage availability; and
- uncertainty in macro political and economic factors including the impact of Brexit.

As these were risks that could potentially cast significant doubt on the Group's and the Company's ability to continue as a going concern, we considered sensitivities over the level of available financial resources indicated by the Group's financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from these risks individually and collectively and evaluated the achievability of the actions the directors consider they would take to improve the position should the risks materialise. We also considered less predictable but realistic second order impacts, such as the impact of Brexit and the erosion of customer or supplier confidence, which could result in a rapid reduction of available financial resources.

Based on this work, we are required to report to you if:

- we have anything material to add or draw attention to in relation to the directors' statement in the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements; or
- the related statement under the Listing Rules set out on page 30 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects, and we did not identify going concern as a key audit matter.

5. We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of principal risks and longer-term viability

Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:

- the directors' confirmation within the Long-Term Viability Statement on page 30 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks disclosures describing these risks and explaining how they are being managed and mitigated; and
- the directors' explanation in the Long-Term Viability Statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Listing Rules we are required to review the viability statement. We have nothing to report in this respect.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgments that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Company's longer-term viability.

Independent Auditor's Report to the Members of Bellway p.l.c. continued

Corporate governance disclosures

We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; or
- the section of the annual report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or
- a Corporate Governance Statement has not been prepared by the Company.

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the eleven provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

Based solely on our work on the other information described above:

- with respect to the Corporate Governance Statement disclosures about internal control and risk management systems in relation to financial reporting processes and about share capital structures:
  - we have not identified material misstatements therein; and
  - the information therein is consistent with the financial statements; and
- in our opinion, the Corporate Governance Statement has been prepared in accordance with relevant rules of the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority.

6. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 80, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or other irregularities (see below), or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Irregularities – ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience, through discussion with the directors and other management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, anti-money laundering, employment law and certain aspects of company legislation recognising the nature of the Group's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Through these procedures, we became aware of actual or suspected non-compliance and considered the effect as part of our procedures on the related financial statement items. The identified actual or suspected non-compliance was not sufficiently significant to our audit to result in our response being identified as a key audit matter.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

8. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Johnathan Pass (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX

14 October 2019

Group Income Statement

for the year ended 31 July 2019

	Note	2019 £000	2018 £000 Restated[1]
Revenue	1, 25	**3,213,243**	2,957,664
Cost of sales		**(2,423,062)**	(2,200,184)
Gross profit		**790,181**	757,480
Other operating income		**169,922**	141,093
Other operating expenses		**(175,513)**	(145,125)
Administrative expenses		**(109,685)**	(100,577)
Operating profit	4	**674,905**	652,871
Finance income	2	**569**	649
Finance expenses	2	**(15,014)**	(14,261)
Share of result of joint ventures	10	**2,131**	1,798
Profit before taxation		**662,591**	641,057
Income tax expense	5	**(124,037)**	(121,152)
Profit for the year*		**538,554**	519,905
Earnings per ordinary share – Basic	7	**437.8p**	423.4p
Earnings per ordinary share – Diluted	7	**436.4p**	421.6p

Statements of Comprehensive Income

for the year ended 31 July 2019

	Note	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Profit for the period		**538,554**	519,905	**181,750**	160,000
Other comprehensive income					
Items that will not be recycled to the income statement:					
Remeasurement gains on defined benefit pension plans	22	**1,333**	5,001	**–**	–
Income tax on other comprehensive income	5	**(227)**	(850)	**–**	–
Other comprehensive income for the period, net of income tax		**1,106**	4,151	**–**	–
Total comprehensive income for the period*		**539,660**	524,056	**181,750**	160,000

* All attributable to equity holders of the parent.

1. Restated, see note 25.

Statements of Changes in Equity

at 31 July 2019

Group	Note	Issued capital £000	Share premium £000	Capital redemption reserve £000	Other reserves £000	Retained earnings £000	Total £000	Non-controlling interest £000	Total equity £000
Balance at 1 August 2017		15,349	171,240	20,000	1,492	1,983,325	2,191,406	(66)	2,191,340
Total comprehensive income for the period									
Profit for the period		–	–	–	–	519,905	519,905	–	519,905
Other comprehensive income*		–	–	–	–	4,151	4,151	–	4,151
Total comprehensive income for the period		–	–	–	–	524,056	524,056	–	524,056
Transactions with shareholders recorded directly in equity:									
Dividends on equity shares	6	–	–	–	–	(162,647)	(162,647)	–	(162,647)
Shares issued	16	23	2,412	–	–	–	2,435	–	2,435
Credit in relation to share options and tax thereon	5, 22	–	–	–	–	1,850	1,850	–	1,850
Transactions with non-controlling interest		–	–	–	–	–	–	66	66
Total contributions by and distributions to shareholders		23	2,412	–	–	(160,797)	(158,362)	66	(158,296)
Balance at 31 July 2018		15,372	173,652	20,000	1,492	2,346,584	2,557,100	–	2,557,100
Total comprehensive income for the period									
Profit for the period		–	–	–	–	538,554	538,554	–	538,554
Other comprehensive income*		–	–	–	–	1,106	1,106	–	1,106
Total comprehensive income for the period		–	–	–	–	539,660	539,660	–	539,660
Transactions with shareholders recorded directly in equity:									
Dividends on equity shares	6	–	–	–	–	(178,865)	(178,865)	–	(178,865)
Purchase of own shares	17	–	–	–	–	(512)	(512)	–	(512)
Shares issued	16	23	2,102	–	–	(8)	2,117	–	2,117
Credit in relation to share options and tax thereon	5, 22	–	–	–	–	1,674	1,674	–	1,674
Total contributions by and distributions to shareholders		23	2,102	–	–	(177,711)	(175,586)	–	(175,586)
Balance at 31 July 2019		**15,395**	**175,754**	**20,000**	**1,492**	**2,708,533**	**2,921,174**	**–**	**2,921,174**

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

Statements of Changes in Equity continued

at 31 July 2019

Company	Note	Issued capital £000	Share premium £000	Capital redemption reserve £000	Other reserves £000	Retained earnings £000	Total equity £000
Balance at 1 August 2017		15,349	171,240	20,000	2,145	423,331	632,065
Total comprehensive income for the period							
Profit for the period		–	–	–	–	160,000	160,000
Other comprehensive income*		–	–	–	–	–	–
Total comprehensive income for the period		–	–	–	–	160,000	160,000
Transactions with shareholders recorded directly in equity:							
Dividends on equity shares	6	–	–	–	–	(162,647)	(162,647)
Shares issued	16	23	2,412	–	–	–	2,435
Credit in relation to share options	22	–	–	–	–	2,459	2,459
Total contributions by and distributions to shareholders		23	2,412	–	–	(160,188)	(157,753)
Balance at 31 July 2018		15,372	173,652	20,000	2,145	423,143	634,312
Total comprehensive income for the period							
Profit for the period		–	–	–	–	181,750	181,750
Other comprehensive income*		–	–	–	–	–	–
Total comprehensive income for the period		–	–	–	–	181,750	181,750
Transactions with shareholders recorded directly in equity:							
Dividends on equity shares	6	–	–	–	–	(178,865)	(178,865)
Purchase of own shares	17	–	–	–	–	(512)	(512)
Shares issued	16	23	2,102	–	–	(8)	2,117
Credit in relation to share options	22	–	–	–	–	1,648	1,648
Total contributions by and distributions to shareholders		23	2,102	–	–	(177,737)	(175,612)
Balance at 31 July 2019		**15,395**	**175,754**	**20,000**	**2,145**	**427,156**	**640,450**

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

Balance Sheets

at 31 July 2019

	Note	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
ASSETS					
Non-current assets					
Property, plant and equipment	8	**29,791**	13,095	**–**	–
Investment property	9	**–**	–	**–**	–
Investments in subsidiaries	10	**–**	–	**41,392**	39,744
Financial assets and equity accounted joint arrangements	10	**49,902**	43,463	**–**	–
Deferred tax assets	11	**706**	1,121	**–**	–
Retirement benefit assets	22	**2,776**	1,298	**–**	–
		83,175	58,977	**41,392**	39,744
Current assets					
Inventories	12	**3,477,583**	3,271,611	**–**	–
Trade and other receivables	13	**127,858**	114,915	**546,599**	542,107
Cash and cash equivalents	19	**201,241**	98,993	**52,755**	52,740
		3,806,682	3,485,519	**599,354**	594,847
Total assets		**3,889,857**	3,544,496	**640,746**	634,591
LIABILITIES					
Non-current liabilities					
Trade and other payables	14	**97,215**	82,320	**–**	–
Deferred tax liabilities	11	**2,199**	2,538	**–**	–
		99,414	84,858	**–**	–
Current liabilities					
Corporation tax payable		**66,314**	61,463	**–**	–
Trade and other payables	14	**802,955**	841,075	**296**	279
		869,269	902,538	**296**	279
Total liabilities		**968,683**	987,396	**296**	279
Net assets		**2,921,174**	2,557,100	**640,450**	634,312
EQUITY					
Issued capital	16	**15,395**	15,372	**15,395**	15,372
Share premium		**175,754**	173,652	**175,754**	173,652
Capital redemption reserve	17	**20,000**	20,000	**20,000**	20,000
Other reserves		**1,492**	1,492	**2,145**	2,145
Retained earnings		**2,708,533**	2,346,584	**427,156**	423,143
Total equity		**2,921,174**	2,557,100	**640,450**	634,312

Approved by the Board of Directors on 14 October 2019 and signed on its behalf by:

