

RNS Number : 1408U  
 Bellway PLC  
 14 October 2014

## **NATIONAL HOUSEBUILDER BELLWAY ANNOUNCES TODAY, TUESDAY 14 OCTOBER 2014, ITS PRELIMINARY RESULTS FOR THE YEAR ENDED 31 JULY 2014.**

### **Highlights**

#### **A record performance**

	<b>Year ended 31 July 2014</b>	<b>Year ended 31 July 2013</b>	<b>Movement</b>
Homes sold	6,851	5,652	+21.2%
Revenue	£1,486.4m	£1,110.7m	+33.8%
Gross profit	£316.4m	£203.3m	+55.6%
Gross margin	21.3%	18.3%	+300 bps
Operating profit	£256.1m	£151.1m	+69.5%
Operating margin	17.2%	13.6%	+360 bps
Profit before taxation	£245.9m	£140.9m	+74.5%
Earnings per share	157.0p	89.3p	+75.8%
Total proposed dividend per share	52.0p	30.0p	+73.3%
Return on capital employed	19.6%	12.3%	+730 bps

- An increase of 21.2% in the number of homes sold to 6,851 (2013 - 5,652) as a result of the Group's response to strong consumer demand.
- The focus on volume growth has contributed to a 75.8% increase in earnings per share ('EPS') to 157.0p (2013 - 89.3p), a record for the Group.
- The total proposed dividend has been increased by 73.3% to 52.0p per ordinary share (2013 - 30.0p).
- A disciplined approach to investment has resulted in return on capital employed improving by 730 bps to 19.6% (2013 - 12.3%).
- Net asset value per ordinary share ('NAV') has increased by 11.7% to 1,118p (2013 - 1,001p).
- The Group's owned and controlled land bank has risen to 35,434 plots (2013 - 32,991) and this, together with net cash of £5.1 million (2013 - net bank debt of £5.8 million), provides operational and balance sheet capacity for future growth.

#### **Commenting on the results, Chairman, John Watson, said:**

"This has been an exceptional year of progress for the Group in which we have delivered record revenue and profit. This increase in earnings has enabled the Board to propose a final dividend of 36.0p per share, bringing the total dividend payment for the year to 52.0p, another record for the Group.

"There has been a significant improvement in customer confidence during the year and this has enabled Bellway to accelerate the construction and delivery of much needed new homes.

"The outlook remains positive with a record forward order book and this should enable the Group to deliver volume growth of around 10% in the current financial year."

**FOR FURTHER INFORMATION, PLEASE CONTACT TED AYRES, CHIEF EXECUTIVE OR KEITH ADEY, FINANCE DIRECTOR**

**TUESDAY 14 OCTOBER - THURSDAY 16 OCTOBER**  
**T AYRES: 07855 337 067**  
**K ADEY: 07837 188 643**  
**THEREAFTER: 0191 217 0717**

## **CHAIRMAN'S STATEMENT**

### **Introduction**

This has been an exceptional year of progress for the Group in which we have delivered record revenue and profit.

The Group's response to strong market conditions has resulted in growth of 21.2% in the number of legal completions to 6,851 (2013 - 5,652) and an increase in earnings per share of 75.8% to 157.0p (2013 - 89.3p).

### **Dividend**

The rapid growth in profitability is matched by an increase in the proposed dividend. The Board is proposing to increase the final dividend by 71.4% to 36.0p per ordinary share (2013 - 21.0p) which, if approved, will be paid on 14 January 2015. This rise produces an increase of 73.3% in the total dividend for the year to 52.0p (2013 - 30.0p), another record for the Group, with this being covered by earnings 3.0 times (2013 - 3.0 times). The Board expects to maintain this level of cover in the foreseeable future.

Bellway has an unbroken record of paying a dividend every year, including throughout the downturn, thereby providing certainty of return to shareholders. The proposed final dividend for the year ended 31 July 2014 will mean that the Group has returned over £220 million to shareholders since July 2007. The rate of cash return to investors will now increase, commensurate with the expected growth in earnings.

The Group's dividend policy, whilst providing certainty of return, also ensures that sufficient cash can be re-invested in land and work in progress in order to deliver further, sustainable growth. This approach enables Bellway to remain flexible, with the ability to respond to growth opportunities or changes in market conditions as they arise.

### **People and supply chain**

This record set of results could not have been achieved without the hard work, dedication and commitment of all those who work for and with Bellway. I wish to express the Board's gratitude to all of the Group's employees, sub-contractors and suppliers whose efforts have enabled Bellway to safely and substantially increase output.

### **Building shareholder value**

A disciplined approach to investment has resulted in the Group achieving a return on capital employed of 19.6% (2013 - 12.3%) and an 11.7% increase in the net asset value per ordinary share ('NAV') to 1,118p. The strategy of sustainable growth with a focus on return on capital employed, together with regular and increasing dividend payments, ensures that the Group is well placed to create further value for shareholders.

**John Watson**

*Chairman*

13 October 2014

## **CHIEF EXECUTIVE'S OPERATING REVIEW**

### **Strategy for growth**

The Group's strong balance sheet and widespread national presence ensures that Bellway has the ability to invest in a wide range of locations and a variety of land opportunities. Our existing structure of fifteen operating divisions provides capacity for growth and beyond that, the Group is well positioned to open new divisions whilst maintaining strict investment criteria.

There continues to be good availability of high quality land that either meets or exceeds our minimum acquisition criteria in respect of gross margin and return on capital employed. This availability, together with a more positive planning environment, is providing the Group with attractive opportunities for investment.

Furthermore, strong demand from customers and improvements in the mortgage market have created a positive environment for Bellway to deliver ongoing growth.

The strong market conditions, capacity for growth and focus on return on capital employed is helping to ensure that the Group can further increase volume and deliver enhanced value for shareholders.

## Housing market

The government's Help to Buy scheme, launched in April 2013, enabled many customers to gain access to affordable, higher loan to value mortgages. The extension of this scheme in England to 2020 and a general improvement in the supply of mortgage finance, has enabled Bellway to accelerate the construction and delivery of much needed new homes.

The Mortgage Market Review and the measures recently introduced by the Bank of England to control the supply of higher loan to income mortgages should help to ensure a long term, sustainable supply of mortgage finance in the future. This provides a positive outlook for Bellway to continue to achieve its growth ambitions.

## Trading performance

There has been a significant improvement in customer confidence and the demand for new homes has remained strong throughout the year, with the first six months in particular benefiting from the introduction of Help to Buy. In the latter part of the year, there was a return to the more usual seasonal trading pattern, with a strong performance in spring, followed by a gradual slow down in the private reservation rate during the summer months. Reservations for the full year averaged 148 per week, an increase of 15.6% compared to last year. Customer confidence was strong with the Group's cancellation rate falling to just 10.9% (2013 - 13.8%).

We have added capacity to the Group's existing divisional structure through the opening of two new divisions, in Manchester and the Thames Valley, on 1 August 2013. This additional capacity, together with significant investment in land and work in progress has enabled the Group to increase the number of legal completions by 21.2% to 6,851 and has contributed to an improvement of 69.5% in operating profit. All fifteen operating divisions have contributed to this growth, with each delivering an increase in both revenue and profit when compared to the previous financial year.

	Homes sold (number)						Average selling price (£000)					
	Private		Social		Total		Private		Social		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
North	2,958	2,386	265	266	3,223	2,652	192.2	173.0	81.4	79.1	183.0	163.5
South	2,851	2,308	777	692	3,628	3,000	272.3	242.9	121.3	139.9	240.0	219.1
<b>Total</b>	<b>5,809</b>	<b>4,694</b>	<b>1,042</b>	<b>958</b>	<b>6,851</b>	<b>5,652</b>	<b>231.5</b>	<b>207.3</b>	<b>111.2</b>	<b>123.0</b>	<b>213.2</b>	<b>193.0</b>

The number of homes completed in our southern divisions has increased by 20.9% to 3,628, with this in part driven by the strength of the London market. Our Thames Gateway division, which operates in Kent and east London, has completed the sale of 759 new homes. The Group has an established presence in the London boroughs with housing revenue within this region representing 22.0% of the Group total (2013 - 19.1%).

Our northern divisions have also performed well, with the number of housing completions increasing by 21.5% to 3,223. The North East division, which focuses on family housing, has shown particular strength and has benefited from its established presence in the region, with a rise of 25.7% in the number of homes sold to 729.

The average selling price of homes sold across the Group has risen by 10.4% to £213,182 (2013 - £193,025). The improvement in average selling price has been achieved due to changes in product mix and a reduction in the cost of incentives. The strength in demand has also led to modest upward pressure on house prices, particularly in and around London, although this now appears to be easing.

The average selling price of private housing completions within the London boroughs remains affordable in the context of this local market at under £300,000 and customer demand for new homes remains robust at this price level.

The Group's product range continues to evolve with there being a focus on traditional two-storey family housing and apartments in London, where the average selling prices tend to be higher. This has resulted in the private average selling pricing for the Group exceeding £200,000 in all but three of its fifteen operating divisions.

### Construction and material costs

In response to the strong market conditions, the Group has accelerated production in order to respond to the improved demand. As a consequence of this increase in production throughout the industry, there has been pressure on construction costs and the supply chain.

The supply of bricks and blocks reduced towards the latter part of 2013, but the shortage has become more manageable, easing as the year has progressed. The Group mitigates material cost pressure through centrally procured, national arrangements with suppliers.

There has also been reduced availability with regard to certain sub-contract trades, in particular bricklayers and ground workers, with these challenges being most pronounced in and around the south east of the country where there have been inevitable cost increases.

Our divisions seek to foster strong relationships with locally sourced sub-contractors, encouraging a culture of fairness in our dealings. In addition, we became signatories to the Prompt Payment Code during the year, which reflects our commitment to ensure that all sub-contractors are paid within agreed timescales for work performed. This collaborative approach helps to create a sense of loyalty, with around 4,500 sub-contractors and suppliers having worked with Bellway for at least three consecutive years.

### Land and planning

The quality of the Group's land bank contributes significantly to the future success of the business, providing capacity for further volume growth at attractive rates of return.

	2014	2013
<b>Owned and controlled plots</b>	<b>35,434</b>	32,991
Made up of:-		
DPP: plots with implementable detailed planning permission	19,434	18,991
Pipeline: plots pending an implementable DPP	16,000	14,000
<b>Strategic plots with a positive planning status</b>	<b>4,500</b>	4,400

The land market continues to provide opportunities which at least meet or exceed our minimum acquisition criteria in respect of gross margin and return on capital employed.

Our land and planning teams have acquired or obtained implementable detailed planning permission ('DPP') on 7,294 plots in the period. Accordingly, the Group now has 19,434 plots with the benefit of an implementable DPP on which, subject to sales demand, construction can commence imminently.

Bellway also has a contractual interest in a further 16,000 plots, referred to as its 'pipeline' land bank, which are progressing through the planning process. The Group's approach to land acquisition through this 'pipeline' generally favours brownfield development opportunities where the likelihood of obtaining a planning permission tends to be higher than would be the case for greenfield sites. Whilst obtaining an implementable DPP often remains a challenge, our planners have benefited from a more positive and consistent approach from local authorities when dealing with planning applications. In this environment, the Group has been successful in obtaining an implementable DPP on 4,340 plots, with these previously having been included within the 'pipeline' tier of the land bank. This represents almost 60% of the 7,294 plots added to the implementable DPP tier of the land bank.

Acquiring land through the 'pipeline' often results in an enhanced margin in order to reflect the added complexity associated with the development of these sites. Furthermore, the sites acquired through the 'pipeline' are often bought on a conditional basis and secured with only a deposit payment. Our 'pipeline' land bank therefore provides a degree of certainty over land supply, whilst the higher margin and low initial capital outlay assists the Group in maintaining a strong return on capital employed.

The Group's total owned and controlled land bank, including both land with DPP and land within the 'pipeline', comprises 35,434 plots, representing almost 5.2 years' supply at current rates of output.

In addition to the Group's owned and controlled land bank, Bellway also acquires long term strategic land. Strategic land, by its very nature, can be speculative and it often tends to take several years to successfully progress through the planning system. Given the inherent uncertainties in obtaining planning permission on these longer term sites, the Group only reports those holdings which currently have a positive planning status. Accordingly, within the strategic land bank, we have identified around 4,500 plots (2013 - 4,400 plots), allocated in either approved or emerging local plans. These plots should benefit from a positive planning outcome in the short to medium term. The Group will look to add to these strategic land holdings as further long term opportunities are identified.

### **Training and development**

The long term success of the industry requires investment in people to alleviate skills shortages in the future. Bellway is actively increasing the number of apprentices and graduate trainees it employs, with the aim of developing skilled tradesmen and managers. We employed 62 apprentices and graduates at 31 July 2014 (2013 - 40) and intend to increase this further.

We aspire to create a working environment where talent and high standards are encouraged and rewarded. Last year, we trained 106 site managers to NVQ level 6, helping to develop further expertise in their roles and 29 of our site managers won NHBC Pride in the Job Awards, recognising their dedication to high standards.

A positive and rewarding working environment is essential to retaining talented employees. Almost one in five of our employees have worked for Bellway for more than 10 years. The high industry demand for labour and an active recruitment market has, however, resulted in employee turnover increasing to 20.8% (2013 - 17.5%), a slight rise compared to last year.

### **A positive customer experience**

At the heart of the business is the creation of high quality homes and new communities. Buying a new home is a major step for any individual or family and Bellway seeks to make the whole process a positive experience for its customers, from their first visit to one of our developments, through to legal completion and beyond.

Notwithstanding a focus on traditional two-storey family housing throughout the country and apartments within London, the Group offers a wide range of house types to suit local planning and demographic requirements, whilst accommodating a variety of household incomes. Apartments represent 30% of the total number of homes sold with half of these located within the London boroughs. Our innovative design teams are constantly developing the product range to adapt to the requirements of modern living and our divisional construction departments have the skills to construct a wide range of homes from one bedroom starter apartments to luxury detached housing.

High standards of construction and customer care are key priorities for the Group. During the year, we engaged in over 4,300 hours of advanced training for customer facing personnel and this has helped Bellway retain its Home Builders Federation ('HBF') rating as a 5\* housebuilder for the third year in succession. We deploy stringent quality control procedures ensuring that all homes are thoroughly inspected by the local site manager and sales representative prior to handover to customers.

Feedback is important and so that we can constantly improve our product and processes, every customer is requested to complete a customer satisfaction survey. As part of this process, they are asked whether they would 'Recommend Bellway to a friend?' The Group attained a positive response from 93.8% of respondents during the year.

### **Health and safety**

Ensuring that our building sites are safe places in which to work is an essential part of our business. We directly employ a team of qualified health and safety managers and engage external consultants to ensure that the highest possible standards are maintained.

The Group's health and safety record continues to improve with the seven day reportable incident rate, measured in accordance with Health and Safety Executive guidelines, reducing by 8.1% to 447.09 incidents per 100,000 hours worked (2013 - 486.51). We also achieved a NHBC Health and Safety score of 0.986, with this low score being a measure of the robust health and safety performance of our sites throughout the Group. It is a testament to our site personnel that this

remains well below the industry average of 1.678. The importance placed on health and safety and the high standards maintained by our site employees and sub-contractors have helped eight of our site agents and one health and safety manager to achieve a NHBC Health and Safety Award.

### **Corporate responsibility**

Bellway's reputation is crucial to the creation of long-term value for its shareholders. Behaving responsibly and operating a sustainable business that considers and addresses the social, economic and environmental issues that concern our stakeholders is therefore an important area of focus for the Group.

Housebuilding by its nature can be intrusive and we appreciate that we have a moral and legal duty to respect the environment in which we operate. Wherever we are developing, our aim is to consult and work closely with local stakeholders to create new, sustainable places to live, integrated within the wider community. During the year the Group committed to spend £43.5 million on supporting education initiatives and providing transport and highway improvements, health facilities and open spaces.

Our homes are highly insulated and energy efficient and during the year we installed 601 photovoltaic panels, with these being used to generate electricity from sunlight. This renewable energy source not only helps to lower carbon emissions but also helps to reduce electricity bills for our customers.

Our employees involve themselves in many local charitable projects and Bellway has provided a total of £97,637 (2013 - £77,699) to many charities throughout the country, both large and small, including national organisations.

We aim to further build upon our work in this area in the year ahead.

### **Current trading and outlook**

The Group started the current financial year with a forward sales position comprising 4,363 homes (2013 - 3,525 homes) with a value of £924.3 million (2013 - £679.5 million). This is the highest ever forward sales position achieved by Bellway representing an increase in value of 36.0% compared to the prior year. Reservations in the nine weeks since 1 August have averaged 128 per week (9 weeks commencing 1 August 2013 - 122), resulting in the forward order book at 28 September further increasing to 4,435 homes (29 September 2013 - 3,316 homes), with a value of £975.4 million (29 September 2013 - £644.2 million).

This strong forward sales position should enable the Group to deliver volume growth of around 10% in the current financial year. Depending on market conditions, the Board envisages further expansion to supplement our existing capacity through the opening of new divisions.

The strong market conditions, capacity for growth and our controlled approach to land investment should result in Bellway delivering further value for shareholders.

**Ted Ayres**  
*Chief Executive*  
13 October 2014

## **FINANCIAL REVIEW**

### **Operating performance**

The strong growth in both the number of legal completions and the average selling price has resulted in housing revenue increasing by 33.9% to £1,460.5 million (2013 - £1,091.0 million), a new record for the Group. This, together with non-housing revenue of £25.9 million (2013 - £19.7 million) resulted in the Group's total revenue increasing by 33.8% to £1,486.4 million (2013 - £1,110.7 million).

The gross margin has increased by 300 basis points to 21.3% (2013 - 18.3%) with modest pricing improvements, particularly in London, lower incentive costs and recently acquired, higher margin land all contributing to the improvement in profitability.

The rapid growth in output and the demand for high quality personnel, particularly in land and technical disciplines, is placing upward pressure on administrative costs which have risen by 15.5% to almost £60.3 million (2013 - £52.2 million). Notwithstanding this pressure, strong cost control and enhanced operational efficiencies have resulted in administrative costs falling to just 4.1% of revenue (2013 - 4.7%).

The improved trading performance, together with this more efficient absorption of the overhead base, resulted in the Group achieving an operating margin of 17.2% (2013 - 13.6%). The operating margin in the second half of the financial year was 18.7% with further improvements expected in the year ahead.

The Group achieved an operating profit of £256.1 million (2013 - £151.1 million), a record for the Group.

### **Finance expense**

The net finance expense has remained at £10.2 million (2013 - £10.2 million) with this consisting of bank interest of £2.9 million (2013 - £3.7 million) and non-bank interest of £7.3 million (2013 - £6.5 million).

Non-bank interest mainly comprised of notional interest arising on land acquired on deferred terms, which increased by 21.3% to £5.7 million (2013 - £4.7 million) and interest of £1.3 million (2013 - £1.9 million) on the Group's 9.5% £20 million preference shares, which were redeemed on 7 April 2014.

### **Profitability**

Profit before taxation was £245.9 million (2013 - £140.9 million) and the Group incurred a taxation charge of £54.5 million (2013 - £32.3 million). The effective tax rate of 22.2% (2013 - 23.0%) is slightly below the standard rate of corporation tax for the period of 22.3%.

Profit after taxation was £191.4 million, resulting in growth in earnings per share of 75.8% to 157.0p. This exceptional growth in profitability has resulted in the Group achieving the highest level of EPS in its history, 8% above its previous peak of 145.4p in July 2007.

### **Cash flow and debt**

The Group ended the year with net cash of £5.1 million (2013 - net bank debt of £5.8 million) having generated £124.9 million of cash from operations after spending £460 million on land and land creditors.

Cash from operations, less corporation tax and dividend payments of £42.7 million and £45.1 million respectively, the repayment of the preference share capital of £20 million and other net cash outflows of £6.2 million, resulted in closing net cash of £5.1 million.

### **Balance sheet**

The value of inventories has increased by 20.4% to £1,822.7 million (2013 - £1,513.5 million) demonstrating the significant investment made by the Group in order to satisfy customer demand.

The Group's investment in land increased by 23.7% to £1,122.4 million (2013 - £907.3 million). Plots acquired prior to the downturn and subject to a net realisable value provision at July 2008 and January 2009 represent less than 4% of the total owned and controlled land bank, totalling 35,434 plots.

The increase in production has resulted in the value of work in progress increasing by 18.9% to £635.9 million (2013 - £535.0 million) with this set against a backdrop of a forward order book, at 31 July, of £924.3 million (2013 - £679.5 million). The Group continues to work closely with suppliers and sub-contractors in order to ensure production can meet demand.

The Group's 'other financial assets' comprise amounts receivable from customers who have been provided with shared equity loans. Bellway holds 2,682 (2013 - 2,843) shared equity assets with a value of £32.2 million (2013 - £34.5 million), representing a prudent discount of 54% to the original loan amount. The government scheme, Help to Buy, was used to secure 31% of legal completions in the year and has mitigated the requirement for Bellway sponsored shared equity support.

The investment in land has resulted in land creditors increasing to £248.0 million (2013 - £146.0 million). Where possible, the Group uses its relatively low cost of finance to secure a discounted land payment on legal completion, although we continue to seek deferred terms from land vendors in instances where this proves to be more cost effective than bank finance.

The pension deficit reduced to only £7.9 million (2013 - £9.0 million) and during the year, Bellway made regular pension contributions totalling £1.2 million. In addition, the Group made a special contribution of £1.3 million in July 2014 followed by a further payment of £3.2 million in August 2014.

### Delivering enhanced returns

The net assets of the Group have increased by 12.1% to £1,366.1 million (2013 - £1,218.8 million) and capital employed, including equity, net bank debt and preference shares, has also increased to £1,366.1 million (2013 - £1,244.6 million).

The strong operating performance, strict capital disciplines and a focus on return based measures, when acquiring land, resulted in the Group achieving a return on capital employed of 19.6% (2013 - 12.3%). This return has been achieved whilst growing the capital base with further investment in land and work in progress in order to provide a solid platform for future growth. Notwithstanding this investment, the Group achieved a capital turn of 1.1 times (2013 - 0.9 times).

The strong rate of growth in the capital base has resulted in the net asset value per share increasing by 11.7% to 1,118p (2013 - 1,001p). Net asset value per share has risen since its pre-downturn level and has grown by 23.8% since July 2007, a relatively strong performance given the industry-wide land impairment provisions incurred by Bellway and the sector since that date.

This increase in NAV, together with the payment of a regular dividend, has delivered enhanced value for shareholders. Assuming market conditions remain unchanged, the Group is well placed to deliver further enhancement in shareholder value in the future.

### Keith Adey

*Finance Director*

13 October 2014

### GROUP INCOME STATEMENT For the year ended 31 July 2014

	Note	2014 £000	2013 £000
<b>Revenue</b>	2	<b>1,486,394</b>	1,110,676
Cost of sales	3	<b>(1,170,027)</b>	(907,380)
<b>Gross profit</b>		<b>316,367</b>	203,296
Administrative expenses		<b>(60,241)</b>	(52,227)
<b>Operating profit</b>		<b>256,126</b>	151,069
Finance income	4	<b>807</b>	751
Finance expenses	4	<b>(10,996)</b>	(10,893)
<b>Profit before taxation</b>		<b>245,937</b>	140,927
Income tax expense	5	<b>(54,513)</b>	(32,355)
<b>Profit for the year *</b>		<b>191,424</b>	108,572

\* All attributable to equity holders of the parent.

**Earnings per ordinary share - