



Building homes,
building value

Bellway has been building homes for over 70 years.
We also build careers for nearly 3,000 employees,
we build trust by working in a sustainable way,
and we build value for our shareholders.
We are building homes, building value.

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For further details
on our business
please visit:

www.bellway.co.uk



Principal KPIs

The Group has seven principal KPIs, which are shown below. Our secondary performance measures, which support these KPIs, are shown on pages 14 to 19.

Number of homes sold (homes)

10,307 homes +6.9%	2018	10,307
	2017	9,644
	2016	8,721

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

Operating margin (%)

22.1% -20bps	2018	22.1
	2017	22.3
	2016	22.0

Operating margin demonstrates how efficiently the business is being operated.

Return on capital employed (%)^(~)

27.2% -40bps	2018	27.2
	2017	27.6
	2016	28.2

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

Earnings per ordinary share (p)

423.4p +14.2%	2018	423.4
	2017	370.6
	2016	328.7

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

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

2,079p +16.5%	2018	2,079
	2017	1,785
	2016	1,522

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.

Proposed total dividend per ordinary share (p)

143.0p +17.2%	2018	143.0
	2017	122.0
	2016	108.0

This is another useful indicator of how the directors are delivering the strategy of generating shareholder value, particularly when combined with NAV.

Operating profit (£m)

REM

£652.9m +14.2%	2018	652.9
	2017	571.6
	2016	492.0

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

Note:

~ Bellway uses a range of statutory performance measures and alternative performance measures when reviewing the performance of the Group against its strategy. Definitions of the alternative performance measures and a reconciliation to statutory performance measures can be found on pages 114 to 115. Throughout this report '~' refers to alternative performance measures.

REM Link to remuneration – see pages 58 to 77.

Financial and Strategic Highlights

Group revenue (£m)

£2,957.7m +15.6%

Profit before taxation (£m)

£641.1m +14.3%

Average selling price (£)

£284,937 +9.4%

Order book value at 31 July (£m)

£1,301.1m +0.4%

Plots contracted in the year (plots)

12,962 plots +11.6%

Owned and controlled land bank (plots)⁽¹⁾

41,077 plots +8.5%

Our homes

We build high quality homes designed to complement the style of existing local housing in developments that meet local demand and enhance the community. 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 fits their particular requirements. We also provide homes to housing associations for social housing.

We are committed to being a responsible housebuilder. 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.

Our focus is to provide desirable, traditional family housing across our divisions outside of London and to provide apartments within the London boroughs, with our activity in London predominantly in zone 2 and beyond.

Our business

We are proud of our heritage in the north east of England and of our base in Newcastle upon Tyne, where the business was founded over 70 years ago.

It is from our headquarters in Newcastle upon Tyne that we currently operate through 20 divisions covering the main population centres across England, Scotland and Wales.

Our divisional structure allows local management teams to respond to specific demands in their area and, through their detailed local knowledge, acquire land on which to design and build homes that meet or exceed the expectations of our customers and contribute to creating strong local communities. The divisional teams are supported by our Regional Chairmen and by our specialist Head Office teams.

Note:

1. Excluding joint ventures.

Why Bellway

We pride ourselves on understanding the aspirations of all our customers, not just in the type of home that suits their needs, but in the environment in which they want to live.

All our customers are treated with the same high level of customer service. Our high standard of service and build quality is endorsed by our customers, with 9 out of 10 customers saying they would recommend to a friend buying a new home from Bellway. Our Customer Experience Committee drives improvements to quality and works to develop and share best practice to further enhance our service to customers.

 For more information see pages 18 and 22.

10,307

homes sold in 2017/18

5 star home builder

rating from the Home Builders Federation
Customer Satisfaction Survey

Building homes



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

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

 For more information see pages 19 and 22.

54%

increase in apprentices and graduates

12%

increase in training days per employee

Building

careers



Why Bellway continued

As one of the UK's largest housebuilders, we have an important role to play in addressing the growing national housing shortage by building high quality new homes in desirable locations.

We work with a range of stakeholders to build trust that we can fulfil this role whilst at the same time operating our business in a socially responsible, ethical and sustainable way.



For more information see pages 22 to 23.

£270m

ongoing annual spend in the local economy from new Bellway households

86.0%

customer satisfaction score

Building

trust



We are consistently building value for shareholders.

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

 For more information see pages 20 to 22.

£2,957.7m

group revenue

£652.9m

operating profit

Building

value



Chairman's Statement



“The Group is making a substantial contribution to addressing the housing shortage in the UK.”

John Watson
Chairman

Introduction

The Group is making a substantial contribution to addressing the housing shortage in the UK. In doing so, Bellway has completed the sale of 10,307 new homes (2017 – 9,644), surpassing the 10,000 mark for the first time in its history, following nine consecutive years of volume growth. I am delighted to report that this has enabled the Group to deliver another record set of results, with earnings per share rising by 14.2% to 423.4p (2017 – 370.6p).

This substantial rate of growth has been achieved whilst maintaining our focus on build quality and customer care and this has resulted in the Group being ranked as a 5 star home builder for the second consecutive year. In addition, robust financial disciplines mean that growth has been achieved whilst managing a strong and efficient balance sheet. As a consequence, return on capital employed remained high at 27.2%^(~) (2017 – 27.6%) and the Group ended the year with net cash of £99.0 million^(~) (2017 – £16.0 million), notwithstanding record investment in new land.

This strong financial position ensures that Bellway retains its ability to be agile and respond positively to future opportunities as they arise.

A responsible approach to growth

In many parts of the country, there is still a shortage of affordably priced, good quality housing. As a result, there is political support, across both major parties, to increase the supply of new homes throughout the UK.

Notwithstanding this demand-supply imbalance, buying a new home remains an attainable prospect for many. Unemployment is at a generational low and the lending environment is providing competitively priced, yet sustainable and responsible access to funds. In addition, Help to Buy continues to bolster the new build sector, improving accessibility of mortgage finance for those with at least a 5% deposit. The cost of servicing a mortgage is affordable and despite the recent rise, interest rates remain very low by historical standards.

The availability of land in high quality locations is good, supported by a generally positive planning environment which, in turn, creates an appetite for land owners to sell. Access to experienced personnel, skilled construction labour resource and certain materials remain a challenge, but overall, whilst these constraints may frustrate the rate of growth, they have not prevented Bellway from delivering increased output year on year.

Bellway has continued to make the most of these favourable market conditions, adopting a strategy for growth. Our approach is to deliver value over the long-term, employing strict financial disciplines with respect to land investment, whilst retaining a culture of balance sheet conservatism.

This responsible approach has enabled the Group to increase output significantly, with housing revenue rising by 2.2 times since the pre-recession peak achieved in July 2007. At the same time as achieving this, we have maintained an ongoing focus on quality and customer care, helping to ensure that all of our stakeholders benefit from Bellway's ongoing success.

Long-term value creation

Reinvestment of earnings into financially attractive land opportunities, with a focus on return on capital employed, has led to a substantial increase in value for shareholders through the ongoing growth in net asset value, together with an increasing dividend.

Our dividend policy is not based upon short-term sentiment, but instead considers the capital requirements and the Group's operational capability of delivering further long-term compounding growth.

Measured on a medium-term basis, over the three years since July 2015, the increase in NAV of 793.0p and cumulative dividend payments of 330.0p per share, represents total growth in value of 1,123p^(~) per share. This equates to an impressive annualised accounting return of 23.3%^(~), relative to the 31 July 2015 NAV of 1,286p.

For the year ended 31 July 2018, the strong trading performance has resulted in NAV rising by 16.5% to 2,079p^(~) (2017 – 1,785p). Furthermore, the growth in earnings has enabled the Board to recommend a 12.4% increase in the final dividend to 95.0p per share (2017 – 84.5p), increasing the proposed total dividend for the year by 17.2% to 143.0p per share (2017 – 122.0p). If approved, the total dividend will be covered by earnings three times (2017 – three times). For the foreseeable future, the Board expects to maintain a dividend cover of around three times earnings.

Board changes

As previously announced, Jason Honeyman, formerly Chief Operating Officer, was appointed as Chief Executive on 1 August 2018, replacing Ted Ayres, who left the Board after a period of poor health on 31 July 2018. In addition, I will be retiring as non-executive Chairman at the AGM on 12 December 2018 and would like to thank the Board, our employees and all connected with Bellway for their invaluable support throughout my 40 years' service with the Group.

I will be replaced by the current Audit Committee Chair, Paul Hampden Smith, who will become non-executive Chairman with effect from 12 December 2018.

I would like to take this opportunity to wish both Paul and Jason every success in their new roles and look forward to them continuing their significant contributions to the Group in the years to come.

People and supply chain

It is important to recognise the efforts of all those who have worked for and with Bellway over the past 12 months. It is their tremendous hard work and commitment that has enabled us to enjoy these record results, in a safe and responsible manner. I would therefore like to extend the Board's gratitude to all those who have contributed to another year of outstanding performance.

John Watson
Chairman

15 October 2018

10,307

homes sold

423.4p

earnings per share

143.0p

proposed total dividend per ordinary share

Our Marketplace

In many parts of the country there remains a shortage of good quality and affordably priced new housing. The affordability of new housing is supported by the availability of Help to Buy for those customers with at least a 5% deposit and by an environment of low interest rates, which remain close to a historically low level, and generational low unemployment.

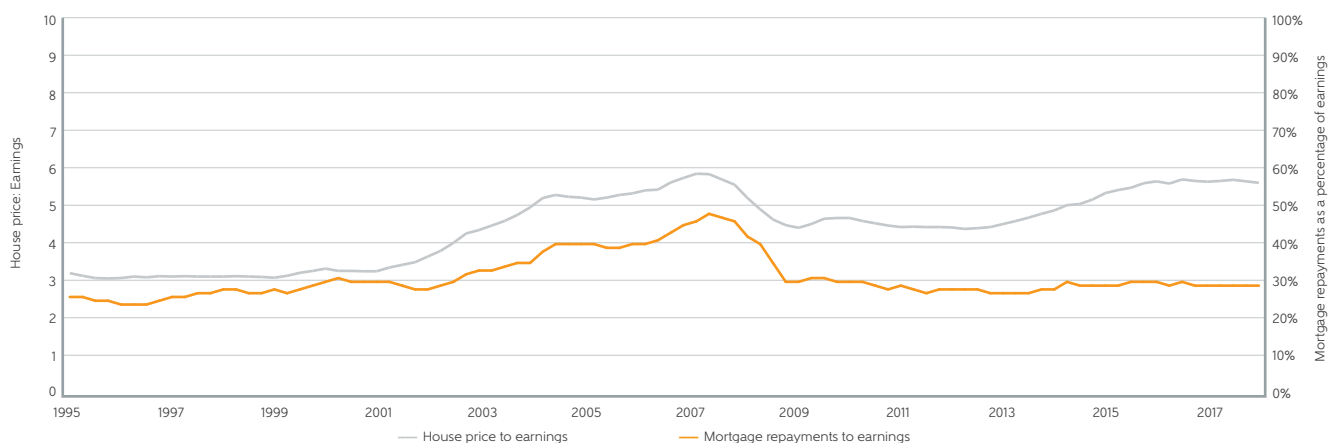


The primary market factors that can affect the Group's performance against its strategy are as follows:

The affordability of mortgages

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

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



Source: Contains public sector information licensed under the open Government Licence 3.0.

The availability of mortgages

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

The government announcement that the equity loan element of the Help to Buy scheme in England will be supported up to 2021 provides certainty for the new build housing market and will greatly assist purchasers of new homes and first-time buyers, in particular. It also allows the industry to invest for the medium-term.

Help to Buy now accounts for 24% of all private homes sold in the new build sector, and 39% of all homes we sell. Undoubtedly, this has helped boost new build output, which represents an increasing proportion of the overall market.

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

Demand

The projected household formation rate in England is running at 233,000 per annum⁽¹⁾.

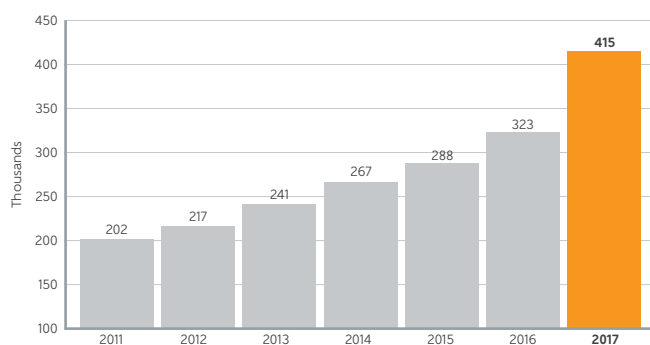
The supply of new build completions is currently around 184,000 per annum⁽¹⁾ in England, rising to 217,000 per annum⁽¹⁾ when taking into account conversions of existing buildings into residential dwellings. Accordingly, there is a demand/supply imbalance.

Supply

Land supply and planning permissions

The land market continues to provide good buying opportunities. House prices are strong, 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⁽¹⁾, which shows a record number of planning permissions granted in the UK over recent years:



Source: HBF

The availability of land at attractive margins

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

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

The planning system

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

The National Planning Policy Framework system ('NPPF') introduced in March 2012, working in parallel with the Localism Act 2011, has had a positive effect on the planning environment. This is evidenced by an increase in the number of planning permissions. Further changes are expected as a result of the revised NPPF, published in July 2018, and the government's housing white paper, which includes favourable proposals such as 'brownfield' first, a standard method for calculating housing need and a requirement to publish 'ambitious' local plans.

Availability of labour and materials

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

Summary of market backdrop

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

- There is demand for further growth across the sector, however, this is most pronounced in certain geographic areas and overall, the demand/supply imbalance creates a marketplace for our product.
- Mortgage rates are currently competitively priced.
- The cost of servicing a mortgage is affordable and remains low by historical standards.
- The availability of land is generally good, supported by a positive planning environment.
- Unemployment is at a generational low and buying a new home is affordable for many.
- Government initiatives, such as the continued availability of Help to Buy and stamp duty land tax relief for the majority of first-time buyers, are helping customers to meet deposit requirements.
- There is cross-party support to deliver an increased supply of new homes.

In the context of these market conditions, demand for the Bellway product remains resilient, with customer confidence seemingly unaffected by the ongoing uncertainty surrounding the forthcoming exit from the EU.

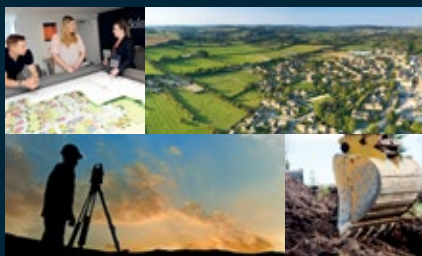
The Group's strategic priorities take into consideration this synopsis of the market backdrop.

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 land and planning teams and the Head Office strategic land team using their local knowledge and contacts. A viability assessment and appraisal is prepared by the division, which is assessed in detail at regional and then Group level, where the final decision is taken to purchase the site. Board approval may also be required depending upon the value and nature of the proposed acquisition.
- The number of large, long-term sites 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 a DPP which thereby adds value and enables higher returns.
- We aim to increase the number of homes sold through continued investment in appropriate land and in our divisional teams.



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 by the Group pending DPP, with development expected to commence within the next three years.
 - iii) strategic long-term land (either owned or under option) which has the benefit of a positive planning status and is generally held under option.
- Our divisional and Head Office planning teams work closely with local authorities and communities to obtain DPP to construct homes which reflect planning and vernacular requirements. The divisional and Head Office planning teams progress a combination of medium-term 'pipeline' land and land from our strategic land bank through the planning system.



Constructing the right product

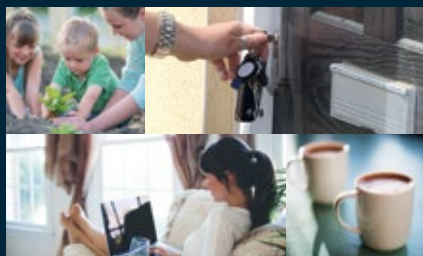


What we do

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



Delivering an excellent customer experience



What we do

- We aspire to sell homes that are desirable and affordable for our customers. The satisfaction of our customers is of the utmost importance and ultimately this will determine the success or otherwise of our business.
- We aim to deliver an excellent experience to our customers, both before and after occupation of their homes, building upon our reputation as a quality national housebuilder. Each division has a dedicated customer care team, which is supported by a Group Head of Customer Care and our Customer Experience Committee.



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 hiring top quality people to complement our existing workforce.
- We provide structured training programmes for apprentices and trainees and relevant training for other employees. We are also developing a graduate training programme.

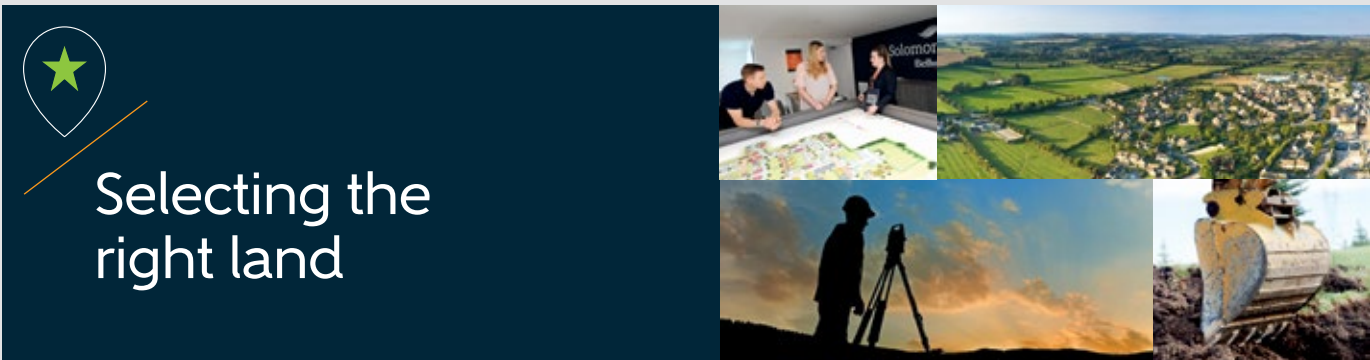
How we create value

- Reinvest profit.
- Earnings for employees.
- Payments to sub-contractors, suppliers and consultants.
- Investment in communities.
- Payments to national and local government.
- Dividends to shareholders.

Throughout this report (>) refers to where we have described our approach to the environment, employees, social matters, human rights and anti-bribery and corruption in accordance with the new 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.



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



What we rely on

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

Alignment with our corporate responsibility pillars

- By building quality homes on predominantly brownfield land we are contributing to the regeneration of areas in mainly urban locations.
- By paying section 106 and Community Infrastructure Levy ('CIL') contributions we provide local authorities with revenue for community investment.
- Local authorities benefit from additional revenue under the New Homes Bonus.

For more information see pages 34 to 41.

The risk we mitigate

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

For more information see page 24.

How we measure our performance

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

Sufficient land bank of plots with DPP



2018	Achieved
2017	Achieved

Gross margin (%)

25.5%	2018	25.5
-40bps	2017	25.9

RoCE (%)^(~)

27.2%	2018	27.2
-40bps	2017	27.6

Link to remuneration – see pages 58 to 77.



Managing the planning process



What we rely on

- Our planning teams build collaborative relationships with local councils, residents and interest groups so that our completed developments benefit the communities in which they are built and reflect local needs⁽¹⁾. We also rely on government support to make improvements to the planning process such as the continuation of the NPPF.

Alignment with our corporate responsibility pillars



We consult with local residents as part of the planning process to help us build the homes our customers desire locally⁽²⁾.



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



For more information see pages 34 to 41.

The risk we mitigate

- Delays and increasing complexity in the planning process. This risk has reduced slightly during the year due to our continued development of skills in this area.



For more information see page 24.

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.

Number of plots owned and controlled with DPP (plots)⁽¹⁾

26,877 plots	2018	26,877
+4.8%	2017	25,655

Number of plots acquired with DPP (plots)⁽¹⁾

4,845 plots	2018	4,845
-9.0%	2017	5,327

Number of plots converted from medium-term 'pipeline' (plots)⁽¹⁾

6,684 plots	2018	6,684
+31.2%	2017	5,093

Number of plots in 'pipeline' (plots)⁽¹⁾

14,200 plots	2018	14,200
+16.4%	2017	12,200

Number of plots in strategic land bank with positive planning status (plots)⁽¹⁾

8,500 plots	2018	8,500
+23.2%	2017	6,900

Note:

1. Excluding joint ventures.



Constructing the right product

What we rely on

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

Alignment with our corporate responsibility pillars

- The health and safety of everyone who works on and visits any of our locations is paramount.
- Reducing waste on site delivers cost savings for the business and reduces the amount of waste sent to landfill.
- Building strong long-term relationships with sub-contractors, consultants, and suppliers and manufacturers of materials generates benefits for us, those we do business with and the communities in which we operate⁽²⁾.

For more information see pages 34 to 41.

The risks we mitigate

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

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

For more information see pages 24 to 25.

How we measure our performance

The health and safety of our employees, sub-contractors and visitors on site is paramount. We therefore include the Group's health and safety performance as part of the executive directors' potential bonus payment. Improvements in health and safety performance are indicated by a lower NHBC health and safety incident rate and by a reduction in the RIDDOR seven-day reportable incident rate per 100,000 site operatives⁽²⁾.

The NHBC health and safety incident rate deteriorated but was still around two and a half times better than the industry average⁽²⁾. All other KPIs either improved or remained the same.

NHBC health and safety incident rate			REM
0.867 +25.7%	2018	0.867	
	2017	0.690	

Number of NHBC Pride in the Job Awards (awards)

49 awards No change	2018	49
	2017	49

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

404.02 accidents -5.2%	2018	404.02
	2017	426.36

Number of NHBC Health and Safety Awards (awards)

11 awards +10.0%	2018	11
	2017	10

Link to remuneration – see pages 58 to 77.





Delivering an excellent customer experience



What we rely on

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

Alignment with our corporate responsibility pillars



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



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



For more information see pages 34 to 41.

The risks we mitigate

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

These risks are not regarded as principal risks and so have not been included in our principal risk table on pages 24 to 25. 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. We believe that customer satisfaction plays a very important part in achieving this volume growth and part of the bonus available to the executive directors is based upon improvements made in customer service.

All of these KPIs have improved or remained the same during the year.

Customer satisfaction score (%)



86.0%
+80bps

2018	86.0
2017	85.2

Number of homes sold (homes)

10,307 homes
+6.9%

2018	10,307
2017	9,644

Reservation rate (homes per week)

200 homes
+7.0%

2018	200
2017	187

HBF home builder status (star)

5 star
No change

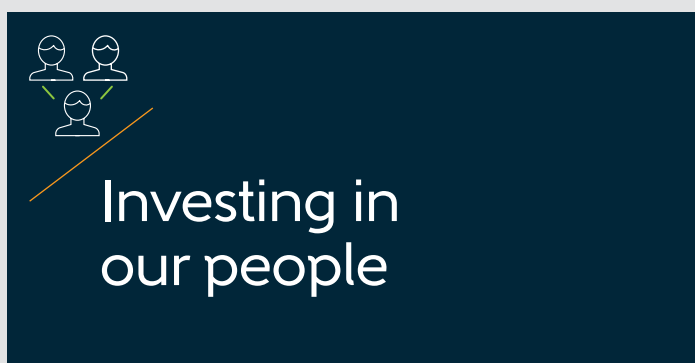
2018	5
2017	5

Order book value at 31 July (£m)

£1,301.1m
+0.4%

2018	1,301.1
2017	1,296.3

Link to remuneration – see pages 58 to 77.



What we rely on

- Our skilled, professional and dedicated employees are provided with the right level of training, support and resources.
- Our dedicated Human Resources team, which focusses on the attraction, development and retention of talent across the business.
- Ensuring the human rights of our employees and of those who work with us are protected⁽²⁾.

Alignment with our corporate responsibility pillars



For more information see pages 34 to 41.

The risk we mitigate

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

For more information see page 25.

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.

All of these KPIs have improved during the year apart from employee turnover and the percentage of employees who have worked for the Group for 10 years or more. This is a reflection of the increase in the number of new employees joining the business during this period of sustained growth.

We have policies and training in place to protect the human rights of our employees and those who work for us. These are overseen by our Human Resources department to ensure these policies are adhered to, and any concerns are reported through our whistleblowing hotline. There have been no issues of concern raised during the year⁽²⁾.

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

16.4%	2018	16.4
-160bps	2017	18.0

Number of graduates and apprentices (number)

142	2018	142
+54%	2017	92

Training days per employee (days)

4.7 days	2018	4.7
+12%	2017	4.2

Employee turnover (%)

21.4%	2018	21.4
+20bps	2017	21.2

Strategy

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

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

The metrics we use to measure our performance are on pages 14 to 19.



Volume growth

Overview

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

How we performed in 2017/18

- We continued to focus our land buying in areas of strong customer demand and in sustainable locations.
- We secured DPP on sufficient land during the year to meet our requirements for 2018/19.
- We have invested in sufficient land in all tiers of our land bank to support our volume growth aspirations.

Our plans for 2018/19

- 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.
- We will focus land buying on sites which suit smaller or lower average selling price homes.
- We plan to open further divisions during the year.



Strengthening the brand

Overview

By making sure that our customers receive an excellent experience when purchasing a new home, both prior to and following moving in, we will help to make a Bellway home the home of choice.

How we performed in 2017/18

- We retained our HBF 5 star home builder status (one of only two national mainstream housebuilders to do so).
- We introduced a Customer Experience Committee to identify and deliver best practice across the Group.
- We have continuously refreshed our training for all customer-facing employees and are pleased to report that our independent customer satisfaction score is 86.0%.

Our plans for 2018/19

- We will seek to retain our HBF 5 star home builder status.
- We will maintain the momentum of the Customer Experience Committee and introduce more formal divisional representation.
- We will roll out our new customer website.
- We will roll out our new Bellway London brand.
- We will seek to improve our customer satisfaction score.



Driving down costs

Overview

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

How we performed in 2017/18

- Our new house type range ('The Artisan Collection') has been introduced across the Group for use on newly acquired sites.
- We have developed new, more comprehensive assessment processes for Group suppliers to drive increased standardisation of our construction specification.
- We run a continuous programme developing and sharing good practice across the business.

Our plans for 2018/19

- We will seek to make further design improvements to The Artisan Collection and secure cost savings through standardisation and procurement efficiencies and improved build times.
- We will deliver further cost savings and improve security of supply.
- We will increase the use of technology to improve benchmarking and secure savings.
- We will review and trial the use of innovative new products.



Appointing the right people

Overview

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

How we performed in 2017/18

- We have increased the number of training days per employee.
- We have introduced a Trainee Assistant Site Manager apprenticeship programme.
- We have increased the number of graduates and apprentices we recruit and train by 54% and have joined The 5% Club.
- We have made further improvements to our employee benefits.

Our plans for 2018/19

- We will introduce a Site Manager Training Programme.
- We will update and refine our divisional management progression and retention plan.
- We will introduce exit interviews to improve our understanding of employee turnover.
- We will introduce total reward statements to assist in staff retention.
- We will improve the focus of diversity across the Group, including targeted recruitment campaigns.



Value creation through capital and dividend growth

Overview

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

How we performed in 2017/18

- We continued to invest capital into land and work in progress in areas with high demand, without compromising our hurdle rates in relation to RoCE and margin, to ensure that the Group is well placed to deliver further growth.
- Paid dividends of £162.6 million.
- Increased NAV by 16.5% to 2,079p.

Our plans for 2018/19

- 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 hurdle rates.
- We expect to maintain our dividend cover of around three times earnings.



Focus on return on capital employed

Overview

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

How we performed in 2017/18

- We maintained a focus on balance sheet management, with particular emphasis on large capital-intensive sites.
- We maintained RoCE as a key assessment when buying land.
- Our Ashberry brand was used to increase output on larger sites.

Our plans for 2018/19

- We will maintain a focus on balance sheet management, with particular emphasis on large capital-intensive sites.
- We will maintain RoCE as a key assessment when buying land.
- We will increase the Group's completions from our Ashberry brand.



Maintaining a flexible capital structure

Overview

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

How we performed in 2017/18

- We maintained sufficient bank facilities to support the cash flow requirements of the Group.
- We actively managed our gearing levels.
- We generated cash through the sale of new build homes.

Our plans for 2018/19

- We will increase our banking facilities to £500 million.
- We will maintain our current bi-lateral banking arrangements.
- We will maintain our current investor relations activities.

Key Stakeholder Relationships

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



Customers

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



Investors

- Our executive management team meets with major shareholders and analysts at least twice a year to discuss interim and full year financial results, answer questions and discuss future actions.
- The Board receives reports from our broker and PR advisors following our interim and full year results presentations that provide feedback from investors and analysts.
- We encourage all shareholders to attend our AGM.
- We seek the views of shareholder representative bodies where necessary, especially on the areas of director remuneration and Board succession.
- We respond to ad hoc queries from shareholders wherever possible.



Employees

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



Suppliers/consultants/ sub-contractors

- We regularly hold meetings and communicate with our suppliers, sub-contractors and consultants, passing on relevant information to each division as appropriate. Where there is new product information, this is communicated in a timely manner to each division.
- We have appointed a Head of Procurement to develop our relationships with and management of our supply chain.
- We strive to maintain long-term working relationships with reputable sub-contractors to reduce health and safety risks and to ensure the availability and quality of materials and labour.
- We strive to maintain long-term working relationships with our suppliers, sub-contractors and consultants to further strengthen the long-term interests of our business.



Local communities

- Prior to the submission of a planning application, we undertake rigorous consultation with the local community in accordance with the consultation policy of the local authority. This involves informing communities about the proposed development, and attending public meetings and exhibitions, and in consultation with the local authority, we listen and act on feedback received where reasonable and practicable⁽²⁾.
- This process allows us to ensure the views of the local community and neighbouring land owners are taken into account as far as is reasonable and practicable⁽²⁾.
- We operate the Considerate Constructors Scheme on developments where appropriate.



Government and regulators⁽²⁾

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



Affordable housing providers

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



Land owners

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

Principal Risks

We have identified the following principal risks to our business:

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

Risk and description	Strategic relevance	KPIs	Mitigation	Change in year
Sales and external factors				
Uncertainty over Brexit and the future impact on the economy could significantly impact our ability to deliver our strategic objectives	– The uncertainty that currently exists in relation to Brexit and the economy has resulted in splitting out the risk associated with Brexit due to the potential impact on our business.	– Number of homes sold. – Forward order book. – Reservation rate. – EPS. – RoCE.	– While outside of our direct control, we continue to monitor business performance and build a robust future-proof business with a solid strategy and sound financial controls.	 This risk has increased during the year as a result of continued uncertainty over Brexit.
Human resources				
Inability to attract and retain appropriate people	– Failure to attract and retain people with appropriate skills will affect our ability to perform and deliver our volume growth target.	– Employee turnover. – Number of graduates and apprentices. – Number of people who have worked for the Group for 10 years or more.	– Continued development of the Group Human Resources function and implementation of our people strategy. – Competitive salary and improved employee benefits. – Succession plans in place and key person dependencies identified and mitigated. – Increased the number of training days per employee. – Introduced a Trainee Assistant Site Manager apprenticeship programme. – Increased the number of graduates and apprentices.	 No change.
IT and security				
Failure to have suitable systems in place and appropriate back up, contingency plans and security policies	– Poor performance of our systems would affect operational efficiency, profitability and our control environment.	– EPS.	– Group-wide systems are in operation which are centrally controlled with an outsourced support function in place. – Continued investment in systems. – Regular review and testing of our security measures, contingency plans and IT security policies. – Creation of Cyber Security Committee.	 There has been an increase in this risk during the year as a result of a complex system implementation project.
Legal and regulatory compliance				
Failure to comply with legislation and regulatory requirements	– Lack of appropriate procedures and compliance would result in delays in land development and construction, have a detrimental impact on profitability and reputation and potentially lead to financial penalties and other regulatory consequences.	– Volume growth. – EPS.	– Central Company Secretarial, Legal, Health and Safety and Technical functions advise and support divisions on compliance and regulatory matters. – Group-wide policies, procedures and training for key regulatory matters.	 No change.

In addition to the above individual principal risks, we are currently going through a period of change within the business, both in terms of senior management and some significant IT processes. Change naturally brings risk to the business as systems and processes are developed and evolved and as employees adjust to changing organisational structures. The risks associated with change have been evaluated and are monitored by management and the Board.

Risk Management

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

Our risk management objectives continue to be:

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

Risk management roles and responsibilities

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

Risk management process

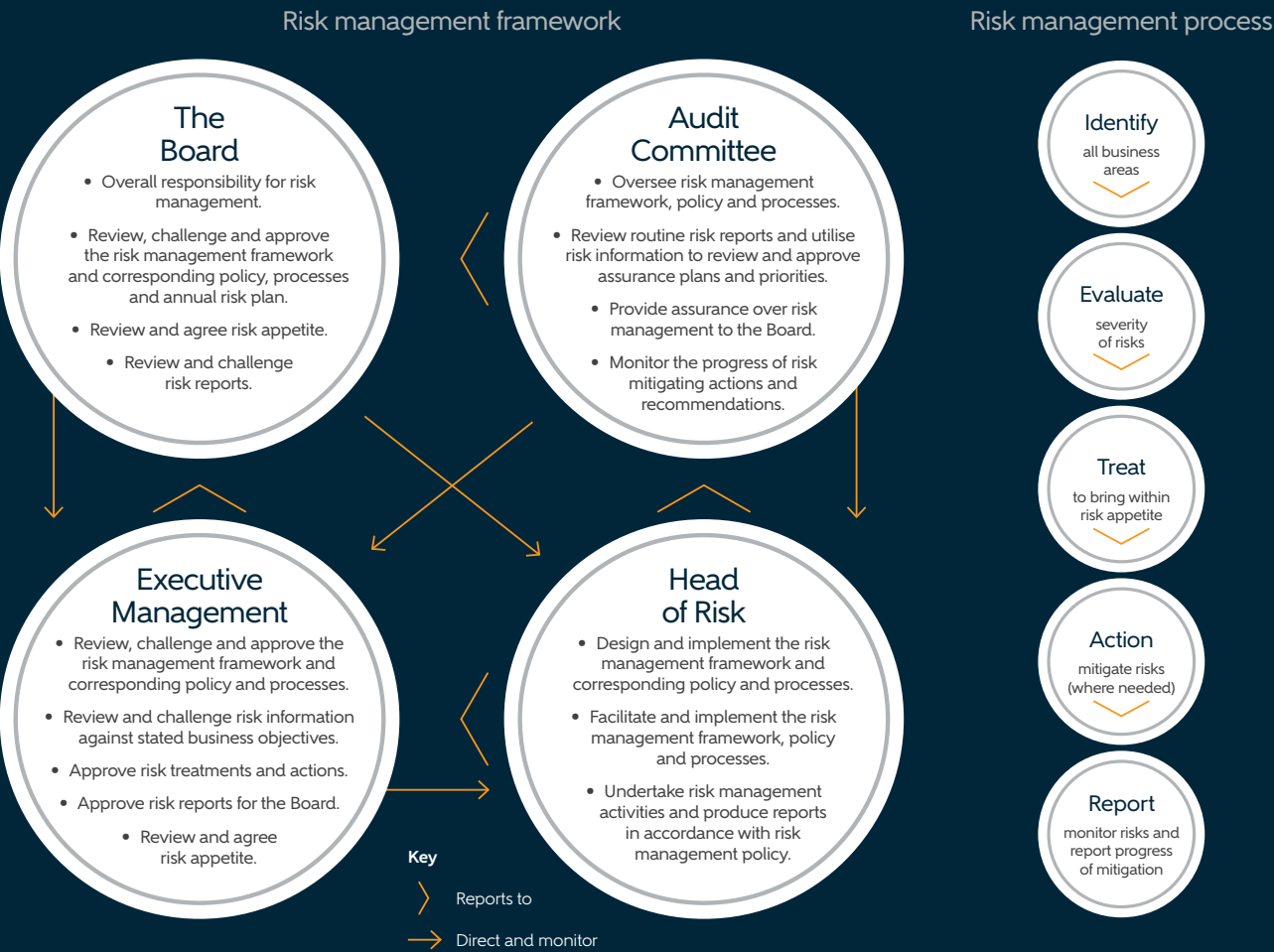
A risk register is maintained detailing all of our potential risks, categorised between strategic, operational, financial and compliance and reputational risks. The risk management processes are set up to ensure all aspects of the business are considered, from strategy through to business execution and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

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

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

Once a year, via the Audit Committee, the Board determines whether the system of risk management is appropriately designed and operating effectively.

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



Financial risk management

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

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

Capital management

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

The Board expects to maintain a dividend cover of around three times earnings.

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 receivables, the amounts presented in the balance sheet are stated after adjusting for any doubtful receivables, based on the judgement of the Group's management through using both previous experience and knowledge of the current position (see note 13).

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

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

Liquidity risk

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

The Group's Treasury Policy has, as its principal objective, the maintenance of flexible bank facilities in order to meet anticipated borrowing requirements. The Group's banking arrangements outlined in note 16 to the accounts are considered to be adequate in terms of flexibility and liquidity for its medium-term cash flow needs. Relationships with banks and overall cash management are co-ordinated centrally. The Group is operating well within its financial covenants and available bank facilities.

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

In relation to land payables, certain payables are secured on the respective land asset held (see note 15). 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 2018, it is estimated that an increase of 1% in interest rates applying to the full year would have decreased the Group's profit before taxation by £1.914 million (2017 – £1.708 million).

Housing market risk

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

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

Going Concern Statement

After conducting a full review, the directors have a reasonable expectation that the Group has adequate resources to fund its operations for at least the next 12 months. For this reason, they continue to adopt the going concern basis in preparing the accounts as discussed further on page 81.

Long-Term Viability Statement

In accordance with provision C.2.2 of the UK Corporate Governance Code, the directors have assessed the viability of the Group over a period of three years which is longer than that required by the going concern assumption. This assessment is based on the Group's current position and the potential effect of its principal risks facing the Group, which are summarised on pages 24 to 27.

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

Operating Review



“Bellway's ongoing strategy for growth should deliver further sustainable, long-term returns for shareholders.”

Jason Honeyman
Chief Executive

Trading performance

Demand for new housing has been strong across all geographies in which the Group operates, contributing to an all-time high sales rate of 200 reservations per week (2017 – 187 per week), an increase of 7.0%. The pattern of reservations followed the usual seasonal trend, with a stronger performance in the second half of the financial year, commensurate with the onset of the spring selling season. Accordingly, the average weekly sales rate progressed from 178 sales per week in the first half of the year (2017 H1 – 166 per week), to 222 sales per week in the second half of the year (2017 H2 – 209 per week). Customer confidence was robust, reflected in the cancellation rate, which remained low at 11% (2017 – 11%).

The strong performance has been driven by further investment in land and work in progress, which enabled the opening of a total of 103 new outlets throughout the year. As a result, the average number of active outlets rose by 7.4% to 247 (2017 – 230).

The pricing environment was generally positive, with sites located in affordable areas, where demand is strong, still able to achieve low, single digit price rises. As the year has progressed, the rate of house price inflation has moderated, although it is still running ahead of cost increases. Nevertheless, the net inflationary enhancement to the margin, which has augmented results over recent years, is beginning to abate. Demand was less pronounced at the higher end of the market, where affordability was a greater constraint for some purchasers and where pricing gains were more difficult to achieve. Measurements of affordability are very location specific, however, only 4% of completions had a selling price beyond the Help to Buy threshold of £600,000, demonstrating Bellway's low exposure to the higher end of the market.

Help to Buy remains an important selling tool, accounting for 39% of completions (2017 – 35%), with its use more pronounced in London, where affordability is most constrained. The ongoing availability of Help to Buy underpins the sector's ability to continue growing output. It provides affordable access to mortgage finance for many, particularly those hoping to make their first move on the housing ladder, with approximately 67% of Bellway customers using Help to Buy being first-time buyers.

The following table 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	
	2018	2017	2018	2017	2018	2017
North	4,171	3,897	890	758	5,061	4,655
South	4,092	3,670	1,154	1,319	5,246	4,989
Group	8,263	7,567	2,044	2,077	10,307	9,644

Average selling price (£000)						
	Private		Social		Total	
	2018	2017	2018	2017	2018	2017
North	258.0	233.3	95.8	97.9	229.5	211.3
South	390.1	362.6	155.2	149.1	338.4	306.2
Group	323.4	296.0	129.3	130.4	284.9	260.4

There was strong growth in the number of private homes sold, which rose by 9.2% to 8,263 (2017 – 7,567). This was the main driver behind the increase in the total number of homes sold, which rose by 6.9% to 10,307 (2017 – 9,644).

Our six newer divisions, opened since 1 August 2013, have been instrumental in achieving this output and accounted for 2,285 completions in the period (2017 – 1,829), an increase of 24.9%. These divisions, together with Bellway's capacity to make investment in additional new divisions, provide the greatest opportunity to deliver further growth in the years ahead.

The increase in volume has also been supported by our Ashberry brand, introduced to increase the sales rate on some of our larger sites and hence improve balance sheet efficiency. The Ashberry brand contributed 348 completions (2017 – 157) during the year, representing 3.4% of total homes sold (2017 – 1.6%), and we intend to further build upon its success to date.

The market is strongest for affordably priced homes in desirable locations. Divisions in differing geographic locations, such as Northern Home Counties, East Midlands and Essex, where the focus is on family product, are performing particularly well and have each completed more than 700 homes. Our relatively new Manchester division is also performing well, benefiting from strong market conditions in this part of the country, together with significant land investment over recent years. In addition, our Scotland West division enjoyed a very successful year, delivering 794 homes and thus establishing a solid platform from which to spearhead our Scotland East division, which commenced trading on 1 August 2018.

Bellway also continues to enjoy success in the London market. This area has become a less substantial component of the business compared to several years ago, reflecting restrained investment in the Capital, in response to slower trading conditions and fewer compelling land opportunities.

Nevertheless, the London Boroughs contributed 1,118 completions during the year (2017 – 959) at an average selling price of £414,872 (2017 – £371,796), with this representing 10.8% of the number of homes sold (2017 – 9.9%) and 15.8% of housing revenue (2017 – 14.2%). Our average selling price remains affordable in the context of the London market and accordingly, sales demand has generally remained robust. Sites such as those located at Barking and West Drayton, with average selling prices around £325,000, have performed particularly well, in total contributing in excess of 300 homes in the year.

At the higher end of the London market, where customer demand can be less pronounced, Bellway has limited exposure, although our site at Nine Elms in Battersea is a notable exception. This site comprises 514 apartments at an anticipated overall average selling price of £668,029. It has sold very well to date, contributing 132 completions in the year, at an average selling price of £705,567. Including these completions, together with those homes already completed or contracted in the prior financial year, there were only 62 apartments remaining to sell on this site at 31 July 2018, with construction expected to be complete by late 2019.

Excluding completions from Nine Elms, the Group's average selling price in the Capital was £375,956 and demand remains robust at this price point.

Overall, the Group's average selling price has risen by 9.4% to £284,937 (2017 – £260,354), with this rise in part influenced by the greater proportion of private homes sold. The private average selling price has risen by 9.3% to £323,426 (2017 – £296,018), driven by investment in higher value, yet affordable locations throughout the country, where strong demand and robust pricing has influenced land acquisition over recent years.

Driving down costs

As housebuilders continue to increase output, there remains upward pressure on build costs throughout the industry. A shortage of skilled labour remains the greatest constraint to growth, but there is also a shortage of key materials, such as structural timber, plastics, bricks and blocks, with these exacerbated due to capacity issues in the broader building materials sector. Looking ahead, in order to mitigate some of these cost pressures, offset some of the reducing benefit of house price inflation and therefore help to protect the margin in the years ahead, the Group is introducing a number of positive cost control initiatives.

These include the development of 'The Artisan Collection', a new rationalised range of 24 standard Group house types, which our divisions have been plotting since June 2018. Improved internal layouts, together with a specification to meet the requirements of a modern family home, will both improve saleability yet reduce costs through the scale of standardisation. A unique part of 'The Artisan Collection' is the in-built adaptability of the external elevational treatments, thereby enabling distinctive developments with individual character areas. Not only does this enable us to meet the requirements of local planning authorities, but it also ensures that street scenes remain attractive to our customers. In addition, this flexibility maximises potential usage across the country and thus improves the cost benefit to the Group.

Following the initial launch of the Artisan range, our technical and sales teams are developing a new construction specification which will help the Group to rationalise the number of suppliers it uses. In addition, the Group has initiated a significant programme of IT investment, in partnership with COINS, to strengthen financial and commercial processes across the Group. This two-year programme will help deliver improved management information and cost visibility to help us target cost control measures. In particular, it will help us to capture some of the benefits of standardisation and lead to improved procurement savings.

Taken together, these proactive measures should help to protect the margin in the future.

The strength of relationships with our sub-contractors is key to securing on-site labour. We pride ourselves on constructing properly laid out, well organised and professionally managed housing developments, with a keen focus on customer care and health and safety. In addition, we are signatories of the Prompt Payment Code, paying our sub-contractors, many of whom are local tradesmen, within an average of 23 days. This responsible and ethical approach leads to a more efficient and enjoyable working environment and fosters strong, loyal relationships, helping to secure certainty of labour over the longer term.



Investing for growth

In addition to the new Scotland East division, which will contribute completions from 1 August 2018, the Board has approved plans to open two further new divisions in the second half of this financial year. The first of these, Eastern Counties, will deliver homes in and around Cambridgeshire, focussing mainly on affordably priced family homes. The second is a new London Partnerships business that will deliver further output in and around the Capital by focussing on building relationships with housing associations and institutional investors, making the most of the very high demand in this affordable part of the market.

Both new businesses will grow initially using the existing Group infrastructure in a cost effective and low risk manner. They are expected to contribute to growth in the year ending 31 July 2020.

With regards to land buying, the planning environment is generally positive, with a record number of planning permissions increasing the availability of good quality land. In some areas, however, the time taken to progress sites from outline through to detailed planning permission, fully resolving pre-commencement conditions, can delay construction start dates and hence frustrate the rate of output.

The land market remains strong and the Group is continuing to acquire land that meets or exceeds its financial hurdle rates in respect of gross margin and return on capital employed, focussing on population hubs where there is high demand for new homes. The Group entered into land contracts with a value of £833.5 million (2017 – £767.0 million) in order to acquire 12,962 plots (2017 – 11,613 plots) across 100 sites (2017 – 97 sites). The land contracted is expected to achieve a gross margin of around 24%, based on an assessment of selling prices and costs at the time of acquisition. These contracted plots include additions to all sections of the land bank.

Operating Review continued

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

	2018	2017
Owned and controlled plots	41,077	37,855
Comprising:		
DPP: plots with implementable DPP	26,877	25,655
Pipeline: plots pending an implementable DPP	14,200	12,200
Strategic plots with a positive planning status	8,500	6,900

In addition to entering into new land contracts, fulfilling contractual conditions and obtaining implementable detailed planning permission ('DPP') on sites is essential in order to ensure that land is in place to deliver growth. During the year, the Group either acquired or obtained planning permission on 11,529 plots (2017 – 10,420 plots), with these representing the additions to the top tier of the owned and controlled land bank, i.e. the section comprising plots that benefit from having an implementable DPP. As a result, the number of plots with DPP rose by 4.8% to 26,877 (2017 – 25,655).

Bellway typically acquires sites conditionally, without the benefit of detailed planning permission through its land 'pipeline', and adds value by progressing these through the planning process. In total, 58% of the additions to the top tier of the land bank (2017 – 49%) originated from this land pipeline, demonstrating our success in the planning arena. Notwithstanding this success, the 'pipeline' section of the land bank has grown by 16.4% to include 14,200 plots (2017 – 12,200).

In total, the owned and controlled land bank rose to 41,077 plots (2017 – 37,855 plots), representing a supply of 4.0 years (2017 – 3.9 years) based on last year's output.

As previously reported, as the Group continues to grow, longer term strategic land becomes more important as a supplementary source of supply. Our investment and success in this area means that strategic land has contributed 2,741 plots (2017 – 2,643 plots) into the total owned and controlled land bank during the year.

In addition, we are continuing to invest in replenishing the strategic land bank and have entered into agreements for an additional 27 sites (2017 – 26 sites). As a result, and notwithstanding the promotion of a significant number of plots into the owned and controlled land bank, our strategic land holdings have risen to some 8,500 plots (2017 – 6,900 plots). As always, we take a conservative approach to strategic land and report only those plots with a positive planning status, i.e. those that are either identified in a local plan for residential development or are the subject of a current planning application. The Group will make further investment in its strategic land resource in the year ahead.



Strengthening the brand

Our long-term approach to growing the business ensures that high levels of customer satisfaction are at the forefront of what we do and hence it is important that the Bellway brand is one which customers can trust. We are therefore proud to have retained our status as a five star home builder in the Home Builders Federation Customer Satisfaction survey. Bellway is one of only two mainstream national housebuilders to have achieved this accolade, demonstrating that our commitment to quality is recognised by our customers.

In addition, the high standards being achieved by our Site Managers have again been recognised, with 49 individuals achieving NHBC Pride in the Job Awards, a testament to their efforts (2017 – 49). We recognise that we cannot rest on our laurels and therefore continue to use our Customer Experience Committee, formed at the start of the financial year, to drive future improvements to quality and customer care. Initiatives include enhanced quality inspection procedures and improved customer communication to ensure that all divisions within Bellway achieve the required high standards.

The sales market has been strong for many years, however, now is the time to invest to make sure that the Group is well equipped to deal with changing customer trends. Whilst footfall on sites remains consistent, visitors to our website continue to grow year on year, as customers tend to use digital media to conduct their research before finally making a visit to a development. Given these changing trends, we have recently invested in a new website, launched in September 2018, and we will continue to improve its functionality and marketing capabilities over the next 12 months.

We have also implemented a Group-wide customer relationship management system which will allow us to develop specific, targeted marketing campaigns in a cost effective and efficient manner.

Lastly, we are taking steps to improve awareness of our established and successful presence in London. Accordingly, we have developed a new London specific logo, which can be adapted to a range of developments at different price points, whilst retaining key elements of the Bellway corporate identity. The consistent use of this brand and logo should, over time, help to increase customer awareness of Bellway's activities in the Capital.

Building new homes safely

Engendering a positive and proactive culture with regards to the health, safety and the wellbeing of those individuals who work on our construction sites is of the utmost importance to the Group. NHBC health and safety professionals visit our sites on a regular basis, benchmarking performance which compares favourably against other organisations in the sector.

In addition, our own in-house health and safety team regularly visit sites and review processes and procedures in order to demonstrate compliance, develop good practice, identify training needs and encourage innovation from our staff. This proactive approach contributed to a reduction in the lost time arising from accidents, with the seven-day reportable incident rate reducing by 5.2% to 404.02 incidents per 100,000 site operatives (2017 – 426.36).

Bellway has again performed exceptionally well in the NHBC Health and Safety Awards, with 11 of our Site Managers receiving Commended Awards (2017 – 10). In addition, four of these Site Managers went on to win Highly Commended Awards (2017 – five), including one that went on to achieve the National Runner-Up in the Large Builder Category. This strong performance represents 18% of the awards issued across the industry, far above our share of volume output.

The tragic Grenfell fire has understandably brought additional focus to ensuring that the apartments we build are safe. Bellway has a small number of developments where Aluminium Composite Materials ('ACM') has been used. Whilst we received Building Regulations approval for their use at the time, as a responsible developer, we are fully engaged with the government and our partners to

develop solutions that protect our customers and future occupiers. Accordingly, the Group has set aside a provision, net of recoveries, of £5.9 million to deal with any likely remedial costs that may be borne by Bellway. We have also strengthened our processes and training relating to fire safety issues and will continue to develop these in the year ahead as government guidance no doubt evolves.

Appointing the right people

The success of our business continues to provide a boost to local employment and economic conditions. During the year, Bellway continued to expand its workforce, employing an average of 2,808 employees (2017 – 2,544), an increase of 10.4%. In addition, we estimate that we support 27,000 to 32,000 jobs, both directly and indirectly through sub-contractors and the Group's supply chain.

Access to skilled labour is essential for Bellway, not only in order to achieve our growth ambitions, but also to ensure that the quality of our product, standards of customer care and health and safety, and strength of reputation are maintained. Recruiting, developing and retaining high quality Site Managers is essential in order to achieve these objectives. During the year we implemented a Trainee Assistant Site Manager Programme with the objective of ensuring our trainee Assistant Site Managers have the pre-requisite skills to develop into experienced site agents. In addition, we appointed a dedicated Construction Training and Development Manager whose remit is to further enhance this programme and improve construction related training across the organisation. Whilst we will continue to develop and implement training for a range of roles, the focus in the year ahead will be to enhance the Site Manager Training programme, thereby recognising the influence that this key role has upon the Group's ability to efficiently build a high quality product as the Group pursues its growth strategy.

We also acknowledge our responsibilities to ensure that the industry has the right skills to continue to grow in the future. Accordingly, we have increased the number of apprentices and graduates in the business by 54% to 142 (2017 – 92). We have also become members of 'The 5% Club', a charitable organisation, recognising our commitment to ensuring that at least 5% of our workforce are employed in these developmental roles. We expect to achieve this objective in the year ending 31 July 2019. We actively participate in the HBF Home Building Skills Partnership ('HBSP') which aims to attract new talent into the industry as well as develop, grow and sustain the workforce that the industry requires to deliver further increases in housing supply.

Lastly, we have implemented a number of equality, diversity and inclusion initiatives to encourage and support a more diverse workforce. These include enhancing parental leave benefits, introducing equality, diversity and inclusion training and creating diversity champions in each of our divisions to promote progress in this important area⁽²⁾.

Bellway4Good⁽²⁾

As one of the UK's largest homebuilders, we have a responsibility to ensure that as we continue to grow, we do so in an ethical and sustainable manner, for the benefit of our customers, employees, shareholders, suppliers and local communities.

We continue to manage our Corporate Responsibility ('CR') activities under the Bellway4Good banner. We have again benchmarked our performance against a range of targets

focussed around our three 'pillars' of the environment, construction and society and economy.

Under 'environment', the focus remains on energy efficiency work and as an example, we are pleased to report that 100% of construction compounds are now fitted with energy saving devices.

Within 'construction' we have, for the fourth year running, increased the percentage of waste diverted from landfill to 98.1% (2017 – 97.8%). Given this success, in the coming year, the focus will shift to waste minimisation.

Under our 'society and economy' CR pillar, our charitable engagement work continues with pace. We are very proud that our partnership with Cancer Research UK was recognised at the recent Business Charity Awards, where Bellway won the Charity Partnership of the Year (Property and Construction) award.

We continue to 'match' employee fundraising for charities of their choice and we introduced a payroll giving scheme across the business. Encompassing our wider charitable activity, Bellway's total donations, including employee and supply chain fundraising, matched funding and company donations, amounted to £564,040 (2017 – £521,920), of which £272,096 (2017 – £229,047) was raised by our employees and sub-contractors.

Lastly, we have produced a new Economic and Social Impact Report that will be available for download from the Bellway website later this year. In it, we estimate that as a business we contributed over £215 million to public finances in 2018 (2017 – £186 million).

Current trading and outlook

Notwithstanding the 6.9% rise in volume achieved in the year, the positive sales market and investment in new sales outlets resulted in the Group starting the current financial year with a healthy order book, comprising 4,841 homes (2017 – 4,749 homes), with a value of £1,301.1 million (2017 – £1,296.3 million). In the first nine weeks of the new financial year, trading has remained solid, with the Group achieving 176 reservations per week (2017 – 171), an increase of 2.9%. This has contributed to the order book at 30 September rising by 7.9% to £1,469.5 million (1 October 2017 – £1,361.5 million), representing 5,380 homes (1 October 2017 – 5,034 homes).

This strong order book, together with a net cash position at 31 July, ensures that the Group is in a position to respond positively to opportunities as they arise. The Board are mindful that the forthcoming exit from the EU in March could pose a threat to consumer confidence during the busy spring selling season. Assuming that market conditions remain unchanged, however, this healthy position should enable Bellway to further increase output in the year ahead.

Thereafter, the Board still see opportunities for growth in areas of high demand. Our new Eastern Counties and London Partnerships divisions provide the platform to increase the Group's capacity to some 13,000 homes per annum. Taken together with our positive initiatives to help protect the margin in the future, Bellway's ongoing strategy for growth should deliver further sustainable, long-term returns for shareholders.

Jason Honeyman
Chief Executive

15 October 2018

Financial Review



“For the ninth year in succession, Bellway has delivered further growth in housing revenue.”

Keith Adey
Group Finance Director

Group revenue (£m)

£2,957.7m	2018	2,957.7
+15.6%	2017	2,558.6
	2016	2,240.7

Operating profit (£m)

£652.9m	2018	652.9
+14.2%	2017	571.6
	2016	492.0

Operating margin (%)

22.1%	2018	22.1
-20bps	2017	22.3
	2016	22.0

Profit before taxation (£m)

£641.1m	2018	641.1
+14.3%	2017	560.7
	2016	497.9

Earnings per ordinary share (p)

423.4p	2018	423.4
+14.2%	2017	370.6
	2016	328.7

Proposed total dividend per ordinary share (p)

143.0p	2018	143.0
+17.2%	2017	122.0
	2016	108.0

Operating performance

For the ninth year in succession, Bellway has delivered further growth in housing revenue, which in the year under review, increased by 17.0% to £2,936.8 million (2017 – £2,510.9 million). The 9.4% rise in the average selling price to £284,937 (2017 – £260,354), influenced by investment in higher value locations and a rise in the proportion of higher value private completions to 80% (2017 – 78%), was the principal driver for the growth. In addition, the number of housing completions rose by 6.9% to 10,307 (2017 – 9,644).

The growth in housing revenue, together with other revenue of £20.9 million (2017 – £47.7 million), mainly comprising the disposal of freehold reversion interests on apartment schemes, resulted in total revenue increasing by 15.6% to £2,957.7 million (2017 – £2,558.6 million).

The increase in revenue drove a 13.9% increase in gross profit, which rose by £91.8 million to £753.4 million (2017 – £661.6 million). The gross margin remained high at 25.5% (2017 – 25.9%), a slight reduction of 40 basis points compared to the prior financial year, with this moderation principally reflecting the reduced receipt arising on the disposal of freehold reversion interests.

The Group is continuing to invest in its operational platform, comprising 20 divisions, in order to deliver future growth. Accordingly, whilst administrative expenses have increased by 11.7% to £100.6 million (2017 – £90.0 million), they have reduced to only 3.4%^(*) of revenue (2017 – 3.6%), as the new divisions opened since 1 August 2013 continue to improve their efficiency at recovering overheads.

The strong operating performance has resulted in a 14.2% increase in operating profit to £652.9 million (2017 – £571.6 million) and the operating margin remains high at 22.1% (2017 – 22.3%).

Net finance expense

The net finance expense of £13.6 million (2017 – £11.2 million) principally consists of bank interest and notional interest on land acquired on deferred terms. Bank interest, which includes interest on drawn monies, commitment fees and refinancing costs, increased to £5.2 million (2017 – £4.5 million), mainly as a result of the 0.25% rise in the Bank of England base rate in November 2017. In addition, average net debt increased slightly to £191.5 million (2017 – £170.8 million). Notional interest on land acquired on deferred terms increased by £1.1 million to £8.8 million (2017 – £7.7 million).

Profitability

Profit before taxation ('PBT') increased by 14.3% to £641.1 million (2017 – £560.7 million). The corporation tax charge was £121.2 million (2017 – £106.7 million), with an effective tax rate of 18.9% (2017 – 19.0%). The effective tax rate is below the standard corporation tax rate of 19.0% (2017 – 19.7%), primarily due to an enhanced tax deduction for remediating previously developed brownfield land.

Basic earnings per share rose by 14.2% to 423.4p per share (2017 – 370.6p).



Investing cash for future growth

Bellway is highly cash generative, producing £648.1 million^(~) (2017 – £588.1 million) before investment in land, net of land creditors, and work in progress. After taking this into consideration, the Group generated cash from operations of £375.6 million (2017 – £256.5 million), with this representing 57.5% of operating profit (2017 – 44.9%). The continued deployment of capital into land and work in progress ensures that the Group is well placed to deliver further growth.

After expending £116.1 million on tax, paying dividends of £162.6 million and taking into consideration other minor cash outflows of £13.9 million, the Group ended the year with net cash of £99.0 million^(~) (2017 – £16.0 million), reflecting an ungeared^(~) balance sheet.

Land creditors, which are considered to be a source of longer term debt finance, stood at £365.4 million (2017 – £366.8 million) and continue to be used only when it is cost effective to do so. Including land creditors, total debt stood at £266.4 million (2017 – £350.8 million), representing very modest adjusted gearing of 10.4%^(~) (2017 – 16.0%).



A balanced and flexible capital structure

The balance sheet principally comprises amounts invested in land and work in progress, which rose by 10.2% to £3,271.6 million (2017 – £2,968.2 million).

The carrying value of land increased by 9.4% to £2,011.9 million (2017 – £1,838.2 million) and this focussed investment has ensured that all of the plots expected to contribute to next year's growth target benefit from a detailed planning permission. The amount invested in work in progress rose by 9.6% to £1,115.1 million (2017 – £1,017.7 million), but as a proportion of housing revenue, work in progress reduced slightly to 38% (2017 – 41%), reflecting the Group's ongoing focus on return on capital employed.

The financing structure remains simple and transparent with growth financed through retained earnings, net bank borrowings and land creditors. Including renewals since 1 August 2018, the Group has committed borrowing facilities of £500 million, extending in tranches through to August 2023, thereby providing security of funding for the years ahead.