Paul Hampden Smith
Director

Keith Adey
Director

Registered number 1372603

Accounts

Cash Flow Statements

for the year ended 31 July 2019

	Note	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Cash flows from operating activities					
Profit for the year		**538,554**	519,905	**181,750**	160,000
Depreciation charge	8	**5,757**	1,855	**–**	–
Loss/(profit) on sale of property, plant and equipment	4	**4**	(72)	**–**	–
Finance income	2	**(569)**	(649)	**–**	–
Finance expenses	2	**15,014**	14,261	**–**	–
Share-based payment expense	22	**1,648**	2,459	**–**	–
Share of post tax result of joint ventures	10	**(2,131)**	(1,798)	**–**	–
Income tax expense	5	**124,037**	121,152	**–**	–
Increase in inventories		**(205,972)**	(303,427)	**–**	–
(Increase)/decrease in trade and other receivables		**(11,901)**	(29,319)	**(4,492)**	211
(Decrease)/increase in trade and other payables		**(45,377)**	51,228	**17**	(10)
Cash from operations		**419,064**	375,595	**177,275**	160,201
Interest paid		**(7,829)**	(5,472)	**–**	–
Income tax paid		**(119,311)**	(116,128)	**–**	–
Net cash inflow from operating activities		**291,924**	253,995	**177,275**	160,201
Cash flows from investing activities					
Acquisition of property, plant and equipment		**(5,126)**	(3,921)	**–**	–
Proceeds from sale of property, plant and equipment		**74**	298	**–**	–
Increase in loans to joint ventures	10	**(5,750)**	(7,320)	**–**	–
Repayment of loans by joint ventures	10	**1,442**	–	**–**	–
Interest received		**482**	188	**–**	–
Net cash outflow from investing activities		**(8,878)**	(10,755)	**–**	–
Cash flows from financing activities					
Decrease in bank borrowings		**–**	(30,000)	**–**	–
Payment of lease liabilities		**(3,538)**	–	**–**	–
Proceeds from the issue of share capital on exercise of share options		**2,117**	2,435	**2,117**	2,435
Purchase of own shares		**(512)**	–	**(512)**	–
Dividends paid	6	**(178,865)**	(162,647)	**(178,865)**	(162,647)
Net cash outflow from financing activities		**(180,798)**	(190,212)	**(177,260)**	(160,212)
Net increase/(decrease) in cash and cash equivalents		**102,248**	53,028	**15**	(11)
Cash and cash equivalents at beginning of year		**98,993**	45,965	**52,740**	52,751
Cash and cash equivalents at end of year	19	**201,241**	98,993	**52,755**	52,740

Accounting Policies

Basis of preparation

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

Both the Company financial statements and the Group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ('Adopted IFRSs') and have been prepared on the historical cost basis except for assets recognised at fair value through profit or loss which are stated at their fair value. On publishing the Company financial statements here together with the Group financial statements, which were approved for issue on 14 October 2019, the Company is taking advantage of the exemption in section 408 of the Companies Act 2006 not to present its individual income statement and related notes that form a part of these financial statements.

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

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Operating Review on pages 20 to 23. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 24 to 25 and the Director's Report on pages 77 to 80. The Risk Management section on pages 28 to 30 sets out the Group's policies and processes for managing its capital, financial risk, and its exposure to credit, liquidity, interest rate and housing market risk.

The Group's activities are financed principally by a combination of ordinary shares and bank borrowings less cash in hand. At 31 July 2019, cash was £201.2 million having generated cash of £102.2 million (see note 18) during the year. The Group has operated within all of its banking covenants throughout the year. In addition, the Group had bank facilities of £575.0 million, expiring in tranches up to December 2023, with £575.0 million available for drawdown under such facilities at 31 July 2019.

The directors consider that the Group is well placed to manage business and financial risks in the current economic environment and have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

Judgements made by the directors, in the application of these accounting policies and Adopted IFRSs, that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year, are discussed below.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these consolidated financial statements.

Effect of new standards and interpretations effective for the first time

The Group adopted IFRS 15 'Revenue from contracts with customers' during the current financial year. Details of the effect on these financial statements are included in note 25.

The Group adopted IFRS 16 'Leases' during the current financial year. IFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The Group used the modified retrospective approach so the comparative information has not been restated. The right-of-use asset at the date of transition was equal to the lease liability at that date, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet immediately before the date of initial application. The weighted average incremental borrowing rate applied to lease liabilities at the date of initial application was 3.15%.

The Group has also adopted the following standards and interpretations for the first time in these financial statements which had no material effect:

- IFRS 9 'Financial Instruments'
- Annual Improvements to IFRS 2014-2016 Cycle
- Amendments to IFRS 2: Classification and measurement of share-based payment transactions

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company made up to 31 July. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The financial statements of these entities are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Joint arrangements are those entities over whose activities the Group has joint control, established by contractual agreement. A joint arrangement can take two forms:

(i) Joint venture – These entities are consolidated using the equity method of accounting.

(ii) Joint operation – The Group's share of the assets, liabilities and transactions of such entities are accounted for directly as if they were assets, liabilities and transactions of the Group.

Property, plant and equipment

Items are stated at cost less accumulated depreciation and impairment losses. Depreciation on property, plant and equipment is charged to the income statement on a straight-line basis over their estimated useful lives over the following number of years:

- Plant, fixtures and fittings – 3 to 10 years.
- Freehold buildings – 40 years.

Freehold land is not depreciated.

Investment property

Investment property is initially recognised at cost. Subsequent to recognition, investment property is measured using the cost model and is carried at cost less any accumulated depreciation and accumulated impairment losses.

Depreciation is charged, where material, so as to write off the cost less residual value of the investment properties over their estimated useful lives. The residual values and useful lives of investment properties are reviewed at each financial year end. The useful life of investment properties has been assessed as being 10 to 100 years.

Land is not depreciated.

Investments in subsidiaries

Interests in subsidiary undertakings are valued in the Company financial statements at cost less impairment.

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 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.

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.

Trade and other receivables

Trade and other receivables are stated at their fair value at the date of initial recognition and subsequently at amortised cost less allowances for impairment.

Consideration which is contingent on future events is recognised based on the estimated amount if it is probable and can be reliably measured. Any subsequent changes to the fair value of the contingent consideration are recognised in the income statement.

Cash and cash equivalents

Cash and cash equivalents are defined as cash balances in hand and in the bank (including short-term cash deposits). The Group utilises bank overdraft facilities, which are repayable on demand, as part of its cash management policy. As a consequence, bank overdrafts are included as a component of net cash and cash equivalents within the cash flow statement.

Interest-bearing loans and borrowings

Interest-bearing loans and borrowings are stated at their fair value at the date of initial recognition and subsequently at amortised cost.

Trade and other payables

Trade and other payables on normal terms are not interest-bearing and are stated at their nominal value. Trade payables on deferred terms, most notably in relation to land purchases, are recorded initially at the fair value of all expected future payments. The discount to nominal value is amortised over the period to settlement and charged to finance expenses.

Dividends

Dividends on equity shares are recognised as a liability in the period in which they are approved by the shareholders. Interim dividends are recognised when paid.

Classification of equity instruments and financial liabilities issued by the Group

Equity instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the Company (or Group as the case may be) to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company (or Group); and

(b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium exclude amounts in relation to those shares.

Grants

Grants are included within work in progress in the balance sheet to the extent that they contribute to construction costs and within deferred income to the extent that they contribute to site income. Grants are credited to the income statement over the life of the developments to which they relate.

Revenue recognition

(a) Private and social (turnkey and plot sale) housing sales and land sales.

Revenue is measured at the fair value of consideration received or receivable, net of incentives. Revenue is recognised in the income statement at a point in time when the performance obligation, being the transfer of a completed dwelling to a customer, has been satisfied. This is when legal title is transferred.

(b) Social housing properties as part of a land sale and design and build contract.

Revenue is measured at the fair value of consideration received or receivable, net of incentives. Revenue is recognised in the income statement at a point in time when the performance obligations have been satisfied. This is when the homes are build complete and all material contractual obligations have been fulfilled.

Incentives

Sales incentives are substantially cash in nature. Cash incentives are recognised as a reduction in housebuild revenue by the cost to the Group of providing the incentive.

Rental income

Rental income is recognised in the income statement on a straight-line basis over the term of the lease.

Part-exchange properties

The purchase and subsequent sale of part-exchange properties is an activity undertaken in order to achieve the sale of a new property. The original sale of private housing is recognised, as above, at the fair value of the part-exchange property plus the cash received or receivable. The fair value of the part-exchange property is equal to the amount assessed by external valuers. The onward sale of a part-exchange property is recognised at the fair value of consideration received or receivable. As it is not considered a principal activity of the Group the income and expenses associated with this are recognised in other operating income and other operating expenses. Income is recognised in the income statement at a point in time when the performance obligations have been satisfied. This is when legal title is transferred.

Contingent liabilities

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within the Group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

Taxation

The charge for taxation is based on the result for the year and takes into account current and deferred taxation. The charge is recognised in the income statement except to the extent that it relates to items recognised in equity in which case it is recognised in equity.

Deferred taxation is provided for all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Employee benefits – retirement benefit costs

The net defined benefit scheme asset or liability is the fair value of scheme assets less the present value of the defined benefit obligation at the balance sheet date. The calculation is performed by a qualified actuary using the projected unit credit method. All remeasurement gains and losses are recognised immediately in the Statement of Comprehensive Income ('SOCI'). Net interest income/(cost) is calculated on the defined benefit asset/(liability) for the period by applying the discount rate used to measure the defined benefit liability at the start of the year. Return on plan assets in excess of the amounts included in the net interest cost are recognised in the SOCI. Further details of the scheme and the valuation methods applied may be found in note 22.

Defined contribution pension costs are charged to the income statement in the period for which contributions are payable.

Employee benefits – share-based payments

The fair value of equity settled share options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured as at the date the options are granted and the charge is only amended if vesting does not take place due to non-market conditions not being met. Various option pricing models are used according to the terms of the option scheme under which the options were granted. The fair value is spread over the period during which the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of options that vest. At the balance sheet date, if it is expected that non-market conditions will not be satisfied, the cumulative expense recognised in relation to the relevant options is reversed.

