



Better with
Bellway

Financial and Strategic Summary

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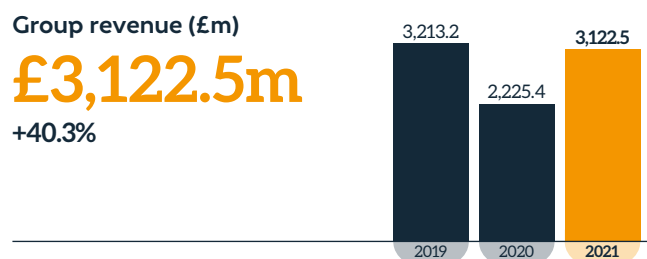
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Group revenue (£m)

£3,122.5m

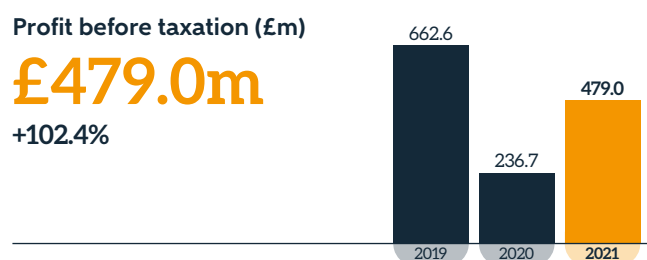
+40.3%



Profit before taxation (£m)

£479.0m

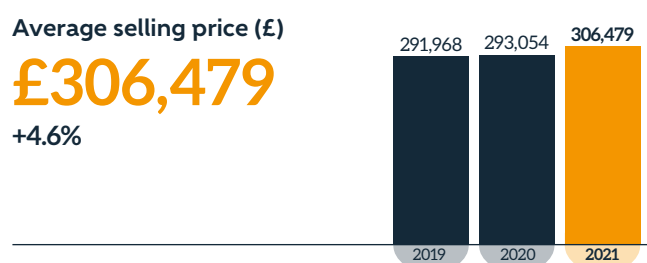
+102.4%



Average selling price (£)

£306,479

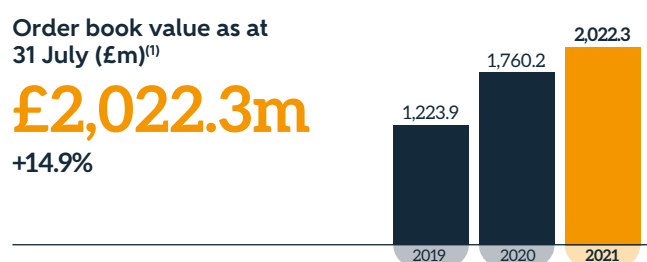
+4.6%



Order book value as at 31 July (£m)⁽¹⁾

£2,022.3m

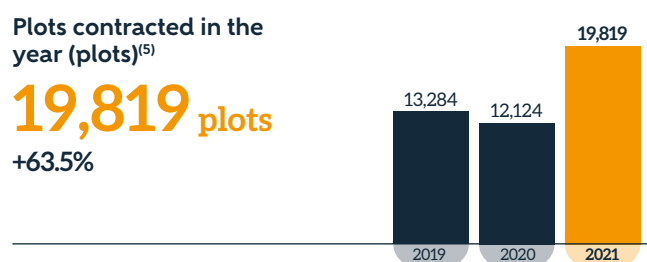
+14.9%



Plots contracted in the year (plots)⁽⁵⁾

19,819 plots

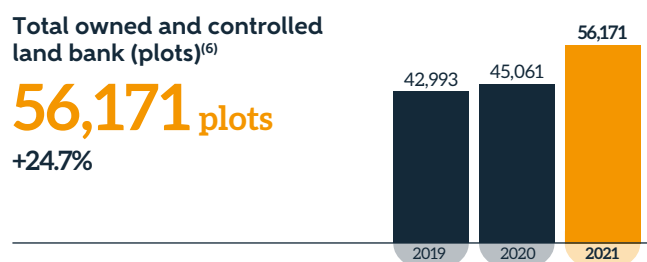
+63.5%



Total owned and controlled land bank (plots)⁽⁶⁾

56,171 plots

+24.7%



Notes:

Throughout the Annual Report and Accounts, the following note references apply:

- 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, are included in note 29.
- All figures relating to completions, order book, reservations, cancellations and average selling price exclude the Group's share of its joint ventures unless otherwise stated.
- As measured by the Home Builders' Federation Customer Satisfaction survey.
- Underlying refers to any statutory performance measure or alternative performance measure before net legacy building safety expense and exceptional items (note 2).

5. Includes the Group's share of land contracted through joint venture partners comprising 882 plots (2020 - 203 plots, 2019 - 171 plots), with a contract value of £39.2 million (2020 - £15.3 million, 2019 - £5.7 million) across two sites (2020 - 1 site, 2019 - 1 site).

6. Includes the Group's share of land owned and controlled through joint venture partners comprising 938 plots (2020 - 472 plots, 2019 - 272 plots).

7. Comparatives are for the year ended 31 July 2020 or as at 31 July 2020 ('2020') or are for the year ended 31 July 2019 or as at 31 July 2019 ('2019') unless otherwise stated.

Who We Are

Building homes to be proud of by putting customers at the heart of everything we do. Bellway is committed to being a responsible homebuilder, operating our business in an ethical and sustainable manner whilst creating long-term value for the benefit for our customers, people, suppliers, shareholders and the wider community.

Better with
Bellway

For further details on our business please visit:

www.bellwayplc.co.uk

Who We Are

Our brands

Bellway

8,727
Homes sold



Bellway is our main brand. Bellway began as a small family business in 1946, with a passion for building high quality homes in carefully selected locations inspired by the needs of families. To this day, we maintain these same core values, combining our decades of expertise with the local personalised care that Bellway is known for.

Ashberry
Homes

693
Homes sold



The Ashberry brand was launched in 2014 and is offered on larger sites, typically alongside our Bellway brand, to provide two differentiated outlets, using different elevational treatments and internal layouts, and therefore offering greater customer choice. This has the advantage of improving sales rates, often more than can be achieved through using two Bellway outlets, with a resultant improvement in return on capital employed ('RoCE').

Bellway | London

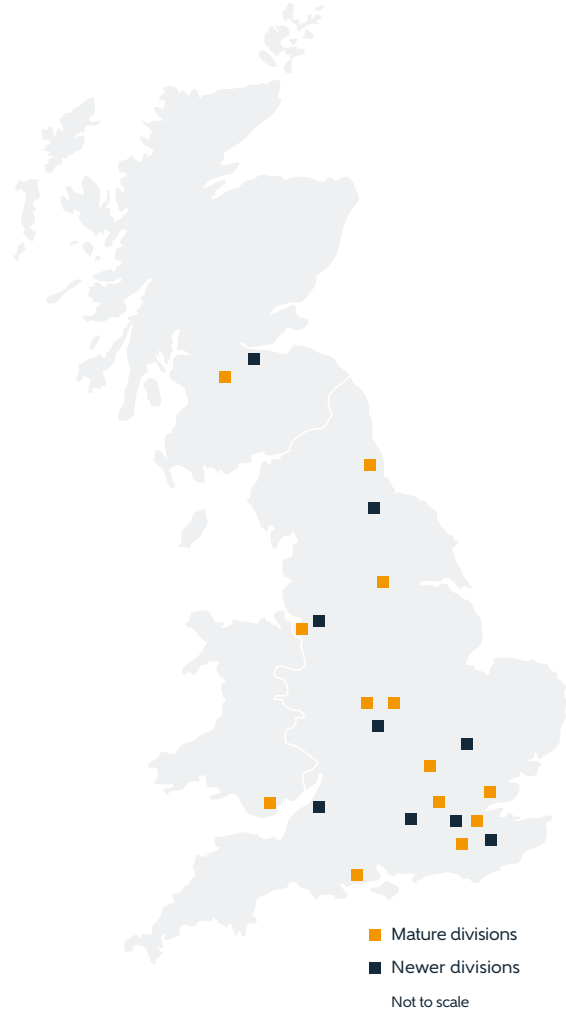
718
Homes sold



Bellway London was launched in 2018 to provide the London market with a modern and consistent identity that is recognisable across the capital. This covers all our developments in London boroughs, with our main focus being outer London boroughs and commuter towns within the M25. Properties range from one-bedroom apartments to four-bedroom houses.

Our locations

Divisional structure



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 Group teams.

Investment Case

Bellway's strategy is to grow shareholder value through sustainable and disciplined volume growth, utilising the Group's operational and balance sheet capacity combined with a strong focus on RoCE.



Our capacity for growth

Despite the wider economic uncertainty because of Brexit and the continuing pandemic, Bellway is in a robust position, with a motivated and dedicated workforce. We benefit from a strong, ungeared¹ balance sheet, a record order book and have the capability to respond to evolving market conditions. Our underlying operational strength and focus on quality, together with a conservative and responsible approach to managing the business, will serve the Group well over the longer-term.



5-star homebuilder⁽³⁾
 Rating from the Home Builders' Federation
 Customer Satisfaction survey



Our award-winning 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 individual requirements. We also provide homes to housing associations for social housing.

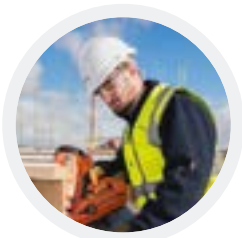
Our focus is to provide desirable, traditional family housing across all our divisions and in addition provide apartments in the more affordable outer commuter zones of London.



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.



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 an 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 be an employer of choice.

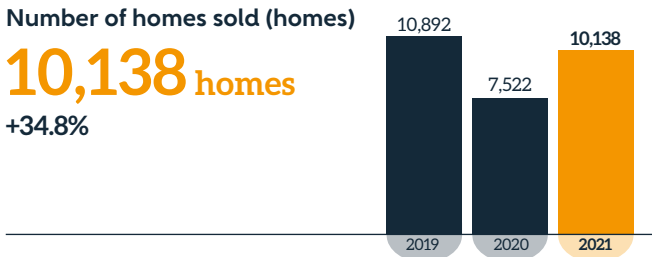


Our customers

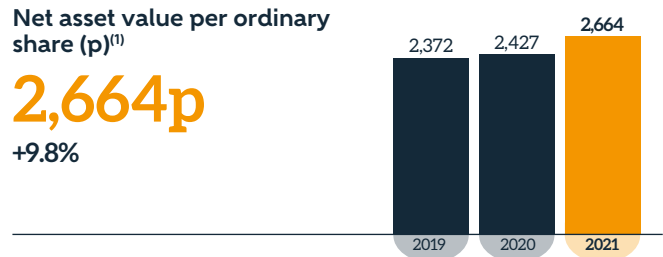
We pride ourselves on understanding the aspirations of all of our customers, not just in the type of home that suits their needs, but the environment in which they want to live. All of our customers are treated to the same high level of customer service. Our high standard of service and build quality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

Principal KPIs

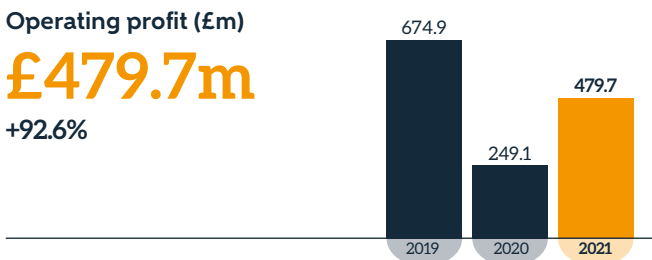
The Group has ten principal KPIs, which are shown below. Our secondary performance measures, which support these KPIs, are shown on pages 14 to 18.



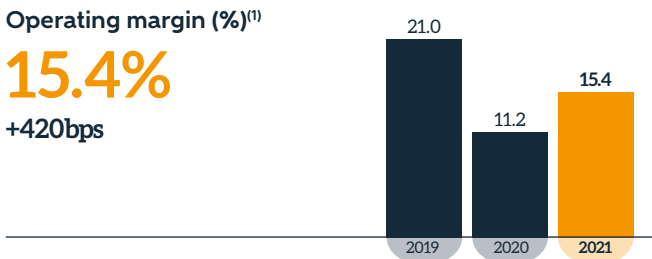
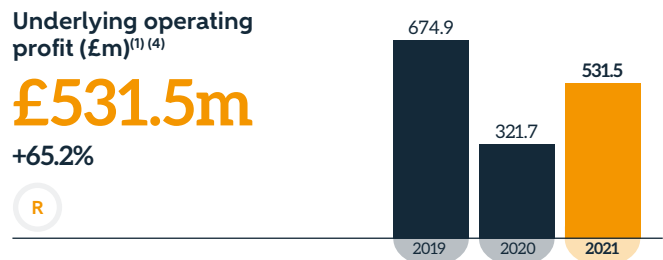
This KPI demonstrates how well the business model is able to support the Group's strategy of delivering volume growth.



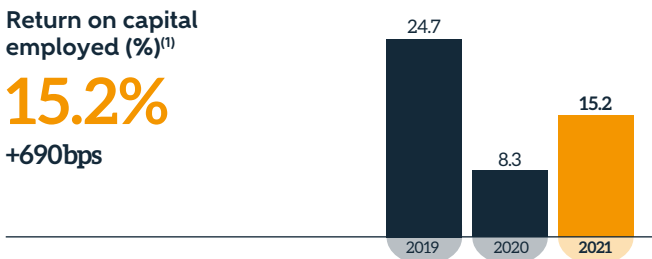
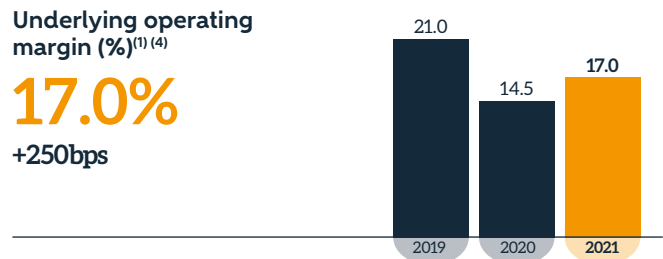
The Directors consider net asset value per ordinary share ('NAV') to be a useful proxy when reviewing whether shareholder value, on a share by share basis, has increased or decreased in the period.



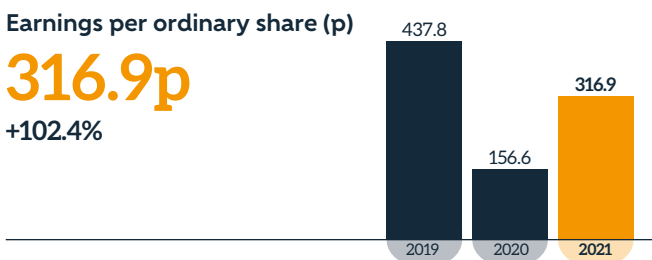
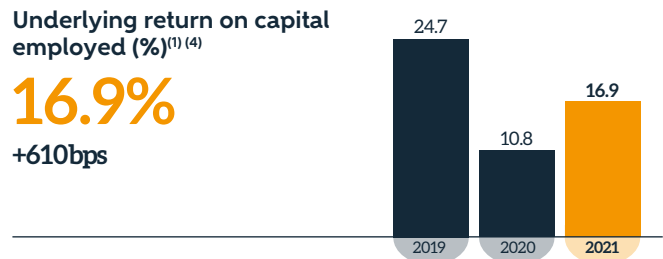
Operating profit is another measure of how efficiently the business is being operated and of the profitability of the Group's core business. The underlying operating profit is one of the measures used to determine the Directors' annual bonus payment. Underlying operating profit is before net legacy building safety expense and exceptional items.



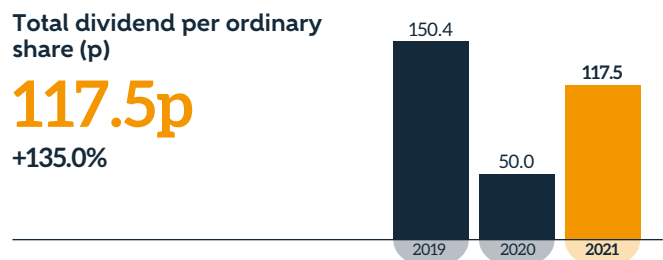
Operating margin demonstrates how efficiently the business is being operated. Underlying operating margin is before net legacy building safety expense and exceptional items.



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. Underlying RoCE uses the underlying operating profit as defined above.



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



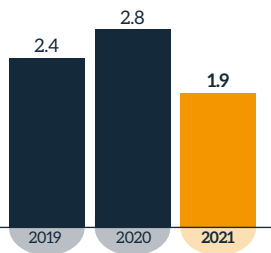
This is another useful indicator of how the Directors are delivering the strategy of generating shareholder value, particularly when combined with NAV. Note that the 2021 final dividend figure is proposed.

ESG KPIs

The Group has nine ESG related KPIs, which are shown below. Further information in relation to these KPIs are included in the CR section pages 56 to 66.

Tonnes of carbon emissions per legal completion (tonnes)

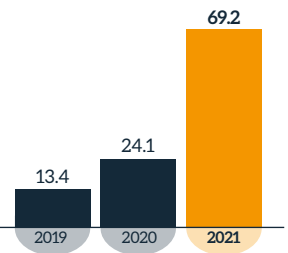
1.9 tonnes
(0.9 tonnes)



Demonstrates how the Group is working towards reducing our carbon emissions.

Percentage of renewable electricity (%)

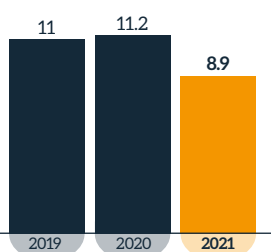
69.2%
+4,510bps



This KPI demonstrates the Group's commitment to using renewable energy in the build process.

Tonnes of waste per home built (tonnes)

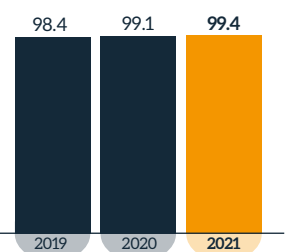
8.9 tonnes
(2.3 tonnes)



Shows the Group's commitment to efficient build methods and reducing waste.

Percentage of waste diverted from landfill (%)

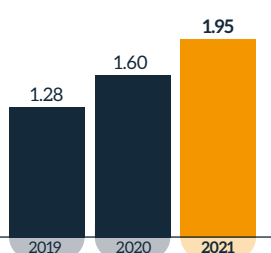
99.4%
+30bps



Indicates the Group's commitment to diverting waste from the build process from landfill.

CRUK fundraising total (£m)

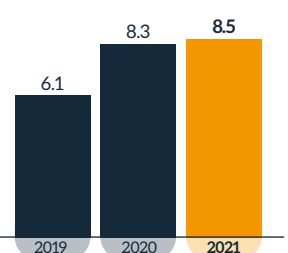
£1.95m
+£359k



Indicates the cumulative fundraising total for our charity partner Cancer Research UK.

Percentage of staff in earning and learning roles

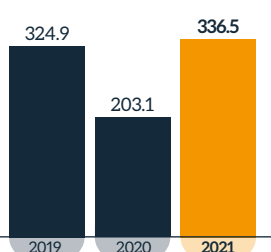
8.5%
+20bps



This KPI highlights the Group's commitment to investing in our people.

RIDDOR incident rates

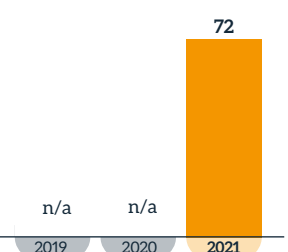
336.5
+133.4



Number of RIDDOR seven-day reportable incidents per 100,000 site operatives (accidents). A measure of the Group's health and safety performance.

Employee engagement survey response rate (%)

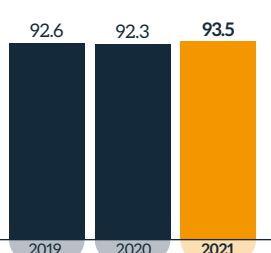
72%



This KPI shows the percentage completion rate of the employee survey (launched for the first time in 2021).

5-star homebuilder⁽³⁾ score (%)

93.5%
+120bps



This KPI shows the percentage of buyers who would recommend Bellway to a friend.

R **Link to remuneration**
See pages 90 to 110.

Chairman's Statement



👂 **The Group is recovering well from the pandemic and looking ahead, Bellway is in a robust position, with a motivated and dedicated workforce.** 👂

Paul Hampden Smith
Chairman

Highlights

Total dividend (p)

117.5p

(2020: 50.0p)

NAV (p)⁽¹⁾

2,664p

(2020: 2,427p)

Introduction

Bellway has delivered a strong set of results and, despite the ongoing global pandemic, is well on the road to recovery. The positive response and actions from our colleagues, subcontractors and suppliers have helped the Group complete the sale of 10,138 homes (2020 – 7,522, 2019 – 10,892), restore housing revenue to just 2.3% below the pre-pandemic level and increase earnings per share by 102.4% to 316.9p (2020 – 156.6p, 2019 – 437.8p).

Our people

It is the hard work, dedication, and efforts of those who have worked for, and with, Bellway over the past year, that have enabled us to achieve this strong performance. On behalf of the Board, I would like to express our gratitude to all those who have contributed to this result, for their resilience, ongoing commitment, and their support for the continuous evolution in working practices.

Strategic priorities

The past financial year has been a period over which the Group has enjoyed a strong recovery, with housing revenue restored very close to 2019 levels and our land bank strengthened because of our front-footed, but responsible approach to investment.

The balance sheet is solid, and we retain our strong operational focus, with health and safety, quality, and customer service all integral to our culture and at the forefront of our business. We look to the new financial year with optimism, as we set out our three strategic priorities:



1. Volume growth



2. Value creation for shareholders



3. Better with Bellway

Our approach to responsible and sustainable business practices, for the benefit of all stakeholders.



Volume growth

The long-term housing market fundamentals continue to be favourable. There remains a shortage of affordably priced, good-quality housing across many parts of the country and the planning environment is positive. There is a sustainable supply of mortgages, and this, together with the long-term prospect for low interest rates, ensures that finance for new homes remains both accessible and affordable.

Set against this backdrop, Bellway has an established and mature operating structure, with a widespread geographical presence, comprising 22 divisions across England, Scotland and Wales. This strong, nationwide platform provides extensive local market knowledge and the base from which to acquire land, source subcontractor labour and respond to localised sales demand. It has enabled Bellway to operate as the fourth largest housebuilder in the country for many years, with a current volume output of more than 10,000 homes per annum. This is some 35% to 45% lower than the recent peak output of our larger, national peers, providing scope for Bellway to continue to grow and take a larger share of the overall housing market.

In the context of these positive, broader market dynamics, Bellway has the capacity, over several years, to significantly increase volume output to between 16,000 and 18,000 homes per annum, with the growth rate in any given year determined by customer demand, ongoing positivity in the mortgage market, and access to good quality land. This is beyond our previous target of 14,000 homes, principally because of the strong long-term market fundamentals and our capacity, both financially and operationally, to open new divisions and make further investment in areas of strong demand.

In the shorter-term, the Board are targeting growth of around 20% above the 31 July 2021 outturn of 10,138 homes, with an annual output of around 12,200 new homes in financial year 2023. Principally, this can be achieved because of our record land investment over the past twelve months, which will lead to outlet growth as the newly acquired sites are advanced through the planning system. The growth in outlets will also help to place Bellway in a good position to mitigate the end of the Help-to-Buy scheme in March 2023. While ambitious, our two-year volume target is considered and reflects the strength of our underlying business, the magnitude of our sizeable order book and the ongoing success of the COVID-19 vaccine roll-out.



Value creation for shareholders

Crucial to the success of our volume growth strategy is our ability to deliver value for shareholders. The Board believes that value generation is best evaluated through capital growth, by increasing the net asset value per share ('NAV'), together with the payment of a regular dividend.

For the year ended 31 July 2021, NAV rose by 9.8% to 2,664p¹ (2020 – 2,427p, 2019 – 2,372p), a reflection of the recovery in earnings. In addition, because of our strong balance sheet, the Board is delighted to recommend a 65.0% increase in the final dividend to 82.5p per share (2020 – 50.0p, 2019 – 100.0p). This means that the proposed total dividend for the year will increase by 135.0% to 117.5p per share (2020 – 50.0p, 2019 – 150.4p), with the interim dividend in the prior year cancelled due to uncertainty at the time, because of the pandemic. If approved, the overall dividend will be covered 2.7 times¹ by total earnings (2020 – 3.1, 2019 – 2.9) and 3.0 times^{1,4} by underlying earnings (2020 – 4.1, 2019 – 2.9).

Given the growth potential in the business, reinvesting capital into attractive, high-return land opportunities will generate strong, compounding returns in the years ahead. This will be balanced with a regular shareholder cash distribution, through an ongoing dividend, with the Board broadly expecting to maintain an annual, ordinary dividend cover of around three times underlying earnings^{1,4} for the foreseeable future.

Over the next two years, the value for shareholders arising from this approach will not only be influenced by volume growth, but also the ongoing operating margin recovery, driven by recent, higher margin land acquisitions and our programme of commercial, cost saving and value engineering initiatives. At the same time, there will be some, previously highlighted, dilutive effect on the average selling price, as the Group continues to strategically reposition itself to offer an affordable mix of product, in advance of the expiry of the Help-to-Buy scheme in March 2023.

Taking these factors into consideration, the Board expects Bellway to generate around £1.25 billion^{1,4} in cumulative, underlying profit before taxation over the next two financial years, with approximately one-third of the after-tax amount to be distributed to shareholders.

Chairman's Statement continued



Better with Bellway

Our growth strategy is a long-term ambition, the success of which requires us to engage positively with our colleagues, subcontractors and supply chain partners in order to safely deliver a high-quality product, that is appealing to our customers.

Integral to our culture is our responsible approach to business and in that regard, we are developing 'Better with Bellway', a new long-lasting initiative, led by Executive Management and overseen by the Board. Not only will this add momentum to the many positive activities we already undertake, which benefit our wider stakeholder groups, but it will also spearhead our campaign to adopt more sustainable and responsible, long-term business practices.

We are delighted to have retained our status as a five-star homebuilder³ for the fifth consecutive year, demonstrating our commitment to quality and customer service. We also continue to act responsibly with regards to fire safety and have put aside an additional net £51.8 million to deal with legacy building safety issues on apartment schemes.

More widely, adopting sustainable business practices and exerting a positive influence on our stakeholders and the environment, is not only responsible, but it also sets a solid foundation for the future financial and operational success of Bellway. The Board has initiated a holistic review of Bellway's approach to sustainability, engaging with a wide range of stakeholders to understand their priorities, to determine how our approach can be improved. This review will be completed within the next financial year, but the intention is that our response to environmental, societal and governance ('ESG') matters will be brought together under the 'Better with Bellway' banner.

'Better with Bellway' will become an integral feature of our approach to business and will be embedded within our core operational processes. We will start by building upon our existing, strong culture and traditions to establish a set of ESG priorities, which are core to day-to-day operations. These will incorporate existing initiatives such as 'Customer First', our programme to further improve quality and customer service, our goal to become an employer of choice and our responsible stance towards legacy building safety issues.

In addition, our 'Better with Bellway' framework will also be broadened to consider wider aspects of the business. Importantly, we have commenced the process of measuring our Scope 3 carbon emissions so that we can set meaningful, science-based carbon reduction targets. Our intention is not just to comply with ambitious regulatory requirements arising from the Government's Future Homes Standard, but also to look at the feasibility of pursuing other opportunities, within our business, to further reduce carbon emissions.

During 2022, we will publish science-based carbon reduction targets, which will build upon the success we have already achieved over the past three years, in reducing Scope 1 and 2 carbon emissions.

Our sustainability strategy will continue to evolve as we gain knowledge and fully embed 'Better with Bellway' across our sites and divisions. Over time though, we fundamentally believe that our responsible approach is the right one to ensure the long-term future success of the Group and to contribute to strong, ongoing financial returns.

We will report upon progress and priorities in the next financial year and will also look to develop and publish appropriate KPIs to measure performance against our targets.

Future long-term success

The Group is recovering well from the pandemic and looking ahead, Bellway is in a robust position, with a motivated and dedicated workforce. It benefits from a strong, ungeared¹ balance sheet, a record order book, and a strengthened land bank. Our focus on quality, our responsible approach to business and our capacity to expand, lay the foundations for long-term, sustainable volume growth. I am therefore confident that our three strategic priorities of volume growth, value creation for shareholders, and our 'Better with Bellway' approach to sustainability, will continue to ensure the ongoing and long-term success of Bellway and its stakeholders.

Paul Hampden Smith
Chairman

18 October 2021



Better at creating outstanding properties

Ottermead in Ponteland, located on the site of the former Northumbria Police Headquarters is a mixed development, featuring a collection of Grade II listed buildings and new build homes.

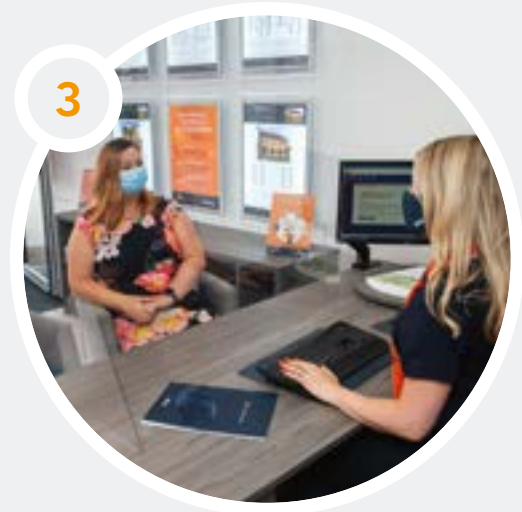
The collection of Grade II listed buildings have been sympathetically restored and redeveloped to create beautiful family homes, while retaining some historical internal features.



Better with
Bellway

A Snapshot of 2021

An exciting year for Bellway...



1. A strong year for land acquisition

Bellway has invested a record amount in new sites during the year. This reflects the strong demand for good quality housing and has resulted in a strengthened land bank, providing a solid platform for ongoing growth and margin improvement in the years ahead.

The focus has been on acquiring land in desirable locations with high customer demand, where the product is affordable in the context of local market conditions.

The contract value of plots acquired is £1,066.0 million⁵ (2020 - £777.7 million) and the anticipated gross margin, based upon revenue and cost at the time of acquisition, is on average 23%.

Plots contracted⁽⁵⁾

19,819 plots
(2020: 12,124 plots)

Contracted sites⁽⁵⁾

109 sites
(2020: 69 sites)

2. Developing young talent

This year saw the first cohort from the Bellway graduate scheme transition into permanent roles across the business.

To mark the successful completion of the first Bellway graduate scheme and the contribution the graduates have made to the business a 'Graduate of the Year' award has been created. To celebrate their success the winner will attend the employee award events in November.

3. Successfully adapting to COVID-19 restrictions

Bellway has well established 'COVID-safe' enhanced working procedures for both sites and offices. These practices, supported by risk assessments, have ensured employees' safety and wellbeing.

Regular communications have kept our people up-to-date with the Group's plans and response to the latest Government guidelines.

4. Using modern methods of construction

Bellway are trialling modern methods of construction to deliver homes. The use of modern methods of construction ensures that a higher proportion of the project building materials are assembled within a controlled factory environment, increasing delivery speed and reducing the risk of adverse weather impact.



Timber frame construction offers a number of advantages in terms of sustainability, the homes feature high levels of thermal insulation reducing our customers' energy requirements and their carbon dioxide emissions. The timber used in the manufacture of the frames is harvested from a renewable resource, and timber frame homes also feature less embodied carbon than homes built using traditional building products.

5. Giving back to our communities

A wheelchair rugby player from Dartford has secured sponsorship from the Bellway London Partnerships division as he bids to make the England squad for the next World Cup.

Lewis King, who turns out for Dartford-based side The Argonauts, received a donation which will go towards purchasing a new set of wheels for Lewis' chair ahead of the tournament, which is being held alongside the Rugby League World Cup in England in 2022.

Lewis, 35, has been using a wheelchair since 2009, when a blood clot in his spinal cord left him unable to walk unaided. He began playing wheelchair rugby in 2016 and was selected to play for the national team just two years later.

6. Biodiversity offsetting.

Bellway acquired 23.8 hectares (59 acres) of land at Mares Close, Northumberland and have entered into a 'Biodiversity Offsetting Agreement' with North Tyneside Council to offset residential development in the area. Bellway have carried out ecological enabling works and are in the process of transferring the land to the Northumberland Wildlife Trust Limited.

Mares Close was previously used for agriculture. It delivers the DEFRA credits to offset a local residential development and enhances biodiversity in the long term. The objectives of the offsetting agreement include creating diverse native hedgerows at the margins suitable for nesting and foraging birds and maintaining wetland scrapes to provide fish-free pools for invertebrates and amphibians.

The scheme demonstrates our commitment to the environment, long-term offsetting and biodiversity net gain.

Business Model

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



Selecting the right land

What we do

- Land opportunities are identified by our divisional and Group 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 a 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.

+ For more information see page 14.

Managing the planning process

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 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 Group 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 Group planning teams also progress a combination of medium-term 'pipeline' sites and land from our strategic land bank through the planning system.

+ For more information see page 15.

Building homes that customers want

What we do

- We construct a wide range of homes, with a focus on our Artisan Collection standard house types, to suit a variety of customer 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.
- Our priority is the health, safety and wellbeing of our employees, subcontractors and visitors to our developments.
- We strive to maintain long-term working relationships with reputable subcontractors and supply chain partners to reduce health and safety risks and to ensure the commercial 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 to avoid unnecessary capital becoming tied up.

+ For more information see page 16.



Delivering an excellent customer experience

What we do

- Bellway provides an excellent customer service from the moment our customers decide to look for a new home, throughout all stages of their journey with Bellway including the early years of home ownership.
- We have dedicated customer care teams within each division delivering high levels of customer service and these are supported by the Group Head of Customer Care.
- Our Customer First initiative continues at pace to drive future improvements to quality and customer service.
- Our retention of the HBF 5-star homebuilder³ status for the fifth consecutive year demonstrates our commitment to providing the highest level of service to our customers.
- In addition to the HBF survey, Bellway also engages with our customers through Trustpilot where we actively invite feedback from our customers on all elements of our service.
- To enhance the aftercare service provided to our customers we have upgraded our customer care digital platform.
- We have created a subcontractor portal to better manage any post completion issues reported by our customers.

+ For more information see page 17.



Investing in our people

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 retaining top-quality, diverse people to complement our existing workforce.
- We provide opportunities for employees to develop and grow by delivering structured inclusive training programmes for graduates, apprentices and trainees through our new Bellway Academy and through tailored training programmes for other employees.
- 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.
- We work with the NHBC to support the development of Trainee and Assistant Site Managers across the business, through our Good Foundations Built with Us programme.
- We have launched a senior management development programme to develop leadership capability and talent within the business.

+ For more information see page 18.

How we are investing for the future

Earnings for employees

£184.4m

(2020: £180.1m)

Payments to subcontractors and suppliers

£1.8bn

(2020: £1.4bn)

Investment in communities

£71.3m

(2020: £60.5m)

Payments to national and local government

£176.5m

(2020: £135.4m)

Dividends to shareholders

£104.7m

(2020: £123.1m)

Read the detail

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

Business Model continued



Selecting the right land

What we do and how we manage risk

Where sites require planning consent it may take many months to progress a parcel of land through the planning process before we can start building and selling homes. Our land teams are therefore focused on purchasing 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. Bellway's solid, asset-backed balance sheet, substantial cash resources and long-term committed financing arrangements, have enabled the Group to continue its front-footed, yet disciplined approach to land acquisition.

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 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 56 to 66.

The risks

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.

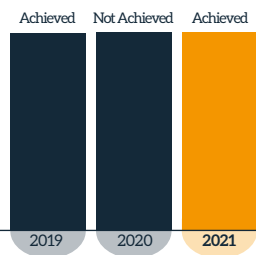
+ For more information see pages 48 to 51.

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 limit ability to achieve our volume growth targets. 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

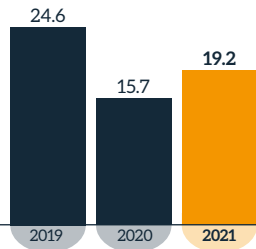
Achieved



Gross margin (%)⁽¹⁾

19.2%

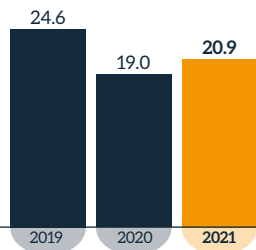
+350bps



Underlying gross margin (%)⁽¹⁾⁽⁴⁾

20.9%

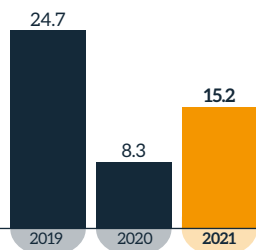
+190bps



RoCE (%)⁽¹⁾

15.2%

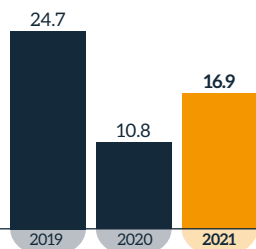
+690bps



Underlying RoCE (%)⁽¹⁾⁽⁴⁾

16.9%

+610bps



Note:

Link to remuneration - see pages 90 to 110.



Managing the planning process

What we do and how we manage risk

Our planning teams build collaborative relationships with local authorities, communities and interest groups so that our completed developments benefit the areas in which they are built and support local needs. We also welcome Government support to the planning process such as the continuation of the National Planning Policy Framework.

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 Community Infrastructure Levy payments and through the provision of the New Homes Bonus.

+ For more information see pages 56 to 66.

The risks

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 48 to 51.

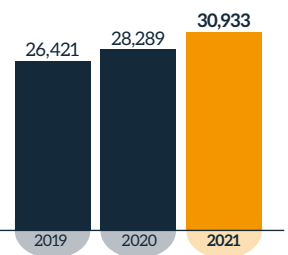
How we measure our performance

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.

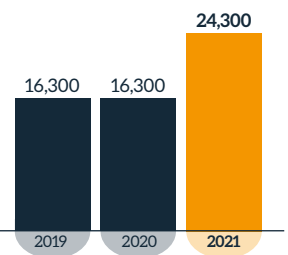
Number of plots in owned and controlled land bank with DPP (plots)

30,933 plots
+9.3%



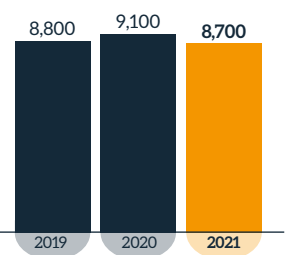
Number of plots in 'pipeline' (plots)

24,300 plots
+49.1%



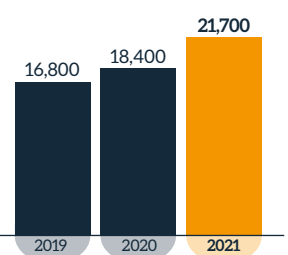
Number of plots in strategic land bank - positive planning status (plots)

8,700 plots
(4.4%)



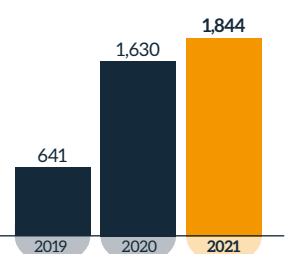
Number of plots in strategic land bank - longer-term interests (plots)

21,700 plots
+17.9%



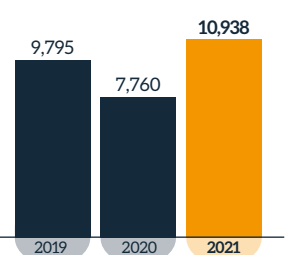
Number of plots acquired with DPP (plots)

1,844 plots
+13.1%



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

10,938 plots
+41.0%



Business Model continued



Building homes that customers want

What we do and how we manage risk

Experienced construction people, strong relationships with skilled subcontractors 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.

We are building low carbon exemplar homes on a trial basis to better understand upcoming challenges and industry targets. These are designed to be constructed using low carbon methods and reduce end user carbon emissions.

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

Building strong long-term relationships with subcontractors, 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 56 to 66.

The risks

- Shortage of building materials at competitive prices.
- Shortage of appropriately skilled construction people and subcontractors.
- 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 48 to 51.

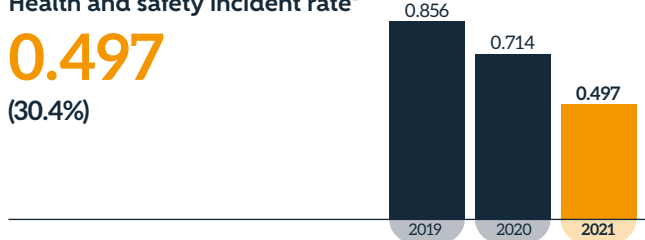
How we measure our performance

The health, safety and wellbeing of our employees, subcontractors and visitors to our developments 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 health and safety advisory score, Bellway currently use Safety Services (UK) Limited for this function (previously measured by NHBC on the same basis). The increase in the RIDDOR seven-day reportable Accident Incident Rate per 100,000 site operatives is not considered to be representative of overall safety performance of the Group due to the artificially low rate in the prior year as a result of COVID-19.

Health and safety incident rate*

0.497

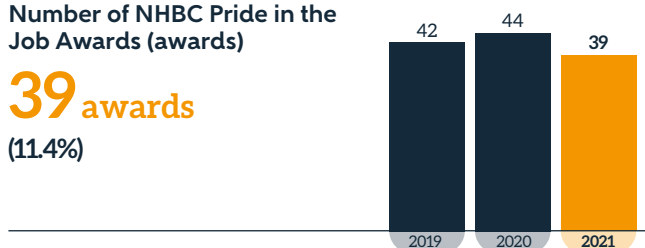
(30.4%)



Number of NHBC Pride in the Job Awards (awards)

39 awards

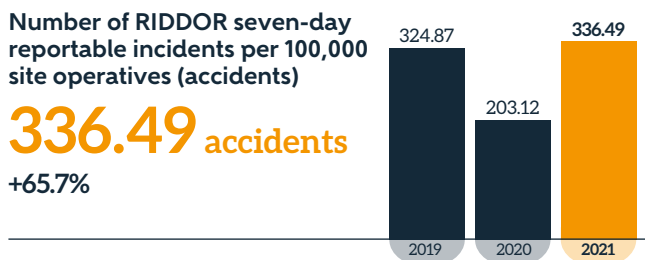
(11.4%)



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

336.49 accidents

+65.7%



Note:

* The health and safety incident rate in 2019 and 2020 is based on figures provided by the NHBC. In April 2021 the Group started using Safety Services (UK) Limited instead of the NHBC.



Delivering an excellent customer experience

What we do and how we manage risk

Our well-trained and motivated team members through all disciplines within the business have the necessary skills and enthusiasm to deliver the highest levels of customer service. Our construction teams are committed to building quality homes to be proud of.

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 packs contain information on sustainable travel, local recycling centres and energy efficiency advice.

+ For more information see pages 56 to 66

The risks

There are a number of risks, which if not appropriately mitigated, will negatively impact the customer experience. Our Customer First initiative continues to focus on improving our customers' overall experience which will also help mitigate the risks to Bellway's reputation.

These risks are not regarded as principal risks and so have not been included in our principal risk table on pages 48 to 51. These risks have not changed during the year.

How we measure our performance

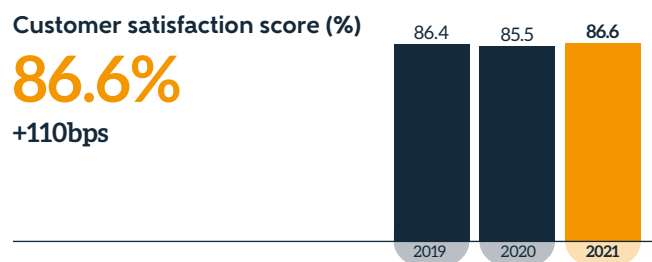
We have chosen the following KPIs as they demonstrate progress made in delivering our strategy of volume growth alongside customer satisfaction. These include responses to the question 'Would You Recommend a Friend?', which is the driver for the HBF 5-star homebuilder³ status, and overall satisfaction scores from the HBF 8 week survey. We also now report internally on results obtained through the HBF 9 month survey which captures customer feedback of experiences during the first 9 months of home ownership.

Bellway were awarded 5-star homebuilder³ status by the HBF in March 2021 for the period ended 30th September 2020. The final Recommend a Friend score was 93.5% against a target of 90%, an improvement of 1.5% from the previous year. As we progress through the year, our current score is 93.6% (against a target of 90%) therefore we remain confident of retaining our 5-star homebuilder³ status for the year ended 30th September 2021.

Customer satisfaction score (%)

86.6%

+110bps



Number of homes sold (homes)

10,138 homes

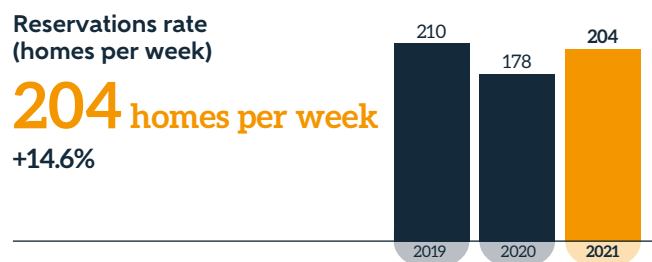
+34.8%



Reservations rate (homes per week)

204 homes per week

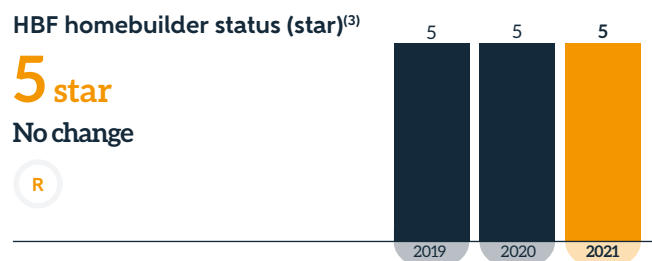
+14.6%



HBF homebuilder status (star)⁽³⁾

5 star

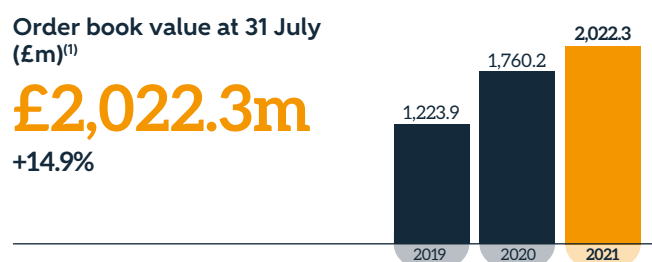
No change



Order book value at 31 July (£m)⁽¹⁾

£2,022.3m

+14.9%



R [Link to remuneration](#)
See pages 90 to 110.

Business Model continued



Investing in our people

What we do and how we manage risk

Our skilled, professional and dedicated employees are provided with the right level of training, support and resources to succeed. We also rely on our dedicated Group HR team, which focuses 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, which looks after their safety as well as their health and wellbeing.

Alignment with our corporate responsibility pillars

We have continued with our employee listening groups, and made further improvements in learning and development through a number of new development programmes and courses. We have launched our first diversity and inclusion network group, 'Balance' and will provide further diversity and inclusion training to all employees. In addition we have developed and launched our Equality, Diversity and Inclusion Policy and an Agile Working Policy.

+ For more information see pages 56 to 66.

The risks

The inability to attract and retain appropriate people remains a principal risk to the business. In order to lower the risk, we are investing our efforts in early years talent and developing our people.

There is an increase in this risk given the current level of competitiveness for candidates in the job market and the skills shortage faced by the industry.

+ For more information see pages 48 to 51.

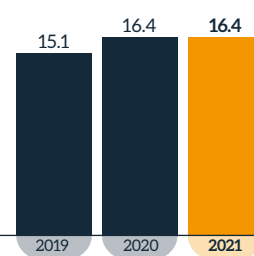
How we measure our performance

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

We continue to develop our staff through increased levels of training. 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 Group HR team to ensure these policies are adhered to, and any concerns can be reported direct or through our whistleblowing hotline (see page 88 for further information). The number of graduates, trainees and apprentices has reduced due to a change in the timing of the 37 graduates from the 2021 Graduate cohort joining the business in September 2021. The Board continues its focus on the number of women in its senior management team positions after a slight reduction in the current year.

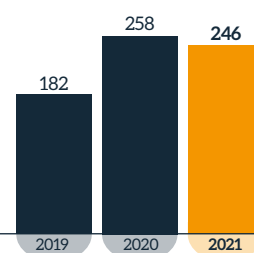
Employees who have worked for the Group for 10 years or more (%)

16.4%
no change



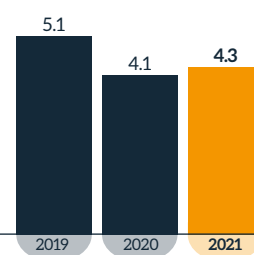
Number of graduates, trainees and apprentices (number)

246
(4.7%)



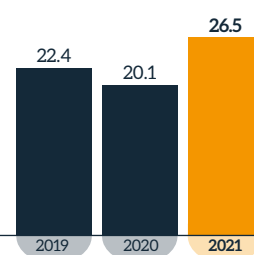
Training days per employee (days)

4.3 days
+4.9%



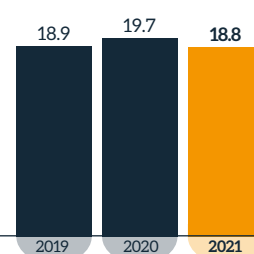
Employee turnover (%)

26.5%
+640bps



Senior management gender split (%)

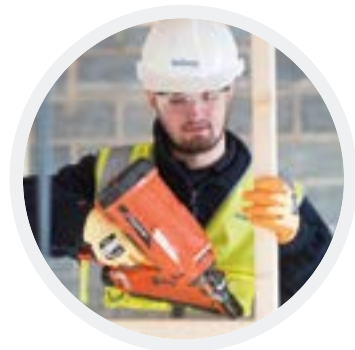
18.8%
(90bps)





Better at breaking barriers

Through studying Quantity Surveying at Liverpool John Moores University, Beth was first introduced to a construction site, which sparked her interest in a career path in construction. When applying for graduate roles, she was attracted to the new Graduate Programme at Bellway due to our "commitment to diversity, inclusion and equality and building high quality homes". Since starting her role in early 2020 as a Construction Graduate, she has been able to see the full customer journey and finds it very fulfilling.



Better with
Bellway

Key Stakeholder Relationships

Maintaining good relationships with our stakeholders is important to what we do.

The Board of Directors confirm that during the year under review, it has acted to promote the long-term success of the Company for the benefit of shareholders, whilst having due regard to the matters set out in section 172(1)(a) to (f) of the Companies Act 2006, being:

- (a) the likely consequences of any decision in the long-term,
- (b) the interests of the Group’s employees,
- (c) the need to foster the Group’s business relationships with suppliers, customers and others,
- (d) the impact of the Group’s operations on the community and the environment,
- (e) the desirability of the Group maintaining a reputation for high standards of business conduct, and
- (f) the need to act fairly between members of the Group.

On pages 20 to 27 we set out how we have engaged with various stakeholders during the year, the key issues raised and outcomes.



Customers

How we engage

Bellway has a reputation for excellent customer service, with our face-to-face sales approach helping thousands of people to purchase their dream home every year.

From the moment a prospective customer begins their search for a new home, we engage with them through our website or social media, providing them with all the information they require to help them make an informed decision so they can decide on the most suitable location and property type before they visit our Sales Office.

Our dedicated and highly trained sales advisors place a significant emphasis on making the process of moving home as smooth as possible. From the moment the customer enters a Sales Office, to them moving into their home, we aim to make sure that the process is a positive and memorable one.

We have a dedicated Customer Care team who deal with any post completion issues and questions customers may have, to maintain that positive experience throughout the early years of Bellway home ownership.

We encourage feedback throughout the sales process, via our sales teams and through Trustpilot and the HBF Customer Satisfaction survey. This survey is used to rate the sales experience, build quality, design and post-completion customer care and we use the results to improve the level of quality and service we provide.

We utilise several customer communication channels, providing our customers with the option to use those best suited to their needs.

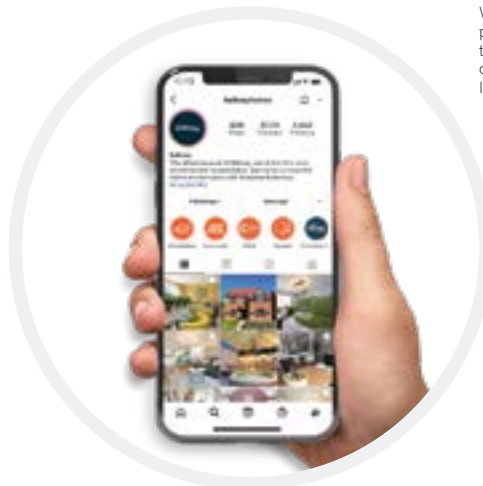
Through our marketing activities, we assess, and review collected data to ensure we are engaging with our customers and responding to their needs.

Our use of social media channels involves us engaging existing customers and prospective customers by generating aspirational content that showcases Bellway’s products and uses customer case studies and testimonials to bring this to life.

Following the Government’s review of building safety after Grenfell, they issued revised guidance which clarifies their interpretation of the extant building regulations that were in place at the time of construction. Bellway appointed a dedicated fire safety project team that communicates directly with building owners, managing agents and customers in order to help them through a complex issue that is impacting the whole of the industry. The team also ensures compliance with our new fire policy. There is executive management team oversight of fire safety through our Fire Board meetings.

Key issues raised

- Customer service
- Digital adoption
- Sustainability and efficiency of homes
- Build quality
- Innovation
- Legacy building safety improvements
- Help-to-Buy



We engage existing and prospective customers through our social media channels, including Instagram (left).

Outcomes

We have retained 5-star homebuilder³ status in the national HBF awards for the fifth consecutive year, which reflects our commitment to delivering exceptional quality as standard to our customers, throughout our construction process, after care and customer service.

Being a 5-star homebuilder³ means that over 9 out of 10 customers would recommend Bellway to a friend, which is an accolade we are very proud of. In fact, our score of 93.5% in the Recommend a Friend category was the highest score achieved by Bellway since commencement of the NHBC Survey scheme in 2007.

HBF Survey scheme: 'Recommend a Friend' category

93.5%

Despite our 5-star homebuilder³ status, satisfaction among customers reduces at our 9-month survey results. Accordingly, our focus now includes the NHBC 9-month survey, where we consistently receive scores of over 10% below our Recommend a Friend score in the 8-week survey. Our current Recommend a Friend score in the 9-month survey is 78.3%.

The launch of our Customer First initiative is designed to address this required improvement, with a specific focus on our planning, build, sales, post-completion customer care, training and communications processes to provide a better level of service. Our aim is to deliver a 5 star service, combined with a 5 star build quality, putting the customer at the heart of everything we do.



Customer First was launched to the business in April 2021.

We have already started to make improvements in all elements of this project, including standardising build processes and procedures across the Group through our 'Artisan Collection' house type range, and making further improvements to ensure we are working consistently across all our divisions. Importantly, we are sharing best practices from divisions to enhance the quality of build, service and customer care across the Group.

We will engage with customers earlier in the build process, so they can familiarise themselves with their home being built. We are increasing the customer touch points on site with regular customer inspections during the build stage and are introducing 'Meet the Builder' for customers to interact with the teams who are constructing their homes. Customers will also be provided with an opportunity to spend some time in their home unaccompanied prior to the final home demonstration, where they will be provided with a full overview of the major components of their new home, and have an opportunity to discuss any queries or concerns they may have directly with the construction team.

We have responded to customer feedback on our customer care core hours to make sure we are available at times convenient to them. We have installed a new telephone system across the Group allowing our colleagues to work effectively from home as well as in the office. We have conducted trials to extend the core hours of the customer care teams with the results establishing that there is a demand for enhanced access to our customer care teams from our customers. To this effect Bellway now provide access to our customer care teams between the hours of 9.00am and 1.00pm each Saturday effective from 1 September 2021.

Although the COVID-19 pandemic has had a significant effect on the working practices across our business, it has also provided an opportunity to review and improve the service we deliver. During lockdown we introduced an appointment only system for our Sales Offices. This has been positively received by our customers and Sales Advisors alike, allowing us to provide a higher level of service as a result. This approach will continue beyond COVID-19 restrictions.

🔗 **Although the COVID-19 pandemic has had a significant effect on the working practices across our business, it has also provided an opportunity to review and improve the service we deliver.** 🔗

Fire safety continues to be a significant issue for some customers who live in apartments. Our dedicated Fire Safety team communicate with customers through our Fire Safety Helpline, and we have launched a dedicated fire safety website for customers providing guidance on what Bellway is doing to address the issue. Our fire team meet with Leaseholders and other key stakeholders in order to maintain effective communications, and we provide regular communications on sites where we are undertaking remediation.

As part of our Customer First activities, we are making improvements to the digitisation of our sales process with the impending launch of the 'Your Bellway' customer portal. This will provide an improved level of service to our customers, giving them a further way of interacting with us and allowing them to download key documentation and choose 'additions' from the comfort of their own homes. We expect 'Your Bellway' to launch later in 2021.

We have also improved the digital experience with the launch of a new Bellway website, which has been redesigned for a better user experience. In addition, we are also launching new websites later this year for our Ashberry Homes and Bellway London brands.

Following feedback from investors, customers, communities and other stakeholders, development work has commenced on our new sustainability framework and strategy which will operate under the banner 'Better with Bellway'. We will use this across the business to consolidate all relevant activities under a single sub-brand. This will also be utilised in customer communications to help demonstrate how Bellway is operating in a sustainable way.

The Board fully consider our customers, through regular oversight in board meetings, with key customer initiatives and ongoing customer care and satisfaction scores being reported on a regular basis. A report from the Group Head of Customer Care is a standing agenda item for all Board meetings.

Key Stakeholder Relationships continued



Colleagues

How we engage

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 other stakeholders. Due to the impact of COVID-19, colleague engagement has been a vital link between the business and its employees, especially where colleagues have been forced to change working practices because of the pandemic.

We undertook Bellway's first 'Employee Engagement Survey' which ran in August and September 2020, and was conducted by external consultants, ETS. Colleagues were asked to confidentially share their views on all aspects of working for Bellway, and this was used to shape our employee strategy for the year. We placed a significant importance on the survey for all employees across the Group to ensure that the results reflected the diverse nature of the roles that are undertaken by our employees whether office based or on our construction sites.

As well as the Employee Engagement Survey, we continued to undertake our quarterly Employee Listening Groups which we use to gain further ongoing feedback from employees in order to help introduce or enhance processes and procedures across the business. In order to increase the understanding of our colleagues views of Bellway at Board level, non-executive directors have attended some of these listening groups, and our Group General Counsel and Company Secretary regularly reports on points raised at board meetings.

The focus of our dedicated Group HR team continues to be on the attraction, development and retention of talent across the business, and improving the diversity of our workforce. We have increased our focus on ensuring that new colleagues have an improved onboarding process when they join the business and continue to gain feedback from those who leave in order improve where necessary.

Senior management regularly present to the Board and divisional visits by directors and regional chairmen help to inform the Board of matters important to our employees.

Earlier this year we also launched our 'Balance' network group which provides an open forum to discuss matters relating to diversity, equality and inclusion across the Group. The purpose of Balance is to engage in meaningful dialogue regarding barriers or problems encountered in coming into the construction industry or Bellway specifically, with a view to establishing solutions and improving accessibility to the industry and Bellway for minority groups. The network is sponsored and chaired by senior leaders within the Group and has diverse representation from across the business. The Balance network has met several times since its inception in May 2021.

Our internal communications strategy remains a key area of focus for the business as we look to improve communications across the Group, particularly focused on the harder to reach site-based colleagues. We are investing in our communications channels to provide a variety of different communications tools for our colleagues and have varied how we communicate using video.

Key issues raised

- Health, safety and wellbeing
- Improving our internal colleague communications
- Flexible and agile working
- Diversity and inclusion
- Employee benefits
- Senior leadership development
- Training and development

Outcomes

Our 'Employee Engagement Survey' received a 72% response rate, which is a good rate given it was the first time that the Group has run the survey. The engagement rate from employees was high at 91% compared to a benchmark of 80%.

The survey results showed that there was a strong customer focus among Bellway employees and that there was high levels of trust and empowerment for colleagues to do their jobs.

Overall, 85% of colleagues felt part of the Bellway family which was higher than industry benchmarks, but one area to be improved upon was among our weekly paid colleagues. In order to address this, we have ensured that all communications are also directed towards these colleagues, and we are also making improvements to our internal communications channels to improve the communications we have with this audience.

Employee Engagement Survey response rate

72%

Colleagues that 'feel part of the Bellway family'

85%

Areas for improvement identified in the survey, have led to us enhancing our internal communications activities and making senior leaders more visible within these communications using video. We have issued regular monthly Health and Wellbeing communications to all colleagues within the business including healthy eating, mental health and financial wellbeing activities in order to provide colleagues with the support they need.

Our colleagues asked us to look at our flexible and agile working policies as a result of enforced changes to working practices as a result of the pandemic. We have taken steps to enhance and support our colleagues with a new permanent Agile Working Policy and Flexible Working Policy which have been introduced Group-wide to support colleagues in balancing their work and personal lives.

The Employee Engagement Survey highlighted senior leadership style and communication as a high priority area for development at Bellway. As a result, this year we have launched our first Senior Leaders Development Programme for all senior leaders across the business. Working with external consultants, Mosaic Partners, this bespoke programme is aimed at developing personal leadership skills and management capacity to better lead high performing and efficient teams.



Shareholders

How we engage

As a FTSE 250 publicly listed company, we have a duty to provide our shareholders with fair, transparent and balanced information on the performance, strategy and direction of the business in order to provide confidence and trust which allows informed investment decisions to be made.

Our executive management team regularly meets and communicates with major shareholders and analysts including at formal presentations at least twice a year.

We provide updates on our performance at interim and preliminary financial results, with additional financial updates to investors through trading updates. This ensures that investors have access to the progress of the business.

We have developed external relationships with institutional investors, prospective investors and market analysts and hold meetings or calls with them to allow them to raise issues or seek information – particularly when we release our results to the City.

As well as regular market updates to investors, we also communicate our financial updates through traditional media channels and hold meetings with key City journalists to help amplify our story to existing and prospective shareholders and investors. We also communicate financial updates to our employees, a number of whom are also shareholders in the business.

The Board of Directors receive regular updates from our brokers and PR consultancies following our trading updates, interim and preliminary results and presentations that provide feedback from investors and analysts. This helps us understand how our business strategy and delivery is being received by investors and we proactively communicate with our brokers to keep us informed about the positioning of the business in the investor community.

We seek the views of shareholder representative bodies where appropriate, especially relating to Director remuneration and Board succession. We also respond to shareholder queries whenever possible in order to build upon their understanding of the business strategy.

Over the past 12 months, as well as communicating on financial performance, we have also engaged with investors on our response to legacy building safety, environmental protection and remuneration policies.

Our Senior Independent Director is available to attend meetings with major shareholders and we regularly update our corporate website whenever any updates have been announced to the City.

Shareholders are given the opportunity to ask questions ahead of or at our AGM and are provided with the opportunity to listen to the AGM live through a web-link.

Key issues raised

- Environment, social and governance (ESG)
- Remuneration policies
- Impact of COVID-19 and recovery
- General market conditions e.g. post Brexit impact, mortgage market, affordability of homes, Help-to-Buy and land market
- Dividend Policy
- Customer care and build quality
- Legacy building safety improvements

Outcomes

Shareholder engagement around interim and preliminary results and regular trading updates allows us to provide additional information and clarity as a result of points raised. We ensure these points of clarity are provided in future announcements in order to demonstrate we are meeting our shareholders needs and requirements when presenting financial updates.

Shareholder and institutional investor feedback is considered on information we provide in our Annual Report and Accounts to enhance the level of information we provide on the performance of our business.

We have proactively communicated with major shareholders on our response to fire safety to provide oversight of Bellway's proactive and responsible response to the issue.

The Artisan Collection showcases the best in contemporary home design, developed using feedback from our customers



Key Stakeholder Relationships continued



Partners

How we engage

Our size and scale mean that we regularly engage with our suppliers and subcontractors to work closely with them to maximise the relationships for the benefit of all parties. Our dedicated Group Commercial relationship management team provide an ongoing dialogue with our suppliers and subcontractors at a Group and divisional level. These strong, and often long-term relationships help us work effectively in ensuring that we can manage any short-term challenges being faced by the industry, such as supply chain management and price inflation, but also health and safety and other issues.

We regularly hold meetings and communicate with our key partners and subcontractors, passing on information to our divisions as appropriate. This allows us to adapt our approach quickly and utilise new technologies and products when they become available while maintaining efficiencies from those relationships.

The combination of the COVID-19 pandemic, the impact of Brexit and increased worldwide demand for construction materials has meant that we have had to adapt the way we engage with our partners, requiring us to work together to overcome the mutual challenges being faced across the industry. By working together, we have a better understanding of the challenges we all face, and our increased focus on planning and problem solving has helped successfully manage any issues that have arisen.

💬 **By working together, we have a better understanding of the challenges we all face, and our increased focus on planning and problem solving has helped successfully manage any issues that have arisen.** 💬

We strive to maintain long-term working relationships with reputable subcontractors to ensure the availability and quality of materials and labour is maintained and we work closely with them to ensure health and safety risks on our construction sites are understood and managed effectively.

Having effective partnerships with a range of public bodies and national and regional agencies is essential to the success of our business. These relationships allow us to deliver benefit to the communities in which we build.

Our long-established relationships with housing association partners across the country, ranging from large national and regional organisations to smaller providers helps us deliver affordable homes in the communities where we build, giving access to new homes to more people as a result.

Our Group and divisional teams of specialist land buyers work with landowners, commercial vendors and the public sector to secure land opportunities. They consider any site regardless of current planning status and they have access to substantial funding to allow them to move quickly, and make offers to purchase land subject to our well established approval process and hurdle rates.

Through our divisional offices, we have significant expertise and knowledge of local planning policies and frameworks. This expertise is essential in guiding challenging sites through the local planning process.

We also engage with Government and private agency partners in joint venture and partnership agreements. With regard to Fire Safety, our Fire Projects teams regularly meet with business partners on live and future remediation projects.

Key issues raised

- Supply chain demand and price inflation
- Labour shortage
- COVID-19
- Health and safety
- Efficiencies and environmental management
- Land and planning
- Sustainability

Outcomes

Our strong personal relationships with key suppliers and subcontractors have effectively helped us manage the challenges being faced by the industry because of the COVID-19 pandemic, post-Brexit issues and worldwide demand for construction materials. These issues have brought us closer together with our supply chain partners resulting in us working collaboratively to overcome most supply issues through more effective planning and discussion.

Our personal relationships and commitment to our long-term supply chain relationships has enabled us to be flexible in facing any challenges, with our 'how can we help you help us?' approach supporting our partners at a time when they most need it. For example, improving our forecasting, agreeing to longer lead times or changing distribution options has delivered a mutual benefit.

Our respect for long-term relationships with our supply chain management means we are able to help our suppliers and manufacturers address any short-term issues in the knowledge that they will continue to support us beyond the current market short-term conditions of constrained supply.

The increased use of our Artisan standard house type range, as directed by the Board, across our divisions has brought further efficiencies to suppliers and subcontractors and as a result has helped with forecasting and planning.

Our continued focus on health and safety on our construction sites, and the adoption of COVID-19 working practices has received positive feedback from subcontractors and suppliers. Although the number of accidents reported on our sites has returned to around pre-COVID-19 levels, these remain low despite us returning to full, or near full, production levels.

Our planning expertise has continued to deliver successful planning approvals for new sites, and our relationships with key agencies, such as Homes England, has led to joint ventures and partnerships on key regeneration and infrastructure projects, bringing wider economic benefits to the communities in which they are being built.

On fire safety, we continue to work closely with partners in delivering remediation projects.



Our communities

How we engage

Bellway is proud of the communities we create, with the development of attractive and desirable places to live, but we also recognise the impact of our activities on local neighbours. It is therefore vitally important that we engage with those communities so we can demonstrate the value our investment brings with the creation of jobs, the provision of attractive affordable homes and the impact this has on the movement of existing housing stock locally, and the wider local economic benefit new homes bring.

As part of the planning application for developments, prior to submission, we undertake consultation with the local community as a requirement of public engagement policies of local authorities. By informing local communities of our plans, through digital and traditional communications, attending local meetings and exhibitions, we are able to share our proposals and, where appropriate, make changes or demonstrate how we are addressing local concerns.

By conducting local PR and digital marketing campaigns, we showcase the benefits of our developments to all stakeholders and use this to inform local communities.

We work with local authorities to incorporate feedback where practicable and reasonable, and help provide funding through Section 106 (England and Wales) and Section 75 (Scotland) contributions as well as Community Infrastructure Levy and affordable housing contributions. We invest significant funds into the local communities where we develop, providing investment for education, healthcare facilities, sports facilities, transport infrastructure improvements and the creation of recreational space, all bringing benefits to the wider community.

💡 We invest significant funds into the local communities where we develop, providing investment for education, healthcare facilities, sports facilities, transport infrastructure improvements and the creation of recreational space, all bringing benefits to the wider community. 💡

We understand the impact our construction has on communities, particularly those living or working adjacent to our sites. Where appropriate we operate the Considerate Construction Scheme on developments. By its very nature, construction is disruptive to communities, but we make every effort to respond to these issues and will communicate locally with nearby residents when necessary.

We also support communities through the work we do with national, regional and local charities and community organisations.

Our national charity partnership with Cancer Research UK (CRUK) is now in its fifth year, with fundraising taking place across our 22 divisions and Group, involving colleagues, suppliers, subcontractors, and professional advisors.

Our divisions also work closely with local community organisations, particularly supporting local charitable causes or initiatives and these involve fundraising activities and benefit in kind such as volunteering or donations. The Group matches donations on any fundraising activity undertaken by employees.

We also run local programmes involving schools and other community organisations which demonstrates our commitment to local communities.

Our colleagues are also encouraged to work within local communities by offering their time and expertise to help local community organisations with some of the challenges they face day-to-day, or with specific issues that may require immediate construction expertise.



Supporting a local primary school's campaign to provide their village with potentially lifesaving equipment.



Key Stakeholder Relationships continued

Our communities continued

Key issues raised

- Affordability and the supply of housing
- Planning and community engagement
- Jobs and skills
- Biodiversity
- Home efficiency and sustainability
- Environmental issues
- Impact on existing communities and infrastructure
- Charitable and community giving

Outcomes

The expansion and increased adoption of our Artisan house type range has provided a range of house types which can be used to meet community needs, with many being designed for affordable housing use.

Of the 10,138 housing completions this year, 22% (2020 - 22%) were sold to affordable housing providers, providing much needed affordable homes in communities throughout the UK.

We sold 7% (2020 - 6%) of our new homes to unassisted first-time buyers while 39% (2020 - 35%) were purchased by customers using Help-to-Buy. Overall 28% (2020 - 27%) of our homes were sold to first-time buyers. The creation of new homes on our developments also impacts the wider community with people moving into new homes from the second-hand market, thereby releasing housing stock.

Homes sold to affordable housing providers

22%
(2020: 22%)

Houses purchased by unassisted first-time buyers

7%
(2020: 6%)

Homes purchased by customers using Help to Buy schemes

39%
(2020: 35%)

Homes purchased by first-time buyers

28%
(2020: 27%)

We have a proven track record of responding to local community queries relating to planning applications and meeting community needs in the process. In 2021 we contributed £71.3 million (2020 - £60.5 million) to local communities through Section 106 (England and Wales) and Section 75 (Scotland) contributions, which has brought significant benefits and investment to local communities throughout the UK.

Our construction activities also deliver employment opportunities across the country and we estimate that between 26,600 and 31,500 direct and indirect jobs were supported by Bellway in the past year.

Direct, indirect and induced jobs supported by Bellway in the past year

26,600 – 31,500

Whether directly or indirectly, Bellway provide jobs for communities.



Our relationship with Cancer Research UK has raised a total of £1.95 million for the charity over the lifetime of our partnership, just below our target of £2 million. This was the result of the impact of the COVID-19 pandemic which prevented many of the ordinary fundraising activities which take place across divisions. We have extended our partnership for a further two years and aim to raise £3 million by the end of 2023.

Despite the impact of COVID-19, our divisions have continued to work with local charitable and community organisations. A further £34,710 has been raised for these organisations but our contribution goes much further than financial assistance. Utilising our staff expertise across a range of disciplines we can offer advice and practical help to organisations, as well as donate items such as appliances and materials where they are needed.

Total raised for Cancer Research UK

£1.95m

Raised for local charitable and community organisations

£34,710

We are also launching a new school engagement programme which will roll out in 2022, and will be used by our divisions to highlight construction activity to the local community.

Our Customer First initiative is looking to improve communication with local communities at the planning stages so we can highlight the benefits our sites will bring and address some of the concerns often raised.



Government and regulators

How we engage

Although Bellway has no political affiliations and makes no donations to any political causes, our relationship with national and local government is an important one. The Government's rebuild and 'levelling-up' agenda, focusing in part on the supply of new homes, and the importance this has on the wider economic recovery post-COVID-19, means the resultant policies and regulatory changes provide both an opportunity and risk for our business. It is therefore important that we engage with key stakeholders in national and local government, although this is often done through industry representative bodies who provide the agreed collective position of the wider construction industry.

The influence of national and local government policy has a significant impact on the operation of our business, primarily in relation to planning and support to the mortgage market. As a result, we work collaboratively with local authorities and other key statutory bodies, ensuring that developments are brought forward efficiently and meet with local need. Through Section 106 (England and Wales) and Section 75 (Scotland) contributions, we also work closely with local authorities to ensure that wider local needs are met, with these contributions going towards key infrastructure improvements such as roads, schools, doctors surgeries and other local requirements.

More broadly, Bellway engages at a strategic level with senior officials within the Ministry of Housing, Communities & Local Government, HM Treasury and The Cabinet Office to address the pressing issues of accelerating housing delivery, fire safety, widening home ownership opportunities and the regeneration of communities.

In London, we work closely with the Greater London Authority and London Borough Councils, and engage at a senior level with the Welsh Assembly and the Scottish Parliament. In addition, we also regularly manage communications with MPs, MSPs and Welsh Assembly members in dealing with local issues relating to constituency matters, both relating to developments and individual constituent matters raised.

Bellway also maintains national and regional representation with Homes England, the Government's housing accelerator body. We work closely on their public land and housing investment agendas. We are one of the main housebuilders to access the Help-to-Buy programme, and participate in other forums in order to progress major policy initiatives.

At an industry body level, Bellway is an active member of the Home Builders' Federation (HBF) and uses this trade organisation to provide industry level intelligence and overview of the changing regulatory and Government agenda. We contribute to the positioning of the HBF through our active engagement with the wider industry. We engage and respond to Government directly and through our membership of industry trade organisations.

Key issues raised

- Building safety and legacy building safety
- Local planning issues
- Sustainability and environment
- Leasehold reform
- Health and safety
- Access to housing
- Acceleration of housing supply

Outcomes

We respond to national, regional and local government policies, regulatory changes and provide developments which meet local needs by creating new sustainable communities in attractive and desirable places which integrate within existing neighbourhoods. Our developments also contribute to the local economy with the creation of jobs, Council Tax income and an increase in local economic contributions, often providing a catalyst for wider regeneration.

We work with relevant Government departments and agencies in delivering programmes such as Help-to-Buy which supports first-time buyers purchasing their new home.

Through our trade organisation membership, we are able to respond to key Government and regulatory changes.

We have centralised our MP communications to ensure we address concerns at a Government and constituent level. Constituent issues raised through local MPs are managed centrally to ensure we provide a consistent response as a business.

We have strengthened our governance around engagement with all MP, MSPs and Welsh Assembly communications and meetings being reported to the Board. Through this approach, we have proactively met and engaged with MPs and other key stakeholders on a number of key topics, including fire safety and planning and construction matters, as well as dealing with ongoing constituency matters relating to our developments.



We continue to support the Government's Help-to-Buy programme, allowing more people to be able to afford their first home.



Our Marketplace

The UK housebuilding sector is recovering well from the challenges associated with COVID-19. Conditions in the new build UK housing market continue to be positive, with strong demand for affordably priced homes, good quality housing across many parts of the country, a positive planning environment, and a boost from the stamp duty land tax holiday.

As highlighted in the Chairman’s Statement on page 6, conditions remain favourable with a sustainable supply of mortgages, and this, together with the long-term prospect for low interest rates, ensures that finance for new homes is both accessible and affordable.

Demand factors

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 earnings, have gradually fallen from a peak in 2007, following the downturn in the housing market in 2008/09. There has been a slight increase in the current year, but mortgage payments still remain affordable.

The chart at the bottom of the page demonstrates the affordability of houses in the UK.

The availability of mortgages

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 announced that the equity loan element of the Help-to-Buy scheme in England will be supported up to 31 March 2023, although with lower regional limits and the restriction of the scheme to first time buyers only, which took effect in April 2021.

Help-to-Buy now accounts for 36% of all homes sold in the new build sector, and 39% of homes we sold in the year. Undoubtedly, this has helped increase the output of new build homes, which represents an increasing proportion of the overall market.

The continued success of the Help-to-Buy scheme supports market confidence which, coupled with low interest rates, mean lenders

are offering a range of competitive products to buyers. The Mortgage Market Review has resulted in a more sustainable mortgage market.

The stamp duty land holiday

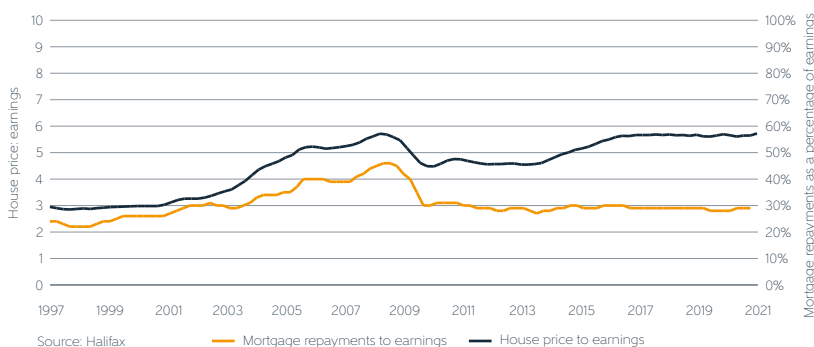
The Government temporarily increased the stamp duty tax threshold on which no tax was payable to £500,000 for property sales in England and Northern Ireland, between 8 July 2020 and 30 June 2021. This saved buyers £15,000, if they were buying a property for £500,000. Between 1 July 2021 and 30 September 2021, first time buyers paid no stamp duty on properties up to £300,000. Non-first time buyers received stamp duty relief on purchases up to £250,000. Pre COVID-19 stamp duty land tax rates resumed from 1 October 2021.

Stamp duty land tax relief has had a positive effect on new build sales during the year and has offered a welcome boost to the property market.

Demand

Demand for high quality new homes continues to be strong and customer confidence throughout the wider housing market is resilient. Additionally, the ongoing environment of low interest rates ensures that new homes remain affordable in a historical context, further supporting the strong underlying demand.

Affordability of houses in the UK



Supply factors

Land supply and planning permissions

The land market continues to provide good buying opportunities. House prices have increased, 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, albeit a slight decrease in 2020 due to the COVID-19 pandemic.

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 to 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 February 2019, 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.

Availability of labour and materials

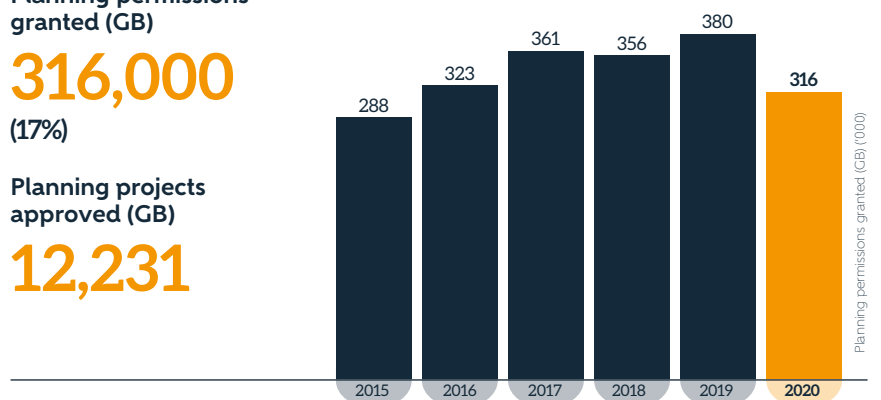
Labour and material remains subject to short term constraints, with intermittent labour shortages across the sector due to staff isolation requirements to curtail the spread of COVID-19. In addition, the national shortage of heavy goods vehicle drivers can sometimes affect the availability of materials. We have strong, well established relationships with our key suppliers which helps to mitigate the challenges being faced by the industry.

Planning permissions granted (GB)

316,000
(17%)

Planning projects approved (GB)

12,231



Source: HBF New Housing Pipeline Report (Q4 2020 - Published July 2021). (GB) represents England, Scotland and Wales.

Summary of market backdrop

There is wider economic uncertainty following COVID-19, but the market fundamentals for Bellway remain strong with:

- The ongoing imbalance between supply and demand for affordably priced, good quality homes continuing to be a feature across many parts of the country.
- Strong demand for new homes continuing to be supported by the ongoing availability of Help-to-Buy, together with an environment of low interest rates.
- The land market remaining attractive and the planning environment favourable, with the Group continuing to identify value-enhancing opportunities which meet or exceed our requirements in respect of both gross margin and RoCE.
- Cross-party support to deliver an increased supply of new homes.

Bellway is mindful of the wider economic uncertainty caused by COVID-19, but continues to draw upon these sector-specific 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.

Better at getting to know **our customers**

We take the time to get to know our customers. For many a space to work from is essential and we are able to offer the perfect solution. Bellway is hoping to become a national trendsetter for the future of home working, by offering our buyers at selected developments the option to add a garden office pod to their new home.

These stylish outdoor pods are perfectly sized for an office - so homeowners can wave goodbye to working from their spare bedrooms or dining room tables, for good!



Better with
Bellway



Our Strategy

Bellway's strategy is to grow shareholder value through sustainable and disciplined volume growth, utilising the Group's operational and balance sheet capacity, combined with a strong focus on RoCE.

As set out in the Chairman's Statement to achieve our overall strategy we have identified the following three strategic priorities



Delivering volume growth

+ For more information see page 31.



Value creation

+ For more information see page 32.



Better with Bellway

+ For more information see page 33.

+ The metrics we use to measure our performance are on pages 4 to 5.



Delivering volume growth

Overview

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

A summary of our performance against this strategic priority, along with our plans for further progress, is detailed below.

How we performed in 2020/21

- Our front-footed, yet disciplined approach towards land acquisition has led to a record investment in new sites.
- Bellway has performed well throughout the financial year, benefitting from strong underlying demand across the country for our high quality new homes.
- Volume output is above 10,000 homes and housing revenue approaching 2019 levels.
- Sales demand remains strong and has recovered well in spite of COVID-19.

Our plans for 2021/22

- We will continue to focus our land buying in areas of strong customer demand and in sustainable locations.
- 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.



5 Star
Rating from the
Home Builders'
Federation Customer
Satisfaction survey

Our Strategy continued

Bellway's strategy is to grow shareholder value through sustainable and disciplined volume growth, utilising the Group's operational and balance sheet capacity, combined with a strong focus on RoCE.



Value creation

Overview

Crucial to the success of our volume growth strategy is our ability to deliver value for shareholders. We believe that value generation is best evaluated through capital growth, by increasing the net asset value per share, together with the payment of a regular dividend.

A summary of our performance against this strategic priority, along with our plans for further progress, is detailed below.

Margin improvement

A key part of value creation are the steps we take to improve operating margin.

How we performed in 2020/21

- We have made further design improvements to the Artisan Collection of standard house types and secured cost savings through standardisation, procurement efficiencies and site layouts optimisation.
- We have trained our divisions on 'back to basics' commercial cost controls and fundamentals.
- We completed our BWY2020 cost-saving initiative and introduced a new business as usual margin improvement campaign.
- We have continued with our detailed programme of value engineering reviews across of our sites and divisions.

Our plans for 2021/22

- We will continue to design and develop the introduction of standard house types into the Artisan Collection.
- We will start to benchmark Artisan build costs across all divisions.
- We will ensure that our margin improvement campaign forms part of monthly cost reviews, whilst sharing best practice and procurement efficiencies.
- We will continue to research and trial the use of innovative new products, as part of our commitment to the future homes standard, net zero and carbon reduction.
- We will continue to develop and improve our software to ensure that all employees are trained, supported and developed.

Capital and dividend growth

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 dividend payments.

A summary of our performance against this strategic priority along with our plans for further progress is detailed below.

How we performed in 2020/21

- Bellway has continued to invest capital into land and work in progress in areas with high demand, without compromising the RoCE and margin requirements, to ensure that the Group is well placed to deliver growth.
- Paid dividends of £104.7 million.
- Increased NAV by 9.8% to 2,664p.¹

Our plans for 2021/22

- 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 2020/21 dividend is approved, the total dividend will be covered by underlying earnings by three times.

Focus on capital employed

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

How we performed in 2020/21

- 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 2021/22

- 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.

Maintaining a flexible capital structure

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.

A summary of our performance against this strategic priority along with our plans for further progress is detailed below.

How we performed in 2020/21

- The Group has issued a sterling US Private Placement, as part of its ordinary course of business financing arrangements, for a total amount of £130 million with maturity dates in seven and ten years.
- During the year we complemented the facilities provided by our long-term banking partners with one provided by Santander (UK) PLC.
- We have maintained our current investor relations activities.

Our plans for 2021/22

- We will maintain our current banking arrangements.
- We will develop our current investor relations activities with the support of a newly appointed Head of Investor Relations.
- Maintaining a flexible capital structure.



Better with Bellway

Overview

Our growth strategy is a long-term ambition, the success of which requires us to engage positively with our colleagues, subcontractors and supply chain partners in order to safely deliver a high-quality product that is appealing to our customers.

Better with Bellway is all about us creating a positive impact on people and the environment through our sustainable and responsible business practices.

Integral to our culture is our responsible approach to business and in that regard, we are developing our new Better with Bellway approach. Not only will this add momentum to the many positive activities we already undertake, which benefit our wider stakeholder groups, but it will also spearhead our campaign to adopt more sustainable and responsible, long-term business practices.

A summary of our performance against this strategic priority along with our plans for further progress is detailed below.

Customer First

Bellway wants to lead the sectors on build quality and service. Our Customer First programme is designed to make Bellway stand out from its competitors by building consistently good quality homes and providing a service that puts our customers at the heart of everything we do. From the moment a customer decides to buy a new home, until beyond their two-year warranty, Customer First is about doing the right thing for our customers and our industry to raise standards and improve the experience of buying and living in a Bellway home.

How we performed in 2020/21

- During the year the Customer First Programme was launched across the Group, led by our Group Chief Executive Jason Honeyman and senior leaders from across the business.
- A training programme has been launched to ensure that every Bellway employee has clarity on the importance of Customer First and knows the core behaviours to deliver a great service to customers.
- 2,149 people have completed our Customer First workshops with additional targeted training being provided to our people involved directly in one of the eight pillars of the programme.
- A team of Customer First regional and divisional champions have been appointed across the business to help drive Customer First at a national and local level.
- We have made a number of changes to internal processes and customer touch points to improve the service we provide to customers, including introducing regular site visits at key stages in the build so customers understand the product they are buying.

Our plans for 2021/22

- Once all our people are fully equipped with the skills and process to deliver Customer First, it will be rolled out externally to our customers, suppliers and subcontractors in 2021/22.

Our Strategy continued



Better with Bellway continued

Carbon reduction

At Bellway, we recognise that climate change is a growing and significant issue, and as a responsible housebuilder we are committed to contributing to the UK's target of net zero by 2050.

A summary of our performance against this strategic priority along with our plans for further progress is detailed below.

How we performed in 2020/21

- A two-tiered approach to the oversight and management of ESG risks, including climate change, has been developed during the year. This comprises of a new Sustainability Leadership Team and a Sustainability Steering Committee.
- The Group Finance Director and Group General Counsel and Company Secretary have been identified as the Board sponsors for sustainability.
- Task Force on Climate Related Financial Disclosures (TCFD) has been included in the annual report for the first time this year.
- A sustainability strategy is under development and external sustainability consultants, Simply Sustainable, have been appointed to provide support.

Our plans for 2021/22

- With the support of The Carbon Trust, a baseline carbon footprint will be established that will allow us to set science based scope 1, 2 and 3 GHG emissions targets.
- The sustainability strategy currently under development will be launched.
- We will be working towards the target of fitting electric vehicle charging points in 50% of the new homes we build by 2025.



Employer of choice

At Bellway we want to be an employer of choice, providing people with a rewarding and fulfilling career, enabling them to achieve their full potential and contribute to the success of the business.

A summary of our performance against this strategic priority along with our plans for further progress is detailed below.

How we performed in 2020/21

- We have conducted our first employee engagement survey.
- We have embedded our graduate recruitment programme with 37 new graduates joining the business during the year. The first cohort of graduates have also transitioned to permanent roles in the business.
- We have continued to improve our focus on diversity and inclusion across the Group. Diversity and inclusion has become one of our strategic pillars.
- We have continued to use employee listening groups.
- We have trained 95 Mental Health First Aiders across the Group.
- We have launched our new wellbeing calendar.

Our plans for 2021/22

- We will embed the employee engagement survey which will be an annual event and commit to respond to employee feedback
- We will continue to promote the benefit and participation of employee listening groups.
- We will continue to train Mental Health First Aiders and roll out Mental Health Awareness training across the Group.
- We will continue to invest in the Bellway Academy, site manager training and apprenticeships and graduate training programmes.
- We will enhance the Bellway Employee awards ceremony.
- We aim to achieve full Living Wage accreditation.
- We will launch a standard induction programme with on-boarding interviews.

Divisional Boards, Wessex and Durham



Jazele Parys, site manager at Eastside Quarter Bexleyheath, is the first woman in Bellway to win a Quality Award in the NHBC's 2021 Pride in the Job Award programme.



Better at helping our customers reduce energy usage

All our new homes are designed, as a minimum, to meet the energy efficiency criteria set out in the relevant building regulations, and in many cases we exceed this criteria. This helps our customers minimise their running costs and their impact on the environment once they have taken ownership of the property. Lighting in new homes is energy efficient, while boilers are 'A-rated' for energy and going forward we will be introducing 'dual zone' heating capability into all our new homes to further improve efficiency. In addition, all windows are double-glazed and kitchen appliances are 'A-rated' or better for energy consumption. All these initiatives help to lower the energy bills for our customers.



Better with
Bellway

Chief Executive’s Market and Operational Review



👉 **Bellway has performed well throughout the financial year, benefitting from strong underlying demand across the country for our high-quality and affordable new homes.** 👉

Jason Honeyman
Group Chief Executive

Highlights

Average weekly private reservations

169
(2020: 141)

Contracted plots⁽⁵⁾

19,819
(2020: 12,124)

Market

The mortgage market has remained supportive and low interest rates ensure that new homes are affordable. It took longer to obtain valuations and progress mortgage applications earlier in the financial year, as lenders initially dealt with a COVID-19 related backlog and increased demand, but the time taken for customers to obtain mortgage offers has since reduced over recent months.

Lenders also exercised increased caution during the year, particularly in relation to higher loan-to-value mortgages, where, in general, there remains an absence of widely available products at competitive interest rates. Customers with a 5% deposit are therefore often unable to access affordable mortgage finance outside of the Government’s Help-to-Buy scheme.

Against this backdrop, visitor numbers have remained strong, and our appointment only system, introduced in response to social distancing requirements, has proven to be successful, allowing our sales advisors to spend more quality time with interested buyers. In addition, further investment in our website has provided ongoing benefits, especially in the context of evolving customer trends, and this has contributed to a 45% increase in website traffic over the financial year.

Sales rates were more pronounced in the summer and early autumn, given the pent-up demand arising from the spring 2020 national ‘lockdown’. The reservation rate slowed during November, as the sector transitioned to the new Help-to-Buy rules and more widespread ‘lockdown’ measures were reintroduced. Despite the escalation of these ‘lockdown’ measures in the new calendar year, sales rates recovered to a more normalised level for the remainder of the period under review, supported by the effective transition to the new Help-to-Buy scheme in April 2021.

For the whole year, average weekly private reservations were 169 (2020 – 141, 2019 – 160), an increase of 19.9% compared to the prior year and 5.6% ahead of financial year 2019. The overall reservation rate rose by 14.6% to 204 per week (2020 – 178, 2019 – 210), with this achieved from an average of 270 outlets. Help-to-Buy was used in 30% (2020 – 40%, 2019 – 35%) of total reservations and the cancellation rate was low, at just 13% (2020 – 17%, 2019 – 12%).

The pricing environment remains positive, with low-to-mid-single digit house price inflation benefitting sites where demand is particularly strong. This is most pronounced in Scotland and regions such as the North West, the Midlands and the Home Counties, with customers’ evolving working routines providing opportunities to live further away from traditional centres of commerce. In general, and across the Group, house price inflation has offset rises in build costs.

Our approach to land buying, helps us build communities in the most desirable places.



Three brands to support demand

Bellway continues to operate under three brands being Bellway, Ashberry and Bellway London. The core Bellway brand remains the foundation of the business, contributing 86.1% of completions (2020 – 88.1%, 2019 – 85.5%).

Ashberry is used on larger sites, where the site layout and market demand justify two selling outlets. In these instances, we can use the two brands together to offer differing elevational treatments and internal layouts. This provides greater customer choice, enhanced sales rates and an improved return on capital employed. Ashberry was used in 6.8% of completions during the year (2020 – 5.7%, 2019 – 5.2%).

Our Bellway London brand is intended to create a single approach to marketing across the Capital, recognising that the product offering, specification, and customer approach to buying a new home, often differ to elsewhere in the country. Bellway London contributed 7.1% of the Group's completions (2020 – 6.2%, 2019 – 9.3%), with almost 90% of these apartments. Our London activity continues to target the more affordable outer transport zones, with our sites located at Barking Riverside, Beckton and Bexleyheath all contributing 100 or more completions in the year. The average selling price of private homes sold in the Capital was £408,051 (2020 – £514,313, 2019 – £562,554) which remains affordable in the context of the London market.

A front-footed approach to land buying

Our front-footed and opportunistic, yet disciplined approach towards land acquisition, at a time when there was less pronounced competition, has led to a record investment in new sites since our re-entry into the market in early summer 2020. This is driven by market opportunity and the strong, structural demand for good quality housing. It has resulted in a strengthened land bank, providing a solid platform for ongoing growth and margin recovery in the years ahead.

The Group has contracted to purchase 19,819 plots⁵ (2020 – 12,124 plots, 2019 – 13,284 plots) across 109 sites⁵ (2020 – 69 sites, 2019 – 94 sites), with a contract value of £1,066.0 million⁵ (2020 – £777.7 million, 2019 – £787.7 million). The anticipated average gross margin, based upon revenue and cost at the time of acquisition, is 23%.

The average size of contracted sites is 182 plots⁵ (2020 – 176 plots, 2019 – 141 plots), an increase on prior years, with our ability to fund larger acquisitions, often with higher anticipated returns, proving to be valuable when placing land bids. We have also made a measured investment in a handful of larger sites, in primary locations, to strengthen the land bank. This is a balanced approach, providing an alternative deployment of capital, as our investment focus over recent years has moved away from more cash intensive, high-rise sites in London.

Our approach to investment has been to acquire sites in desirable locations, with high demand, where the product is affordable in the context of localised market conditions. In addition, we have acquired sites which reflect the demand for family housing with more space, home-working solutions, and customers' desire to live in suburban locations as commuting habits continue to evolve.

The average expected selling price of plots contracted, at around £280,000, is lower than the average selling price achieved over the past year of £306,479. This intended reduction is to ensure that future sales outlets offer customers an affordable product mix, mitigating any potential downward effect on sales rates that may arise as the revised Help-to-Buy scheme comes to an end in March 2023.

In the year ahead, the Board expects the overall average selling price to be around £295,000.

The table below analyses the Group's land holdings:

	2021	2020	2019
DPP: plots with implementable detailed planning permission	30,933	28,289	26,421
Pipeline: plots pending an implementable DPP	24,300	16,300	16,300
Bellway owned and controlled plots	55,233	44,589	42,721
Bellway share of land owned and controlled by joint ventures	938	472	272
Total owned and controlled plots	56,171	45,061	42,993
Strategic land holdings	30,400	27,300	25,600
Total land bank⁶	86,571	72,361	68,593

Chief Executive's Market and Operational Review continued

As a result of our proactive approach to land buying, Bellway's owned and controlled land bank at 31 July 2021 represents 5.4 years forward supply (2020 - 5.9 years, 2019 - 3.9 years). This is a modest reduction compared to 31 July 2020, when the metric was temporarily inflated due to the drop in completions in that year, but a considerable increase on the pre-pandemic figure of 3.9 years, reported at 31 July 2019.

There are 30,933 plots with an implementable detailed planning permission ('DPP') and the Board has good visibility with regards to the likely construction and sales profile of these. In addition, our investment in pipeline land has grown to 24,300 plots; this will help to drive outlet growth in the years ahead as DPP is obtained on those sites.

Together, the sizeable investment in DPP and pipeline land is a key determinant in our volume growth ambitions over the next two financial years. As a result of our strengthened position, in the year ahead, closing outlet numbers are expected to increase by around 10% from a base of 254 as at 31 July 2021 (2020 - 276, 2019 - 271). Average outlet numbers, which were 270 in the year, are likely to grow more moderately as site openings are likely to be skewed towards the second half of the year. This is in line with the expected timing of planning decisions and construction starts, and this will serve to deliver further, strong volume growth in financial year 2023.



We build quality homes through design evolution, this helps efficiency and cost savings.

As well as investing in land that meets the Group's immediate needs, we have also continued to invest in our strategic land bank, entering into option agreements to buy an additional 24 sites throughout the country (2020 - 15 sites, 2019 - 29 sites). The Group's strategic land bank now comprises 30,400 plots (2020 - 27,300 plots, 2019 - 25,600 plots), providing a useful long-term source of future land supply.

Going forward, we are further expanding our strategic land team and are planning a step-change in our approach to investment. Our dedicated strategic land headcount will grow and in addition, every division will nominate a strategic land champion to aid, resource and support the growth of our strategic land portfolio. Their joint remit will be to capture opportunities, primarily options, which are expected to obtain planning permission over a five-to-fifteen-year time horizon. This approach reflects the growing importance of strategic land in providing a useful, alternative source of land supply in a business of our size, and which can, on some sites, be margin accretive.

In the foreseeable future, our strong balance sheet and substantial cash resources will enable Bellway to target further, high return opportunities in the land market, although the Board notes that competition for good sites has become more pronounced over recent months. Our healthy land bank therefore allows the Group to remain selective and retain its disciplined investment criteria.

Design, productivity, and labour and material costs

We continue to improve the efficiency of our operations through several cost control and productivity initiatives, while preserving or enhancing the quality of our product.

Our 'Artisan Collection' house-type range, which embodies our focus on high standards and quality, with attractive street scenes and an improved sense of placemaking, has now been plotted across 29,000 plots (2020 - 21,000 plots, 2019 - 12,000 plots) on 212 developments (2020 - 164 developments, 2019 - 97 developments). In addition, our standardised design drawings and specification continue to lead to improvements in onsite efficiency and cost savings through design evolution and national procurement deals.

The COINs system, a groupwide financial and commercial IT system, is now in place across all our divisions and has improved transparency and accountability in the divisional site-valuation process. We are using technology to make further improvements, with onsite surveying tasks now performed electronically in many divisions, leading to greater efficiency and more timely receipt of information. We will continue to invest in technology to obtain greater benefits from our commercial and procurement processes, using improved information from COINs to aid our design and procurement teams as we continue to refine the 'Artisan Collection'.

On a site level, we continue to undertake centralised layout and ground-work reviews, to ensure that quality is preserved, while driving further cost efficiencies in the construction process. We have also developed a matrix to help determine the optimum and most cost effective solution for retaining walls, depending on aesthetic requirements and we continue to encourage the sharing of best practice and new ideas through cross-functional and divisional working groups.

Notwithstanding our strong commercial disciplines, overall cost inflation during the year has been in the mid-single digits, although this, in general, has been offset by rises in house prices. We continue to see price inflation on commodities such as steel, timber, MDF and polymers, but there are signs that some of the more pronounced price increases over recent months are beginning to subside.

There remain ongoing constraints in the supply chain and intermittent labour shortages across the sector as, despite the vaccine success, colleagues, subcontractors and suppliers are subject to self-isolation requirements to curtail the spread of COVID-19. In addition, the national shortage of heavy goods vehicle drivers and recent disruption to fuel supplies has had some impact on the availability of materials. In general, these constraints are manageable by adopting good procurement disciplines and forward planning. They will, however, mean that construction output in the first half of financial year 2022 is likely to remain similar to that achieved in the first half of financial year 2021.

Recent trading

Bellway ended the year with a substantial forward order book, comprising 7,082 homes (2020 – 6,588 homes, 2019 – 4,878 homes) with a value of £2,022.3 million¹ (2020 – £1,760.2 million, 2019 – £1,223.9 million). In the first nine weeks of the new financial year, trading has remained strong, with overall weekly reservations at 218 per week (1 August to 4 October 2020 – 239 per week, 1 August to 29 September 2019 – 183 per week). This is lower than the same period in the prior financial year, when reservations were elevated due to pent-up demand as the country emerged from the first national lockdown, but 19.1% ahead of the first nine weeks of the financial year ended 31 July 2020. Site numbers at the start of the new year were slightly lower at 254 (2020 – 276, 2019 – 271), but are expected to increase throughout the new financial year.

As a result of this positive start, the order book at 3 October rose by 5.2% to £1,966.3 million¹, (4 October 2020 – £1,869.6 million, 29 September 2019 – £1,311.6 million) and it comprised 6,731 homes (4 October 2020 – 6,624 homes, 29 September 2019 – 5,190 homes).

Outlook

The Board recognises that there are wider economic uncertainties because of Brexit and the continuing pandemic. Notwithstanding these concerns, market conditions and customer confidence are strong, and the success of the vaccination programme is having a positive impact on the UK's prospective economic performance. In addition, our substantial order book and our strengthened land bank provide a solid platform for both future volume growth and margin recovery in the years ahead. As a result, the Board expects the Group to increase output by around 10% to over 11,100 new homes in the year ending 31 July 2022, with growth weighted towards the second half of the financial year.

Longer-term, the industry fundamentals remain strong. Bellway has significant cash holdings, providing resilience and strategic flexibility. Our strategy of volume growth, and our 'Better with Bellway' approach to sustainability, ensures we can continue to increase the supply of high-quality new homes, create long-term value for shareholders and make a positive contribution for all our stakeholders.

Jason Honeyman

Group Chief Executive

18 October 2021

Group Finance Director's Review



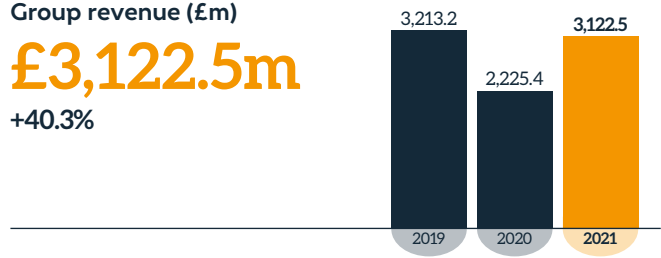
👉 Bellway's volume growth strategy and ability to invest in high return land opportunities will lead to future long-term value creation for shareholders. 👈

Keith Adey
Group Finance Director

Group revenue (£m)

£3,122.5m

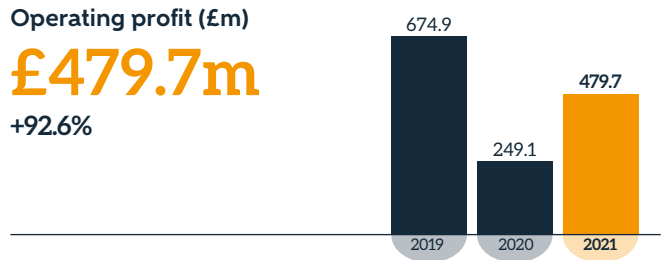
+40.3%



Operating profit (£m)

£479.7m

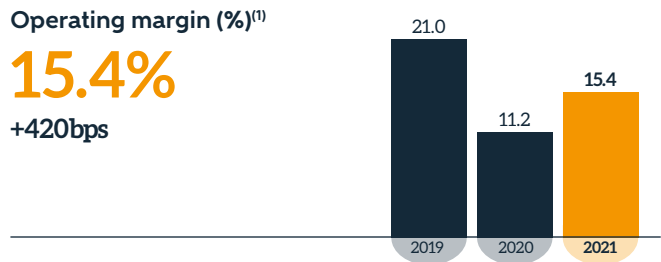
+92.6%



Operating margin (%)⁽¹⁾

15.4%

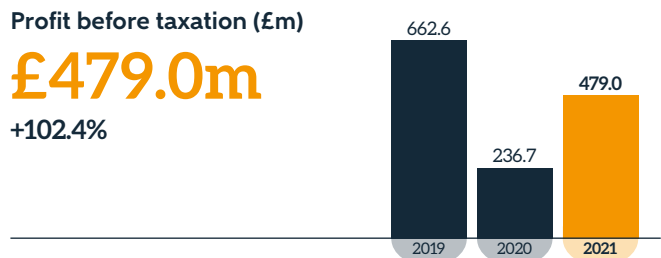
+420bps



Profit before taxation (£m)

£479.0m

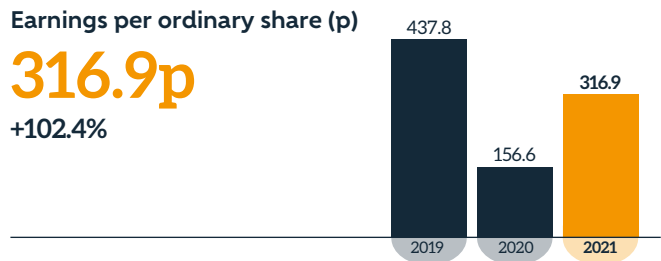
+102.4%



Earnings per ordinary share (p)

316.9p

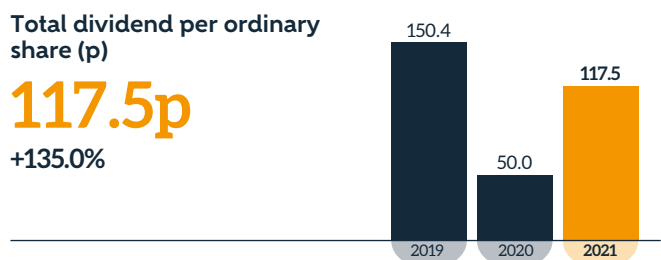
+102.4%

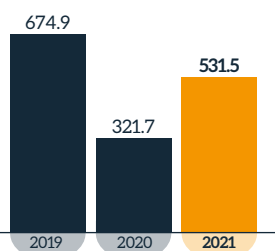
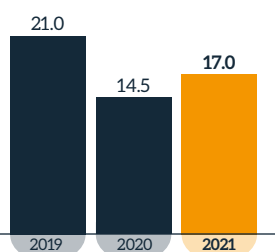
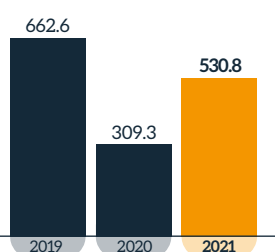


Total dividend per ordinary share (p)

117.5p

+135.0%



Underlying operating profit (£m)^{(1) (4)}**£531.5m****+65.2%****Underlying operating margin (%)^{(1) (4)}****17.0%****+250bps****Underlying profit before taxation (£m)^{(1) (4)}****£530.8m****+71.6%****Trading performance**

The Group has delivered significant growth in housing revenue, which rose by 40.9% to £3,107.1 million (2020 - £2,204.4 million, 2019 - £3,180.1 million), with this only 2.3% below the housing revenue generated in financial year 2019.

Other revenue was £15.4 million (2020 - £21.0 million, 2019 - £33.1 million), and includes land and commercial sales, and other ancillary items. Together with the increase in housing revenue, total revenue increased by 40.3% to £3,122.5 million (2020 - £2,225.4 million, 2019 - £3,213.2 million).

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

Homes sold (number)

	Private		Social		Total	
	2021	2020	2021	2020	2021	2020
North	3,983	3,182	714	526	4,697	3,708
South	3,913	2,669	1,528	1,145	5,441	3,814
Group	7,896	5,851	2,242	1,671	10,138	7,522

Average selling price (£000)

	Private		Social		Total	
	2021	2020	2021	2020	2021	2020
North	304.4	281.8	116.7	112.4	275.9	257.7
South	389.7	394.0	187.5	172.2	332.9	327.4
Group	346.7	332.9	165.0	153.4	306.5	293.1

The growth in housing revenue has principally been achieved by the recovery in volume output, with housing completions rising by 34.8% to 10,138 (2020 - 7,522, 2019 - 10,892), with the proportion of lower value social completions remaining unchanged at 22% (2020 - 22%, 2019 - 22%).

The market is strongest for good quality, affordably priced homes in desirable locations, with our Scotland, Manchester, Yorkshire and East Midlands divisions all enjoying a particularly strong performance in the north of the country, a reflection of the favourable market conditions and our land investment over recent years.

In the South, our established Northern Homes Counties and Essex divisions have performed well, both contributing over 700 completions in the year. In addition, our fledgling Eastern Counties division delivered over 200 completions and is expected to have a growing influence in the years ahead, because of significant investment in both land and people.

Geographical mix changes and the benefit of some underlying house price inflation have resulted in the overall average selling price rising by 4.6% to £306,479 (2020 - £293,054, 2019 - £291,968). As previously guided, the overall average selling price is expected to moderate in the year ending 31 July 2022 to around £295,000, with this a reflection of changes in product mix.

Group Finance Director's Review continued

Underlying operating performance

The recovery in revenue, together with a less disruptive COVID-19 influence on site productivity, resulted in underlying gross profit rising by 54.4% to £651.9 million¹⁴ (2020 - £422.2 million, 2019 - £790.2 million).

The underlying gross margin was 20.9%¹⁴ (2020 - 19.0%, 2019 - 24.6%) and is stated after considering a charge of £21.7 million in relation to site extensions and enhanced health and safety requirements due to COVID-19. These additional costs were reflected in site-based valuations in the prior financial year but continue to influence the underlying gross margin as affected sites trade out.

Other operating income and expenses, which net to an expense of £0.3 million (2020 - £3.1 million, 2019 - £5.6 million), relate to the cost of running our part-exchange programme, with activity substantially reduced due to the strength of the underlying second-hand market.

The underlying administrative expense increased to £120.1 million¹⁴ (2020 - £97.4 million, 2019 - £109.7 million), primarily as payments under the staff and divisional management incentive schemes were resumed, with no amounts being paid in the prior financial year due to the pandemic. In the year ahead, administrative expenses are expected to increase as we make further investment in our land and operational teams to achieve growth. In addition, we expect to incur additional costs, both to attract and retain quality people in a competitive market, and in relation to pension contributions, IT security, insurance and ESG matters. As a proportion of revenue, underlying administrative expenses were 3.8%¹⁴ (2020 - 4.4%, 2019 - 3.4%), with the run rate expected to be around 4%¹⁴ in the year ahead.

The underlying operating margin for the full financial year was 17.0%¹⁴ (2020 - 14.5%, 2019 - 21.0%) and it is anticipated that this will continue to recover to around 18%¹⁴ in the year ahead, driven by increased volume output and a higher proportion of completions from more recently acquired land.

Over the medium and longer-term, the Board is targeting a long-term, sustainable, normalised underlying operating margin of between 18%¹⁴ and 19%¹⁴ but recognises that market influences in certain years may result in an outturn either side of this range. This target is before considering any net benefit that may arise from potential future house prices, less cost inflation. It also takes into consideration additional cost pressures arising from compliance with the requirements of the Future Homes Standard.

Adjusting item: Net legacy building safety improvements

The Group incurred an additional, net £51.8 million adjusting expense, to help remediate certain legacy apartment schemes, where fire safety improvements may be required to comply with latest Government guidance. The net charge comprises a gross expense of £66.9 million, less recoveries received of £15.1 million.

This is a highly complex area, with judgements and estimates in respect of the cost of remediation works, and scope of the properties within the applicable Government guidance, likely to evolve. The Board expects to incur further legacy building safety expense for the year ending 31 July 2022, but note that it believes all known substantial risks items are appropriately provided for, having set aside a total of £164.7 million since 2017, demonstrating our commitment to act responsibly with regards to this issue. The provision remaining at 31 July 2021 was £116.0 million and several schemes are currently undergoing remediation work. The often-complex nature of developing appropriate remediation strategies, on a site-by-site basis, means that it will take several years, working with planning authorities, warranty providers, subcontractors, suppliers and other third parties, to utilise all of the remaining provision.

Bellway is pursuing further recoveries from suppliers, subcontractors and professional advisors, where they have fallen short of the standards required, but as these are not virtually certain, an asset has not been recognised in the balance sheet.

Operating profit

After taking these adjusting items into consideration, total operating profit increased by 92.6% to £479.7 million (2020 - £249.1 million, 2019 - £674.9 million).

Net finance expense

The net finance expense was £11.1 million¹ (2020 - £13.4 million, 2019 - £14.4 million) and principally includes notional interest on land acquired on deferred terms and bank interest. Notional interest on land acquired on deferred terms reduced by £0.4 million to £6.5 million (2020 - £6.9 million, 2019 - £7.8 million). Bank interest, which includes interest on drawn monies, commitment fees and refinancing costs, decreased to £3.1 million (2020 - £6.0 million, 2019 - £6.3 million), principally reflecting the Group's reversion to an average net cash of £266.3 million¹ during the year (2020 - net debt of £55.4 million, 2019 - net debt of £165.4 million). In addition, the Group incurred an interest charge of £1.6 million on its US Private Placement ('USPP') debt (2020 - nil, 2019 - nil).

Profit before taxation

Profit before taxation increased by 102.4% to £479.0 million (2020 – £236.7 million, 2019 – £662.6 million). The underlying profit before taxation rose by 71.6%, to £530.8 million¹⁴ (2020 – £309.3 million, 2019 – £662.6 million).

Taxation

The corporation tax charge was £88.3 million (2020 – £43.8 million, 2019 – £124.0 million), reflecting an effective tax rate of 18.4% (2020 – 18.5%, 2019 – 18.7%).

The effective tax rate will increase in the years ahead as the standard rate of corporation tax rises to 25%, with effect from April 2023. In addition, the Government has plans to introduce a Residential Property Developer Tax ('RPDT'), likely to be from April 2022, and at a rate to be determined, to seek a further industrywide contribution towards its Building Safety Fund.

Profit for the year

After considering taxation, profit for the year rose by 102.5% to £390.7 million (2020 – £192.9 million, 2019 – £538.6 million). The underlying profit for the year rose by 71.9%, to £432.7 million¹⁴ (2020 – £251.7 million, 2019 – £538.6 million).

Basic earnings per share ('EPS') rose by 102.4% to 316.9p (2020 – 156.6p, 2019 – 437.8p).

Net cash and financial position

Bellway has a strong balance sheet and ended the year with net cash of £330.3 million¹ (2020 – £1.4 million, 2019 – £201.2 million), representing an ungeared¹ position (2020 – ungeared, 2019 – ungeared). This is ahead of previous expectations, reflecting the completion of additional homes and changes in the timing of anticipated cash outflows in relation to newly acquired land. Committed land obligations remain low, at £455.8 million (2020 – £343.6 million, 2019 – £297.9 million). Including land creditors, net debt stood at £125.5 million¹ (2020 – £342.2 million, 2019 – £96.7 million), representing very modest adjusted gearing of 3.8%¹ (2020 – 11.4%, 2019 – 3.3%).

Including renewals since 1 August 2021, the Group has committed bank facilities of £370 million, which mature in tranches through to 31 December 2025. In addition, the Group entered into a contractual arrangement during the year to issue a sterling USPP for a total amount of £130 million, as part of its ordinary course of business financing arrangements. This USPP debt, which has maturity dates in seven and ten years, was drawn down on 17 February 2021. In aggregate, this provides the Group with access to total committed debt lines of £500 million, thereby securing a long-term and diversified source of capital. This, together with the Group's substantial cash resources, provides financial resilience in the event of unforeseen economic circumstances. In addition, it ensures that Bellway has significant capacity to achieve its growth strategy by investing in compelling land opportunities, provided they meet our minimum financial acquisition criteria.

A robust balance sheet provides strength and flexibility

The balance sheet principally comprises amounts invested in land and work-in-progress, with total inventories rising by 4.4% to £4,032.2 million (2020 – £3,863.0 million, 2019 – £3,477.6 million). The carrying value of land rose to £2,483.9 million (2020 – £2,216.2 million, 2019 – £2,004.4 million), reflecting the substantial investment in new sites during the year.

Work-in-progress reduced by 4.3% to £1,431.4 million (2020 – £1,496.1 million, 2019 – £1,298.2 million) and was 46.1% (2020 – 67.9%, 2019 – 40.8%) as a proportion of housing revenue. The reduction reflects the stronger than expected completion profile in the second half of the financial year and a weighting towards plots in the earlier stages of construction.

In relation to its legacy, defined benefit pension scheme, the Group had a retirement benefit asset of £10.2 million (2020 – £1.3 million, 2019 – £2.8 million) at 31 July, reflecting an ongoing commitment to fund this future, long-term obligation. The improvement on the prior year mainly reflects investment returns on assets, together with updates to demographic assumptions.

Following cash dividend payments made in the year totalling £104.7 million, the net asset value rose by 9.8% to £3,287.8 million (2020 – £2,994.0 million, 2019 – £2,921.2 million), representing a net asset value per share of 2,664p¹ (2020 – 2,427p, 2019 – 2,372p).

As a result of the recovery in profitability and improved asset turn, underlying RoCE increased to 16.9%¹⁴ (2020 – 10.8%, 2019 – 24.7%) or 15.0%¹⁴ (2020 – 9.8%, 2019 – 22.1%), when including land creditors as part of the capital base. Post-tax return on equity was 12.4%¹ (2020 – 6.5%, 2019 – 19.8%).

Bellway's volume growth strategy and ability to invest in high return land opportunities will lead to future long-term value creation for shareholders.

Keith Adey

Group Finance Director

18 October 2021

Better at interacting with **local communities**

At Bellway we are passionate about supporting our local communities. During the COVID-19 pandemic many of our divisions have been helping foodbanks and soup kitchens close to our developments to support those most in need.

Our North West division has made a donation to Whitby's Pantry in Preston who provide a valuable local service which has seen a surge in demand during the pandemic. The project which is part funded by the National Lottery provides members with reduced cost food and household items.

Our Yorkshire division has donated an oven to a Leeds soup kitchen after their old appliance had broken down. Hot food can now once again be served for up to 200 families a week who use the charity's vital services.



Better with
Bellway



Better with Bellway – a responsible and sustainable approach to business

The ongoing development of 'Better with Bellway', our new integrated sustainability framework, is a long-term and strategic priority for the Group, alongside our other strategic priorities of volume growth and value creation for shareholders.

We have already established a diverse and well-resourced steering group, whose remit is to embed sustainable and responsible working practices within the day-to-day operations of the business. Working with external consultants and experts, we have engaged with a wide range of stakeholders to understand the sustainability priorities facing a variety of different groups. Using the results of this research and overlaying this with our own understanding of risks and business priorities, we are now developing a framework of strategic sustainability priorities, KPIs and targets, with a view to defining and reporting upon our strategy in the year ahead.

In the meantime, progress has been made in several key areas, as reported below.

Reducing our carbon footprint

In 2018, we set a target to reduce scope 1 and 2 carbon emissions by 10% per home sold, by the year ending 31 July 2023. We are pleased to report that we have achieved this target two years early, not only reducing scope 1 and 2 emissions per home sold by 24.0% to 1.9 tonnes (2020 – 2.8, 2019 – 2.4, 2018 – 2.5), but also reducing total scope 1 and 2 emissions by 22.8% to 19,484 tonnes (2020 – 20,989 tonnes, 2019 – 25,715 tonnes, 2018 – 25,253 tonnes) compared to financial year 2018. Amongst other measures, we achieved this principally by extending our use of Renewable Energy Guarantees of Origin electricity supplies, beyond owned divisional offices and development compounds, to also include plots under construction, show homes and sales offices. As a result, over 69% of our electricity is now supplied from renewable sources. We are also trialling green diesel, made from hydrotreated vegetable oils, to use in our site generators and forklift telehandlers. If successful, this has the potential to further reduce our remaining scope 1 and 2 emissions.

Reduction of scope 1 and 2 emissions per home sold

(24%)

Electricity supplied from renewable sources

69%

Going forward, the main challenges facing the sector in relation to carbon reduction are adhering to the new requirements of the Government's Future Homes Standard. These are designed to reduce regulated scope 3 carbon emissions, arising throughout the lifetime of new homes built after 2025, by 75% to 80% compared to a base level determined by the 2013 building regulations. We have several initiatives in place to achieve this, including the construction of exemplar trial homes, on three sites across the Group, which use materials and products that already meet these stringent standards. We are also engaging with supply-chain partners to understand the technical constraints of the new requirements, as well as investing in energy monitoring equipment to assess customer energy consumption, post-completion.

More broadly, we are also looking to reduce embodied scope 3 carbon emissions, arising throughout the supply chain and construction process. Initiatives include a more widespread trial of timber frame housing across the Group's northern divisions, outside of Scotland, where this approach to construction is more routinely used. We also continue to progress a trial of modular homes at our site in Tattenhoe, Milton Keynes, in partnership with Homes England and are developing a joint venture site in Cherry Hinton, Cambridgeshire, where our intention is that the heating systems will not use traditional, carbon producing, gas powered boilers. We will use our learnings from these developments to help to influence our future carbon reduction strategy.

We have recently engaged The Carbon Trust to help us measure our groupwide carbon emissions, including scope 3 emissions, using financial year 2019 as a base. We will use the results of this exercise to set ambitious, science-based carbon reduction targets, over and above the impending regulatory requirements, which are already challenging. In some instances, the adoption of these new targets will test established business practices, but it is incumbent upon Bellway to respond appropriately to mitigate the effects of climate change.

We look forward to reporting on these new targets and progress made towards achieving them in the next financial year.

Quality and our 'Customer First' agenda

We are determined to continue building upon our reputation as one of the country's leading, national housebuilders, ensuring that customers are at the core of what we do, and that the Bellway brands are synonymous with trust.

We are proud that 39 of our site managers (2020 – 44, 2019 – 42) were recognised with NHBC Pride in the Job Awards, a testament to their hard work and dedication, especially given the ongoing challenges of responding effectively to COVID-19.

Site managers recognised with NHBC Pride in the Job Awards

39

Better with Bellway – a responsible and sustainable approach to business continued

Our 'Customer First' agenda was formally launched to colleagues in April 2021 and is designed to enhance the customer experience and help Bellway to exceed customer expectations in respect of the quality of product and service levels. We have so far restructured our divisional customer service teams to ensure that we are best placed to give the highest level of service to our customers. We are providing additional training to colleagues, prioritising behavioural and leadership training to enshrine a strong 'Customer First' culture within the Group. We have also increased the number of visits customers are able to make to site during the construction process, thereby ensuring they are better informed throughout the build process.

As a result of our continued efforts, we are delighted to have achieved the status as a five-star homebuilder³ for the fifth consecutive year, achieving a record, positive score of 93.5% in the last survey year, with this assessment undertaken eight weeks after customer completion dates. Going forward, we will continue to target improvements to our performance in the Home Builders' Federation follow-up customer satisfaction survey, which is undertaken nine-months after the completion date. While the customer response rates reduce considerably compared to the initial eight-week, post-completion survey, we are determined to build upon our latest score of 78.3% at 1 September 2021. We have plans to help achieve this in the year ahead, including ongoing engagement, training, and monitoring of subcontractor performance, together with the development of a customer portal, which will act as a single reference point for information for customers throughout the sales process and beyond.

Constructing safe and quality new homes

Building new homes, safely

Ensuring the health and safety of our colleagues, subcontractors and site visitors remains a priority for Bellway and we have continued to seek ways to refine our approach. We have engaged a new health and safety advisory service, Safety Services (UK) Limited, who have improved data collection systems and helped us to better identify areas that require improvement. In addition, we have improved internal communications to help ensure that colleagues and subcontractors are appraised of legislative changes, internal targets, and initiatives.

While our response to COVID-19 has continued to evolve, we retain key measures such as enhanced training, restrictions on the number of office workers, sanitising stations and clearly marked signage to help prevent the spread of the virus. We also continue to promote good mental health across the workforce and our trained mental health first aiders continue to help identify and assist those colleagues who may need support. Our seven-day reportable incidence rate also remains low at 336.49 incidents per 100,000 site operatives (2020 – 203.12, 2019 – 324.87).

**Incidents per 100,000
site operatives**

336.49



We work with all our employees and subcontractors to ensure that safe working practices are promoted and embedded on all of our sites

Legacy building safety improvements

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

As reported in March, we have continued working with building owners and warranty providers, who are undertaking their own investigative works, to determine whether the combination of materials used in the construction of whole wall systems adequately prevents the spread of fire. As set out in the Chairman's statement and Group Finance Director's review, we have set aside an additional net amount, of £51.8 million for the full year, to continue supporting residents of affected buildings. The additional costs relate to developments where initial investigative works had not been previously concluded. In addition, they are associated with a widening scope of works on certain, more complex sites, with these being required to achieve an acceptable remediation strategy.

In addition to our own provisions and approach to legacy building safety issues, we have also participated in the Government's consultation on establishing the RPDT to raise revenue for the Government's Building Safety Fund.

Becoming an employer of choice

Bellway's aim is to become an 'employer of choice', to attract, train and retain the highest calibre individuals to contribute to the ongoing success of the Group.

In that regard, we are delighted to continue to make progress as a member of the 5% Club, with 8.5% of our employees engaged in 'learning and earning' positions (2020 – 8.3%, 2019 – 6.1%). We have plans to invest further in early years talent, through the ongoing expansion of our graduate and apprenticeship programmes. In addition, our new learning and development team are creating clearly defined career paths to aid future colleague progression and our Senior Leaders' Development Programme is also helping to identify and develop the rising stars of the future.

**Employees engaged in 'learning
and earning' positions**

8.5%

Attracting and retaining the best talent also means embracing equality, diversity and inclusion within our organisation. To achieve this, we have launched a new Equality, Diversity and Inclusion Policy, which outlines our commitment to becoming a more inclusive employer. All employees, including our senior leaders, have undertaken diversity and inclusion training, which encourages colleagues to challenge, reflect and approach scenarios from a different perspective. We have also launched our first diversity and inclusion network group, 'Balance', in February 2021 which is designed to empower individuals and raise awareness of potential constraints to career progression within Bellway.

Evolving working practices, because of the pandemic, have given us an opportunity to reflect upon our traditional approach to work and it has become clear that better productivity, greater inclusion, and an improved work-life balance can be achieved by a more flexible approach to employment. We have therefore introduced flexibility with regards to colleagues' start and finish times and have also launched our new Agile Working Policy, with the intention that this will allow eligible employees to permanently work from home for one day per week.

Separately, we have undertaken our second-ever employee engagement survey and the initial feedback is very positive, with 93% of colleagues who responded feeling proud of the quality service Bellway provides to our customers, and 89% willing to recommend Bellway to others as a great place to work. The survey also confirmed excellent progress on the priorities agreed following last year's results relating to training and development, internal communications, and leadership.

Colleagues who responded feeling proud of the quality service Bellway provides to our customers

93%

Colleagues willing to recommend Bellway to others as a great place to work

89%

As a responsible employer, we recognise the importance of making a meaningful pension contribution, in order that colleagues can afford to retire when it is right for them to do so. This is especially important for our site-based staff, who often have physically demanding jobs. Accordingly, from August 2021, we have increased the available matched employer pension contribution from 5% to 7% for all employees, including our site-based construction staff and directly employed tradespeople and labourers. We will continue to review our pension provision in the future to ensure that our overall remuneration offering remains competitive.

In the year ahead, we will continue to take action to ensure that Bellway remains an attractive place to work and will continue to work towards achieving full Living Wage accreditation.

Charitable giving

We are committed to continuing our support for local and national charities, as well as the communities in which we develop. Fundraising activity has been more challenging because of the pandemic, however, despite this, we have raised and donated £520,413 to good causes in the year, of which £128,413 was raised by employees, subcontractors and suppliers.

Financial year 2021 was the fifth year of our partnership with Cancer Research UK ('CRUK') and employee engagement for this worthwhile cause continues to be strong. Notwithstanding the limited fundraising opportunities over the past year, our colleagues, suppliers, and subcontractors have, working with Bellway, raised a total amount of £1,954,829 in the five years since our partnership began, a fraction short of our £2 million target. We have extended our partnership with CRUK until 31 December 2023, over which time, we hope to increase our fundraising total to £3 million, supported by the imminent launch of our "3 for '23" campaign.

Total raised and donated to good causes in 2021 **Amount raised by employees, subcontractors and suppliers**

£520,413

£128,413



Bellway's Yorkshire division has given local charity 'HELP' a generous donation of PPE so it can safely continue its vital, front-line community work.

Further initiatives

Our 'Better with Bellway' strategic approach also includes initiatives with regards to biodiversity, sustainability in the supply chain and resource efficiency, which we intend to report on our website in the year ahead.


Next steps

We look forward to publishing our fully integrated 'Better with Bellway' strategy, along with appropriate targets and KPIs, in 2022.


Principal Risks

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




Risk and description	Strategic relevance	KPIs	Mitigation
Climate change			
<p>Failure to evolve business practices and operations in response to climate change including physical impacts, reporting requirements and social/market expectations.</p> <p> There is an increase in this risk given forthcoming regulatory changes and reporting requirements, as well as increasing market focus and expectations.</p>	<ul style="list-style-type: none"> • There is an increased focus on the actions taken by businesses in response to climate change and the disclosures made. Failure to improve policies, reporting and performance in line with new regulations and heightened social/market expectations could lead to financial penalties and reputational damage. • The physical impacts of climate change (such as extreme weather) could lead to disruptions within the supply chain and build programmes. 	<ul style="list-style-type: none"> • Greenhouse gas emissions. • Carbon emissions per completed home. 	<ul style="list-style-type: none"> • Continual monitoring of new and evolving requirements as part of our legal and regulatory compliance framework, including the Future Homes Standard. • Plans in place to meet TCFD requirements. • Dedicated Head of Sustainability to assess risks relating to climate change, monitor performance and drive improvement. • Consultation with specialist external advisers and subject matter experts (e.g. sustainability consultants). • Investment in energy-saving measures for offices and sites, including transition to REGO certified electricity. • Procurement of materials (e.g. timber) from sustainable sources. • Regular review of the design and features of new homes to increase energy efficiency. • Commencing development of science-based targets.
Construction resources			
<p>Shortages of both appropriately skilled subcontractors and building materials at competitive prices.</p> <p> No change.</p>	<ul style="list-style-type: none"> • Failure to secure required and appropriate resources causes delays in construction, impacting the ability to deliver volume growth targets. • Pricing pressure would impact returns. 	<ul style="list-style-type: none"> • Number of homes sold. • Customer satisfaction score. • Employee turnover. • EPS. 	<ul style="list-style-type: none"> • Systems are in place to select, appoint, monitor, manage and build long-term relationships with our subcontractors and suppliers. • Competitive rates and prompt payment for our subcontractors and suppliers. • Group-wide purchasing arrangements are in place. • Continued review and monitoring of supplier and subcontractor performance, with regular communications to understand their position and any potential issues with their own supply chain.

Risk and description	Strategic relevance	KPIs	Mitigation
COVID-19			
<p>Ongoing uncertainty over the impact of COVID-19 on the Group's operational and financial performance.</p> <p> No change.</p>	<ul style="list-style-type: none"> • The economic uncertainty brought about by COVID-19, in addition to the factors below, affects construction and sales activity which ultimately impact the Group's liquidity: <ul style="list-style-type: none"> - Lack of high loan-to-value mortgages. - Government imposed restrictions/guidance. - Maintaining social distancing practices. - Issues in the supply chain or high levels of staff/sub-contractor absence. • Damage to reputation if the Group is not perceived to be following Government guidelines and acting responsibly. 	<ul style="list-style-type: none"> • EPS. • Number of homes sold. • RoCE. • Gross margin. • Order book value. • Land bank (with DPP). • Operating margin. • Dividend per ordinary share. • Operating profit. • Net asset value per ordinary share. • Employee turnover. • Reservations rate. 	<ul style="list-style-type: none"> • Strong balance sheet as at 31 July 2021 with committed bank facilities and USPP debt. • Regular review of liquidity and cashflow at a Group level. • Targeted spend on land and work in progress. • Maintenance of business resilience plans supported by investment in IT to enable robust homeworking. • Safe working practices and arrangements implemented across offices and sites for staff, subcontractors and customers. • Strong, long-term relationships with subcontractors and suppliers. • Group-wide purchasing arrangements, with prompt payments made. • Ongoing review of supplier and sub-contractor arrangements, including regular communications.

External environment

<p>There are a number of external factors that could affect our ability to generate sales, including but not limited to:</p> <ul style="list-style-type: none"> • Economic factors, especially house price inflation and interest rates. • Mortgage availability. • Government housing policy. • Uncertainty over post-BREXIT agreements. <p> No change.</p>	<ul style="list-style-type: none"> • The impact of these external factors would be on the ability to sell houses and apartments and on returns. 	<ul style="list-style-type: none"> • Number of homes sold. • Order book. • Reservations rate. • Customer satisfaction score. • EPS. • RoCE. 	<ul style="list-style-type: none"> • 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. • We continue to monitor business performance and build a robust future-proof business with a solid strategy and sound financial controls.
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Principal Risks continued

Risk and description	Strategic relevance	KPIs	Mitigation
Health and safety			
<p>There are significant health and safety risks inherent in the construction process.</p> <p></p> <p>No change.</p>	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Number of RIDDOR seven-day lost time accidents per 100,000 site operatives. NHBC health and safety benchmark. 	<ul style="list-style-type: none"> The Board considers health and safety issues at every meeting. Regular visits to sites by the Health and Safety Team (independent of our divisions) and external consultants to monitor health and safety standards and performance against the health and safety policies and procedures.
Human resources			
<p>Inability to attract and retain appropriate people.</p> <p></p> <p>There is an increase in this risk given the current level of competitiveness for candidates in the job market and the skills shortage faced by the industry.</p>	<ul style="list-style-type: none"> Failure to attract and retain people with appropriate skills will affect our ability to perform and deliver our volume growth target. 	<ul style="list-style-type: none"> Employee turnover. Number of graduates and apprentices. Number of people who have worked for the Group for ten years or more. Training days per employee. Senior management gender split. 	<ul style="list-style-type: none"> Continued development of the Group HR and implementation of our people strategy. Centralised recruitment support and employee engagement activities. 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. Graduate, apprentice and site manager programmes in place. Development of our diversity and inclusion activity to make the sector more attractive to a wider demographic.
IT and security			
<p>Failure to have suitable systems in place and appropriate back-up, contingency plans and security policies.</p> <p></p> <p>There is a decrease in this risk given improvements to IT systems and controls during the financial year.</p>	<ul style="list-style-type: none"> Poor performance of our systems would affect operational efficiency, profitability and our control environment. 	<ul style="list-style-type: none"> EPS. 	<ul style="list-style-type: none"> Group-wide systems are in operation which are centrally controlled by a specialist in-house IT team 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. Security Committee in place.

Risk and description	Strategic relevance	KPIs	Mitigation
Land and planning			
<p>Inability to source suitable land at appropriate gross margins and RoCE.</p> <p>Delays and complexity in the planning process.</p>  <p>No change.</p>	<ul style="list-style-type: none"> • Insufficient land would affect our volume growth targets. • Failure to buy land at the right margin would have a detrimental effect on future returns. • Failure to obtain planning within appropriate timescales would have a detrimental impact on our growth prospects and have an adverse effect on returns. 	<ul style="list-style-type: none"> • Land bank (with DPP). • Number of homes sold. • RoCE. • Gross margin. • EPS. • 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. 	<ul style="list-style-type: none"> • Budgeting and forecasting of growth targets to ensure land bank supports strategic target. • Targeted approach to land acquisitions, with 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. • 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. • Investment in strategic land, more sites with DPP.
Legal and regulatory compliance			
<p>Failure to comply with legislation and regulatory requirements.</p>  <p>No change.</p>	<ul style="list-style-type: none"> • 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. • Changes may occur as a result of the MHCLG's Building Safety Programme and the work being carried out by the CMA and Government on leasehold reform. 	<ul style="list-style-type: none"> • Volume growth. • EPS. • Number of homes sold. • RoCE. • Gross margin. 	<ul style="list-style-type: none"> • 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 advisers and subject matter experts (e.g. fire safety consultants). • Strengthened Group-wide policies, guidance and training for key regulatory matters, supported by reporting and whistleblowing procedures. • 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.
Emerging risks			
<p>The Group faces a number of emerging risks that have the potential to be significant to the achievement of our strategy, but which at present cannot be fully defined and assessed. These are considered as part of our established risk management framework, discussed by the Board regularly and elevated to principal risks when warranted.</p>			

Risk Management

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

Our risk management objectives continue to be:

- Assessing emerging and principal risks against an agreed appetite for risk, which is regularly reviewed.
- Improving the balance of risk and return through developing and maintaining a proactive, risk-aware culture.

- Ensuring there is a consistent approach for the identification, assessment, control, monitoring, follow-up and reporting of risks.
- Developing and implementing 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.
- Ensuring the approach to risk management meets the needs of the business, senior management and all key stakeholders.

Risk management framework



Key
 ●---> Reports to ●—> Directs and monitors

Risk management roles and responsibilities

In all businesses, responsibility for 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



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 a meeting of the Audit Committee which all Directors attend, 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 Group.

More information on risk management and internal controls is included within the Audit Committee Report on pages 80 to 89.

Financial risk management

The Group's financial instruments comprise cash, bank loans and overdrafts, fixed rate sterling USPP notes 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, fixed rate sterling USPP notes, 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 total underlying earnings by 2.7 times (2020 - 3.1 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 8 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 £5.9 million (2020 - £12.4 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. Furthermore, the Group had £39.6 million (2020 - £55.5 million) of financial assets relating to loans made by Bellway to equity accounted joint arrangements (note 12). The counterparties to these loans are expected to make a profit and therefore repay the loans in full. The Group therefore 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, borrowings and fixed rate sterling USPP notes). The Group manages its liquidity risk by monitoring existing facilities and cash flows against forecast requirements based on a three-year rolling cash forecast.

Risk Management continued

The Group's Treasury Policy has, as its principal objective, the maintenance of flexible debt facilities in order to meet anticipated borrowing requirements. The Group's banking arrangements outlined in note 18 to the accounts are considered to be adequate in terms of flexibility and liquidity for its medium-term cash flow needs. Relationships with banks, fixed rate sterling USPP noteholders and overall cash management are co-ordinated centrally. The Group is operating well within its financial covenants and available debt 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 9 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 2021, it is estimated that an increase of 1% in interest rates applying to the full year would have increased the Group's profit before taxation by £2.7 million (2020 – decreased profit before taxation by £0.5 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 period to 31 July 2023, aligning with the first year-end after the minimum 12 month assessment period. For this reason, they continue to adopt the going concern basis in preparing the financial statements as discussed further on pages 114 and 129.

Viability statement

In accordance with provision 31 of the UK Corporate Governance Code, the Directors have assessed the viability of the Group over the period to 31 July 2025, which is longer than required by the going concern assumption. This period is consistent with the Group's detailed bottom-up forecasts which assess future profitability, cash flows and the land bank and are overlaid with prudent Group level assumptions.

Factors considered in assessing the long-term viability

In assessing the Group's forecasts and long-term viability, the following factors are considered:

Factor	Consideration
Group's latest performance	This considers the trading performance in both the year ended 31 July 2021 and in the first nine weeks of the new financial year including any changes to selling prices. In addition, any relevant external factors that may affect Bellway, such as any changes to government policies, regulations and mortgages, were considered.
Group's current financial position	This considers the latest net cash held by the Group and the expiry date of existing debt financing, including a planned business as usual bank refinancing that took place on 24 September 2021. Furthermore, consideration is given to the land and work-in-progress held on the balance sheet at the 31 July 2021.
Group's strategy	Whether the base forecast is consistent with the Group's strategy, both financial and non-financial.
Principal risks	Whether the principal risks associated with achieving the Group's strategy, particularly those that would have a significant effect on Bellway's ability to meet its liabilities over the period of the viability assessment, are incorporated.

Group forecast methodology

The Group's bottom-up forecasts are updated on at least a monthly basis by the 22 operating divisions, and are subject to review by the divisional management team, Regional Chairmen and Group management.

The forecasts consider the profitability, cash flows, debt covenants, land bank and other financial and non-financial metrics over the period. These forecasts also incorporate appropriate estimates to take into account costs arising from COVID-19, as the health and safety of colleagues and site visitors remains a priority. They also include anticipated costs arising from adopting the Future Homes Standard. The viability assessment has not been materially affected by climate change considerations.

The main assumptions used in preparing the forecasts are:

- The number, timing and selling price of legal completions.
- Production volumes and the associated build costs.
- The quantity and timing of land spend.
- Working capital requirements.
- Dividend payments.
- Corporation tax.

Viability assessment

The viability assessment is based on the Group's current position and the potential effect of the principal risks facing the Group, which are summarised on pages 48 to 51. The principal risk that has been identified as the most severe and plausible scenario is:

Risk	Relevance to scenarios
External environment: Including housing demand, mortgage availability and government housing policy.	A reduction in private completions and private ASP due to a decline in demand.

The most severe but plausible downside scenario is a severe recession. It includes the following principal assumptions:

- Private completions in H1 FY22 are supported by the strong forward order book, but still fall to 83% of that achieved in H1 of FY21. In the 12 months to 31 January 2023, private completions reduce by around 50% compared to the pre-COVID-19 'lockdown' peak. This is followed by a gradual recovery based on the lower base position.
- Private average selling price in H1 FY22 remains in line with internal forecasts due to the strong order book position. In the 12 months to 31 January 2023, private average selling price reduces by 10% compared to the latest achieved pricing. This is followed by a gradual recovery based on the lower base position.
- These assumptions reflect the Group's experience in the 2008/09 global financial crisis.

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

- Plots in the land bank only being replaced at the same rate that they are utilised.
- Construction spend is reduced in line with housing revenue.
- Dividends were reduced in line with earnings.

None of the mitigating actions included within the scenario would permanently hamper the long-term growth aspirations of the Group.

In addition, several further mitigating measures remain available to management that were not included in the scenario. These include withholding discretionary land spend and instead trading out of the existing substantial land holdings and further reducing construction spend in recognition of the strong carried forward work-in-progress position at 31 July 2021.

The output of this review considered the profitability, cash flows and funding requirements of the Group over the period to 31 July 2025. The assessment included an assumption that existing banking facilities remained in place, but, very cautiously, were not renewed at the end of their term.

In the most severe but plausible scenario, the Group had significant headroom in both its financial debt covenants and existing bank facilities and met its liabilities as they fall due. 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 the period to 31 July 2025.

Corporate Responsibility

A Snapshot of 2021



1. Hitting carbon reduction targets

Bellway recognises the significant effect carbon emissions have on the climate and as a responsible organisation we seek to actively manage this risk on an ongoing basis. We have achieved our carbon reduction target two years early, reducing scope 1 and 2 emissions per home sold by 24.0% against a targeted reduction of 10%. This target has been achieved by accelerating the introduction of REGO (Renewable Energy Guarantee of Origin) electricity across the business.

2. £1.95m raised for Cancer Research UK

We are proud that our fundraising and donation total has reached £1.95 million over the last 5 years. Bellway has extended its partnership with Cancer Research UK for a further 2 years and we aim to increase our fundraising and donation total to £3 million by the end of 2023.

3. Development of the Better with Bellway sustainability strategy

Building on the positive action already taken across the business on sustainability, we are developing a new overarching sustainability strategy which will be launched in 2022.

All corporate responsibility and sustainability activity will now be consolidated and conducted under the banner Better with Bellway. This will improve communication and help colleagues appreciate how their role at Bellway fits within our sustainability agenda.

Better with Bellway aims to have a positive impact on people and the environment through our sustainable and responsible business practices.

4. Significant progress on waste reduction, exceeding targets

In 2018, we set a target to reduce waste per completed home to below 9.3 tonnes by 2021 and we are pleased to report that we have successfully reduced this to 8.9 tonnes.

This has been achieved predominately through targeted action on rubble and aggregate waste. Sites are now required to crush aggregate waste and reuse it as a foundation under paths and driveways.

5. Roll out of Equality, Diversity and Inclusion Policy

Diversity is valued throughout Bellway, we are committed to supporting our colleagues from different backgrounds, and encourage and support employees with different abilities and experiences as this helps generate new ways of working.

To promote these aims, we launched our new Equality, Diversity and Inclusion Policy during the year to support our business leaders and embed best practice into our culture.

Equality, diversity and inclusion e-learning forms part of the mandatory training for all new employees on commencing their new role with Bellway.

6. Introduction of our Agile Working Policy

We are committed to modern working practices to enable employees to maximise their performance and productivity, whilst maintaining a good work-life balance.

In order to support this, we launched our new Agile Working Policy during the year to ensure that employees and managers approach and manage agile working in a safe, fair and consistent manner.

This new policy will be regularly reviewed to ensure that working practices are competitive and support both operational and service delivery.

Better with Bellway

Bellway's commitment to operating in a responsible, sustainable, and ethical manner is a fundamental part of our business model and delivers long-term benefits to our wide range of stakeholders, from customers and employees through to shareholders, suppliers, and the wider communities where we build.

We have been taking positive action on sustainability across the business for many years, publicly reporting our progress since 2014 through our dedicated Corporate Responsibility (CR) Reports and expanding this in 2016 through our Economic and Social Impact Reports. We are proud of our performance to date, but as we continue to grow, it is important that we set our standards even higher to meet the challenges of our time and the expectations of our stakeholders. That is why we are developing a new overarching sustainability strategy and a series of science-based targets for carbon reduction. This work, which will be completed in 2022, will see the profile of sustainability raised within Bellway to align with the commitment of our leadership team, and will deliver a more sustainable business to meet the present and future needs of our customers, shareholders, and wider stakeholder groups.

We are now operating our CR/sustainability activity under the banner Better with Bellway which we will use across the business to consolidate all relevant activities under a single sub-brand. It will aid the internal and external communication of our new sustainability strategy when launched in 2022, as well as helping employees appreciate how their role within Bellway fits within the sustainability agenda.

Sustainability strategic review

In April 2021, we embarked on a root and branch review of our CR and sustainability activities. We engaged an independent specialist consultancy, Simply Sustainable, to support us with the development of a new sustainability strategy. Our objective was to create a strategy for our entire business that would go above and beyond the traditional ESG/CR topics to align itself seamlessly with our commercial strategy. The new strategy will address the key sustainability risks and opportunities unique to Bellway, ensure that we are aligned to national and international standards, and respond to the views of our stakeholders. It will also enable us to set suitably ambitious goals and key performance indicators (KPIs), set Science Based Targets (SBTs), increase our reporting transparency, further improve the overall quality of disclosure, and help build stakeholder trust.

This new strategy marks a significant and exciting milestone for Bellway. We have committed to doing business in a new way – a way that puts sustainability firmly at the heart of our business. While we accept that this may well incur additional cost, at least in the short-term, this is a price we are willing and able to bear in exchange for the step-change in strategic focus and performance that it will deliver.

Building the strategy

As home builders, we know a thing or two about laying strong foundations and taking a thorough, methodical approach. The process began with talking to our stakeholders. We sought views from customers, suppliers, Government, industry partners and financial shareholders, as well as capturing insights from a cross section of our internal

stakeholders including members of the Board and our executive team. The findings from this exercise were central to understanding the issues that are of highest importance to our stakeholders.

Working with the Sustainability Leadership Team, we then conducted a business impact assessment of the risks and opportunities of each material issue. Evaluating the strategic, operational, financial, compliance and reputational risks and opportunities helped to identify areas of moderate, major, and severe business impact. This risk assessment is a key contributor to the prioritisation of topics to be addressed by our sustainability strategy.

Armed with the knowledge of what matters most to our stakeholders, next we identified and assessed the potential issues that could affect both our business and our stakeholders to produce a clear list of priorities and create our materiality matrix.

Alongside the stakeholder engagement and materiality assessment, we also undertook comprehensive strategic analysis to help us fully understand the internal and external drivers and risks to our business, including political, economic, social, technological, legal, and environmental factors. We are now working to understand how we can align and integrate the relevant Sustainable Development Goals ('SDGs') into our business. In addition, we are conducting sector benchmarking, identifying key trends in the UK house building industry and tracking forthcoming policy to help identify the key areas of focus. We are also reviewing our own business governance and processes to identify opportunities for improvement.

Turning strategy into action

When the materiality assessment and strategic analysis are complete, we will identify and agree the key strategic themes for the business and the issues which require focus. With these priority issues clearly defined, the next step will be the development of our sustainability vision, strategic objectives, targets, and KPIs. Once established, our sustainability strategy and accompanying roadmap will outline the short, medium, and long-term objectives that will enable Bellway to turn our strategy into action.

Once our strategy and roadmap are in place, we will then move to integrating the strategy across our business processes, ensuring that objectives and targets are fully understood and delivered by all areas of the business. One of the most important aspects to delivering a successful strategy is the integration of the vision into our culture, and so we will ensure that our colleagues are engaged and involved throughout the process.

This will be the last year that we will report in this format. From next year, we will be reporting against our new Better with Bellway framework and in future reports, we will share the key outputs of the strategic analysis and materiality assessment, alongside progress on how we are performing against delivering our new objectives and targets.

Sustainability management

In preparation for the launch of our new strategy, we have restructured our management of sustainability. A new Sustainability Leadership Team consisting of the Group Finance Director, Group General Counsel and Company

Corporate Responsibility continued

Secretary and Group Commercial Director will manage sustainability at a strategic level, overseeing the development of the strategy, objectives, and targets, and engaging with the Board and key external stakeholders. The Sustainability Leadership Team also sit on the broader 'steering group' who will meet on a regular basis to set and manage corporate objectives designed to deliver the sustainability strategy as well as reviewing progress to-date. The 'steering group' is also responsible for co-opting 'business sponsors' from across the functions within Bellway. These 'business sponsors' form the third tier of our sustainability management and will be responsible for implementing projects at a functional and departmental level to deliver on the agreed sustainability objectives and targets as well as embedding sustainability into business-as-usual activities.

More will follow next year following the strategy's launch, including the outputs from a project with The Carbon Trust to develop 'SBTs' for scope 1 and 2, and scope 3 emissions, a new internal project focused on delivering the 75% reduction in emissions specified by the Future Homes Taskforce and the long-term programme of embedding sustainability into the fabric of our business.

Our key achievements in 2020/21

While development work has begun on our new sustainability framework and strategy, we have continued work towards our overall CR agenda and specifically against the 15 public targets that were set for the 2020/21 year. Some key achievements are highlighted below, and full details of our performance can be found on our CR website (www.bellway.co.uk/corporate-responsibility), along with our initial objectives for the coming 2021/22 year, some of which are referenced later in this report.

Of our fifteen public targets, four are multi-year targets that still have at least 12 months to run. Of the eleven targets completed this year, nine have been achieved with only our CRUK and RIDDOR targets narrowly missed. We fell short of our £2 million CRUK fundraising target by only £45K despite losing over 16 months of fundraising activity due to the COVID-19 lockdown and social distancing regulations. We recorded a RIDDOR incident rate of 336.49 against a target of 324.87, equating to just two additional accidents across the year.



A selection of target highlights are listed below:

Environment

- Achieved our carbon reduction target 2 years early, reducing scope 1 and 2 emissions per home sold by 24.0% against a targeted reduction of 10%.
- Extended the use of renewable electricity to plots under construction and show homes, increasing the proportion of green electricity to 69.2%, helping to reduce our scope 2 emissions.

Construction

- Achieved our construction waste reduction target, reducing waste to 8.9 tonnes per completed home to (2020 - 11.2 tonnes) against a target of 9.3 tonnes.
- Achieved our 5-star homebuilder status from the HBF for the fifth consecutive year running, recording the Group's best-ever Recommend a Friend score of 93.5% (2020 - 92.0%).

Society and Economy

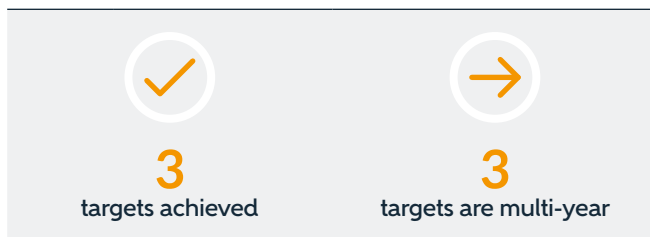
- Completed the fifth year of our partnership with Cancer Research UK, increasing our fundraising and donation total to £1.95 million, just short of our five year target of £2 million.
- Implemented our first employee engagement survey, achieving a 72% response rate, well ahead of our 60% target.


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





Environment

Climate change, waste and protection of the environment are important focus areas for housebuilders and society as a whole. During the year we have continued work to minimise our impacts in these areas and our new sustainability strategy will maintain our focus on these key themes.





 **Waste**
 We will assess the use of single-use plastic in our offices, construction processes and supply chain to understand where we can reduce or eliminate usage by 2021. The next steps are to implement plans to reduce usage in future years.

 **Water**
 We will seek to reduce water consumption across all households to 115 litres per person per day by 2022.

 **Carbon**
 We will aim to reduce our direct carbon emission intensity (scope 1 and 2) from our construction operations, offices and business mileage by 10% by 2022/23 (measured by CO₂e per home sold; 2017/18 as a base year). To date we have achieved a 24.0% reduction as we have accelerated the introduction of REGO electric into the business.

 **Carbon**
 We will fit electric vehicle charging points as standard in 50% of new homes per year we build by 2025.

 **Carbon**
 We will aim to reduce employee business car mileage by 10% through the use of remote meeting technology and the introduction of our new agile working policy. We achieved a 26.3% reduction due to COVID-19 social distancing restrictions accelerating the adoption of remote meeting technology, thereby aiding the reduction.

 **Renewables**
 We will fit a range of renewable energy technology to 40% of new homes built per year by 2023.

Biodiversity and ecology

Bellway’s business strategy is to create long-term sustainable communities where customers want to live and which are constructed with due regard to the local environment. The availability of suitable brownfield development sites has reduced in recent years, but we still build a significant proportion of our homes on this type of land - 36.8% in the past year (2020 - 36.0%) - which brings varied environmental, community and economic benefits to the local area. For all developments, and specifically where we develop greenfield sites, we aim to mitigate our impact through a range of actions, including flood impact assessments, risk assessments, ecology surveys, environmental impact assessments, and in agreement with local planning authorities, biodiversity mitigation, enhancement and offsetting.

In the past year, Sustainable Drainage Systems (‘SuDS’) were implemented into 255 of our developments (2020 - 224). SuDS are more environmentally friendly drainage systems that mimic natural drainage processes to reduce water runoff flooding and pollution, storing water in natural contours of the land and providing an additional habitat for wildlife on developments. In addition, 147 developments included a biodiversity plan (2020 - 186) and we planted over 17,200 trees (2020 - 12,700).

As we implement and embed our new strategy, further biodiversity initiatives and KPIs will be introduced across the business.

Energy and carbon

For the first time, we are reporting against how we are meeting the TCFD recommendations. This disclosure can be found on pages 67 to 69.

One of the key issues for all housebuilders in the UK is carbon emissions (from both operations and homes built). At Bellway we recognise that climate change is a growing and significant issue, and as a responsible housebuilder we are committed to contributing to the UK’s target of net zero by 2050.

The Future Homes Standard is part of the Government’s plan to reach net zero by reducing carbon emissions from the running of new homes. We have already undertaken extensive work to understand how we can redesign our homes to meet the new energy efficiency standards which will come into effect for all new homes built from 2023. We are progressing plans to build several trial homes across our developments, allowing us to test upgraded building fabric standards and new technologies designed to deliver the lower ‘in-use’ energy and carbon emissions required by the new 2023 and 2025 standards. Bellway is also using this timeline as a roadmap for our own carbon reduction programme.

Existing home specifications prioritise energy efficiency, with double glazing, energy efficient lighting and the latest boiler technology, delivering reduced running costs and lower carbon footprints for customers. We also included renewable energy technology to 27.0% of our new homes (2020 - 28.4%), further reducing customers’ energy consumption and bills, and on average, the Dwelling Emission Rate (DER) of our new homes this year was 3.9% better than required by the relevant building regulations (2020 - 4.7%) (DER is a measure of carbon emissions, based on SAP calculations, from the normal running of a home, with lower emissions

Corporate Responsibility continued

equating to reduced energy consumption and so lower bills for customers).

This work sits alongside our ongoing activity which focuses on the energy efficiency of our site compounds, telehandler fleet and show homes. We are also undertaking trials of a green diesel, made from hydrotreated vegetable oils, as a replacement for the red diesel used in our site generators and telehandlers. If successful and rolled out across the business, the new fuel has the potential to significantly reduce our site diesel carbon emissions.

We are pleased to report that we have achieved our carbon reduction target two years early. In 2021 we extended our use of REGO (Renewable Energy Guarantee of Origin) electricity supplies to include plots under construction, show homes and sales offices, and we now have over 69.2% of our electricity supplied from renewable sources, with an additional 6.4% from carbon free sources. This has saved 5,953 tonnes of carbon from entering the atmosphere and reduced our carbon per home sold to 1.9 tonnes, a 24.0% reduction against a target of 10% (2018 - 2.5 tonnes).

We continue to contribute to the Carbon Disclosure Project's ('CDP') 'Climate Change' and 'Forests' programmes and our latest scores for both were 'Awareness - C', in line with the CDP programme global average. We aim to improve our scores going forward as we deliver on our existing carbon target and introduce further carbon saving initiatives. As part of our sustainability strategy review, we have begun work with The Carbon Trust to develop a series of science-based targets to drive long-term carbon reductions within the business and align our carbon reduction aspirations with the UK carbon net zero target of 2050. We expect targets to address scope 1 and 2, and separately scope 3, emissions to be finalised and approved towards the end of 2021 calendar year. As we implement and embed our new strategy, further energy and carbon initiatives will be introduced across the business, including the adoption of science based targets, investigations into switching to bio-diesel fuels on sites and increasing the proportion of electricity sourced from REGO supplies.

Streamlined Energy and Carbon Reporting (SECR) Disclosure

In accordance with the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013 and the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 (SECR), 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.

Scope 1 covers emissions from the combustion of fuel and operation of facilities owned/operated by the company (for example diesel in site generators and telehandlers; fuel in company cars used on company business; gas for heating in offices, show homes and constructions compounds) while scope 2 covers emissions from purchased electricity.

The methodology used to calculate our emissions is based on the UK Government's Environmental Reporting Guidelines (2013) and emission factors from the 2020 government GHG Conversion Factors for Company Reporting. For scope 2 emissions we have reported using both the

location-based method of calculation and, to account for our use of renewable electricity, the market-based method of calculation.

The reported emission sources include all those which we are responsible for, except for 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 air conditioning units in office buildings due to immateriality and difficulty in data collection.
- 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 forklift usage.
- Divisional offices where gas and electricity usage are 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.

The COVID-19 shutdown in March-May 2020 and then continuing social distancing restrictions, make a comparison between 2021 and 2020 difficult. However, with the resumption of construction activity at a site level (initially at a reduced level) we have seen scope 1 emissions rise by 4.8%. Scope 2 emissions (market-based) have fallen significantly by 56.6%, due to our increased use of REGO (Renewable Energy Guarantee of Origin) electricity supplies and the ongoing decarbonisation of the UK electricity mix. 75.6% of our electricity is now from renewable sources which has saved 5,953 tonnes of carbon from entering the atmosphere in the past year. Discounting the benefit of our REGO supplies, location-based scope 2 emissions rose by 8.3%.

Overall, total scope 1 and 2 emissions (market-based) fell by 7.2% and with 10,138 new homes completed for the year, our carbon per home sold metric fell by 32.1% to 1.9 tonnes (2020 - 2.8). This has seen us meet our carbon reduction target of a 10% fall in carbon per completed home two years early. With employee numbers largely static, our scope 1 and 2 market-based emissions per employee have also remained static.

This is the second year we have reported under SECR with the inclusion of certain scope 3 emissions (waste and business mileage) as well as total underlying energy use. Waste emissions rose by 8.4% due the comparison with 2020, which saw the temporary shutdown of sites due to the COVID-19 pandemic. Business mileage emissions have continued to fall (by 0.9%) as the business has embraced remote meeting technology and introduced an Agile Working Policy. Underlying energy use (market-based) fell by 3.5% while using the location-based method to remove the impact of our 'green electricity', the energy use rose by 10.2%. Both the 2019/20 and 2020/21 emissions have been externally verified by Zeco Energy to a 'reasonable assurance level' using the ISO-14064-3 verification standard.

Greenhouse Gas Emissions (GHG) (tonnes of CO₂e)^(a)

	2021	2020
Scope 1 - Combustion of fuel and operation of facilities (including diesel and petrol used on-site and in company cars on Group business)	17,704	16,892
Scope 2 - Electricity purchased for our own use (market-method) ^(b)	1,780	4,097
Total market-method scope 1 and 2 GHG emissions	19,484	20,989
Energy consumption used to calculate above emissions (kWh)	84,971,433	88,061,917
GHG intensity (market-method) per Bellway home sold	1.9	2.8
GHG intensity (market-method) per Bellway employee ^(c)	6.6	6.7
Scope 1 - Combustion of fuel and operation of facilities (including diesel and petrol used on-site and in company cars on Group business)	17,704	16,892
Scope 2 - Electricity purchased for our own use (location-method) ^(d)	5,282	4,877
Total location-method scope 1 and 2 GHG emissions^(d)	22,986	21,769
Energy consumption used to calculate above emissions (kWh)	102,076,721	92,663,081
GHG intensity (location-method) per Bellway home sold	2.3	2.9
GHG intensity (location-method) per Bellway employee ^(c)	7.8	7.0
Scope 3 - Disposal of waste	2,095	1,932
Scope 3 - Emissions from employee business travel in non-company vehicles	1,784	1,799

Notes:

- Carbon dioxide equivalent as per the meaning given in section 93(2) of the Climate Change Act 2008.
- Scope 2 emissions reported using the market-based method to account for electricity supplies purchased under REGO contracts.
- Based on the average number of employees during the year.
- Scope 2 emissions reported using the location-based method for total electricity used which does not account for the zero-carbon nature of electricity supplies purchased under REGO contracts.

Water

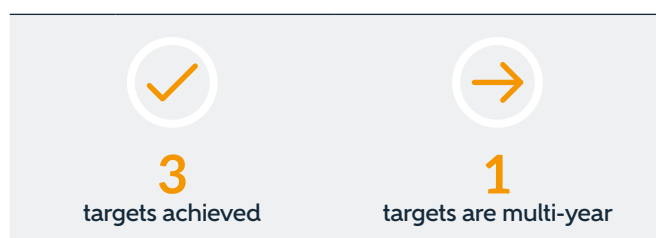
As the effects of climate change are felt across the UK and wider world, we expect that water stress may become more prevalent in some parts of the country. As part of our current water management plan, this year we undertook a project to better understand construction site water usage. This has helped to identify where significant consumption occurs and where potential savings may be made. We are already addressing water usage in our sold homes, with a target to reduce water consumption across all households to 115 litres per person per day by 2022, against a building regulation requirement of 125 litres per person per day. For the coming years we have set a target to reduce construction site water usage against a FY21 baseline.

Corporate Responsibility continued



Construction

As the UK continues to experience a housing shortage, Bellway's role as the UK's fourth largest national housebuilder is key to delivering the country's housing needs now and into the future. We aim to work in partnership with our wide range of stakeholders, including subcontractors, suppliers, and local authorities to deliver desirable and sustainable developments for communities to enjoy.



Waste

We will aim to reduce the quantity of waste we generate (excluding ground works waste) per home under construction by 2021 (against FY18 target baseline of 9.3 tonnes). We have successfully reduced waste per home to 8.9 tonnes.



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. Initiatives researched include: modern methods of construction; ThermaQ heating controls for homes; structural insulating panels; offsite modular builds; less carbon intensive concrete bricks; showersave heat recovery; air source heat pumps; ground source heat pumps; electric boiler solutions; smart home technology.



Customer and quality

We will aim to retain our 5-star homebuilder³ status by achieving a Recommend a Friend score of at least 90% in the HBF new home buyers survey. For the latest completed survey year we scored 93.5%.



Smart homes

We will develop a smart-home technology package for new homes with a view to trialling on five developments by 2022.

Communities

Creating sustainable communities means more than simply building houses. Developments need to provide an attractive and desirable location to new residents while at the same time integrating into the existing neighbouring communities and improving the overall health, wellbeing, and prosperity of the local area. Consultation is key to delivering these aims in the right balance and we engage in a range of consultation exercises at the planning stage and before work commences to ensure all relevant voices are heard and, where practicable, recommendations adopted into the final plans.

As part of our plan to improve the urban design of our developments, we continue to expand the number of sites using our standard Artisan house type. We also invest in the local community over and above the provision of much needed new homes. Through section 106 (England and Wales) and section 75 (Scotland) agreements, as well as community infrastructure levy and affordable housing contributions, we invest significant funds into local communities providing investment for education, healthcare facilities, sports facilities, transport infrastructure improvements and the creation of recreational space. In 2021 we contributed £71.3 million (2020 - £60.5 million). Our construction activities also deliver employment opportunities across the country, and we estimate that between 26,600 and 31,500 direct, indirect and induced jobs were supported by Bellway in the past year.

Waste

While the production of waste is an inevitable by-product of any construction process, Bellway has an environmental and financial responsibility to manage our resources effectively and efficiently. Our aim is to minimise wastage wherever possible, and where waste is unavoidable, to ensure that we reuse and recycle as much as we can, reducing the environmental damage caused by landfill and the higher waste disposal costs that come with landfill.

We have improved our diversion of waste from landfill for the seventh year, achieving 99.4% diversion (2020 - 99.1%). With over 99% of waste now diverted, our focus during the past few years has extended to work on reducing waste tonnages. In 2018, we set a target to reduce waste tonnes per completed home to below 9.3 tonnes by 2021 and we are pleased to report that we have successfully reduced this to 8.9 tonnes (2020 - 11.2 tonnes). This reduction has predominately been through targeted action on rubble/aggregate, requiring sites to crush aggregate waste and reuse as a foundation under paths and driveways.

In 2021 we worked with the Supply Chain Sustainability School ('SCSS') to understand the level of packaging waste we generate in the business and what proportion of that is single-use plastic. We estimate that packaging waste is low at around 250kg per plot, of which around 75kg is plastics. When put in terms of our 8.9 tonnes of overall waste per plot, packaging is only around 3% of total waste, with plastics less than 1%. However, we are undertaking work with our supply chain partners to reduce packaging and have asked them to investigate reusable alternatives to single use packaging. We have also asked suppliers to ensure that there is at least a 30% recycled content in their plastic packaging before the plastic tax is introduced in April 2022.

As part of the new Better with Bellway strategy, work is planned for the coming years to further reduce waste (measured in tonnes per home built).

Supply chain

We are a member of the SCSS and sit on several working groups (include waste and climate change). With the long-term partnerships we have developed with our subcontractors and suppliers, an integral part of what makes Bellway a success, we have encouraged them to sign-up to the SCSS and become 'bronze' members, providing access to a range of training and resources to help their business become more sustainable.

Housebuilding is a local activity and while we have a central procurement function which manages 'group deals', individual divisional procurement teams undertake most of our spend. In 2021 our supply chain spend was £1.8 billion (2020 - £1.4 billion), resulting in a £1.6 billion investment in the UK economy (based on the HBF estimating that 90% of housebuilders' supply chain spend remains in the UK^a). With over 90% of this UK spend by our local divisions, we estimate that £1.4 billion of this investment has delivered a significant boost to the local economies where we develop. With the spend focused on many smaller businesses and companies local to development sites, we are committed to paying our suppliers and subcontractors 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 we have taken. We require all applicable suppliers and subcontractors 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 compliance activity is monitored throughout the year.

Bellway's zero tolerance approach to bribery and corruption has been adopted by the Board. It extends to all the Group's business dealings and transactions and our policy and procedures set out the standards expected of all of our employees. Those who work for and with Group management are responsible for enforcing compliance and carrying out additional checks when required.

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 expected standards, appropriate investigations were conducted and disciplinary action was taken where necessary.

As part of our new sustainability strategy, we have a range of initiatives in the coming years to address some key supply chain issues, including modern slavery audits and partnerships with suppliers to improve efficiency, and share learning across our mutual businesses.

Quality

This year Bellway has continued to provide customers with homes built to a high standard in desirable locations. Our commitment to quality is recognised year-on-year in the NHBC Pride in the Job awards and in 2021 a total of 39 Bellway and Ashberry site managers collected awards (2020 - 44). These awards acknowledge site managers who have achieved the highest standards in housebuilding, recognising their technical knowledge, leadership qualities and organisational skills. We also benchmark the quality of our homes through a range of 'construction quality control' ('CQR') indicators, including the NHBC 'reportable items per inspection' measure and 'construction quality reviews'. In the past year reportable items per home were at 0.21 (2020 - 0.24), below our internal target of 0.3, while the CQR score was 83.8% (2020 - 80.2%), well above our target of 74%.

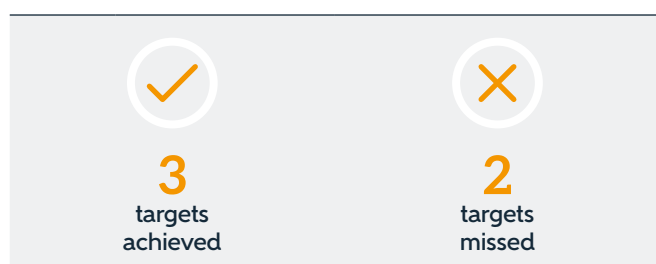
^a The Economic Footprint of House Building in England and Wales (July 2018), prepared for the HBF by Lichfield's.






Corporate Responsibility continued



Society and Economy

A healthy housebuilding sector is a key driver for national economic prosperity and the industry is being called on by the UK Government to deliver 300,000 new homes per year to meet the UK's ongoing housing shortage. Bellway's new homes contribution to this target is delivering a range of social and economic benefits, both locally where we develop, and nationally.



	<p>Health and safety</p> <p>We will maintain our site based RIDDOR incident rate at 2019 levels or below. We narrowly missed this target, achieving a RIDDOR rate of 336.49 against a target of 324.87.</p>
	<p>Diversity</p> <p>We will set up diversity and inclusion focus groups to gain a greater understanding of the issues and challenges facing under-represented groups of employees, informing priorities moving forwards. The 'Balance' group is currently running projects addressing female PPE, family friendly policies and the promotion of flexible working policies.</p>
	<p>Employee engagement</p> <p>We will implement an employee engagement survey this year and aim to achieve at least a 60% response rate. We are pleased to report that we achieved a 72% response rate.</p>
	<p>Community engagement</p> <p>We will develop a schools engagement pack for primary and secondary schools for use by divisions by July 2021. The work has been completed and Bellway divisions have been tasked with delivering engagement sessions at schools in FY22.</p>
	<p>Charitable giving</p> <p>We will extend our partnership with Cancer Research UK for a further 2 years and aim to increase our fundraising and donation total across the combined 5-year period to at least £2 million by July 2021. We narrowly missed our target, increasing our fundraising and donation total to £1.95 million.</p>

Safety

The safety, health, and wellbeing of everyone who works for Bellway remains our number one priority, be they office or site-based staff, directly employed or subcontractors. Our in-house health and safety team works across our divisions, ensuring that safe working practices are promoted and embedded at all offices and sites, utilising training and toolbox talks as well as informal and formal site inspections.

Unfortunately we narrowly missed our target to keep the RIDDOR seven-day reportable incident rate to below 2019's level, recording a rate of 336.49 incidents per 100,000 site operatives for FY21 (2019 - 324.87), recording only one more accident this year compared to FY19. FY21 is also above last year's rate of 203.12, but it must be noted that 2020 was an abnormal year for safety metrics due to the site shutdowns and reduced on-site staff to meet social distancing guidelines because of COVID-19. As in previous years, we will continue to focus on accident prevention and safety education.

Economy

With housebuilding often viewed as a 'barometer' for the UK economy, its role in directly stimulating growth and supporting employment should not be underestimated. In a report published by the House Builders Federation (HBF)^a in 2018, housebuilding was estimated to contribute £38 billion in economic output, support almost 700,000 direct and indirect jobs and contribute £2.7 billion in tax revenues to central and local government.

We continue to use the HBF's, Lichfield's and other publicly available metrics to estimate Bellway's own beneficial impact to the UK economy^b. Our contribution in 2021 was significantly higher compared to 2020 which was adversely affected by various national and regional 'lockdowns' due to the COVID-19 pandemic.

- £1.05 billion in estimated gross value added generated by our construction activities (2020 - £782.5 million).
- 26,600 - 31,500 direct, indirect and induced jobs supported (2020 - 19,700 to 23,400).
- £176.5 million contribution to public finances (2020 - £135.4 million).
- £72.6 million in New Homes Bonus and council tax payments to local authorities (2020 - £69.2 million).

Customers

Each year thousands of customers rely on Bellway to build them the home of their dreams. This is a responsibility we take very seriously and this year we launched the largest internal transformational programme in Bellway's 75-year history. Called Customer First, it aims to 'build homes to be proud of with customers at the heart of everything we do'. The new initiative will also help to improve the building sector's reputation and position Bellway ahead of our competitors by building consistently high quality homes.

a The Economic Footprint of House Building in England and Wales (July 2018), prepared for the HBF by Lichfield's.

b Full details can be found in 'Our Economic and Social Impact 2020-21' summary which is available on our website.

Bellway is already recognised as a quality housebuilder, and we are proud to have retained our 5-star homebuilder³ status from the HBF for the fifth consecutive year running (2020 – 5 star) with our best ever score of 93.5% (2020 – 92.0%), meaning that at least 9 out of 10 of our customers would recommend Bellway to a friend. We are aware that our 'Recommend a Friend' score drops at our 9-month satisfaction survey. As a result, we have launched our Customer First programme to put customer satisfaction at the heart of everything we do and in the coming years we will focus on this longer-term customer satisfaction, utilising both the Customer First initiative and targeting improvements in the 9-month 'Recommend a Friend' survey.

Affordability

Affordability is often cited as a potential reason for the falling home ownership levels amongst the younger generation. Bellway builds a range of new homes to meet the varying budgets and needs of customers, whether they are first-time buyers, looking for a larger family home or downsizing. We continue to create balanced communities, with 22.1% (2020 – 22.2%) of new homes sold to affordable housing providers this year.

In 2021 we sold 6.5% (2020 – 6.4%) of our new homes to unassisted first-time buyers while 39.1% (2020 – 34.5%) were purchased by customers using one of the various Help-to-Buy schemes. Overall, 27.8% (2020 – 27.1%) of our homes were sold to first-time buyers. The average selling price for a Bellway home was £306,479 (2020 – £293,054).

Employees

Our employees and subcontractors are key to the success of our business and during the year we directly employed an average of 2,934 people (2020 – 3,119). When we factor in indirect and indirectly employed people across our subcontractors and supply chain, between 26,600 and 31,500 jobs are supported by our operations.

As an industry, housebuilding continues to see skills shortages in some key areas. Bellway is actively addressing this issue through investment in training our future workforce as well as continuing to be an active member of 'The 5% Club' (maintaining over 5% of our workforce employed in developmental roles). In the past year we had 246 apprentices, graduates and trainees working within Bellway to (2020 – 258), representing 8.3% of the workforce. We also ran our second Apprenticeship of the Year Awards with the winner, Matthew Allwood (apprentice joiner in our East Midlands division), announced in February.

Our new graduate programme began last year, and we are pleased to see the first cohort of 38 individuals nearing the end of their training. As well as their job-specific training, they have undertaken several group-wide projects including one on resource efficiency in the business and another looking to footprint the embodied carbon in a Bellway home which will help shape our impending scope 3 science-based targets.

We undertook our first business-wide employee engagement survey this year and were pleased with the response rate of 72%, above our target of 60%. Some key changes have been implemented as a result including the introduction of 'core hours' for office-based employees (allowing for flexible start and finish times to accommodate personal circumstances), an Agile Working Policy (facilitating some home working where roles allow) and a Flexible Working Policy. In addition, we will set up 'Balance', our first diversity and inclusion focus group which will concentrate on gender diversity.

As a responsible employer we are committed to ensuring that all 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 which is managed by an independent provider.

As part of our Better with Bellway strategy, in the coming years we will target an increase in training posts across Bellway, improve the gender and ethnic diversity of our workforce and increase the provision of mental health training and support for staff.

Charitable giving

The impact of the COVID-19 pandemic has been felt across all sectors, and none more so than the charity sector where fundraising revenues have fallen significantly as corporate partners and supporters have been unable to take part in fundraising activities. Therefore, it has been more important than ever for Bellway to continue our support for not only our national charity partner, Cancer Research UK ('CRUK'), but also the range of smaller local charities and community groups that we support across the country. This support for those sections of society less fortunate than ourselves remains a key aspect of our approach to CR.

CRUK was initially selected as our partner back in 2016 as most of the independent fundraising by employees was in support of cancer charities. From the start of the partnership, employee engagement with the charity has been strong, and this has continued during the challenging COVID-19 pandemic, although fundraising opportunities have been significantly limited. In 2021, £93,703 was raised by employees, subcontractors, and suppliers (2020 – £140,134) and when combined with Bellway's 'double matching' of employee fundraising, the total raised was £351,157 (2020 – £328,493). This brings our 5-year total to £1,954,829, just £45K short of our £2 million target which is a fantastic achievement given we were unable to carry out normal fundraising activity for the last 16 months due to the COVID-19 pandemic lockdowns and social distancing. We are pleased to report that we have extended the CRUK partnership for a further two years, with a new target of reaching £3 million in fundraising and donations by the end of 2023.

Corporate Responsibility continued

As well as our national partnership, we continue to support local charities, causes and community groups in our development areas. We support our employees with 'matching' when they undertake their own local fundraising and in 2021 this activity, although significantly restricted by the COVID-19 pandemic, raised £34,710, (2020 - £110,551). In addition, our divisional offices have maintained their support for good causes in their operating areas. In total, across all our charitable activities, Bellway, our employees, subcontractors, and suppliers have raised and donated £520,413 to good causes this year (2020 - £537,338), of which £128,413 was raised by our employees, subcontractors, and suppliers, (2020 - £237,338).

Looking forward

2021 has been another successful year in terms of CR performance. Our work to date has built a strong foundation on which to build our new sustainability strategy and, with the full support of our leadership team, we are now ready to take our commitment, and our performance, to new heights.

More details of our 2021 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:

- Develop a new comprehensive sustainability strategy that will form a key part of the company-wide Better with Bellway culture change project aimed at embedding sustainability as 'business as usual' across the Group. This will include: the setting of science-based carbon reduction targets; new KPIs and targets centred around key business objectives; creating a working group to deliver the future homes standard; new reporting and management frameworks.
- Develop science-based carbon reduction targets by December 2021 to tackle both scope 1 and 2 emissions and scope 3 emissions.
- Aim to have 100% of our electricity supplies covered by REGO renewable tariffs (or carbon free tariffs) by 2023.
- Reduce construction site water usage (measured in m³ of water per 1000 m² of completed homes) against a base year of FY21 by FY25.
- Aim to retain our 5-star homebuilder³ status in the HBF new home buyers survey in FY22 (2020-21 survey year) and FY23 (2021-22 survey year), improving our score to 95% by FY23 (the 2021-22 survey year).
- Research the carbon benefits of concrete bricks and by 2023 assess the feasibility of moving the construction of a proportion of our new homes to this material.

- Aim to improve the customer's post completion experience demonstrated by improving the 'Recommend a Friend' score in the 9-month survey to 90% by FY26 (scores will relate to the 2023-24 financial year).
- Extend our partnership with Cancer Research UK for a further 2 years and aim to increase our fundraising and donation total to £3 million by the end of 2023.
- Audit a sample of our larger supply chain partners by 2023 to ensure they are fully compliant with relevant legislation and Bellway policies.

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	Pages	Related policies available on our website
Environmental matters	59 to 61	<ul style="list-style-type: none"> • Climate change Policy • Environment Policy • Wood procurement Policy
Employees	22	<ul style="list-style-type: none"> • Health and Safety Policy • Diversity, Equality and Inclusion Policy
Social matters	64 to 65	<ul style="list-style-type: none"> • Charity Policy
Human rights	22, 63, 65	<ul style="list-style-type: none"> • Anti-Slavery Policy • Whistleblowing procedure
Anti-bribery and corruption	88 to 89	<ul style="list-style-type: none"> • Anti-bribery and Corruption Policy • Whistleblowing procedure
Non-financial KPIs	14 to 18	<ul style="list-style-type: none"> • Environment Policy • Health and Safety Policy
Business Model	12 to 18	<ul style="list-style-type: none"> • All of the above

Approval of the Strategic Report

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

Jason Honeyman

Group Chief Executive

18 October 2021

Task Force on Climate Related Financial Disclosures (TCFD)

In 2017, the Financial Stability Board released its report on the recommendations of the Task Force on Climate-related Financial Disclosures. We recognise the importance of these disclosures and are committed to implementing the recommendations in full. This disclosure against TCFD is ahead of the forthcoming UK mandatory requirement for companies to report, which Bellway will comply with in our FY22 annual report. As this is our first time reporting against the recommendations we are continuing to develop and refine our approach ahead of the mandatory requirement, and therefore this disclosure does not meet the recommendations in full.

Utilising specialist organisations (The Carbon Trust and Simply Sustainable) to support us and provide expertise, we have developed a programme to ensure that we meet the TCFD recommendations in full and progress our understanding of the financial risks and opportunities of climate change to our business. In the next year we will undertake climate scenario planning to fully understand the physical and transition climate risks to our business in the short, medium and long-term. We are also in the process of setting ambitious science-based climate reduction targets which go beyond regulatory requirements, measuring and benchmarking our performance against our competitors, designing our new homes to meet the Future Homes Standard, and embedding climate change literacy and understanding of risk into our normal business practices.

We have included information in various parts of this report explaining how we are focused on developing a new sustainability strategy, developing science-based targets and how our business is preparing to address the risks and opportunities arising from climate change. The table below shows a summary of our progress against the TCFD recommendations, and where further relevant information can be found in this report.

Disclosure recommendation	Summary of our progress to date	Section reference
Governance		
Describe the Board's oversight of climate-related risks and opportunities.	The impact of climate change on the business, as well as our impact on the environment, are issues that are being consolidated into our governance approach as we seek to align our practices to the TCFD recommendations.	Bellway p.l.c. Annual Report and Accounts 2021 (page 34)
Describe management's role in assessing and managing climate-related risks and opportunities.	<p>Material climate change related risk is discussed at Board level. Our Group Finance Director holds governance accountability for ESG risks, including climate change, and sits on the Executive Team and the Board.</p> <p>We are in the process of developing our two-tiered approach to the oversight and management of our ESG risks, including climate change:</p> <ol style="list-style-type: none"> 1) Sustainability Leadership Team comprising of our Group Finance Director, Group General Counsel and Company Secretary and Group Commercial Director whose purpose is to raise the profile of ESG risks within Bellway and lead the development of an integrated carbon reduction strategy. 2) Better with Bellway Committee led by our Group Finance Director, Group General Counsel and Company Secretary, risk owners and sustainability specialists from around the business whose purpose is to develop a tactical approach to ESG risks, including carbon reduction, and engage with our network of business sponsors to develop specific and meaningful operational objectives. <p>Our network of business sponsors will steer the internal governance of our sustainability progress. Containing risk owners and department heads, this group is responsible for developing and embedding our emerging new sustainability strategy into the business both at a divisional and departmental level.</p> <p>Accountability for the management of climate change risks sits with our Group Finance Director. Our Head of Sustainability coordinates the management of climate-related risks across the business, reporting into the Group Commercial Director, and in turn the Group Finance Director.</p>	

Task Force on Climate Related Financial Disclosures (TCFD) continued

Disclosure recommendation	Summary of our progress to date	Section reference
Strategy		
Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long-term.	We recognise climate change as a principal risk to our business. As reported in our principal risks on page 34 we define the risk of climate change to our business as 'Failure to evolve business practices and operations in response to climate change, including physical impacts, reporting requirements and social/market expectations'.	Bellway p.l.c. Annual Report and Accounts 2021 – (page 48)
Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning.	The identification of new and emerging climate-related risks, assessment and prioritisation of those risks, and our risk management approach will be key to integrate climate change mitigation into our overall approach to sustainability. Over the next year, Bellway will undertake scenario planning to identify the risks related to the increasing frequency and severity of acute weather events or increasing water scarcity that could impact our operating environment. Once identified, we will work towards obtaining a better understanding of the potential financial impacts using our established scoring criteria, and our resilience with regards to different scenarios.	
Describe the resilience of the organisation's strategy, taking into consideration different future climate scenarios, including a 2°C or lower scenario.	Alongside physical risks, the UK's transition to a low carbon economy highlights a transition risk for Bellway as changes to policy cause the home standards and building regulations to evolve. We recognise that we have more to do to meet the recommendations in full. We are currently developing a new sustainability strategy for Bellway which will be integrated into our business strategy. In addition, we have a programme of activity to looking at specific workstreams to ensure that we are prepared for the transition to a low carbon economy. For example, we have a team tasked with delivering the aims of the Future Homes Taskforce (specifically achieving a 75% reduction in carbon emissions from new homes). We have also engaged the Carbon Trust to develop science-based targets for our scope 1, 2 and 3 emissions.	

Disclosure recommendation	Summary of our progress to date	Section reference
Risk		
Describe the organisation's processes for identifying and assessing climate-related risks.	As a construction company we are capital intensive, requiring high investment in homes under construction, and are dependent on sources of raw and refined materials.	Bellway p.l.c. Annual Report and Accounts 2021 – (pages 48 and 53)
Describe the organisation's processes for managing climate-related risks.	Our established framework for managing risks enables the implementation of the Board's policies on risk management and internal control sitting with management.	
Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management.	A dialogue is maintained between our Head of Risk and departmental heads consisting of internal reviews and challenge. The purpose of these discussions is to consider and assess current, new and emerging risks to the business, including climate related risks. Updates are then applied to our risk register when necessary.	
Metrics		
Disclose the metrics used by the organisation to assess climate-related risks and opportunities.	As a responsible housebuilder, we take our sustainability impact and commitments seriously and recognise the value of measurement, target setting and reporting in driving our greenhouse gas (GHG) emissions down.	Bellway p.l.c. Annual Report and Accounts 2021 – (page 61)
Disclose scope 1, scope 2, and if appropriate, scope 3 greenhouse gas emissions, and the related risks.	In accordance with the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013 and the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 (SECR), we report on our 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. This is the second year we have reported under SECR with the inclusion of certain scope 3 emissions (waste and business mileage) as well as total underlying energy use.	
Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	<p>We are currently working with The Carbon Trust to establish a baseline carbon footprint that will allow us to set science-based scope 1, 2 and 3 GHG emissions targets. We plan for science-based targets (SBT) to be set and, subject to Board approval, published in 2022.</p> <p>We have already started to reduce the impact of our scope 1 and 2 emissions, by switching to purchasing electricity through renewable electricity contracts.</p> <p>We are also identifying specific opportunities to reduce our carbon emissions in the short-term. As an example, we are reviewing our car fleet and car allowance provision to identify how we can incentivise the use of low emission vehicles and electric vehicles.</p>	

Board of Directors and Group General Counsel and Company Secretary



Paul Hampden Smith

Chairman

Appointed 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.
- Chairman of Dallington Lawn Tennis Club.



Denise Jagger

Senior Independent
Non-Executive Director

Appointed 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. Until 30 April 2020, Denise was 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, and prior to this she worked 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, Chair of the Remuneration Committee and a member of the Audit Committee.
- 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.
- The National Trust – Trustee.



Jason Honeyman

Group Chief Executive

Appointed 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 Group Chief Executive on 1 August 2018.



Keith Adey

Group Finance Director

Appointed 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
 Appointed 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, Nominations and ESG Committees.
- C&C Group plc – non-executive director and a member of the Remuneration and ESG Committees.
- St. Austell Brewery Company Limited – non-executive director and a member of the Audit and Remuneration Committees.
- Bakkavor Group plc – non-executive director, a member of the Remuneration Committee, a member of the Nomination Committee and designated workforce engagement Non-executive Director.



Ian McHoul
 Independent
 Non-Executive Director
 Appointed 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, Chairman of the Audit Committee and member of the Nomination and Remuneration Committees.
- Young & Co’s Brewery, P.L.C. – non-executive director and Chairman of the Audit Committee and member of the Remuneration Committee.



Simon Scougall
 Group General Counsel
 and Company Secretary
 Appointed 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:

- Audit Committee
- Nomination Committee
- Remuneration Committee
- Board Committee on Non-Executive Directors’ Remuneration
- Denotes Committee Chair

Chairman's Statement on Corporate Governance



👏 **The Board recognises that diversity extends beyond the boardroom and values diversity across the workforce.** 🧡

Paul Hampden Smith
Chairman

Dear Shareholder

Diversity

The Board believes both corporate governance and decision-making are improved if the Board is made up of highly qualified directors from diverse backgrounds. The Board is therefore committed to making appointments on merit, against objective criteria and strongly supports boardroom diversity in all its characteristics including but not limited to age, gender, race, education, professional background and experience. The Nomination Committee is actively working to identify a candidate pool for the next round of Board appointments which will bring the Board composition in line with the Parker Review recommendations and I am pleased to report that women continue to make up 33% of our Board. Our Board Diversity Policy is available to view on our website.

The Board recognises that diversity extends beyond the boardroom and values diversity across the workforce. Our objective is to become a more open, diverse and inclusive organisation. To realise this we are committed to providing a great working environment which recognises that people from different backgrounds, experiences and abilities can bring fresh ideas and innovation to improve our business and practices. We want to ensure that equality, diversity and inclusion is embedded in our culture, and reflected in our people and behaviours. An Inclusion and Diversity Policy has been issued during the year to help support our business leaders progress towards this goal. Diversity training has been completed by 99.6% of our people.

The UK construction sector has historically been a male dominated environment and tangible change will not happen overnight. We are committed to increasing the number of females in the business especially in senior roles, and we are investing in our apprentice and graduate schemes to bring new diverse talent into the business. We are particularly pleased that this year one of our female site managers, Jazele Parys, won a coveted national pride in the job award. Details of gender and ethnicity split in the Group can be found on page 79 of the Nomination Committee Report.

Sustainability

I reported last year that the Board had set targets focused around allocating more time to the rapidly emerging ESG agenda and I am pleased to update you on the significant efforts that have been made in this area during the year.

Bellway's commitment to operating in a responsible and ethical manner is a key component in our evolving sustainable business model. During the year our Group Finance Director has been assigned governance accountability for all ESG risks, including climate change and we have established a two-tiered approach to the oversight and management of our ESG strategy and risks:

- 1) The introduction of the Sustainability Leadership Team comprising of our Group Finance Director, Group General Counsel and Company Secretary and the Group Commercial Director.
- 2) The introduction of the Sustainability Steering Committee led by our Group Finance Director, Group General Counsel and Company Secretary, risk owners and sustainability specialists from around the business.

In 2017, the Financial Stability Board released its report on the recommendations of the TCFD. We recognise the importance of these disclosures and are committed to implementing the recommendations in full. This is our first year implementing the TCFD recommendations, and we will continue to refine and develop our approach. More information on TCFD reporting can be found on page 67.

We continue to work towards our previously publicly announced CR targets and notably we have achieved our carbon reduction target two years early, reducing scope 1 and 2 emissions per home sold by 24.0% against a targeted reduction of 10%.

Board effectiveness and evaluation

In line with the UK Corporate Governance Code, we undertake a formal and rigorous annual evaluation of our own performance and that of our Committees and individual directors. We operate a three-year cycle of internal and externally facilitated reviews. Bellway's last externally facilitated evaluation took place in 2020, and for 2021 the evaluation was conducted internally with the support of the Group General Counsel and Company Secretary.

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

My 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 the process.

I evaluated the performance and effectiveness of each of the Directors and the Group General Counsel and Company Secretary. Each Committee chairperson reviewed the responses to the Committee questionnaires before reaching their conclusions on how the Committees had performed during the year. The Board, led by myself, 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:

- Annual review of the crisis management protocol with a focus on learnings.
- Have clarity of board objectives based on the evaluation feedback and identify tangible actions for what will be done differently.
- ESG progression (as detailed further on page 57).
- Following COVID-19, the reintroduction of Chairman dinners and divisional visits by Non-Executive Directors.
- Chairman and Senior Independent Director succession planning.

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

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 July 2018. The Code is available, free of charge, from the Financial Reporting Council, online at www.frc.org.uk or by telephoning 020 7492 2300.

Shareholder engagement

The Group 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.

As a result of COVID-19 there has been increased interest from institutional investors in the Group. During the year our Executive Directors hosted virtual 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 Remuneration Policy. The Board receives regular updates from our advisers on investors' and analysts' views on the Group.

Shareholders are also kept up-to-date with our progress throughout the year through the Annual Report and Accounts, and announcements to the London 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 98% of total 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 Group Chief Executive, Group Finance Director and Group General Counsel and Company Secretary.

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

Paul Hampden Smith

Chairman

18 October 2021

Board evaluation 2019/20 update

Action point	Progress
The Board might consider how it ensures that insightful strategic discussions are not deferred to the Annual Board Strategy Day.	The strategic priorities of the Group were agreed at the annual strategy day in July. An update will now be added as a separate agenda item for the Board to report on progress.
The Board might consider allocating more time to the rapidly emerging ESG agenda with a nominated Board lead (Chair or CEO) to reflect the importance the investor community is placing on it.	A new Sustainability Leadership Team and Sustainability Steering Committee have been established to include the Group Finance Director and Group General Counsel and Company Secretary along with other senior stakeholders. Simply Sustainable and The Carbon Trust have also been appointed to support on key ESG matters.
Continue to consider succession planning as an ongoing priority.	The Nomination Committee continues to consider succession planning, notably a Senior Leaders Development Programme has been launched during the year to support the identification and development of our future leaders.
Consideration should be applied to ongoing Executive Director and Group General Counsel and Company Secretary development specifically aligned to the rapidly evolving Board agenda.	Consideration is being given by management to applying for Non-Executive Directors roles at other companies.

Board Leadership and Division of Responsibility

Corporate Governance Report



Left to Right: Ian McHoul Denise Jagger Simon Scougall Jason Honeyman Paul Hampden Smith Jill Caseberry Keith Adey



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

The Board is the principal decision-making body of the Group and is collectively responsible to shareholders for promoting the long-term success of the Group.

At the date of this report the Board consists of six directors whose names, responsibilities and other details appear on pages 70 to 71. 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 Group to meet these objectives and also reviews management performance. It defines the Group'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 Group 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, individual directors and Group General Counsel and Company Secretary.
- 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.

- Approving land purchases over specified limits in conjunction with the wider Board.

Group Chief Executive

- Implementing the strategy agreed by the Board.
- Leading the Executive Directors, the Group General Counsel and Company Secretary 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 health and safety, sales and marketing, public relations 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.
- Responsible for delivering the Board agreed sustainability and ESG strategy.
- Overseeing the sustainability, 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, Group General Counsel and Company Secretary and Regional Chairman remuneration.
- Appointing and removing Executive Directors and succession planning.
- Serving on Board committees.

Division of Responsibilities

Group General Counsel and Company Secretary

- Supporting the Chairman and Group 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 Group Office Strategic land and planning departments.
- Supporting the Group Finance Director on the sustainability and ESG agenda.
- 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, knowledge and experience to meet the requirements of the business. The Board recognises the value of both gender and ethnic diversity as well as the recommendations of the Parker Review, this will be taken into careful consideration when addressing Board succession.

Meeting attendance

During the year there were eight full Board meetings, including one meeting dedicated almost entirely to strategy.

Director	Date appointed to the Board	Number of meetings attended during the year
Paul Hampden Smith (Chairman)	1 August 2013, appointed Chairman on 12 December 2018	8/8
Denise Jagger	1 August 2013	8/8
Jill Caseberry	1 October 2017	8/8
Ian McHoul	1 February 2018	8/8
Jason Honeyman	1 September 2017	8/8
Keith Adey	1 February 2012	8/8

The number of committee meetings are set out in each committee report. There were no absences from any Board or committee meetings.

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 focused on during the strategy day were the following strategic priorities of:

1. Sustainability and the wider ESG agenda.
2. Equality, Diversity and Inclusion.
3. Delivering Growth.
4. Becoming an employer of choice.
5. Production.
6. Digitisation.
7. Customer First.
8. Margin Improvement.

Each year we hold separate annual conferences for the divisional Managing Directors, Finance Directors, Sales Directors, Technical Directors, Commercial Directors and Planning Managers which are attended by executive Directors or members of the Group Office senior management team. These conferences have been impacted by COVID-19 but have been held virtually wherever possible.

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 and Group General Counsel and Company Secretary regularly met with the divisions during the year. The Board also received presentations from the Regional Chairmen and certain Group functional heads with an update on their operating area including the opportunities and challenges they face, and from external advisors.

Each Non-Executive Director normally 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. This has been impacted by the COVID-19 pandemic but visits are scheduled to recommence in 2022.

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 assesses the Groups corporate culture through various interactions with senior management and the wider workforce including Board presentations, divisional visits, Board dinners and the employee awards. The Board have concluded that the corporate culture of the Group is of a high standard.

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 above specified limits, 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, sales and customer care, HR, reporting requirements, corporate governance and internal control, including any whistleblowing issues.

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 Group Chief Executive.
- A review of risk and internal control.
- Consideration of recommendations from the Board committees.
- Scrutiny of reports from the Group 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 Group Chief Executive and approval of the health and safety targets FY22.
- Approval of major land purchases.
- Board evaluation.
- Approval of debt facility agreements.
- Receiving presentations from the four Regional Chairmen on the performance of the divisions under their responsibility.
- Receiving presentations from Finance, HR, IT, Procurement, Sales and Marketing, Commercial and Technical Head Office departments as well as the new Better with Bellway Committee.
- Receiving presentations on sustainability and approval of CR targets for FY22.
- Approval of the Equality, Diversity and Inclusion 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 2020.
- Approval of the Annual Report and Accounts for 2019/20.
- Approval of the preliminary announcement, interim results and trading updates.
- Recommending the final dividend for 2020/21 to be approved by shareholders and approval of the interim dividend for 2021/22.
- Approval of the tax strategy.
- Future Homes Taskforce review and presentation from the Managing Director of the HBF.

- Defence document review and meeting with corporate advisors.
- Crisis protocol review.
- Approval of HR (including E, D & I) KPIs.
- Receiving regular updates on legacy apartment schemes where fire safety improvements may be required or where works are planned or underway.

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 through the Board's skills matrix 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 Group 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 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 chair 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 Group 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

Composition, Succession and Evaluation



👁️ **The Committee’s focus during the year has been on the action plan to improve engagement and diversity within the Group.** 👁️

Paul Hampden Smith
Chairman of the Nomination Committee

- With support from the executive management and Group HR, continue to develop 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 Committee is aware of the recommendations of the Parker Review and will take these into consideration when making future Board appointments. 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.

Membership and meeting attendance

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	3/3
Denise Jagger	1 August 2013	3/3
Jill Caseberry	1 October 2017	3/3
Ian McHoul	1 February 2018	3/3

Main focus in 2020/21

- To increase the drive to improve equality, diversity and inclusion throughout the Group through the development and approval of the Group’s Equality, Diversity and Inclusion Policy.
- To continue to develop, with support from the executive management and Group HR, the succession plan for those immediately below Board level.

Focus areas for 2021/22

- To focus upon Board succession, in particular for the Chairman and the Senior Independent Director, taking into account the recommendations from the Parker Review.
- To continue our work to improve diversity across the Group, taking into account the recommendations from the Parker Review.

Activities in 2020/21

- The Committee’s focus during the year has been on the action plan to improve engagement and diversity within the Group.
- A new Equality, Diversity and Inclusion Policy was approved and introduced.
- Building on the success of the 2020 Bellway Graduate Recruitment Programme, we took the opportunity to recruit female and candidates from an ethnic minority where possible, which helps drive diversity within Bellway and provides possible leaders of the future.
- Equality, diversity and inclusion e-learning continues to be issued to employees and forms part of the mandatory training a new employee must undertake on commencing their new role. 98.9% of employees have completed this training within three months of this being issued to them.
- A new Agile Working Policy has been developed and introduced, recognising the benefits flexible working has for colleagues and the Group.

- The Committee considered and recommended to the Board that Ian McHoul be invited to remain on the Board for a second three-year term from 1 February 2021.
- Planning for Board succession with regard to the recommendations of the Parker Review.
- Presentation from the Group HR Director on Equality, Diversity and Inclusion across the Group and support for the existing proposed action plan for further improvement.
- Also during the year, the Committee continued to develop, with support from the executive management and Group Human Resources, the succession plan for those immediately below Board level. This exercise will look to promote diversity and inclusion where possible.

The Committee have had oversight of the following activities undertaken by the Group General Counsel and Company Secretary with support from the Group HR Director.

- Continue to work with the recruitment consultants' panel, with a particular focus on improving diversity.
- Promoting the benefits of the new site manager training programme which is being run in partnership with the NHBC. The first cohort of 15 employees includes six females and a further two 15 person cohorts are due to commence by the end of the financial year.
- We launched a series of case studies in our staff newsletter focusing on female employees who are progressing their careers within the business.
- Working with the Regional Chairmen and Managing Directors to develop progression and retention plans for key employees within each division, promoting diversity where possible.
- The roll out of leadership development training for Regional Chairmen, Managing Directors and Group heads of department.

Focus in 2021/22

- Succession of the Chairman and Senior Independent Director. The Committee recognises the importance of gender and ethnic diversity and as part of the succession plan is working with an agency to identify a diverse pool of candidates to increase the diversity of the current Board where possible.
- Chairman succession is being led by the Senior Independent Director. The Chairman's nine year tenure as a Non-Executive Director ends on 31 July 2022. It is the intention of the Group to extend his tenure for a further five months beyond this nine year period with a planned retirement at the 2022 AGM. Succession planning is well underway and the Committee have engaged specialist consultants to assist with appointing the successor.
- Senior Independent Director succession will be led by the Chairman. The Senior Independent Director's nine year tenure ends on 31 July 2022. It is intended that a successor will be appointed by this date.
- To continue our work to improve diversity across the Group, taking into account the recommendations from the Parker Review.

Director and employee profile

The following tables show the gender and ethnicity split in the Group as at 31 July 2021. For the first time the Group has reported Board and workforce ethnicity statistics and will report on progress towards improving diversity in future years. More detail on the Group's efforts to improve diversity can be found on page 18:

	Male No.	Male %	Female No.	Female %	Total No.	Total %
Board of Directors	4	67	2	33	6	<1
Executive Committee and direct reports	11	69	5	31	16	<1
Senior managers	140	82	30	18	170	6
Other employees	1,819	67	897	33	2,716	93
Total	1,974		934		2,908	

	Asian or Asian British	Black or Black British	Mixed/Multiple Ethnicity	Other Ethnic/Arab	White British/ European/Non-European	Any other ethnic group	Prefer not to say	Not specified
Board of Directors	-	-	-	-	6	-	-	-
Executive Committee and direct reports	-	-	1	-	15	-	-	-
Monthly paid employees	39	24	23	5	2,020	5	26	84
Weekly paid employees	1	9	3	2	622	1	2	20
Total	40	33	27	7	2,663	6	28	104

Paul Hampden Smith

Chairman

18 October 2021

Audit Committee Report

Audit, Risk and Internal Control



👏 **The Committee supports the Board in achieving the objectives of the corporate governance framework.** 🙌

Ian McHoul

Chairman of the Audit Committee

I am pleased to provide you with our Audit Committee Report. This provides you with an update of the work undertaken by the Audit Committee (the 'Committee') during the period, and sets out how we have discharged our responsibilities and provided assurance on the integrity of the 2021 Annual Report and Accounts, along with an insight into key areas considered.

The Committee supports the Board in achieving the objectives of the corporate governance framework, with its principal activities focused on:

- The integrity of financial reporting.
- The quality of narrative reporting
- The quality and effectiveness of internal controls and risk management systems.
- Procedures relating to the prevention and detection of fraud and bribery.
- Risk and internal audit.
- External audit.

Committee governance

The Committee currently comprises three Independent Non-Executive Directors, who have significant and diverse experience. I believe that between us we have an appropriate and relevant combination of experience and knowledge.

I am a Chartered Accountant, currently Chairman of Vitec Group plc, Chair the Audit Committee of both Britvic plc and Youngs & Co's Brewery P.L.C. and was Chief Financial Officer of Amec Foster Wheeler plc until 2017. The Board considers that I have recent and relevant financial experience as required by the Code. As part of the effectiveness review, the Nomination Committee has also confirmed that it is 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 70 to 71.

In line with the terms of reference, there were three meetings of the Committee during the year, scheduled in line with the Group's financial reporting timetable, and all members of the Committee attended each meeting.

The Chairman, Group Chief Executive, Group Finance Director, Group General Counsel and Company Secretary, Group Financial Controller and Group Head of Risk and Audit attend meetings by invitation and were present at all meetings during the year. In addition, the Group IT Director and Head of Infrastructure presented at one meeting in the period. The Committee is supported by the Deputy Group Company Secretary who acts as Secretary to the Committee.

Membership and meeting attendance

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

Main focus in 2020/21

- Reviewed whether the disclosure of notable one-off items as exceptional and non-exceptional is appropriate.
- Oversaw the transition of the external auditor from KPMG LLP to Ernst & Young LLP.
- Considered the risks associated with cyber security and the Groups IT system.
- Reviewed the findings from various areas of internal audit focus.

Focus areas for 2021/22

- Reviewing the performance of the external auditor after the first audit cycle.
- Internal controls and risk management.
- Ensuring the Group has the appropriate disclosures required by the TCFD in the 2022 Annual Report and Accounts.

Representatives of KPMG LLP ('KPMG') attended the October 2020 meeting where they also met with the Committee independently of management. Following the completion of the external audit tender process in the prior financial year, Ernst & Young LLP ("EY") were also present at the October 2020 meeting to ensure a smooth transition from KPMG. EY attended all of the subsequent meetings where they also met with the Committee independently of management.

No significant concerns were raised during the discussions between the external auditors and the Committee. I also had further discussions, independently of each other, with the Group Finance Director, Group Head of Risk and Audit and external auditor, 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 the external auditor, thereby allowing informed discussions, challenge 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.

A review of the terms of reference during the period determined that they remain appropriate and in line with best practice, reflecting the Committee's responsibilities in line with both the Code and other regulations.

Main activities during the year

The Committee has been in regular contact with management since the onset of COVID-19 to consider whether the pandemic has had any impact on key judgement and accounting areas. During the year, this has included a review of land values, the treatment of significant, one-off items, the presentation of the net legacy building safety expense and related items, and the Group's viability and going concern assessments insofar as these issues affected the year ended 31 July 2020 or 31 July 2021.