Bellway had a modest retirement benefit asset of £1.3 million (2017 – liability of £4.0 million) at 31 July reflecting the Group's commitment to funding this future, long-term obligation.



A focus on return on capital employed

Notwithstanding the dividend payment of 132.5p per share during the year, the net asset value rose by 16.7% to £2,557.1 million (2017 – £2,191.3 million), representing a net asset value per share of 2,079p^(~) (2017 – 1,785p).

This growth in NAV and the payment of the dividend has been achieved as a result of the compounding effect of reinvesting earnings back into high return land opportunities. RoCE remains high at 27.2%^(~) (2017 – 27.6%), or 23.6%^(~) (2017 – 23.9%) when including land creditors as part of the capital base. In addition, post tax return on equity remains high at 22.1%^(~) (2017 – 22.6%), with this being achieved from a lowly geared balance sheet, whilst investing further in land and work in progress to achieve growth.

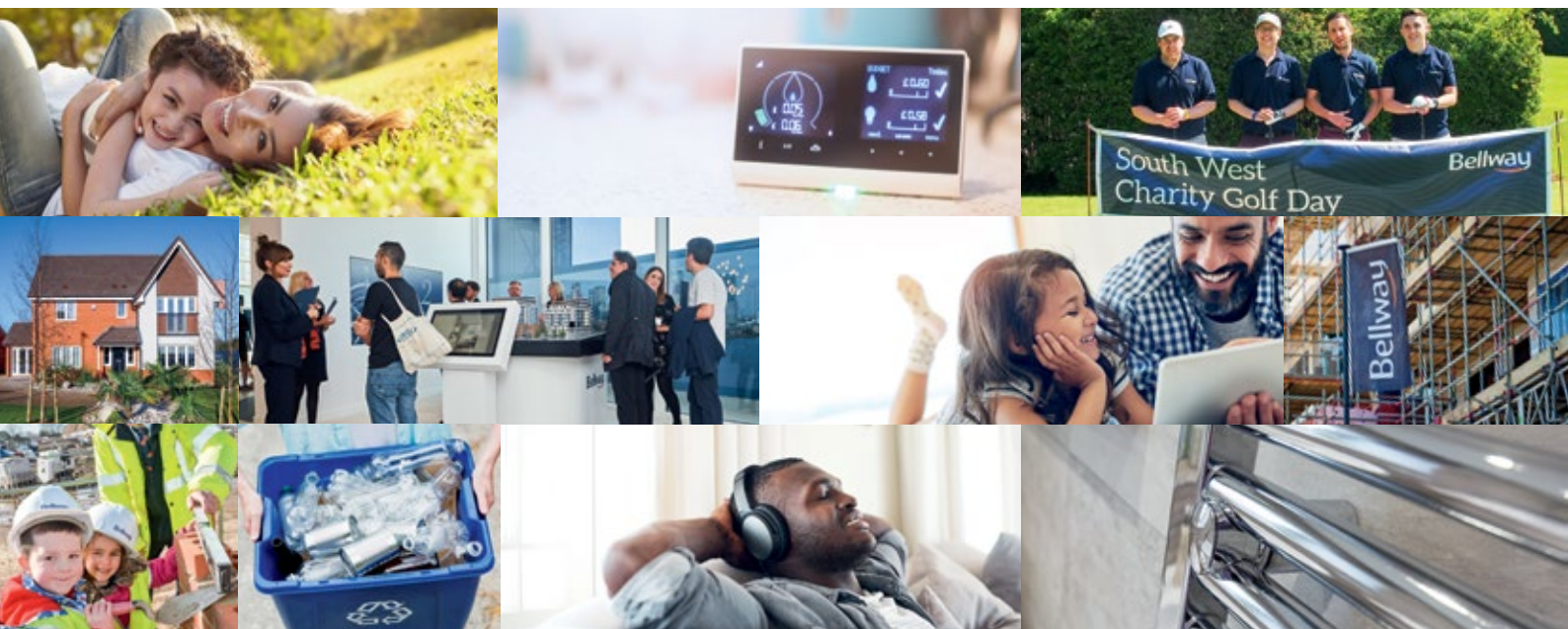
Bellway has significant financial capability to continue investing in high return land opportunities to deliver further growth. At the same time, it retains the strength and agility to respond proactively to opportunities or prospective changes in market conditions as and when they arise.

Keith Adey

Group Finance Director

15 October 2018

Corporate Responsibility



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

We operate our Corporate Responsibility ('CR') activity under three core 'pillars' and we have continued work to integrate these pillars into our mainstream operations with the aim of making CR 'business as usual'. By following our CR model we are able to build sustainable homes and communities while delivering long-term benefits to our customers, employees, shareholders, suppliers and local communities.

Environment

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

 For more information see pages 36 to 37.

Construction

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

 For more information see page 38.

Society and economy

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

 For more information see page 39 to 41.





While the Chairman is ultimately responsible for maintaining our overarching CR programme, CR is managed at a strategic level through a Bellway4Good Steering Committee. Convened on a quarterly basis by the Group Finance Director, functional heads meet to assess progress against targets and objectives, review principal CR KPIs and discuss new initiatives to further embed CR within the business.

Our key achievements in 2017/18

We have continued to make progress against the 12 public CR targets we set ourselves for the 2017/18 year. Of these 12 targets, 9 were achieved while another 2 are multi-year targets with significant progress completed in the year and they are on-track to be achieved within their respective timeframes. The final target was a two-year goal to develop and implement a series of structured training programmes for apprentices, trainees and graduates. While the implementation of the graduate programme has been delayed and will now be completed in the coming year, we are pleased that new programmes are now in place for apprentices and trainees, and overall graduate and apprentice numbers have increased by 54% this year to 142 (2017 - 92).

- 9** targets achieved
- 2** targets are multi-year and progress will continue into 2018/19
- 1** target missed

While some of our key achievements are outlined to the right, our CR website includes full details of our performance as well as our targets for the 2018/19 year:

Environment

- Increased the proportion of construction compounds fitted with energy saving devices to 100% (2017 - 94%), achieving our target two years early.
- Rolled out an energy saving and sustainability awareness campaign to all divisional offices.

Construction

- Increased our waste diverted from landfill rate to 98.1% (2017 - 97.8%).
- Achieved a 0.19 NHBC Reportable Items per inspection against an internal target of ≤ 0.3 .

Society and economy

- Retained our 5 star home builder status from the HBF.
- Won the Charity Partnership Award (Construction and Property) at the Business Charity Awards for our work with Cancer Research UK and raised and donated a total of £394,453 (2017 - £385,913) bringing our total for the partnership to £780,366.
- Achieved a reduced RIDDOR seven-day reportable incident rate per 100,000 site operatives of 404.02 (2017 - 426.36), the second year in a row we have reduced this rate.

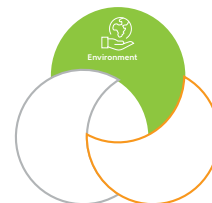
We continue to contribute to the Carbon Disclosure Project's ('CDP') 'Climate Change' and 'Forests' programmes and for 2017 our scores remained at 'Awareness - C' and 'Management - B' respectively. These scores are in line with our sector average, our industry average and the CDP programme average.



For full details of our CR activity visit
<http://www.bellway.co.uk/corporate-responsibility>

Environment^(*)

Climate change and the protection of the environment are two significant challenges that we face, both as a company and as a society. As a responsible housebuilder we take our duty to minimise the impacts of our activity on the environment very seriously.



Energy

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

Energy

We will roll out an energy saving campaign to all divisional offices.

Energy

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

Carbon

We will monitor and analyse our carbon footprint data, identifying areas for greatest potential savings, prior to devising a strategy to set a longer term carbon reduction target for 2018/19.

3 targets achieved	1 target is multi-year and progress will continue into 2018/19	0 targets missed
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Biodiversity and ecology^(*)

We understand that housebuilding can be intrusive, impacting on existing ecosystems. As a company we create sustainable and attractive places to live, and ecological preservation and biodiversity plays a key role in this. Each new site undergoes a risk assessment and ecology survey as part of the planning process and where agreed with the planning authority, mitigation measures are undertaken. Such measures not only seek to preserve habitats within and surrounding the development (either on site or through biodiversity offsetting), but also seek to add benefit through landscape management schemes to mitigate any detrimental impact and enhance the overall environment. Our aim is to create a green and pleasant environment in which our customers and communities can live.

We continue to implement measures such as the provision of bat boxes, preservation of existing biodiversity and where necessary the relocation of protected species to new habitats. We also construct Sustainable Urban Drainage Systems and undertake tree and shrub planting, all of which supports and promotes biodiversity in the local area and provides green environments for existing and new communities. We have continued the development of brownfield sites, with 53% of new homes built on such land this year (2017 – 59%).

Energy

While energy consumption is not a significant financial cost for our business compared to land, labour and materials, we still have a duty as a responsible business to minimise usage where possible. We have continued our programme of installing energy saving technology in our compounds and by the year end 100% were fitted (2017 – 94%), achieving our target two years early. Our focus on the energy efficiency of our telehandler fleet also continues, with 88.6% now fitted with more fuel efficient engines (2017 – 83.5%), and we expect to complete the programme this year depending on the availability of engine technology for our larger machines.

We continue to focus on the design of our new homes, ensuring they are energy efficient so our customers can benefit from reduced running costs. On average, the Dwelling Emission Rate (a measure of energy efficiency) of new Bellway homes this year was 5.0% better than required by the relevant building regulations (2017 – 6.0%). Renewable energy technology was also fitted to 36.9% of homes (2017 – 38.6%), further helping customers to reduce their energy consumption and bills.



36.9%

percentage of homes fitted with renewable energy technology

+3.7%

increase in overall carbon emissions

-3.8%

decrease in carbon per home sold

Carbon reporting

In accordance with the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, we report on our greenhouse gas ('GHG') emissions as part of the annual Strategic Report. Our GHG reporting year is the same as our financial year, 1 August 2017 to 31 July 2018, and the previous year's figures have been provided as comparators.

The methodology used to calculate our emissions is based on the UK government's Environmental Reporting Guidelines (2013) and emission factors from the 2017 government GHG Conversion Factors for Company Reporting (see note 4 to the table below). The reported emission sources include those which we are responsible for, as required under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, with the exception of the following which were excluded from this report:

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

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

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

Our overall carbon emissions have increased by 3.7% to 25,823 tonnes CO₂e (2017 – 24,909 tonnes). This has largely been driven by an increase in construction activity, with the number of homes sold increasing by 6.9% to 10,307 (2017 – 9,644). Reporting via business metrics, carbon emissions per home sold have decreased by 3.8% to 2.5 tonnes (2017 – 2.6 tonnes) and carbon emissions per employee have fallen by 6.1% to 9.2 (2017 – 9.8).

Both the 2016/17 and 2017/18 emissions have been externally verified by Zeco Energy to a 'reasonable assurance level'.

Greenhouse gas emissions (tonnes of CO₂e)⁽¹⁾

	2018	2017
Scope 1 – Combustion of fuel and operation of facilities (including diesel and petrol used on site and in company cars on Group business).	19,964	18,844
Scope 2 – Electricity purchased for our own use (location-based method) ⁽²⁾ .	5,859	6,065
Scope 2 – Electricity purchased for our own use (market-based method) ⁽²⁾ .	5,166	4,121
Total emissions (location-based method)⁽²⁾	25,823	24,909
Emissions intensity (using location-based method) ⁽²⁾ :		
tCO ₂ e per Bellway home sold.	2.5	2.6
tCO ₂ e per Bellway employee ⁽³⁾ .	9.2	9.8

Notes:

1. Carbon dioxide equivalent as per the meaning given in section 93(2) of the Climate Change Act 2008.

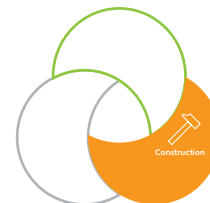
2. Scope 2 emissions have been reported using the location-based method, but we have also provided a market-based method for transparency.

3. Based on the average number of employees during the year.

4. It should be noted that the 2017 GHG Conversion Factors have seen a 15% decrease in the UK electricity CO₂e factor compared to the previous year. This is due to a significant decrease in coal generation and an increase in gas and renewables generation for UK electricity in 2015 (the inventory year on which the 2017 GHG Conversion Factor is based). This has led to our Scope 2 emissions from electricity consumption falling by 3.4% even though usage has risen by 13.2%.

Construction

The UK continues to face a housing shortage. As a growing company Bellway is well placed to deliver much needed new homes and we work in partnership with our supply chain, sub-contractors and local authorities to ensure our activities deliver a positive legacy for local communities.



Waste

We will maintain the proportion of waste diverted from landfill on construction sites at 97% or above.

Waste

We are committed to reducing the amount of waste we generate and in 2017/18 we will establish a rolling average measurement of tonnes of waste per 1,000 square feet of completed homes with a view to setting a strategy to reduce waste in 2018/19.

Planning

We will pilot 'Building for Life' on a minimum of one site and assess the impact on planning, construction costs and development desirability over the next three years.

2	targets achieved	1	target is multi-year and progress will continue into 2018/19	0	targets missed
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Communities

Bellway aims to build attractive, desirable and sustainable developments in which customers want to live, and which thrive in harmony with existing communities. To ensure all views are heard and considered at the planning stage and prior to work commencing, we undertake tailored planning and consultation exercises, including community events, and where practicable we adopt recommendations into the final development plans.

We continue to invest in the communities where we develop, over and above the new homes we build. We estimate that our construction activities deliver a combined employment (direct, indirect and induced) of between 27,000 and 32,000 jobs, with the benefits being felt both locally and nationally. We also provide local support through planning obligations and CIL payments, with £79.0 million (2017 – £118.2 million) invested in a range of local services and amenities, including education, sport and leisure, health and highway improvements.

Waste

An unavoidable by-product of building new homes is the waste we generate. Waste is a cost to our business, both in terms of raw materials and in the cost of disposal. We aim to use our resources as efficiently as possible and this year 98.1% of our waste was diverted from landfill for reuse, recycling or refuse-derived fuel (2017 – 97.8%).

During the year our waste per home sold increased by 1.5% to 9.39 tonnes (2017 – 9.25 tonnes). This is a challenge that many housebuilders face and we have set a new metric for the coming year (waste per home under construction) to better measure waste from construction activity. We have set a target to reduce this metric over the next three years through a range of initiatives, including more standardisation of house designs and raw materials, and improved education on sites.

Supply Chain

Establishing long-term relationships with our sub-contractors and wider supply chain is, we believe, the best route to delivering high standards in both procurement and construction. We undertake an audit process for all Group suppliers prior to commencing work with Bellway and when any Group deal is renewed. This audit covers a range of issues from environmental and safety matters, to quality and security of supply.

Bellway's supply chain spend this year was £1.6 billion (2017 – £1.4 billion) and is a critical part of our business, one which delivers wide benefits to the local and national economy. The HBF estimates that 90% of housebuilders' supply chain spend remains in the UK, and for Bellway that would amount to a £1.4 billion investment in the UK economy. With a substantial portion of this spent in our divisions, local companies and communities are significant beneficiaries.

We do not tolerate any form of slavery, servitude and forced compulsory labour or human trafficking in our supply chain or in any part of our business. Our Anti-Slavery Policy reflects this commitment and is available to view on our website, along with our latest Slavery and Human Trafficking Statement which sets out the actions being taken. We require all applicable suppliers and sub-contractors to confirm that they either have their own modern slavery policies in place or that they adopt Bellway's policy. Relevant staff receive training to help them identify signs of slavery and our Anti-Slavery Compliance Team monitors compliance activity throughout the year⁽²⁾.

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 our employees and those who work for and with the Group. Management are responsible for enforcing compliance and additional checks are carried out via Head Office functions⁽²⁾.

Our whistleblowing procedure enables concerns of any wrongdoing to be reported in confidence. There have been no reports of concern during this year⁽²⁾.

Quality

We pride ourselves on delivering quality homes built to a high standard. Along with a dedicated working group led by one of our Regional Chairmen, we aimed to deliver no more than 0.3 NHBC Reportable Items per inspection and we are pleased to report that we have been successful in achieving 0.19 Reportable Items per inspection (2017 – 0.18).

This commitment to quality is demonstrated by another successful year in the NHBC Pride in the Job Awards in which 49 Bellway Site Managers were recognised (2017 – 49), acknowledging Site Managers who achieve the highest standards in housebuilding.

Society and economy

Housebuilding is recognised as a key component of the national economy and as the UK's fourth largest housebuilder, Bellway is well placed to deliver a range of benefits to our wide stakeholder group.



Customer engagement

We will deliver high levels of customer satisfaction, aiming to retain our 5 star home builder status for the 2017/18 year and achieving an overall customer satisfaction score of at least 85.7%.

Health and safety

We will deliver 'Traffic Management' and 'Ladder Training' safety briefings at 100% of sites to aid a reduction in our RIDDOR seven-day reportable incident rate per 100,000 site operatives.

Employee development

We will develop a more structured and integrated programme for graduates, trainees and apprentices by 2018.

Charitable giving

We will extend our partnership with Cancer Research UK for a further year and aim to increase our fundraising and donation total across the two-year period to at least £600,000.

Charitable giving

We will continue to encourage and support our employees in their fundraising activities, increasing the amount they raise for charity compared to 2016/17, by:

- Matching their individual fundraising efforts.
- Introducing a Payroll Giving service across Bellway to enable employees to easily donate to their chosen charitable cause in a tax efficient way.

4 targets achieved

0 targets are multi-year and progress will continue into 2018/19

1 target missed

Economy

The importance of housebuilding to social and economic sustainability has been set out in an updated 2018 report from the HBF⁽¹⁾. In the report housebuilding is estimated to have contributed £38 billion in economic output, supported almost 700,000 direct and indirect jobs and contributed £2.7 billion in tax revenues to central and local government.

We have used the HBF's and other publicly available metrics to estimate Bellway's own contribution to the wider economy⁽²⁾:

- £1.2 billion in estimated gross value added generated by our construction activities.
- 27,000 – 32,000 direct, indirect and induced jobs supported.
- £216.0 million contribution to public finances.
- £61.3 million in New Homes Bonus and council tax payments to local authorities.

Customers

Customers are the life-blood of our business and we aspire to provide the best possible customer experience in order to reinforce our reputation as a high quality national home builder. We have continued our focus in this area with our internal Customer Experience Committee, and we are proud to have retained our 5 star home builder status from the HBF for the second year running (2017 – 5 star), meaning that at least 9 out of 10 of our customers would recommend Bellway to a friend.

Affordability

There is a recognised shortage of affordable, quality new housing in the UK and we are seeing falling home ownership levels among the younger generation. Affordability is often an obstacle to getting onto the property ladder, or indeed to moving up to larger properties as circumstances change and families grow.

At Bellway we have a role to play in addressing these issues by offering a range of quality homes suited to customers' differing needs and budgets. While 8% of homes were sold to unassisted first-time buyers (2017 – 8%), for those requiring additional assistance the government's Help to Buy schemes continue to provide valuable support and of our 10,307 homes sold this year, 39% were via the various Help to Buy schemes (2017 – 35%). We also integrate affordable housing into our developments and in the past year 20% of our completions were sold to affordable housing providers (2017 – 22%).

In total just over 34% of our homes were sold to either unassisted or deposit assisted first-time buyers (2017 – 32%), representing over 3,500 new homeowners whom Bellway have helped to get their foot on the property ladder (2017 – 3,064).

Notes:

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

2. Full details can be found in 'Our Economic and Social Impact 2017-18' report, which is available on our website.

Society and economy continued



Employees⁽²⁾

Our employees and sub-contractors are key to the success of our business and by the end of this year we directly employed 2,864 people, with thousands more indirectly employed through our sub-contractors and supply chain.

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 via an independent provider.

The ongoing skills-shortage in construction is well documented and part of our focus this year has been on training and development. While we did miss one of our targets (the graduate element of our goal to develop and implement a series of structured training programmes for apprentices, trainees and graduates), our work to date has seen graduate and apprentice numbers increase by 54% to 142 (2017 – 92). Work on the graduate scheme will be progressed in the coming year. We have also increased the number of training days delivered to 4.7 days per employee (2017 – 4.2).

Over the past few years we have also improved the range of benefits we offer our employees, including an enhanced company car scheme, an increased contributory pension, increased holiday entitlement, improved maternity and paternity leave and a new health and wellbeing programme. Over the past year our employee turnover rate has remained broadly static at 21.4% (2017 – 21.2%) and 'in zone' for the sector.

Safety

Safety is a core principle for Bellway and a top priority for everyone in the Company. We work with all of our people to ensure that safe working practices are promoted and embedded on all of our sites, with training, toolbox talks, informal and formal inspections and best practice forums all utilised.

As part of our commitment to safety (and health and wellbeing), each Bellway office and construction site now has a defibrillator in place, providing a simple and effective method of administering life-saving treatment to someone suffering from cardiac-arrest.

We are pleased that our approach to safety has again been recognised at the NHBC Health and Safety Awards. This year 11 Bellway Site Managers collected awards (2017 – 10), including the National Runner-Up award in the Large Builder Category. We have also successfully reduced our RIDDOR seven-day reportable incident rate to 404.02 incidents per 100,000 site operatives (2017 – 426.36), the second year in a row we have reduced this rate. In addition our NHBC Safety Score for the year was 0.867 (2017 – 0.690), around two and a half times better than the industry average.

Charitable Engagement⁽²⁾

Part of Bellway's ethos as a responsible business is to support national and local charities in the communities where we build homes. We believe that this support also helps to build relationships with these communities.

The focus over the past few years has been to develop a national partnership that our employees can support and engage with through both corporate and personal fundraising activities, as well as introducing a formal payroll giving service to enable employees to donate to a charity of their choice in a tax efficient way.

Our partnership with Cancer Research UK ('CRUK') has just completed its second year and we continue to be overwhelmed by the commitment our employees have shown to the cause. This year our employees, sub-contractors and suppliers raised £198,953 for CRUK (2017 – £184,793) and when combined with Bellway donations and the 'double matching' we provide to employee fundraising, the total raised and donated this year was £394,453 (2017 – £385,913). This brings the total for the first two years to £780,366, well above our target of £600,000.

Director and employee profile

The following table shows the gender split in the Group as at 31 July 2018:

	Male No.	Male %	Female No.	Female %	Total No.	Workforce %
Board of directors	7	78	2	22	9	<1
Senior managers	137	86	22	14	159	6
Other employees	1,910	71	786	29	2,696	94
Total	2,054	72	810	28	2,864	100

We were very proud to have the partnership recognised at the Business Charity Awards, where Bellway and CRUK won the Charity Partnership Award (Construction and Property) and we have extended the partnership for at least another year, setting a target of reaching £1 million in fundraising and donations by the end of 2018/19.

To assist local charities and community groups, each division operates their own dedicated charity budget and we continue to support employees' personal fundraising for charities and causes of their choice, increasing the corporate matching to 100%. In 2017/18 employees raised a total of £72,643 for their personal charities, 64% up on the previous year (2017 - £44,254). In total, across all our charitable activities, Bellway and our employees have donated £564,040 to charities and good causes (2017 - £521,920), an 8% increase. £272,096 of this total was raised by our employees, sub-contractors and suppliers, 19% up on last year (2017 - £229,047).

Looking Forward

Work will continue on our existing and new targets, details of which can be found on our website. Some of our key objectives for the coming year are outlined below:

- Implement PIRs in all new showhome lighting to reduce energy usage.
- Reduce the quantity of waste we generate per home under construction by 2021.
- Increase the number of apprentices and graduates we employ, helping to address the industry-wide issue of skills shortages.
- Increase our fundraising and donations to CRUK to at least £1 million.

2017/18 has again been a successful year in terms of target achievement and embedding our CR activity across the Group. We remain committed as a business to operating in a responsible and sustainable manner, building quality and desirable homes for our customers while also delivering benefits to our wide and varied stakeholder groups.

Approval of the Strategic Report

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

Jason Honeyman
Chief Executive

15 October 2018



£198,953

raised by our employees, sub-contractors and suppliers for CRUK

£72,643

raised by our employees for their personal charities in 2017/18

8%

increase in total donations to charities and good causes



For full details of our CR activity visit
<http://www.bellway.co.uk/corporate-responsibility>

Board of Directors and Group General Counsel and Company Secretary



John Watson
Chairman

Committee

N

Appointed to the Board in 1995.

Background and experience

John, a Chartered Surveyor, joined Bellway in 1978 and was later appointed Managing Director of the North East division, a position that he held for 12 years. John joined the Board as Technical Director in 1995 and became Chief Executive on 1 November 1999. On 31 January 2013 he stepped down as Chief Executive to become Chairman. He became Executive Chairman on 14 August 2017 on an interim basis for the duration of the previous Chief Executive's leave of absence, resuming his position as non-executive Chairman on 1 August 2018 on the appointment of Jason Honeyman as Chief Executive. John retires from the Board on 12 December 2018.



Jason Honeyman
Chief Executive

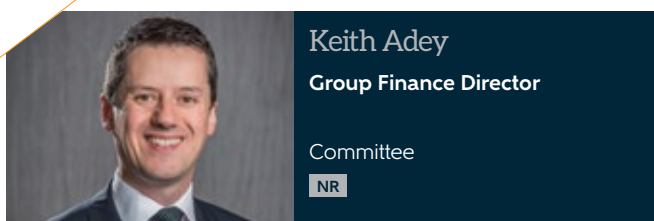
Committee

NR*

Appointed to the Board on 1 September 2017.

Background and experience

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



Keith Adey
Group Finance Director

Committee

NR

Appointed to the Board on 1 February 2012.

Background and experience

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

Other appointments

Bellway p.l.c. 1972 Pension Scheme – Trustee.



John Cuthbert OBE DL
Senior independent non-executive director

Committees

A N* R

Appointed to the Board on 1 November 2009.

Background and experience

John, a Chartered Accountant, worked in the water industry from 1991 to 2010, when he retired as Managing Director of Northumbrian Water Group plc, having formerly been Managing Director of North East Water plc and Managing Director of Essex and Suffolk Water plc. John became senior independent non-executive director on 1 February 2014. John retires from the Board on 31 October 2018.

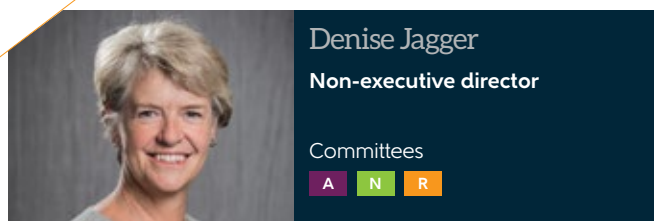
Other appointments

Amazing Media Group Limited – Board Member.

Let's Grow Investment Panel – Chair.

Sunderland University Development Committee – Chair.

Newcastle College Group – Governor and Audit Committee Chair.



Denise Jagger
Non-executive director

Committees

A N R

Appointed to the Board on 1 August 2013.

Background and experience

Denise, a solicitor, has been a partner at Eversheds LLP (now Eversheds Sutherland LLP) since 2004. Previously she was Company Secretary and General Counsel at ASDA Group plc, later part of Wal-Mart, from 1993 to 2004. Prior to this she worked in the City in corporate finance with Slaughter and May. Denise's previous non-executive directorships include The British Olympic Association, Redrow plc, SCS Upholstery plc and Scarborough Building Society. Denise will become senior independent non-executive director on 1 November 2018.

Other appointments

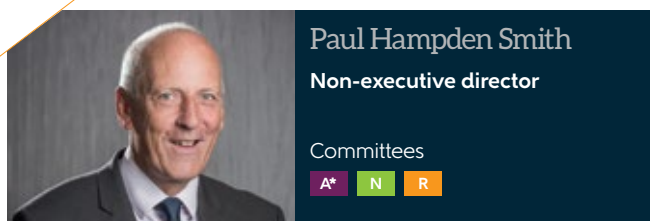
Pool Reinsurance Limited – non-executive director and Chair of Remuneration and Nominations & Conflicts Committees.

University of York – pro Chancellor.

St Giles Trust – Chairman.

Yorkshire 2019 Limited – independent director.

Eversheds Sutherland LLP – partner.



Paul Hampden Smith
Non-executive director

Committees

A* N R

Appointed to the Board on 1 August 2013.

Background and experience

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. Paul becomes Chairman of the Board on 12 December 2018.

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 – Chair of Finance Committee.

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



Appointed to the Board on 1 October 2017.

Background and experience

Jill has extensive sales, marketing and general management experience across a number of blue chip companies including Mars, PepsiCo and Premier Foods.

Other appointments

Northgate plc – non-executive director, Remuneration Committee Chair and a member of the Audit and Risk and Nominations Committees.

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

Jill also currently runs her own sales and marketing consultancy.



Appointed to the Board on 1 February 2018.

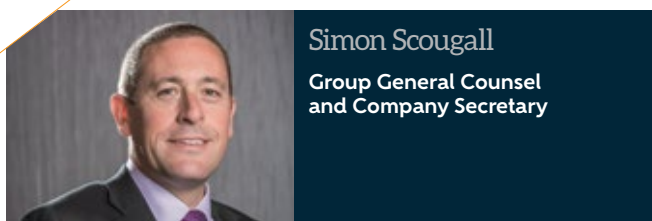
Background and experience

Ian qualified as a Chartered Accountant with KPMG in 1984. His early career was spent in the brewing industry. Between 1985 and 1995 he held various positions with the Foster's Brewing Group, including General Manager, Strategy. He was Finance & Strategy Director of the Innentrepreneur 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. Ian will become Chairman of the Audit Committee on 12 December 2018.

Other appointments

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

Young & Co's Brewery, P.L.C. – non-executive director.



Appointed on 1 February 2016.

Background and experience

Simon, a solicitor, was appointed Group General Counsel and Company Secretary in February 2016. Simon joined Bellway in March 2011 and has held senior positions within the Group including that of Group Commercial Director. He has significant 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 Chairman

Chairman's Statement on Corporate Governance



“We are striving to achieve a balance between growing a disciplined, well governed, controlled listed company, whilst retaining an entrepreneurial spirit within our divisions.”

John Watson
Chairman

Dear Shareholder

Changes to the Board

The changes to the Board that have taken place during the year and will take place over the coming months are set out in the Nomination Committee report. I would, however, like to place on record my thanks to Ted Ayres for the valuable contribution he has made to Bellway over his 16 years with the Company, and who, for health reasons, stepped down from the Board on 31 July 2018.

John Cuthbert will step down from the Board on 31 October 2018 after nine years as a non-executive director and we would like to place on record our thanks to John for his hard work and commitment both as a non-executive director and Chairman of the Nomination Committee.

Finally, after 40 years with Bellway, I will be retiring at the conclusion of the AGM and handing the baton of Chairman over to Paul Hampden Smith.

Diversity

The Board is committed to making appointments on merit, against objective criteria and the Board strongly supports the principle of boardroom diversity in all its aspects. During the year the Board approved a Board Diversity Policy, which is available to view on our website.

The appointment of the two new non-executive directors and the new executive director during the year was described in last year's Nomination Committee report. This resulted in women making up 22% of our Board. As at the date of this report women make up 25% of the Board and this will increase to 33% after the 2018 AGM.

As at 31 July 2018 our female employees made up 28% (2017 - 29%) of our total workforce, while 22% (2017 - 14%) of the Board and 14% (2017 - 14%) of our senior management were women. Of our Head Office executive team, 25% are women and 16% of their direct reports are also women.

Being cognisant of the benefits of diversity and the recommendations of the Hampton-Alexander review, the Board is directing its attention to increasing the number of women in its senior management team and will report on performance against this new KPI in next year's annual report.

Our culture – 'retaining an entrepreneurial spirit'

The Board has discussed the core principles of the Company's culture that exist within the business and will develop these further during the year before formally communicating them to staff. The Board reinforces our culture and the focus on health and safety and customer care throughout the Group through divisional visits and informal board dinners to which senior managers are invited.

Board effectiveness and evaluation

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

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

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

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

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

The main areas highlighted for further development or improvement were:

- how to further improve the use of Board papers to ensure that the right balance is achieved in terms of content and time spent on the most important issues.
- how to further improve presentations to the Board.
- continue to focus on strategy as a top priority.

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

The areas highlighted for improvement in last year's Board evaluation and progress made are set out in the table at the bottom of this page.

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

I am pleased to confirm that the Board considers that it has complied throughout the year with the detailed provisions of the Code published in 2016. The Code is available, free of charge, from the Financial Reporting Council, online at www.frc.org.uk or by telephoning 020 7492 2300. The revised Code published in July 2018 will apply to the Company from 1 August 2019 and over the coming months we will review and adopt any changes required to enable us to report on our compliance in due course.

Shareholder engagement

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

In addition to the financial results presentations, during the year our executive directors hosted further presentations attended by institutional investors, analysts and shareholders, with other members of the senior management team being

present. We also consulted with a number of shareholders on our CR strategy. The Board receives regular updates from our advisers on investors' and analysts' views on the Company.

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

The whole Board is available for questions at the AGM, to which institutional and private investors are invited to attend. I am pleased to report that at the last AGM over 91% of the votes cast were cast in favour of the resolutions put to shareholders by the Board.

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

Further information for shareholders is available on our website at www.bellwaycorporate.com.

John Watson
Chairman

15 October 2018

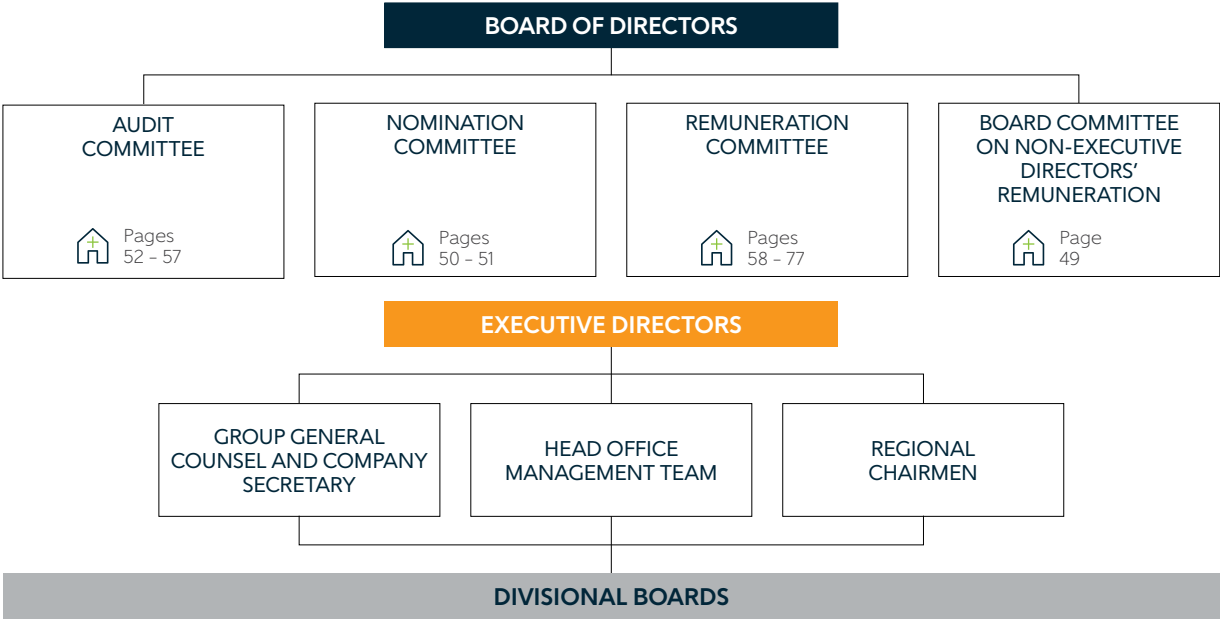
Board evaluation 2016/17 update

Action	Progress
Succession planning at and below Board level.	Work continues on the detailed longer term succession plan at and below Board level. A number of planned and unforeseen changes at Board and senior management level have taken place during the 2017/18 year and in the 2018/19 year to date, and the plan was an important tool in ensuring smooth transitions. The plan will continue to be updated and developed.
Continue to focus on strategy as a top priority.	Strategy is discussed regularly at Board meetings and at our annual strategy day. This work continues to be a top priority for the Board.

Corporate Governance Report



1. Ian McHoul	2. Keith Adey	3. John Watson	4. Jason Honeyman
5. Paul Hampden Smith	6. Denise Jagger	7. Simon Scougall	8. Jill Caseberry
9. John Cuthbert			



Statement about applying the Principles of good governance

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

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

Leadership

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

The recent and forthcoming changes to the membership of the Board are described in the Nomination Committee Report and will result in the composition of the Board after the 2018 AGM comprising two executive and four non-executive directors.

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

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

Chairman

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

Chief Executive

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

Group Finance Director

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

Senior independent non-executive director

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

Non-executive directors

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

Corporate Governance Report continued

Group General Counsel and Company Secretary

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

Board effectiveness

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

In accordance with the Code, all of the directors will retire from the Board and offer themselves for re-election or election at the forthcoming AGM, apart from John Cuthbert who retires from the Board on 31 October 2018 and John Watson who is stepping down at the conclusion of the AGM and will therefore not be seeking re-election. None of the executive directors hold external directorships.

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

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

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

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

Jill Caseberry was unable to attend one Board and one Audit Committee meeting during the year due to a commitment made prior to her accepting the appointment to the Board. There were no other absences from any other Board or committee meetings, apart from Ted Ayres who was absent during the entire year due to ill health.

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

Conflicts of interest

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

Board activity during the year

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

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

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

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

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

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

From this year we have changed the way divisional Board visits take place. Instead of the Board visiting divisions as a group, in addition to the divisional visits above, each non-executive director separately visits at least one division during the year, independent of the executive directors, and reports their key findings and observations at the next Board meeting.

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

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

In addition, it has a series of matters that are dealt with at regular Board meetings including both an operational and a

strategic review, a financial review, major land acquisitions, major projects, risk, health and safety, HR, reporting requirements, corporate governance and internal control (including any whistleblowing issues).

We also receive presentations and reports from Head Office, regional and divisional management and external advisers throughout the year. The Board also takes regular reports from the Group General Counsel and Company Secretary on legal, HR, commercial and insurance matters.

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

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

- strategy.
- considering regular reports on KPIs from the Chief Operating Officer.
- risk and internal control.
- consideration of recommendations from the Board committees.
- scrutiny of reports from the Chief Operating Officer, Group Finance Director, Group General Counsel and Company Secretary and senior management at each Board meeting.
- considering regular reports on health and safety matters from the Chief Operating Officer.
- approval of major land purchases.
- Board evaluation.
- approval of bank facility agreements.
- receiving presentations from each of the Regional Chairmen on the performance of the divisions under their responsibility.
- receiving presentations from Health and Safety, CR, Procurement, Strategic Land and Technical Head Office departments and from the chair of our Customer Experience Committee.
- approved the new house type range.
- approval of new or updated Group policies and procedures on Board Diversity Policy, Data Protection Policy, Whistleblowing Procedure and Anti-Bribery and Corruption Policy.
- approval of revised terms of reference for Board committees.
- approval of major IT expenditure.
- approval of the Group's insurance programme.
- approval of the Group's Slavery and Human Trafficking Statement for 2016/17.
- approval of the Annual Report and Accounts for 2016/17.
- approval of preliminary announcement, interim results and trading updates.
- recommending the final dividend for 2016/17 to be approved by shareholders and approval of the interim dividend for 2017/18.

Training and development

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

Following this year's evaluation no specific training needs were identified, however, the Board received external health and safety training.

The induction of the directors who joined the Board during the year was overseen by the Nomination Committee and organised by the Group General Counsel and Company Secretary. Jason Honeyman received listed company director and corporate governance training. Jill Caseberry's and Ian McHoul's induction programme included meetings with the Chairman, executive directors, Head Office senior management team and a Regional Chairman, a one-day divisional visit, meetings with key advisers and training by Slaughter and May on listed company director obligations.

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

Board balance and independence

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

The Chairman is not regarded as independent as he was formerly Chief Executive of the Company. The Company considers all of its other non-executive directors, excluding the Chairman, to be independent, as defined in the Code. Each of the independent non-executive directors has, at all times, acted independently of management and has no relationship that would materially affect the exercise of his or her independent judgement and decision-making.

The senior independent non-executive director is John Cuthbert, 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.bellwaycorporate.com.

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

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

Board Committee on Non-Executive Directors' Remuneration

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

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

Nomination Committee Report



“This year has seen further successful implementation of the Board succession plan and decisions taken on significant changes to be made during the 2018/19 financial year.”

John Cuthbert
Chairman of the Nomination Committee

Membership

Director	Date appointed to the Committee	Number of meetings attended during the year
John Cuthbert (Chairman)	1 November 2009, appointed Chairman on 1 February 2013	2/2
John Watson	1 February 2013	2/2
Paul Hampden Smith	1 August 2013	2/2
Denise Jagger	1 August 2013	2/2
Jill Caseberry	1 October 2017	2/2
Ian McHoul	1 February 2018	1/1
Mike Toms	1 February 2009 (retired 13 December 2017)	1/1

Main focus in 2017/18

- Board succession, in particular for the Chief Executive and the Chairman.
- To submit the Board's Diversity Policy for approval by the Board.
- The induction of the new appointments to the Board during the year.
- To continue to develop, with support from the executive directors and Group Human Resources, the succession plan for those immediately below Board level, with a number of senior internal promotions taking place during the year.

Focus areas for 2018/19

- To monitor the effectiveness of the recent appointments and role changes at Board level.
- To continue to develop, with support from the executive directors and Group Human Resources, the succession plan for those immediately below Board level.

Responsibilities and terms of reference

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

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

The Committee meets at least twice a year and operates under its own terms of reference. These have been agreed by the Board and are available at www.bellwaycorporate.com/corporateGovernance.

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

Activities in 2017/18

The main focus for the Committee in 2017/18 was succession planning within the Board. The interim arrangements implemented during the absence of the Chief Executive have been monitored and the Committee has finalised arrangements for the forthcoming retirements of myself and the Chairman later this calendar year.

Executive directors

As explained in last year's report the Committee had to respond to the absence of Ted Ayres from the business due to ill health.

John Watson was appointed as acting Executive Chairman and the appointment of Jason Honeyman to the Board as Chief Operating Officer was brought forward. John's appointment was an interim arrangement during the absence of the Chief Executive.

Following Ted's retirement from the Board on 31 July 2018, Jason Honeyman was promoted to Chief Executive and John Watson stepped down from his executive responsibilities to resume his position as non-executive Chairman.

Chairman

John Watson will retire from the Board at the conclusion of the 2018 AGM. John will have completed 23 years as a member of the Board and over 40 years with the Company. He will be succeeded as Chairman by Paul Hampden Smith, who currently chairs the Audit Committee.

After considering the recruitment options, and being influenced significantly by the scale of change within the Board, the Committee decided an appointment from within the existing non-executive directors would provide essential continuity.

The Committee's decision to propose Paul as Chairman was unanimous as was the final decision by the Board. Paul took no part in the discussions.

Non-executive directors

Jill Caseberry and Ian McHoul both joined the Board during the year. Their appointments were part of our succession plan for Mike Toms, who retired at the AGM in 2017 and my own retirement at the end of this month, after having served nine years on the Board. I will be succeeded as Chairman of the Committee by Paul Hampden Smith and Denise Jagger will take over the role of senior independent non-executive director. Both Paul and Denise have served on the Board for over five years.

Paul Hampden Smith will pass Chairmanship of the Audit Committee to Ian McHoul when he becomes Chairman of the Board at the conclusion of the AGM in December.

John Cuthbert

Chairman of the Nomination Committee

15 October 2018

Audit Committee Report



“The Committee is an important component of the governance framework of the Group.”

Paul Hampden Smith
Chairman of the Audit Committee

Membership

Director	Date appointed to the Committee	Number of meetings attended during the year
Paul Hampden Smith (Chairman)	1 August 2013, appointed Chairman on 1 February 2014	3/3
John Cuthbert	15 January 2010	3/3
Denise Jagger	1 August 2013	3/3
Jill Caseberry	1 October 2017	2/3
Ian McHoul	1 February 2018	1/1
Mike Toms	1 February 2009 (retired 13 December 2017)	1/1

Main focus in 2017/18

- Financial reporting.
- Internal control and risk management.
- Audit effectiveness.
- Assist with the induction of the two new Committee members who joined during 2017/18.

Focus areas for 2018/19

- Financial reporting.
- Internal control and risk management.
- Audit effectiveness.
- Approve annual tax strategy statement.
- Handover of Chair to Ian McHoul from December 2018.

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

Committee membership and meetings

During the year Jill Caseberry and Ian McHoul were appointed to the Committee whilst Mike Toms retired. The Committee currently comprises five independent non-executive directors shown in the table to the left. I believe that between them they have an appropriate and relevant combination of experience and knowledge.

The Board considers that both myself and Ian McHoul, who currently chairs the Audit Committee of Britvic plc, to have recent and relevant financial experience as required by the Code. The Board has also confirmed that they are confident that the collective experience of the Committee members enables them to act effectively as an audit committee. In December 2018 I will retire from the Committee and become Chairman of the Board with Ian McHoul replacing me as Chairman of this Committee.

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

In line with the terms of reference, there were three scheduled meetings of the Committee during the year and there were no absences from any meeting, apart from Jill Caseberry who missed one meeting.

The Group Finance Director, Group General Counsel and Company Secretary, Group Finance Manager and Head of Risk attend meetings by invitation and were present at all meetings during the year, with the exception of the Head of Risk who did not attend one meeting. The Committee is supported by the Deputy Group Company Secretary who acts as secretary to the Committee.

Two of the meetings during the year were also attended by representatives from the external auditor, KPMG LLP ('KPMG'), who also met with the Committee independently of management. No issues were raised during these discussions. I also had further discussions, independently of each other, with the Group Finance Director, Head of Risk and KPMG, and reported relevant information to other members of the Committee.

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

Responsibilities and terms of reference

A comprehensive version of the Committee's terms of reference is available on the Group's website at www.bellwaycorporate.com/corporateGovernance.

Main activities during the year

The Committee met on three occasions during the financial year. The activities undertaken at the October 2018 meeting concluded the Committee's activities in relation to the Company's financial reporting for the year ended 31 July 2018.

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

Meeting date	Activities
October 2017	The Committee: - reviewed the final draft of the 2017 Annual Report and Accounts, together with a report produced by KPMG which detailed their findings both on areas of key financial reporting judgement and other areas of audit focus. - reviewed and concluded that the 2017 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 2017 Annual Report and Accounts to the Board for approval. - reviewed the draft viability statement to appear in the 2017 Annual Report and Accounts. - 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 the outcome of the Financial Reporting Council's ('FRC') review of the audit for the year ended 31 July 2016 that was selected for an Audit Quality Review as part of their routine processes. As part of the process I had discussions with the FRC and provided feedback to other members of the Committee where relevant. KPMG produced a report, which was considered by the Committee, highlighting the findings of this review and how they had addressed them during the audit for the year ended 31 July 2017. The Committee is not aware that any of the findings have resulted in a significant change to KPMG's audit approach. - held a private meeting with KPMG. - reviewed and approved an updated approvals and authority document in relation to the main transactions undertaken by the Group. - considered the performance and effectiveness of the Committee. - reviewed and approved the Slavery and Human Trafficking Statement 2017.
January 2018	The Committee: - obtained an update on forthcoming changes in accounting standards and their relevance to the Group. - received a risk management update from the Group Head of Risk and reviewed the Risk Management Policy. - received an update on the Internal Audit activities undertaken in the previous calendar year and provided feedback on the proposed 2018 Internal Audit plan. - received a presentation from the Group IT Director in relation to IT security. - reviewed the Group's policies and procedures in relation to whistleblowing, anti-bribery and corruption, and anti-slavery. - assessed the performance of the external auditor. - reviewed the Independent Auditor Policy.
March 2018	The Committee: - reviewed the final draft of the 2018 Interim Announcement. - reviewed KPMG's audit plan, including the proposed Group, subsidiary and divisional materiality for the 2018 audit. - obtained an update from KPMG in relation to the general Annual Quality Review findings the firm had received compared to their peers and understanding the effect, if any, they had on the Bellway audit. - received a Risk and Internal Audit update. - reviewed the updated Data Protection Policy which incorporated the new GDPR requirements. - held a private meeting with KPMG.

Audit Committee Report continued

Meeting date	Activities
October 2018	The Committee: • reviewed the final draft of the 2018 Annual Report and Accounts, together with a report produced by KPMG which detailed their findings both on areas of key financial reporting judgement and other areas of audit focus. • reviewed and concluded that the 2018 Annual Report and Accounts presented a fair, balanced and understandable assessment of the Group's position and prospects after considering reports from the external auditor. The Committee recommended the 2018 Annual Report and Accounts to the Board for approval. • reviewed the draft viability statement to appear in the 2018 Annual Report and Accounts. • received a paper on significant judgemental areas prepared by management and provided appropriate challenge to their assumptions. • reviewed a paper which analysed notable one-off items that affected profit during the year. • considered and challenged management about the use of Alternative Performance Measures ('APMs') and whether they are appropriate or whether GAAP measures would be more relevant. • reviewed a paper setting out progress made on the implementation of the new finance and valuation system across the Group. • considered a paper produced by management setting out management's assessment in relation to potential risks associated with cladding, work that will be performed and whether appropriate provision is included within the financial statements of the Group. • held a private meeting with KPMG.

Financial reporting

Significant financial reporting judgements

The Committee confirmed that they believe the significant financial reporting judgements for the Group continued to be:

- Profit recognition; and
- The carrying value of the Group's land and work in progress.

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

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

Matters considered

Profit recognition (Group)	The carrying value of the Group's land and work in progress (Group)	The carrying value of investments (Company)
Gross profit of £753.4 million has been recognised on housing and other revenue. Gross profit 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.	Land and work in progress are the most significant assets on the Group's balance sheet and at 31 July 2018 had a book value of £3,224.4 million. The carrying value of land and work in progress is affected by the profit recognition policy of the Group, as set out to the left. In addition, all inventory is held at the lower of cost and net realisable value, which is determined by the whole site/phase margin as set out in the 'profit recognition' column. The risk is that for any site/phase, currently trading or not, that the whole site/phase margin may be negative resulting in a net realisable value that is below cost. Divisional management review all sites/phases to ensure any with a forecast negative whole site/phase margin have an appropriate provision, and this has been re-assessed at regular intervals during the year.	Investments in joint ventures and subsidiaries ('investments') is a significant asset on the Company's balance sheet and at 31 July 2018 had a carrying value of £39.7 million. Investments are held at cost less impairment. The risk surrounds the judgement about whether an impairment is required given the inherent uncertainty involved in forecasting future cash flows of an investment.

Action performed by the Committee

Profit recognition (Group)	The carrying value of the Group's land and work in progress (Group)	The carrying value of investments (Company)
The Committee understands the Group's revenue and gross profit recognition policy and the related systems and controls. During the year the Committee reviewed a paper produced by management setting out the revenue recognition policy and adherence with this around reporting periods. Management outlined the existing systems and controls surrounding gross profit recognition and the valuation process. The Committee discussed these controls, challenging management where appropriate. The external auditor explained to the Committee the work they have undertaken in relation to the systems and controls surrounding revenue recognition, gross profit recognition and the valuation process and provided an explanation of the detailed substantive testing performed. The Committee also reviewed a summary prepared by KPMG explaining their findings from their work testing the design, implementation and operating effectiveness of the Group's systems and controls pertaining to revenue recognition and the valuation process. Following enquiry with management and the external auditor, the Committee concluded that there are appropriate systems and internal controls in place to assess and quantify both actual and forecast selling prices and costs, and that the Group's profit recognition policy is appropriate and has been properly applied in these financial statements.	The Committee understands the Group's methodology in reviewing the carrying value of the Group's land and work in progress and the surrounding controls. Management provided a summary of the work undertaken which was considered by the Committee. The external auditor explained to the Committee the work they performed in relation to the carrying value of the Group's land and work in progress. This included the procedures identified in relation to profit recognition and a review of the latest site/phase valuation for all sites/phases active during the year and those that are yet to commence production. Following enquiry with management and the external auditor, the Committee concluded that there are appropriate systems and internal controls in place to assess the carrying value of the Group's land and work in progress, and that the carrying value of these assets in the financial statements is appropriate.	The Committee reviewed a paper comparing the carrying value of the investments held by the Company to their associated net assets. Following a review of this paper and enquiry with management and the external auditor, the Committee concluded that the carrying value of investments is appropriate.

Audit Committee Report continued

Viability statement

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

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

Internal control and risk management

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

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

Risk is considered at each Board meeting, with a full review of the risk register taking place 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 24 to 25, are regularly reviewed and cover all aspects of Bellway's operations including land acquisition, planning, construction, health and safety, sales, HR, IT and legal and regulatory compliance.

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

The key areas of control are as follows:

- the Board has agreed a list of key risks which affect the Group, that are reviewed throughout the year and has considered the extent to which the measures taken by the Group mitigate those risks.
- the acquisition of land and land interests is initiated by divisional management and reviewed by the appropriate Regional Chairman prior to submission to Head Office for approval. All land acquisitions must achieve minimum financial acquisition criteria and are subject to approval by the executive directors and in certain circumstances, approval by the Board.
- a comprehensive monitoring and reporting system is in place including annual budgets, monthly forecasting and management reporting, incorporating variance analysis and commentary. This is produced by divisional management and reviewed by the Regional Chairmen and function heads at Head Office. Summaries are also provided to the executive directors.
- monthly divisional board meetings are held to review divisional performance, which are attended by the Regional Chairmen. The executive directors attend certain divisional board meetings on a regular basis during the year, and this is supplemented with main Board visits to divisions.

- site/phase valuations are produced periodically throughout the life of a site/phase, with a summary of the actual and forecast costs and revenues produced at a divisional level prior to review by the divisional management team and Head Office team.
- regular visits to sites by in-house health and safety teams and external consultants to monitor health and safety standards and performance.
- a central treasury function operates at Head Office ensuring the optimum financing is obtained for the Group as a whole.
- a number of the Group's key functions are dealt with centrally. These include taxation, pensions, insurance, IT, legal, HR, regulatory compliance and company secretarial functions. This centralisation ensures a consistent approach and the appropriate range of skills to manage these specialised areas.

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

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

External audit

Audit effectiveness and reappointment

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

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

This review consisted of:

- considering the robustness and appropriateness of KPMG's approach to auditing the significant risk areas facing the Group.
- considering whether KPMG's materiality proposal for the 2016/17 financial year, which was the most up to date information held at the date of the review, was set at an appropriate level for the component parts of the Group.
- discussions with management who were involved in the financial reporting processes.
- an understanding of the findings of the Audit Quality Review ('AQR') team of the FRC following their inspection of audit firms including KPMG. This included understanding whether any of the findings would have affected the Bellway audit.
- an understanding of the AQR and internal KPMG quality review findings specifically in relation to the engagement partner, Nick Plumb.
- considering KPMG's independence, objectivity and professional scepticism.

- reviewing the performance of KPMG against their audit strategy for the 2016/17 financial year, the most recent fully completed audit cycle, and their interaction with the Committee during the process.
- considering where KPMG have added value and demonstrated proactivity.

As part of this review a few small areas of improvement were identified which have been fed back to KPMG who have incorporated them in to their audit for the year ending 31 July 2018.

Following this review, the Committee recommended to the Board, which is in turn recommending to the shareholders, that KPMG be reappointed as the auditor of the Group.

KPMG has been the auditor of the Group since 1979 when Bellway was listed and it has not been tendered in the intervening period. Nick Plumb is the lead audit partner and has just completed his fifth and final year in this role. It is expected that John Pass will become the lead audit partner once Nick Plumb rotates off following the conclusion of this year's audit. It is the Group's current intention to retain KPMG as auditor, subject to the usual annual review of their effectiveness, up to and including the 31 July 2020 year end audit to allow the new accounting and valuation system to be rolled out across the Group.

We are aware of the Order of the Competition and Markets Authority in relation to FTSE 350 companies which will require the Group to change its external auditor prior to the audit for the year ending 31 July 2021.

Auditor independence and non-audit fees

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

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

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

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

For an analysis of fees paid to KPMG see note 4 to the accounts. The non-audit fees are for ad hoc assurance work and an audit of the Group's final salary pension scheme.

The ratio of non-audit fees for the year to the external audit fee was 4.4%. KPMG provide written confirmation on at least an annual basis that they remain independent.

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

Audit Committee assessment

During the year the Committee assessed both the performance of the Committee as a whole and that of its individual members, utilising a questionnaire that was internally facilitated. A couple of minor areas for possible further improvement were identified, and these will be considered in the year ahead.

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

Other legislative requirements

Whistleblowing

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

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

Bribery Act

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

Data protection compliance

During the year a thorough review was undertaken of the Data Protection Policy in light of the new General Data Protection Regulations ('GDPR'). This review resulted in a number of changes to the previous policy which the Committee approved in advance of the GDPR regulations coming in to force.

Paul Hampden Smith

Chairman of the Audit Committee

15 October 2018

Remuneration Report



“This is the first year of reporting on the new remuneration policy which was overwhelmingly approved by 97% of shareholders at the last AGM.”

Jill Caseberry
Chairman of the Remuneration Committee

Membership

Director	Date appointed to the Committee	Number of meetings attended during the year
Jill Caseberry (Chairman)	1 October 2017 (appointed as Chairman on 13 December 2017)	3/3
John Cuthbert	15 January 2010	3/3
Paul Hampden Smith	1 August 2013	3/3
Denise Jagger	1 August 2013	3/3
Ian McHoul	1 February 2018	2/2
Mike Toms (Chairman until his retirement)	1 February 2009 (retired 13 December 2017)	1/1

Main focus in 2017/18

- Approve the bonus payments and long-term incentive awards vesting levels for the 2016/17 year.
- Approve the 2016/17 Report of the Board on Directors' Remuneration.
- Oversee the successful transition between Mike Toms and Jill Caseberry as Chairman of the Committee.
- Determine the package for the appointment of Jason Honeyman to the Board in September 2017 as Chief Operating Officer, and again on his promotion to Chief Executive from 1 August 2018.
- Agree the remuneration package to be paid to Ted Ayres on his retirement from the Board on 31 July 2018.
- Set the bonus targets for the 2018/19 year.
- Make awards under the long-term incentive scheme.
- Review and determine the remuneration packages for the executive directors and the Group General Counsel and Company Secretary.
- Review and determine the fee payable to the current Chairman, including the additional payment for temporarily acting as Executive Chairman, and the fee payable to the new Chairman from December 2018.
- Review remuneration policies for senior management below Board level.

Focus areas for 2018/19

- Consider how to implement the requirements of the UK Corporate Governance Code 2018 which will apply to the Company from 1 August 2019.
- Approve the bonus payments and long-term incentive awards vesting levels for the 2017/18 year.
- Approve the 2017/18 Remuneration Report.
- Set the bonus targets for the 2019/20 year.
- Make awards under the long-term incentive scheme.
- Review and determine the remuneration packages for the executive directors and the Group General Counsel and Company Secretary.
- Review remuneration policies for senior management below Board level.

Annual Statement

Dear Shareholder

I am pleased to present my first Remuneration Report as Chairman of the Remuneration Committee (the 'Committee'). This report consists of this Annual Statement and the Annual Report on Remuneration for the 2017/18 financial year which will be subject to a single advisory shareholder vote at the forthcoming AGM.

This is the first year of reporting on the new remuneration policy which was overwhelmingly approved by 97% of shareholders at the last AGM.

Board changes

As previously announced and as discussed elsewhere in this report, Ted Ayres retired from the Board on 31 July 2018 and Jason Honeyman was promoted from his role as Chief Operating Officer to Chief Executive from 1 August 2018. John Watson, who temporarily acted as Executive Chairman during Ted's leave of absence until 31 July 2018, is subsequently due to retire at the AGM on 12 December 2018. He will be succeeded by Paul Hampden Smith as non-executive Chairman, with Ian McHoul replacing Paul as the Chairman of the Audit Committee on the same date. The new remuneration arrangements are summarised below in the section on implementation of the remuneration policy in 2018/19.

Ted's termination arrangements are in accordance with his service agreement and our remuneration policy as a good leaver. As such, he will be compensated for his entitlement to salary, pension, benefits and car allowance in accordance with his 12 months' notice period, which will be paid monthly and is subject to mitigation. Ted will not be eligible for a bonus for the year ended 31 July 2018. However, as a good leaver, his outstanding PSP awards will all be time pro-rated by reference to 31 July 2018 but will vest on their normal vesting dates, subject to achievement of the relevant performance conditions for each award over the three-year performance periods.

Performance and reward in 2017/18

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

The Group has built 10,307 new homes this year (2017 – 9,644), surpassing the 10,000 mark for the first time in its history, following nine consecutive years of volume growth. EPS has risen by 14.2% to 423.4p (2017 – 370.6p) with a year end net asset value per share of 2,079p^(*) (2017 – 1,785p) and RoCE remains high at 27.2%^(*) (2017 – 27.6%).

The Committee has awarded the executive directors a bonus payment of 102.36% of basic salary and the long-term incentive plan awarded in 2015/16 will vest at 99.775% of the award. Full details of the bonus and long-term incentive plan performance and levels of award are set out in the Annual Report on Remuneration, however the Committee considers that the level of bonus payment and long-term incentive vesting reflects the strong performance of the Group and the executive directors during the twelve-month and three-year period to 31 July 2018.

John Watson became Executive Chairman shortly after the start of the financial year on an interim basis during the Chief Executive's absence on medical leave. The Committee used its discretion to award John an additional payment at the rate of £100,000 p.a. for the period during which he had executive responsibilities, and to link this payment to the annual cash bonus on the same basis as the executive directors. This payment ceased on 1 August 2018 when he resumed his non-executive role.