With respect to share-based payments, a deferred tax asset is recognised on the relevant tax base. The tax base is then compared to the cumulative share-based payment expense recognised in the income statement. Deferred tax arising on the excess of the tax base over the cumulative share-based payment expense recognised in the income statement has been recognised directly in equity outside the SOCI as share-based payments are considered to be transactions with shareholders.

Where the Company grants options over its own shares to employees of its subsidiaries it recognises, in its individual financial statements, an increase in the cost of investment in its subsidiaries equivalent to the equity settled share-based payment charge recognised in its consolidated financial statements, with the corresponding credit being recognised in equity.

Own shares held by ESOP trust

Transactions of the Company-sponsored ESOP trust are included in both the Group financial statements and the Company's own financial statements. The purchase of shares in the Company by the trust are charged directly to equity.

Leases

The lease liability is initially measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate. The lease term comprises the non-cancellable period of the contract, together with periods covered by an option to extend the lease where the Group is reasonably certain to exercise that option. Subsequently, the lease liability is measured by increasing the carrying amount to reflect interest on the lease liability, and reducing it by the lease payments made. The lease liability is remeasured when the Group changes its assessment of whether it will exercise an extension or termination option.

Right-of-use assets are initially measured at cost, comprising the initial measurement of the lease liability, plus any initial direct costs and an estimate of asset retirement obligations, less any lease incentives. Subsequently, right-of-use assets are measured at cost, less any accumulated depreciation and any accumulated impairment losses, and are adjusted for certain remeasurements of the lease liability. Depreciation is calculated on a straight-line basis over the length of the lease.

The Group has elected to apply exemptions for short-term leases and leases for which the underlying asset is of low value. For these leases, payments are charged to the income statement on a straight-line basis over the term of the relevant lease.

Right-of-use assets are presented in property, plant and equipment on the balance sheet and lease liabilities are shown on the balance sheet in trade and other payables in current liabilities and non-current liabilities depending on the length of the lease term.

Finance income and expenses

Finance income includes interest receivable on bank deposits.

Finance expenses includes interest on bank borrowings. The discounting of the deferred payments for land purchases produces a notional interest payable amount and this is also charged to finance expenses.

Exceptional items

Exceptional items are those which, in the opinion of the Board, are material by size or nature, non-recurring, and of such significance that they require separate disclosure on the face of the income statement.

Accounting estimates and judgements

Management consider the following to be major sources of estimation that have been made in these financial statements:

Valuation of work in progress and land held for development

Inventories are carried at the lower of cost and net realisable value. Net realisable value represents the estimated selling price (in the ordinary course of business) less all estimated costs of completion and overheads. Valuations of site/phase work in progress are carried out at regular intervals and estimates of the cost to complete a site/phase and estimates of anticipated revenues are required to enable a development profit to be determined. Management are required to employ judgement in estimating the profitability of a site/phase and in assessing any impairment provisions which may be required. If a 10% increase was applied to the inventories net realisable provision, this would not have a material effect on the carrying value of work in progress and land held for development at the year end.

For both the years ended 31 July 2019 and 31 July 2018, a full review of inventories has been performed and write downs have been made where cost exceeds net realisable value. Estimated selling prices have been reviewed on a site by site/phase by phase basis and have been amended based on local management and the Board's assessment of current market conditions. For the years ended 31 July 2019 and 31 July 2018 no exceptional charge has resulted from the review.

Cost of sales recognition

Cost of sales is recognised for completed house sales as an allocation of the latest whole site/phase gross margin which is an output of the site/phase valuation. These valuations, which are updated at frequent intervals throughout the life of the site/phase, use actual and forecast selling prices, land costs and construction costs and are sensitive to future movements in both the estimated cost to complete and expected selling prices. Forecast selling prices are inherently uncertain due to changes in market conditions. This is a key estimate made in the financial statements.

To determine the amount of cost of sales that the Group is able to recognise on its sites/phases in the year, the Group needs to allocate site/phase wide costs between all plots, both those sold in the current year, and those plots to be sold in future periods. It is also necessary to estimate costs to complete on such sites/phases. In making these assessments certain estimates are made. In addition the Group makes estimates in relation to future sales prices on the site/phase. The Group has a number of internal controls to assess and review the reasonableness of estimates made. If housing gross margin increased by 200 basis points, it is estimated that the quantum of housing cost of sales would decrease by around 2.7%.

Judgements

In the course of preparing the financial statements, no major judgements have been made in the process of applying the Group's accounting policies, other than those involving estimation, as set out above, that have had a significant effect on the amounts recognised in the financial statements.

Standards and interpretations in issue but not yet effective

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

Notes to the Accounts

1 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 Operating Review on pages 20 to 23. 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.

2 Finance income and expenses

	2019 £000	2018 £000
Interest receivable on bank deposits	**397**	161
Interest on fair value through profit or loss	**136**	425
Interest element of movement in pension scheme asset	**36**	–
Other interest income	**–**	63
Finance income	**569**	649
Interest payable on bank loans and overdrafts	**6,690**	5,410
Interest on deferred term land payables	**7,826**	8,754
Interest payable on leases	**498**	–
Interest element of movement in pension scheme deficit	**–**	97
Finance expenses	**15,014**	14,261

3 Employee information

Group employment costs, including directors, comprised:

	2019 £000	2018 £000
Wages and salaries	**164,136**	146,284
Social security	**16,477**	14,686
Pension costs (note 22)	**5,976**	5,092
Share-based payments (note 22)	**1,648**	2,459
	188,237	168,521

The average number of persons employed by the Group during the year was 2,980 (2018 – 2,808) comprising 1,023 (2018 – 991) administrative and 1,957 (2018 – 1,817) production and others employed in housebuilding and associated trading activities.

The executive directors and the Group General Counsel and Company Secretary are the only employees of the Company and the emoluments of the executive directors are disclosed in the Remuneration Report on pages 58 to 76.

Key management personnel remuneration, including directors, comprised:

	2019 £000	2018 £000
Salaries and fees	**3,027**	3,012
Taxable benefits	**188**	157
Annual bonus – cash	**1,919**	1,858
Pension costs	**160**	80
Share-based payments	**1,016**	1,311
	6,310	6,418

Key management personnel, as disclosed under IAS 24 'Related party disclosures', comprises the directors and other senior operational management.

4 Operating profit

	2019 £000	2018 £000
Operating profit is stated after charging/(crediting):		
Staff costs (note 3)	**188,237**	168,521
Loss/(profit) on sale of property, plant and equipment	**4**	(72)
Depreciation of property, plant and equipment	**5,757**	1,855
Hire of plant and machinery	**14,876**	15,745
Operating lease charges for land and buildings	**–**	1,841
Auditor's remuneration:		
Audit of these financial statements	**30**	30
Amounts receivable by the auditor and its associates in respect of:		
Audit of financial statements of subsidiaries pursuant to legislation	**195**	174
Pension scheme audit	**7**	5
Other assurance services	**–**	4

Amounts paid to the Company's auditor and their associates in respect of services to the Company, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis. The relevant proportion of amounts paid to the auditor for the audit of financial statements of joint ventures is £0.020 million (2018 – £0.018 million).

All other operating income relates to the sale of part-exchange properties and all other operating expenses relate to the associated fair value of the part-exchange properties less costs to sell.

5 Income tax expense

	2019 £000	2018 £000
Current tax expense:		
UK corporation tax	**126,218**	120,397
Adjustments in respect of prior years	**(2,056)**	(949)
	124,162	119,448
Deferred tax (income)/expense:		
Origination and reversal of temporary differences	**(162)**	1,704
Adjustments in respect of prior years	**37**	–
	(125)	1,704
Total income tax expense in income statement	**124,037**	121,152

	2019 %	2019 £000	2018 %	2018 £000
Reconciliation of effective tax rate:				
Profit before taxation		**662,591**		641,057
Tax calculated at UK corporation tax rate	**19.0**	**125,892**	19.0	121,801
Non-taxable income and enhanced deductions	**–**	**164**	–	300
Adjustments in respect of prior years – current tax	**(0.3)**	**(2,056)**	(0.1)	(949)
– deferred tax	**–**	**37**	–	–
Effective tax rate and tax expense for the year	**18.7**	**124,037**	18.9	121,152

The deferred tax assets/(liabilities) held by the Group that are expected to be realised after 31 March 2020 are valued at 17%, the substantively enacted corporation tax rate that will be effective after that date.

The effective income tax expense is 18.7% of profit before taxation (2018 – 18.9%) and compares favourably to the Group's standard tax rate for the year of 19.0% (2018 – 19.0%). The lower effective tax rate in the current year is principally due to enhanced tax deductions received by the Group in relation to land remediation relief and a credit following the finalisation of the prior year corporation tax returns.

5 Income tax expense continued

	2019 £000	2018 £000
Deferred tax recognised directly in equity:		
Credit/(charge) relating to equity-settled transactions	**26**	(609)
Charge relating to remeasurements on the defined benefit pension scheme	**(227)**	(850)

6 Dividends on equity shares

	2019 £000	2018 £000
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 July 2018 of 95.0p per share (2017 – 84.5p)	**116,829**	103,668
Interim dividend for the year ended 31 July 2019 of 50.4p per share (2018 – 48.0p)	**62,041**	58,997
Dividends forfeited	**(5)**	(18)
	178,865	162,647
Proposed final dividend for the year ended 31 July 2019 of 100.0p per share (2018 – 95.0p)	**123,103**	116,830

The 2019 proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 10 December 2019 and, in accordance with IAS 10 'Events after the Reporting Period', has not been included as a liability in these financial statements. At the record date for the final dividend for the year ended 31 July 2018, shares were held by the Bellway Employee Share Trust (1992) (the 'Trust') on which dividends had been waived (see note 17).