The activities undertaken at the October 2021 meeting concluded the Committee's activities in relation to the Group's financial reporting for the year ended 31 July 2021.

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

Meeting date	Activities
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October 2020	The Committee:
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- | | |
|---|--|
| <ul style="list-style-type: none"> Reviewed and challenged papers produced by management in relation to the impact the COVID-19 pandemic has had on key judgements and accounting areas. These included a review of the approach taken with regards to site valuations, land values, and the treatment of exceptional items. Reviewed the final draft of the 2020 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 2020 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 2020 Annual Report and Accounts to the Board for approval. Reviewed the draft viability statement to appear in the 2020 Annual Report and Accounts and the presumption that the Group remains a going concern, together with the supporting assumptions and financial forecasts. Received a paper on significant judgmental areas prepared by management and provided appropriate challenge to the assessment of items designated as exceptional. | <ul style="list-style-type: none"> Reviewed a paper which analysed notable one-off items, both exceptional and non-exceptional, that affected profit during the year ended 31 July 2020 and provided challenge of the treatment of this. 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. Considered a paper produced by management setting out management's assessment in relation to potential risks associated with legacy building safety improvements 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 and approved the Slavery and Human Trafficking Statement 2020. Received and challenged a Risk and Internal Audit update. Considered the findings of the performance evaluation of the Committee. Received a report from KPMG on the outcomes of the Kingman, Brydon and CMA consultations into the audit market. Held a private meeting with KPMG and the Group Head of Risk and Audit. |
|---|--|

Audit Committee Report continued

Meeting date	Activities
January 2021	<p>The Committee:</p> <ul style="list-style-type: none"> • Received and challenged a risk management update from the Group Head of Risk and Audit and reviewed the Risk Management Policy. • Received and challenged an update on the Internal Audit activities undertaken in the previous calendar year and provided feedback on the proposed 2021 Internal Audit plan. • Received and challenged a presentation from the Group IT Director and Head of Infrastructure on cyber security which included information on the Group's IT system, general and Bellway specific cyber risks, existing controls and ongoing improvements. It was agreed that a follow-up presentation would be made at the October 2021 Committee meeting. • Reviewed the terms of reference of the Committee, number of meetings and skills and experience of the Committee. No items were identified that needed to be updated. • Reviewed the Group's policies and procedures in relation to Whistleblowing, Anti-Bribery and Corruption, Anti-Slavery and Data Protection. • Reviewed and challenged a report produced by management setting out the prospective accounting treatment, recognition and disclosure of items relating to legacy building safety improvements. • Reviewed and approved the Group's amended accounting policies in relation to i) revenue recognition, and ii) trade and other receivables. • Assessed the performance of the new external auditor, including obtaining an explanation from EY in relation to the firmwide annual Audit Quality Inspection findings compared to their peers and understanding the effect, if any, this had on the Bellway audit. • Obtained an audit transition update from EY. • Held a private meeting with EY and the Group Head of Risk and Audit.
March 2021	<p>The Committee:</p> <ul style="list-style-type: none"> • Considered a paper produced by management setting out management's assessment in relation to potential risks associated with legacy building safety improvements and work that will be performed and whether appropriate provisions, disclosures and narrative were included in the Interim Announcement. • Reviewed, discussed and challenged a paper produced by management setting out the basis for preparing the Interim Announcement on a going concern basis. The paper incorporated a sensitivity analysis based on the Group's internal forecasts. • Reviewed the final draft of the 2021 Interim Announcement. • Challenged EY's audit plan, including the proposed Group, subsidiary and divisional materiality for the 2021 audit. This included understanding the differences in approach compared to the previous external auditor. EY also discussed how they intended to perform the audit depending on COVID-19 restrictions, and the Committee obtained confirmation that quality and timely delivery would be unaffected. • Received confirmation that the audit fee for the year ending 31 July 2021 was unchanged from the audit tender. • Reviewed the Independent Auditor Policy. • Reviewed and challenged a Risk and Internal Audit update, including an update to the Internal Audit plan. • Held a private meeting with EY and the Group Head of Risk and Audit.

Meeting date	Activities
October 2021	<p data-bbox="333 297 504 320">The Committee:</p> <ul data-bbox="333 349 1474 1249" style="list-style-type: none"> <li data-bbox="333 349 890 488">• Reviewed the final draft of the 2021 Annual Report and Accounts, together with a report produced by EY which detailed their findings both on areas of key financial reporting matters and other areas of audit focus. <li data-bbox="333 501 890 701">• Reviewed and concluded that the 2021 Annual Report and Accounts presented a fair, balanced and understandable assessment of the Group's position and prospects after considering reports from both internal audit and the external auditor. The Committee recommended the 2021 Annual Report and Accounts to the Board for approval. <li data-bbox="333 714 890 824">• Reviewed the draft viability statement to appear in the 2021 Annual Report and Accounts, together with the supporting assumptions and financial forecasts. <li data-bbox="333 837 890 925">• Received a paper on significant judgemental areas prepared by management, including the controls, and provided appropriate challenge. <li data-bbox="333 938 890 1070">• Reviewed a paper which analysed notable one-off items, both those separately disclosed on the face of the income or otherwise, that affected profit during the year and provided challenge of the treatment of these. <li data-bbox="333 1084 890 1193">• Considered and challenged management about the use of APMs and whether they are appropriate or whether GAAP measures would be more relevant. <li data-bbox="919 349 1474 571">• Considered a paper produced by management setting out management's assessment in relation to potential risks associated with legacy building safety improvements 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. <li data-bbox="919 584 1474 716">• Reviewed a paper produced by management setting out which improvements suggested by the FRC had been incorporated in to the 2021 Annual Report and Accounts, and the rationale for those that had not been. <li data-bbox="919 730 1474 795">• Reviewed and approved the Slavery and Human Trafficking Statement 2021. <li data-bbox="919 808 1474 873">• Reviewed a paper produced by management setting out the main controls for preventing and detecting fraud. <li data-bbox="919 887 1474 952">• Reviewed and challenged a Risk and Internal Audit update. <li data-bbox="919 965 1474 1030">• Considered whether the interaction between the internal audit and risk function and external auditor during the period has been appropriate. <li data-bbox="919 1043 1474 1108">• Reviewed and considered the effectiveness of the internal audit function. <li data-bbox="919 1122 1474 1187">• Considered the findings of the performance evaluation of the Committee. <li data-bbox="919 1200 1474 1249">• Held a private meeting with EY and the Group Head of Risk and Audit.

Audit Committee Report continued

Integrity of financial reporting

Significant financial reporting matters

In carrying out its duties, the Committee is required to assess whether suitable accounting policies have been adopted and to challenge the robustness of significant financial matters that affect the Annual Report and Accounts. This process includes reviewing and challenging papers produced by management and confirming whether the policies and judgements remain appropriate for the Group.

The Committee consider the following to be the most significant financial reporting matters based on their potential effect on the Group's financial statements:

- Revenue recognition (new).
- Cost of sales recognition.
- Carrying amount of land and work in progress.
- Going concern.
- Legacy building safety improvement provision.
- Net legacy building safety expense disclosure.

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

Key financial matters	Action performed by the Committee	Conclusion
<p>Revenue recognition (new)</p> <p>Matter considered</p> <p>Revenue of £3,122.5 million has been recognised in the period. The majority of housing revenue is recognised on a point in time basis either i) when the completed dwelling is transferred to the customer; or ii) when the home is build complete and all material contractual obligations have been satisfied. For a small number of contracts, revenue is recognised over time from the point that the land is irrevocably transferred to the customer.</p>	<p>The Committee understands the Group's revenue recognition policy and the related systems and controls.</p> <p>During the year the Committee reviewed two papers produced by internal audit setting out the revenue recognition policy and adherence with this around reporting periods.</p> <p>The external auditor explained to the Committee that they had assessed the design effectiveness of key controls surrounding revenue recognition, summarised the output of data analytics in identifying unusual trends and provided an explanation of the detailed substantive testing performed.</p> <p>The Committee also reviewed a summary prepared by EY explaining the findings from their work testing the design of the Group's systems and controls pertaining to revenue recognition.</p>	<p>Following enquiries with management and the external auditor, the Committee concluded that there are appropriate systems and internal controls in place to ensure revenue is recognised appropriately, and that the Group's revenue recognition policy has been properly applied in these financial statements.</p>

Cost of sales (before net legacy building safety expense) recognition

Matter considered

Cost of sales (before net legacy building safety expense) of £2,470.6 million has been recognised on housing and other revenue. Cost of sales for completed housing sales is recognised 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 Committee understands the Group's gross profit recognition policy and the related systems and controls.

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

The external auditor explained to the Committee that they had assessed the design effectiveness of key controls surrounding gross profit recognition and the valuation process, summarised the output of data analytics in identifying unusual trends and provided an explanation of the detailed substantive testing performed.

The Committee also reviewed a summary prepared by EY explaining the findings from their work testing the design of the Group's systems and controls pertaining to the valuation process.

Following enquiries 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 profit recognition policy is appropriate and has been properly applied in these financial statements.

Key financial matters	Action performed by the Committee	Conclusion
Carrying amount of land and work in progress		
Matter considered		
<p>Land and work in progress are the most significant assets on the Group's balance sheet and at 31 July 2021 had a book value of £3,915.3 million. The carrying value of land and work in progress is affected by both the revenue recognition and profit recognition policies of the Group. 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' section. 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.</p>	<p>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.</p> <p>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.</p>	<p>Following enquiries 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.</p>
Going concern		
Matter considered		
<p>The financial statements have been prepared on a going concern basis. If the financial statements were not prepared on this basis, significant adjustments and presentational changes would be required to the balance sheet.</p>	<p>The Committee reviewed a paper produced by management setting out detailed forecasts and adverse scenarios compared to a base case forecast. These were then compared against the Group's debt facilities to show the expected headroom and debt covenant compliance and to determine whether the Group could continue to meet its liabilities as they fall due.</p> <p>Further details in relation to the Group's going concern and viability assessment can be found on pages 55 and 129..</p>	<p>Following a review of this paper and challenge of both management and the external auditor, the Committee concluded that the going concern basis of preparation continues to be appropriate in the context of the Group's expected funding and liquidity position.</p>
Legacy building safety improvement provision		
Matter considered		
<p>Legacy building safety improvement provisions totalling £116.0 million were recognised in the balance sheet as at 31 July 2021.</p>	<p>The Committee reviewed a paper setting out the latest building regulations and Government guidance in the complex area of fire safety, the IAS 37 requirements for recognising a provision, and how this applies to the developments that management are currently aware of that may require replacement cladding and/or related fire safety works.</p> <p>The paper set out the utilisation of the provision during the year, estimates of the remaining provision and the expense recognised in the income statement during the year.</p>	<p>Following a review of this paper and enquiry with management and the external auditor, the Committee concluded that the legacy building safety improvement provision held in the balance sheet is appropriate.</p>

Audit Committee Report continued

Key financial matters	Action performed by the Committee	Conclusion
Net legacy building safety expense disclosure		
Matter considered		
<p>A net legacy building safety expense of £51.8 million has been recognised in the year. Separate disclosure is required on the income statement when, in the opinion of the Board, a transaction is material by size or nature and of such significance.</p>	<p>The Committee understands the accounting and presentational requirements of IFRSs relating to the separate disclosure of material items of income or expense that could affect decisions made by the primary users of the Annual Report and Accounts.</p> <p>The Committee reviewed a paper produced by management using the above framework, which set out the treatment of whether the net legacy building safety expense should be disclosed separately. The Committee ensured consistent principles were established and applied, and that the external auditor agreed with the conclusions reached early in the reporting process.</p> <p>The Committee gave careful consideration to the judgements made in the presentation and disclosure of the net legacy building safety expense, ensuring the Annual Report and Accounts as a whole provides a balanced view, including the presentation of GAAP measures and APMs.</p>	<p>Following enquiries with management and the external auditor, the Committee concluded that the net legacy building safety expense is appropriately presented and disclosed in the financial statements.</p>

Viability statement

In accordance with provision 31 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 by management was considered by the Committee which set out the resilience of the Group to the emerging and principal risks and uncertainties to various adverse sensitivities. These scenarios included a reduction in both the total number of legal completions and private average selling price, with overheads, land spend and construction spend reducing accordingly. The results were then compared to the Group's financing facilities to ensure sufficient headroom exists and to determine whether the Group could continue to meet its liabilities as they fall due.

The paper concluded that the viability statement and going concern basis of preparation is appropriate. This was then recommended to the Board for approval.

Financial Reporting Council ('FRC')

During the year the Group received a letter from the FRC's Conduct Committee in relation to the 2020 Annual Report and Accounts. This letter noted a relatively small number of areas where the FRC believed that users of the accounts

would benefit from improvements to existing disclosures, if the matters are considered material and relevant. The Committee received and challenged a paper produced by management setting out, with rationale, whether each suggested improvement should be incorporated in to the FY21 Annual Report and Accounts. The majority of the improvements suggested by the FRC have been included, and this approach was agreed by the Committee. The FRC provides no assurance that the Annual Report and Accounts are correct in all material aspects nor verifies the information provided, but considers compliance with reporting requirements. There has been no further correspondence with the FRC.

Quality of narrative reporting

2021 Annual Report and Accounts: fair, balanced and understandable

Group Risk and Audit and Company Secretarial provided a paper to the Committee to assist them in concluding whether the 2021 Annual Report and Accounts are fair, balanced and understandable. This independent review of the Annual Report and Accounts ensured the various components satisfied the requirements when read as a whole. This review also considered whether feedback provided by shareholders in respect of the 2020 Annual Report and Accounts has been reflected.

In addition, the Committee performed a comprehensive review of the Annual Report and Accounts considering items such as:

Fair	Balanced	Understandable
<ul style="list-style-type: none"> • Provide a comprehensive review of the Group's strategy and activities during the year which is consistent with the business model. 	<ul style="list-style-type: none"> • Provide a balanced view of the performance and position of the entity, with both significant positive and negative points disclosed. 	<ul style="list-style-type: none"> • The Annual Report and Accounts are clear and understandable and have consistent messaging throughout.
<ul style="list-style-type: none"> • The narrative section is both consistent throughout and also with the financial results and performance. 	<ul style="list-style-type: none"> • The key accounting judgements considered by the Committee are appropriately disclosed and are consistent with those considered by EY. 	<ul style="list-style-type: none"> • There are clear links between the strategy and KPIs.
<ul style="list-style-type: none"> • Market conditions are clearly described, and principal risks and uncertainties are both accurate and complete. 		<ul style="list-style-type: none"> • The KPIs and APMs have remained consistent and there has been no change in the methodology.
<ul style="list-style-type: none"> • All material transactions and issues faced by the Group are included within the financial statements and disclosed where required. 		

The Committee concluded that the 2021 Annual Report and Accounts, when taken as a whole, is fair, balanced and understandable.

ESG and climate risk considerations

ESG and climate risks are considered by the Board due to their importance, although the associated disclosure requirements are separately reviewed by the Committee. The Committee is aware of the increasing significance of ESG reporting matters and received a summary report from KPMG at the October 2020 meeting setting out their expected road map of climate risk disclosures in the annual report and accounts. This report, along with a subsequent update from EY in October 2021, has enabled the Committee to review and assess the Group's existing disclosures in relation to sustainability. Furthermore, management are assessing the additional disclosure requirements that need to be included in the 2022 Annual Report and Accounts, when The Task Force on Climate-related Financial Disclosures ("TCFD") become mandatory.

Quality and effectiveness of internal controls and risk management systems

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 48 to 51, 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 emerging and principal 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 functional 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 Regional Chairmen visits to divisions.

Audit Committee Report continued

- 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 appropriate 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.

Throughout the year, the Committee received reports from the Group Risk and Internal Audit team on the following areas of focus:

Procedures relating to the prevention and detection of fraud and bribery

Whistleblowing

The Group's Whistleblowing Policy is well publicised at all locations and allows all employees and members of the supply chain to raise concerns in confidence to either the Group General Counsel and Company Secretary, Deputy Group Company Secretary or, alternatively, an independent third party. The Group encourages employees and members of the supply chain to raise any concerns in an open and honest way. These concerns could be in relation to possible wrongdoing in financial reporting, breaches of Group policies and procedures, or other matters such as harassment, bullying, money laundering, modern slavery or discrimination.

All whistleblowing reports are investigated and confidentially investigated by senior, independent personnel and the findings are reported to the Board.

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

Review	Focus and outcomes
Legal completions (half-year and year-end) 2 reviews	Testing of legal completions is undertaken on a bi-annual basis to check that sales have been recorded and recognised in the correct period, with appropriate supporting documentation. For FY21, this work provided positive assurance that the processes operate effectively and prevent the occurrence of cut-off issues.
Divisional compliance 9 reviews	These reviews assess whether the design and operation of accounting and commercial processes in trading divisions is compliant with the requirements of key Group policies. Findings and recommendations have resulted in policy improvement, updated procedural guidance and focused training for divisional management.
Fire safety risk assessment 1 review	This risk assessment provided positive assurance that robust processes, controls and action plans are in place to effectively manage fire projects and remediation works across the Group.
GDPR compliance 1 review	This review focused on the paper based records held within sales offices and sites offices, including the need to collate such information, and storage and disposal processes. No material recommendations were raised.
Health and safety 1 review	This review considered how the Group monitors the health and safety practices of its subcontractors. In light of the ongoing pandemic, consideration was also given to COVID-19 safety measures implemented at sites. Recommendations were minor and resulted in some enhanced communications from the Group Health and Safety function to sites.
Journals (half-year and year-end) 2 reviews	Testing of journals is undertaken on a bi-annual basis to check the validity and accuracy of a sample of transactions and confirm that appropriate journal reviews are being undertaken by the trading divisions. For FY21, only administrative improvement opportunities were identified.
Strategic land management risk assessment 1 review	This risk assessment provided positive assurance that robust processes, controls and action plans are in place to ensure the Group makes appropriate land purchases and maintains a sufficient strategic land bank.
System access management risk review 1 review	This risk assessment provided positive assurance that robust processes, controls and action plans are in place to ensure access to Group systems and networks is allocated on an 'as needed' basis, in line with current roles and responsibilities.
Third party management 1 review	This risk assessment provided positive assurance that robust processes, controls and action plans are in place to risk assess, manage and monitor the Group's key third parties (including subcontractors and suppliers).

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

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.

Internal audit

Testing of processes which help the Group prevent and detect fraud is undertaken as part of a rolling programme throughout the year by the Group Risk and Internal Audit team, and is focused in the following areas: bank reconciliations, employee expenses, payments, journal transactions, sales completions, site valuations and supplier bank details.

Risk and internal audit

The Group has a risk and audit function which, in part, performs internal audit reviews. The Group Head of Risk and Audit has a direct reporting line into both the Group Finance Director and myself. During the year the risk and audit function undertook a number of internal audit reviews, utilising specialists from within relevant functions. The Group Head of Risk and Audit 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 performance and effectiveness

The performance of the external auditor is regularly reviewed by both management and the Committee, and this is done formally on an annual basis. As set out in my 2020 Audit Committee report, the Group appointed EY as its external auditor for the year ended 31 July 2021. Accordingly, it was not considered appropriate to formally review the performance of KPMG, the previous external auditor, in relation to the year ended 31 July 2020. Instead, the Committee considered both:

- The performance of EY in relation to the Audit Quality Inspection ('AQI') results that were published on 14 July 2020, understanding whether any of the findings would have affected the Bellway audit; and
- The performance of the EY engagement partner in the AQI's over the last three years.

Following this review, the Committee recommended to the Board, which is in turn recommending to the shareholders, that EY be re-appointed as auditor of the Group.

Auditor rotation

For the audit of the year ended 31 July 2020, EY attended key meetings to observe KPMG during the audit process to ensure a smooth transition. Following the completion of the audit for the year ended 31 July 2020, both management and the Committee continued to focus on ensuring a smooth transition, including setting up workshops with relevant head office functional heads and a site visit to ensure EY had obtained a detailed understanding of the Bellway processes, systems and controls in advance of starting their audit planning procedures. There has been regular communication between EY and both management and the Committee throughout the transition process.

The Committee acknowledges the provisions contained in the Code in respect of audit tendering. In conformance with these requirements, Bellway will be required to tender the external audit no later than for the 2030 financial year end.

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.

Any engagement with the external auditor needs to be approved, in advance, by the Audit Committee.

The Group's external auditor is only engaged to provide statutory audit services.

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

The ratio of non-audit fees for the year to the external audit fee was 0:1. The Committee considers EY to be independent and EY, in accordance with professional ethical standards, provided the Committee with written confirmation of its independence throughout the year. The Committee monitors all fees paid to the external auditor at each Committee meeting.

The Group has a policy which includes certain restrictions on the recruitment of employees from the external auditor.

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

Audit Committee evaluation and effectiveness

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 the Committee to be effective and it provides a robust and independent oversight over the financial reporting, narrative reporting, internal control and risk management, fraud and bribery prevention and detection, risk and internal audit, and external audit activities of the Group. The Committee has an appropriate and complementary set of skills and experience that enables it to deliver the aforementioned.

Ian McHoul

Chairman of the Audit Committee

18 October 2021

Remuneration Report

Remuneration Committee Report



🗨️ **The Committee continues to operate a remuneration structure... which it considers closely aligns management interests with those of stakeholders.** 🗨️

Jill Caseberry

Chair 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 2020/21 financial year, which will be subject to a single advisory shareholder vote at the forthcoming AGM.

In 2020 as the Company responded to COVID-19, the Committee decided it would not be appropriate to undertake a full review of the 2017 Directors' Remuneration Policy which had been due for review. The Policy, which was subject to minimal changes in 2020, has undergone a full review this year, detailed consultation with shareholders over the Summer months and is also included within this report. It will be presented as a resolution to our shareholders at the 2021 AGM (resolution 3).

Performance and reward in 2020/21

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 management interests with those of stakeholders.

The Group has delivered a positive set of results, consistent with its growth strategy despite COVID-19 headwinds. The number of housing completions rose by 34.8% to 10,138 (2020 - 7,522), underlying operating profit rose to £531.5 million^(1,4) (2020 - £321.7 million). Basic earnings per share rose by 102.4% to 316.9p per share (2020 - 156.6p) and underlying RoCE increased to 16.9%^(1,4) (2020 - 10.8%).

The Company has awarded the Executive Directors a bonus payment of 119.42% of basic salary and the long-term incentive plan awarded in November 2018 will vest at 28.7% of the maximum award based on performance over the three financial years to 31 July 2021. These shares are required to be held for a further two years following vesting. The Committee considers that these outcomes are reflective of the strong performance of the Group and the Executive Directors during the twelve-month and the three year period to 31 July 2021. The Committee determined that there was no reason to exercise its powers of discretion in relation to either the bonus or LTIP outcomes.

As we disclosed last year, whilst not a requirement of the current policy, the Group Chief Executive informed the Committee that he will invest all bonus he receives for FY21 above 90% of salary (after paying tax and national insurance) in Bellway shares which he will keep for a minimum of three years.

During the year, the Committee approved the grant of PSP Awards to the Executive Directors which will vest to the extent TSR performance conditions are met over the period to 31 July 2023, with any shares delivered being subject to a further 2 year holding period. Whilst ordinarily the awards would be over shares worth 150% of salary, in light of the reduced share price at the time of grant and to avoid any windfall gains, it was agreed it would be appropriate to reduce the award to 140% of salary. Details of these awards are set out on pages 94 and 95.

How we will implement the Remuneration Policy in 2021/22

Although we are seeking authority for a revised policy at this year's AGM, we are not proposing to make significant changes in how it will be operated.

There will be a 3.2% increase to the Executive Directors' salaries in 2021/22 which is in line with the level of average increase to the workforce in general. As previously noted, the pension rates for the Directors will be aligned with those of the workforce at the end of 2022. All other benefits remain unchanged.

The 2021/22 annual bonus will continue to be based mainly on financial performance with a bonus opportunity of 80% of salary based on underlying operating profit. The remaining bonus opportunity of 40% of salary will be based on the same strategic measures as last year of land bank, customer care and employee engagement. There has been a modest re-weighting between categories to recognise the increasing importance of the land bank, success of the Customer First initiative and employee engagement. 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.

We are proposing to introduce mandatory deferral into Bellway shares for 3 years of any bonus earned above the level of 100% of salary. This structure for deferral recognises that the bonus opportunity for Executive Directors is below the mid-market level for both housebuilding companies and UK listed companies of similar size to Bellway. However, if an Executive Director's shareholding is below the target of 200% of salary, then they are encouraged to build that holding through share purchases as well as retaining shares they earn through our incentive plans. Our proposed new policy also normally requires this level of shareholding to be retained for two full years after leaving Bellway for whatever reason.

The Committee believes that the manner in which it sets and operates this policy is clear to executives and is aligned to our corporate culture. We operate it with regard to risks inherent in the business and marketplace, providing the opportunity for executives to earn rewards in a manner which is proportionate to the value delivered against clear targets.

We are proposing to increase the limit on PSP awards to 200% of salary but retain the PSP award level of 150% of salary for Executive Directors in 2021/22. The Committee considers this level of award is currently sufficient to incentivise long-term, sustained performance but will keep this under review. Any proposal to increase this level of grant in future years will be discussed first with leading shareholders. We are proposing to introduce a third, equally weighted measure this year of earnings per share alongside the two relative TSR performance tests against housebuilders and the FTSE 350. The Committee has also started to develop a 3 year target for carbon reduction in our supply chain as a fourth equally weighted measure in the PSP which we intend to introduce from 2022/23. We would have liked to introduce this measure for the 2021 grant. However, we wish the performance achievement to be externally verified and for the Committee to have the benefit of external expertise to set the targets and did not feel we could set a suitably robust target range by the time we need to make the grant.

Concluding remarks

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. We hope you are supportive of the approach we have taken during these unprecedented times and will support the resolutions approving this report and the policy at the 2021 AGM.

Jill Caseberry

Chair of the Remuneration Committee

18 October 2021

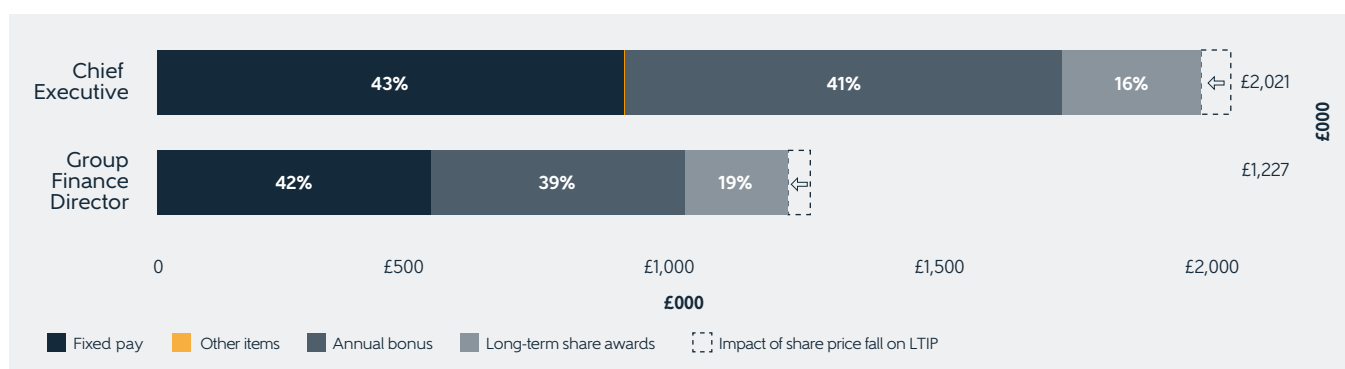
Remuneration Report continued

Remuneration at a glance

How remuneration links to our strategy (see pages 31 to 34 for details of our performance).

Strategic objective	Link to remuneration	Metric	Performance against metric
Earnings growth and driving down costs	Annual bonus and future long-term incentive plan awards	Underlying operating profit	Achieved
Volume growth and focus on RoCE	Annual bonus	Sufficient land bank of plots with DPP	Achieved
Customer First	Annual bonus	Retain 5-star homebuilder ³ status	Achieved
Customer First	Annual bonus	Customer satisfaction score	Achieved
Employee Engagement	Annual bonus	Results of Employee Engagement Survey	Partly achieved
Customer First and responsible employer/developer	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 2020/21



Bonus outcomes – see page 94

The 2020/21 bonus was based on financial and strategic targets.

Strategic objective	Weighting (% of salary)	Threshold (25% pays out)	Maximum value (100% pays out)	Actual ^(a)	Payment (% of maximum)	Payment (% of salary)
Operating profit (underlying)	85.2%	£384.750 million	£435.375 million	£541.9 million	100%	85.2%

Strategic objectives and performance against target

Strategic objective	Performance condition	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 16.8% of salary was achieved.	Achieved in full - 16.8% of salary awarded.
Customer First	We retained our 5-star homebuilder ³ status. The Group's customer satisfaction score in 2021 was 86.6% compared with the base of 85.0%.	Achieved in full - 7.2% of salary awarded. Achieved - 4.8% of salary awarded.
Employee Engagement	The Group's employee engagement score in 2021 was 88.75% compared with the base of 77%.	Partly achieved - 5.42% of salary awarded.

Note:

a. For underlying operating profit and land bank bonus purposes, targets and outcomes include our share of joint ventures.

LTIP outcomes – see page 95

The PSP awards granted in 2018/19 were based on a three-year TSR performance for the period to 31 July 2021.

Metric	Performance condition	Threshold target	Stretch target	Actual	% vesting
50% of awards	Relative TSR against an index of peer housebuilders	24.5% TSR (median)	47.0% TSR (median +22.5%)	21.1% Bellway TSR	0%
50% of awards	Relative TSR against the FTSE 250 (excluding financial services companies and investment trusts)	Rank 75 (median)	Rank 38 (upper quartile)	Rank 59 Bellway	28.7%
Total					28.7%

Annual Report on Remuneration

Committee membership and activity

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

Membership and meeting attendance

Director	Date appointed to the Committee	Number of meetings attended during the year
Jill Caseberry (Chair)	1 October 2017 (appointed as Committee Chair on 13 December 2017)	7/7
Paul Hampden Smith	1 August 2013	7/7
Denise Jagger	1 August 2013	7/7
Ian McHoul	1 February 2018	7/7

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 appointed Korn Ferry as independent external advisers, following a competitive tender process, on 1 January 2019. Korn Ferry 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 members of the Remuneration Consultants Group and abide by its Code of Conduct. The Committee is satisfied that Korn Ferry are independent. The total fee paid to Korn Ferry for advice to the committees during the year was £68,616 (2020 – £78,052). The Committee also benefited 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 2020/21

- Approved the long-term incentive awards vesting levels for the 2019/20 year.
- Approved the 2019/20 Remuneration Report.
- Set the bonus targets for the 2021/22 year.
- Engaged with employees on executive remuneration through the Employee Listening Groups.
- Made awards under the long-term incentive scheme.
- Reviewed and determined the remuneration packages for the Executive Directors and the Group General Counsel and Company Secretary, and the first tier of management below Board level.
- Reviewed remuneration policies for senior management below Board level and the wider workforce.
- Considered the impact of COVID-19 and reflected on executive remuneration.
- Conducted a review of the Directors' Remuneration Policy for approval at the 2021 AGM.

Focus areas for 2021/22

- Approve the bonus payments and long-term incentive awards vesting levels for the 2020/21 year.
- Approve the 2020/21 Remuneration Report.
- Set the bonus targets for the 2022/23 year.
- Engage with employees on executive remuneration through the Employee Listening Groups.
- 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.

Remuneration Report continued

Implementation of Remuneration Policy in 2020/21

The auditor is required to report on the information contained in the following part of this report, as noted on the relevant sections.

Salary and fees for the year ended 31 July 2021

For 2020/21, Jason Honeyman received a salary of £689,000 and Keith Adey received a salary of £400,427.

Annual bonus for the year ended 31 July 2021

The annual bonus is payable in November 2021 for performance during the year ended 31 July 2021. The performance targets for the 2020/21 bonus comprised of underlying operating profit and three strategic targets.

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

Strategic objective	Weighting (% of salary)	Threshold (25% pays out)	Maximum value (100% pays out)	Actual ^(a)	Payment (% of maximum)	Payment (% of salary)
Operating profit (underlying)	85.2%	£384.750 million	£435.375 million	£541.9 million	100%	85.2%

Underlying operating profit including our share of joint ventures grew by 67.9% to £541.9 million which is above the maximum threshold.

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

Strategic pillar	Objectives and performance against target	Opportunity and score
Land bank	Level of land bank plots with detailed planning permission ('DPP') (available for completion in the following financial year) to ensure our growth aspirations are not frustrated by land shortages in future years. A threshold payment of 4.2% of salary would be triggered for a threshold number of plots with DPP, with an additional 1% payment for further improved performance, up to a maximum of 16.8% of salary. The land bank targets are commercially sensitive and will be disclosed one year in arrears. ^(b)	Maximum - 16.8% 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 16.8% of salary was achieved.	Achieved in full - 16.8% of salary awarded.
Customer First	Retention of 5-star homebuilder ³ status (as measured by the HBF).	Maximum - 7.2% of salary
	We retained our 5-star homebuilder ³ status.	Achieved in full - 7.2% of salary awarded.
	Overall customer satisfaction score (as measured by NHBC): A threshold payment of 1.2% of salary would be triggered for a threshold score of 85.0%, with an additional bonus opportunity on a straight line basis for further improvement in the score, up to a maximum of 4.8% of salary for a score of at least 86.5%.	Maximum - 4.8% of salary
	The Group's customer satisfaction score in 2021 was 86.6% compared with the base of 85.0%.	Achieved in full - 4.8% of salary awarded.
Employee Engagement	Employee engagement scores (as measured by the August 2021 employee survey): A threshold payment of 1.5% of salary would be triggered for a threshold score of 77%, with an additional bonus opportunity on a straight line basis for further improvement in score, up to a maximum of 6% of salary for a scores of at least 90%.	Maximum - 6% of salary
	The Group's employee engagement score in 2021 was 88.75% compared with the base of target 77.0%.	5.42% of salary awarded.

Note:

a. For underlying operating profit and land bank bonus purposes, targets and outcomes include our share of joint ventures.

b. The 2019/20 base target was set at 11,950 plots with a maximum target of 12,200 plots. The actual performance achieved was 9,450 plots.

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 as Bellway continues to improve performance on the Safety Services UK health and safety incident rate (previously the NHBC health and safety incident rate), and have improved the score this year to 0.497 (2020 - 0.714).

Long-term incentives vesting in respect of performance period ended 31 July 2021

The PSP awards granted in 2018/19 were based on a three-year TSR performance for the period to 31 July 2021. 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.).	24.5% TSR (median)	47.0% TSR (median +22.5%)	21.1% Bellway TSR	0%
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.	Rank 75 (median)	Rank 38 (upper quartile)	Rank 59 Bellway	28.7%
Total					28.7%

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.

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 in November 2021, 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 2023.

Director	Value on award £000	Number of shares granted	Vesting (% of max)	Guaranteed number of shares to vest	Share price change ^(a) £000	Dividend equivalent £000	Estimated value at vesting ^(a) £000
Jason Honeyman	795	28,909	28.7	8,301	56	33	318
Keith Adey	589	21,413	28.7	6,148	41	24	235

Notes:

- a. Based on a share price of £34.23, being the average share price for the last quarter of the financial year i.e. 1 May - 31 July 2021 as a proxy for the share price at vesting. The estimated value at vesting includes the value of dividend equivalent shares.

Remuneration Report continued

Single figure of total remuneration (audited)

		Salary and fees ^(a) £	Taxable benefits ^(b) £	Pension ^(c) £	Annual bonus £	Sub-total £	Long-term incentives ^(d) £	Other items ^(e) £	Total £	Total fixed remuneration £	Total variable remuneration £
Non-executive Chairman											
Paul Hampden Smith	2021	221,340	-	-	-	221,340	-	-	221,340	221,340	-
	2020	213,962	-	-	-	213,962	-	-	213,962	213,962	-
Executive directors											
Jason Honeyman	2021	689,000	49,293	137,800	822,804	1,698,897	317,670	4,495	2,021,062	876,093	1,144,969
	2020	666,034	44,905	137,800	-	848,739	257,021	4,500	1,110,260	848,739	261,521
Keith Adey	2021	400,427	33,311	80,085	478,190	992,013	235,300	-	1,227,313	513,823	713,490
	2020	387,079	33,200	80,085	-	500,364	257,021	2,250	759,635	500,364	259,271
Non-executive directors											
Denise Jagger	2021	69,550	-	-	-	69,550	-	-	69,550	69,550	-
	2020	67,232	-	-	-	67,232	-	-	67,232	67,232	-
Jill Caseberry	2021	69,550	-	-	-	69,550	-	-	69,550	69,550	-
	2020	67,232	-	-	-	67,232	-	-	67,232	67,232	-
Ian McHoul	2021	69,550	-	-	-	69,550	-	-	69,550	69,550	-
	2020	67,232	-	-	-	67,232	-	-	67,232	67,232	-
Total	2021	1,519,417	82,604	217,885	1,300,994	3,120,900	552,970	4,495	3,678,365	1,819,906	1,858,459
	2020	1,468,771	78,105	217,885	-	1,764,761	514,042	6,750	2,285,553	1,764,761	520,792

Notes:

- The 2019/20 salary and fees reflects the 20% reduction for April and May 2020 agreed by the Board due to the negative impact of the COVID-19 pandemic.
- Taxable benefits include car allowance and health insurance and £15,982 for Jason Honeyman which relates to hotel and travel costs.
- Pension includes both payments in lieu of pension of £215,352 and contributions to a defined contribution scheme of £2,533. None of the directors are members of the Group's defined benefit scheme and only Keith Adey was a member of the defined contribution scheme for part of the year.
- The value of long-term incentives in 2021 reflects the vesting of the November 2018 PSP awards, which will be exercisable in 2021/22, 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 £34.23, being the average share price for the last quarter of the financial year i.e. 1 May - 31 July 2021 as a proxy for the share price at vesting. The 2020 figures for Jason Honeyman and Keith Adey have been adjusted to reflect the actual share prices at the dates of vesting, which took place after the publication of last year's report.
- 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 (audited)

Details all directors' interests in the Company share-based reward schemes are shown.

Jason Honeyman

Scheme	Awards/ options held at 1 August 2020	Granted/ awarded during the year	Exercised during the year	Lapsed during the year	Awards/ options held at 31 July 2021	Exercise price/market price at date of award (p)	Date of grant/ award	Exercisable/ capable of vesting from
PSP ^(a)	16,822	-	(9,066)	(7,756)	-	3,450.0	10.11.2017	10.11.2020
PSP ^(b)	28,909	-	-	-	28,909	2,750.0	22.10.2018	22.10.2021
PSP ^(c)	30,667	-	-	-	30,667	3,370.0	16.10.2019	16.10.2022
2013 SRSOS ^(d)	712	-	-	(712)	-	2,528.0	03.12.2019	01.02.2023
PSP ^(d)	-	39,005	-	-	39,005	2,317.0	27.10.2020	27.10.2023
2013 SRSOS ^(d)	-	771	-	-	771	2,333.0	04.12.2020	01.02.2024
Totals	77,110	39,776	(9,066)	(8,468)	99,352			

Keith Adey

Scheme	Awards/ options held at 1 August 2020	Granted/ awarded during the year	Exercised during the year	Lapsed during the year	Awards/ options held at 31 July 2021	Exercise price/market price at date of award (p)	Date of grant/ award	Exercisable/ capable of vesting from
PSP ^(a)	16,822	-	(9,066)	(7,756)	-	3,450.0	10.11.2017	10.11.2020
PSP ^(b)	21,413	-	-	-	21,413	2,750.0	22.10.2018	22.10.2021
PSP ^(c)	17,823	-	-	-	17,823	3,370.0	16.10.2019	16.10.2022
2013 SRSOS ^(f)	621	-	-	-	621	2,414.4	03.12.2018	01.02.2024
2013 SRSOS ^(f)	356	-	-	-	356	2,528.0	03.12.2019	01.02.2023
PSP ^(d)	-	22,668	-	-	22,668	2,317.0	27.10.2020	27.10.2023
Totals	57,035	22,668	(9,066)	(7,756)	62,881			

Notes:

- The performance period was 1 August 2017 - 31 July 2020. 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 at least a 75% 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. The first part of the performance condition was vested at 37.8% and the second at 57.6%, so 47.7% of these awards vested. Dividend equivalents shares were also delivered to the participants in respect of the shares vesting (J Honeyman: 1,036 shares / K Adey: 1,036 shares).
- The performance period for the awards granted in October 2018 finished on 31 July 2021. Details of the vesting of these awards which will take place after this Report is published are set out in full under the heading 'Long-term incentives vesting in respect of performance period ended 31 July 2021' above.
- The performance period is 1 August 2019 - 31 July 2022. The awards are subject to the same TSR performance condition set out in note a above, and these awards are also subject to clawback provisions.
- On 27 October 2020, awards of performance shares under the PSP were made to Jason Honeyman and Keith Adey, equal to 140% of their respective salaries at the date of grant. Whilst ordinarily awards of 150% of salary are granted, the Committee agreed to reduce the award to 140% of salary in light of the depressed share price at the time of grant and to avoid any windfall gains. The face values on grant of these awards were therefore £964,594 and £560,580 respectively. The performance period is 1 August 2020 - 31 July 2023. The awards are subject to the same TSR performance condition set out in note a above, and these awards are also subject to clawback provisions. The awards were in the form of nil cost options.
- All of the above awards set out in notes a-d were granted for nil consideration.
- Further details of the 2013 SRSOS are shown in the summary of outstanding share options in note 24 to the accounts.
- The value of long-term incentive plans for the executive directors which were exercised in the year and those which will become exercisable in 2021/22 are shown in the single figure of total remuneration table on page 96.
- The market price of the ordinary shares at 31 July 2021 was 3,282p and the closing range during the year was 2,060p to 3,712p.

Payments to past directors (audited)

No past director received any payments from the Company during the year.

Payments for loss of office (audited)

No payments have been made in respect of loss of office during the 2020/21 financial year.

Statement of directors' shareholdings and share interests (audited)

The directors' interests (including family interests) in the ordinary share capital of the Company at 31 July 2021 are set out below:

Director	Beneficially owned at 31 July 2021 ^(c)	% basic salary held by executive directors in shares ^{(a)(b)}	Shareholding target of 200% of basic salary met?	Beneficially owned at 31 July 2020	Outstanding and unvested PSP awards	Outstanding and unvested share options	Share options exercised in the year
Jason Honeyman	26,503	116	In progress	21,707	88,485	771	9,066
Keith Adey	74,558	560	Yes	69,762	60,649	977	9,066
Paul Hampden Smith	20,386	N/A	N/A	15,842	N/A	N/A	N/A
Denise Jagger	2,462	N/A	N/A	2,462	N/A	N/A	N/A
Jill Caseberry	470	N/A	N/A	470	N/A	N/A	N/A
Ian McHoul	-	N/A	N/A	-	N/A	N/A	N/A

Notes:

- 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 agreed to invest all bonus he receives in FY21 above 90% of salary (after paying tax and national insurance) in Bellway shares.
- The % shareholding is based on salaries as at 31 July 2021 using the average share price for the year.
- Includes shares owned by partner.
- There has been no change in any of the above interests between 31 July 2021 and the date of this report.

Remuneration Report continued

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

Implementation of Remuneration Policy in 2021/22

This section sets out how the Company will implement the Remuneration Policy for the 2021/22 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 and engaged with the workforce through the Employee Listening Groups when setting the 2021/22 targets for the Executive Directors.

Basic salaries

The Committee has awarded Jason Honeyman and Keith Adey salary increases in line with the average increases given to the general workforce of around 3.2% for 2021/22. Therefore from 1 August 2021, Jason's salary was increased to £711,048 p.a., and Keith's salary was increased to £413,241 p.a.

Annual bonus

For the 2021/22 financial year, the bonus opportunity will continue to be limited to 120% of basic salary. The performance conditions relate to a stretching target of underlying operating profit (with a maximum payment of 80% of basic salary achievable) and the following strategic performance measures which provide a maximum bonus opportunity of 40% of basic salary.

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 2022 to ensure our growth aspirations are not frustrated by land shortages in future years.	Maximum - 20% of salary
Customer First	<p>This will be in four parts:</p> <ul style="list-style-type: none"> • 5% of salary for retaining 5-star homebuilder³ status (as measured by the HBF). • 5% of salary linked to 9 month post completion customer satisfaction score (as measured by NHBC). • 2.5% of salary linked to overall customer satisfaction score (as measured by NHBC). • 2.5% of salary linked to employee survey quality score. <p>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 Executive Directors.</p>	Maximum - 15% of salary
Employee Engagement	Targets relating to the annual employee engagement survey.	Maximum - 5% 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. 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 2021 with a face value equivalent up to 150% of salary to the Executive Directors. Awards will vest to the executive directors after three years, subject to the achievement of performance conditions based around adjusted Earnings Per Share (EPS) and TSR over three years. TSR 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. One third of the award will be subject to achieving a level of EPS in 2023/24. In setting the EPS targets the Committee considered analysts consensus figures, internal forecasts and the impacts expected from the new anticipated Residential Property Developer Tax (RPDT) from April 2022, increase in corporation tax rate from April 2023 and the end of Help-to-Buy. The remainder of this award will be subject to a relative TSR condition with one third of awards measured against a group of housebuilders and one third against the constituents of the FTSE 350 (excluding financial services companies and investment trusts). 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
1/3 of awards	Underlying EPS in 2023/24. (Calculated using underlying profit and, due to the current uncertainty over the timing of its introduction and rate, pre RDPT)	383p	436p
1/3 of awards	Relative TSR against a group of peer housebuilders comprising Barratt Developments PLC, The Berkeley Group plc, Crest Nicholson Holdings plc, McCarthy & Stone plc, Persimmon plc, Redrow plc, Taylor Wimpey plc and Vistry Group PLC (previously called Bovis Homes Group 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.
1/3 of awards	Relative TSR against the FTSE 350 (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

Chairman and Non-Executive Director fees from 1 August 2021

Director	Fee from 1 August 2020 £	% increase	Fee from 1 August 2021 £
Non-executive Chairman fee	221,340	3.2%	228,423
Non-executive director fee	58,200	3.2%	60,063
Senior independent Non-Executive Director, Audit and Remuneration Committee Chair fees	11,350	3.2%	11,713

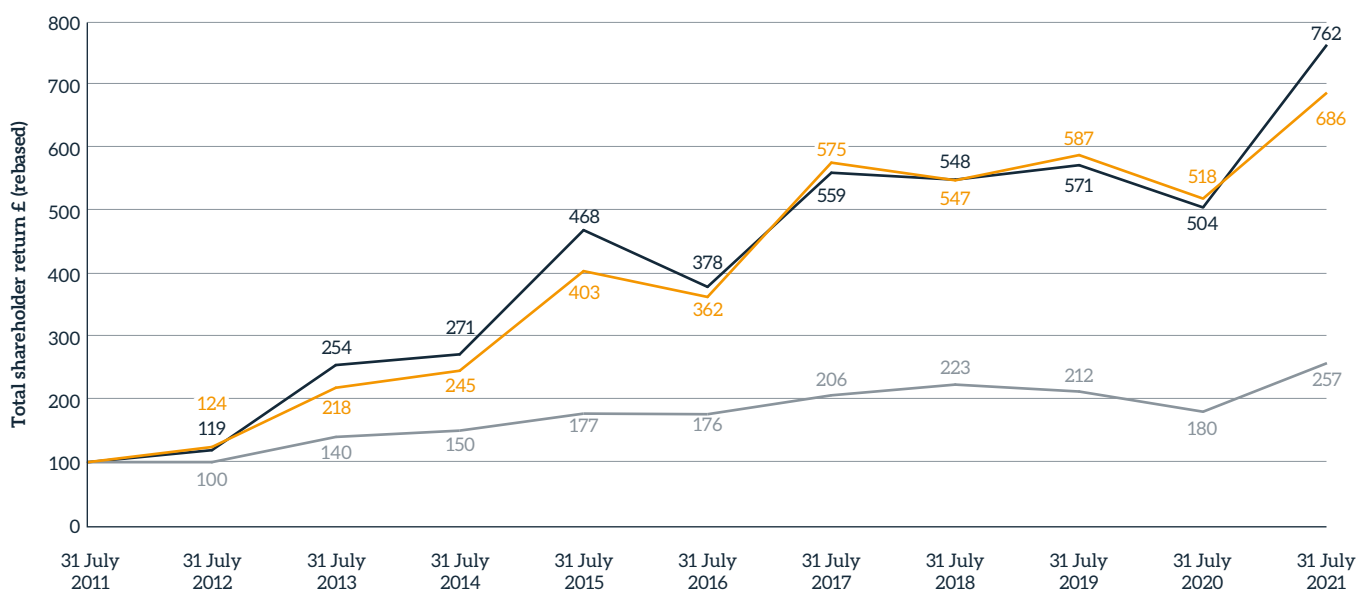
The Company's Articles of Association specify an annual limit on non-executive director fees of £500,000. This excludes the fees for the Chairman and additional fees payable to the Senior Independent Non-Executive Director and to Committee Chairs. Shareholder approval is required to amend this limit.

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 a on page 97). 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.

This graph shows the value, at 31 July 2021, of £100 invested in Bellway on 31 July 2011 compared with the value of £100 invested in the FTSE 250 Index and £100 invested equally in each of the other housebuilders, who form part of the Housebuilders Index. The other points plotted are the values at intervening financial year ends.

Total shareholder return



Source: Datastream (Refinitiv Datastream)

— Bellway

— Housebuilder's Index

— FTSE 250 Index

Remuneration Report continued

Group Chief Executive total remuneration

The table below sets out the total remuneration for the Group 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).

	2012	2013	2014	2015	2016	2017	2018 ^(c)	2019 ^(d)	2020	2021 ^(e)
Total remuneration (£000)	1,396	1,243 ^(a)	1,450	1,960	2,785	3,468	1,737	1,220	1,110 ^(b)	2,021
Annual bonus paid (as % of maximum)	99.3%	100.0%	91.6%	88.8%	95.8%	93.8%	0.0%	76.7%	0.0%	99.5%
PSP vesting (as a % of maximum)	0.0%	0.0%	50.0%	50.0%	100.0%	100.0%	99.8%	30.6%	47.7%	28.7%

Notes:

- John Watson held the role of Group Chief Executive up until 31 January 2013 and Ted Ayres was Group Chief Executive for the remainder of the financial year from 1 February 2013 to 31 July 2013. The total remuneration for the period as Group Chief Executive was £714,053 for John Watson and £528,500 for Ted Ayres.
- Restated as per footnote d to the table on page 96.
- 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.
- Jason Honeyman was appointed as Group Chief Executive on 1 August 2018.
- The value of long-term incentives in 2021 reflects the vesting of the November 2018 PSP awards, which will be exercisable in 2021/22, 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 £34.29, being the average share price for the last quarter of the financial year i.e. 1 May - 31 July 2021 as a proxy for the shares at vesting.

Percentage change in remuneration of directors compared to workforce

The table below shows the percentage change in base salary, benefits and bonus between FY20 and FY21 in respect of the Directors of the Company and the average for all other employees. Over time, the percentage change over five years will eventually be disclosed.

	% Change in salary/ fees FY20-FY21 ^(a)	% Change in benefits FY20-FY21	% Change in bonus FY20-FY21 ^(c)	% Change in salary/ fees FY19-FY20 ^(a)	% Change in benefits FY19-FY20	% Change in bonus FY19-FY20 ^(c)
All other employees	Nil	Nil	+100	+2	Nil	-100
J Honeyman (Group Chief Executive) ^(b)	+3.4	+9.8	+100	+25.6	+38.5	-100
K Adey (Group Finance Director)	+3.4	+0.3	+100	-1.4	+2.4	-100
P Hampden Smith (Chair)	+3.4	n/a	n/a	+31.4	n/a	n/a
D Jagger (INED)	+3.4	n/a	n/a	+2.3	n/a	n/a
J Caseberry (INED)	+3.4	n/a	n/a	-1.4	n/a	n/a
I McHoul (INED)	+3.4	n/a	n/a	+4.4	n/a	n/a

Notes:

- The comparative figures used for the Board are the actual salary and fees paid as per the Single figure of remuneration table on page 96. This also reflects the 20% reduction in salary and fees in April and May 2020 due to the COVID-19 pandemic. As such, whilst Directors' salary and fee rates did not increase, the 3.4% increase between FY20 and FY21 is due to the FY20 amounts reflecting the temporary reductions agreed in light of the pandemic.
- Upon appointment as Group Chief Executive, the Board had agreed a salary increase for Jason Honeyman to be implemented for the financial year beginning August 2019. Details of Jason's benefits are included in note b page 96.
- No bonus was paid in the 2019/20 financial year.

CEO pay ratio

We are publishing our CEO pay ratio figures for the financial years 2018/19, 2019/20 and 2020/21. Over time, ten-year ratios will eventually be disclosed.

Financial year	Method	Upper quartile			Median			Lower quartile		
		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
2019/20	A	18:1	60,675	24,400	27:1	40,415	22,000	43:1	25,580	25,200
2020/21	A	31:1	65,866	52,279	45:1	44,864	40,556	68:1	29,886	24,750

The pay ratios have been calculated as at 31 July 2021 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. Option A has been selected as it is the most statistically accurate method of calculation. Employee benefits include company car, car allowance, private medical, employer pension contributions and share option gains. All payments are included on a cash basis, with the exception of the annual bonus. The annual bonus earned during the 2020/21 financial year, which is expected to be paid in November 2021, has been approved for the Group Chief Executive, whilst management's best estimate for all other staff has been used in the calculations. The increase in the CEO pay ratio in the current year is driven by the bonus opportunity for the Group Chief Executive being greater than that of the wider workforce, coupled with LTIP opportunities that are not offered to the wider workforce.

Jason Honeyman was appointed as Group Chief Executive on 1 August 2018, with a phased increase to his salary implemented in the 2019/20 financial year, this resulted in a lower CEO pay ratio in 2018/19.

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 2020 and 31 July 2021. 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.

	2021 £m	2020 £m	% change
Employee costs ^(a)	159.9	155.2	3.0
Dividends ^(b)	144.8	61.7	134.7
Section 106 and CIL payments ^(c)	71.3	60.5	17.9

Notes:

- Employee costs are calculated as wages and salaries, bonus and taxable benefits (including the directors).
- The dividend figures shown are the interim and final dividends paid or payable for the relevant financial year less forfeited dividends (see note 21 to the accounts).
- 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 2021 the Trust held 101,853 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 2021 was:

Limit of 5% in any ten years under all executive share plans	Actual 0.35%
Limit of 10% in any ten years under all share plans	Actual 1.56%

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 11 December 2020)		Remuneration Report (advisory vote at AGM on 11 December 2020)	
	Number of votes	% of votes cast	Number of votes	% of votes cast
For	93,065,733	95.69	97,042,919	99.47
Against	4,188,306	4.31	517,629	0.53
Total votes cast (excluding votes withheld)	97,254,039	100.000	97,560,548	100.000
Votes withheld	1,395,314		1,088,805	

At the AGM on 6 December 2021, the Company's shareholders will have an advisory vote on the Remuneration Report and a binding vote on the Directors' Remuneration Policy. I hope you are supportive of the approach we have taken and understand the rationale for the decisions we have taken.

On behalf of the Board

Jill Caseberry

Chair of the Remuneration Committee

18 October 2021

Remuneration Report continued

Directors' Remuneration Policy

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 2018 UK Corporate Governance Code, UK institutional investor guidance and the Listing Rules.

The remuneration policy set out on the following pages is submitted to shareholders for approval at the AGM on 6 December 2021. It is the Company's current intention that this Policy will apply for 3 years.

Summary of changes

Summary of changes

Annual Bonus	The new policy will introduce deferral of bonus into shares for 3 years for the amount of bonus that exceeds 100% of salary.
Shareholding guidelines	We will introduce post-cessation shareholding requirements for executive directors to retain their in-employment guideline of 200% of salary for 2 years post departure.
Long-term incentives	To provide flexibility for future years we propose to increase the limit of long-term incentive opportunity under the Policy to 200% of salary. This increase will not apply for the year ahead and we will consult with leading shareholders before any increase takes effect.

Policy principles

The Directors' Remuneration Policy is aligned with the principles within the 2018 UK Corporate Governance Code and these principles are taken into account in its implementation:

Principles	Considerations within the Policy
Clarity: remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce.	We clearly communicate our approach to remuneration in this report and in all communications with shareholders whilst providing transparency in our rationale. This also allows straightforward engagement with the wider workforce.
Simplicity: remuneration structures should avoid complexity and their rationale and operation should be easy to understand.	We have structured the Remuneration Policy to be as simple as possible, within the confines of ensuring arrangements are in line with the business strategy, have a robust link between pay and performance and are designed with consideration of investor expectations.
Risk: remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated.	We mitigate against these risks through a carefully designed policy which includes a balance between financial and non-financial bonus metrics, a Performance Share Plan which is based on long-term performance, deferral of a portion of the annual bonus into shares, and shareholding requirements. The Committee also has the ability to apply discretion and clawback provisions if incentive payment levels are inappropriate.
Predictability: the range of possible values of rewards to individual directors and any other limits or discretions should be identified and explained at the time of approving the policy.	We carefully consider the range of likely performance outcomes for incentive plans when setting performance target ranges and at the time of assessment would use discretion where necessary if the formulaic result is considered inappropriate.
Proportionality: the link between individual awards, the delivery of strategy and the long-term performance of the Company should be clear. Outcomes should not reward poor performance.	<p>The opportunity under incentive plans is determined based on a proportion of salary with the quantum determined to ensure that there is an appropriate link between pay and performance.</p> <p>The performance conditions applying to the incentives are aligned with the Company's strategy and are reviewed on an annual basis to consider whether they are working effectively.</p> <p>There are provisions to override the formula-driven outcome of incentive plans and clawback provisions to ensure that there is not reward for poor performance.</p>
Alignment to culture: incentive schemes should drive behaviours consistent with Company purpose, values and strategy.	The annual bonus is based on both financial and non-financial metrics aligned with the strategy incentivising the profitability of the Company whilst maintaining a focus on our customers and the quality of our service.

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.

Decision-making process

The Committee is responsible for the determination of the Directors' Remuneration Policy and how it is implemented. In addressing this responsibility the Committee works with management and external advisers to develop proposals and recommendations. The Committee considers the source of information presented to it, analyses the detail and ensures that independent judgement is exercised when making decisions. Information is independently verified where there are conflicts of interest and no individual is present when their remuneration is being discussed.

Consideration of employment conditions elsewhere in the Group

We have commenced using our Employee Listening Groups to provide an opportunity to engage with the workforce on executive remuneration and for employees to raise issues which are reported to the Board. This is one of the UK Corporate Governance Code's requirements. 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 scheme, 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 regularly updated 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 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.

Choice of performance measures and approaches to target-setting

The performance measures used in the annual bonus and long-term incentive plan are aligned with the Company's KPIs and the business strategy.

For the annual bonus, underlying operating profit is an appropriate barometer of short-term performance as management will neither benefit from, or be penalised by, one-off or short-term impacts on the Group's profit, it also acts as an incentive for the sustainable development of the business. Customer care and land bank are important drivers of future growth and employee metrics and maintaining a strong health and safety record is very important to our employee base and the Group.

The Committee believes that relative TSR is an appropriate long-term performance metric as it generates an alignment of interest between executives and institutional shareholders by providing a reward mechanism for delivering superior stock market performance. The TSR performance is independently calculated for the Committee. Other performance metrics will be introduced if they align with the Company's strategy including for 2021/22 Earnings Per Share, which is an important measure of the Company's profitability to pay dividends to shareholders.

Targets for incentive plans are set to be stretching but achievable, taking into account internal and external reference points, including internal forecasts and market consensus.

Remuneration Report continued

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	<p>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.</p> <p>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.</p>	<p>No prescribed maximum.</p> <p>Increases are normally in line with the average for the workforce generally.</p> <p>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.</p> <p>Salaries are set out in the Annual Report on Remuneration.</p>	<p>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.</p>
Pension			
To provide a structure and value that is market competitive	<p>Pension contributions into the Company's Group Self Invested Personal Pension Plan and/or a salary supplement in lieu of pension contributions.</p>	<p>Up to 20% of salary.</p> <p>The rate for current Directors will be aligned with that of the workforce at the end of 2022.</p>	<p>Not applicable.</p>
Benefits			
To provide a range and value that is market competitive	<p>Typically comprises car or car allowance, life assurance and health insurance. Other benefits may be provided where appropriate.</p> <p>Any expenses incurred in carrying out duties will be fully reimbursed by the Company including any personal taxation associated with such expenses.</p>	<p>Not applicable.</p>	<p>Not applicable.</p>

Component and link to strategy	Operation	Maximum opportunity	Framework to assess performance
Annual bonus			
<p>To reward achievement with a combination of financial and non-financial operational-based performance targets in accordance with Group KPIs.</p>	<p>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.</p> <p>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:</p> <ul style="list-style-type: none"> (i) material misstatement of results; (ii) error in assessing a performance condition; (iii) gross misconduct by the individual; (iv) in the case of corporate failure; or (v) in the case of material reputational damage. <p>Any bonus over 100% of base salary will be deferred into shares which will have to be held for three years.</p>	<p>120% of basic salary maximum.</p>	<p>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.</p> <p>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.</p> <p>The level of pay-out at threshold for financial metrics will not be more than 40% of maximum, and varies for non-financial metrics.</p> <p>Full vesting will take place for equalling or exceeding maximum, subject to the health and safety underpin.</p> <p>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.</p> <p>Details of the performance measures used are set out in the Annual Report on Remuneration.</p>

Remuneration Report continued

Component and link to strategy	Operation	Maximum opportunity	Framework to assess performance
Share ownership guideline for executive directors			
To align executive directors' interests with those of shareholders.	<p>Executive directors are required to accumulate a minimum shareholding equivalent to 200% of basic salary.</p> <p>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, after allowance for paying tax, until the requisite number of shares has been accumulated.</p> <p>If personal circumstances make this difficult, the Committee would exercise discretion.</p>	Not applicable.	Not applicable.
Long-term incentives ('PSP')			
To encourage long-term value creation, aid retention, encourage shareholding and promote alignment of interests with shareholders.	<p>The Company operates a PSP as its primary long-term incentive.</p> <p>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.</p> <p>Awards normally vest three years after grant, subject to the achievement of stretching performance targets.</p> <p>Dividend equivalents (in cash or shares) may be payable, and will only accrue during the vesting and holding period on awards that ultimately vest.</p> <p>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:</p> <ul style="list-style-type: none"> (i) material misstatement of results; (ii) error in assessing a performance condition; (iii) gross misconduct by the individual; (iv) in the case of corporate failure; or (v) in the case of material reputational damage. <p>A minimum holding period of two years applies to awards post vesting.</p>	200% of basic salary.	<p>PSP awards are subject to stretching three-year targets.</p> <p>No more than 25% of a part of an award will vest at threshold with full vesting taking place for equalling or exceeding maximum targets set.</p> <p>Awards to be granted in 2021/22 will be subject to relative TSR and EPS targets. For future awards the Committee may choose another measure, such as, RoCE, NAV, or ESG measures in conjunction with or as an alternative to TSR and EPS, depending on the medium to long-term priorities of the Group at the time of grant.</p> <p>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.</p> <p>Further details of the performance metrics applying to the awards are set out in the Annual Report on Remuneration.</p>

Component and link to strategy	Operation	Maximum opportunity	Framework to assess performance
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.	<p>The Chairman's fee is determined by the Remuneration Committee.</p> <p>The remuneration of the non-executive directors is determined by the Board Committee on Non-Executive Directors' Remuneration, which comprises the executive directors.</p> <p>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.</p> <p>Non-executive directors are not normally entitled to any taxable 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.</p> <p>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.</p>	The aggregate of NED fees is set out in the Articles of Association and is currently £429,990 p.a.	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. Any new director's pension contributions will be in line with the wider workforce. The current employer pension contribution rate is 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

Our policy is that notice periods for Executive Directors should be no longer than 12 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. Neither of the Executive Directors currently holds any outside appointments.

Our policy is that notice periods for non-executive directors should be no longer than three months, save in the case of the Chairman whose notice period may extend to six months.

Currently, 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 end 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 2023
Ian McHoul	1 February 2018	1 February 2021	31 January 2024

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 ^(a)	Departure on agreed terms ^(b)	Good leaver ^(c)
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:

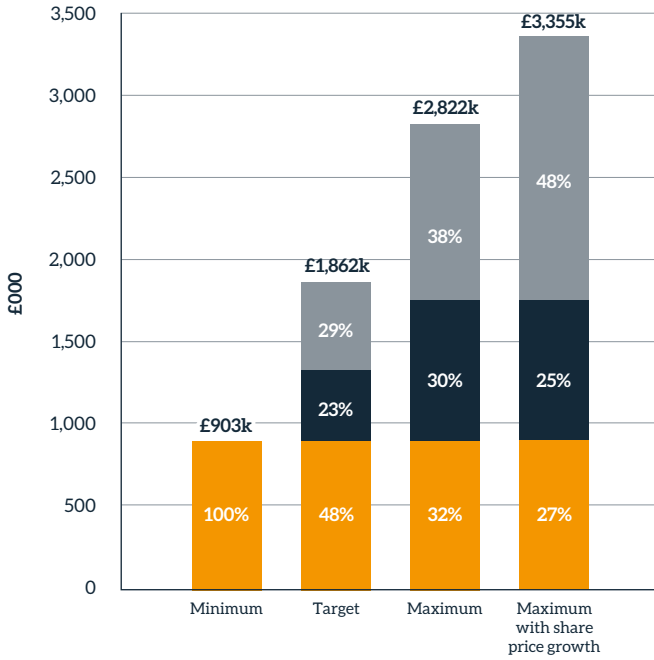
- For example, normal resignation from the Company or termination for cause (e.g. disciplinary issues).
- This may cover a range of circumstances such as business reorganisation, changes in reporting structure, change in requirements for the role, termination as a result of a failure to be re-elected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

Remuneration Report continued

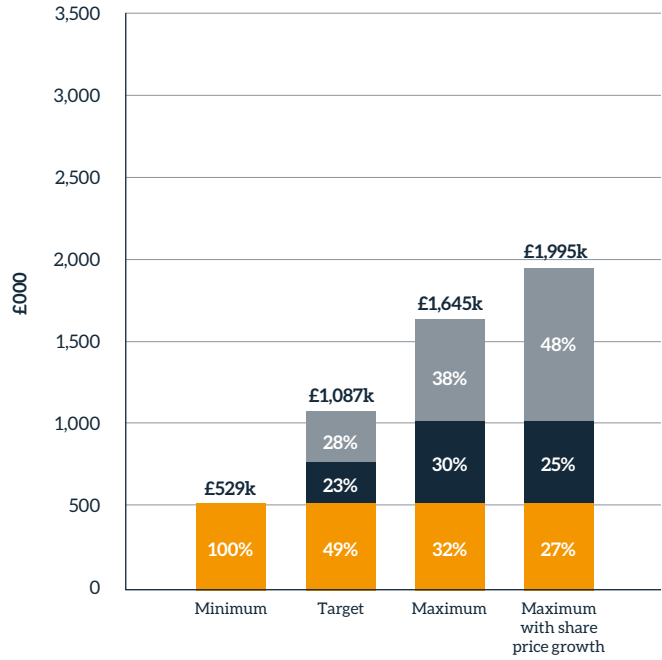
Illustrations of the application of current Remuneration Policy

The remuneration policy results in a significant portion of remuneration received by Executive Directors being dependent on the Group's performance. The chart below illustrates how the total pay opportunities for the executive directors vary under three performance scenarios: minimum, target and maximum. The chart is indicative, as share price movement and dividend accrual have been excluded unless otherwise noted.

Chief Executive



Group Finance Director



■ Fixed pay
 ■ Annual bonus
 ■ Long-term share awards

Notes:

- a. Chart labels show proportion of total package comprised of each element
- b. Assumptions:

- Minimum: fixed pay only (salary + benefits + pension/pay in lieu of pension). Salary is based on actual for 2021/22, benefits are based on the value of actual benefits received in 2020/21 and pension/pay in lieu of pension is based on policy of 20% of salary applicable in 2021/22.
- Target: fixed pay plus 50% of maximum bonus payment plus PSP award of 150% of salary with 50% of the award vesting.
- Maximum: fixed pay plus 100% of maximum bonus payment plus PSP award of 150% of salary with 100% of the award vesting.
- Maximum with share price increase: the Maximum scenario with the impact of a 50% increase in share price on the PSP illustrated.

Directors' Report



🔥 **The Directors have proposed a final ordinary dividend for the year ended 31 July 2021 of 82.5p per share.** 🍷

Simon Scougall
Group General Counsel and Company Secretary

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 27 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	70 to 71
Appointment and replacement of directors	76 and in the Articles
Directors' interests	97
Future developments	41 of the Strategic Report
Group undertakings	156
Environmental issues	59 to 61 of the Strategic Report
s172 statement/reporting	20 of the Strategic Report
Greenhouse gas emissions	61 of the Strategic Report
Whistleblowing	88
Financial risk management	53 of the Strategic Report
Going concern	54 of the Strategic Report

Results and dividends

The profit for the year attributable to equity holders of the parent company amounts to £390.7 million (2020 - £192.9 million).

The Directors have proposed a final ordinary dividend for the year ended 31 July 2021 of 82.5p per share (2020 - 50.0p). 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 12 January 2022 to shareholders on the Register of Members at the close of business on Friday 3 December 2021.

Dividends paid during the year comprise the final dividend of 50.0p per share in respect of the year ended 31 July 2020, together with an interim dividend in respect of the year ended 31 July 2021 of 35.0p per share.

Directors' Report continued

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 2021 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 2021		As at 18 October 2021	
	Number of shares with voting rights	% total voting rights	Number of shares with voting rights	% total voting rights
Dimensional Fund Advisors LP	6,148,373	4.99	6,148,373	4.99
Polaris Capital Management, LLC	4,979,520	4.04	4,913,744	3.99
Credit Suisse Securities (Europe) Ltd	3,890,282	3.38	3,890,282	3.38

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 debt 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 2021, consisted of 123,396,422 ordinary shares of 12.5p each. Further details of the issued capital of the Company can be found in note 19 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. There has been no amendments to these procedures during the year.

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. The Company Articles were last updated at the AGM on 11 December 2020 to allow for virtual meetings in response to COVID-19. The Company does not intend to hold a virtual only AGM.

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, 50,588 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 Monday 6 December 2021.

Purchase of the Company's own shares

The Company was given authority at the AGM on 11 December 2020 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 Accounts are shown on pages 54, 55 and 114 respectively.

The Audit Committee, whose role is detailed on pages 80 to 89, has meetings at least twice a year with the Company's auditor, Ernst & Young 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. Employee Listening Groups are held on a regular basis to engage in open communication and a newsletter is issued to all of our employees. Each division maintains good employee relations using a variety of means appropriate to its own particular needs, with guidance when necessary from Group 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, subcontractors, 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 re-appointment of Ernst & Young 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 Monday 6 December 2021. 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.

Directors' Report continued

Statement of directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group and parent company financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. 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 the company and of the profit or loss of the Group and the company for that period.

Under the Financial Conduct Authority's Disclosure Guidance and Transparency Rules, Group financial statements are required to be prepared in accordance with international financial reporting standards (IFRS) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

In preparing these financial statements the Directors are required to:

- Select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group and company financial position and financial performance;
- In respect of the Group financial statements, state whether international accounting standards in conformity with the requirements of the Companies Act 2006 and IFRSs adopted pursuant to Regulation(EC) No 1606/2002 as it applies in the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- In respect of the parent company financial statements, state whether international accounting standards in conformity with the requirements of the Companies Act 2006, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is appropriate to presume that the company and/ or the Group will not continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's and Group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the Group and enable them to ensure that the company and the Group financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and parent company and Group and hence for taking reasonable steps for the prevention and detection of 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 comply 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.

Directors' responsibility statement (DTR 4.1)

The Directors confirm, to the best of their knowledge:

- That the consolidated financial statements, prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and IFRSs adopted pursuant to Regulation(EC) No 1606/2002 as it applies in the European Union), give a true and fair view of the assets, liabilities, financial position and profit of the parent company and undertakings included in the consolidation taken as a whole;
- That the annual report, including the strategic report, includes a fair review of the development and performance of the business and the position of the company and undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- That they consider the annual report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's position, performance, business model and strategy.

By order of the Board

Simon Scougall

Group General Counsel and Company Secretary

18 October 2021

Independent Auditor's Report

Independent Auditor's report to the members of Bellway p.l.c.

Opinion

In our opinion:

- Bellway p.l.c.'s Group financial statements and parent company financial statements (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 2021 and of the Group's profit for the year then ended;
- The Group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No.1606/2002 as it applies in the European Union;
- The parent company financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 as applied in accordance with section 408 of the Companies Act 2006; and
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Bellway p.l.c. (the 'parent company') and its subsidiaries and joint arrangements (the 'Group') for the year ended 31 July 2021 which comprise:

Group	Parent company
Consolidated balance sheet as at 31 July 2021	Balance sheet as at 31 July 2021
Consolidated income statement for the year then ended	Statement of changes in equity for the year then ended
Consolidated statement of comprehensive income for the year then ended	Statement of cash flows for the year then ended
Consolidated statement of changes in equity for the year then ended	Related notes 1 to 28 to the financial statements including a summary of significant accounting policies
Consolidated statement of cash flows for the year then ended	
Related notes 1 to 28 to the financial statements, including a summary of significant accounting policies	

The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006 and, as regards to the Group financial statements, International Financial Reporting Standards adopted pursuant to Regulation (EC) No.1606/2002 as it applies in the European Union and as regards the parent company financial statements, as applied in accordance with section 408 of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and parent company's ability to continue to adopt the going concern basis of accounting included:

- In conjunction with our walkthrough of the Group's financial close process, we obtained an understanding of management's going concern assessment process and challenged management to ensure key factors were considered in their assessment. We have obtained an understanding of each of management's modelled scenarios, including the base case, severe but plausible downside case and reverse stress test cases. The reverse stress test cases have been prepared to illustrate severe and unrealistic assumptions which achieve or nearly achieve a break case i.e. where the Group runs out of cash or breaches a debt covenant.
- We obtained management's going concern assessment, including the cashflow forecast for the going concern period through to 31 July 2023 and tested these for arithmetical accuracy.
- We challenged the appropriateness of the key assumptions in management's forecasts, including the impact of housing completions and average selling price on revenue generation, in the context of our knowledge of the business, historical performance and the position of the business at the year-end. We also assessed these against information from the Office of National Statistics noting no contradictory indicators. We considered the appropriateness of the methods used to calculate the cash flow forecasts. We determined through inspection and testing of the methodology and calculations that the methods utilised were appropriately sophisticated to be able to make an appropriate assessment for Bellway.

Independent Auditor's Report continued

- We obtained the reverse stress testing cases prepared by management and assessed the plausibility of these and the severe downside case scenarios by challenging the assumptions made and considering indicators of contradictory evidence.
- We considered the mitigating factors included in the cashflow forecasts that are within control of the Group. This includes assessment of the Group's operating and non-operating cash outflows relating to discretionary bonus payments and dividend payments and evaluating the Group's ability to control these outflows as mitigating actions if required.
- We subjected the severe downside model to additional stress testing to confirm management have considered a balanced range of outcomes in their assessment of going concern.
- Further to above, we note the Group has successfully renewed £75 million of facilities that were due for expiration by 31 July 2022.
- We reviewed the Group's going concern disclosures included in the Annual Report and Accounts in order to assess whether the disclosures were appropriate and described the assessment management performed and the key judgements taken.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and parent company's ability to continue as a going concern over the period to 31 July 2023 from when the financial statements are authorised for issue.

In relation to the Group and parent company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and parent company's ability to continue as a going concern.

Overview of our audit approach

Audit scope	<ul style="list-style-type: none"> • We performed an audit of the complete financial information of Bellway p.l.c. components. • The components where we performed full scope audit procedures accounted for 99% of profit before taxation, 99% of revenue and 99% of total assets.
Key audit matters	<ul style="list-style-type: none"> • Inappropriate revenue recognition; and • Inappropriate cost of sales recognition and valuation of work-in-progress and land on sites under development
Materiality	<ul style="list-style-type: none"> • Overall Group materiality of £23.1m which represents 5% of profit before taxation.
First year transition	<ul style="list-style-type: none"> • The year ended 31 July 2021 is our first as auditor of the Group. • We performed transition procedures including shadowing of the previous auditor through the 31 July 2020 audit, and attended certain close meetings and Audit Committee meetings. • Our audit transition activities focused on the following areas: <ul style="list-style-type: none"> - We evaluated key judgements and the Group's accounting policies. - We undertook reviews of the predecessor auditor files to consider working papers in relation to significant audit risk matters, to identify and assess the nature, timing and extent of audit procedures performed in forming the prior year auditor opinion. - We understood and walked through the key processes.

An overview of the scope of the parent company and Group audits

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each company within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements.

We take into account size, risk profile, the organisation of the group and effectiveness of Group-wide controls, changes in the business environment and other factors such as recent internal audit results when assessing the level of work to be performed at each company.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 9 reporting components of the Group, we selected 2 components covering entities which represent the principal business units within the Group.

For the two components selected ("full scope components"), which were selected based on their size or risk characteristics, we performed an audit of their complete financial information. The full scope components accounted for 99% (2020: 100%) of the Group's profit before taxation, 99% (2020: 100%) of the Group's revenue and 99% (2020: 100%) of the Group's total assets. All remaining 7 components together represent 1% of the Group's profit before taxation. For these components, we performed other procedures, including analytical review, testing of consolidation journals and intercompany eliminations to respond to any potential risks of material misstatement to the Group financial statements. The statutory audits of these 7 components were performed concurrently with the Group audit.

Involvement with component teams

All audit work performed for the purposes of the audit was undertaken by the Group audit team.

Impact of COVID-19 – audit logistics

We completed our audit utilising a hybrid model combining remote working with attendance at certain Divisional locations and Head Office. We engaged with Bellway throughout the audit, using video calls, share-screen functionality, secure encrypted document exchanges and data downloads to avoid any limitation on audit evidence required.

We attended certain closing meetings and the Audit Committee conclusion meeting in person, with other meetings performed via video conference calls.

We refined our methods of interaction to ensure direction by the Partner in Charge throughout the audit, ensuring involvement in key calls throughout the audit both internally and with Bellway management.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included 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. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report continued

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p>Inappropriate revenue recognition</p> <p>Refer to the Audit Committee Report (page 84); Accounting policies and Note 1 and 10 of the Consolidated Financial Statements (pages 131, 132 and 140)</p> <p>The Group has reported:</p> <ul style="list-style-type: none"> • Revenues of £3,122.5 million (2020: £2,225.4 million) • Trade receivables of £17.0 million (2020: £32.3 million). <p>We identified a specific risk of fraud and error in respect of inappropriate revenue recognition arising from sales transactions being recorded ahead of performance obligations being satisfied. Revenue is recognised at the point in time when the performance obligation is satisfied being legal or practical completion. There is a risk that management may recognise revenue in advance of legal or practical completion of plot sale through inappropriate application of cut off or manual postings recording revenue in an earlier period than appropriate. We focused our procedures on the occurrence of revenue and existence of trade receivables.</p>	<p>Walkthrough and controls</p> <ul style="list-style-type: none"> • We performed walkthroughs of each significant class of revenue transactions which consists of private sales and housing association sales, and other income relating to part exchange sales and assessed the design effectiveness of key controls. <p>Timing of revenue recognition</p> <ul style="list-style-type: none"> • We applied a data analytics approach which allowed us to interrogate full populations of revenue transactions across all divisions to focus on the anomalies and unusual trends. This work has enabled us to obtain assurance through a 3- way correlation between sales, accounts receivables and cash postings. We tested this correlation through a sample of revenue transactions from cash entries to source documentation. We also searched for associated identification of transactions which were processed outside of the expected transaction flow. • We reviewed the output of the work performed by internal audit in respect of revenue recognised on plot completions 2 weeks prior and 2 weeks post the year end. In line with our identified audit risk, we tested items classified as higher risk and agreed these items to completion statements to confirm the performance obligation was satisfied in advance of year end. • We performed test of details in relation to unit sales at year end. We agreed a sample of transactions pre-year end and post year end to legal or practical completion statements, land registry documentation and evidence of cash receipts. We selected these transactions randomly to incorporate unpredictability within our testing. We confirmed that revenue recognition is appropriate based on the performance obligation being satisfied when practical completion takes place. <p>Management override</p> <ul style="list-style-type: none"> • We performed inquiries of management at Group and divisions regarding awareness of instances of fraud. We extended these inquiries beyond the finance team and inquired with Group General Counsel and Company Secretary, Regional Chairmen and the Divisional Director teams. • We performed specific procedures in relation to manual journals impacting revenue. We focused on entries with specific characteristics, such as journals from outside normal revenue patterns and those with unusual descriptions. Examples of items reviewed were part exchange and Help-to-Buy transactions. 	<p>We did not identify any evidence of material misstatement in the revenue recognised in the year as a result of inappropriate revenue recognition or application of cut off.</p> <p>We did not identify any evidence of inappropriate management override in respect of the amount of revenue recorded.</p>

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p>Inappropriate recognition of cost of sales margin and valuation of work in progress and land on sites under development</p> <p>Refer to the Audit Committee Report (page 84); Accounting policies and Notes 3 and 7 of the Consolidated Financial Statements (pages 134 and 137)</p> <p>The Group has reported:</p> <ul style="list-style-type: none"> • Cost of sales before net legacy safety building expense of £2,470.6 million (2020: £1,803.2 million) • Land £2,483.9 million (2020: £2,216.2 million) • Work-in-progress of £1,431.4 million (2020: £1,496.1 million) • Showhomes £115.1 million (2020: £124.6 million) <p>The site margin applied to plot sales includes assumptions regarding forecast revenue and costs which are subject to estimation uncertainty. There is a risk that costs of sales and margin recognised in the financial statements and resulting valuation of work in progress including land in respect of sites under development, may be misstated if the site margin is incorrectly determined, whether arising from fraud or error.</p>	<p>Walkthrough and controls</p> <ul style="list-style-type: none"> • We performed a walkthrough of management's controls in place covering the monitoring and updating of site valuations to assess design effectiveness. • We attended and observed the valuation meeting at each of the 22 divisions held closest to year end. As part of this, we observed the level of review applied by management in challenging assumptions within site valuations. • We inspected a sample of action logs in respect of the valuation meetings attended. This included ensuring the process which is undertaken to challenge the margin, forecast costs to complete and any other factors that could impact on the margin was followed in accordance with the group commercial policy. • We performed inquiries of Regional Chairmen and the Divisional Director teams to further understand any other specific risks. <p>Testing appropriateness of assumption underpinning site margin</p> <ul style="list-style-type: none"> • We utilised data analytics in order to identify higher risk sites based on certain risk indicators. We identified certain sites for testing and performed the following procedures where appropriate: • We assessed management's inputs into projected future selling prices by developing an expectation of revenue at a plot level, utilising historical sales experience. We assessed this using the average selling price on sold plots, based on house types and square footage. Where necessary we further corroborated exceptions to advertised plot release prices and/or selling prices recorded in the Bellway sales system. • We assessed management's inputs into projected costs on a site by site basis. We did this by a detailed review of the cost estimate and sampling key elements to supporting documentation including sub-contractor orders, quotations, tender documentation and invoices. • We performed specific procedures to assess whether there were material movements recorded in the final stages of site adjustments, the net impact of this was not material. We tested a sample of developments where the last plot was sold during FY 21 and compared the final site margin to the previous quarterly valuation. • We performed specific procedures to assess whether there have been any material movements in the site margins post-year end. Where we identified sites with margin adjustments, the net impact of this was not material. 	<p>We performed a range of procedures over these balances, such as targeted testing informed by data analytics and observation of divisional valuation meetings and we are satisfied the carrying value is appropriate.</p>

Independent Auditor's Report continued

In the prior year, the Auditor's report included a key audit matter in relation to going concern. Our conclusions on going concern are included on page 115 and 116. In the prior year, the Auditor's report included a key audit matter in relation to the parent company in respect of recoverability of parent company's investment in subsidiaries and amounts owed by Group undertakings. In the current year, we consider this is not a key audit matter on the basis that we do not consider it to represent an area where there is a higher risk that a material misstatement will occur.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £23.1 million (2020: £21.0 million), which is 5% (2020: 4.1%) of Group profit before taxation. We believe that profit before taxation provides us with an appropriate basis of materiality that is appropriately focused on the users of the financial statements.

We determined materiality for the parent company to be £2.6 million (2020: £5.4 million), which is 0.5% (2020: 1.0%) of total assets. As the parent company does not trade and is not profit focused, we believe total assets is an appropriate basis to determine materiality.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of this being our first year of audit, together with our risk assessments and assessment of the Group's overall control environment, our judgement was that performance materiality was 50% (2020: 75%) of our planning materiality, namely £11.55 million (2020: £15.75 million).

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £1.3 million to £8.7 million.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £1.1 million (2020: £1 million), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report and accounts set out on pages 1 to 114, including the Strategic Report, the Directors' Report, the Remuneration Committee Report and Corporate Governance reporting, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the Annual Report and Accounts.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

In our opinion, based on the work undertaken in the course of the audit:

- The information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us 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.

Corporate Governance Statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group and Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 54;
- Directors' explanation as to its assessment of the Company's prospects, the period this assessment covers and why the period is appropriate set out on page 54;
- Directors' statement on fair, balanced and understandable set out on page 114;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 48-51;
- The section of the Annual Report and Accounts that describes the review of effectiveness of risk management and internal control systems set out on pages 87-88;
- The section describing the work of the Audit Committee set out on pages 80-89.

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement set out on page 114, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for 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 the Directors 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 for the audit of the financial statements

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 error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

Independent Auditor's Report continued

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are those that relate to the reporting framework (International Financial Reporting Standards adopted pursuant to Regulation (EC) No.1606/2002 as it applies in the European Union, the Companies Act 2006 and UK Corporate Governance Code), tax legislation, employment law, health and safety legislation, fire and building safety legislation.
- We understood how the Group is complying with those frameworks by making inquiries with management, internal audit and those responsible for legal and compliance procedures and the Group General Counsel and Company Secretary. We corroborated our enquiries through our review of Board minutes and review of Group compliance with policies and processes. We obtained and reviewed legal correspondence to support our audit procedures and to assess management positions reported in respect of legacy building safety improvements.
- We assessed the susceptibility of the Group financial statements to material misstatement, including how fraud might occur by meeting with management from various parts of the business to understand where it considered there was a susceptibility to fraud. We also considered performance targets and their propensity to influence efforts made by management to manage earnings. We considered the programmes and controls that the Group has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programmes and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free from fraud and error.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved journal entry testing, with a focus on manual consolidation journals, and journals indicating large or unusual transactions based on our understanding of the business; enquiries of Group management and internal audit; and focused testing, as referred to in the key audit matters section above. In addition, we completed procedures to conclude on the compliance of the disclosures in the Annual Report and Accounts with the requirements of the relevant accounting standards, UK legislation and the UK Corporate Governance Code 2018.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Other matters we are required to address

- Following the recommendation from the Audit Committee, we were appointed by the company on 11 December 2020 to audit the financial statements for the year ended 31 July 2021 and subsequent financial periods.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the parent company and we remain independent of the Group and the parent company in conducting the audit.
- The audit opinion is consistent with the additional report to the Audit Committee.

Use of our report

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.

Mark Morritt (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor
Newcastle-upon-Tyne

18 October 2021

Accounts

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Key to financial statement icons

Throughout the financial statements the below icons are used and they represent the following:



Accounting policy

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



Accounting estimate

The Directors consider these areas to be the major sources of estimation that have been made in these financial statements.



Accounting judgement

The Directors consider these to be the major judgements that could have a significant effect on the financial statements when applying the Group's accounting policies.

Group Income Statement

for the year ended 31 July 2021

	Note	2021 Before net legacy building safety expense £m	2021 Net legacy building safety expense (note 2) £m	2021 Total £m	2020 Before net legacy building safety expense and exceptional items £m	2020 Net legacy building safety expense and exceptional items (note 2) £m	2020 Total £m
Revenue	1	3,122.5	-	3,122.5	2,225.4	-	2,225.4
Cost of sales		(2,470.6)	(51.8)	(2,522.4)	(1,803.2)	(71.9)	(1,875.1)
Gross profit		651.9	(51.8)	600.1	422.2	(71.9)	350.3
Other operating income	4	54.6	-	54.6	153.0	-	153.0
Other operating expenses	4	(54.9)	-	(54.9)	(156.1)	-	(156.1)
Administrative expenses		(120.1)	-	(120.1)	(97.4)	(0.7)	(98.1)
Operating profit	4	531.5	(51.8)	479.7	321.7	(72.6)	249.1
Finance income	17	0.6	-	0.6	0.2	-	0.2
Finance expenses	17	(11.7)	-	(11.7)	(13.6)	-	(13.6)
Share of result of joint ventures	13	10.4	-	10.4	1.0	-	1.0
Profit before taxation		530.8	(51.8)	479.0	309.3	(72.6)	236.7
Income tax expense	6	(98.1)	9.8	(88.3)	(57.6)	13.8	(43.8)
Profit for the year*		432.7	(42.0)	390.7	251.7	(58.8)	192.9
Earnings per ordinary share				316.9p			156.6p
- Basic	5						
Earnings per ordinary share				315.8p			156.1p
- Diluted	5						

Group Statement of Comprehensive Income

for the year ended 31 July 2021

	Note	2021 £m	2020 £m
Profit for the period		390.7	192.9
Other comprehensive income/(expense)			
Items that will not be recycled to the income statement:			
Remeasurement gains/(losses) on defined benefit pension plans	23	8.5	(1.8)
Income tax on other comprehensive (income)/expense	6	(2.2)	0.3
Other comprehensive income/(expense) for the period, net of income tax		6.3	(1.5)
Total comprehensive income for the period*		397.0	191.4

* All attributable to equity holders of the parent.

Statements of Changes in Equity

at 31 July 2021

Group	Note	Issued capital £m	Share premium £m	Capital redemption reserve £m	Other reserves £m	Retained earnings £m	Total equity £m
Balance at 1 August 2019		15.3	175.8	20.0	1.5	2,708.6	2,921.2
Total comprehensive income for the period							
Profit for the period		-	-	-	-	192.9	192.9
Other comprehensive expense*		-	-	-	-	(1.5)	(1.5)
Total comprehensive income for the period		-	-	-	-	191.4	191.4
Transactions with shareholders recorded directly in equity:							
Dividends on equity shares		21	-	-	-	(123.1)	(123.1)
Shares issued		19	0.1	2.6	-	-	2.7
Credit in relation to share options and tax thereon		6, 24	-	-	-	1.8	1.8
Total contributions by and distributions to shareholders			0.1	2.6	-	(121.3)	(118.6)
Balance at 31 July 2020		15.4	178.4	20.0	1.5	2,778.7	2,994.0
Total comprehensive income for the period							
Profit for the period		-	-	-	-	390.7	390.7
Other comprehensive income*		-	-	-	-	6.3	6.3
Total comprehensive income for the period		-	-	-	-	397.0	397.0
Transactions with shareholders recorded directly in equity:							
Dividends on equity shares		21	-	-	-	(104.7)	(104.7)
Purchase of own shares		20	-	-	-	(2.5)	(2.5)
Shares issued		19	-	1.4	-	-	1.4
Credit in relation to share options and tax thereon		6, 24	-	-	-	2.6	2.6
Total contributions by and distributions to shareholders			-	1.4	-	(104.6)	(103.2)
Balance at 31 July 2021		15.4	179.8	20.0	1.5	3,071.1	3,287.8

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

Statements of Changes in Equity continued

at 31 July 2021

Company	Note	Issued capital £m	Share premium £m	Capital redemption reserve £m	Other reserves £m	Retained earnings £m	Total equity £m
Balance at 1 August 2019		15.3	175.8	20.0	2.1	427.2	640.4
Total comprehensive income for the period							
Profit for the period		-	-	-	-	0.9	0.9
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income for the period		-	-	-	-	0.9	0.9
Transactions with shareholders recorded directly in equity:							
Dividends on equity shares	21	-	-	-	-	(123.1)	(123.1)
Shares issued	19	0.1	2.6	-	-	-	2.7
Credit in relation to share options	24	-	-	-	-	2.1	2.1
Total contributions by and distributions to shareholders		0.1	2.6	-	-	(121.0)	(118.3)
Balance at 31 July 2020		15.4	178.4	20.0	2.1	307.1	523.0
Total comprehensive income for the period							
Profit for the period		-	-	-	-	185.5	185.5
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income for the period		-	-	-	-	185.5	185.5
Transactions with shareholders recorded directly in equity:							
Dividends on equity shares	21	-	-	-	-	(104.7)	(104.7)
Purchase of own shares	20	-	-	-	-	(2.5)	(2.5)
Shares issued	19	-	1.4	-	-	-	1.4
Credit in relation to share options	24	-	-	-	-	2.6	2.6
Total contributions by and distributions to shareholders		-	1.4	-	-	(104.6)	(103.2)
Balance at 31 July 2021		15.4	179.8	20.0	2.1	388.0	605.3

Balance Sheets

at 31 July 2021

	Note	Group 2021 £m	Group 2020 £m	Company 2021 £m	Company 2020 £m
ASSETS					
Non-current assets					
Property, plant and equipment	11	35.7	36.7	-	-
Investment in subsidiaries	12	-	-	40.4	37.8
Financial assets	12	39.6	55.5	-	-
Equity accounted joint arrangements	12	15.7	5.3	-	-
Deferred tax assets	6	0.9	0.5	-	-
Retirement benefit assets	23	10.2	1.3	-	-
		102.1	99.3	40.4	37.8
Current assets					
Inventories	7	4,032.2	3,863.0	-	-
Trade and other receivables	8	82.2	69.9	512.3	432.8
Cash and cash equivalents	16	460.3	51.4	52.8	52.7
		4,574.7	3,984.3	565.1	485.5
Total assets		4,676.8	4,083.6	605.5	523.3
LIABILITIES					
Non-current liabilities					
Interest-bearing loans and borrowings	16	130.0	-	-	-
Trade and other payables	9	89.7	131.2	-	-
Deferred tax liabilities	6	8.2	2.6	-	-
Provisions	10	89.0	-	-	-
		316.9	133.8	-	-
Current liabilities					
Interest-bearing loans and borrowings	16	-	50.0	-	-
Corporation tax payable		4.0	1.5	-	-
Trade and other payables	9	1,041.1	834.0	0.2	0.3
Provisions	10	27.0	70.3	-	-
		1,072.1	955.8	0.2	0.3
Total liabilities		1,389.0	1,089.6	0.2	0.3
Net assets		3,287.8	2,994.0	605.3	523.0
EQUITY					
Issued capital	19	15.4	15.4	15.4	15.4
Share premium	20	179.8	178.4	179.8	178.4
Capital redemption reserve	20	20.0	20.0	20.0	20.0
Other reserves		1.5	1.5	2.1	2.1
Retained earnings		3,071.1	2,778.7	388.0	307.1
Total equity		3,287.8	2,994.0	605.3	523.0

Approved by the Board of Directors on 18 October 2021 and signed on its behalf by:

Paul Hampden Smith
Director

Keith Adey
Director

Registered number 1372603

Parent Company Income Statement

In accordance with the provisions of section 408 of the Companies Act 2006, a separate Income Statement for the Company has not been presented. The Company's profit for the year was £185.5 million (2020 – £0.9 million).

Cash Flow Statements

for the year ended 31 July 2021

	Note	Group 2021 £m	Group 2020 £m	Company 2021 £m	Company 2020 £m
Cash flows from operating activities					
Profit for the year		390.7	192.9	185.5	0.9
Depreciation charge	11	6.5	6.3	-	-
Investment impairment	12	-	-	-	5.7
Profit on sale of property, plant and equipment	4	(0.7)	-	-	-
Finance income	17	(0.6)	(0.2)	-	-
Finance expenses	17	11.7	13.6	-	-
Share-based payment expense	24	2.6	2.1	-	-
Share of post tax result of joint ventures	13	(10.4)	(1.0)	-	-
Income tax expense	6	88.3	43.8	-	-
Increase in inventories		(160.3)	(385.0)	-	-
(Increase)/decrease in trade and other receivables		(12.0)	58.0	(79.5)	113.7
Increase/(decrease) in trade and other payables		158.1	55.0	(0.1)	-
Increase in provisions		45.7	70.3	-	-
Cash from operations		519.6	55.8	105.9	120.3
Interest paid		(3.0)	(6.0)	-	-
Income tax paid		(84.1)	(107.7)	-	-
Net cash inflow/(outflow) from operating activities		432.5	(57.9)	105.9	120.3
Cash flows from investing activities					
Acquisition of property, plant and equipment		(3.3)	(8.3)	-	-
Proceeds from sale of property, plant and equipment		1.5	0.1	-	-
Increase in loans to joint ventures	12	(17.1)	(9.9)	-	-
Repayment of loans by joint ventures	12	33.0	-	-	-
Acquisition of joint operation	14	(8.9)	-	-	-
Interest received		0.4	0.3	-	-
Net cash inflow/(outflow) from investing activities		5.6	(17.8)	-	-
Cash flows from financing activities					
(Decrease)/increase in bank borrowings		(50.0)	50.0	-	-
Increase in fixed rate sterling USPP notes		130.0	-	-	-
Payment of lease liabilities		(3.4)	(3.7)	-	-
Proceeds from the issue of share capital on exercise of share options		1.4	2.7	1.4	2.7
Purchase of own shares		(2.5)	-	(2.5)	-
Dividends paid	21	(104.7)	(123.1)	(104.7)	(123.1)
Net cash outflow from financing activities		(29.2)	(74.1)	(105.8)	(120.4)
Net increase/(decrease) in cash and cash equivalents		408.9	(149.8)	0.1	(0.1)
Cash and cash equivalents at beginning of year		51.4	201.2	52.7	52.8
Cash and cash equivalents at end of year	16	460.3	51.4	52.8	52.7

Accounting Policies

Basis of preparation

Basis of preparation

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

The consolidated Group financial statements have been prepared and approved by the Directors in accordance with International Accounting Standards ('IAS') in conformity with the requirements of the Companies Act 2006 and prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union. The parent company financial statements are prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006. On publishing the Company financial statements here together with the Group financial statements, which were approved for issue on 18 October 2021, 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 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 accounting policies set out within the notes to the financial statements have, except as noted below, been applied consistently to all periods presented in these consolidated financial statements.

The Group has recently entered into a small number of contractual arrangements with certain social housing providers and this will affect the recognition of the associated revenue and trade receivables in both the current and future accounting periods. This has not had a material effect on the current year financial statements. The amended revenue recognition and trade and other receivables accounting policies of the Group are included in note 1 and note 8.

Going concern



The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Chief Executive's Market and Operational Review on pages 36 to 39. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Group Finance Director's Review on pages 40 to 43 and the Director's Report on page 111. The Risk Management section on pages 52 to 55 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 cash in hand less debt. At 31 July 2021, Bellway had net cash of £330.3 million¹ (note 16), having generated cash of £328.9 million (note 16) during the year, including £519.6 million of cash from operations. The Group has operated within all its debt covenants throughout the year, and covenant compliance was considered as part of the going concern assessment. In addition, the Group had bank facilities of £420.0 million at 31 July 2021, expiring in tranches up to July 2024. These have subsequently reduced to £370.0 million at 24 September 2021, with tranches expiring up to December 2025, as a result of planned business as usual bank refinancing. Furthermore, the Group entered into a contractual arrangement during the year to issue a sterling US Private Placement ('USPP') for a total amount of £130.0 million, as part of its ordinary course of business financing arrangements. This USPP debt, which has maturity dates in seven and ten years, was fully drawn down on 17 February 2021. In aggregate, this provided the Group with committed debt lines of £550.0 million at 31 July 2021, which have reduced to £500.0 million at 24 September 2021.

Including committed debt lines and cash, Bellway had access to total funds of £880.3 million, along with net current assets (excluding net cash) of £3,042.3 million at 31 July 2021, providing the Group with appropriate liquidity to meet its current liabilities as they fall due.

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

This sensitivity includes the following principal assumptions:

- Private completions in H1 FY22 are supported by the strong forward order book, but still fall to 83% of that achieved in H1 of FY21. In the 12 months to 31 January 2023, private completions reduce by around 50% compared to the pre-COVID-19 'lockdown' peak. This is followed by a gradual recovery based on the lower base position.
- Private average selling price in H1 FY22 remains in line with internal forecasts due to the strong order book position. In the 12 months to 31 January 2023, the private average selling price reduces by 10% compared to the latest achieved pricing. This is followed by a gradual recovery based on the lower base position.

Accounting Policies continued

Going concern continued



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

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

- Plots in the land bank only being replaced at the same rate that they are utilised.
- Construction spend is reduced in line with housing revenue.
- Dividends were reduced in line with earnings.

The sensitivity analysis was modelled over the period to 31 July 2023 for the going concern assessment, but extended to the 31 July 2025 for the Director's viability assessment. In addition to the scenario, several additional mitigating measures remain available to management that were not included in the scenario. These include withholding discretionary land spend and instead trading out of the substantial existing land holdings and further reducing construction spend in recognition of the strong carried forward work in progress position at 31 July 2021.

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

The Directors consider that the Group is well placed to manage business and financial risks in the current economic environment. Consequently, the Directors are confident that the Group and parent company will have sufficient funds to continue to meet its liabilities as they fall due for the period to 31 July 2023, aligning with the first year end after the minimum 12 month assessment period, and have therefore prepared the financial statements on a going concern basis.

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:

- Joint venture – These entities are consolidated using the equity method of accounting.
- 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.

Effect of new standards and interpretations effective for the first time

The adoption of the new standards and interpretations effective for the first time in these financial statements has not had a material effect on the Group's profit for the year or equity.

Standards and interpretations in issue but not yet effective

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

Notes to the Financial Statements

Performance for the year

1. Revenue



Revenue recognition

Revenue is measured at the fair value of consideration received or receivable, net of incentives.

Private housing sales and land sales

Revenue is recognised in the income statement at a point in time when the performance obligation, being the transfer of a completed dwelling or land to a customer, has been satisfied. This is when legal title is transferred.

Social housing

The Group reviews social housing contracts on a contract by contract basis and determines the appropriate revenue recognition based on the specific terms of each contract.

Where a contract with a housing association transfers both land and social housing on legal completion ("turnkey and plot sale contracts" which typically represents around one third of social housing revenue), there is one performance obligation and revenue is recognised in the income statement at a point in time when the homes are build complete and all material contractual obligations have been fulfilled. This is when legal title is transferred.

Where a contract with a housing association transfers legal title of land once foundations are in place ("design and build" contracts' which typically represents around two thirds of social housing revenue) and separately transfers the social housing dwellings when they are build complete, there is a judgement as to whether the sale of land is a separate performance obligation for the purposes of revenue recognition and consequentially whether revenue should be recognised over time or on a point in time basis for the social housing units. Based on the contractual terms in the majority of such contracts, notably those that enable the Group to retain control over the land regardless of the transfer of title, the Group has determined that these contracts include one performance obligation which is appropriately recognised at a point in time, when the homes are build complete and all material contractual obligations have been fulfilled.

The Group recognises revenue in the income statement over time for contracts where the control of land is irrevocably transferred to the customer before or during construction. Revenue is recognised from the point that control is irrevocably transferred to the customer.

Where revenue is recognised over time and the outcome of the contract can be estimated reliably, it is recognised based on the stage of completion of the contract at the balance sheet date. This is usually by reference to surveys of work performed to the balance sheet date. Variations to such contracts are included in revenue to the extent that they have been agreed with the customer. Where the outcome of such a contract cannot be measured reliably, revenue is recognised to the extent of costs incurred.

Incentives

Sales incentives are substantially cash in nature. Cash incentives are recognised as a reduction in housing 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.



Segmental analysis

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

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

Additional information on average selling prices and the unit sales split between north, south, private and social has been included in the Group Finance Director's Review on pages 41 to 43. 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.

Notes to the Financial Statements continued

Performance for the year

1. Revenue continued

Revenue from contracts with customers

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

	2021 £m	2020 £m
Housing revenue	3,107.1	2,204.4
Non-housing revenue	15.4	21.0
Total revenue	3,122.5	2,225.4

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

(a) Private/social

	2021 £m	2020 £m
Private	2,737.3	1,948.1
Social	369.8	256.3
Total housing revenue	3,107.1	2,204.4

(b) North/South

	2021 £m	2020 £m
North	1,295.7	955.8
South	1,811.4	1,248.6
Total housing revenue	3,107.1	2,204.4

2. Net legacy building safety expense and exceptional items



Exceptional items are those which, in the opinion of the Board, are material by size or nature and of such significance that they require separate disclosure on the face of the income statement.



Exceptional items

While preparing these financial statements, a major judgement which the Directors consider could have a significant effect on the financial statements when applying the Group's accounting policies is whether items should be treated as exceptional or not, the value of such items is not considered to be an area of judgement. The Directors assessed each possible exceptional item against a framework incorporating the Group's accounting policy, the accounting requirements of IAS 1 'Presentation of Financial Statements' relating to the separate disclosure of material items of income or expense and the FRC Company Guidance in relation to COVID-19 (updated 20 May 2020).

For the years ended 31 July 2021 and 31 July 2020, the Directors considered that the net legacy building safety expense satisfied the requirements to be separately disclosed on the face of the income statement.

For the year ended 31 July 2020, the Directors considered other items when reviewing areas of the business that could give rise to a COVID-19 related exceptional item and concluded that neither of the following items satisfied all of the requirements of an exceptional item:

- i) Extended site durations, together with enhanced health and safety requirements relating to social distancing measures - In addition to the costs set out in section (ii) below, further costs arising from extended site durations, together with enhanced health and safety requirements relating to social distancing measures, led to an additional cost of £21.7 million (2020 - £18.9 million). These incremental site-based costs continued to influence the operating margin in the year.
- ii) Furloughed costs for non-site based employees - Following our decision on 23 March 2020 to close sites, the Group furloughed around 75% of its workforce, with this principally comprising directly employed site tradespeople, site managers and sales advisers. We paid these employees full basic salary throughout April 2020 and May 2020, and although eligible Bellway did not apply for a grant using the CJRS. The expense to the Group relating to those furloughed employees, whose cost is not capitalised to a site, was considered in the review of possible exceptional items.

2. Net legacy building safety expense and exceptional items continued

Operating profit for the years ended 31 July 2021 and 31 July 2020 has been arrived at after recognising the following items in the income statement:

	2021 £m	2020 £m
Net legacy building safety expense (note 10)	51.8	46.8
COVID-19 related exceptional items		
(a) Aborted land contracts	-	9.9
(b) Abnormal, non-productive site-based costs arising from the interruption to construction activity during 'lockdown'	-	14.5
(c) Restructuring costs	-	1.4
Total COVID-19 related exceptional expense	-	25.8
Total net legacy building safety expense and exceptional items	51.8	72.6

£51.8 million (2020 – £71.9 million) of the total net legacy building safety expense and exceptional items is recognised within cost of sales and £nil (2020 – £0.7 million), relating to a proportion of the restructuring costs, is included within administrative expenses.

The income tax rate applied to the total net legacy building safety expense and exceptional items in the income statement is the Group's standard rate of corporation tax, 19.0% (2020 – 19.0%).

(i) Net legacy building safety expense

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

Initially, our review efforts were directed towards those buildings over 18 metres in height, where Aluminium Composite Material ('ACM') had been used in the construction of the external wall envelope. The scope of our review has since widened, following the 'Advice for Building Owners of Multi-storey, Multi-occupied Residential Buildings', issued by the Ministry of Housing, Communities and Local Government in January 2020.

We therefore now approach this issue, with the benefit of sector-wide hindsight and, by applying revised guidance which clarifies the Government's interpretation of the extant building regulations that were in place at the time of construction. Our reviews, which often include the results of investigative surveys, consider whole external wall systems to determine whether the combination of materials used adequately prevent external fire spread, thereby rendering the building safe.

As previously reported, Bellway has identified a number of developments, which obtained building regulation approval at the time of construction, where the building materials used may not fully comply with this most recent Government guidance. Notwithstanding the complexities in assessing legal liability, as a responsible developer, we continue to assess our portfolio of legacy apartment schemes to determine the scope of potential remediation works.

As a result of this evaluation, Bellway has made an additional net exceptional expense of £51.8 million (2020 – £46.8 million) as part of its commitment to help building owners remediate affected properties.

This is a highly complex area with judgements and estimates (note 10) in respect of the cost of remedial works, and the extent of those properties within the scope of the applicable government guidance, which is likely to evolve.

The Group has also recognised recoveries from third parties, with gross income of £15.1 million (2020 – £1.7 million), relating to those assets which are virtually certain. The majority has been received in cash with only £0.5 million (2020 – £nil) outstanding at the year end.

(ii) COVID-19 related exceptional items

This category solely relates to the year ended 31 July 2020, with no items recognised during the year ended 31 July 2021. The onset of the COVID-19 pandemic in March 2020 materially affected the Group, and a COVID-19 related exceptional item was recognised in the financial statements for the year ended 31 July 2020.

Aborted land contracts – as conditions changed in the land market following the onset of COVID-19, a number of land deals were aborted or indefinitely suspended, a full impairment of inventories was performed, resulting in a land impairment of £9.9 million during the year ended 31 July 2020.

Abnormal, non-productive site-based costs arising from the interruption to construction activity during 'lockdown' – a number of site-based costs, which would have ordinarily been capitalised in to work-in-progress, were incurred when construction activity was initially suspended across the Group as the UK entered the first national 'lockdown'. These costs did not contribute to bringing the inventory into its current location or condition during this period of interruption, and accordingly £14.5 million was expensed to the income statement during the year ended 31 July 2020.

Restructuring costs – a modest workforce rationalisation programme was undertaken in response to reduced output and the suspension of divisional expansion plans during the year ended 31 July 2020.

Notes to the Financial Statements continued

3. Cost of sales recognition



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 should recognise on its sites/phases in the year, the Group needs to allocate site/phase wide costs between all plots, both those already sold, and those plots to be sold in future periods. The Group generally allocates site/phase wide costs based on expected total revenue unless this does not reflect an appropriate apportionment of the costs. It is also necessary to estimate costs to complete on such sites/phases. 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 decreased by 200 basis points, it is estimated that the quantum of housing cost of sales would increase by around 2.5%.

4. Operating profit

4a Part-exchange properties



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.

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.

4b Operating profit is stated after charging/(crediting)

	2021 £m	2020 £m
Operating profit is stated after charging/(crediting)		
Staff costs (note 22)	184.4	180.1
Depreciation of property, plant and equipment	6.5	6.3
Hire of plant and machinery	15.2	13.6
Profit on sale of property, plant and equipment	(0.7)	-

4c Auditor's remuneration

	2021 £000	2020 £000
Audit of these financial statements	60	35
Amounts receivable by the auditor and its associates in respect of:		
Audit of financial statements of subsidiaries pursuant to legislation	333	221
Pension scheme audit	15	8

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 £0.015 million (2020 - £0.018 million).

All of the amounts in this note for 2021 are in respect of services provided by Ernst & Young LLP, with those in 2020 relating to services provided by KPMG LLP.

5. 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		Weighted average number of ordinary shares	Earnings per share	Earnings	Weighted average number of ordinary shares	Earnings per share
	2021 £m	2021 Number	2021 p	2020 £m	2020 Number	2020 p	
For basic earnings per ordinary share	390.7	123,306,035	316.9	192.9	123,205,211	156.6	
Dilutive effect of options and awards		411,633	(1.1)		390,245	(0.5)	
For diluted earnings per ordinary share	390.7	123,717,668	315.8	192.9	123,595,456	156.1	

Taxation

6. Taxation



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 either items recognised in equity in which case it is recognised in equity or other comprehensive income in which case it is recognised in other comprehensive income.

Deferred taxation

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.

6a Income tax recognised in the income statement

	2021 £m	2020 £m
Current tax expense:		
UK corporation tax	89.8	43.4
Adjustments in respect of prior years	(2.8)	(0.2)
	87.0	43.2
Deferred tax expense:		
Origination and reversal of temporary differences	0.1	0.3
Increase in tax rate	1.1	0.2
Adjustments in respect of prior years	0.1	0.1
	1.3	0.6
Total income tax expense in income statement	88.3	43.8

Notes to the Financial Statements continued

6. Taxation continued

	2021 %	2021 £m	2020 %	2020 £m
Reconciliation of effective tax rate:				
Profit before taxation		479.0		236.7
Tax calculated at UK corporation tax rate	19.0	91.0	19.0	45.0
Non-taxable income and enhanced deductions	(0.2)	(1.1)	(0.5)	(1.1)
Remeasurement of deferred tax due to increase in tax rate	0.2	1.1	-	-
Adjustments in respect of prior years - current tax	(0.6)	(2.8)	-	(0.2)
- deferred tax	-	0.1	-	0.1
Effective tax rate and tax expense for the year	18.4	88.3	18.5	43.8

The effective tax expense is 18.4% of profit before taxation (2020 - 18.5%) and compares favourably to the Group's standard tax rate for the year of 19.0% (2020 - 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 the finalisation of the prior year corporation tax returns.

6b Tax recognised in equity and other comprehensive income

	2021 £m	2020 £m
Deferred tax recognised directly in equity and other comprehensive income:		
(Charge)/credit relating to remeasurements on the defined benefit pension scheme	(2.2)	0.3
Charge relating to equity-settled transactions	-	(0.3)

6c 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 £m	Retirement benefit assets £m	Share-based payments £m	Inventory £m	Other temporary differences £m	Total £m
At 1 August 2019	(0.1)	(0.5)	0.7	-	(1.6)	(1.5)
Reclassification	-	-	-	(1.6)	1.6	-
Income statement (charge)/credit	(0.4)	(0.1)	0.1	(0.2)	-	(0.6)
Credit to statement of comprehensive income	-	0.3	-	-	-	0.3
Charge to equity	-	-	(0.3)	-	-	(0.3)
At 31 July 2020	(0.5)	(0.3)	0.5	(1.8)	-	(2.1)
Arising on acquisition of joint operation (note 14)	-	-	-	(1.7)	-	(1.7)
Income statement (charge)/credit	(0.6)	(0.1)	0.4	(1.0)	-	(1.3)
Charge to statement of comprehensive income	-	(2.2)	-	-	-	(2.2)
At 31 July 2021	(1.1)	(2.6)	0.9	(4.5)	-	(7.3)

The following is an analysis of the deferred tax balances for financial reporting purposes:

	2021 £m	2020 £m
Share-based payments	0.9	0.5
Deferred tax assets	0.9	0.5
Capital allowances	(1.1)	(0.5)
Retirement benefit assets	(2.6)	(0.3)
Inventory	(4.5)	(1.8)
Deferred tax liabilities	(8.2)	(2.6)
Net deferred tax liability	(7.3)	(2.1)

6. Taxation continued

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

The deferred tax assets/(liabilities) held by the Group at the start of the current year have been revalued at the substantively enacted corporation tax rate that will be effective when they are expected to be realised. An increase in the UK corporation tax rate to 25% from 1 April 2023 has been announced and substantively enacted at the balance sheet date.

The deferred tax assets/(liabilities) held by the Group at the start of the comparative year were revalued from 17% to 19% to reflect the repeal, in March 2020, of the planned corporation tax rate reduction.

There are no deferred tax balances in respect of the Company.

Working capital

7. Inventories



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.



Carrying amount of land held for development and work in progress

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 2021 and 31 July 2020, 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 year ended 31 July 2021 no exceptional charge resulted from the review. For the year ended 31 July 2020, an exceptional item has been recognised related to the impairment of work in progress and land held for development, further detail is given in note 2.

Notes to the Financial Statements continued

7. Inventories continued

Group	2021 £m	2020 £m
Land	2,483.9	2,216.2
Work in progress	1,431.4	1,496.1
Showhomes	115.1	124.6
Part-exchange properties	1.8	26.1
	4,032.2	3,863.0

Inventories of £2,421.1 million were expensed in the year (2020 - £1,780.7 million), including exceptional land and work in progress impairments of £nil (2020 - £24.4 million) (note 2).

In the ordinary course of business, inventories have been written off by a net £1.5 million in the year (2020 - £3.5 million).

Land with a carrying value of £278.9 million (2020 - £242.7 million) was used as security for land payables (note 9).

Land includes £1,808.4 million (2020 - £1,743.3 million) which is owned or unconditionally contracted by the Group and where there is an implementable detailed planning permission.

During the year, the Group acquired 100% of the share capital of two private limited companies to access a land interest of £19.8 million. These acquisitions did not satisfy the requirements of the business combination, the land relating to this amount is included in 'land' in the above table.

The adoption of the Future Homes Standard in 2025 is not considered to have a material effect on the carrying value of inventories as at 31 July 2021.

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.

8. Trade and other receivables



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. Amounts recoverable on certain social housing contracts where revenue is recognised over time are included in trade receivables to the extent that they have been invoiced, or if not they are included within prepayments and accrued income, and are stated as the amount due less any foreseeable losses.

The loss allowance for amounts owed by Group undertakings is equal to the 12-month expected credit losses unless there has been a significant increase in credit risk since the date of initial recognition, in which case the loss allowance is equal to the lifetime expected credit loss. A significant increase in credit risk is deemed to have occurred if a review of available information indicates an increased probability of default.

	Group 2021 £m	Group 2020 £m	Company 2021 £m	Company 2020 £m
Current receivables				
Trade receivables	17.0	32.3	-	-
Other receivables	58.1	32.5	-	-
Amounts owed by Group undertakings	-	-	512.3	432.8
Prepayments and accrued income	7.1	5.1	-	-
	82.2	69.9	512.3	432.8

The Group assesses the ageing of trade receivables in accordance with the policy on page 53. None of the trade receivables are past their due dates (2020 - nil), and are therefore all rated as low risk.

Other receivables includes £38.6 million (2020 - £14.5 million) in relation to VAT recoverable and £0.5 million (2020 - £nil) of reimbursement assets (note 10).

The Group has assessed expected credit losses and the loss allowance for trade and other receivables as immaterial.

The Company has assessed expected credit losses and the loss allowance for amounts owed by Group undertakings as immaterial.

9. Trade and other payables



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.



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.



Payments on account

Payments on account, measured at amortised cost, are recorded as a liability on receipt and are released to the income statement when revenue is recognised in accordance with the Group's revenue recognition policy.

Non-current liabilities

	Group 2021 £m	Group 2020 £m	Company 2021 £m	Company 2020 £m
Land payables	75.4	117.1	-	-
Lease liabilities	14.3	14.1	-	-
	89.7	131.2	-	-

Land payables of £48.7 million (2020 - £82.0 million) are secured on the land to which they relate.

The carrying value of the land used for security is £48.1 million (2020 - £80.6 million).

Current liabilities

	Group 2021 £m	Group 2020 £m	Company 2021 £m	Company 2020 £m
Trade payables	324.3	273.0	-	-
Land payables	380.4	226.5	-	-
Social security and other taxes	5.6	5.0	-	-
Other payables	9.8	12.1	0.2	0.3
Lease liabilities	2.9	3.0	-	-
Accrued expenses	133.1	92.4	-	-
Payments on account	185.0	222.0	-	-
	1,041.1	834.0	0.2	0.3

Land payables of £234.4 million (2020 - £165.6 million) are secured on the land to which they relate.

The carrying value of the land used for security is £230.8 million (2020 - £162.1 million).

Notes to the Financial Statements continued

9. Trade and other payables continued

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 2020 have been recognised as revenue in the current year. The approximate transaction value allocated to the performance obligations that are unsatisfied at 31 July 2021 is £2,022.3 million (2020 - £1,760.2 million), the majority of which is expected to be recognised as revenue during the next financial year.

10. Provisions and reimbursement assets



Provisions

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past transaction or event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the Directors best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to the present value where the effect is material.



Legacy building safety improvements

The Directors consider that their assessment and judgement of the legacy building safety improvements provision, in accordance with the Group's accounting policies, could have a significant effect on the Group's financial statements.

The Directors have established whether any remedial works are required to be performed on certain sites and if so, has then assessed whether there is a legal or constructive obligation at the balance sheet date. A legal obligation, assessed on a site by site basis, is present if Bellway is the responsible person for the site or if the building was constructed within a specified time period. A constructive obligation is present if Bellway has communicated to the involved parties (such as residents and building owners) that it will undertake the remedial works. If the Group has identified that it has a legal or constructive obligation then a provision has been recognised for the latest estimated cost of the remedial works.

This is a highly complex area with judgements in respect of the extent of those properties within the scope of Bellway's legacy building safety improvement provision and the provision could be extended should the latest interpretation of Government guidance further evolve (note 25).



Legacy building safety improvements

The legacy building safety improvements provision has been established to carry out remedial corrective works on a number of schemes. Management have estimated the cost of the corrective works for the current anticipated scope, but this is inherently uncertain as the improvement works are at an early stage on most affected sites. These estimates may change over time as further information is assessed, building works progress and the interpretation of fire safety regulations further evolve. If costs in the provision are understated by 10%, operating profit in the period would reduce by around 2%.

Group	Legacy building safety improvements provision £m	Reimbursement assets £m	Total £m
At 1 August 2020	(70.3)	-	(70.3)
Additions (note 2)	(69.6)	15.1	(54.5)
Released (note 2)	2.7	-	2.7
Utilised/(recovered)	21.2	(14.6)	6.6
At 31 July 2021	(116.0)	0.5	(115.5)

The provision is classified as follows:

	Legacy building safety improvements provision £m
Current	(27.0)
Non-current	(89.0)
Total	(116.0)

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

The Company has no provisions.

Business combinations and other investing activities

11. Property, plant and equipment



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.



Right-of-use assets

The accounting policy for leases is included in note 9.

Group	Land and property £m	Plant, fixtures and fittings £m	Right-of-use assets £m	Total £m
Cost				
At 1 August 2019	11.2	17.6	17.3	46.1
Additions	6.8	1.5	5.5	13.8
Disposals	-	(1.0)	(0.8)	(1.8)
Transfer to inventories	(0.5)	-	-	(0.5)
At 1 August 2020	17.5	18.1	22.0	57.6
Additions	0.3	3.0	3.2	6.5
Disposals	(1.2)	(3.8)	(1.5)	(6.5)
At 31 July 2021	16.6	17.3	23.7	57.6
Depreciation				
At 1 August 2019	2.7	10.3	3.3	16.3
Charge for year	0.4	2.4	3.5	6.3
On disposals	-	(0.9)	(0.7)	(1.6)
Transfer to inventories	(0.1)	-	-	(0.1)
At 1 August 2020	3.0	11.8	6.1	20.9
Charge for year	0.4	2.6	3.5	6.5
On disposals	(0.5)	(3.7)	(1.3)	(5.5)
At 31 July 2021	2.9	10.7	8.3	21.9
Net book value				
At 31 July 2021	13.7	6.6	15.4	35.7
At 31 July 2020	14.5	6.3	15.9	36.7
At 31 July 2019	8.5	7.3	14.0	29.8

The Company has no property, plant and equipment.

Notes to the Financial Statements continued

12. Financial assets and equity accounted joint arrangements, and investments in subsidiaries



Investments in subsidiaries

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

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. At the 31 July 2021, the Group was made up of 31 subsidiaries and 7 joint arrangements. Further details are included in note 27.

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.

The Group and Company have the following investments or financial assets in subsidiaries and joint ventures:

	Group 2021 £m	Group 2020 £m	Company 2021 £m	Company 2020 £m
Subsidiary undertakings				
Interest in subsidiary undertakings' shares at cost	-	-	40.4	37.8
Financial assets and equity accounted joint arrangements				
Financial assets - loan to joint ventures	39.6	55.5	-	-
Interest in joint ventures - equity	15.7	5.3	-	-
	55.3	60.8	-	-
	55.3	60.8	40.4	37.8

During the year ended 31 July 2021, subsidiary undertakings in the Company were impaired by £5.7 million following an exercise to dissolve several dormant companies across the Group. This movement was offset by the share-based payment charge of £2.1 million.

The movement on both the equity accounted joint ventures and related financial assets during the year is as follows:

	2021 £m	2020 £m
At the start of the year	60.8	49.9
Increase in loans	17.1	9.9
Repayment of loans	(33.0)	-
Share of result	10.4	1.0
At the end of the year	55.3	60.8

13. Joint arrangements

DFE TW Residential Limited, 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, Lambeth Regeneration LLP and Bellway Latimer Cherry Hinton 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.

Bellway Latimer Cherry Hinton LLP was incorporated during the year ended 31 July 2021.

13. Joint arrangements continued

The Group's share of the joint ventures' net assets/(liabilities) and income/(expenses) are made up as follows:

	2021					2020			
	Ponton Road LLP	Fradley Residential LLP	Bellway Latimer Cherry Hinton LLP	Other joint ventures	Total	Ponton Road LLP	Fradley Residential LLP	Other joint ventures	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Current assets	36.6	10.0	41.7	1.9	90.2	70.0	8.2	1.1	79.3
Current liabilities	(27.4)	(2.5)	(23.2)	(1.9)	(55.0)	(69.5)	(1.3)	(0.2)	(71.0)
Non-current liabilities	-	(0.7)	(18.8)	-	(19.5)	(0.5)	(1.6)	(0.9)	(3.0)
Share of net assets/(liabilities) of joint ventures	9.2	6.8	(0.3)	-	15.7	-	5.3	-	5.3
Revenue	54.9	7.7	-	-	62.6	-	4.3	-	4.3
Costs	(45.7)	(6.1)	-	-	(51.8)	-	(3.3)	-	(3.3)
Operating profit	9.2	1.6	-	-	10.8	-	1.0	-	1.0
Interest	-	(0.1)	(0.3)	-	(0.4)	0.1	(0.1)	-	-
Share of result of joint ventures	9.2	1.5	(0.3)	-	10.4	0.1	0.9	-	1.0

Guarantees relating to the overdrafts of the joint arrangements have been given by the Company (see note 25).

The Group has assessed expected credit losses and the loss allowance for joint venture financial assets as immaterial.

14. Acquisition of joint arrangement

The Group acquired 50% of the ordinary share capital of DFE TW Residential Limited ("DFE") on 22 January 2021 for £8.9 million cash consideration solely to access a land interest which was immediately transferred to both shareholders of DFE. As part of the acquisition of DFE there was no transfer of trade, nor any transfer of employees. DFE progressed its land interest through the planning process prior to acquisition and therefore the Group concluded DFE satisfied the definition of a business. As the shareholders of DFE have substantially all of the economic benefit of the assets and fund the liabilities of DFE, this entity is deemed to be a joint operation.

The Group incurred acquisition-related expenses of £0.4 million on legal fees and due diligence costs. These costs have been included in 'cost of sales' in the period.

The following table summarises the fair value of assets acquired and liabilities assumed at the date of acquisition:

	£m
Inventories	13.7
Corporation tax liability	(0.1)
Deferred tax liabilities	(1.7)
Trade and other payables	(3.0)
Total identifiable net assets acquired	8.9

The valuation technique used for measuring the fair value of the material asset acquired is as follows:

Assets acquired	Valuation technique
Inventories	The fair value was determined as the estimated market value.

Notes to the Financial Statements continued

14. Acquisition of joint arrangement continued

If new information, obtained within one year of the date of acquisition, about facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts, then the accounting for the acquisition will be revised.

No goodwill arose on the acquisition as the consideration transferred was equal to the total identifiable net assets acquired.

Following the acquisition by the Group, the following has been recognised in the income statement for the year ended 31 July 2021:

	£m
Revenue	3.0
Cost of sales	(3.0)
Administrative expenses	0.1
Income tax expense	(0.2)
Loss for the year	(0.1)

15. Commitments

Capital commitments

Group	2021 £m	2020 £m
Contracted not provided	0.5	1.4
Authorised not contracted	-	-

Company

The commitments of the Company were £nil (2020 - £nil).

Financing

16. Net cash



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.

16a Reconciliation of net cash flow to net cash

Group	2021 £m	2020 £m
Increase/(decrease) in net cash and cash equivalents	408.9	(149.8)
Decrease/(increase) in bank borrowings	50.0	(50.0)
Increase in fixed rate sterling USPP notes	(130.0)	-
Increase/(decrease) in net cash from cash flows	328.9	(199.8)
Net cash at 1 August	1.4	201.2
Net cash at 31 July	330.3	1.4

Company	2021 £m	2020 £m
Increase/(decrease) in net cash and cash equivalents	0.1	(0.1)
Increase/(decrease) in net cash from cash flows	0.1	(0.1)
Net cash at 1 August	52.7	52.8
Net cash at 31 July	52.8	52.7


16b Analysis of net cash

Group	At 1 August 2020 £m	Cash flows £m	At 31 July 2021 £m
Cash and cash equivalents	51.4	408.9	460.3
Bank loans	(50.0)	50.0	-
Fixed rate sterling USPP notes	-	(130.0)	(130.0)
Net cash	1.4	328.9	330.3

Company	At 1 August 2020 £m	Cash flows £m	At 31 July 2021 £m
Cash and cash equivalents	52.7	0.1	52.8
Net cash	52.7	0.1	52.8


Notes to the Financial Statements continued

17. Finance income and expenses

	Finance income and expenses
	Finance income includes interest receivable on bank deposits.
	Finance expenses includes interest on bank borrowings and fixed rate sterling USPP notes. The discounting of the deferred payments for land purchases produces a notional interest payable amount and this is also charged to finance expenses.

	2021 £m	2020 £m
Interest receivable on bank deposits	-	0.2
Other interest receivable	0.6	-
Finance income	0.6	0.2
Interest payable on bank loans and overdrafts	3.1	6.2
Interest payable on fixed rate sterling USPP notes	1.6	-
Interest on deferred term land payables	6.5	6.9
Interest payable on leases	0.5	0.5
Finance expenses	11.7	13.6

18. 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 £m	Total contracted cash payment £m	Within 1 year or on demand £m	1-2 years £m	2-5 years £m	More than 5 years £m
At 31 July 2021	455.8	459.7	382.3	67.0	10.4	-
At 31 July 2020	343.6	350.0	228.3	98.4	23.3	-

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 £m	Total contracted cash payment £m	Within 1 year or on demand £m	1-2 years £m	2-5 years £m	More than 5 years £m
Trade and other payables (excluding lease liabilities)	334.1	334.1	334.1	-	-	-
Fixed rate sterling USPP notes	130.0	156.6	3.4	3.4	10.3	139.5
Lease liabilities	17.2	19.1	3.4	2.9	7.2	5.6
At 31 July 2021	481.3	509.8	340.9	6.3	17.5	145.1

Trade and other payables (excluding lease liabilities)	285.1	285.1	285.1	-	-	-
Bank loans - floating rates	50.0	50.1	50.1	-	-	-
Lease liabilities	17.1	19.3	3.4	3.1	6.1	6.7
At 31 July 2020	352.2	354.5	338.6	3.1	6.1	6.7

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 £420.0 million (2020 - £495.0 million) of undrawn bank facilities available.

18. Financial Instruments continued

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 2021 and 31 July 2020 for both the Group and the Company are shown in note 16.

At 31 July 2021 the average interest rate earned on the temporary closing cash balance, excluding joint ventures, was 0.02% (2020 – 0.06%).

Fair values

The carrying values of financial assets and liabilities reasonably approximate their fair values.

Financial assets and liabilities by category

	Group 2021 £m	Group 2020 £m	Company 2021 £m	Company 2020 £m
Loans and receivables	114.7	120.3	512.3	432.8
Cash and cash equivalents	460.3	51.4	52.8	52.7
Financial liabilities at amortised cost	(937.1)	(695.8)	(0.2)	(0.3)
	(362.1)	(524.1)	564.9	485.2

Reconciliation of liabilities arising from financing activities

	At 1 August 2020 £m	Net cash flows £m	New leases £m	Disposals £m	Interest £m	At 31 July 2021 £m
Bank borrowings	50.0	(50.0)	-	-	-	-
Fixed rate sterling USPP notes	-	130.0	-	-	-	130.0
Lease liabilities	17.1	(3.4)	3.2	(0.2)	0.5	17.2
	67.1	76.6	3.2	(0.2)	0.5	147.2

There were no liabilities arising from financing activities within the Company.

Bank facilities

The Group had bank facilities of £420.0 million as at 31 July 2021 (2020 – £545.0 million) which expire during the course of the following financial years:

	Group 2021 £m	Group 2020 £m	Company 2021 £m	Company 2020 £m
By 31 July 2021	-	175.0	-	-
By 31 July 2022	125.0	125.0	-	-
By 31 July 2023	50.0	50.0	-	-
By 31 July 2024	245.0	195.0	-	-
	420.0	545.0	-	-

These facilities have subsequently reduced to £370.0 million at 24 September 2021, with tranches expiring up to December 2025, as part of planned business as usual bank refinancing.

Fixed rate sterling USPP notes

During the year the Group entered a contractual arrangement to issue fixed rate sterling USPP notes for a total amount of £130.0 million, as part of its ordinary course of business financing arrangements. This USPP debt has a weighted average fixed coupon of 2.7%, is fully drawn down at year end and expires during the course of the following financial years:

	Group 2021 £m	Group 2020 £m	Company 2021 £m	Company 2020 £m
By 31 July 2028	80.0	-	-	-
By 31 July 2031	50.0	-	-	-
	130.0	-	-	-

Notes to the Financial Statements continued

18. Financial Instruments continued

Capital management

The Group is financed through the proceeds of issued ordinary shares, reinvested profits and cash in hand less debt. The following table analyses the capital structure:

	Group 2021 £m	Group 2020 £m	Company 2021 £m	Company 2020 £m
Equity	3,287.8	2,994.0	605.3	523.0
Net debt	-	-	-	-
Capital employed	3,287.8	2,994.0	605.3	523.0

Risks

Details of the risks relating to financial instruments are set out in the Risk Management section on pages 52 to 55.

Shareholder capital

19. Issued capital



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:

- 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
- 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.

Group and Company

	2021 Number 000	2021 £m	2020 Number 000	2020 £m
Allotted, called up and fully paid 12.5p ordinary shares				
At start of year	123,346	15.4	123,168	15.3
Issued on exercise of options	50	-	178	0.1
At end of year	123,396	15.4	123,346	15.4

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.

20. Reserves



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.

Share premium

This reserve is not distributable.

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 24. The cost of these is charged to retained earnings. During the period 105,967 shares were purchased by the Trust (2020 - nil shares) and the Trust transferred 47,923 (2020 - 20,820) shares to employees and Directors. The number of shares held within the Trust and on which dividends have been waived, at 31 July 2021 was 101,853 (2020 - 43,809). These shares are held within the financial statements at a cost of £2.4 million (2020 - £1.0 million). The market value of these shares at 31 July 2021 was £3.3 million (2020 - £1.1 million).

20. 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 £20.0 million, equivalent to the nominal value of the shares redeemed, was transferred to a capital redemption reserve on the same date. This reserve is not distributable.

21. Dividends on equity shares



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.

	2021 £m	2020 £m
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 July 2020 of 50.0p per share (2019 - 100.0p)	61.6	123.1
Interim dividend for the year ended 31 July 2021 of 35.0p per share (2020 - nil per share)	43.1	-
	104.7	123.1
Proposed final dividend for the year ended 31 July 2021 of 82.5p per share (2020 - 50.0p)	101.7	61.7

The 2021 proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 6 December 2021 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 2020, shares were held by the Bellway Employee Share Trust (1992) (the 'Trust') on which dividends had been waived (see note 20).

The level of distributable reserves are sufficient in comparison to the proposed dividend.

Directors and employees

22. Employee information

Group employment costs, including directors, comprised:

	2021 £m	2020 £m
Wages and salaries	159.9	155.2
Social security	15.9	16.6
Pension costs (note 23)	6.0	6.2
Share-based payments (note 24)	2.6	2.1
	184.4	180.1

The average number of persons employed by the Group during the year was 2,934 (2020 - 3,119) comprising 1,063 (2020 - 1,085) administrative and 1,871 (2020 - 2,034) 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 Report of the Board on Directors' Remuneration on pages 90 to 110.

Key management personnel remuneration, including directors, comprised:

	2021 £m	2020 £m
Salaries and fees	2.9	2.9
Taxable benefits	0.2	0.2
Annual cash bonus	2.5	-
Pension costs	0.1	0.1
Share-based payments	1.2	1.0
	6.9	4.2

Key management personnel, as disclosed under IAS 24 'Related party disclosures', comprises the Directors and other senior operational management.

Notes to the Financial Statements continued

23. Retirement benefit asset



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 ('SOCl'). 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 SOCl.

Defined contribution pension costs are charged to the income statement in the period for which contributions are payable.

(a) Retirement benefit assets

The Group sponsors the Bellway plc 1972 Pension Scheme (the 'Scheme') which has a funded final salary 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 £6.0 million (2020 – £6.2 million) were charged to the income statement for the GSIPP.

(b) 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.

(c) 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 2021.

With regard to the Scheme, regular contributions made by the employer over the financial year were £nil (2020 – £nil).

The employer paid nil special contributions (2020 – £nil) and reimbursed the pension fund £0.4 million (2020 – £0.3 million) for expenses incurred by the fund.

The Group is expected to make no regular contributions during the year ending 31 July 2022.

(d) 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.

(e) 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.

23. Retirement benefit asset continued

The Group and Trustees have agreed a long-term strategy for reducing investment risk as and when appropriate. This includes liability driven investment funds which invest in assets such as gilts, swaps and repurchase agreements. The purpose of the liability driven investment funds is to significantly reduce the volatility of the Plan's funding level by mitigating inflation and interest rate risks, as the liability driven investment funds match the movements in interest rates and inflation closely.

Movements in net defined benefit assets

	Defined benefit obligation		Fair value of Scheme assets		Net defined benefit asset	
	2021 £m	2020 £m	2021 £m	2020 £m	2021 £m	2020 £m
Balance at 1 August	(66.6)	(62.3)	67.9	65.1	1.3	2.8
Included in the income statement						
Interest (expense)/income	(1.1)	(1.3)	1.1	1.3	-	-
	(1.1)	(1.3)	1.1	1.3	-	-
Included in other comprehensive income/(expense)						
Remeasurement gain/(loss) arising from:						
- Change in demographic and financial assumptions	2.6	(5.4)	-	-	2.6	(5.4)
- Experience adjustments	-	(0.2)	-	-	-	(0.2)
Return on plan assets excluding interest income	-	-	5.9	3.8	5.9	3.8
	2.6	(5.6)	5.9	3.8	8.5	(1.8)
Other						
Contributions paid by the employer	-	-	0.4	0.3	0.4	0.3
Benefits paid	1.5	2.6	(1.5)	(2.6)	-	-
	1.5	2.6	(1.1)	(2.3)	0.4	0.3
Balance at 31 July	(63.6)	(66.6)	73.8	67.9	10.2	1.3

The weighted average duration of the defined benefit obligation at the end of the reporting period is 17 years (2020 - 18 years).

Scheme assets

The fair value of the Scheme assets is:

	2021 £m	2020 £m
Diversified growth fund	25.7	28.6
Equity instruments	2.4	2.8
Government bonds	11.6	-
Corporate bonds	5.7	4.9
Liability driven instruments	20.3	23.6
Insurance policies annuities	7.8	8.0
Cash and cash equivalents	0.3	-
Total	73.8	67.9

All of the Scheme assets, with the exception of cash and cash equivalents, are considered to be level 2. None of the assets have a quoted market price in an active market.

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.

Notes to the Financial Statements continued

23. Retirement benefit asset continued

Actuarial assumptions

The following are the principal actuarial assumptions at the reporting date:

	2021 % per annum	2020 % per annum
Discount rate	1.70	1.50
Future salary increases	3.60	3.40
Allowance for pension in payment increases of RPI or 5% p.a. if less	3.00	2.80
Allowance for deferred pension increases of CPI or 3% p.a. if less	2.10	2.00
Allowance for commutation of pension for cash at retirement	15% of pension	50% of maximum

The mortality assumptions adopted at 31 July 2021 are based on the S3PxA tables and allow for future improvement in mortality. The tables used imply the following life expectancies at age 65:

Male retiring in 2021	22.7 years
Female retiring in 2021	24.5 years
Male retiring in 2041	24.0 years
Female retiring in 2041	26.0 years

The mortality assumptions adopted at 31 July 2020 were based on the S3PxA tables and allow for future improvement in mortality. The tables used imply the following life expectancies at age 65:

Male retiring in 2020	22.9 years
Female retiring in 2020	24.6 years
Male retiring in 2040	24.2 years
Female retiring in 2040	26.1 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	+0.10% p.a.	Decrease by 1.6
Inflation - RPI	+0.10% p.a.	Increase by 1.3
Mortality	+1 year life expectancy	Increase by 5.0

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.

24. Share based payments



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. 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.

24. Share based payments continued

The Group operates a long-term incentive plan ('LTIP'), a deferred bonus plan ('DBP'), an employee share option scheme and Savings Related Share Option Schemes ('SRSOS'), all of which are detailed below.

Awards under the LTIP have been made to Executive Directors, the Group General Counsel and Company Secretary, and senior employees, with awards under the 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 2021 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 is detailed under the long-term incentive scheme section on pages 95 to 97 within the Remuneration Report.

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, DBP

	2021 Weighted average exercise price p	2021 Number of options No.	2020 Weighted average exercise price p	2020 Number of options No.
Outstanding at the beginning of the year	-	269,690	-	272,289
Granted during the year	-	123,822	-	103,676
Lapsed during the year	-	(29,162)	-	(60,565)
Exercised during the year	-	(47,923)	-	(45,710)
Outstanding at the end of the year	-	316,427	-	269,690
Exercisable at the end of the year	-	7,120	-	4,016

The options outstanding at 31 July 2021 have a weighted average contractual life of 1.3 years (2020 - 1.3 years). The weighted average share price at the date of exercise for share options exercised during the year was 2,931.5p (2020 - 3,316.5p).

SRSOS

	2021 Weighted average exercise price p	2021 Number of options No.	2020 Weighted average exercise price p	2020 Number of options No.
Outstanding at the beginning of the year	2,519.7	438,360	2,283.5	464,841
Granted during the year	2,333.0	289,517	2,528.0	195,607
Forfeited during the year	2,504.0	(151,525)	2,538.7	(68,972)
Exercised during the year	2,690.7	(50,931)	1,804.7	(153,116)
Outstanding at the end of the year	2,404.8	525,421	2,519.7	438,360
Exercisable at the end of the year	2,934.4	14,252	1,828.3	2,626

The options outstanding at 31 July 2021 have an exercise price in the range of 1,892.8p to 2,934.4p (2020 - 1,378.0p to 2,934.4p) and have a weighted average contractual life of 2.5 years (2020 - 2.4 years). The weighted average share price at the date of exercise for share options exercised during the year was 3,291.5p (2020 - 3,838.9p).

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 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.

Notes to the Financial Statements continued

24. Share based payments continued

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:

	2021					2020				
	October 2020	November 2020	November 2020	December 2020	December 2020	October 2019	December 2019	December 2019	December 2019	December 2019
Scheme description	LTIP	LTIP	DBP	3 Year SRSOS	5 Year SRSOS	LTIP	LTIP	DBP	3 Year SRSOS	5 Year SRSOS
Grant date	27-Oct-20	10-Nov-20	10-Nov-20	04-Dec-20	04-Dec-20	16-Oct-19	11-Dec-19	11-Dec-19	03-Dec-19	03-Dec-19
Risk free interest rate	0.0%	0.0%	0.0%	0.0%	0.05%	0.0%	0.0%	0.0%	0.6%	0.6%
Exercise price	-	-	-	2,333.0p	2,333.0p	-	-	-	2,528.0p	2,528.0p
Share price at date of grant	2,317.0p	2,902.0p	2,902.0p	2,980.0p	2,980.0p	3,370.0p	3,401.0p	3,401.0p	3,315.0p	3,315.0p
Expected dividend yield	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
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	27-Oct-23	10-Nov-23	10-Nov-23	01-Feb-24	01-Feb-26	16-Oct-22	11-Dec-22	11-Dec-22	01-Feb-23	01-Feb-25
Expected volatility	35%	35%	35%	35%	35%	25%	25%	25%	25%	30%
Fair value of option	796.0p	1,041.0p	2,230.0p	715.0p	710.0p	1,656.5p	1,486.5p	2,700.0p	663.0p	729.0p

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 £2.6 million (2020 – £2.1 million) in relation to equity-settled share-based payment transactions.

Contingencies, related parties and subsidiaries

25. Contingent liabilities



Contingent liabilities

Contingent liabilities of the Group are disclosed unless the possibility of an outflow in settlement is remote.

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.

Legacy building safety improvements

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

As detailed in note 10, Bellway has identified a number of developments, which obtained building regulation approval at the time of construction, where the building materials used may not fully comply with the most recent Government guidance. For these developments we have established that the cost of the remedial works satisfies the accounting requirements of a provision at the balance sheet date. While a prudent approach has been taken, the extent of the provision could increase, in line with normal accounting practice if new issues are identified, as building owners continue to undertake their own investigative works on these and other schemes within the legacy portfolio.

Furthermore, the draft Building Safety Bill published on 5 July 2021 proposes to extend the limitation period for claims under s.1 of the Defective Premises Act 1972 (DPA) from 6 years to 15 years. The extension of this time period could result in further schemes in our legacy portfolio falling into scope of the provision. We note, however, that our existing approach for provisioning, considers a range of contractual and legislative frameworks, not just the DPA. Provisions are assessed on a site-by-site basis and in most cases, Bellway's assessment of its legal liability period extends beyond the 6 year period included in the extant DPA legislation.

25. Contingent liabilities continued

Due to the uncertainties in when the draft Building Safety Bill will become law together with uncertainty with regards to the final detail of the legislation, it is not possible to determine what schemes, over and above those already included as part of the legacy building safety improvement provision, will fall into scope. In addition, for buildings currently constructed outside of the existing legal limitation period, Bellway has not undertaken conclusive on-site investigative works. Therefore, the cost of any further potential remedial works cannot be measured reliably.

Relating to subsidiaries

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 2021 there were bank overdrafts of £7.5 million (2020 - £7.8 million) and bank loans of £nil (2020 - £50.0 million). Furthermore, the Company is jointly and severally liable with Bellway Homes Limited in relation to the fixed rate sterling USPP notes of £130.0 million (2020 - £nil) issued in the year. It is the Directors' expectation that the possibility of cash outflow on these liabilities is considered minimal and no provision is required.

Relating to joint arrangements

The Company has guaranteed the overdrafts of joint arrangements up to a maximum of £0.3 million (2020 - £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.

26. 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 22. Detailed disclosure of individual remuneration of Board members is included in the Remuneration Report on pages 90 to 110.

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:

	2021 £m	2020 £m
Invoiced to joint arrangements in respect of accounting, management fees, interest on loans, land purchases and infrastructure works	23.5	31.6
Amounts owed to joint arrangements in respect of land purchases and management fees at the year end	(4.5)	(4.5)
Amounts owed by joint arrangements in respect of accounting, management fees, interest, land purchases and infrastructure works	49.4	62.8

Company

During the year the Company entered into the following related party transactions with its subsidiaries and joint arrangements:

	2021 £m	2020 £m
Amounts received in the year from subsidiaries for share options exercised by subsidiary company employees and dividends received	186.7	10.5
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	(107.2)	(124.2)
Amounts owed by subsidiaries in respect of dividends and shares issued net of amounts paid on behalf of the Company	512.3	432.8
Investments in subsidiaries and joint ventures	40.4	37.8

Notes to the Financial Statements continued

27. Group undertakings

The Directors set out below information relating to the Group undertakings (excluding resident management companies presented in note 28) as at 31 July 2021. All of these Group undertakings are registered in England and Wales unless otherwise stated. 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 Homes Limited
 Bellway Housing Trust Limited
 Bellway Properties Limited
 Bellway (Services) Limited
 Litrose Investments Limited

Joint arrangements

Cramlington Developments Limited (50% owned, year end of 30 June) ^{^^ 1}
 Fradley Residential LLP (50% owned) ^{^^}
 Leebell Developments Limited (50% owned, year end of 30 June) ^{^^ 1}
 Ponton Road LLP (50% owned) ^{^^}
 Lambeth Regeneration LLP (50% owned) ^{^^}
 Bellway Latimer Cherry Hinton LLP (50% owned) ^{^^}
 DFE TW Residential Limited (50% owned) ^{^^ 3}

Subsidiaries - dormant[^]

Ashberry Homes Limited	Homes2Let Limited
Bellway (Builders) Limited	J. T. B. (Chapel Farm) Estates Limited
Bellway City Solutions Limited ^{^^}	J. T. B. Estates Limited
Bellway Financial Services Limited	John T. Bell & Sons (1976) Limited
Bellway Homes (Anglia) Limited ^{^^^}	Nixons Kitchens Limited
Bellway Homes (Hertfordshire) Limited ^{^^}	Seaton GR SPV 12 Limited
Bellway Homes (North Solihull GP) Limited ^{^^^}	Seaton GR SPV 13 Limited
Bellway London Limited	Seaton GR SPV 14 Limited
Bellway Marine Limited ^{^^^}	Seaton Thirteen Limited
Bellway Trustee Company Limited	Sniperley One Limited
Bulldog Premium Growth I Limited	Sniperley Two Limited
D.F.W. Golding Limited	Terraces Limited ^{^^^}
George Blackett Limited	Tyneside Land and Property Company Limited ^{^^^}

Other entities

HBF Insurance PCC Limited ²
 MI New Home Insurance PCC Limited ²

Notes:

[^] Dormant

^{^^} These shares are held indirectly.

^{^^^} Dissolved on 24 August 2021

^{^^^} Dissolved on 12 October 2020

¹ Registered address is Persimmon House, Fulford, York, YO19 4FE

² Registered address is Mill Court, La Charroterie, St Peter Port, Guernsey, GY1 4ET

³ Registered address is Gate House, Turnpike Road, High Wycombe, Buckinghamshire, HP12 3NR

28. Resident management companies

The Directors set out below information relating to resident management companies which are currently held by the Group as at 31 July 2021.

Control is exercised by the Group's power to appoint directors and the Group's voting rights in these companies. All the resident management companies listed below are limited by guarantee, unless otherwise indicated, without share capital and are incorporated in the UK.

The capital, reserves and profit or loss for the year have not been stated for the resident management companies listed below as the beneficial interest in any assets or liabilities of these companies is held by the residents. The Group does not have exposure, or rights to variable returns from these companies and therefore they are not included in the consolidated financial statements. They are temporary members of the Group and will be handed over to residents in due course.

Company Name	Registered Office
1811 (Tonbridge) Management Company Limited	Gateway House, 10 Coopers Way, Southend-On-Sea, Essex, SS2 5TE
27 The Vale Management Company Limited	Vantage Point, 23 Mark Road, Hemel Hempstead, Hertfordshire, HP2 7DN
Abbey Heights Residents Management Company Limited	Cheviot House, Beaminstor Way East, Newcastle upon Tyne, NE3 2ER
Abbotscroft (Hanham) Management Company Limited	1st Floor, 2540 The Quadrant Aztec West, Almondsbury, Bristol, BS32 4AQ
Abbotswood Park Management Company Limited	Fisher House, 84 Fisherton Street, Salisbury, Wiltshire, SP2 7QY
Amblehurst Green (Billingshurst) Management Company Limited	Homer House, 8 Homer Road, Solihull, West Midlands, B91 3QQ
Amen Corner (Binfield) Management Company Limited	Fisher House, 84 Fisherton Street, Salisbury, Wiltshire, SP2 7QY
Apsley Quay Management Company Limited	86-90 Paul Street, London, EC2A 4NE
Area F1 (Kings Hill) Management Company Limited	Gateway House, 10 Coopers Way, Southend-On-Sea, Essex, SS2 5TE
Aspects Management Company Limited	100 Avebury Boulevard, Milton Keynes, MK9 1FH
Aspen Walk (Eight Ash Green) Management Company Limited	Vantage Point, 23 Mark Road, Hemel Hempstead, Hertfordshire, HP2 7DN
Avondale (Crossing) Management Company Limited	Vantage Point, 23 Mark Road, Hemel Hempstead, Hertfordshire, HP2 7DN
Awel Y Mor Management Company Limited	2nd Floor, 154-155 Great Charles Street Queensway, Birmingham, B3 3LP
Azalea (Alton) Leasehold Management Company Limited	Vantage Point, 23 Mark Road, Hemel Hempstead, Hertfordshire, HP2 7DN
Azalea (Medstead) Management Company Limited	Vantage Point, 23 Mark Road, Hemel Hempstead, Hertfordshire, HP2 7DN
Badbury Reach Management Company Limited	Vantage Point, 23 Mark Road, Hemel Hempstead, Hertfordshire, HP2 7DN
Barley Fields (Tamworth) Management Company Limited	Cumberland Court, 80 Mount Street, Nottingham, Nottinghamshire, NG1 6HH
Barleycorn Way Residents Management Company Limited	Unit 7 Portal Business Park, Eaton Lane, Tarporley, Cheshire, CW6 9DL
Bartley Square Management Company Limited	3rd Floor, 86-90 Paul Street, London, EC2A 4NE
Barton Manor (Barton) Management Company Limited	Cumberland Court, 80 Mount Street, Nottingham, Nottinghamshire, NG1 6HH
Bassingbourn Fields Management Company Limited	111 Edmund Street, Birmingham, West Midlands, B3 2HJ
Baswich Grange Management Company Limited	Fisher House, 84 Fisherton Street, Salisbury, Wiltshire, SP2 7QY
Battalion Court Management Company Limited	Woodland Place Wickford Business Park, Hurricane Way, Wickford, Essex, SS11 8YB
Beckton Parkside Management Company Limited	8th Floor Holborn Tower, 137-144 High Holborn, London, WC1V 6PL
Beechcroft (Sunninghill) Management Company Limited	Fisher House, 84 Fisherton Street, Salisbury, Wiltshire, SP2 7QY
Bellway At Linmere Management Company Limited	Cumberland Court, 80 Mount Street, Nottingham, Nottinghamshire, NG1 6HH
Bellway Whitehouse Farm Management Company Limited	Marlborough House, 298 Regents Park Road, London, N3 2UU
Bentall Place (Heybridge) Management Company Limited	Vantage Point, 23 Mark Road, Hemel Hempstead, Hertfordshire, HP2 7DN
Bicknor Wood Limited	Woodland Place Wickford Business Park, Hurricane Way, Wickford, Essex, SS11 8YB
Blackthorn Meadows Residents Management Company Limited	111 Edmund Street, Birmingham, West Midlands, B3 2HJ
Bluebell Walk (Harrietsham) Management Company Limited	Gateway House, 10 Coopers Way, Southend-On-Sea, Essex, SS2 5TE
Bluebells (Witham) Management Company Limited	Fisher House, 84 Fisherton Street, Salisbury, Wiltshire, SP2 7QY
Bluecoats Management Company Limited	North Point Stafford Drive, Battlefield Enterprise Park, Shrewsbury, Shropshire, SY1 3BF
Bluenote Apartments Management Company Limited	Unit 7, Astra Centre, Edinburgh Way, Harlow, Essex, CM20 2BN
Bourne View (Ipswich) Management Company Limited	Fisher House, 84 Fisherton Street, Salisbury, Wiltshire, SP2 7QY
Bower Place Management Company Limited	Marlborough House, 298 Regents Park Road, London, N3 2UU
Bowood View (Melksham) Management Company Limited	1st Floor, 2540 The Quadrant Aztec West, Almondsbury, Bristol, BS32 4AQ
Brambleside Management Company Limited	5 Caldecotte Lake Business Park, Caldecotte Lake Dri, Caldecotte, Milton Keynes, Buckinghamshire, MK7 8LE
Brampton Gate Management Company Limited	Cumberland Court, 80 Mount Street, Nottingham, Nottinghamshire, NG1 6HH
Bramshall Green Management Company Limited	Whittingham Hall, Whittington Road, Worcester, WR5 2ZX
Broadleaf Ashby Management Company Limited	100 Avebury Boulevard, Milton Keynes, MK9 1FH
Broadleaf Management Company Limited	100 Avebury Boulevard, Milton Keynes, MK9 1FH
Brookvale Management Company Limited	Vantage Point, 23 Mark Road, Hemel Hempstead, Hertfordshire, HP2 7DN
Buckland Rise (Peters Village) Management Company Limited	Woodland Place Wickford Business Park, Hurricane Way, Wickford, Essex, SS11 8YB
Buckthorn Grange Management Company Limited	Woodland Place Wickford Business Park, Hurricane Way, Wickford, Essex, SS11 8YB
Burdon Rise Residents Management Company Limited	Cheviot House, Beaminstor Way East, Newcastle upon Tyne, NE3 2ER

Notes to the Financial Statements continued

28. Resident management companies continued

Company Name	Registered Office
Byron Heights Residents Management Company Limited	Cheviot House, Beaminster Way East, Newcastle upon Tyne, NE3 2ER
Cathedral Park (Chichester) Management Company Limited	Fisher House, 84 Fisherton Street, Salisbury, Wiltshire, SP2 7QY
Centurion Fields Elloughton Limited	North Point Stafford Drive, Battlefield Enterprise Park, Shrewsbury, Shropshire, SY1 3BF
Chailey Gardens Management Limited	Vantage Point, 23 Mark Road, Hemel Hempstead, Hertfordshire, HP2 7DN
Chalfont Drive Residents Management Company Limited	111 Edmund Street, Birmingham, West Midlands, B3 2HJ
Charlton Hayes Management Company Limited	Queensway House, 11 Queensway, New Milton, Hampshire, BH25 5NR
Charters Hill Residents Limited	Vantage Point, 23 Mark Road, Hemel Hempstead, Hertfordshire, HP2 7DN
Cherry Orchard (Beverly) Management Company Limited	Cumberland Court, 80 Mount Street, Nottingham, Nottinghamshire, NG1 6HH
Chestnut Grove (Ash Green) Management Company Limited	Woodland Place Wickford Business Park, Hurricane Way, Wickford, Essex, SS11 8YB
Copperfields Resident Management Company	Fisher House, 84 Fisherton Street, Salisbury, Wiltshire, SP2 7QY
Copperhouse Green Management Company Limited	Woodland Place Wickford Business Park, Hurricane Way, Wickford, Essex, SS11 8YB
Copthorne Keep Management Company Limited	Cumberland Court, 80 Mount Street, Nottingham, Nottinghamshire, NG1 6HH
Cornelia Gardens Management Limited	Vantage Point, 23 Mark Road, Hemel Hempstead, Hertfordshire, HP2 7DN
Cornfield's Residents Management Company Limited	Romulus Court Meridian East, Meridian Business Park, Leicester, LE19 1YG
Cotswold Chase Management Company (Gloucester) Limited	2nd Floor, 154-155 Great Charles Street Queensway, Birmingham, B3 3LP
Cotswold Gate (Chipping Norton) Management Company Limited	Marlborough House, 298 Regents Park Road, London, N3 2UU
Cotton Woods (Preston) Residents Management Company Limited	Unit 7 Portal Business Park, Eaton Lane, Tarporley, Cheshire, CW6 9DL
Crown Fields (Chatham) Management Company Limited	Gateway House, 10 Coopers Way, Southend-On-Sea, Essex, SS2 5TE
Curzon Park (Residents) Management Company Limited	111 Edmund Street, Birmingham, West Midlands, B3 2HJ
Cuttle Brook Management Company Limited	111 Edmund Street, Birmingham, West Midlands, B3 2HJ
Dacres Wood Court Management Company Limited	Woodland Place Wickford Business Park, Hurricane Way, Wickford, Essex, SS11 8YB
Dalesway (Harrogate) Management Company Limited	RMG House, Essex Road, Hoddesdon, Hertfordshire, EN11 0DR
Devonshire Place (Grays) Management Company Limited	Woodland Place Wickford Business Park, Hurricane Way, Wickford, Essex, SS11 8YB
Dickens Gate (Rudloe) Management Company Limited	1st Floor, 2540 The Quadrant Aztec West, Almondsbury, Bristol, BS32 4AQ
Dickens Manor Management Company Limited	Cumberland Court, 80 Mount Street, Nottingham, Nottinghamshire, NG1 6HH
Digby Court (Birmingham) Management Company Limited	Cumberland Court, 80 Mount Street, Nottingham, Nottinghamshire, NG1 6HH
Dove Manor Management Company Limited	Cumberland Court, 80 Mount Street, Nottingham, Nottinghamshire, NG1 6HH
Dunton Fields (Laindon) Management Company Limited	8 Hemmells, Basildon, Essex, SS15 6ED
Earlsfield Park (Knowsley) Management Company Limited	Fisher House, 84 Fisherton Street, Salisbury, Wiltshire, SP2 7QY
East Middle Callerton Residents Management Company Limited	Cheviot House, Beaminster Way East, Newcastle upon Tyne, NE3 2ER
Eastside Quarter Management Company Limited	Woodland Place Wickford Business Park, Hurricane Way, Wickford, Essex, SS11 8YB
Ebbsfleet Cross (Phase 2) Management Company Limited	Woodland Place Wickford Business Park, Hurricane Way, Wickford, Essex, SS11 8YB
Ebbsfleet Cross Management Company Limited	Woodland Place Wickford Business Park, Hurricane Way, Wickford, Essex, SS11 8YB
Elements Residents Management Company Limited	111 Edmund Street, Birmingham, West Midlands, B3 2HJ
Elmington Parcel 1 Management Company Limited	Woodland Place Wickford Business Park, Hurricane Way, Wickford, Essex, SS11 8YB
Elmington Parcel 2 Management Company Limited	Woodland Place Wickford Business Park, Hurricane Way, Wickford, Essex, SS11 8YB
Elmington Parcel 3 Management Company Limited	Woodland Place Wickford Business Park, Hurricane Way, Wickford, Essex, SS11 8YB
Essendene Residential Management Company Limited	Cheviot House, Beaminster Way East, Newcastle upon Tyne, NE3 2ER *
Estone Grange Management Company Limited	Cumberland Court, 80 Mount Street, Nottingham, Nottinghamshire, NG1 6HH
Eve Meadows (Haughley) Management Company Limited	Fisher House, 84 Fisherton Street, Salisbury, Wiltshire, SP2 7QY
Fairfields (Calcot) Management Company Limited	Vantage Point, 23 Mark Road, Hemel Hempstead, Hertfordshire, HP2 7DN
Farriers Court Residents Management Company Limited	Cumberland Court, 80 Mount Street, Nottingham, Nottinghamshire, NG1 6HH
Fellows Gardens Management Limited	Vantage Point, 23 Mark Road, Hemel Hempstead, Hertfordshire, HP2 7DN
Fielders Crescent Management Company Limited	8th Floor Holborn Tower, 137-144 High Holborn, London, WC1V 6PL
Finchale Drive Residents Management Company Limited	Unit 7 Portal Business Park, Eaton Lane, Tarporley, Cheshire, CW6 9DL
Forest Chase Management Company Limited	New Kings Court Tollgate, Chandler's Ford, Eastleigh, Hampshire, SO53 3LG
Forest Oak Management Company Limited	Faulkner & Company 1A, George Street, Hinckley, Leicestershire, LE10 0AL
Four Oaks (Oxted) Management Company Limited	Woodland Place Wickford Business Park, Hurricane Way, Wickford, Essex, SS11 8YB
Foxhill (Brackley) Management Company Limited	Marlborough House, 298 Regents Park Road, London, N3 2UU
Foxlow Grange Berryfields Management Company Limited	Queensway House, 11 Queensway, New Milton, Hampshire, BH25 5NR
Frobisher Court (Finningley) Management Limited	North Point Stafford Drive, Battlefield Enterprise Park, Shrewsbury, Shropshire, SY1 3BF
Furlong Park Residents Management Company Limited	North Point Stafford Drive, Battlefield Enterprise Park, Shrewsbury, Shropshire, SY1 3BF
Fusion (Harlow) Management Company Limited	Woodland Place Wickford Business Park, Hurricane Way, Wickford, Essex, SS11 8YB
Goodsyard (No 1) Management Company Limited	11 Little Park Farm Road, Fareham, Hampshire, PO15 5SN
Grammar School Gardens Management Company Limited	North Point Stafford Drive, Battlefield Enterprise Park, Shrewsbury, Shropshire, SY1 3BF
Greensands Management Company Limited	Vantage Point, 23 Mark Road, Hemel Hempstead, Hertfordshire, HP2 7DN

28. Resident management companies continued

Company Name	Registered Office
Grey Gables Farm Management Company Limited	111 Edmund Street, Birmingham, West Midlands, B3 2HJ
Greystone Meadows (Undy) Management Company Limited	Unit 7 Portal Business Park, Eaton Lane, Tarporley, Cheshire, CW6 9DL *
Grove Meadows Management Company Limited	Marlborough House, 298 Regents Park Road, London, N3 2UU *
Hall Road (Rochford) Management Company Limited	Kinetic Business Centre, Theobald Street, Borehamwood, Hertfordshire, WD6 4PJ
Halyards Residents Limited	Vantage Point, 23 Mark Road, Hemel Hempstead, Hertfordshire, HP2 7DN
Hampden Gardens (Thame) Management Company Limited	Vantage Point, 23 Mark Road, Hemel Hempstead, Hertfordshire, HP2 7DN
Hampton Trove Management Company Limited	Cumberland Court, 80 Mount Street, Nottingham, Nottinghamshire, NG1 6HH
Hanwell View Management Company Limited	Marlborough House, 298 Regents Park Road, London, N3 2UU
Hardintone Court Management Company Limited	Cumberland Court, 80 Mount Street, Nottingham, Nottinghamshire, NG1 6HH
Hardwicke Court (Gloucester) Management Company Limited	2nd Floor, 154-155 Great Charles Street Queensway, Birmingham, B3 3LP
Harnham Park Management Company Limited	Vantage Point, 23 Mark Road, Hemel Hempstead, Hertfordshire, HP2 7DN
Hartshorne Residents Management Company Limited	Cumberland Court, 80 Mount Street, Nottingham, Nottinghamshire, NG1 6HH
Harvard Place (Earls Colne) Management Company Limited	Vantage Point, 23 Mark Road, Hemel Hempstead, Hertfordshire, HP2 7DN
Hatfield Grove (Hatfield Peveral) Management Company Limited	Kinetic Business Centre, Theobald Street, Borehamwood, Hertfordshire, WD6 4PJ
Hathaway Gardens PH2 Residents Management Company Limited	100 Avebury Boulevard, Milton Keynes, MK9 1FH
Hawksview (Hawkhurst) Management Company Limited	Woodland Place Wickford Business Park, Hurricane Way, Wickford, Essex, SS11 8YB
Hawthorne Rise Management Company Limited	Vantage Point, 23 Mark Road, Hemel Hempstead, Hertfordshire, HP2 7DN
Hazlemere Marina (Waltham Abbey) Management Company Limited	Woodland Place Wickford Business Park, Hurricane Way, Wickford, Essex, SS11 8YB
Heathcote Park (Warwick) Management Limited	2nd Floor, 154-155 Great Charles Street Queensway, Birmingham, B3 3LP
Heatherley Wood Residents Management Company Limited	111 Edmund Street, Birmingham, West Midlands, B3 2HJ
Heathlands RMC Limited	Cumberland Court, 80 Mount Street, Nottingham, Nottinghamshire, NG1 6HH
Helios Park Management Company Limited	Pacific House, Imperial Way, Reading, Berkshire, RG2 0TD
Helliers Lane (Cheddar) Management Company Limited	1st Floor, 2540 The Quadrant Aztec West, Almondsbury, Bristol, BS32 4AQ
Hellingly (Hailsham) Management Company Limited	Woodland Place Wickford Business Park, Hurricane Way, Wickford, Essex, SS11 8YB
Henderson Park (Thorpe Le Soken) Management Company Limited	Vantage Point, 23 Mark Road, Hemel Hempstead, Hertfordshire, HP2 7DN
Hertsmere Mews (Borehamwood) Management Company Limited	Fisher House, 84 Fisherton Street, Salisbury, Wiltshire, SP2 7QY
High Point Residents Management Company Limited	Fisher House, 84 Fisherton Street, Salisbury, Wiltshire, SP2 7QY
Highfields (Pontprennau) Management Company Limited	2nd Floor, 154-155 Great Charles Street Queensway, Birmingham, B3 3LP
Highnam (Gloucestershire) Management Company Limited	2nd Floor, 154-155 Great Charles Street Queensway, Birmingham, B3 3LP
Hinxhill Park (Ashford) Management Company Limited	Woodland Place Wickford Business Park, Hurricane Way, Wickford, Essex, SS11 8YB
Hollytree Walk (Colchester) Management Company Limited	Vantage Point, 23 Mark Road, Hemel Hempstead, Hertfordshire, HP2 7DN
Holmwood Residents Limited	Vantage Point, 23 Mark Road, Hemel Hempstead, Hertfordshire, HP2 7DN
Ikon (Croydon) Management Company Limited	86-90 Paul Street, London, EC2A 4NE
Imperial Gardens (Howden) Management Company Limited	Unit 7 Portal Business Park, Eaton Lane, Tarporley, Cheshire, CW6 9DL
Imperial Park (Maidstone) Management Company Limited	Gateway House, 10 Coopers Way, Southend-On-Sea, Essex, SS2 5TE
Ivel Chase Management Company Limited	Marlborough House, 298 Regents Park Road, London, N3 2UU
Jameson Manor Residents Management Company Limited	Cheviot House, Beaminstor Way East, Newcastle upon Tyne, NE3 2ER
Jubilee Park Residents Management Company Limited	North Point Stafford Drive, Battlefield Enterprise Park, Shrewsbury, Shropshire, SY1 3BF
Keephatch Chase Management Limited	Pacific House, Imperial Way, Reading, Berkshire, RG2 0TD
Keephatch Gardens (Wokingham) Management Company Limited	Vantage Point, 23 Mark Road, Hemel Hempstead, Hertfordshire, HP2 7DN
Kenavon Drive (Reading) Management Company Limited	Vantage Point, 23 Mark Road, Hemel Hempstead, Hertfordshire, HP2 7DN
Kingsland Gate Management Company Limited	Woodland Place Wickford Business Park, Hurricane Way, Wickford, Essex, SS11 8YB
Kingsreach (Slough) Management Company Limited	Fisher House, 84 Fisherton Street, Salisbury, Wiltshire, SP2 7QY
Kingswood (High Wycombe) Management Company Limited	Fisher House, 84 Fisherton Street, Salisbury, Wiltshire, SP2 7QY
Kingswood Heath (Colchester) Management Company Limited	Queensway House, 11 Queensway, New Milton, Hampshire, BH25 5NR
Ladden Garden Village PL 24-27 (Leasehold Apartments) Management Company Limited	1st Floor, 2540 The Quadrant Aztec West, Almondsbury, Bristol, BS32 4AQ
Lakeside Park Management Company Limited	154-155 Great Charles Street Queensway, Birmingham, B3 3LP
Lancaster House Residents Management Company Limited	RMG House, Essex Road, Hoddesdon, Hertfordshire, EN11 0DR
Langford Park Management Company Limited	Vantage Point, 23 Mark Road, Hemel Hempstead, Hertfordshire, HP2 7DN
Latitude Residents Limited	Vantage Point, 23 Mark Road, Hemel Hempstead, Hertfordshire, HP2 7DN
Latitude Residents No 1 Limited	New Kings Court Tollgate, Chandler's Ford, Eastleigh, Hampshire, SO53 3LG
Latitude Residents No 2 Limited	New Kings Court Tollgate, Chandler's Ford, Eastleigh, Hampshire, SO53 3LG
Latitude Residents No 3 Limited	New Kings Court Tollgate, Chandler's Ford, Eastleigh, Hampshire, SO53 3LG
Latitude Residents No 4 Limited	2 Dockdell Copse, Bursledon, Southampton, Hampshire, SO31 1EW
Latitude Residents No 5 Limited	New Kings Court Tollgate, Chandler's Ford, Eastleigh, Hampshire, SO53 3LG

Notes to the Financial Statements continued

28. Resident management companies continued

Company Name	Registered Office
Legacy Wharf Management Company Limited	Woodland Place Wickford Business Park, Hurricane Way, Wickford, Essex, SS11 8YB
Lestone Mews Management Company Limited	Cumberland Court, 80 Mount Street, Nottingham, Nottinghamshire, NG1 6HH
Limehouse Basin (London) Management Company Limited	Woodland Place Wickford Business Park, Hurricane Way, Wickford, Essex, SS11 8YB
Linkside (Burton) Management Company Limited	Unit 7, Astra Centre, Edinburgh Way, Harlow, Essex, CM20 2BN
Lion Wharf (Isleworth) Management Company Limited	395 Centennial Park Centennial Avenue, Elstree, Borehamwood, WD6 3TJ
Little Acres Residents Management Company Limited	Fisher House, 84 Fisherton Street, Salisbury, Wiltshire, SP2 7QY
Little Meadows (Cranleigh) Management Company Limited	Woodland Place Wickford Business Park, Hurricane Way, Wickford, Essex, SS11 8YB
Littlebrook (Cutbush Lane) Management Company Limited	Vantage Point, 23 Mark Road, Hemel Hempstead, Hertfordshire, HP2 7DN
Lockharts RMC Limited	3 Romulus Court, Meridian Business Park, Leicester, LE19 1YG
Long Acre (Shinfield) Management Company Limited	Vantage Point, 23 Mark Road, Hemel Hempstead, Hertfordshire, HP2 7DN
Longwood Copse Residents Limited	Vantage Point, 23 Mark Road, Hemel Hempstead, Hertfordshire, HP2 7DN
Lyde Green Management Company Limited	2540 The Quadrant Aztec West, Almondsbury, Bristol, BS32 4AQ
Lysander Fields Management Company Limited	Woodland Place Wickford Business Park, Hurricane Way, Wickford, Essex, SS11 8YB
Mæs Y Rhedyn Fern Meadow Residents Management Company Limited	Unit 7 Portal Business Park, Eaton Lane, Tarporley, Cheshire, CW6 9DL
Mallard Walk Management Company Limited	154-155 Great Charles Street Queensway, Birmingham, B3 3LP
Mallards Reach (Porthcawl) Management Company Limited	2nd Floor, 154-155 Great Charles Street Queensway, Birmingham, B3 3LP
Malvern Chase (Tewkesbury) Management Company Limited	2540 The Quadrant, Aztec West, Almondsbury, Bristol, BS32 4AQ
Manor Chase (Gloucester Road) Tutshill Management Company Limited	Building 1 Eastern Business Park, St Mellons, Cardiff, CF3 5EA
Maple Creek Management Company Limited	Woodland Place Wickford Business Park, Hurricane Way, Wickford, Essex, SS11 8YB
Marconi (Chelmsford) Management Company Limited	8th Floor Holborn Tower, 137-144 High Holborn, London, WC1V 6PL
Marlborough Road Wroughton (Swindon) Management Company Limited	1st Floor, 2540 The Quadrant Aztec West, Almondsbury, Bristol, BS32 4AQ
Maybrey Works Management Company Limited	Woodland Place Wickford Business Park, Hurricane Way, Wickford, Essex, SS11 8YB
Mead Fields (Phase 2) Weston Parklands Management Company Limited	1st Floor, 2540 The Quadrant Aztec West, Almondsbury, Bristol, BS32 4AQ
Mead Fields Phase 2 (Leasehold Apartments) Management Company Limited	1st Floor, 2540 The Quadrant Aztec West, Almondsbury, Bristol, BS32 4AQ
Meadow Rise (Heighington) Management Company Limited	Cheviot House, Beaminster Way East, Newcastle upon Tyne, NE3 2ER
Meadow View (Romsey) Management Company Limited	Fisher House, 84 Fisherton Street, Salisbury, Wiltshire, SP2 7QY
Merchants Gate Cottingham Limited	North Point Stafford Drive, Battlefield Enterprise Park, Shrewsbury, Shropshire, SY1 3BF
Mill Fields (Wingerworth) Management Company Limited	Unit 7 Portal Business Park, Eaton Lane, Tarporley, Cheshire, CW6 9DL
Milldown Residents Limited	Vantage Point, 23 Mark Road, Hemel Hempstead, Hertfordshire, HP2 7DN
Montague Green (Rowland's Castle) Management Company Limited	Vantage Point, 23 Mark Road, Hemel Hempstead, Hertfordshire, HP2 7DN
Mousley Park Hilton Management Company Limited	111 Edmund Street, Birmingham, West Midlands, B3 2HJ
Mulberry Park Apartments (Management Company) Limited	2540 The Quadrant, Aztec West, Almondsbury, Bristol, BS32 4AQ
New Cardington Estate Management Company Limited	RMG House, Essex Road, Hoddesdon, Hertfordshire, EN11 0DR*
Nightingale Rise (Hoo) Management Company Limited	Woodland Place Wickford Business Park, Hurricane Way, Wickford, Essex, SS11 8YB
Nightingale Rise (Hoo) Management Company Limited	Woodland Place Wickford Business Park, Hurricane Way, Wickford, Essex, SS11 8YB
Northdene Residents Management Company Limited	Unit 7 Portal Business Park, Eaton Lane, Tarporley, Cheshire, CW6 9DL
Novello Management Company Limited	Kinetic Business Centre, Theobald Street, Borehamwood, Hertfordshire, WD6 4PJ
Nutwood (Roby) Management Company Limited	Unit 7 Portal Business Park, Eaton Lane, Tarporley, Cheshire, CW6 9DL
Oak Hill Park (Chinnor) Management Company Limited	Vantage Point, 23 Mark Road, Hemel Hempstead, Hertfordshire, HP2 7DN
Oakes Park (Dartford) Management Company Limited	The Base, Dartford Business Park, Victoria Road, Dartford, DA1 5FS
Oakley Park (Edenbridge) Management Company Limited	Woodland Place Wickford Business Park, Hurricane Way, Wickford, Essex, SS11 8YB
Old Forest Road (Winnersh) Management Company Limited	Vantage Point, 23 Mark Road, Hemel Hempstead, Hertfordshire, HP2 7DN
Old School Gardens Residents Management Company Limited	Cheviot House, Beaminster Way East, Newcastle upon Tyne, NE3 2ER
Oxlease Residents Limited	New Kings Court Tollgate, Chandler's Ford, Eastleigh, Hampshire, SO53 3LG
P.R.P. Management Company Limited	North Point Stafford Drive, Battlefield Enterprise Park, Shrewsbury, Shropshire, SY1 3BF
Pasture Walk Management Company Limited	Castleman Business Centre, Embankment Way, Ringwood, BH24 1EU
Penhurst Square (Addiscombe) Management Company Limited	Woodland Place Wickford Business Park, Hurricane Way, Wickford, Essex, SS11 8YB
Penmire Rise Management Company Limited	Cumberland Court, 80 Mount Street, Nottingham, Nottinghamshire, NG1 6HH
Picklenash Grove Management Company Limited	2nd Floor, 154-155 Great Charles Street Queensway, Birmingham, B3 3LP
Pickwick Court (Corsham) Management Company Limited	2540 The Quadrant, Aztec West, Almondsbury, Bristol, BS32 4AQ
Pine Walk Guisborough Management Company Limited	North Point Stafford Drive, Battlefield Enterprise Park, Shrewsbury, Shropshire, SY1 3BF
Pipits Residents Limited	Vantage Point, 23 Mark Road, Hemel Hempstead, Hertfordshire, HP2 7DN
Pirton Fields (Churchdown) Management Company Limited	Building 1 Eastern Business Park, St Mellons, Cardiff, CF3 5EA
Platts Meadow (Winsford) Management Company Limited	Unit 7 Portal Business Park, Eaton Lane, Tarporley, Cheshire, CW6 9DL
Poppy Field Residents Management Company Limited	North Point Stafford Drive, Battlefield Enterprise Park, Shrewsbury, Shropshire, SY1 3BF

28. Resident management companies continued

Company Name	Registered Office
Poppy View (Saffron Walden) Management Company Limited	Vantage Point, 23 Mark Road, Hemel Hempstead, Hertfordshire, HP2 7DN
Portland Gardens (Wouldham) Management Company Limited	Gateway House, 10 Coopers Way, Southend-On-Sea, Essex, SS2 5TE
Priory Grange (Hatfield Peverel) Management Company Limited	Kinetic Business Centre, Theobald Street, Borehamwood, Hertfordshire, WD6 4PJ
QE2 (Welwyn Garden City) Management Company Limited	3rd Floor, 86-90 Paul Street, London, EC2A 4NE
Quakers Walk (Devezes) Management Company Limited	1st Floor, 2540 The Quadrant Aztec West, Almondsbury, Bristol, BS32 4AQ *
Quantock Heights (Banwell) Management Company Limited	1st Floor, 2540 The Quadrant Aztec West, Almondsbury, Bristol, BS32 4AQ
Queenshead Park Management Company Limited	North Point Stafford Drive, Battlefield Enterprise Park, Shrewsbury, Shropshire, SY1 3BF
Rainbow Fields (Waddicar) Management Company Limited	Fisher House, 84 Fisherton Street, Salisbury, Wiltshire, SP2 7QY
Reflections Residents Limited	Vantage Point, 23 Mark Road, Hemel Hempstead, Hertfordshire, HP2 7DN
Renaissance (Reading) Management Company Limited	Thames Valley Pacific House, Imperial Way, Reading, Berkshire, RG2 0TD
Renovo (West Thurrock) Management Company Limited	Kinetic Business Centre, Theobald Street, Borehamwood, Hertfordshire, WD6 4PJ
Ridleys Orchard (Whitton) Management Company Limited	Fisher House, 84 Fisherton Street, Salisbury, Wiltshire, SP2 7QY
Rolleston Manor Management Company Limited	Cumberland Court, 80 Mount Street, Nottingham, Nottinghamshire, NG1 6HH
Roman Fields (Corbridge) Management Company Limited	2 Centro Place, Pride Park, Derby, Derbyshire, DE24 8RF
Roman Walk Residents Limited	Vantage Point, 23 Mark Road, Hemel Hempstead, Hertfordshire, HP2 7DN
Rookery Park Management Company Limited	Fisher House, 84 Fisherton Street, Salisbury, Wiltshire, SP2 7QY
Rose Meadow (Northwich) Residents Management Company Limited	Unit 7 Portal Business Park, Eaton Lane, Tarporley, Cheshire, CW6 9DL
Rosedale Park Management Company Limited	Fisher House, 84 Fisherton Street, Salisbury, Wiltshire, SP2 7QY
Rowley Fields Residents Management Company Limited	North Point Stafford Drive, Battlefield Enterprise Park, Shrewsbury, Shropshire, SY1 3BF
Sandstone Brook Residents Management Company Limited	111 Edmund Street, Birmingham, West Midlands, B3 2HJ
Sandstone Court (Merstham) Management Company Limited	3rd Floor, 86-90 Paul Street, London, EC2A 4NE
Says Lane (Langford) Management Company Limited	1st Floor, 2540 The Quadrant Aztec West, Almondsbury, Bristol, BS32 4AQ
Scholars Place Management Company Limited	Unit 7, Astra Centre, Edinburgh Way, Harlow, Essex, CM20 2BN
Seaford Grange (Newlands) Management Company Limited	Unit 7 Portal Business Park, Eaton Lane, Tarporley, Cheshire, CW6 9DL
Sheasby Park Management Company Limited	Cumberland Court, 80 Mount Street, Nottingham, Nottinghamshire, NG1 6HH
Sixty Three Management Company Limited	Gateway House, 10 Coopers Way, Southend-on-Sea
Solomon's Seal (Horsham) Management Company Limited	Woodland Place Wickford Business Park, Hurricane Way, Wickford, Essex, SS11 8YB
Sovereign Place (Horley) Management Company Limited	Woodland Place Wickford Business Park, Hurricane Way, Wickford, Essex, SS11 8YB
Spofforth Park Management Company Limited	RMG House, Essex Road, Hoddesdon, Hertfordshire, EN11 0DR
St Edmunds Management Limited	8 Cumbrian House, 217 Marsh Wall, London, E14 9FJ *
St George's Walk Residential Management Company Limited	North Point Stafford Drive, Battlefield Enterprise Park, Shrewsbury, Shropshire, SY1 3BF
St John's View (Menston) Management Company Limited	North Point Stafford Drive, Battlefield Enterprise Park, Shrewsbury, Shropshire, SY1 3BF
St Lythans Park (Culverhouse Cross) Management Company Limited	2nd Floor, 154-155 Great Charles Street Queensway, Birmingham, B3 3LP
St Mary's Hill (Blandford) Management Company Limited	Fisher House, 84 Fisherton Street, Salisbury, Wiltshire, SP2 7QY
St Mary's Stanington Management Company Limited	Cheviot House, Beaminster Way East, Newcastle upon Tyne, NE3 2ER *
St. George's Park (Phase 2) Management Company Limited	Woodland Place Wickford Business Park, Hurricane Way, Wickford, Essex, SS11 8YB
St. George's Park Management Company Limited	Woodland Place Wickford Business Park, Hurricane Way, Wickford, Essex, SS11 8YB
St. James Mews (Charfield) Management Company Limited	154-155 Great Charles Street Queensway, Birmingham, B3 3LP
Steeds Farm (Fern Hill Gardens) Management Company Limited	2540 The Quadrant, Aztec West, Almondsbury, Bristol, BS32 4AQ
Steeple Chase (Frisby) Management Company Limited	3 Romulus Court, Meridian Business Park, Leicester, LE19 1YG
Sterling Square (Bracknell) Management Company Limited	Fisher House, 84 Fisherton Street, Salisbury, Wiltshire, SP2 7QY
Stonebridge View Residents Management Company Limited	North Point Stafford Drive, Battlefield Enterprise Park, Shrewsbury, Shropshire, SY1 3BF
Stoughton Park Management Company Limited	111 Edmund Street, Birmingham, West Midlands, B3 2HJ
Swanland Grange Management Company Limited	Unit 7 Portal Business Park, Eaton Lane, Tarporley, Cheshire, CW6 9DL
The Alders (Wolverhampton) Management Company Limited	Cumberland Court, 80 Mount Street, Nottingham, Nottinghamshire, NG1 6HH
The Avenue (Medburn) Residents Management Company Limited	Cheviot House, Beaminster Way East, Newcastle upon Tyne, NE3 2ER
The Beeches (Stanton Cross) Management Company Limited	Marlborough House, 298 Regents Park Road, London, N3 2UU
The Brackens Residents Management Company Limited	RMG House, Essex Road, Hoddesdon, Hertfordshire, EN11 0DR
The Bridles Residential Management Company Limited	2540 The Quadrant, Aztec West, Almondsbury, Bristol, BS32 4AQ
The Chase Residents Limited	Vantage Point, 23 Mark Road, Hemel Hempstead, Hertfordshire, HP2 7DN
The Cherry Meadow And Hatton Court Management Company Limited	Romulus Court Meridian East, Meridian Business Park, Leicester, LE19 1YG
The Croft (Ash Green) Management Company Limited	Gateway House, 10 Coopers Way, Southend-On-Sea, Essex, SS2 5TE
The Fairways (Basingstoke) Management Company Limited	Vantage Point, 23 Mark Road, Hemel Hempstead, Hertfordshire, HP2 7DN
The Foundry (Hemel Hempstead) Management Company Limited	Unit 7, Astra Centre, Edinburgh Way, Harlow, Essex, CM20 2BN
The Furlongs (Gt.Leighs) Management Company Limited	Vantage Point, 23 Mark Road, Hemel Hempstead, Hertfordshire, HP2 7DN
The Furrows (Warboys) Residents Management Company Limited	111 Edmund Street, Birmingham, West Midlands, B3 2HJ

Notes to the Financial Statements continued

28. Resident management companies continued

Company Name	Registered Office
The Grange (Eldesborough) Management Company Limited	Cumberland Court, 80 Mount Street, Nottingham, Nottinghamshire, NG1 6HH
The Grange (Fenham) Resident Management Company Limited	Cheviot House, Beaminster Way East, Newcastle upon Tyne, NE3 2ER
The Haven (Emsworth) Management Company Limited	Vantage Point, 23 Mark Road, Hemel Hempstead, Hertfordshire, HP2 7DN
The Hedgerows (Scots Lane) Residents Management Company Limited	4335 Park Approach, Thorpe Park, Leeds, Yorkshire, LS15 8GB
The Long Shoot Management Company Limited	2nd Floor, 154-155 Great Charles Street Queensway, Birmingham, B3 3LP
The Oaks (Parsons Hill) Management Company Limited	Cumberland Court, 80 Mount Street, Nottingham, Nottinghamshire, NG1 6HH
The Oaks (Witham) Management Company Limited	Fisher House, 84 Fisherton Street, Salisbury, Wiltshire, SP2 7QY
The Orchards (Colchester) Management Company Limited	Vantage Point, 23 Mark Road, Hemel Hempstead, Hertfordshire, HP2 7DN
The Orchards Phase 2 (Norton Fitzwarren) Limited	9 Hammet Street, Hammet Street, Taunton, TA1 1RZ *
The Pastures (Telford) Management Company Limited	Cumberland Court, 80 Mount Street, Nottingham, Nottinghamshire, NG1 6HH
The Pastures (Wilstead) Management Company Limited	Cumberland Court, 80 Mount Street, Nottingham, Nottinghamshire, NG1 6HH
The Printworks (Reading) Residents Management Company Limited	2000 Cathedral Square Cathedral Hill, Guildford, Surrey, GU2 7YL
The Residence (Nine Elms) Management Company Limited	8th Floor Holborn Tower, 137-144 High Holborn, London, WC1V 6PL
The Residence (Phase 2) Management Company Limited	8th Floor Holborn Tower, 137-144 High Holborn, London, WC1V 6PL
The Ridgeway (Chinnor) Management Company Limited	Vantage Point, 23 Mark Road, Hemel Hempstead, Hertfordshire, HP2 7DN **
The Rosehips (Lower Howsell Road) Residents Management Company Limited	Whittingham Hall, Whittington Road, Worcester, WR5 2ZX
The Spinney (Oteley Road) Management Company Limited	Fisher House, 84 Fisherton Street, Salisbury, Wiltshire, SP2 7QY
The Vale (Bottesford) Management Company Limited	111 Edmund Street, Birmingham, West Midlands, B3 2HJ
The Vickers (Witchford) Residents Management Company Limited	111 Edmund Street, Birmingham, West Midlands, B3 2HJ
The Willows (Swallowfield) Management Company Limited	Vantage Point, 23 Mark Road, Hemel Hempstead, Hertfordshire, HP2 7DN
The Woodlands (Adel) Management Company Limited	North Point Stafford Drive, Battlefield Enterprise Park, Shrewsbury, Shropshire, SY1 3BF
The Woodlands (Watnall) Management Company Limited	Unit 7, Astra Centre, Edinburgh Way, Harlow, Essex, CM20 2BN
Thomas Road Management Company Limited	8th Floor Holborn Tower, 137-144 High Holborn, London, WC1V 6PL
Tidbury Heights Management Company Limited	Cumberland Court, 80 Mount Street, Nottingham, Nottinghamshire, NG1 6HH
Tindale Reach (Wickwar) Management Company Limited	1st Floor, 2540 The Quadrant Aztec West, Almondsbury, Bristol, BS32 4AQ
Tithecote Manor Management Company Limited	1st Floor, 2540 The Quadrant Aztec West, Almondsbury, Bristol, BS32 4AQ
Tranby Park Residential Management Company Limited	RMG House, Essex Road, Hoddesdon, Hertfordshire, EN11 0DR
Turnberry Quay Management Company Limited	8th Floor Holborn Tower, 137-144 High Holborn, London, WC1V 6PL
Tylman Place (Faversham) Management Company Limited	Woodland Place Wickford Business Park, Hurricane Way, Wickford, Essex, SS11 8YB
Vicarage Gardens (South Marston Swindon) Management Company Limited	1st Floor, 2540 The Quadrant Aztec West, Almondsbury, Bristol, BS32 4AQ
Victoria Gardens (Peters Village) Management Company Limited	Anchor Boulevard, Crossways Busines Park, Dartford, Kent, DA2 6QH
Waltham Heights Resident's Management Company Limited	100 Avebury Boulevard, Milton Keynes, MK9 1FH
Waterhouse Mill Residents Management Company Limited	111 Edmund Street, Birmingham, West Midlands, B3 2HJ
Waterside At Riverwell (Block E) Management Company Limited	86-90 Paul Street, London, EC2A 4NE
Wavendon Chase Management Company Limited	The Maltings, Hyde Hall Farm, Sandon, Buntingford, SG9 0RU
Wavendon View Residents Management Company Limited	Queensway House, 11 Queensway, New Milton, Hampshire, BH25 5NR
Wellfield Rise Residents Management Company Limited	Cheviot House, Beaminster Way East, Newcastle upon Tyne, NE3 2ER
Wellington Gardens (Aldershot) Management Company Limited	Vantage Point, 23 Mark Road, Hemel Hempstead, Hertfordshire, HP2 7DN
Wellington Grange (Pocklington) Management Limited	North Point Stafford Drive, Battlefield Enterprise Park, Shrewsbury, Shropshire, SY1 3BF
West End Quarter (Folkestone) Management Company Limited	Gateway House, 10 Coopers Way, Southend-On-Sea, Essex, SS2 5TE
Westbrook Moorings Management Company Limited	86-90 Paul Street, London, EC2A 4NE
Westland Place (Rainham) Management Company Limited	Woodland Place Wickford Business Park, Hurricane Way, Wickford, Essex, SS11 8YB
Westminster Road Management Company Limited	111 Edmund Street, Birmingham, West Midlands, B3 2HJ
Weycorner (Guildford) Management Company Limited	Woodland Place Wickford Business Park, Hurricane Way, Wickford, Essex, SS11 8YB
Wickfields (Longwick) Management Company Limited	86-90 Paul Street, London, EC2A 4NE
Willow Park (Halstead) Management Company Limited	Vantage Point, 23 Mark Road, Hemel Hempstead, Hertfordshire, HP2 7DN
Windgreen Gardens Management Company Limited	Fisher House, 84 Fisherton Street, Salisbury, Wiltshire, SP2 7QY
Wolds View Residents Management Company Limited	North Point Stafford Drive, Battlefield Enterprise Park, Shrewsbury, Shropshire, SY1 3BF
Woodgate (Stone Cross) Management Company Limited	Gateway House, 10 Coopers Way, Southend-On-Sea, Essex, SS2 5TE
Woodgreen (Blyth) Residents Management Company Limited	Cheviot House, Beaminster Way East, Newcastle upon Tyne, NE3 2ER
Wyvern Grange Management Company Limited	154-155 Great Charles Street Queensway, Birmingham, B3 3LP
Yew Tree Gardens (Cholsey) Management Company Limited	Vantage Point, 23 Mark Road, Hemel Hempstead, Hertfordshire, HP2 7DN

* This company is a 50/50 joint venture

** Company is limited by shares wholly owned by Bellway Homes Limited

*** Company is limited by shares wholly owned by an employee of Bellway Homes Limited

29. Alternative performance measures

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

The APMs used by the Group are defined below:

- **Underlying gross profit and underlying operating profit** – Both of these measures are stated before net legacy building safety expense and exceptional items and are reconciled to total gross profit and total operating profit on the face of the consolidated income statement. The Directors consider that the removal of the net legacy building safety expense and exceptional items provides a better understanding of the underlying performance of the Group.
- **Underlying gross profit margin** – This is gross profit before net legacy building safety expense and exceptional items divided by total revenue. The Directors consider this to be an important indicator of the underlying trading performance of the Group.
- **Administrative expenses as a percentage of revenue** – This is calculated as the total administrative overheads divided by total revenue. The Directors consider this to be an important indicator of how efficiently the Group is managing its administrative overhead base.
- **Underlying administrative expenses** – This measure is stated before exceptional items and is reconciled to total administrative expenses on the face of the consolidated income statement. The Directors consider that the removal of the exceptional items provides a better understanding of how efficiently the Group is managing its underlying administrative overhead base.
- **Underlying administrative expenses as a percentage of revenue** – This is calculated as the underlying administrative overheads divided by total revenue. The Directors consider this to be an important indicator of how efficiently the Group is managing its underlying administrative overhead base.
- **Underlying operating profit margin** – This is operating profit before net legacy building safety expense and exceptional items divided by total revenue. The Directors consider this to be an important indicator of the operating performance of the Group.
- **Net finance expense** – This is finance expenses less finance income. The Directors consider this to be an important measure when assessing whether the Group is using the most cost effective source of finance.
- **Underlying profit before taxation** – This is the profit before taxation before net legacy building safety expense and exceptional items. The Directors consider this to be an important indicator of the profitability of the Group before taxation.
- **Underlying profit for the year** – This is the profit for the year before net legacy building safety expense and exceptional items. The Directors consider this to be an important indicator of the profitability of the Group.
- **Dividend cover** – This is calculated as earnings per ordinary share for the period divided by the dividend per ordinary share relating to that period. At the half year the dividend per ordinary share is the proposed interim ordinary dividend, and for the full year it is the interim dividend paid plus the proposed final dividend. The Directors consider this an important indicator of the proportion of earnings paid to shareholders and reinvested in the business.
- **Underlying dividend cover** – This is calculated as underlying profit for the year per ordinary share for the period divided by the dividend per ordinary share relating to that period. At the half year the dividend per ordinary share is the proposed interim ordinary dividend, and for the full year it is the interim dividend paid plus the proposed final dividend. The Directors consider this an important indicator of the proportion of underlying earnings paid to shareholders and reinvested in the business.
- **Capital invested in land, net of land creditors, and work in progress** – This is calculated as shown in the table below. The Directors consider this as an indicator of the net investment by the Group in the period to achieve future growth.

Per balance sheet	2021 £m	2020 £m	Mvt £m	2020 £m	2019 £m	Mvt £m
Land	2,483.9	2,216.2	267.7	2,216.2	2,004.4	211.8
Work in progress	1,431.4	1,496.1	(64.7)	1,496.1	1,298.2	197.9
Increase in capital invested in land and work in progress in the year			203.0			409.7
Land creditors	(455.8)	(343.6)	(112.2)	(343.6)	(297.9)	(45.7)
Increase in capital invested in land, net of land creditors, and work in progress in the year			90.8			364.0

- **Net asset value per ordinary share ('NAV')** – This is calculated as total net assets divided by the number of ordinary shares in issue at the end of each period (see note 19). The Directors consider this to be a proxy when reviewing whether value, on a share by share basis, has increased or decreased in the period.
- **Capital employed** – Capital employed is defined as the total of equity and net debt. Equity is not adjusted where the Group has net cash. The Directors consider this to be an important indicator of the operating efficiency and performance of the Group.

Notes to the Financial Statements continued

29. Alternative performance measures continued

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

	2021 Capital employed £m	2021 Land creditors £m	2021 Capital employed including land creditors £m	2020 Capital employed £m	2020 Land creditors £m	2020 Capital employed including land creditors £m
Underlying operating profit	531.5		531.5	321.7		321.7
Capital employed/land creditors:						
Opening	2,994.0	343.6	3,337.6	2,921.2	297.9	3,219.1
Half year	3,162.4	371.7	3,534.1	3,038.9	274.9	3,313.8
Closing	3,287.8	455.8	3,743.6	2,994.0	343.6	3,337.6
Average	3,148.1	390.4	3,538.4	2,984.7	305.5	3,290.2
Return on capital employed	16.9%		15.0%	10.8%		9.8%

- **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.

	2021 Capital employed £m	2021 Land creditors £m	2021 Capital employed including land creditors £m	2020 Capital employed £m	2020 Land creditors £m	2020 Capital employed including land creditors £m
Operating profit	479.7		479.7	249.1		249.1
Capital employed/land creditors:						
Opening	2,994.0	343.6	3,337.6	2,921.2	297.9	3,219.1
Half year	3,162.4	371.7	3,534.1	3,038.9	274.9	3,313.8
Closing	3,287.8	455.8	3,743.6	2,994.0	343.6	3,337.6
Average	3,148.1	390.4	3,538.4	2,984.7	305.5	3,290.2
Return on capital employed	15.2%		13.6%	8.3%		7.6%

- **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.

	2021 £m	2020 £m
Profit for the year	390.7	192.9
Net assets:		
Opening	2,994.0	2,921.2
Half year	3,162.4	3,038.9
Closing	3,287.8	2,994.0
Average	3,148.1	2,984.7
Post tax return on equity	12.4%	6.5%

- **Total growth in value per ordinary share** – The Directors use this as a proxy for the increase in shareholder value since 31 July 2018. A period of 3 years is used to reflect medium-term growth.

Net asset value per ordinary share:	
At 31 July 2021	2,664p
At 31 July 2018	2,079p
Net asset value growth per ordinary share	585p
Dividend paid per ordinary share:	
Year ended 31 July 2021	85.0p
Year ended 31 July 2020	100.0p
Year ended 31 July 2019	145.4p
Cumulative dividends paid per ordinary share	330.4p
Total growth in value per ordinary share	915.4p

- **Annualised accounting return in NAV and dividends paid since 31 July 2018** – 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 2018 (as detailed above) divided by the net asset value per ordinary share at 31 July 2018. The Directors use this as a proxy for the increase in shareholder value since 31 July 2018.

Net asset growth per ordinary share	585p
Dividend paid per ordinary share	330.4p
Total growth in value per ordinary share	915.4p
Net asset value per ordinary share at 31 July 2018	2,079.0p
Total value per ordinary share	2,994.4p

Annualised accounting return = $(2,994.4/2,079.0)^{(1/3)}-1$ 12.9%

- **Net cash/debt** – This is the cash and cash equivalents less bank debt and fixed rate sterling USPP notes. The Directors consider this to be a good indicator of the financing position of the Group. This is reconciled in note 16.
- **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.

	2021 £m	2020 £m
Cash from operations	519.6	55.8
Add: increase in capital invested in land, net of land creditors, and work in progress (as described above)	90.8	364.0
Cash generated from operations before investment in land, net of land creditors, and work in progress	610.4	419.8

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

Five Year Record

	2017 £m	2018 £m	2019 £m	2020 £m	2021 £m
Income statement					
Revenue	2,558.6	2,957.7	3,213.2	2,225.4	3,122.5
Operating profit	571.6	652.9	674.9	321.7 ⁴	531.5⁴
Net finance expenses	(11.3)	(13.6)	(14.4)	(13.4)	(11.1)
Share of results of joint ventures	0.4	1.8	2.1	1.0	10.4
Profit before taxation	560.7	641.1	662.6	309.3 ⁴	530.8⁴
Income tax expense	(106.6)	(121.2)	(124.0)	(57.6) ⁴	(98.1)⁴
Profit for the year (all attributable to equity holders of the parent)	454.1	519.9	538.6	251.7 ⁴	432.7⁴
Balance sheet					
ASSETS					
Non-current assets	48.0	59.0	83.2	99.3	102.1
Current assets	3,099.3	3,485.5	3,806.7	3,984.3	4,574.7
LIABILITIES					
Non-current liabilities	(118.4)	(84.9)	(99.4)	(133.8)	(316.9)
Current liabilities	(837.6)	(902.5)	(869.3)	(955.8)	(1,072.1)
EQUITY					
Total equity	2,191.3	2,557.1	2,921.2	2,994.0	3,287.8
Statistics					
Number of homes sold	9,644	10,307	10,892	7,522	10,138
Average price of new homes	£260.4k	£284.9k	£292.0k	£293.1k	£306.5k
Underlying gross margin ¹	25.9% [^]	25.6% ^{**}	24.6%	19.0% ⁴	20.9%⁴
Gross margin	25.9% [^]	25.6% ^{**}	24.6%	15.7%	19.2%
Underlying operating margin ¹	22.3%	22.1%	21.0%	14.5% ⁴	17.0%⁴
Operating margin	22.3%	22.1%	21.0%	11.2%	15.4%
Basic earnings per ordinary share	370.6p	423.4p	437.8p	156.6p	316.9p
Dividend per ordinary share	122.0p	143.0p	150.4p	50.0p	117.5p
Underlying return on capital employed ¹	27.6%	27.2%	24.7%	10.8% ⁴	16.9%⁴
Return on capital employed ¹	27.6%	27.2%	24.7%	8.3%	15.2%
Gearing ¹	-	-	-	-	-
Net asset value per ordinary share ¹	1,785p	2,079p	2,372p	2,427p	2,664p
Land portfolio - plots with implementable DPP	25,655	26,877	26,421	28,289	30,933
Weighted average number of ordinary shares	122,511,626	122,779,199	123,012,723	123,205,211	123,306,035
Number of ordinary shares in issue at end of year	122,797,958	122,980,266	123,167,828	123,345,834	123,396,422

Notes:

1 APM

4 Stated before net legacy building safety expense and exceptional items.

** 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'.

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.

COVID-19

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

DEFRA

Department for Environment, Food and Rural Affairs.

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.

Energy Savings Opportunity Scheme (ESOS)

The ESOS is a mandatory energy assessment scheme for large organisations in the UK.

Executive Board

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

Furlough

A furlough is a temporary leave of employees due to special needs of a company or employer, which may be due to economic conditions of a specific employer or in society as a whole. A UK-wide furlough was implemented in first half of 2020 due to the COVID-19 pandemic. Whilst there was a government funded furlough scheme which paid 80% of an employees salary, Bellway did not apply for this and continued to pay the 75% of the workforce which it furloughed a full basic salary from its own reserves.

Greenhouse Gas ('GHG')

GHGs are gases that contribute to the greenhouse effect by absorbing infrared radiation. Carbon dioxide and chlorofluorocarbons are examples of greenhouse gases.

Home Builders' Federation ('HBF')

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

Help-to-Buy

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

Land Bank

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

Glossary

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, pending an implementable detailed planning permission, with development generally expected to commence within the next three years.

Planning Permission

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

Residential Property Developer Tax ('RPDT')

RPDT is a proposed tax to be charged on the profits of companies carrying out residential property development.

RIDDOR

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

Section 75 and Section 106 Planning Agreements

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

Site/Phase

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

Social Housing

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

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

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

The 5% Club

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

Underlying

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

See also Alternative Performance Measures section on pages 163 to 165.

Advisers and Group General Counsel and Company Secretary

Group General Counsel and Company Secretary and Registered Office

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Stockbrokers

Citigroup Global Markets Limited
Numis Securities Limited

Bankers

Barclays Bank PLC
Lloyds Banking Group plc
National Westminster Bank plc
Santander (UK) PLC

Auditor

Ernst & Young LLP

Solicitor

Slaughter and May

Shareholder Analysis

Shareholders by size of holding at 31 July 2021	Holdings		Shares	
	Number	%	Holding	%
0 - 2,000	1,889	71	982,798	1
2,001 - 10,000	382	14	1,726,696	1
10,001 - 50,000	171	6	4,540,940	4
50,001 and over	230	9	116,145,988	94
Total	2,672	100	123,396,422	100

Shareholders by type at 31 July 2021	Holdings		Shares	
	Number	%	Holding	%
Private shareholders	1,574	59	2,528,637	2
Investment trusts	8	<1	567	<1
Deceased Accounts	25	1	24,713	<1
Nominee companies	964	36	108,124,572	88
Limited companies	36	1	168,487	<1
Bank and bank nominees	37	1	10,412,733	8
Other institutions	28	1	2,136,713	2
Total	2,672	100	123,396,422	100

Financial Calendar

Final 2020/21 dividend - ex-dividend date	2 December 2021
Final 2020/21 dividend - record date	3 December 2021
AGM	6 December 2021
DRIP election date for final 2020/21 dividend	17 December 2021
Final 2020/21 dividend - payment date	12 January 2021
Trading update	8 February 2022
Announcement of 2021/22 half year results	29 March 2022

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