How we will implement the remuneration policy in 2018/19

From 1 August 2018, the Chairman and the Group Finance Director were awarded salary increases of 2.5%, consistent with the average salary increase to the general workforce.

In line with the current policy on salaries for new executive directors, the salary of the new Chief Executive has initially been set at a level significantly below market levels (and the salary of the previous Chief Executive) for the first year at £530,000 to allow him time to gain experience and develop into the role. The Committee intends to increase this to £689,000 from 1 August 2019, subject to his satisfactory personal performance and proving himself in the role over the next year, to reflect an appropriate salary for the level of responsibility and scope of the full role and bring it in line with the salary that would have been payable to Ted Ayres from that date if he had remained as Chief Executive. The Committee has conducted a benchmarking exercise and is comfortable that the proposed salary for 2019/20 is appropriate for the role and not excessive.

The 2018/19 annual bonus will continue to be based mainly on financial performance, with a bonus of 90% of salary based on operating profit. The remaining bonus of 30% of salary will be based on the same strategic measures as last year, with a bonus of 15% of salary on each of land bank and customer care. However, the customer care measure has been split into two parts, with a bonus of 7.5% of salary available for achieving 5 star home builder status and the other 7.5% of salary linked to the customer satisfaction score. Health and safety performance will be taken into account as part of the Committee's overall assessment of the bonus payment.

The proposed weightings ensure a strong focus on financial performance and sustainability through land bank at the same time as focussing on customers, a key indicator of future growth. Health and safety continues to remain an integral part of the performance assessment.

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

Following a review by the Committee of the existing clawback provisions, for bonus years commencing and PSP awards granted after 1 August 2018, the time period over which clawback will apply has been extended to the third anniversary of payment of bonus or vesting of the PSP award, as relevant, and clawback will also apply in the case of corporate failure or material reputational damage.

The new non-executive Chairman will receive a fee of £217,000 in line with the previous non-executive Chairman's fee.

The Committee continues to monitor changes in best practice and corporate governance to ensure the policy remains appropriate. We are aware of the forthcoming changes in the new UK Corporate Governance Code and, whilst we intend for the current policy approved last year to apply for its full three-year term, we will review and assess over the coming year whether any changes to the policy will be necessary before the three-year period has elapsed.

I hope you will support the resolution relating to directors' remuneration which will be put to shareholders for approval at the 2018 AGM.

Jill Caseberry

Chairman of the Remuneration Committee

15 October 2018

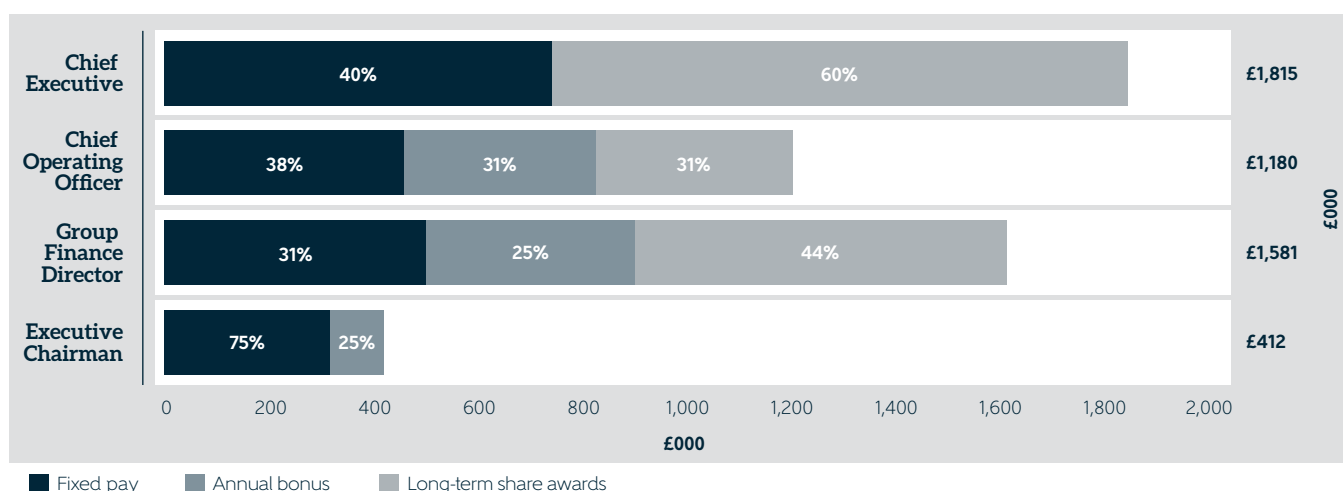
Remuneration Report continued

Remuneration at a glance

How remuneration links to our strategy

Strategic objective	Link to remuneration	Metric	Performance against metric
Business growth	Annual bonus	Operating profit	£652.9 million
Land bank	Annual bonus	Sufficient land bank of plots with DPP	Achieved
Customer care	Annual bonus	Customer satisfaction score	86.0%
Health and safety	Underpin to annual bonus	Overall health and safety performance	Achieved
Shareholder value	Long-term incentive plan	Relative TSR against two comparator groups	99.775% vesting

How our executive directors were paid during 2017/18



Notes:

1. The Chief Executive was absent during the year due to ill health and so received no bonus.
2. The Chief Operating Officer was appointed on 1 September 2017 and so his remuneration is not for a full financial year.
3. The Chairman became Executive Chairman during the Chief Executive's absence and received an additional fee which was eligible for a bonus.

Bonus outcomes – see page 69

Strategic objective	Weighting (% of salary)	Threshold (39% pays out)	Maximum value (100% pays out)	Actual	Payment (% of maximum)	Payment (% of salary)
Operating profit (pre-exceptional)	90%	£615.0 million	£660.0 million	£652.9 million	90.40%	81.36%

Objectives and performance against target

		Score
Land bank	The land bank of plots with DPP (available for completion in the following financial year) grew by 8.2% during the year. This exceeded the minimum target and an award of 11% of salary was achieved.	Achieved in part – 11% of salary awarded.
Customer care	The Group's customer satisfaction score in 2018 was 86.0% compared with the base of 85.7%. This is a slight improvement on last year's performance, resulting in a minimum payment.	Minimum achieved – 10% of salary awarded.

LTIP outcomes – see page 70

The PSP awards granted in 2015/16 were based on a three-year TSR performance for the period to 31 July 2018.

Metric	Performance condition	Threshold target	Stretch target	Actual	% vesting
50% of awards	Relative TSR against an index of peer housebuilders	26.41% TSR (Index)	48.91% TSR (Index +22.5%)	54.06% Bellway TSR	100.000%
50% of awards	Relative TSR against the FTSE 250 (excluding financial services companies and investment trusts)	83 rank (median)	41.75 rank (upper quartile)	42 Bellway rank	99.550%
Total					99.775%

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

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

The remuneration policy set out below was approved by shareholders at the AGM on 13 December 2017 and is intended to apply for three years unless a new policy is put to shareholders before then. The policy report has been reproduced for information and has been updated where appropriate to reflect the passage of time.

Directors' Remuneration Policy

Objectives of remuneration policy

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

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

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

The structure of the performance conditions for annual bonus and long-term incentives has been designed to provide a strong link to the Group's performance, namely a focus on maximising profit in a sustainable fashion and producing superior shareholder returns, thereby generating a strong alignment of interest between senior executives and shareholders.

Consideration of employment conditions elsewhere in the Group

Whilst we do not consult directly with employees when drawing up the executive remuneration policy, 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.

Since 2015 the salaries of the directors have been increased in accordance with the general pay increase awarded to the workforce. Prior to that, the salaries of the recently appointed executive directors were below mid-market value and were increased incrementally until they reached mid-market levels.

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

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

Consideration of shareholder views

The Committee takes into account the views of shareholders. When any significant changes are proposed to the remuneration policy, the Chairman of the Committee will consult with major shareholders and representative bodies in advance. In setting the new policy in the year, the Committee consulted with major shareholders, the Investment Association ('IA') and Institutional Shareholder Services Inc. ('ISS') who were generally supportive of the proposed changes and the approach being taken.

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, operating profit is an appropriate barometer of short-term performance. Customer care and land bank are important drivers of future growth 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 by the Company's brokers.

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

Clawback

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

- (i) the first anniversary of the date on which the bonus is paid or an award vests, as relevant; or
- (ii) the date of publication of the Company's first set of audited financial statements covering the financial year in which the payment or vesting took place, as relevant.

The time period over which clawback 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. These include the following discretions:

- participants of the plans.
- the timing of the grant of an award and/or payment.
- the size of an award and/or a payment (albeit with quantum and performance targets restricted to the descriptions detailed in the policy table).
- the assessment of performance criteria and the determination of vesting.
- discretion required when dealing with a change of control (e.g. the timing of testing performance targets) or restructuring of the Group.
- determination of a good/bad leaver for incentive plan purposes based on the rules of each plan and the appropriate treatment chosen.
- adjustments required in certain circumstances (e.g. rights issues, corporate restructuring events and special dividends).
- the annual review of performance conditions for the annual bonus plan and PSP from year-to-year.
- if certain events occur (e.g. a material divestment or acquisition of a Group business), which mean the original performance conditions are no longer appropriate, the Committee retains the ability to make adjustments to the targets and/or set different measures and alter weightings as necessary to ensure the conditions achieve their original purpose and are not materially less difficult to satisfy.
- the outstanding share incentive awards which are detailed in the Annual Report on Remuneration will remain eligible to vest based on their original award terms.

Any use of the above discretions would, where relevant, be explained in the Annual Report on Remuneration and may, as appropriate, be the subject of consultation with the Company's major shareholders.

Policy table

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

Component and link to strategy	Operation	Maximum opportunity	Framework to assess performance
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Salary

To be market competitive and therefore assist in recruiting, retaining and motivating high quality executives. Reflects individual role and experience	Salaries are normally reviewed in July each year and changes normally take effect from 1 August. They are typically determined by reference to market levels of a peer group of similar UK housebuilding businesses, taking account of salaries at other companies of a similar size, and by taking account of the role, performance, and experience of the individual, Company performance, salary increases throughout the rest of the business and economic conditions. Where salaries of new executive directors are positioned below market levels, the Committee's policy is to progress these over time, with increases potentially higher than for the general workforce, as experience is gained, subject to performance.	No prescribed maximum. Increases are normally in line with the average for the workforce generally. Increases may be below or above this e.g. due to promotion, change in responsibility or experience, role change or a significant change in the size, value and/or complexity of the Company. Salaries are set out in the Annual Report on Remuneration.	In addition to the reviews by the Chairman, as part of the annual Board evaluation, the performance of the executives and the Company is kept under continuous review by the Board.
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Annual bonus

To reward achievement with a combination of financial and non-financial operational based performance targets in accordance with Group KPIs	Annual bonuses are normally payable in cash in November following the year end on 31 July, subject to the achievement of performance targets that were set at the start of the financial year. The Company operates a recovery mechanism which allows the Company to clawback some or all of the payments made under the variable components of an individual's remuneration, in the following circumstances: (i) material misstatement of results. (ii) error in assessing a performance condition. (iii) gross misconduct by the individual. (iv) in relation to bonuses for the financial year 2018/19 onwards, also in the case of corporate failure or material reputational damage*. *These circumstances are in addition to those approved under the current policy (noted at paragraphs (i) to (iii) above) and will be tabled for formal inclusion into the policy at a future date.	120% of basic salary maximum.	The bonus may be based on a combination of financial and strategic objectives, with financial performance accounting for a majority of the overall bonus opportunity. The Committee determines the choice of measure(s) and their weighting for each year to ensure alignment with the Board's priorities and Company strategy over the short to medium-term. The level of payout at threshold for financial metrics will not be more than 40% of maximum, and varies for non-financial metrics. Full vesting will take place for equalling or exceeding maximum, subject to the health and safety underpin. The Committee has discretion to adjust the payment outcome to ensure it reflects the individual's contribution and/or the overall performance of the Company over the performance period. Details of the performance measures used are set out in the Annual Report on Remuneration.
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Remuneration Report continued

Component and link to strategy	Operation	Maximum opportunity	Framework to assess performance
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Long-term incentives ('PSP')

To encourage long-term value creation, aid retention, encourage shareholding and promote alignment of interests with shareholders	The Company operates a PSP as its primary long-term incentive. Annual awards of nil cost options or conditional awards may be made under the PSP to the executive directors, at the discretion of the Committee. Awards normally vest three years after grant, subject to the achievement of stretching performance targets. Dividend equivalents (in cash or shares) may be payable, and will only accrue during the vesting and holding period on awards that ultimately vest. The Company operates recovery and withholding mechanisms which allow the Company, in exceptional circumstances, to clawback some or all of the payments made, or recover unvested awards, in the following circumstances: (i) material misstatement of results. (ii) error in assessing a performance condition. (iii) gross misconduct by the individual. (iv) in relation to awards for the financial year 2018/19 onwards, also in the case of corporate failure or material reputational damage*. *These circumstances are in addition to those approved under the current policy (noted at paragraphs (i) to (iii) above) and will be tabled for formal inclusion into the policy at a future date. A minimum holding period of two years applies to awards post-vesting.	150% of basic salary.	PSP awards are subject to stretching three-year targets. The current awards are subject to relative TSR conditions against relevant comparator companies. 25% will vest at threshold with full vesting taking place for equalling or exceeding maximum. For future awards the Committee may choose a financial measure, such as EPS, RoCE or NAV, in conjunction with or as an alternative to TSR depending on the medium to long-term priorities of the Group at the time of grant. If the Committee decides to introduce a financial measure, it will carry out prior consultation with major shareholders. The Committee has discretion to adjust the vesting outcome in exceptional circumstances to ensure it is a true reflection of the overall performance of the Company over the performance period. Further details of the performance metrics applying to the awards are set out in the Annual Report on Remuneration.
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Pension

To provide a structure and value that is market competitive	Pension contributions into the Company's Group Self Invested Personal Pension Plan and/or a salary supplement in lieu of pension contributions.	Up to 20% of salary.	Not applicable.
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Benefits

To provide a range and value that is market competitive	Typically comprises car or car allowance, life assurance and health insurance. Other benefits may be provided where appropriate. Any expenses incurred in carrying out duties will be fully reimbursed by the Company including any personal taxation associated with such expenses.	Not applicable.	Not applicable.
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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.
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Component and link to strategy	Operation	Maximum opportunity	Framework to assess performance
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Share ownership guideline for executive directors

To align executive directors' interests with those of shareholders	Executive directors are required to accumulate a minimum shareholding equivalent to 200% of basic salary. Within a period of three months of appointment an executive director must acquire a minimum of 1,000 ordinary shares in the Company and must retain at least 50% of any shares awarded under the PSP (or SMP in respect of awards granted in 2014 or before), after allowance for paying tax, until the requisite number of shares has been accumulated. If personal circumstances make this difficult, the Committee would exercise discretion.	Not applicable.	Not applicable.
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Chairman and non-executive directors

To set appropriate fees in light of the time commitment, responsibilities, wider market and best practice	The Chairman's fee is determined by the Remuneration Committee. The remuneration of the non-executive directors is determined by the Board Committee on Non-Executive Directors' Remuneration, which comprises the executive directors. Fee levels are normally reviewed annually, taking into account the time commitment and responsibilities of the roles including membership or chairmanship of Board committees and the level of fees for similar positions in comparable companies. Non-executive directors are not normally entitled to any benefits (with the exception of the Chairman who receives health and life assurance benefits) or pension. They do not participate in any bonus or long-term incentive plans and they are not entitled to compensation on termination of their arrangements, other than normal notice provisions of three months given by either party. Travel, accommodation and other related expenses incurred in carrying out the role will be paid by the Company including any personal taxation associated with such expenses.	Not applicable.	The performance of the non-executive directors is assessed by the Chairman. The senior independent non-executive director reviews the performance of the Chairman in conjunction with the directors.
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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. Pension provision will be in line with the limits set out in the policy table.
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
Ted Ayres	1 August 2011	1 August 2011	12 months	6 months
Keith Adey	1 February 2012	1 February 2012	12 months	6 months
Jason Honeyman	1 September 2017	1 August 2018	6 months	6 months

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

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

Non-executive director	First appointed as a director	Current letter of appointment commencement date	Current letter of appointment expiry date
John Watson	1 August 1995	1 February 2016	31 January 2019
John Cuthbert	1 November 2009	1 November 2015	31 October 2018
Paul Hampden Smith	1 August 2013	1 August 2016	31 July 2019
Denise Jagger	1 August 2013	1 August 2016	31 July 2019
Jill Caseberry	1 October 2017	1 October 2017	30 September 2020
Ian McHoul	1 February 2018	1 February 2018	31 January 2021

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

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

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

Notes:

1. For example, normal resignation from the Company or termination for cause (e.g. disciplinary issues).

2. This may cover a range of circumstances such as business reorganisation, changes in reporting structure, change in requirement for the role, termination as a result of a failure to be re-elected at an AGM, etc.

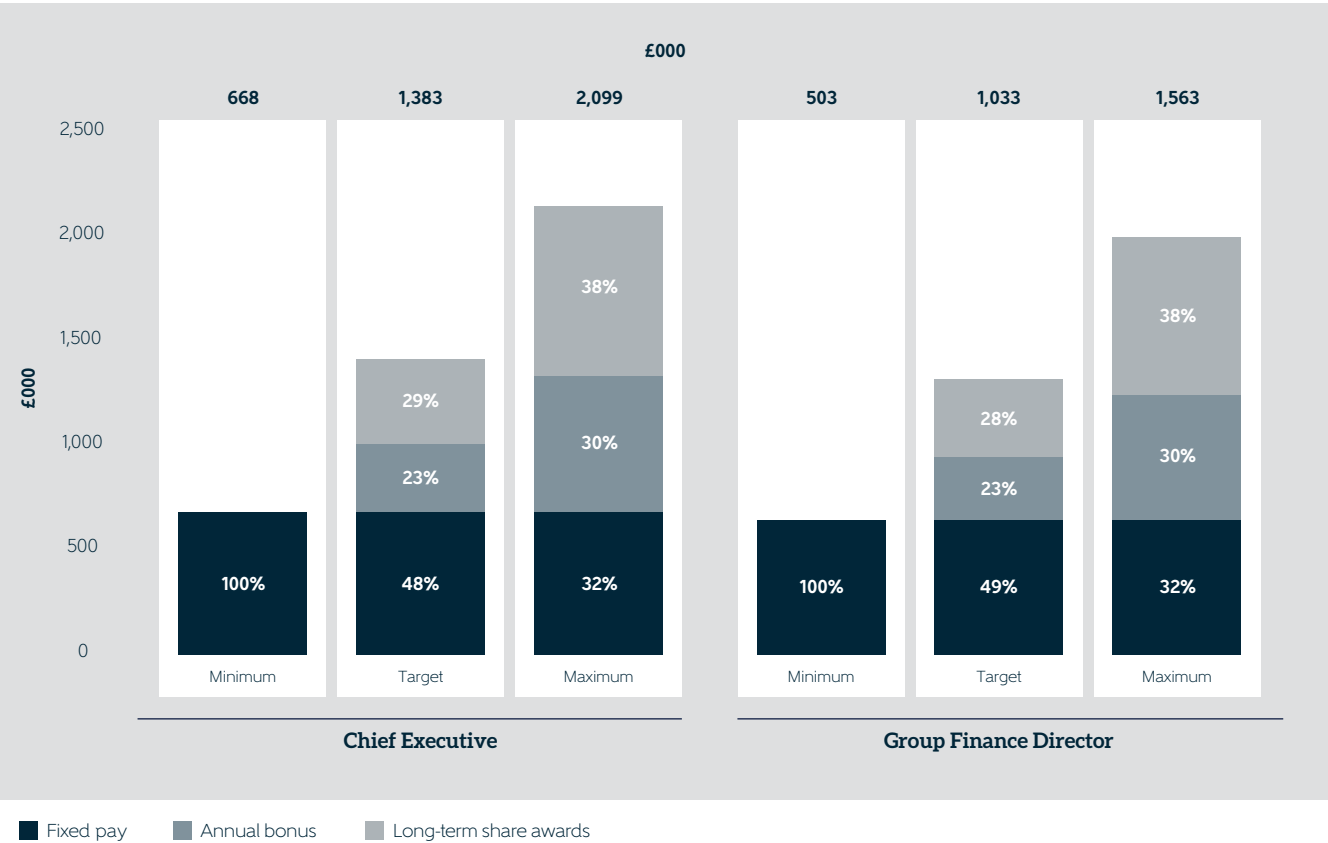
3. Leaver for compassionate reasons such as death, injury, disability or retirement, with the agreement of the employer.

Remuneration Report continued

Illustrations of application of 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 figures are indicative, as share price movement and dividend accrual have been excluded.



- Notes:
- Chart labels show proportion of total package comprised of each element, assuming each director was in post throughout the full financial year.
 - Assumptions:
 - Minimum – fixed pay only (salary + benefits + pension/pay in lieu of pension). Salary is based on actual for 2018/19, benefits are based on the value of actual benefits received in 2017/18 and pension/pay in lieu of pension is based on policy of 20% of salary applied to the 2018/19 salary.
 - 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.

Annual Report on Remuneration

Committee membership and activity

The Committee meets at least twice a year and details of the Committee members and their attendance are set out in the table on page 58. 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.bellwaycorporate.com/corporateGovernance.

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 receives independent external advice from New Bridge Street ('NBS'), part of Aon plc. NBS was appointed by the Committee and does not provide any other services to the Company other than to the Board Committee on Non-Executive Directors' Remuneration. NBS is also a member of the Remuneration Consultants Group and abides by its Code of Conduct. The Committee is satisfied that NBS is independent. The total fee paid to NBS for advice to the committees during the year was £50,696 (2017 – £45,101). 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 NBS.

Implementation of remuneration policy in 2017/18

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

Annual bonus for the year ended 31 July 2018

The annual bonus is payable in November 2018 for performance during the year ended 31 July 2018. The performance targets for the 2017/18 bonus comprised operating profit and two strategic targets.

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

Strategic objective	Weighting (% of salary)	Threshold (39% pays out)	Maximum value (100% pays out)	Actual	Payment (% of maximum)	Payment (% of salary)
Operating profit (pre-exceptional)	90%	£615.0 million	£660.0 million	£652.9 million	90.40%	81.36%

The actual operating profit grew by 14.2% to £652.9 million, just below the maximum value forecast by the directors, shareholders and analysts at the start of the year.

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

Strategic measure	Objectives and performance against target	Score
Land bank	Increase in the land bank of plots with detailed planning permission ('DPP') (available for completion in the following financial year) in the year to 31 July 2018 to ensure our growth aspirations are not frustrated by land shortages in future years. A payment of 10% of salary would be triggered for a predetermined percentage increase in plots with DPP, with an additional 1% payment for further improved performance, up to a maximum of 15% of salary.	Maximum – 15% of salary.
	The land bank of plots with DPP (available for completion in the following financial year) grew by 8.2% during the year. This exceeded the minimum target and an award of 11% of salary was achieved.	Achieved in part – 11% of salary awarded.
Customer care	No deterioration of previous year's net assessment of customer satisfaction score as a minimum, with additional bonus opportunity for improvement in the Group's customer satisfaction score. There is a minimum payment of 10% of salary for an NHBC score of 85.7% with an additional 1% payment for each 0.5% improvement in score up to a maximum of 15% of salary.	Maximum – 15% of salary.
	The Group's customer satisfaction score in 2018 was 86.0% compared with the base of 85.7%. This is a slight improvement on last year's performance, resulting in a minimum payment.	Minimum achieved – 10% of salary awarded.

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 RIDDOR seven-day reportable incident rate per 100,000 site operatives reduced by 5.2%, and although our NHBC Safety Score for the year deteriorated, it was still around two and a half times better than the industry average.

Overall, the Committee is satisfied that the resulting bonus payment of 102.36% of salary (out of 120%) is reflective of the Company's record performance during the year.

Remuneration Report continued

Long-term incentives vesting in respect of performance period ended 31 July 2018

The PSP awards granted in 2015/16 were based on a three-year TSR performance for the period to 31 July 2018. 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 Index, increasing, pro-rata, to full vesting at Index +22.5% (+7.5% p.a.).	26.41% TSR (Index)	48.91% TSR (Index +22.5%)	54.06% Bellway TSR	100.000%
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.	83 rank (median)	41.75 rank (upper quartile)	42 Bellway rank	99.550%
Total					99.775%

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

The Committee agreed that this underpin had been met and the following awards are expected to be exercisable on 13 November 2018 for Ted Ayres and Keith Adey and on 21 January 2019 for Jason Honeyman. The award made to Jason Honeyman in 2016 was made in respect of his position as Southern Regional Chairman, before he joined the Board.

	Number of shares at grant	Guaranteed number of shares to vest	Estimated value at vesting ⁽¹⁾ £000
Ted Ayres	30,496 ⁽²⁾	30,427	963
Keith Adey	19,701	19,656	622
Jason Honeyman	11,727	11,700	370

Notes:

- Based on a share price of £31.65, being the average share price for the last quarter of the financial year i.e. 1 May - 31 July 2018 as a proxy for the share price at vesting.
- The award made to Ted Ayres has been pro-rated down from 33,727 to 30,496 on a time basis to 31 July 2018, the date on which he retired from the Board.
- Additional shares (not included above) will be awarded in lieu of dividends accrued from the date of the award to the date of vesting in respect of each director as follows: Ted Ayres 3,708 shares and Keith Adey 2,395 shares. For Jason Honeyman's award the additional shares in lieu of dividends accrued will be calculated following the ex-dividend date of the final dividend for the year ended 31 July 2018, which is after the date of publication of this report. Details of these additional shares will be included in next year's annual report.

Single figure of total remuneration

		Salary and fees £	Taxable benefits ⁽⁵⁾ £	Pension ⁽⁶⁾ £	Annual bonus £	Sub-total £	Long-term incentives ⁽⁷⁾ £	Other items ⁽⁸⁾ £	Total £
Chairman									
John Watson ⁽¹⁾	2018	309,051	989	-	102,360	412,400	-	-	412,400
	2017	206,000	861	-	-	206,861	-	-	206,861
Executive directors									
Ted Ayres ⁽²⁾	2018	567,480	31,277	131,126	-	729,883	1,080,373	4,497	1,814,753
	2017	637,000	30,255	127,420	716,625	1,511,300	1,956,531	-	3,467,831
Keith Adey	2018	383,000	31,525	76,599	392,039	883,163	697,914	-	1,581,077
	2017	372,000	30,467	74,500	418,500	895,467	1,133,434	-	2,028,901
Jason Honeyman ⁽³⁾	2018	351,083	28,898	70,217	359,369	809,567	370,305	-	1,179,872
	2017	-	-	-	-	-	-	-	-
Non-executive directors									
John Cuthbert	2018	65,920	-	-	-	65,920	-	-	65,920
	2017	64,000	-	-	-	64,000	-	-	64,000
Paul Hampden Smith	2018	65,920	-	-	-	65,920	-	-	65,920
	2017	64,000	-	-	-	64,000	-	-	64,000
Denise Jagger	2018	57,680	-	-	-	57,680	-	-	57,680
	2017	56,000	-	-	-	56,000	-	-	56,000
Jill Caseberry ⁽⁴⁾	2018	53,138	-	-	-	53,138	-	-	53,138
	2017	-	-	-	-	-	-	-	-
Ian McHoul ⁽⁴⁾	2018	28,841	-	-	-	28,841	-	-	28,841
	2017	-	-	-	-	-	-	-	-
Mike Toms ⁽⁴⁾	2018	24,256	-	-	-	24,256	-	-	24,256
	2017	64,000	-	-	-	64,000	-	-	64,000
Totals	2018	1,906,369	92,689	277,942	853,768	3,130,768	2,148,592	4,497	5,283,857
	2017	1,463,000	61,583	201,920	1,135,125	2,861,628	3,089,965	-	5,951,593

Notes:

- John Watson received an additional payment of £100,000 p.a. from 14 August 2017 to 31 July 2018 to reflect the executive responsibilities he undertook during Ted Ayres' leave of absence. This payment was eligible for a bonus on the same basis as the bonus payable to the executive directors.
- Ted Ayres' basic salary for 2017/18 was £656,000 and where reference is made in this report to his basic salary for 2017/18 this is the amount to which reference is being made. The figure shown in the table above is the actual amount paid during the financial year, reflecting a reduction in his take-home pay during his absence on sick leave.
- Jason Honeyman was appointed to the Board on 1 September 2017. His salary and bonus were set at the same level as Keith Adey's but the amounts shown as paid reflects the fact that he joined the Board after the start of the financial year.
- Jill Caseberry was appointed to the Board on 1 October 2017, Mike Toms retired from the Board on 13 December 2017 and Ian McHoul was appointed to the Board on 1 February 2018. Fees paid to these non-executive directors reflect their shorter period of service during the financial year.
- Taxable benefits include car allowance and health insurance.
- Pension includes both payments in lieu of pension of £257,991 and contributions to a defined contribution scheme of £19,951. None of the directors are members of the Group's defined benefit scheme and all of the executive directors are members of a defined contribution scheme.
- The value of long-term incentives in 2018 reflects the vesting of the 2015 PSP awards, which will be exercisable in 2018/19, 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 £31.65, being the average share price for the last quarter of the financial year i.e. 1 May - 31 July 2018 as a proxy for the share price at vesting. The 2017 figures for Ted Ayres and Keith Adey have been adjusted upwards by £346,450 and £200,047 respectively to reflect the actual share prices at the dates of vesting, which took place after the publication of last year's report, and the additional shares in lieu of dividends accrued from the date of grant to the date of vesting of the 2014 SMP awards (2,024 and 1,153 shares respectively). The additional shares in lieu of dividends accrued for the 2014 PSP awards were already included in the figure shown in 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.

Remuneration Report continued

Directors' share-based rewards and options

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

Ted Ayres⁽⁹⁾

Scheme	Awards/ options held at 1 August 2017	Granted/ awarded during the year	Exercised during the year	Lapsed during the year	Awards/ options held at 31 July 2018	Exercise price/ market price at date of award (p)	Date of grant/ award	Exercisable/ capable of vesting from
PSP ⁽¹⁾	35,842	–	(35,842)	–	–	1,674.0	10.11.2014	10.11.2017
PSP ⁽²⁾	33,727	–	–	(3,231)	30,496	2,382.0	13.11.2015	13.11.2018
PSP ⁽³⁾	35,223	–	–	(14,990)	20,233	2,351.0	09.11.2016	09.11.2019
PSP ⁽⁴⁾	–	28,814	–	(21,900)	6,914	3,450.0	10.11.2017	10.11.2020
SMP ⁽¹⁾	14,562	–	(14,562)	–	–	1,918.0	04.12.2014	04.12.2017
2013 SRSOS ⁽⁸⁾	1,306	–	(1,306)	–	–	1,378.0	17.11.2014	01.02.2018
2013 SRSOS ⁽⁸⁾	–	613	–	–	613	2,934.4	05.12.2017	01.08.2019
Totals	120,660	29,427	(51,710)	(40,121)	58,256			

Keith Adey

Scheme	Awards/ options held at 1 August 2017	Granted/ awarded during the year	Exercised during the year	Lapsed during the year	Awards/ options held at 31 July 2018	Exercise price/ market price at date of award (p)	Date of grant/ award	Exercisable/ capable of vesting from
PSP ⁽¹⁾	20,908	–	(20,908)	–	–	1,674.0	10.11.2014	10.11.2017
PSP ⁽²⁾	19,701	–	–	–	19,701	2,382.0	13.11.2015	13.11.2018
PSP ⁽³⁾	20,569	–	–	–	20,569	2,351.0	09.11.2016	09.11.2019
PSP ⁽⁴⁾	–	16,822	–	–	16,822	3,450.0	10.11.2017	10.11.2020
SMP ⁽¹⁾	8,298	–	(8,298)	–	–	1,918.0	04.12.2014	04.12.2017
2013 SRSOS ⁽⁸⁾	1,099	–	–	–	1,099	1,378.0	17.11.2014	01.02.2020
2013 SRSOS ⁽⁸⁾	439	–	–	–	439	2,048.8	16.11.2015	01.02.2019
Totals	71,014	16,822	(29,206)	–	58,630			

Jason Honeyman

Scheme	Awards/ options held at 1 August 2017	Granted/ awarded during the year	Exercised during the year	Lapsed during the year	Awards/ options held at 31 July 2018	Exercise price/ market price at date of award (p)	Date of grant/ award	Exercisable/ capable of vesting from
DBP ⁽⁵⁾	6,719	–	(6,719)	–	–	1,875.2	22.12.2014	22.12.2017
PSP ^{(2), (5)}	11,727	–	–	–	11,727	2,558.0	21.01.2016	21.01.2019
PSP ^{(3), (5)}	13,143	–	–	–	13,143	2,351.0	09.11.2016	09.11.2019
PSP ⁽⁴⁾	–	16,822	–	–	16,822	3,450.0	10.11.2017	10.11.2020
2013 SRSOS ⁽⁸⁾	1,306	–	(1,306)	–	–	1,378.0	17.11.2014	01.02.2018
Totals	32,895	16,822	(8,025)	–	41,692			

Notes:

- The performance period was 1 August 2014 – 31 July 2017. The TSR performance condition was in two parts. Half was measured by reference to an index 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 index, 25% of the awards would vest. Full vesting would be achieved for 75% per annum outperformance of the index (22.5% in total). The other half was measured by reference to the companies in the FTSE 250 Index (excluding financial services companies and investment trusts). Awards would start to vest at 25% if Bellway's TSR matches the median of the companies in the group, increasing on a straight-line basis so that full vesting would be achieved if Bellway's TSR reached the upper quartile. Regardless of TSR performance, no part of an award will vest unless the Committee is satisfied that there has been an improvement in the underlying financial performance of the Company over the performance period, taking into account, inter alia, operating profit, operating margin, RoCE and NAV. Both parts of the performance conditions were met in full so 100% of these awards vested.
- Details of the vesting of these awards which will take place in the 2018/19 financial year is set out in full under the heading 'Long-term incentives vesting in respect of performance period ended 31 July 2018' above. These awards are also subject to clawback provisions.
- The performance period is 1 August 2016 – 31 July 2019. The awards are subject to the same TSR performance condition set out in note 1 above, and these awards are also subject to clawback provisions.
- On 10 November 2017, awards of performance shares under the PSP were made to the executive directors. The performance period is 1 August 2017 – 31 July 2020. The awards are subject to the same TSR performance condition set out in note 1, and these awards are also subject to clawback provisions. The awards were in the form of nil cost options. The face values on grant of these awards were £983,998, £574,471 and £574,471 to Ted Ayres, Keith Adey and Jason Honeyman respectively, equal to 150% of their respective salaries.
- These awards were made to Jason Honeyman during his employment as Southern Regional Chairman, before he joined the Board.
- All of the above options set out in notes 1-5 were granted for nil consideration.

7. The gross gain made by the executive directors on the exercise of their 2013 SRSOS awards in 2018 was £46,442 (2017 - nil). The value of long-term incentive plans for the executive directors which were exercised in the year and those which will become exercisable in 2018/19 are shown in the single figure of total remuneration table on page 71.
8. Further details of the 2013 SRSOS are shown in the summary of outstanding share options in note 23 to the accounts.
9. The awards made to Ted Ayres which were outstanding as at 31 July 2018 will be exercisable on the normal exercise dates. Awards have been time pro-rated for length of service from date of grant to 31 July 2018, and are subject to the performance conditions and performance periods set out above.
10. The market price of the ordinary shares at 31 July 2018 was 2,917p and the closing range during the year was 2,857p to 3,792p.

Payments to past directors

No payments were made to past directors in the year.

Payments for loss of office

No payments were made for loss of office in the year. Payments will be made to Ted Ayres in the 2018/19 financial year in relation to his retirement from the Board on 31 July 2018. Full details of these payments will be set out in next year's Annual Report on Remuneration.

Statement of directors' shareholdings and share interests

The directors' interests (including family interests) in the ordinary share capital of the Company at 31 July 2018 are set out below:

Director	Beneficially owned at 31 July 2018	% basic salary held by executive directors in shares ⁽¹⁾	Shareholding target of 200% of basic salary met?	Beneficially owned at 31 July 2017	Outstanding and unvested PSP awards	Outstanding and unvested share options	Share options exercised in the year
John Watson	425,535	N/A	N/A	425,535	N/A	N/A	N/A
Ted Ayres	96,565	429	Yes	65,402	57,643	613	51,710
Jason Honeyman	9,531	73	In progress	N/A	41,692	-	8,205
Keith Adey	52,748	402	Yes	35,450	57,092	1,538	29,206
John Cuthbert	6,000	N/A	N/A	6,000	N/A	N/A	N/A
Paul Hampden Smith	12,548	N/A	N/A	12,548	N/A	N/A	N/A
Denise Jagger	1,250	N/A	N/A	1,250	N/A	N/A	N/A
Jill Caseberry	-	N/A	N/A	N/A	N/A	N/A	N/A
Ian McHoul	-	N/A	N/A	N/A	N/A	N/A	N/A

Notes:

1. Executive directors are required to accumulate a minimum shareholding equivalent to 200% of basic salary. Jason Honeyman only joined the Board in September 2017 so has not yet had sufficient time to build the target shareholding from vesting share awards.
2. There has been no change in any of the above interests between 31 July 2018 and the date of this report, except that Ted Ayres retired from the Board on 31 July 2018 and so his interests at the date of this report are no longer disclosable.

Remuneration Report continued

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

Implementation of remuneration policy in 2018/19

This section sets out how the Company will implement the remuneration policy for the 2018/19 financial year. Full details of how each element will operate are set out in the remuneration policy table earlier in this report.

Basic salaries

The Committee has awarded Keith Adey a salary increase in line with the increases given to the general workforce of around 2.5% for 2018/19. Therefore from 1 August 2018, Keith's salary was increased to £392,575 p.a.

On 1 August 2018 Jason Honeyman was promoted from Chief Operating Officer to Chief Executive and his basic salary was increased to reflect his increased level of responsibilities. In line with the current policy on salaries for new executive directors, the Committee considers that a phased approach to the new Chief Executive's salary is appropriate to allow him time to gain experience and develop into the role, and therefore his salary has initially been set significantly below market levels (and the salary of the departing Chief Executive) at £530,000 in his first year. The Committee intends to increase this to £689,000 from 1 August 2019, subject to his satisfactory personal performance and proving himself in the role over the next year, to reflect an appropriate salary for the level of responsibility and scope of the full role and bring it in line with the salary that would have been payable to Ted Ayres from that date if he had remained as Chief Executive. As a secondary reference point, the Committee has conducted a benchmarking exercise and is comfortable that the proposed salary for 2019/20 is appropriate for the role and not excessive.

Thereafter it is expected that the Chief Executive will be awarded salary increases consistent with the average salary increase to the general workforce.

Annual bonus

For the 2018/19 financial year, the bonus opportunity will continue to be limited to 120% of basic salary. The performance conditions relate to a stretching target of pre-exceptional operating profit (with a maximum payment of 90% of basic salary achievable) and the following strategic performance measures which provide a maximum bonus opportunity of 30% 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 2019 to ensure our growth aspirations are not frustrated by land shortages in future years. A payment of 10% of salary would be triggered for a predetermined percentage increase in plots with DPP, with an additional 1% payment for further improved performance, up to a maximum of 15% of salary.	Maximum – 15% of salary.
Customer care	This will be in two parts: 7.5% of salary for achieving 5 star home builder status (as measured by the HBF). - No deterioration of the previous year's customer satisfaction score would result in a minimum payment of 4.5% of salary, with an additional bonus opportunity of 1% of salary for each additional 0.5% improvement in the score up to a maximum of 7.5% of salary. The customer satisfaction score element is assessed using the average of six key indicators, as measured by the NHBC. This measure is used as it reflects the metrics by which the performance of each division is managed by the executives.	Maximum – 15% of salary.

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

The Committee would have discretion if, for example, health and safety standards have been unsatisfactory, or there has been a major safety failure, to reduce the overall bonus payment and could, in exceptional cases, reduce the overall bonus payment to nil. This includes a possible reduction to the 2018/19 bonus in relation to the outcome of any health and safety investigation which has concluded in respect of the prior year. Maintaining a strong health and safety record remains a critical objective and the new bonus structure provides for health and safety to have 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 2018 with a face value equivalent to 150% of salary to the executive directors. Awards will vest to executives after three years, subject to the achievement of performance conditions based around TSR, which measures the total return on a notional investment in Bellway shares, compared to the return on the same notional investment in shares in a group of other companies or an index. This award will be subject to a relative TSR condition with 50% of awards measured against a group of housebuilders and the other 50% against the constituents of the FTSE 250 (excluding financial services companies and investment trusts). This is shown overleaf:

Metric	Performance condition	Threshold target	Stretch target
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 Index, increasing, pro-rata, to full vesting at Index +7.5% p.a.	TSR (Index)	TSR (Index +7.5% p.a.)
50% of awards	Relative TSR against the FTSE 250 (excluding financial services companies and investment trusts): 25% of this part of an award vests at median, increasing, pro-rata, to full vesting at the upper quartile.	Median	Upper quartile

Chairman and non-executive director fees from 1 August 2018

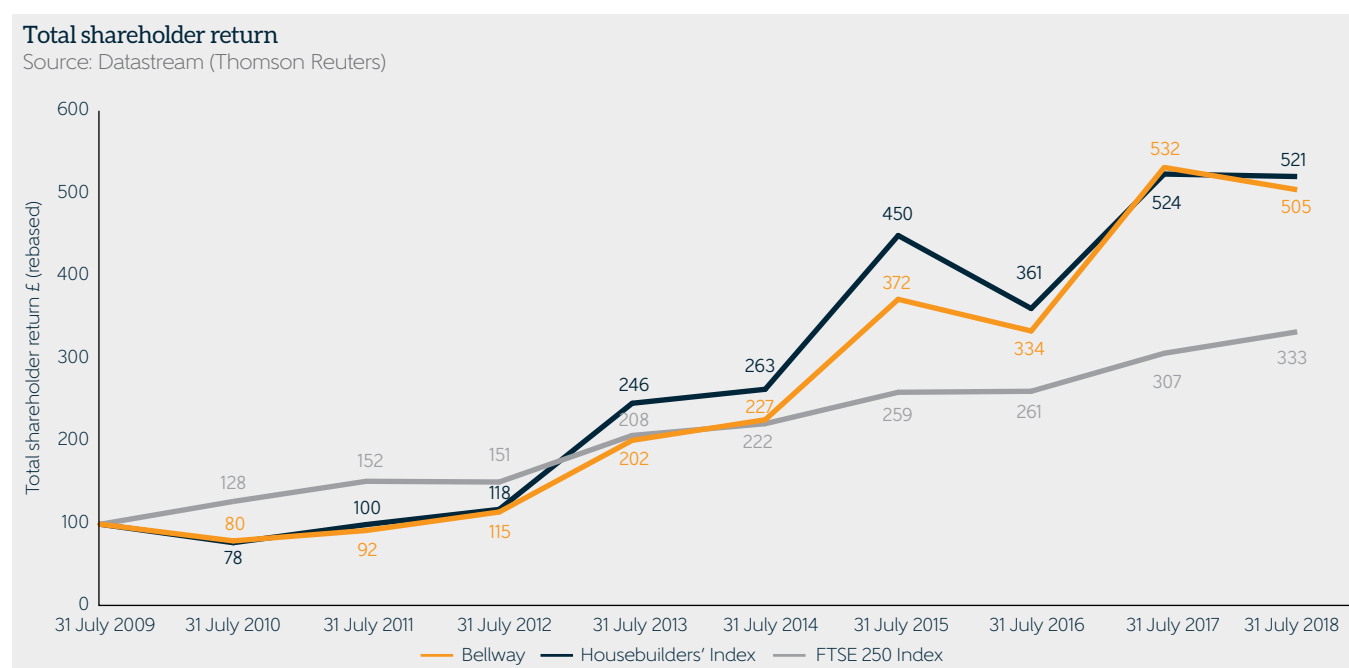
	Fee from 1 August 2017 £	% increase	Fee from 1 August 2018 £
Non-executive Chairman fee	212,000	2.5	217,000
Non-executive director fee	57,680	0.9	58,200
Senior independent non-executive director, Audit and Remuneration Committee Chair fees	8,240	21.4	10,000

The average fee increase for the non-executive directors is 2.5%, which is consistent with the average salary increase to the general workforce. In respect of the senior independent non-executive director and those non-executive directors who chair a committee a differential has been applied to reflect the time commitment and responsibility required by the roles and to bring each component broadly in line with the median of the upper half of the FTSE 250.

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 nine years of the Company, the FTSE 250 Index and the bespoke Housebuilders' Index (as defined in note 1 on page 72). 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 this index is used for the Company's long-term incentive plans.



This graph shows the value, by 31 July 2018, of £100 invested in Bellway on 31 July 2009 compared with the value of £100 invested in the FTSE 250 Index and £100 invested equally in each of the housebuilders currently contained in the FTSE 350 Index (excluding Bellway). The other points plotted are the values at intervening financial year ends.

Remuneration Report continued

Chief Executive total remuneration

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018 ⁽³⁾
Total remuneration (£000)	1,532	1,899	1,396	1,243 ⁽¹⁾	1,450	1,960	2,785	3,468 ⁽²⁾	1,815
Annual bonus paid (as % of maximum)	76.9%	100.0%	99.3%	100.0%	91.6%	88.8%	95.8%	93.8%	0.0%
PSP vesting (as a % of maximum)	48.3%	99.6%	0.0%	0.0%	50.0%	50.0%	100.0%	100.0%	99.8%

Notes:

1. John Watson held the role of Chief Executive up until 31 January 2013 and Ted Ayres was Chief Executive for the remainder of the financial year from 1 February 2013 to 31 July 2013. The total remuneration for the period as Chief Executive was £714,053 for John Watson and £528,500 for Ted Ayres.

2. Restated as per note 7 to the table on page 71.

3. The Chief Executive 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.

Percentage change in remuneration of the Chief Executive

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

		% change
Salary	Chief Executive	+3
	All other employees	+3
Benefits	Chief Executive	+3
	All other employees	+1
Annual bonus	Chief Executive	-100
	All other employees	+4

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 2017 and 31 July 2018. 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.

	2018 £000	2017 £000	% change
Employee costs ⁽¹⁾	148,768	130,891	+14
Dividends ⁽²⁾	175,809	149,575	+18
Section 106 and CIL payments ⁽³⁾	79,023	118,176	-33

Notes:

1. Employee costs are calculated as wages and salaries, bonus and taxable benefits (including the directors).

2. The dividend figures shown are the interim and final dividends paid or payable for the relevant financial year less forfeited dividends (see note 6).

3. The section 106 and CIL payments figures are calculated from invoices received for these payments.

Dilution limits/shares held in Trust to satisfy awards

The Bellway Employee Share Trust (1992) (the 'Trust') holds market-purchased shares to satisfy awards made under some of the Company's executive and employee share schemes. At 31 July 2018 the Trust held 65,540 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 2018 was:

Limit of 5% in any ten years under all executive share plans	Actual 0.16%
Limit of 10% in any ten years under all share plans	Actual 1.24%

Statement of voting at AGMs

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

	Directors' Remuneration Policy (binding vote at AGM on 13 December 2017)		Report of the Board on Directors' Remuneration (advisory vote at AGM on 13 December 2017)	
	Number of votes	% of votes cast	Number of votes	% of votes cast
For	84,362,645	97.451	84,225,240	98.191
Against	2,206,550	2.549	1,551,554	1.809
Total votes cast (excluding votes withheld)	86,569,195	100.000	85,776,794	100.000
Votes withheld	578,001		1,370,402	

This report will be put to an advisory vote of the Company's shareholders at the AGM on 12 December 2018.

On behalf of the Board

Jill Caseberry

Chairman of the Remuneration Committee

15 October 2018

Directors' Report



“The directors have proposed a final ordinary dividend for the year ended 31 July 2018 of 95.0p 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 25 to the accounts.

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

Topic	Page number
Directors	42 – 43
Appointment and replacement of directors	48 and in the Articles
Directors' interests	73
Future developments	31 of the Strategic Report
Group undertakings	112
Environmental issues	34 – 41 of the Strategic Report
Greenhouse gas emissions	37 of the Strategic Report
Whistleblowing	57
Financial risk management	27 of the Strategic Report
Going concern	27 of the Strategic Report

Results and dividends

The profit for the year attributable to equity holders of the parent company amounts to £519.9 million (2017 – £454.1 million).

The directors have proposed a final ordinary dividend for the year ended 31 July 2018 of 95.0p per share (2017 – 84.5p). 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 9 January 2019 to shareholders on the Register of Members at the close of business on Friday 30 November 2018.

Dividends paid during the year comprise a final dividend of 84.5p per share in respect of the year ended 31 July 2017, together with an interim dividend in respect of the year ended 31 July 2018 of 48.0p per share.

Directors' indemnities and Directors' and Officers' liability insurance

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

Major interests in shares

As at 31 July 2018 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 2018		As at 15 October 2018	
	Number of shares with voting rights	% total voting rights	Number of shares with voting rights	% total voting rights
Standard Life Aberdeen plc	9,482,382	7.71	9,482,382	7.71
BlackRock, Inc.	6,143,561	5.00	6,143,561	5.00
Dimensional Fund Advisors LP	6,139,034	4.99	6,139,034	4.99
Credit Suisse Securities (Europe) Ltd	3,890,282	3.17	3,890,282	3.17
Polaris Capital Management, LLC	3,729,913	3.03	3,729,913	3.03

Post balance sheet events

There were no post balance sheet events.

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

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

Takeovers Directive and change of control

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

Share capital

The Company's total issued share capital, as at 31 July 2018, consisted of 122,980,266 ordinary shares of 12.5p each. Further details of the issued capital of the Company can be found in note 17 to the accounts. The rights and obligations attaching to the ordinary shares in the Company are set out in the Articles of Association (the 'Articles'). Copies of the Articles can be obtained from Companies House or by writing to the Group General Counsel and Company Secretary at the Company's registered office.

Restrictions on the transfer of shares

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

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

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

Restrictions on voting rights

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

Amendments to the Articles

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

Powers of the Board

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

Directors' Report continued

Allotment of shares

During the year, 182,308 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 Wednesday 12 December 2018.

Purchase of the Company's own shares

The Company was given authority at the AGM on 13 December 2017 to purchase its own ordinary shares. As at the date of this report, no market purchases have been made by the Company. This authority will expire at the end of the forthcoming AGM. Details of the renewal of this authority including the resolution which seeks to renew this authority for a further year are set out in the Notice of Meeting of the AGM.

Listing Rules

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

Accountability and audit

The Going Concern Statement, Long-Term Viability Statement and the Statement of Directors' Responsibilities in respect of the Annual Report and Financial Statements are shown on pages 27, 27 and 81 respectively.

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

People

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

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

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

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

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

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

Health and safety at work

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

Auditor

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

AGM – special business

Five resolutions will be proposed as special business at the AGM to be held on Wednesday 12 December 2018. Explanatory notes on these resolutions are set out in the Notice of Meeting of the AGM.

Disclosure of all relevant information to the auditor

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

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

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

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

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

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

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

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

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

Responsibility statement of the directors in respect of the Annual Report and Accounts

We confirm that to the best of our knowledge:

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

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

By order of the Board

Simon Scougall

Group General Counsel and Company Secretary

15 October 2018



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

1. Our opinion is unmodified

We have audited the financial statements of Bellway p.l.c. ('the Company') for the year ended 31 July 2018 which comprise the Group Income Statement, Group and Company Statements of Comprehensive Income, Statements of Changes in Equity, Balance Sheets, Cash Flow Statements and the related notes, including the accounting policies.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 July 2018 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Basis for opinion

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

We were appointed as auditor of the company before 1979. The period of total uninterrupted engagement is for more than the 40 financial years ended 31 July 2018. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview

Materiality: group financial statements as a whole	£31 million (2017 – £26 million) 4.8% (2017 – 4.6%) of Group profit before tax
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Coverage	100% (2017 – 99%) of Group profit before tax
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Risks of material misstatement	vs 2017
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Recurring risks	Gross profit recognition on current sites and carrying amount of land held for development and work in progress
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	Valuation of investments in subsidiaries
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2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters (unchanged from 2017), in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

Accounts	The risk	Our response
Group: Carrying amount of land held for development and work in progress £3,224 million (2017 – £2,934 million). Cost of sales £2,204 million (2017 – £1,897 million). Refer to page 55 (Audit Committee Report), pages 93 and 96 (accounting policies) and note 12 on page 102 (financial disclosures).	Subjective estimate: The gross profit margin recognised on sites under development and the carrying value of land held for development and work in progress are subjective as they are reliant on the Group's estimate of future selling prices and associated build costs, both of which are uncertain and can vary with market conditions.	Our procedures included: • Control design: Evaluating the Group's process upon which the site gross profit margin is based. This includes assessing the frequency of site valuations and assessing the process for authorising and recording incurred costs in the site valuations. • Control observation: Attending a selection of site valuation meetings to assess whether divisional senior management sufficiently challenge the latest site valuations. • Test of details: For all sites with unit sales during the year, comparing the gross profit margin recognised to the latest site valuation and determining whether variances are supported by changes in site valuations and post year end sales. • Test of details: For a sample of undeveloped land sites, corroborating explanations received from divisional management as to their status by assessing underlying planning and legal documents and quantity surveyor assessments where applicable. • Test of details: For a sample of sites, assessing the accuracy of inputs in to the valuations such as sales price forecasts to actual selling prices after the year end and cost forecasts to latest assessments. • Historical comparisons: Comparing budgeted and latest site valuations to assess the Group's ability to accurately forecast. • Assessing transparency: Assessing the adequacy of the Group's disclosures about the degree of estimation involved in calculating the gross margin and carrying value of land and work in progress. Our results • We found the carrying value of land and work in progress to be acceptable (2017 – acceptable). • We found the level of cost of sales recognised to be acceptable (2017 – acceptable).
Company: Recoverability of parent company's investment in subsidiaries £40 million (2017 – £37 million) Refer to page 55 (Audit Committee Report), page 93 (accounting policies) and note 10 on page 101 (financial disclosures).	Low risk, high value: The carrying amount of the parent company's investments in subsidiaries represents 6% (2017 – 6%) of the Company's total assets. Their recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the parent company financial statements, this is considered to be the area that had the greatest effect on our overall parent company audit.	Our procedures included: • Test of details: Comparing the carrying amount of 100% of investments with the relevant subsidiaries' draft balance sheets to identify whether their net assets, being an approximation of their minimum recoverable amount, were in excess of their carrying amount and assessing whether those subsidiaries have historically been profit-making. • Assessing subsidiary audits: Assessing the work performed by the subsidiary audit teams on all of those subsidiaries and considering the results of that work, on those subsidiaries' profits and net assets. Our results • We found the Company's assessment of the recoverability of the investment in subsidiaries to be acceptable (2017 – acceptable).

Independent Auditor’s Report to the members of Bellway p.l.c.

continued

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

Materiality for the Group financial statements as a whole was set at £31 million (2017 – £26 million), determined with reference to a benchmark of Group profit before tax (of which it represents 4.8% (2017 – 4.6%)).

Materiality for the parent Company financial statements as a whole was set at £10.6 million (2017 – £9.7 million), determined with reference to a benchmark of Company total assets, of which it represents 1.7% (2017 – 1.5%).

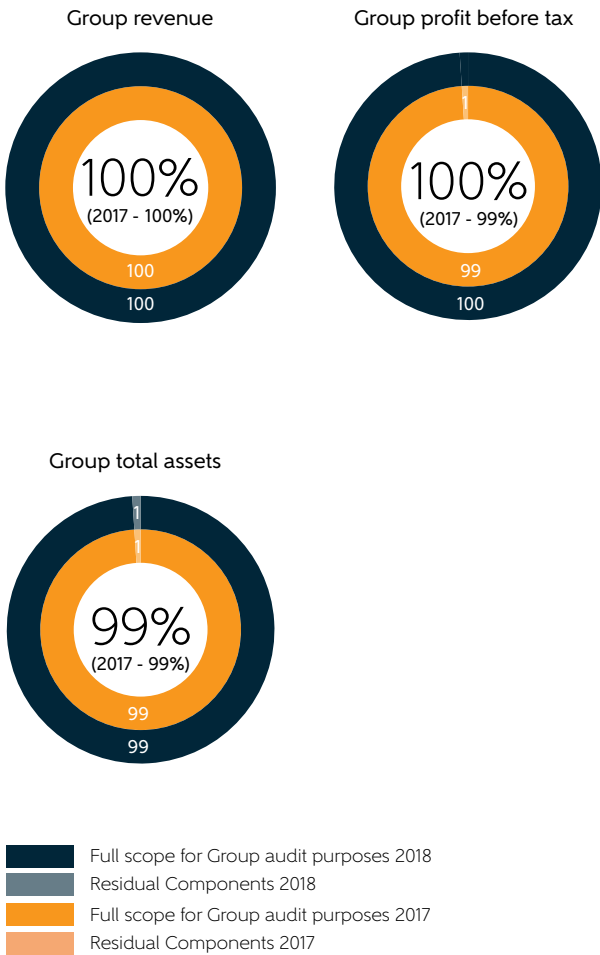
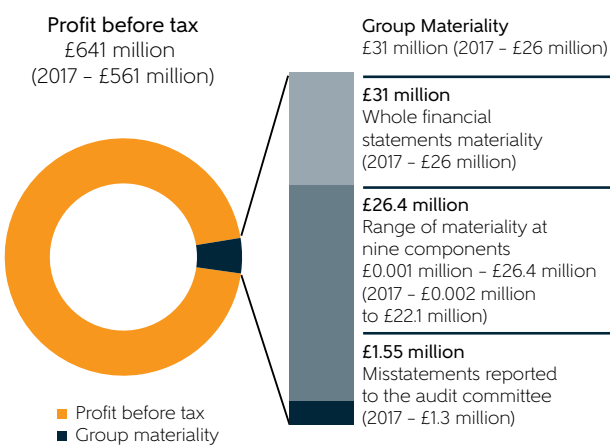
We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £1.55 million, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group’s nine (2017 – nine) reporting components, we subjected nine (2017 – nine) to full scope audits for Group purposes.

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

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

The Group team approved the component materialities, which ranged from £0.001 million to £26.4 million (2017 – £0.002 million to £22.1 million), having regard to the mix of size and risk profile of the Group across the components. The work on all components (2017 – all components), including the audit of the parent Company, was performed by the Group team.



4. We have nothing to report on going concern

We are required to report to you if:

- we have anything material to add or draw attention to in relation to the directors' statement on page 81 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements; or
- the related statement under the Listing Rules set out on page 27 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects.

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

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

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

Strategic report and directors' report

Based solely on our work on the other information:

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

Directors' remuneration report

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

Disclosures of principal risks and longer term viability

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

- the directors' confirmation within the Long-Term Viability Statement on page 27 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Risk Management disclosures describing these risks and explaining how they are being managed and mitigated; and
- the directors' explanation in the Long-Term Viability Statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Listing Rules we are required to review the Long-Term Viability Statement. We have nothing to report in this respect.

Corporate governance disclosures

We are required to report to you if:

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

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

We have nothing to report in these respects.

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

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

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

continued

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

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

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

We have nothing to report in these respects.

7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 81, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

Irregularities – ability to detect

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

We had regard to laws and regulations in areas that directly affect the financial statements including financial reporting (including related company legislation) and taxation legislation. We considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statement items.

In addition we considered the impact of laws and regulations in the specific areas of health and safety, anti-bribery, employment law and certain aspects of company legislation recognising the nature of the Group's activities. With the exception of any known or possible non-compliance, and as required by auditing standards, our work in respect of these was limited to enquiry of the directors and other management and inspection of regulatory and legal correspondence.

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

As with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

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

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

Nick Plumb (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

Quayside House, 110 Quayside, Newcastle Upon Tyne,
NE1 3DX

15 October 2018

Group Income Statement

for the year ended 31 July 2018



	Note	2018 £000	2017 £000
Revenue	1	2,957,664	2,558,561
Cost of sales		(2,204,216)	(1,896,977)
Gross profit		753,448	661,584
Administrative expenses		(100,577)	(90,029)
Operating profit	4	652,871	571,555
Finance income	2	649	1,248
Finance expenses	2	(14,261)	(12,492)
Share of result of joint ventures	10	1,798	412
Profit before taxation		641,057	560,723
Income tax expense	5	(121,152)	(106,666)
Profit for the year*		519,905	454,057

* All attributable to equity holders of the parent.

Earnings per ordinary share – Basic	7	423.4p	370.6p
Earnings per ordinary share – Diluted	7	421.6p	369.0p

Statements of Comprehensive Income

for the year ended 31 July 2018

	Note	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
Profit for the period		519,905	454,057	160,000	135,000
Other comprehensive income					
Items that will not be recycled to the income statement:					
Remeasurement gains on defined benefit pension plans	23	5,001	3,846	-	-
Income tax on other comprehensive income	5	(850)	(730)	-	-
Other comprehensive income for the period, net of income tax		4,151	3,116	-	-
Total comprehensive income for the period*		524,056	457,173	160,000	135,000

* All attributable to equity holders of the parent.

Statements of Changes in Equity

at 31 July 2018

Group	Note	Issued capital £000	Share premium £000	Capital redemption reserve £000	Other reserves £000	Retained earnings £000	Total £000	Non-controlling interest £000	Total equity £000
Balance at 1 August 2016		15,335	170,146	20,000	1,492	1,660,109	1,867,082	(66)	1,867,016
Total comprehensive income for the period									
Profit for the period		-	-	-	-	454,057	454,057	-	454,057
Other comprehensive income*		-	-	-	-	3,116	3,116	-	3,116
Total comprehensive income for the period		-	-	-	-	457,173	457,173	-	457,173
Transactions with shareholders recorded directly in equity:									
Dividends on equity shares	6	-	-	-	-	(136,556)	(136,556)	-	(136,556)
Shares issued	17	14	1,094	-	-	-	1,108	-	1,108
Credit in relation to share options and tax thereon	5, 23	-	-	-	-	2,599	2,599	-	2,599
Total contributions by and distributions to shareholders		14	1,094	-	-	(133,957)	(132,849)	-	(132,849)
Balance at 31 July 2017		15,349	171,240	20,000	1,492	1,983,325	2,191,406	(66)	2,191,340
Total comprehensive income for the period									
Profit for the period		-	-	-	-	519,905	519,905	-	519,905
Other comprehensive income*		-	-	-	-	4,151	4,151	-	4,151
Total comprehensive income for the period		-	-	-	-	524,056	524,056	-	524,056
Transactions with shareholders recorded directly in equity:									
Dividends on equity shares	6	-	-	-	-	(162,647)	(162,647)	-	(162,647)
Shares issued	17	23	2,412	-	-	-	2,435	-	2,435
Credit in relation to share options and tax thereon	5, 23	-	-	-	-	1,850	1,850	-	1,850
Transactions with non-controlling interest		-	-	-	-	-	-	66	66
Total contributions by and distributions to shareholders		23	2,412	-	-	(160,797)	(158,362)	66	(158,296)
Balance at 31 July 2018		15,372	173,652	20,000	1,492	2,346,584	2,557,100	-	2,557,100

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

Company	Note	Issued capital £000	Share premium £000	Capital redemption reserve £000	Other reserves £000	Retained earnings £000	Total equity £000
Balance at 1 August 2016		15,335	170,146	20,000	2,145	422,821	630,447
Total comprehensive income for the period							
Profit for the period		-	-	-	-	135,000	135,000
Other comprehensive income*		-	-	-	-	-	-
Total comprehensive income for the period		-	-	-	-	135,000	135,000
Transactions with shareholders recorded directly in equity:							
Dividends on equity shares	6	-	-	-	-	(136,556)	(136,556)
Shares issued	17	14	1,094	-	-	-	1,108
Credit in relation to share options	23	-	-	-	-	2,066	2,066
Total contributions by and distributions to shareholders		14	1,094	-	-	(134,490)	(133,382)
Balance at 31 July 2017		15,349	171,240	20,000	2,145	423,331	632,065
Total comprehensive income for the period							
Profit for the period		-	-	-	-	160,000	160,000
Other comprehensive income*		-	-	-	-	-	-
Total comprehensive income for the period		-	-	-	-	160,000	160,000
Transactions with shareholders recorded directly in equity:							
Dividends on equity shares	6	-	-	-	-	(162,647)	(162,647)
Shares issued	17	23	2,412	-	-	-	2,435
Credit in relation to share options	23	-	-	-	-	2,459	2,459
Total contributions by and distributions to shareholders		23	2,412	-	-	(160,188)	(157,753)
Balance at 31 July 2018		15,372	173,652	20,000	2,145	423,143	634,312

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

Balance Sheets

at 31 July 2018

	Note	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
ASSETS					
Non-current assets					
Property, plant and equipment	8	13,095	11,255	-	-
Investment property	9	-	-	-	-
Investments in joint arrangements and subsidiaries	10	43,463	34,345	39,744	37,285
Deferred tax assets	11	1,121	2,432	-	-
Retirement benefit assets	23	1,298	-	-	-
		58,977	48,032	39,744	37,285
Current assets					
Inventories	12	3,271,611	2,968,184	-	-
Trade and other receivables	13	114,915	85,168	542,107	542,318
Cash and cash equivalents	20	98,993	45,965	52,740	52,751
		3,485,519	3,099,317	594,847	595,069
Total assets		3,544,496	3,147,349	634,591	632,354
LIABILITIES					
Non-current liabilities					
Retirement benefit obligations	23	-	3,977	-	-
Trade and other payables	15	82,320	113,743	-	-
Deferred tax liabilities	11	2,538	686	-	-
		84,858	118,406	-	-
Current liabilities					
Interest-bearing loans and borrowings	14	-	30,000	-	-
Corporation tax payable		61,463	58,143	-	-
Trade and other payables	15	841,075	749,460	279	289
		902,538	837,603	279	289
Total liabilities		987,396	956,009	279	289
Net assets		2,557,100	2,191,340	634,312	632,065
EQUITY					
Issued capital	17	15,372	15,349	15,372	15,349
Share premium		173,652	171,240	173,652	171,240
Capital redemption reserve	18	20,000	20,000	20,000	20,000
Other reserves		1,492	1,492	2,145	2,145
Retained earnings		2,346,584	1,983,325	423,143	423,331
Total equity attributable to equity holders of the parent		2,557,100	2,191,406	634,312	632,065
Non-controlling interest		-	(66)	-	-
Total equity		2,557,100	2,191,340	634,312	632,065

Approved by the Board of Directors on 15 October 2018 and signed on its behalf by:

John Watson
Director

Keith Adey
Director

Registered number 1372603

Cash Flow Statements

for the year ended 31 July 2018



	Note	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
Cash flows from operating activities					
Profit for the year		519,905	454,057	160,000	135,000
Depreciation charge	8	1,855	2,759	-	-
Profit on sale of property, plant and equipment	4	(72)	(162)	-	-
Finance income	2	(649)	(1,248)	-	-
Finance expenses	2	14,261	12,492	-	-
Share-based payment expense	23	2,459	2,066	-	-
Share of post tax result of joint ventures	10	(1,798)	(412)	-	-
Income tax expense	5	121,152	106,666	-	-
Increase in inventories		(303,427)	(419,845)	-	-
(Increase)/decrease in trade and other receivables		(29,319)	7,561	211	448
Increase/(decrease) in trade and other payables		51,228	92,581	(10)	(11)
Cash from operations		375,595	256,515	160,201	135,437
Interest paid		(5,472)	(4,616)	-	-
Income tax paid		(116,128)	(98,790)	-	-
Net cash inflow from operating activities		253,995	153,109	160,201	135,437
Cash flows from investing activities					
Acquisition of property, plant and equipment		(3,921)	(2,109)	-	-
Proceeds from sale of property, plant and equipment		298	3,161	-	-
Increase in loans to joint ventures	10	(7,320)	(29,383)	-	-
Interest received		188	167	-	-
Net cash outflow from investing activities		(10,755)	(28,164)	-	-
Cash flows from financing activities					
Decrease in bank borrowings		(30,000)	(2,500)	-	-
Proceeds from the issue of share capital on exercise of share options		2,435	1,108	2,435	1,108
Dividends paid	6	(162,647)	(136,556)	(162,647)	(136,556)
Net cash outflow from financing activities		(190,212)	(137,948)	(160,212)	(135,448)
Net increase/(decrease) in cash and cash equivalents		53,028	(13,003)	(11)	(11)
Cash and cash equivalents at beginning of year		45,965	58,968	52,751	52,762
Cash and cash equivalents at end of year	20	98,993	45,965	52,740	52,751

Accounting Policies

Basis of preparation

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

Both the Company financial statements and the Group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ('Adopted IFRSs') and have been prepared on the historical cost basis except for assets recognised at fair value through profit or loss which are stated at their fair value. On publishing the Company financial statements here together with the Group financial statements, which were approved for issue on 15 October 2018, 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 the financial statements in conformity with Adopted IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Operating Review on pages 28 to 31. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 32 to 33 and the Director's Report on pages 78 to 81. The Risk Management section on pages 26 to 27 sets out the Group's policies and processes for managing its capital, financial risk, and its exposure to credit, liquidity, interest rate and housing market risk.

The Group's activities are financed principally by a combination of ordinary shares and bank borrowings less cash in hand. At 31 July 2018, cash was £99.0 million having generated cash of £83.0 million (see note 19) during the year. The Group has operated within all of its banking covenants throughout the year. In addition, the Group had bank facilities of £430.0 million, expiring in tranches up to March 2023, with £430.0 million available for drawdown under such facilities at 31 July 2018.

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

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

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

Effect of new standards and interpretations effective for the first time

The Group adopted Annual Improvements 2014-2016 and 'Disclosure Initiative – Amendments to IAS 7' during the year. The adoption of these has not had a material effect on the Group's profit for the year or equity.

The other standards and interpretations that are applicable for the first time in the Group's financial statements for the year ended 31 July 2018 have had no effect on these financial statements.

Basis of consolidation

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

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

- (i) Joint venture – These entities are consolidated using the equity method of accounting.
- (ii) Joint operation – The Group's share of the assets, liabilities and transactions of such entities are accounted for directly as if they were assets, liabilities and transactions of the Group.

Property, plant and equipment

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

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

Freehold land is not depreciated.

Investment property

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

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

The useful life of investment properties has been assessed as being 10 to 100 years.

Land is not depreciated.

Investments in subsidiaries

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

Inventories

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

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

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

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

Trade and other receivables

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

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

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.

Accounting Policies continued

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 their fair value. The discount to nominal value is amortised over the period to settlement and charged to finance expenses.

Dividends

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

Classification of equity instruments and financial liabilities issued by the Group

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

- (a) they include no contractual obligations upon the Company (or Group as the case may be) to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company (or Group); and
- (b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

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

Grants

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

Revenue recognition

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

Revenue is recognised in the income statement when the significant risks and rewards of ownership have transferred to the purchaser, which is when legal title is transferred.

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

Revenue is recognised in the income statement when the significant risks and rewards of ownership have transferred to the purchaser, which is when the homes are build complete and all material contractual obligations have been fulfilled.

Incentives

Sales incentives are substantially cash in nature but include part-exchange costs which mainly relate to amounts written down, where the part-exchange allowance given to the purchaser of the new home is greater than the valuation of the part-exchange property. Incentives are accounted for by reducing the housebuild revenue by the cost to the Group of providing the incentive. See 'part-exchange properties' policy below.

Rental income

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

Part-exchange properties

The purchase and subsequent sale of part-exchange properties is an activity undertaken in order to achieve the sale of a new property. As such, the activity is regarded as a mechanism for selling. Impairments and gains or losses on the sale of part-exchange properties are classified as a cost of sale.

Contingent liabilities

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

Taxation

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

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

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

Employee benefits – retirement benefit costs

The net defined benefit scheme asset or liability is the present value of the defined benefit obligation at the balance sheet date less the fair value of scheme assets. 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 ('SOC'). Net interest cost is calculated on the defined benefit (liability)/asset 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 SOC.

Further details of the scheme and the valuation methods applied may be found in note 23 to the accounts.

Defined contribution pension costs are charged to the income statement in the period for which contributions are payable.

Employee benefits – share-based payments

The fair value of equity settled share options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured as at the date the options are granted and the charge is only amended if vesting does not take place due to non-market conditions not being met. Various option pricing models are used according to the terms of the option scheme under which the options were granted. The fair value is spread over the period during which the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of options that vest. At the balance sheet date, if it is expected that non-market conditions will not be satisfied, the cumulative expense recognised in relation to the relevant options is reversed.

With respect to share-based payments, a deferred tax asset is recognised on the relevant tax base. The tax base is then compared to the cumulative share-based payment expense recognised in the income statement. Deferred tax arising on the excess of the tax base over the cumulative share-based payment expense recognised in the income statement has been recognised directly in equity outside the SOC as share-based payments are considered to be transactions with shareholders.

Where the Company grants options over its own shares to the employees of its subsidiaries it recognises, in its individual financial statements, an increase in the cost of investment in its subsidiaries equivalent to the equity settled share-based payment charge recognised in its consolidated financial statements, with the corresponding credit being recognised in equity.

Own shares held by ESOP trust

Transactions of the Company-sponsored ESOP trust are included in both the Group financial statements and the Company's own financial statements. The purchase of shares in the Company by the trust are charged directly to equity.

Operating leases

Operating lease rentals are charged to the income statement on a straight-line basis over the period of the lease.

Finance income and expenses

Finance income includes interest receivable on bank deposits.

Finance expenses includes interest on bank borrowings. The discounting of the deferred payments for land purchases produces a notional interest payable amount and this is also charged to finance expenses.

Exceptional items

Exceptional items are those which, in the opinion of the Board, are material by size or nature, non-recurring, and of such significance that they require separate disclosure on the face of the income statement.

Accounting Policies continued

Accounting estimates and judgements

Management considers the key estimates and judgements made in the financial statements to be related to:

Valuation of work in progress and land held for development

Inventories are carried at the lower of cost and net realisable value. Net realisable value represents the estimated selling price (in the ordinary course of business) less all estimated costs of completion and overheads. Valuations of site/phase work in progress are carried out at regular intervals and estimates of the cost to complete a site/phase and estimates of anticipated revenues are required to enable a development profit to be determined. Management are required to employ considerable judgement in estimating the profitability of a site/phase and in assessing any impairment provisions which may be required. This is a key judgement (including estimates) made in the financial statements. 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 2018 and 31 July 2017, a full review of inventories has been performed and write-downs have been made where cost exceeds net realisable value. Estimated selling prices have been reviewed on a site by site/phase by phase basis and have been amended based on local management and the Board's assessment of current market conditions. For the years ended 31 July 2018 and 31 July 2017 no exceptional charge has resulted from the review.

Gross profit recognition

Gross profit is recognised for completed house sales based on 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 profit that the Group is able to recognise on its sites/phases in the year, the Group needs to allocate site/phase wide costs between all plots. It is also necessary to estimate costs to complete on such sites/phases. In making these assessments certain estimates are made. In addition the Group makes estimates in relation to future sales prices on the site/phase. The Group has a number of internal controls to assess and review the reasonableness of estimates made. If housing gross margin increased by 200 basis points, it is estimated that the quantum of housing cost of sales would decrease by around 2.6%.

Standards and interpretations in issue but not yet effective

At the date of authorisation of these financial statements, the following relevant standards which have not been applied in these financial statements were in issue and endorsed by the EU but not yet effective:

- IFRS 9 'Financial Instruments'. This standard will replace IAS 39 'Financial Instruments: Recognition and Measurement' and will affect both the measurement and disclosures of financial instruments. This is effective for the period beginning on 1 August 2018. The Group does not consider this will have a material effect on the financial statements.
- IFRS 15 'Revenue from contracts with customers'. This is a converged standard from the IASB and FASB on revenue recognition to assist with comparability of revenue globally. This is effective for the period beginning on 1 August 2018. This standard will result in presentational changes to the income statement to gross up part-exchange revenue and expenses within operating profit which are currently recognised on a net basis within cost of sales. The impact of IFRS 15 for the year ended 31 July 2018 would have been to recognise other operating income of £141.1 million and other operating expenses of £145.1 million, and a corresponding £4.0 million decrease in cost of sales.
- IFRS 16 'Leases'. This standard replaces the existing standard, IAS 17 'Leases', where lessees are required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a 'right of use asset' for virtually all lease contracts. This is effective for the period beginning on 1 August 2019, although the Group will adopt this standard with effect from 1 August 2018. The impact of IFRS 16 as at 31 July 2018 would have been an increase in non-current assets of £13.9 million, lease liabilities of £14.3 million and finance expenses of £0.4 million.

Of the other IFRSs that are available for early adoption, none are expected to have a material effect on the financial statements.

1 Segmental analysis

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

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

Additional information on average selling prices and the unit sales split between north, south, private and social has been included in the Operating Review on pages 28 to 31. The Board does not, however, consider these categories to be separate reportable segments as they review the entire operations at a consolidated and divisional level when assessing performance and making decisions about the allocation of resources.

2 Finance income and expenses

	2018 £000	2017 £000
Interest receivable on bank deposits	161	154
Interest on fair value through profit or loss	425	1,054
Other interest income	63	40
Finance income	649	1,248
Interest payable on bank loans and overdrafts	5,410	4,642
Interest on deferred term land payables	8,754	7,662
Interest element of movement in pension scheme deficit	97	188
Finance expenses	14,261	12,492

3 Employee information

Group employment costs, including directors, comprised:

	2018 £000	2017 £000
Wages and salaries	146,284	128,880
Social security	14,686	13,580
Pension costs (note 23)	5,092	4,068
Share-based payments (note 23)	2,459	2,066
	168,521	148,594

The average number of persons employed by the Group during the year was 2,808 (2017 – 2,544) comprising 991 (2017 – 887) administrative and 1,817 (2017 – 1,657) production and others employed in housebuilding and associated trading activities.

The executive directors and the Group General Counsel and Company Secretary are the only employees of the Company and the emoluments of the executive directors are disclosed in the Remuneration Report on pages 58 to 77.

Key management personnel remuneration, including directors, comprised:

	2018 £000	2017 £000
Salaries and fees	3,012	2,633
Taxable benefits	157	132
Annual bonus – cash	1,858	2,056
Pension costs	80	107
Share-based payments	1,311	1,109
	6,418	6,037

Key management personnel, as disclosed under IAS 24: 'Related party disclosures', comprises the directors and other senior operational management.

Notes to the Accounts continued

4 Operating profit

	2018 £000	2017 £000
Operating profit is stated after charging/(crediting):		
Staff costs (note 3)	168,521	148,594
Profit on sale of property, plant and equipment	(72)	(162)
Depreciation of property, plant and equipment	1,855	2,759
Hire of plant and machinery	15,745	15,568
Operating lease charges for land and buildings	1,841	1,618
Auditor's remuneration:		
Audit of these financial statements	30	30
Amounts receivable by the auditor and its associates in respect of:		
Audit of financial statements of subsidiaries pursuant to legislation	174	163
Pension scheme audit	5	5
Other assurance services	4	5

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 £0.018 million (2017 – £0.016 million).

5 Income tax expense

	2018 £000	2017 £000
Current tax expense:		
UK corporation tax	120,397	108,413
Adjustments in respect of prior years	(949)	(1,980)
	119,448	106,433
Deferred tax expense/(income):		
Origination and reversal of temporary differences	1,704	236
Reduction in tax rate	-	(13)
Adjustments in respect of prior years	-	10
	1,704	233
Total income tax expense in income statement	121,152	106,666

	2018 %	2018 £000	2017 %	2017 £000
Reconciliation of effective tax rate:				
Profit before taxation		641,057		560,723
Tax calculated at UK corporation tax rate	19.0	121,801	19.7	110,462
Non-taxable income and enhanced deductions	-	300	(0.3)	(1,826)
Adjustments in respect of prior years – current tax	(0.1)	(949)	(0.4)	(1,980)
– deferred tax	-	-	-	10
Effective tax rate and tax expense for the year	18.9	121,152	19.0	106,666

The corporation tax rate reduced to 20% with effect from 1 April 2015 and 19% with effect from 1 April 2017.

The deferred tax assets/(liabilities) held by the Group at the start of the comparative year that were expected to be realised after 31 March 2020 were revalued at 17%, the substantively enacted corporation tax rate that will be effective when they are expected to be realised.

5 Income tax expense continued

The effective income tax expense is 18.9% of profit before taxation (2017 – 19.0%) and compares favourably to the Group's standard tax rate for the year of 19.0% (2017 – 19.7%). The lower effective tax rate in the current year is principally due to enhanced tax deductions received by the Group in relation to land remediation relief and a credit following the finalisation of the prior year corporation tax returns.

	2018 £000	2017 £000
Deferred tax recognised directly in equity:		
(Charge)/credit relating to equity-settled transactions	(609)	533
Charge relating to remeasurements on the defined benefit pension scheme	(850)	(730)

6 Dividends on equity shares

	2018 £000	2017 £000
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 July 2017 of 84.5p per share (2016 – 74.0p)	103,668	90,589
Interim dividend for the year ended 31 July 2018 of 48.0p per share (2017 – 37.5p)	58,997	45,980
Dividends forfeited	(18)	(13)
	162,647	136,556
Proposed final dividend for the year ended 31 July 2018 of 95.0p per share (2017 – 84.5p)	116,830	103,608

The 2018 proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 12 December 2018 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 2017 shares were held by the Bellway Employee Share Trust (1992) (the 'Trust') (note 18) on which dividends had been waived.

The level of distributable reserves are sufficient in comparison to the proposed dividend.

7 Earnings per ordinary share

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

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

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

	Earnings	Weighted average number of ordinary shares	Earnings per share	Earnings	Weighted average number of ordinary shares	Earnings per share
	2018 £000	2018 Number	2018 p	2017 £000	2017 Number	2017 p
For basic earnings per ordinary share	519,905	122,779,199	423.4	454,057	122,511,626	370.6
Dilutive effect of options and awards		528,251	(1.8)		536,577	(1.6)
For diluted earnings per ordinary share	519,905	123,307,450	421.6	454,057	123,048,203	369.0

Notes to the Accounts continued

8 Property, plant and equipment

Group	Land and property £000	Plant, fixtures and fittings £000	Total £000
Cost			
At 1 August 2016	9,424	19,225	28,649
Additions	124	1,985	2,109
Disposals	-	(7,396)	(7,396)
At 1 August 2017	9,548	13,814	23,362
Additions	15	3,906	3,921
Disposals	-	(1,894)	(1,894)
At 31 July 2018	9,563	15,826	25,389
Depreciation			
At 1 August 2016	1,956	11,789	13,745
Charge for year	209	2,550	2,759
On disposals	-	(4,397)	(4,397)
At 1 August 2017	2,165	9,942	12,107
Charge for year	249	1,606	1,855
On disposals	-	(1,668)	(1,668)
At 31 July 2018	2,414	9,880	12,294
Net book value			
At 31 July 2018	7,149	5,946	13,095
At 31 July 2017	7,383	3,872	11,255
At 31 July 2016	7,468	7,436	14,904

The Company has no property, plant and equipment.

9 Investment property

Group	Total £000
Cost	
At 1 August 2016 and 1 August 2017	423
Disposals	-
At 31 July 2018	423
Depreciation	
At 1 August 2016 and 1 August 2017	423
On disposals	-
At 31 July 2018	423
Net book value	
At 31 July 2018	-
At 31 July 2016 and 31 July 2017	-

Investment properties represent homes which have been sold under a shared ownership scheme and where Bellway has retained an equity stake. They are valued under the cost model and are held at cost less accumulated depreciation and accumulated impairment losses. A formal internal valuation of investment properties was carried out at the end of the financial year. The fair value of the investment properties was assessed at £nil (2017 – £nil).

The Company has no investment properties.

10 Investments in joint arrangements and subsidiaries

The Group and Company have the following investments in subsidiaries and joint ventures:

	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
Subsidiary undertakings				
Interest in subsidiary undertakings' shares at cost	-	-	39,744	37,285
Investments accounted for using equity method				
Interest in joint ventures – loan	41,260	33,940	-	-
Interest in joint ventures – equity	2,203	405	-	-
	43,463	34,345	-	-
	43,463	34,345	39,744	37,285

The subsidiary undertakings and joint arrangements in which the Group has interests are incorporated in England and Wales. In each case their principal activity is related to housebuilding. The Group is made up of 59 subsidiaries and 8 joint arrangements. Further details are included in note 25.

Where Bellway owns 100% of the voting rights of a business, the company is considered to be controlled by Bellway and is treated as a subsidiary.

North Solihull Partnership LP, Cramlington Developments Limited and Leebell Developments Limited are classified as joint operations as the shareholders have substantially all of the economic benefit of the assets and fund the liabilities of the entities.

Ponton Road LLP and Fradley Residential LLP are classified as joint ventures as the Group has rights to the net assets of the arrangements rather than the individual assets and liabilities.

The movement on the investment in the joint ventures during the year is as follows:

	2018 £000	2017 £000
At the start of the year	34,345	4,550
Net increase in loans	7,320	29,383
Share of result	1,798	412
At the end of the year	43,463	34,345

The Group's share of the joint ventures' net assets/(liabilities), income and expenses is made up as follows:

	2018 £000	2017 £000
Non-current assets	14	19
Current assets	48,678	40,046
Current liabilities	(44,971)	(36,832)
Non-current liabilities	(1,518)	(2,828)
Share of net assets/(liabilities) of joint ventures	2,203	405
Revenue	8,401	2,623
Costs	(6,510)	(2,055)
Operating profit	1,891	568
Interest	(93)	(156)
Share of result of joint ventures	1,798	412

Guarantees relating to the overdrafts of the joint ventures have been given by the Company (see note 21).

Notes to the Accounts continued

11 Deferred taxation

The following are the deferred tax assets and liabilities recognised by the Group and the movements thereon during the current and prior year:

Group	Capital allowances £000	Retirement benefit obligations/(assets) £000	Share-based payments £000	Other temporary differences £000	Total £000
At 1 August 2016	(95)	1,448	1,042	(219)	2,176
Income statement credit/(charge)	123	(40)	151	(467)	(233)
Charge to statement of comprehensive income	-	(730)	-	-	(730)
Credit to equity	-	-	533	-	533
At 31 July 2017	28	678	1,726	(686)	1,746
Income statement (charge)/credit	(50)	(47)	4	(1,611)	(1,704)
Charge to statement of comprehensive income	-	(850)	-	-	(850)
Charge to equity	-	-	(609)	-	(609)
At 31 July 2018	(22)	(219)	1,121	(2,297)	(1,417)

The following is an analysis of the deferred tax balances for financial reporting purposes:

	2018 £000	2017 £000
Retirement benefit obligations	-	678
Capital allowances	-	28
Share-based payments	1,121	1,726
Deferred tax assets	1,121	2,432
Capital allowances	(22)	-
Retirement benefit assets	(219)	-
Other temporary differences	(2,297)	(686)
Deferred tax liabilities	(2,538)	(686)
Net deferred tax (liability)/asset	(1,417)	1,746

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

There are no deferred tax balances in respect of the Company.

12 Inventories

Group	2018 £000	2017 £000
Land	2,011,881	1,838,190
Work in progress	1,115,091	1,017,693
Showhomes	97,447	78,224
Part-exchange properties	47,192	34,077
	3,271,611	2,968,184

Inventories of £2,154.7 million were expensed in the year (2017 – £1,854.3 million).

In the ordinary course of business inventories have been written back by a net £0.8 million (2017 – £8.1 million) in the year.

Land with a carrying value of £217.0 million (2017 – £202.0 million) was used as security for land payables (see note 15).

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

The Company has no inventory.

13 Trade and other receivables

Current receivables

	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
Trade receivables	39,459	34,075	-	-
Other receivables	69,623	46,626	-	-
Amounts owed by Group undertakings	-	-	542,107	542,318
Prepayments and accrued income	5,833	4,467	-	-
	114,915	85,168	542,107	542,318

The Group assesses the ageing of trade receivables in terms of whether amounts are receivable in less than one year or more than one year. None of the trade receivables are past their due dates (2017 – nil).

Other receivables includes £26.045 million (2017 – £21.169 million) in relation to VAT recoverable.

14 Interest-bearing loans and borrowings

Current liabilities

	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
Bank loans	-	30,000	-	-

15 Trade and other payables

Non-current liabilities

	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
Land payables	80,382	111,750	-	-
Other payables	1,938	1,993	-	-
	82,320	113,743	-	-

Land payables of £68.682 million (2017 – £77.883 million) are secured on the land to which they relate.

The carrying value of the land used for security is £66.796 million (2017 – £76.342 million).

Current liabilities

	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
Trade payables	301,349	272,767	-	-
Land payables	284,993	255,023	-	-
Social security and other taxes	7,771	5,702	-	-
Other payables	13,278	2,089	279	289
Accrued expenses	124,498	112,464	-	-
Payments on account	109,186	101,415	-	-
	841,075	749,460	279	289

Land payables of £153.774 million (2017 – £127.628 million) are secured on the land to which they relate.

The carrying value of the land used for security is £150.216 million (2017 – £125.663 million).

Notes to the Accounts continued

16 Financial instruments

Land purchased on deferred terms

The Group sometimes acquires land on deferred payment terms. In accordance with IAS 39 'Financial Instruments: Recognition and Measurement', the creditor is initially recorded at fair value, being the price paid for the land discounted to present day, and subsequently at amortised cost. The difference between the nominal value and the initial fair value is amortised over the deferred term to finance expenses, increasing the land creditor to its full cash settlement value on the payment date.

The maturity profile of the total contracted cash payments in respect of amounts due on land creditors at the balance sheet date is as follows:

	Balance at 31 July £000	Total contracted cash payment £000	Within 1 year or on demand £000	1-2 years £000	2-5 years £000	More than 5 years £000
At 31 July 2018	365,375	371,950	287,414	57,549	26,987	-
At 31 July 2017	366,773	373,574	256,832	82,953	33,789	-

The maturity profile of the total contracted payments in respect of financial liabilities (excluding amounts due on land creditors shown separately above) is as follows:

	Balance at 31 July £000	Total contracted cash payment £000	Within 1 year or on demand £000	1-2 years £000	2-5 years £000	More than 5 years £000
Bank loans – floating rates	-	-	-	-	-	-
Trade and other payables	324,336	324,336	322,398	-	-	1,938
At 31 July 2018	324,336	324,336	322,398	-	-	1,938
Bank loans – floating rates	30,000	30,012	30,012	-	-	-
Trade and other payables	282,551	282,551	280,558	-	-	1,993
At 31 July 2017	312,551	312,563	310,570	-	-	1,993

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 £430.0 million (2017 – £400.0 million) of undrawn bank facilities available.

Cash and cash equivalents

This comprises cash held by the Group and short-term bank deposits with a maturity date of less than one month.

The amounts of cash and cash equivalents for the years ended 31 July 2018 and 31 July 2017 for both the Group and the Company are shown in note 20.

At 31 July 2018 the average interest rate earned on the temporary closing cash balance, excluding joint ventures, was 0.36% (2017 – 0.24%).

Fair values

The carrying values of financial assets and liabilities reasonably approximate their fair values.

Financial assets and liabilities by category

	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
Loans and receivables	101,180	68,717	542,107	542,318
Fair value through profit or loss	7,902	11,984	-	-
Cash and cash equivalents	98,993	45,965	52,740	52,751
Financial liabilities at amortised cost	(681,940)	(673,622)	(279)	(289)
	(473,865)	(546,956)	594,568	594,780

The fair value through profit or loss asset is categorised as level 3 within the hierarchical classification of IFRS 13. This asset is recorded at fair value, being the estimated amount receivable by the Group, discounted to present day values and is included in other receivables (see note 13).

16 Financial instruments continued

Reconciliation of liabilities arising from financial activities

Group	At 1 August 2016 £000	Net cash flows £000	At 1 August 2017 £000	Net cash flows £000	At 31 July 2018 £000
Bank borrowings	32,500	(2,500)	30,000	(30,000)	-

There were no liabilities arising from financing activities within the Company.

Bank facilities

The Group has bank facilities of £430.0 million (2017 – £430.0 million) which expire during the course of the following financial years:

	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
By 31 July 2018	-	50,000	-	-
By 31 July 2019	125,000	125,000	-	-
By 31 July 2020	175,000	175,000	-	-
By 31 July 2021	80,000	80,000	-	-
By 31 July 2022	-	-	-	-
By 31 July 2023	50,000	-	-	-
	430,000	430,000	-	-

Capital management

The Group is financed through the proceeds of issued ordinary shares, reinvested profits and bank borrowings less cash in hand. The following table analyses the capital structure:

	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
Equity	2,557,100	2,191,340	634,312	632,065
Net bank debt	-	-	-	-
Capital employed	2,557,100	2,191,340	634,312	632,065

Risks

Details of the risks relating to financial instruments are set out in the Risk Management section on page 27.

17 Issued capital

Group and Company	2018 Number 000	2018 £000	2017 Number 000	2017 £000
Allotted, called up and fully paid 12.5p ordinary shares				
At start of year	122,798	15,349	122,686	15,335
Issued on exercise of options	182	23	112	14
At end of year	122,980	15,372	122,798	15,349

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.

18 Reserves

Own shares held

The Group and Company hold shares within the Bellway Employee Share Trust (1992) (the 'Trust') for participants of certain share-based payment schemes as outlined in note 23. These are held within retained earnings. During the period no shares were purchased by the Trust (2017 – nil shares) and the Trust transferred 118,863 (2017 – 119,733) shares to employees and directors. The number of shares held within the Trust, and on which dividends have been waived, at 31 July 2018 was 65,540 (2017 – 184,403). These shares are held within the financial statements at a cost of £1.216 million (2017 – £3.421 million). The market value of these shares at 31 July 2018 was £1.912 million (2017 – £5.882 million).

Capital redemption reserve

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

Income statement

As permitted by section 408 of the Companies Act 2006, the Company's income statement has not been included in these financial statements. The Company's profit for the financial year was £160.000 million (2017 – £135.000 million).

Notes to the Accounts continued

19 Reconciliation of net cash flow to net cash

Group	2018 £000	2017 £000
Increase/(decrease) in net cash and cash equivalents	53,028	(13,003)
Decrease in bank borrowings	30,000	2,500
Increase/(decrease) in net cash from cash flows	83,028	(10,503)
Net cash at 1 August	15,965	26,468
Net cash at 31 July	98,993	15,965

Company	2018 £000	2017 £000
Decrease in net cash and cash equivalents	(11)	(11)
Decrease in net cash from cash flows	(11)	(11)
Net cash at 1 August	52,751	52,762
Net cash at 31 July	52,740	52,751

20 Analysis of net cash

Group	At 1 August 2017 £000	Cash flows £000	At 31 July 2018 £000
Cash and cash equivalents	45,965	53,028	98,993
Bank loans	(30,000)	30,000	-
Net cash	15,965	83,028	98,993

Company	At 1 August 2017 £000	Cash flows £000	At 31 July 2018 £000
Cash and cash equivalents	52,751	(11)	52,740
Net cash	52,751	(11)	52,740

21 Contingent liabilities

The Company is liable, jointly and severally with other members of the Group, under guarantees given to the Group's bankers in respect of overdrawn balances on certain Group bank accounts and in respect of other overdrafts, loans and guarantees given by the banks to or on behalf of other Group undertakings.

At 31 July 2018 there were bank overdrafts of £nil (2017 - £nil) and loans of £nil (2017 - £30.0 million). The Company has given performance and other trade guarantees on behalf of subsidiary undertakings. The Company has guaranteed the overdrafts of joint arrangements up to a maximum of £0.3 million (2017 - £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.

22 Commitments

Capital commitments

Group	2018 £000	2017 £000
Contracted not provided	221	-
Authorised not contracted	-	798

Operating leases

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which expire as follows:

	2018 £000	2017 £000
Expiring within one year	138	311
Expiring within two to five years	6,117	4,890
Expiring in more than five years	6,897	3,886
	13,152	9,087

Operating lease payments principally relate to rents payable by the Group for office premises and motor vehicles. The office premises leases are subject to periodic rent reviews.

Company

The commitments of the Company were £nil (2017 - £nil).

23 Employee benefits

(a) Retirement benefit assets/(obligations)

The Group sponsors the Bellway plc 1972 Pension Scheme (the 'Scheme') which has a funded defined benefit arrangement which is closed to new members and to future service accrual. The Group also sponsors the Bellway plc 2008 Group Self Invested Personal Pension Plan ('GSIPP') which is a defined contribution contract-based arrangement.

Contributions of £5.092 million (2017 - £4.068 million) were charged to the income statement for the GSIPP.

Defined contributions have been excluded from the assets and liabilities.

Role of Trustees

The Scheme is managed by the Trustees, who are appointed by either the Company or the members. The role of the Trustees is to manage the Scheme in line with the Scheme trust deed and rules, to act prudently, responsibly, 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, to make sure these contributions are paid, to decide how the Scheme's assets are invested so the Scheme is able to meet its liabilities and to oversee that the payment of benefits, record keeping and administration of the Scheme complies with the Scheme trust deed and rules and legislation.

Funding

UK legislation requires that pension schemes are funded prudently (i.e. to a level in excess of the current expected cost of providing benefits). The last full actuarial valuation of the Scheme was carried out by a qualified independent actuary as at 31 July 2017 and updated on an approximate basis to 31 July 2018.

With regard to the Scheme, regular contributions made by the employer over the financial year were £nil (2017 - £nil). The employer paid no special contributions (2017 - £nil) and reimbursed the pension fund £0.37 million (2017 - £0.40 million) for expenses incurred by the fund.

The Group is expected to make no regular contributions during the year ending 31 July 2019.

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.

Notes to the Accounts continued

23 Employee benefits continued

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.

Movements in net defined benefit assets/(obligations)

	Defined benefit obligation		Fair value of Scheme assets		Net defined benefit asset/(liability)	
	2018 £000	2017 £000	2018 £000	2017 £000	2018 £000	2017 £000
Balance at 1 August	(58,176)	(59,909)	54,199	51,873	(3,977)	(8,036)
Included in the income statement						
Interest (cost)/income	(1,448)	(1,418)	1,351	1,230	(97)	(188)
	(1,448)	(1,418)	1,351	1,230	(97)	(188)
Included in other comprehensive income						
Remeasurement gain arising from:						
- Change in demographic and financial assumptions	1,716	1,142	-	-	1,716	1,142
- Experience adjustments	2,368	379	-	-	2,368	379
Return on plan assets excluding interest income	-	-	917	2,325	917	2,325
	4,084	1,521	917	2,325	5,001	3,846
Other						
Contributions paid by the employer	-	-	371	401	371	401
Benefits paid	2,803	1,630	(2,803)	(1,630)	-	-
	2,803	1,630	(2,432)	(1,229)	371	401
Balance at 31 July	(52,737)	(58,176)	54,035	54,199	1,298	(3,977)

The weighted average duration of the defined benefit obligation at the end of the reporting period is 17 years (2017 – 17 years).

Scheme assets

The fair value of the Scheme assets is:

	2018 £000	2017 £000
Diversified growth fund	22,632	29,718
Equity instruments	16,492	16,079
Corporate bonds	3,845	2,666
Liability driven instruments	10,871	5,526
Cash and cash equivalents	195	210
Total	54,035	54,199

All of the Scheme assets, with the exception of cash and cash equivalents, are considered to be level 2.

Diversified growth funds are pooled funds invested across a diversified range of assets with the aim of giving long-term investment growth with lower short-term volatility than equities.

23 Employee benefits continued

Actuarial assumptions

The following are the principal actuarial assumptions at the reporting date:

	2018 % per annum	2017 % per annum
Discount rate	2.65	2.55
Future salary increases	3.70	3.70
Allowance for pension in payment increases of RPI or 5% p.a. if less	3.10	3.10
Allowance for deferred pension increases of CPI or 5% p.a. if less	2.20	2.20
Allowance for commutation of pension for cash at retirement	50% of maximum	50% of maximum

The mortality assumptions adopted at 31 July 2018 are based on the S2PxA tables and allow for future improvement in mortality. The tables used imply the following life expectancies at age 65:

Male retiring at age 65 in 2018	22.7 years
Female retiring at age 65 in 2018	24.6 years
Male retiring at age 65 in 2038	24.1 years
Female retiring at age 65 in 2038	26.2 years

Sensitivities

The calculation of the defined benefit obligation is sensitive to the assumptions set out above. The following table summarises the effect on the defined benefit obligation at the end of the reporting period if different assumptions were used:

Assumption	Change in assumption	Change in liabilities (%)
Discount rate	-0.25% p.a.	Increase by 4.4%
Future salary increases	+0.25% p.a.	Increase by 0.3%
Inflation – RPI	+0.25% p.a.	Increase by 3.0%
Mortality	+1 year life expectancy	Increase by 3.1%

The calculations for the sensitivity analysis are not as accurate as a full valuation carried out using these assumptions. Each assumption change is considered in isolation, which in practice is unlikely to occur, as changes in some of the assumptions are correlated.

(b) Share-based payments

The Group operates a long-term incentive plan ('LTIP'), a share matching plan ('SMP'), deferred bonus plans ('DBP') and ('2003 DBP'), an employee share option scheme and Savings Related Share Option Schemes ('SRSOS'), all of which are detailed below.

Awards under the LTIP and SMP have been made to executive directors, the Group General Counsel and Company Secretary, and senior employees, with awards under the 2003 DBP also made to senior employees. The awards take the form of ordinary shares in the Company.

The Bellway p.l.c. (2014) Employee Share Option Scheme ('2014 ESOS') is an approved discretionary scheme which provides for the grant of options over ordinary shares to employees and executive directors. It is, however, the current intention that no executive directors of the Company should be granted options under this scheme. Awards will be available to vest after three years, subject to objective performance targets. As at 31 July 2018 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 and the SMP is detailed under the long-term incentive scheme section on pages 70 to 75 within the Remuneration Report. No awards have been made under the SMP since 2014 and there are no awards outstanding under the SMP as at 31 July 2018.

Various small share option awards have been made to employees at divisional management level under the terms of the 2003 DBP. Awards will be available to vest after three years, subject to objective performance targets. There are no DBP awards outstanding.

Share-based payments have been valued by an external third party using various models detailed below, based on publicly available market data at the time of the grant, which the directors consider to be the most appropriate method of determining their fair value.

Notes to the Accounts continued

23 Employee benefits continued

The number and weighted average exercise price of share-based payments is as follows:

LTIP, SMP, DBP

	2018 Number of options	2017 Number of options
Outstanding at the beginning of the year	305,963	304,136
Granted during the year	112,746	121,560
Lapsed during the year	(42,876)	-
Exercised during the year	(118,863)	(119,733)
Outstanding at the end of the year	256,970	305,963
Exercisable at the end of the year	-	-

The options outstanding at 31 July 2018 have a weighted average contractual life of 1.3 years (2017 – 1.3 years).

SRSOS

	2018 Number of options	2017 Number of options
Outstanding at the beginning of the year	542,898	507,795
Granted during the year	155,769	200,669
Forfeited during the year	(49,918)	(53,594)
Exercised during the year	(182,308)	(111,972)
Outstanding at the end of the year	466,441	542,898
Exercisable at the end of the year	-	-

The options outstanding at 31 July 2018 have an exercise price in the range of 1,218.4p to 2,934.4p (2017 – 805.6p to 2,048.8p) and have a weighted average contractual life of 2.3 years (2017 – 2.2 years). The weighted average share price at the date of exercise for share options exercised during the year was 3,291.7p (2017 – 2,530.3p).

Valuation methodology

For LTIP options, half of the performance criteria is based on TSR against comparator companies with the other half based on TSR measured against the FTSE 250 Index (excluding investment trusts and financial service companies). A simplified Monte Carlo simulation method has been used to determine the Group's TSR performance against the FTSE 250 Index (excluding investment trusts and financial service companies). In the case of the 2003 DBP, there are no market-related performance conditions and awards will be eligible to vest upon reaching a date set out in the Deed of the award. As dividends are not reinvested, the fair value of these awards is equal to the share price at the date of the grant. The Black Scholes method is used for the SRSOS due to the relatively short exercise window of six months.

The fair value of services received in return for share options granted is measured by reference to the fair value of the share options granted. The inputs into the models for the various grants in the current and previous year were as follows:

	2018					2017			
	November 2017	November 2017	November 2017	December 2017	December 2017	November 2016	November 2016	November 2016	December 2016
Scheme description	LTIP	LTIP	DBP	3 Year SRSOS	5 Year SRSOS	LTIP	3 Year SRSOS	5 Year SRSOS	DBP
Grant date	10-Nov-17	14-Nov-17	14-Nov-17	05-Dec-17	05-Dec-17	09-Nov-16	29-Nov-16	29-Nov-16	01-Dec-16
Risk free interest rate	0.0%	0.0%	0.0%	0.6%	0.8%	0.0%	0.3%	0.7%	0.0%
Exercise price	-	-	-	2,934.4p	2,934.4p	-	1,892.8p	1,892.8p	-
Share price at date of grant	3,450.0p	3,499.0p	3,499.0p	3,517.0p	3,517.0p	2,426.0p	2,490.0p	2,490.0p	2,388.0p
Expected dividend yield	-	-	-	3.5%	3.5%	4.5%	4.5%	4.5%	N/A
Expected life	3 years	3 years	3 years	3 years 2 months	5 years 2 months	3 years	3 years 2 months	5 years 2 months	3 years
Vesting date	10-Nov-20	14-Nov-20	14-Nov-20	01-Feb-21	01-Feb-23	09-Nov-19	01-Feb-20	01-Feb-22	01-Dec-19
Expected volatility	35%	35%	N/A	35%	30%	35%	35%	30%	N/A
Fair value of option	2,114.0p	2,181.0p	3,499.0p	893.0p	837.0p	1,220.5p	655.0p	590.0p	2,388.0p

23 Employee benefits continued

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 £2.459 million (2017 – £2.066 million) in relation to equity-settled share-based payment transactions.

24 Related party transactions

The Board and certain members of senior management are related parties within the definition of IAS 24 'Related Party Disclosures'. Summary information of the transactions with key management personnel is provided in note 3. Detailed disclosure of individual remuneration of Board members is included in the Remuneration Report on pages 58 to 77.

Following shareholder approval at the December 2016 AGM the former Chief Executive legally completed the purchase of a property for £390,995 from Bellway Homes Limited at one of the Group's developments using shareholder discount, during the year ended 31 July 2017. The purchase price was calculated on an arm's length basis using prices already achieved for similar properties on the same development.

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:

	2018 £000	2017 £000
Invoiced to joint arrangements in respect of accounting, management fees, interest on loans, land purchases and infrastructure works	16,547	4,623
Invoiced from joint arrangements in respect of fees, land purchases and infrastructure works	(419)	(2,822)
Amounts owed to joint arrangements in respect of land purchases and management fees at the year end	(3,197)	(5,118)
Amounts owed by joint arrangements in respect of accounting, management fees, interest, land purchases and infrastructure works	48,832	42,765

Company

During the year the Company entered into the following related party transactions with its subsidiaries and joint arrangements:

	2018 £000	2017 £000
Amounts received in the year from subsidiaries for share options exercised by subsidiary company employees and dividends received	162,436	136,108
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	(162,647)	(136,556)
Amounts owed by subsidiaries in respect of dividends and shares issued net of amounts paid on behalf of the Company	542,107	542,318
Investments in subsidiaries and joint ventures	39,744	37,285

The Company has suffered no expense in respect of bad or doubtful debts of subsidiary undertakings in the year (2017 – £nil).

Notes to the Accounts continued

25 Group undertakings

The directors set out below information relating to the Group undertakings as at 31 July 2018. All of these companies are registered in England and Wales, apart from Bellway (Scotland) Limited which is registered in Scotland. They are engaged in housebuilding and associated activities, have coterminous year ends with the Group, 100% of their ordinary share capital is held by the Company and the registered address is the same as the Company (unless otherwise stated).

Subsidiaries – trading

Bellway Financial Services Limited	Bellway Properties Limited
Bellway Homes (North Solihull G P) Limited	Bellway (Services) Limited
Bellway Homes Limited	Litrose Investments Limited
Bellway Housing Trust Limited	The Victoria Dock Company Limited

Subsidiaries – dormant[^]

Ashberry Homes Limited	D. F. W. Golding Limited
B.C.P. (Transport) Limited	Dymock Properties Limited ^{^^^}
Bellway (Builders) Limited	George Blackett Limited
Bellway (North East) Limited	Heron Electrical Contractors Limited
Bellway (Scotland) Limited ⁽³⁾	Homes2Let Limited
Bellway City Solutions Limited	J. T. B. (Chapel Farm) Estates Limited
Bellway Conversions Limited	J. T. B. Estates Limited
Bellway Homes (Anglia) Limited	John T Bell & Sons (1976) Limited
Bellway Homes (Barking Reach) Limited	Lowfield Street Limited
Bellway Homes (Cupernham Lane) Limited ^{^^^}	Mansions Limited
Bellway Homes (Hertfordshire) Limited	Metier Properties Limited ^{^^^}
Bellway Homes (North Solihull) Limited	Moorfield Investments Limited ^{^^^}
Bellway Homes (Social Housing) Limited	Nixons Kitchens Limited
Bellway Homes (Wales) Limited ^{^^}	Seaton GR SPV 7 Limited
Bellway Homes (West Midlands) Limited	Seaton GR SPV 8 Limited
Bellway Housebuilders Limited ^{^^}	Seaton GR SPV 9 Limited
Bellway I Limited	Seaton GR SPV 10 Limited
Bellway London Limited	Seaton GR SPV 11 Limited
Bellway Marine Limited	Seaton GR SPV 12 Limited
Bellway Trustee Company Limited	Seaton GR SPV 13 Limited
Bellway Urban Renewals (Contracts) Limited	Seaton GR SPV 14 Limited
Bellway Urban Renewals Limited	Telvec Investments Limited
Bulldog Premium Growth I Limited	Terraces Limited
Bulldog Premium Growth II Limited	The Barking Reach Company Limited ^{^^^}
Commercials Limited	Tyneside Land & Property Company Limited
D. F. W. Golding (Southern) Limited	

Joint arrangements

Angst Limited (50% owned) [^]
Cramlington Developments Limited (50% owned, year end of 30 June) ^{^^(1)}
Easel Leeds Limited (50% owned) [^]
Fradley Residential LLP (50% owned) ^{^^}
Leebell Developments Limited (50% owned, year end of 30 June) ^{^^(1)}
North Solihull (GP) Limited (25% owned, year end of 31 March) ^{^, ^^ (2)}
North Solihull Partnership LP (49.8% owned, year end of 31 March) ^{^^ (2)}
Ponton Road LLP (50% owned) ^{^^}

Other entities

HBf Insurance PCC Limited ⁽⁴⁾
MI New Home Insurance PCC Limited ⁽⁴⁾

Notes:

[^] Dormant.

^{^^} These shares are held indirectly.

^{^^^} Dissolved on 18 September 2018.

1. Registered address is Persimmon House, Fulford, York, YO19 4FE.
2. Registered address is Council House, Manor Square, Solihull, West Midlands, B91 3QB.
3. Registered address is Bothwell House, Hamilton Business Park, Caird Street, Hamilton, ML3 0QA.
4. Registered address is Mill Court, La Charroterie, St Peter Port, Guernsey, GY1 4EY.

	2014 Restated £m	2015 £m	2016 £m	2017 £m	2018 £m
Income statement					
Revenue	1,484.8	1,765.4	2,240.7	2,558.6	2,957.7
Operating profit	255.6	360.5 ⁽¹⁾	492.0	571.6	652.9
Net finance expenses	(9.9)	(13.1)	(11.1)	(11.3)	(13.6)
Share of results of joint ventures	0.3	(0.1)	(0.3)	0.4	1.8
Profit before taxation	246.0	347.3 ⁽¹⁾	480.6 ⁽¹⁾	560.7	641.1
Income tax expense	(54.6)	(69.6) ⁽¹⁾	(95.0)	(106.6)	(121.2)
Profit for the year (all attributable to equity holders of the parent)	191.4	277.7 ⁽¹⁾	385.6 ⁽¹⁾	454.1	519.9
Balance sheet					
ASSETS					
Non-current assets	80.4	48.1	33.3	48.0	59.0
Current assets	1,882.0	2,241.2	2,687.5	3,099.3	3,485.5
LIABILITIES					
Non-current liabilities	(74.3)	(60.3)	(96.2)	(118.4)	(84.9)
Current liabilities	(522.0)	(653.1)	(757.6)	(837.6)	(902.5)
EQUITY					
Total equity	1,366.1	1,575.9	1,867.0	2,191.3	2,557.1
Statistics					
Number of homes sold	6,851	7,752	8,721	9,644	10,307
Average price of new homes	£213.2k	£223.8k	£252.8k	£260.4k	£284.9k
Pre-exceptional gross margin ^(~)	21.3%	24.2% ⁽¹⁾	25.7%	25.9%	25.5%
Gross margin	21.3%	24.6%	25.7%	25.9%	25.5%
Pre-exceptional operating margin ^(~)	17.2%	20.4% ⁽¹⁾	22.0%	22.3%	22.1%
Operating margin	17.2%	20.8%	22.0%	22.3%	22.1%
Basic earnings per ordinary share	157.0p	231.5p	328.7p	370.6p	423.4p
Dividend per ordinary share	52.0p	77.0p	108.0p	122.0p	143.0p
Pre-exceptional return on capital employed ^(~)	19.6%	23.9% ⁽¹⁾	28.2%	27.6%	27.2%
Return on capital employed ^(~)	19.6%	24.4%	28.2%	27.6%	27.2%
Gearing (including preference shares) ^(~)	-	2.4%	-	-	-
Net asset value per ordinary share ^(~)	1,118p	1,286p	1,522p	1,785p	2,079p
Land portfolio – plots with planning permission	19,434	21,411	24,879	25,655	26,877
Weighted average no. of ordinary shares	121,919,049	122,315,198	122,558,261	122,511,626	122,779,199
No. of ordinary shares in issue at end of year	122,191,378	122,521,915	122,685,986	122,797,958	122,980,266

Note:

1. Stated before exceptional item.

Alternative Performance Measures

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

The APMs used by the Group are defined below:

- **Pre-exceptional gross profit and pre-exceptional operating profit** – Both of these measures are reconciled to total gross profit and total operating profit on the face of the consolidated income statement. The directors consider that the removal of exceptional items provide a better understanding of the underlying performance of the Group.
- **Pre-exceptional gross profit margin** – Pre-exceptional gross profit margin is the pre-exceptional gross profit divided by total revenue. The directors consider this to be an important indicator of the underlying trading performance of the Group.
- **Administrative expenses as a percentage of revenue** – This is calculated as the total administrative overheads divided by total revenue. The directors consider this to be an important indicator of how efficiently the Group is managing its administrative overhead base.
- **Pre-exceptional operating profit margin** – Pre-exceptional operating profit margin is the pre-exceptional operating profit divided by total revenue. The directors consider this to be an important indicator of the operating performance of the Group.
- **Net finance expense** – This is finance expenses less finance income. The directors consider this to be an important measure when assessing whether the Group is using the most cost effective source of finance.
- **Dividend cover** – This is calculated as earnings per ordinary share for the period divided by the dividend per ordinary share relating to that period. At the half year the dividend per ordinary share is the proposed interim ordinary dividend, and for the full year it is the interim dividend paid plus the proposed final dividend. The directors consider this an important indicator of the proportion of earnings paid to shareholders and reinvested in the business.
- **Capital invested in land, net of land creditors, and work in progress** – This is calculated as shown in the table below. The directors consider this as an indicator of the net investment by the Group in the period to achieve future growth.

Per balance sheet	2018 £m	2017 £m	Mvt £m	2017 £m	2016 £m	Mvt £m
Land	2,011.9	1,838.2	173.7	1,838.2	1,625.6	212.6
Work in progress	1,115.1	1,017.7	97.4	1,017.7	836.1	181.6
Increase in capital invested in land and work in progress in the year			271.1			394.2
Land creditors	(365.4)	(366.8)	1.4	(366.8)	(304.2)	(62.6)
Increase in capital invested in land, net of land creditors, and work in progress in the year			272.5			331.6

- **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 17). The directors consider this to be a proxy when reviewing whether value, on a share by share basis, has increased or decreased in the period.
- **Capital employed** – Capital employed is defined as the total of equity and net bank debt. Equity is not adjusted where the Group has net cash. The directors consider this to be an important indicator of the operating efficiency and performance of the Group.
- **Return on capital employed ('RoCE')** – This is calculated as operating profit divided by the average capital employed. Average capital employed is calculated based on opening, half year and closing capital employed. The calculation is shown in the table below. The directors consider this to be an important indicator of whether the Group is achieving a sufficient return on its investments.

	2018 Capital employed £m	2018 Land creditors £m	2018 Capital employed including land creditors £m	2017 Capital employed £m	2017 Land creditors £m	2017 Capital employed including land creditors £m
Operating profit	652.9		652.9	571.6		571.6
Capital employed/land creditors:						
Opening	2,191.3	366.8	2,558.1	1,867.0	304.2	2,171.2
Half year	2,455.3	367.3	2,822.6	2,152.4	301.7	2,454.1
Closing	2,557.1	365.4	2,922.5	2,191.3	366.8	2,558.1
Average	2,401.2	366.5	2,767.7	2,070.2	324.2	2,394.4
Return on capital employed	27.2%		23.6%	27.6%		23.9%

- **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.

	2018 £m	2017 £m
Profit for the year	519.9	454.1
Net assets:		
Opening	2,191.3	1,867.0
Half year	2,323.9	1,977.3
Closing	2,557.1	2,191.3
Average	2,357.4	2,011.9
Post tax return on equity	22.1%	22.6%

- **Total growth in value per ordinary share** – The directors use this as a proxy for the increase in shareholder value since 31 July 2015.

Net asset value per ordinary share:	
At 31 July 2018	2,079p
At 31 July 2015	1,286p
Net asset value growth per ordinary share	793.0p
Dividend paid per ordinary share:	
Year ended 31 July 2018	132.5p
Year ended 31 July 2017	111.5p
Year ended 31 July 2016	86.0p
Cumulative dividends paid per ordinary share	330.0p
Total growth in value per ordinary share	1,123.0p

- **Annualised accounting return in NAV and dividends paid since 31 July 2015** – 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 2015 (as detailed above) divided by the net asset value per ordinary share at 31 July 2015. The directors use this as a proxy for the increase in shareholder value since 31 July 2015.

Net asset growth per ordinary share	793.0p
Dividend paid per ordinary share	330.0p
Total growth in value per ordinary share	1,123.0p
Net asset value per ordinary share at 31 July 2015	1,286.0p
Total value per ordinary share	2,409.0p
Annualised accounting return = $(2,409.0/1,286.0)^{1/3} - 1$	23.3%

- **Net cash** – This is the cash and cash equivalents less bank debt. The directors consider this to be a good indicator of the financing position of the Group. This is reconciled in note 20.
- **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.

	2018 £m	2017 £m
Cash from operations	375.6	256.5
Add: increase in capital invested in land, net of land creditors, and work in progress (as described above)	272.5	331.6
Cash generated from operations before investment in land, net of land creditors, and work in progress	648.1	588.1

- **Gearing** – This is calculated as net bank debt divided by total equity. The directors consider this to be a good indicator of the financial stability of the Group.
- **Adjusted gearing** – This is calculated as the total of net bank debt/cash and land creditors divided by total equity. The directors believe that land creditors are a source of long-term finance so this provides an alternative indicator of the financial stability of the Group.

Glossary

Affordable Housing

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

Average Selling Price

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

Brownfield

Land which has been previously used for other purposes.

Cancellation Rate

The rate at which customers withdraw from a house purchase after paying the reservation fee, but before contracts are exchanged, usually due to difficulties in obtaining mortgage finance. Reservation fees are refunded in accordance with the Consumer Code for Home Builders.

Community Infrastructure Levy ('CIL')

The CIL is a tool for local authorities in England and Wales to help deliver infrastructure to support the development of the area.

Earnings per Share ('EPS')

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

Home Builders Federation ('HBF')

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

Help to Buy

The Help to Buy equity loan scheme is a government scheme which provides equity loans to both first-time buyers and home movers on newly constructed homes worth up to £600,000 in England. Buyers have to contribute at least 5% of the property price as a deposit and obtain a mortgage of up to 75% (60% in London) and the government provides a loan for up to 20% (40% in London) of the price.

Land Bank

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

Mortgage Market Review ('MMR')

The MMR was a comprehensive review of the mortgage market which introduced reforms to deliver a mortgage market that is sustainable and works better for consumers.

National Planning Policy Framework ('NPPF')

The NPPF sets out the government's planning policies for England and how these are expected to be applied. It provides a framework within which local people and their accountable councils can produce their own distinctive local and neighbourhood plans, which reflect the needs and priorities of their communities.

National House Building Council ('NHBC')

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

New Homes Bonus ('NHB')

The NHB was introduced in 2011 by the coalition government with the aim of encouraging local authorities in England to grant planning permissions for the building of new houses in return for additional revenue. Under the scheme, the government has been matching the council tax raised on each new home built in England.

Pipeline

Plots which are either owned or contracted by the Group, often conditionally, pending an implementable detailed planning permission.

Planning Permission

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

RIDDOR

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

Section 106 Planning Agreements

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

Site/phase

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

Social Housing

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

The 5% Club

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

See also Alternative Performance Measures section on pages 114 to 115.

Advisers and Group General Counsel and Company Secretary

Group General Counsel and Company Secretary and Registered Office

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Financial Adviser

N M Rothschild & Sons Limited

Stockbrokers

Citigroup Global Markets Limited
Numis Securities Limited

Bankers

Barclays Bank PLC
Lloyds Banking Group plc
Royal Bank of Scotland Group plc

Auditor

KPMG LLP

Solicitor

Slaughter and May

Shareholders by size of holding at 31 July 2018

	Holdings		Shares	
	Number	%	Holding	%
0 – 2,000	1,894	69	1,013,383	1
2,001 – 10,000	415	15	1,836,692	1
10,001 – 50,000	194	7	4,608,214	4
50,001 and over	236	9	115,521,977	94
Total	2,739	100	122,980,266	100

Shareholders by type at 31 July 2018

	Holdings		Shares	
	Number	%	Holding	%
Private shareholders	1,550	57	2,659,777	2
Investment trusts	9	<1	15,524	<1
Pension funds	1	<1	59,913	<1
Nominee companies	1,065	39	105,796,618	86
Limited companies	37	1	679,238	1
Bank and bank nominees	53	2	12,701,537	10
Other institutions	24	1	1,067,659	1
Total	2,739	100	122,980,266	100

Financial Calendar

Final 2017/18 dividend – ex-dividend date	29 November 2018
Final 2017/18 dividend – record date	30 November 2018
AGM	12 December 2018
DRIP election date for final 2017/18 dividend	14 December 2018
Final 2017/18 dividend – payment date	9 January 2019
Trading update	7 February 2019
Announcement of 2018/19 half year results	27 March 2019

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