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

7 Earnings per ordinary share

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

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

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

	Earnings 2019 £000	Weighted average number of ordinary shares 2019 Number	Earnings per share 2019 p	Earnings 2018 £000	Weighted average number of ordinary shares 2018 Number	Earnings per share 2018 p
For basic earnings per ordinary share	**538,554**	**123,012,723**	**437.8**	519,905	122,779,199	423.4
Dilutive effect of options and awards		**398,943**	**(1.4)**		528,251	(1.8)
For diluted earnings per ordinary share	**538,554**	**123,411,666**	**436.4**	519,905	123,307,450	421.6

8 Property, plant and equipment

Group	Land and property £000	Plant, fixtures and fittings £000	Right-of-use assets £000	Total £000
Cost				
At 1 August 2017	9,548	13,814	–	23,362
Additions	15	3,906	–	3,921
Disposals	–	(1,894)	–	(1,894)
At 1 August 2018	9,563	15,826	–	25,389
Opening right-of-use asset recognised on adoption of IFRS 16	–	–	14,231	14,231
Additions	1,555	3,571	3,268	8,394
Disposals	–	(1,792)	(153)	(1,945)
At 31 July 2019	**11,118**	**17,605**	**17,346**	**46,069**
Depreciation				
At 1 August 2017	2,165	9,942	–	12,107
Charge for year	249	1,606	–	1,855
On disposals	–	(1,668)	–	(1,668)
At 1 August 2018	2,414	9,880	–	12,294
Charge for year	242	2,089	3,426	5,757
On disposals	–	(1,715)	(58)	(1,773)
At 31 July 2019	**2,656**	**10,254**	**3,368**	**16,278**
Net book value				
At 31 July 2019	**8,462**	**7,351**	**13,978**	**29,791**
At 31 July 2018	7,149	5,946	–	13,095
At 31 July 2017	7,383	3,872	–	11,255

On 1 August 2018 the Group adopted IFRS 16 'Leases' which requires lessees to recognise a lease liability and a 'right-of-use asset' for virtually all lease contracts.

The Company has no property, plant and equipment.

9 Investment property

Group	Total £000
Cost	
At 1 August 2017 and 1 August 2018	423
Disposals	–
At 31 July 2019	**423**
Depreciation	
At 1 August 2017 and 1 August 2018	423
On disposals	–
At 31 July 2019	**423**
Net book value	
At 31 July 2019	**–**
At 31 July 2017 and 31 July 2018	–

Investment properties represent homes which have been sold under a shared ownership scheme and where Bellway has retained an equity stake. They are valued under the cost model and are held at cost less accumulated depreciation and accumulated impairment losses. A formal internal valuation of investment properties was carried out at the end of the financial year. The fair value of the investment properties was assessed at £nil (2018 – £nil).

The Company has no investment properties.

10 Financial assets and equity accounted joint arrangements, and investments in subsidiaries

The Group and Company have the following investments or financial assets in subsidiaries and joint ventures:

Subsidiary undertakings	**Group 2019 £000**	Group 2018 £000	**Company 2019 £000**	Company 2018 £000
Interest in subsidiary undertakings' shares at cost	**–**	–	**41,392**	39,744
Financial assets and equity accounted joint arrangements				
Financial assets – loan to joint ventures	**45,568**	41,260	**–**	–
Interest in joint ventures – equity	**4,334**	2,203	**–**	–
	49,902	43,463	**–**	–
	49,902	43,463	**41,392**	39,744

The subsidiary undertakings and joint arrangements in which the Group has interests are incorporated in England and Wales. In each case their principal activity is related to housebuilding. The Group is made up of 50 subsidiaries and 8 joint arrangements. Further details are included in note 24.

Where Bellway owns 100% of the voting rights of a business, the company is considered to be controlled by Bellway and is treated as a subsidiary.

North Solihull Partnership LP, Cramlington Developments Limited and Leebell Developments Limited are classified as joint operations as the shareholders have substantially all of the economic benefit of the assets and fund the liabilities of the entities.

Ponton Road LLP, Fradley Residential LLP and Lambeth Regeneration LLP are classified as joint ventures as the Group has rights to the net assets of the arrangements rather than the individual assets and liabilities.

The movement on both the equity accounted joint ventures and related financial assets during the year is as follows:

	2019 £000	2018 £000
At the start of the year	**43,463**	34,345
Increase in loans	**5,750**	7,320
Repayment of loans	**(1,442)**	–
Share of result	**2,131**	1,798
At the end of the year	**49,902**	43,463

The Group's share of the joint ventures' net assets/(liabilities) and income/(expenses) are made up as follows:

	2019 £000	2018 £000
Non-current assets	**9**	14
Current assets	**57,626**	48,678
Current liabilities	**(50,033)**	(44,971)
Non-current liabilities	**(3,268)**	(1,518)
Share of net assets/(liabilities) of joint ventures	**4,334**	2,203
Revenue	**8,902**	8,401
Costs	**(6,720)**	(6,510)
Operating profit	**2,182**	1,891
Interest	**(51)**	(93)
Share of result of joint ventures	**2,131**	1,798

Guarantees relating to the overdrafts of the joint arrangements have been given by the Company (see note 20).

11 Deferred taxation

The following are the deferred tax assets/(liabilities) recognised by the Group and the movements thereon during the current and prior year:

Group	Capital allowances £000	Retirement benefit obligations/ (assets) £000	Share-based payments £000	Other temporary differences £000	Total £000
At 1 August 2017	28	678	1,726	(686)	**1,746**
Income statement (charge)/credit	(50)	(47)	4	(1,611)	**(1,704)**
Charge to statement of comprehensive income	–	(850)	–	–	**(850)**
Charge to equity	–	–	(609)	–	**(609)**
At 31 July 2018	(22)	(219)	1,121	(2,297)	**(1,417)**
Income statement (charge)/credit	(89)	(26)	(441)	681	**125**
Charge to statement of comprehensive income	–	(227)	–	–	**(227)**
Credit to equity	–	–	26	–	**26**
At 31 July 2019	**(111)**	**(472)**	**706**	**(1,616)**	**(1,493)**

The following is an analysis of the deferred tax balances for financial reporting purposes:

	2019 £000	2018 £000
Share-based payments	**706**	1,121
Deferred tax assets	**706**	1,121
Capital allowances	**(111)**	(22)
Retirement benefit assets	**(472)**	(219)
Other temporary differences	**(1,616)**	(2,297)
Deferred tax liabilities	**(2,199)**	(2,538)
Net deferred tax liability	**(1,493)**	(1,417)

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

There are no deferred tax balances in respect of the Company.

12 Inventories

Group	2019 £000	2018 £000
Land	**2,004,424**	2,011,881
Work in progress	**1,298,243**	1,115,091
Showhomes	**125,455**	97,447
Part-exchange properties	**49,461**	47,192
	3,477,583	3,271,611

Inventories of £2,376.1 million were expensed in the year (2018 – £2,154.7 million).

In the ordinary course of business, inventories have been written back by a net £1.0 million in the year (2018 – £0.8 million).

Land with a carrying value of £172.3 million (2018 – £217.0 million) was used as security for land payables (see note 14).

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

The Company has no inventory.

13 Trade and other receivables

Current receivables

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Trade receivables	**60,963**	39,459	**–**	–
Other receivables	**59,046**	69,623	**–**	–
Amounts owed by Group undertakings	**–**	–	**546,599**	542,107
Prepayments and accrued income	**7,849**	5,833	**–**	–
	127,858	114,915	**546,599**	542,107

The Group assesses the ageing of trade receivables in terms of whether amounts are receivable in less than one year or more than one year. None of the trade receivables are past their due dates (2018 – nil).

Other receivables includes £28.0 million (2018 – £26.0 million) in relation to VAT recoverable.

The Group has assessed expected credit losses and the loss allowance for trade and other receivables as immaterial.

14 Trade and other payables

Non-current liabilities

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Land payables	**85,292**	80,382	**–**	–
Other payables	**–**	1,938	**–**	–
Lease liabilities	**11,923**	–	**–**	–
	97,215	82,320	**–**	–

Land payables of £57.7 million (2018 – £68.7 million) are secured on the land to which they relate.

The carrying value of the land used for security is £55.5 million (2018 – £66.8 million).

Current liabilities

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Trade payables	**328,525**	301,349	**–**	–
Land payables	**212,650**	284,993	**–**	–
Social security and other taxes	**5,083**	7,771	**–**	–
Other payables	**6,933**	13,278	**296**	279
Lease liabilities	**3,049**	–	**–**	–
Accrued expenses	**136,779**	124,498	**–**	–
Payments on account	**109,936**	109,186	**–**	–
	802,955	841,075	**296**	279

Land payables of £120.5 million (2018 – £153.8 million) are secured on the land to which they relate.

The carrying value of the land used for security is £116.8 million (2018 – £150.2 million).

Payments on account comprises deposits received in advance which are contract liabilities. Deposits received in advance are typically held for up to 18 months before the associated performance obligations are satisfied and the revenue is recognised. The majority of the contract liabilities as at 31 July 2018 have been recognised as revenue in the current year. The approximate transaction value allocated to the performance obligations that are unsatisfied at 31 July 2019 is £1,223.9 million (2018 – £1,301.1 million), the majority of which is expected to be recognised as revenue during the next financial year.

15 Financial instruments

Land purchased on deferred terms

The Group sometimes acquires land on deferred payment terms. In accordance with IFRS 9 'Financial Instruments' the creditor is initially recorded at fair value, being the price paid for the land discounted to present day, and subsequently at amortised cost. The difference between the nominal value and the initial fair value is amortised over the deferred term to finance expenses, increasing the land creditor to its full cash settlement value on the payment date.

The maturity profile of the total contracted cash payments in respect of amounts due on land creditors at the balance sheet date is as follows:

	Balance at 31 July £000	Total contracted cash payment £000	Within 1 year or on demand £000	1–2 years £000	2–5 years £000	More than 5 years £000
At 31 July 2019	**297,942**	**305,226**	**214,624**	**51,950**	**30,999**	**7,653**
At 31 July 2018	365,375	371,950	287,414	57,549	26,987	–

The maturity profile of the total contracted payments in respect of financial liabilities (excluding amounts due on land creditors shown separately above) is as follows:

	Balance at 31 July £000	Total contracted cash payment £000	Within 1 year or on demand £000	1–2 years £000	2–5 years £000	More than 5 years £000
Trade and other payables (excluding lease liabilities)	340,541	340,541	340,541	–	–	–
Lease liabilities	14,972	18,158	3,349	3,157	5,686	5,966
At 31 July 2019	**355,513**	**358,699**	**343,890**	**3,157**	**5,686**	**5,966**
Trade and other payables	324,336	324,336	322,398	–	–	1,938
At 31 July 2018	324,336	324,336	322,398	–	–	1,938

The imputed interest rate on land payables reflects market interest rates available to the Group on floating rate bank loans at the time of acquiring the land.

At the year end, the Group had £575.0 million (2018 – £430.0 million) of undrawn bank facilities available.

Cash and cash equivalents

This comprises cash held by the Group and short-term bank deposits with a maturity date of less than one month.

The amount of cash and cash equivalents for the years ended 31 July 2019 and 31 July 2018 for both the Group and the Company are shown in note 19.

At 31 July 2019 the average interest rate earned on the temporary closing cash balance, excluding joint ventures, was 0.61% (2018 – 0.36%).

Fair values

The carrying values of financial assets and liabilities reasonably approximate their fair values.

Financial assets and liabilities by category

	Group 2019 £000	Group 2018 £000	**Company 2019 £000**	Company 2018 £000
Loans and receivables	**165,577**	142,440	**546,599**	542,107
Fair value through profit or loss	**–**	7,902	**–**	–
Cash and cash equivalents	**201,241**	98,993	**52,755**	52,740
Financial liabilities at amortised cost	**(648,372)**	(681,940)	**(296)**	(279)
	(281,554)	(432,605)	**599,058**	594,568

The fair value through profit or loss asset is categorised as level 3 within the hierarchical classification of IFRS 13. This asset is recorded at fair value, being the estimated amount receivable by the Group, discounted to present day values and was included in other receivables at 31 July 2018 (see note 13).

15 Financial instruments continued

Reconciliation of liabilities arising from financing activities

Group	At 1 August 2017 £000	Net cash flows £000	At 1 August 2018 £000	On adoption of IFRS 16 £000	Net cash flows £000	New leases £000	Disposals £000	Interest £000	**At 31 July 2019 £000**
Bank borrowings	30,000	(30,000)	–	–	–	–	–	–	**–**
Lease liabilities	–	–	–	14,840	(3,538)	3,268	(96)	498	**14,972**
	30,000	(30,000)	–	14,840	(3,538)	3,268	(96)	498	**14,972**

There were no liabilities arising from financing activities within the Company.

Bank facilities

The Group has bank facilities of £575.0 million (2018 – £430.0 million) which expire during the course of the following financial years:

	Group 2019 £000	Group 2018 £000	**Company 2019 £000**	Company 2018 £000
By 31 July 2019	**–**	125,000	**–**	–
By 31 July 2020	**155,000**	175,000	**–**	–
By 31 July 2021	**175,000**	80,000	**–**	–
By 31 July 2022	**–**	–	**–**	–
By 31 July 2023	**50,000**	50,000	**–**	–
By 31 July 2024	**195,000**	–	**–**	–
	575,000	430,000	**–**	–

Capital management

The Group is financed through the proceeds of issued ordinary shares, reinvested profits and bank borrowings less cash in hand. The following table analyses the capital structure:

	Group 2019 £000	Group 2018 £000	**Company 2019 £000**	Company 2018 £000
Equity	**2,921,174**	2,557,100	**640,450**	634,312
Net bank debt	**–**	–	**–**	–
Capital employed	**2,921,174**	2,557,100	**640,450**	634,312

Risks

Details of the risks relating to financial instruments are set out in the Risk Management section on pages 29 to 30.

16 Issued capital

Group and Company	**2019 Number 000**	**2019 £000**	2018 Number 000	2018 £000
Allotted, called up and fully paid 12.5p ordinary shares				
At start of year	**122,980**	**15,372**	122,798	15,349
Issued on exercise of options	**188**	**23**	182	23
At end of year	**123,168**	**15,395**	122,980	15,372

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

17 Reserves

Own shares held

The Group and Company holds shares within the Bellway Employee Share Trust (1992) (the 'Trust') for participants of certain share-based payment schemes as outlined in note 22. These are held within retained earnings. During the period 20,000 shares were purchased by the Trust (2018 – nil shares) and the Trust transferred 20,911 (2018 – 118,863) shares to employees and directors. The number of shares held within the Trust and on which dividends have been waived, at 31 July 2019 was 64,629 (2018 – 65,540). These shares are held within the financial statements at a cost of £1.3 million (2018 – £1.2 million). The market value of these shares at 31 July 2019 was £1.9 million (2018 – £1.9 million).

17 Reserves continued

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.

Income statement

As permitted by section 408 of the Companies Act 2006, the Company's income statement has not been included in these financial statements. The Company's profit for the financial year was £181.750 million (2018 – £160.000 million).

18 Reconciliation of net cash flow to net cash

Group	2019 £000	2018 £000
Increase in net cash and cash equivalents	**102,248**	53,028
Decrease in bank borrowings	**–**	30,000
Increase in net cash from cash flows	**102,248**	83,028
Net cash at 1 August	**98,993**	15,965
Net cash at 31 July	**201,241**	98,993

Company	2019 £000	2018 £000
Increase/(decrease) in net cash and cash equivalents	**15**	(11)
Increase/(decrease) in net cash from cash flows	**15**	(11)
Net cash at 1 August	**52,740**	52,751
Net cash at 31 July	**52,755**	52,740

19 Analysis of net cash

Group	At 1 August 2018 £000	Cash flows £000	At 31 July 2019 £000
Cash and cash equivalents	98,993	102,248	**201,241**
Net cash	98,993	102,248	**201,241**

Company	At 1 August 2018 £000	Cash flows £000	At 31 July 2019 £000
Cash and cash equivalents	52,740	15	**52,755**
Net cash	52,740	15	**52,755**

20 Contingent liabilities

The Company is liable, jointly and severally with other members of the Group, under guarantees given to the Group's bankers in respect of overdrawn balances on certain Group bank accounts and in respect of other overdrafts, loans and guarantees given by the banks to or on behalf of other Group undertakings.

At 31 July 2019 there were bank overdrafts of £nil (2018 – £nil) and loans of £nil (2018 – £nil). The Company has given performance and other trade guarantees on behalf of subsidiary undertakings. The Company has guaranteed the overdrafts of joint arrangements up to a maximum of £0.3 million (2018 – £0.3 million). It is the directors' expectation that the possibility of cash outflow on these liabilities is considered minimal and no provision is required.

Following the Grenfell fire, there has been evolving guidance in the complex area of fire safety, including amendments to the Building Regulations which, from 21 December 2018, ban the use of combustible materials in the external walls of new high-rise residential buildings 18 metres or more in height. The result of this and revised guidance to building owners and responsible persons is additional scrutiny and review of the materials used in the construction of apartment schemes. Whilst all buildings constructed by Bellway obtained the appropriate building regulations approval at the time of construction, as a responsible developer, Bellway continues to work with residents, management companies, housing associations and freeholders to assess the performance of specific cladding systems and fire safety measures. A liability, which is immaterial in the context of these financial statements, is included in the balance sheet based on management's expectation of the potential cost of working with partners to carry out replacement cladding and related fire safety works as part of Bellway's commitment to be a responsible developer. These estimates may change over time as further information is assessed, building works progress and fire safety regulations further evolve.

21 Commitments

Capital commitments

Group	2019 £000	2018 £000
Contracted not provided	**6,387**	221
Authorised not contracted	**–**	–

Company

The commitments of the Company were £nil (2018 – £nil).

22 Employee benefits

(a) Retirement benefit assets

The Group sponsors the Bellway plc 1972 Pension Scheme (the 'Scheme') which has a funded defined benefit arrangement which is closed to new members and to future service accrual. The Group also sponsors the Bellway plc 2008 Group Self Invested Personal Pension Plan ('GSIPP') which is a defined contribution contract-based arrangement.

Contributions of £5.976 million (2018 – £5.092 million) were charged to the income statement for the GSIPP.

Defined contributions have been excluded from the assets and liabilities.

Role of Trustees

The Scheme is managed by the Trustees, who are appointed by either the Company or the members. The role of the Trustees is to manage the Scheme in line with the Scheme trust deed and rules, to act prudently, responsibly and honestly, impartially and in the interests of all beneficiaries. The main responsibilities of the Trustees are to agree with the employer the level of contributions to the Scheme and to make sure these are paid, to decide how the Scheme's assets are invested so the Scheme is able to meet its liabilities, and to oversee that the payment of benefits, record keeping and administration of the Scheme complies with the Scheme trust deed and rules and legislation.

Funding

UK legislation requires that pension schemes are funded prudently (i.e. to a level in excess of the current expected cost of providing benefits). The last full actuarial valuation of the Scheme was carried out by a qualified independent actuary as at 31 July 2017 and updated on an approximate basis to 31 July 2019.

With regard to the Scheme, regular contributions made by the employer over the financial year were £nil (2018 – £nil). The employer paid no special contributions (2018 - £nil) and reimbursed the pension fund £0.36 million (2018 – £0.37 million) for expenses incurred by the fund.

The Group is expected to make no regular contributions during the year ending 31 July 2020.

Regulation

The UK pensions market is regulated by the Pensions Regulator whose key statutory objectives in relation to UK defined benefit plans are:

- to protect the benefits of members of occupational pension schemes;
- to promote, and to improve understanding of the good administration of work-based pension schemes;
- to reduce the risk of situations arising which may lead to compensation being payable from the Pension Protection Fund; and
- to maximise employer compliance with employer duties and the employment safeguards introduced by the Pensions Act 2008.

Risk

The Scheme exposes the Group to a number of risks, the most significant are:

Risk	Description
Asset volatility	The Scheme's defined benefit obligation is calculated using a discount rate set with reference to corporate bond yields. However, a significant proportion of the Scheme's assets are invested in growth assets, such as equities, that would be expected to outperform corporate bonds in the long-term but create volatility and risk in the short-term.
Inflation risk	A significant proportion of the Scheme's defined benefit obligation is linked to inflation, with higher inflation increasing the liabilities. However, there are caps of either a 3% or 5% p.a. increase in place to limit the effect of higher inflation.
Life expectancy	The majority of the Scheme's liabilities are to provide a pension for the life of the member, with any increase in life expectancy also increasing the Scheme's defined benefit obligation.

22 Employee benefits continued

Movements in net defined benefit assets

	Defined benefit obligation		Fair value of Scheme assets		Net defined benefit asset	
	2019 £000	2018 £000	**2019 £000**	2018 £000	**2019 £000**	2018 £000
Balance at 1 August	**(52,737)**	(58,176)	**54,035**	54,199	**1,298**	(3,977)
Included in the income statement						
Interest (cost)/income	**(1,356)**	(1,448)	**1,392**	1,351	**36**	(97)
Expenses	**(26)**	–	**–**	–	**(26)**	–
Past service costs	**(220)**	–	**–**	–	**(220)**	–
	(1,602)	(1,448)	**1,392**	1,351	**(210)**	(97)
Included in other comprehensive income						
Remeasurement (loss)/gain arising from:						
– Change in demographic and financial assumptions	**(4,128)**	1,716	**–**	–	**(4,128)**	1,716
– Recognition of insurance policies annuities	**(7,107)**	–	**7,107**	–	**–**	–
– Experience adjustments	**(86)**	2,368	**–**	–	**(86)**	2,368
Return on plan assets excluding interest income	**–**	–	**5,547**	917	**5,547**	917
	(11,321)	4,084	**12,654**	917	**1,333**	5,001
Other						
Contributions paid by the employer	**–**	–	**355**	371	**355**	371
Benefits paid	**3,375**	2,803	**(3,375)**	(2,803)	**–**	–
	3,375	2,803	**(3,020)**	(2,432)	**355**	371
Balance at 31 July	**(62,285)**	(52,737)	**65,061**	54,035	**2,776**	1,298

The weighted average duration of the defined benefit obligation at the end of the reporting period is 18 years (2018 – 18 years).

During the year assets and liabilities of £7.107 million relating to insurance policies annuities held by the Scheme on behalf of the members have been recognised.

Scheme assets

The fair value of the Scheme assets is:

	2019 £000	2018 £000
Diversified growth fund	**29,357**	22,632
Equity instruments	**2,783**	16,492
Corporate bonds	**4,996**	3,845
Liability driven instruments	**20,587**	10,871
Insurance policies annuities	**7,107**	–
Cash and cash equivalents	**231**	195
Total	**65,061**	54,035

All of the Scheme assets, with the exception of cash and cash equivalents, are considered to be level 2.

Diversified growth funds are pooled funds invested across a diversified range of assets with the aim of giving long-term investment growth with lower short-term volatility than equities.

Actuarial assumptions

The following are the principal actuarial assumptions at the reporting date:

	2019 % per annum	2018 % per annum
Discount rate	**2.10**	2.65
Future salary increases	**2.80**	3.70
Allowance for pension in payment increases of RPI or 5% p.a. if less	**3.10**	3.10
Allowance for deferred pension increases of CPI or 5% p.a. if less	**2.30**	2.20
Allowance for commutation of pension for cash at retirement	**50% of maximum**	50% of maximum

22 Employee benefits continued

The mortality assumptions adopted at 31 July 2019 are based on the S2PxA tables and allow for future improvement in mortality. The tables used imply the following life expectancies at age 65:

Male retiring in 2019	22.6 years
Female retiring in 2019	24.4 years
Male retiring in 2039	23.9 years
Female retiring in 2039	26.0 years

Sensitivities

The calculation of the defined benefit obligation is sensitive to the assumptions set out above. The following table summarises the effect on the defined benefit obligation at the end of the reporting period if different assumptions were used:

Assumption	Change in assumption	Change in liabilities (%)
Discount rate	-0.25% p.a.	Increase by 4.4%
Future salary increases	+0.25% p.a.	Increase by 0.3%
Inflation – RPI	+0.25% p.a.	Increase by 3.0%
Mortality	+1 year life expectancy	Increase by 3.5%

The calculations for the sensitivity analysis are not as accurate as a full valuation carried out using these assumptions. Each assumption change is considered in isolation, which in practice is unlikely to occur, as changes in some of the assumptions are correlated.

(b) Share-based payments

The Group operates a long-term incentive plan ('LTIP'), a share matching plan ('SMP'), deferred bonus plans ('DBP') and ('2003 DBP'), an employee share option scheme and Savings Related Share Option Schemes ('SRSOS'), all of which are detailed below.

Awards under the LTIP and SMP have been made to executive directors, the Group General Counsel and Company Secretary, and senior employees, with awards under the 2003 DBP also made to senior employees. The awards take the form of ordinary shares in the Company.

The Bellway p.l.c. (2014) Employee Share Option Scheme ('2014 ESOS') is an approved discretionary scheme which provides for the grant of options over ordinary shares to employees and executive directors. It is, however, the current intention that no executive directors of the Company should be granted options under this scheme. Awards will be available to vest after three years, subject to objective performance targets. As at 31 July 2019 no options had been granted under this scheme.

Options issued under the SRSOS are offered to all employees including the executive directors.

An outline of the performance conditions in relation to the LTIP are detailed under the long-term incentive scheme section on pages 63 to 65 within the Remuneration Report. No awards have been made under the SMP since 2014 and there are no awards outstanding under the SMP as at 31 July 2019.

Various small share option awards have been made to employees at divisional management level under the terms of the 2003 DBP. Awards will be available to vest after three years, subject to objective performance targets. There are no DBP awards outstanding.

Share-based payments have been valued by an external third party using various models detailed below, based on publicly available market data at the time of the grant, which the directors consider to be the most appropriate method of determining their fair value.

The number and weighted average exercise price of share-based payments is as follows:

LTIP, SMP, DBP

	2019 Number of options	2018 Number of options
Outstanding at the beginning of the year	**256,970**	305,963
Granted during the year	**121,129**	112,746
Lapsed during the year	**(10,339)**	(42,876)
Exercised during the year	**(95,471)**	(118,863)
Outstanding at the end of the year	**272,289**	256,970
Exercisable at the end of the year	**1,845**	–

The options outstanding at 31 July 2019 have a weighted average contractual life of 1.3 years (2018 – 1.3 years).

The weighted average share price at the date of exercise for share options exercised during the year was 2,904.5p (2018 – 3,498.7p).

22 Employee benefits continued

SRSOS

	2019 Number of options	2018 Number of options
Outstanding at the beginning of the year	**466,441**	542,898
Granted during the year	**203,168**	155,769
Forfeited during the year	**(91,766)**	(49,918)
Exercised during the year	**(113,002)**	(182,308)
Outstanding at the end of the year	**464,841**	466,441
Exercisable at the end of the year	**721**	–

The options outstanding at 31 July 2019 have an exercise price in the range of 1,378.0p to 2,934.4p (2018 – 1,218.4p to 2,934.4p) and have a weighted average contractual life of 2.2 years (2018 – 2.3 years). The weighted average share price at the date of exercise for share options exercised during the year was 2,919.6p (2018 – 3,291.7p).

Valuation methodology

For LTIP options, half of the performance criteria is based on TSR against comparator companies with the other half based on TSR measured against the FTSE 250 Index (excluding investment trusts and financial service companies). A simplified Monte Carlo simulation method has been used to determine the Group's TSR performance against the FTSE 250 Index (excluding investment trusts and financial service companies). In the case of the 2003 DBP, there are no market-related performance conditions and awards will be eligible to vest upon reaching a date set out in the Deed of the award. As dividends are not reinvested, the fair value of these awards is equal to the share price at the date of the grant. The Black Scholes method is used for the SRSOS due to the relatively short exercise window of six months.

The fair value of services received in return for share options granted is measured by reference to the fair value of the share options granted. The inputs into the models for the various grants in the current and previous year were as follows:

	2019					2018				
	October 2018	**November 2018**	**November 2018**	**December 2018**	**December 2018**	November 2017	November 2017	November 2017	December 2017	December 2017
Scheme description	**LTIP**	**LTIP**	**DBP**	**3 Year SRSOS**	**5 Year SRSOS**	LTIP	LTIP	DBP	3 Year SRSOS	5 Year SRSOS
Grant date	**22-Oct-18**	**22-Nov-18**	**22-Nov-18**	**03-Dec-18**	**03-Dec-18**	10-Nov-17	14-Nov-17	14-Nov-17	05-Dec-17	05-Dec-17
Risk free interest rate	**0.0%**	**0.0%**	**0.0%**	**0.8%**	**0.9%**	0.0%	0.0%	0.0%	0.6%	0.8%
Exercise price	**–**	**–**	**–**	**2,414.4p**	**2,414.4p**	–	–	–	2,934.4p	2,934.4p
Share price at date of grant	**2,763.0p**	**2,877.0p**	**2,877.0p**	**2,561.0p**	**2,561.0p**	3,450.0p	3,499.0p	3,499.0p	3,517.0p	3,517.0p
Expected dividend yield	**5.0%**	**5.0%**	**5.0%**	**5.0%**	**5.0%**	–	–	–	3.5%	3.5%
Expected life	**3 years**	**3 years**	**3 years**	**3 years 2 months**	**5 years 2 months**	3 years	3 years	3 years	3 years 2 months	5 years 2 months
Vesting date	**22-Oct-21**	**22-Nov-21**	**22-Nov-21**	**01-Feb-22**	**01-Feb-24**	10-Nov-20	14-Nov-20	14-Nov-20	01-Feb-21	01-Feb-23
Expected volatility	**30%**	**30%**	**30%**	**30%**	**30%**	35%	35%	N/A	35%	30%
Fair value of option	**1,264.0p**	**1,392.5p**	**2,621.0p**	**407.0p**	**430.0p**	2,114.0p	2,181.0p	3,499.0p	893.0p	837.0p

The expected volatility for all models was determined by considering the volatility levels historically for the Group. Volatility levels for more recent years were considered to have more relevance than earlier years for the period reviewed.

The Group recognised total expenses of £1.6 million (2018 – £2.5 million) in relation to equity-settled share-based payment transactions.

23 Related party transactions

The Board and certain members of senior management are related parties within the definition of IAS 24 'Related Party Disclosures'. Summary information of the transactions with key management personnel is provided in note 3. Detailed disclosure of individual remuneration of Board members is included in the Remuneration Report on pages 58 to 76.

Transactions between fellow subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed.

Group

During the year the Group entered into the following related party transactions with its joint arrangements:

	2019 £000	2018 £000
Invoiced to joint arrangements in respect of accounting, management fees, interest on loans, land purchases and infrastructure works	**28,233**	16,547
Invoiced from joint arrangements in respect of fees, land purchases and infrastructure works	**(25)**	(419)
Amounts owed to joint arrangements in respect of land purchases and management fees at the year end	**(4,493)**	(3,197)
Amounts owed by joint arrangements in respect of accounting, management fees, interest, land purchases and infrastructure works	**50,885**	48,832

Company

During the year the Company entered into the following related party transactions with its subsidiaries and joint arrangements:

	2019 £000	2018 £000
Amounts received in the year from subsidiaries for share options exercised by subsidiary company employees and dividends received	**183,871**	162,436
Amounts paid in the year by subsidiaries on behalf of the Company in respect of dividends, finance expenses and share purchases, and receivable from subsidiaries on disposal of investments	**(179,379)**	(162,647)
Amounts owed by subsidiaries in respect of dividends and shares issued net of amounts paid on behalf of the Company	**546,599**	542,107
Investments in subsidiaries and joint ventures	**41,392**	39,744

The Company has suffered no expense in respect of bad or doubtful debts of subsidiary undertakings in the year (2018 – £nil).

24 Group undertakings

The directors set out below information relating to the Group undertakings as at 31 July 2019. All of these companies are registered in England and Wales, apart from Seaton Eleven Limited which is registered in Scotland. They are engaged in housebuilding and associated activities, have coterminous year ends with the Group, 100% of their ordinary share capital is held by the Company and the registered address is the same as the Company (unless otherwise stated).

Subsidiaries – trading

Bellway Financial Services Limited
Bellway Homes (North Solihull G P) Limited
Bellway Homes Limited
Bellway Housing Trust Limited
Bellway Properties Limited
Bellway (Services) Limited
Litrose Investments Limited

Subsidiaries – dormant^

Ashberry Homes Limited
B.C.P. (Transport) Limited
Bellway (Builders) Limited
Bellway (North East) Limited
Bellway City Solutions Limited
Bellway Conversions Limited
Bellway Homes (Anglia) Limited
Bellway Homes (Barking Reach) Limited
Bellway Homes (Hertfordshire) Limited
Bellway Homes (North Solihill) Limited
Bellway Homes (Social Housing) Limited
Bellway Homes (West Midlands) Limited
Bellway I Limited
Bellway London Limited
Bellway Marine Limited
Bellway Trustee Company Limited
Bellway Urban Renewals (Contracts) Limited
Bellway Urban Renewals Limited
Bulldog Premium Growth I Limited
Bulldog Premium Growth II Limited
D.F.W. Golding (Southern) Limited
D.F.W. Golding Limited
George Blackett Limited
Heron Electrical Contractors Limited
Homes2Let Limited
J. T. B. (Chapel Farm) Estates Limited
J. T. B. Estates Limited
John T. Bell & Sons (1976) Limited
Lowfield Street Limited
Nixons Kitchens Limited
Seaton Eight Limited
Seaton Eleven Limited[3]
Seaton GR SPV 9 Limited
Seaton GR SPV 10 Limited
Seaton GR SPV 11 Limited
Seaton GR SPV 12 Limited
Seaton GR SPV 13 Limited
Seaton GR SPV 14 Limited
Seaton Nine Limited
Seaton Ten Limited
Telvec Investments Limited
Terraces Limited
Tyneside Land & Property Company Limited

Joint arrangements

Cramlington Developments Limited (50% owned, year end of 30 June)^^/1
Easel Leeds Limited (50% owned)^
Fradley Residential LLP (50% owned)^^
Leebell Developments Limited (50% owned, year end of 30 June)^^/1
North Solihull (GP) Limited (25% owned, year end of 31 March)^/^^/2
North Solihull Partnership LP (49.8% owned, year end of 31 March)^^/2
Ponton Road LLP (50% owned)^^
Lambeth Regeneration LLP (50% owned)

Other entities

HBF Insurance PCC Limited[4]
MI New Home Insurance PCC Limited[4]

Notes:

^ Dormant.
^^ These shares are held indirectly.
1 Registered address is Persimmon House, Fulford, York, YO19 4FE.
2 Registered address is Council House, Manor Square, Solihull, West Midlands, B91 3QB.
3 Registered address is Bothwell House, Hamilton Business Park, Caird Street, Hamilton, ML3 0QA.
4 Registered address is Mill Court, La Charroterie, St Peter Port, Guernsey, GY1 4EY.

Accounts

25 Revenue from contracts with customers

(a) Restatement on adoption of IFRS 15 'Revenue from contracts with customers'

The Group adopted IFRS 15 'Revenue from contracts with customers' during the current financial year. This standard resulted in presentational changes to the income statement to gross up part-exchange revenue and expenses within operating profit which were previously recognised on a net basis within cost of sales, since part-exchange transactions were treated as being associated with housing sales. The Group used the full retrospective approach so the prior year comparatives have been restated. The effect of IFRS 15 is that these are considered separate transactions and are therefore presented separately within other operating income and other operating expenses as it is not a principal activity of the Group, and for the period ended 31 July 2019 was an increase in other operating income of £169.9 million, an increase in other operating expenses of £175.5 million, and a corresponding £5.6 million decrease in cost of sales.

The financial statement items affected by the adoption of IFRS 15 for the comparative period are shown below. There was no change in previously reported balance sheet information or earnings per share.

	Year ended 31 July 2018		
	As previously reported £000	Adjustment in respect of part-exchange transactions £000	Restated £000
Revenue	2,957,664	–	2,957,664
Cost of sales	(2,204,216)	4,032	(2,200,184)
Gross profit	753,448	4,032	757,480
Other operating income	–	141,093	141,093
Other operating expenses	–	(145,125)	(145,125)
Administrative expenses	(100,577)	–	(100,577)
Operating profit	652,871	–	652,871

(b) Revenue from contracts with customers

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

	2019 £000	2018 £000
Housebuilding revenue	**3,180,113**	2,936,844
Non-housebuilding revenue	**33,130**	20,820
Total revenue	**3,213,243**	2,957,664

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

	2019 £000	2018 £000
Private	**2,815,609**	2,672,472
Social	**364,504**	264,372
Total housebuilding revenue	**3,180,113**	2,936,844

Five Year Record

	2015 £m	2016 £m	2017 £m	2018 £m	**2019** **£m**
Income statement					
Revenue	1,765.4	2,240.7	2,558.6	2,957.7	**3,213.2**
Operating profit	360.5*	492.0	571.6	652.9	**674.9**
Net finance expenses	(13.1)	(11.1)	(11.3)	(13.6)	**(14.4)**
Share of results of joint ventures	(0.1)	(0.3)	0.4	1.8	**2.1**
Profit before taxation	347.3*	480.6*	560.7	641.1	**662.6**
Income tax expense	(69.6)*	(95.0)	(106.6)	(121.2)	**(124.0)**
Profit for the year (all attributable to equity holders of the parent)	277.7*	385.6*	454.1	519.9	**538.6**
Balance sheet					
ASSETS					
Non-current assets	48.1	33.3	48.0	59.0	**83.2**
Current assets	2,241.2	2,687.5	3,099.3	3,485.5	**3,806.7**
LIABILITIES					
Non-current liabilities	(60.3)	(96.2)	(118.4)	(84.9)	**(99.4)**
Current liabilities	(653.1)	(757.6)	(837.6)	(902.5)	**(869.3)**
EQUITY					
Total equity	1,575.9	1,867.0	2,191.3	2,557.1	**2,921.2**

	2015	2016	2017	2018	2019
Statistics					
Number of homes sold	7,752	8,721	9,644	10,307	**10,892**
Average price of new homes	£223.8k	£252.8k	£260.4k	£284.9k	**£292.0k**
Pre-exceptional gross margin(~)	24.2%*/^	25.7%^	25.9%^	25.6%**	**24.6%**
Gross margin	24.6%^	25.7%^	25.9%^	25.6%**	**24.6%**
Pre-exceptional operating margin(~)	20.4%*	22.0%	22.3%	22.1%	**21.0%**
Operating margin	20.8%	22.0%	22.3%	22.1%	**21.0%**
Basic earnings per ordinary share	231.5p	328.7p	370.6p	423.4p	**437.8p**
Dividend per ordinary share	77.0p	108.0p	122.0p	143.0p	**150.4p**
Pre-exceptional return on capital employed(~)	23.9%*	28.2%	27.6%	27.2%	**24.7%**
Return on capital employed(~)	24.4%	28.2%	27.6%	27.2%	**24.7%**
Gearing (including preference shares)(~)	2.4%	–	–	–	**–**
Net asset value per ordinary share(~)	1,286p	1,522p	1,785p	2,079p	**2,372p**
Land portfolio – plots with implementable DPP	21,411	24,879	25,655	26,877	**26,421**
Weighted average number of ordinary shares	122,315,198	122,558,261	122,511,626	122,779,199	**123,012,723**
Number of ordinary shares in issue at end of year	122,521,915	122,685,986	122,797,958	122,980,266	**123,167,828**

Notes:

* Stated before exceptional item.

** Restated due to the adoption of IFRS 15 'Revenue from contracts with customers'.

^ Not restated following the adoption of IFRS 15 'Revenue from contracts with customers'.

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:

- **Pre-exceptional gross profit and pre-exceptional operating profit** – Both of these measures are reconciled to total gross profit and total operating profit on the face of the consolidated income statement. The directors consider that the removal of exceptional items provides a better understanding of the underlying performance of the Group.
- **Pre-exceptional gross profit margin** – Pre-exceptional gross profit margin is the pre-exceptional gross profit 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.
- **Pre-exceptional operating profit margin** – Pre-exceptional operating profit margin is the pre-exceptional operating profit divided by total revenue. The directors consider this to be an important indicator of the operating performance of the Group.
- **Net finance expense** – This is finance expenses less finance income. The directors consider this to be an important measure when assessing whether the Group is using the most cost effective source of finance.
- **Dividend cover** – This is calculated as earnings per ordinary share for the period divided by the dividend per ordinary share relating to that period. At the half year the dividend per ordinary share is the proposed interim ordinary dividend, and for the full year it is the interim dividend paid plus the proposed final dividend. The directors consider this an important indicator of the proportion of earnings paid to shareholders and reinvested in the business.
- **Capital invested in land, net of land creditors, and work in progress** – This is calculated as shown in the table below. The directors consider this as an indicator of the net investment by the Group in the period to achieve future growth.

Per balance sheet	2019 £m	2018 £m	Mvt £m	2018 £m	2017 £m	Mvt £m
Land	**2,004.4**	**2,011.9**	**(7.5)**	2,011.9	1,838.2	173.7
Work in progress	**1,298.2**	**1,115.1**	**183.1**	1,115.1	1,017.7	97.4
Increase in capital invested in land and work in progress in the year			**175.6**			271.1
Land creditors	**(297.9)**	**(365.4)**	**67.5**	(365.4)	(366.8)	1.4
Increase in capital invested in land, net of land creditors, and work in progress in the year			**243.1**			272.5

- **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 (see note 16). 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 bank 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.
- **Return on capital employed ('RoCE')** – This is calculated as operating profit divided by the average capital employed. Average capital employed is calculated based on opening, half year and closing capital employed. The calculation is shown in the table below. The directors consider this to be an important indicator of whether the Group is achieving a sufficient return on its investments.

	2019 Capital employed £m	2019 Land creditors £m	2019 Capital employed including land creditors £m	2018 Capital employed £m	2018 Land creditors £m	2018 Capital employed including land creditors £m
Operating profit	**674.9**		**674.9**	652.9		652.9
Capital employed/land creditors:						
Opening	**2,557.1**	**365.4**	**2,922.5**	2,191.3	366.8	2,558.1
Half year	**2,720.4**	**294.5**	**3,014.9**	2,455.3	367.3	2,822.6
Closing	**2,921.2**	**297.9**	**3,219.1**	2,557.1	365.4	2,922.5
Average	**2,732.9**	**319.3**	**3,052.2**	2,401.2	366.5	2,767.7
Return on capital employed	**24.7%**		**22.1%**	27.2%		23.6%

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

	2019 £m	2018 £m
Profit for the year	**538.6**	519.9
Net assets:		
Opening	**2,557.1**	2,191.3
Half year	**2,693.8**	2,323.9
Closing	**2,921.2**	2,557.1
Average	**2,724.0**	2,357.4
Post tax return on equity	**19.8%**	22.1%

- **Total growth in value per ordinary share** – The directors use this as a proxy for the increase in shareholder value since 31 July 2016.

Net asset value per ordinary share:		
At 31 July 2019	2,372p	
At 31 July 2016	1,522p	
Net asset value growth per ordinary share		850.0p
Dividend paid per ordinary share:		
Year ended 31 July 2019	145.4p	
Year ended 31 July 2018	132.5p	
Year ended 31 July 2017	111.5p	
Cumulative dividends paid per ordinary share		389.4p
Total growth in value per ordinary share		1,239.4p

- **Annualised accounting return in NAV and dividends paid since 31 July 2016** – This is calculated as the annualised increase in net asset value per ordinary share plus cumulative ordinary dividends paid per ordinary share since 31 July 2016 (as detailed above) divided by the net asset value per ordinary share at 31 July 2016. The directors use this as a proxy for the increase in shareholder value since 31 July 2016.

Net asset growth per ordinary share	850.0p
Dividend paid per ordinary share	389.4p
Total growth in value per ordinary share	1,239.4p
Net asset value per ordinary share at 31 July 2016	1,522.0p
Total value per ordinary share	2,761.4p
Annualised accounting return = $(2,761.4/1,522.0)^{(1/3)} - 1$	22.0%

- **Net cash** – This is the cash and cash equivalents less bank debt. The directors consider this to be a good indicator of the financing position of the Group. This is reconciled in note 19.
- **Average net debt** – This is calculated by averaging the net debt/cash position at 1 August and each month end during the year. The directors consider this to be a good indicator of the financing position of the Group throughout the year.
- **Cash generated from operations before investment in land, net of land creditors, and work in progress** – This is calculated as shown in the table below. The directors consider this as an indicator of whether the Group is generating cash before investing in land and work in progress to achieve future growth.

	2019 £m	2018 £m
Cash from operations	**419.1**	375.6
Add: increase in capital invested in land, net of land creditors, and work in progress (as described above)	**243.1**	272.5
Cash generated from operations before investment in land, net of land creditors, and work in progress	**662.2**	648.1

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

Glossary

Affordable Housing

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

Average Selling Price

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

Brownfield

Land which has been previously used for other purposes.

Cancellation Rate

The rate at which customers withdraw from a house purchase after paying the reservation fee, but before contracts are exchanged, usually due to difficulties in obtaining mortgage finance. Reservation fees are refunded in accordance with the Consumer Code for Home Builders.

Community Infrastructure Levy ('CIL')

The CIL is a tool for local authorities in England and Wales to help deliver infrastructure to support the development of the area.

Earnings per Share ('EPS')

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

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 worth up to £600,000 in England. Buyers have to contribute at least 5% of the property price as a deposit and obtain a mortgage of up to 75% (60% 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.

Mortgage Market Review ('MMR')

The MMR was a comprehensive review of the mortgage market which introduced reforms to deliver a mortgage market that is sustainable and works better for consumers.

National Planning Policy Framework ('NPPF')

The NPPF sets out the government's planning policies for England and how these are expected to be applied. It provides a framework within which local people and their accountable councils can produce their own distinctive local and neighbourhood plans, which reflect the needs and priorities of their communities.

National House Building Council ('NHBC')

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

New Homes Bonus ('NHB')

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

Pipeline

Plots which are either owned or contracted by the Group, often conditionally, pending an implementable detailed planning permission.

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.

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.

Section 106 Planning Agreements

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

Site/phase

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

Social Housing

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

The 5% Club

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

See also Alternative Performance Measures section on pages 116 to 117.

Advisers and Group General Counsel and Company Secretary

Group General Counsel and Company Secretary and Registered Office

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Financial Adviser

Citigroup Global Markets Limited

Stockbrokers

Citigroup Global Markets Limited
Numis Securities Limited

Bankers

Barclays Bank PLC
Lloyds Banking Group plc
Royal Bank of Scotland Group plc

Auditor

KPMG LLP

Solicitor

Slaughter and May

Shareholder Analysis

Shareholders by size of holding at 31 July 2019	Holdings		Shares	
	Number	%	Holding	%
0 – 2,000	1,858	69	990,950	1
2,001 – 10,000	422	15	1,861,829	1
10,001 – 50,000	182	7	4,615,524	4
50,001 and over	241	9	115,699,525	94
Total	2,703	100	123,167,828	100

Shareholders by type at 31 July 2019	Holdings		Shares	
	Number	%	Holding	%
Private shareholders	1,539	57	2,641,930	2
Investment trusts	9	<1	15,545	<1
Pension funds	1	<1	41,912	<1
Nominee companies	1,038	38	106,994,629	87
Limited companies	41	2	273,766	<1
Bank and bank nominees	46	2	11,775,170	10
Other institutions	29	1	1,424,876	1
Total	2,703	100	123,167,828	100

Financial Calendar

Final 2018/19 dividend – ex-dividend date	28 November 2019
Final 2018/19 dividend – record date	29 November 2019
AGM	10 December 2019
DRIP election date for final 2018/19 dividend	13 December 2019
Final 2018/19 dividend – payment date	8 January 2020
Trading update	7 February 2020
Announcement of 2019/20 half year results	25 March 2020

Notes

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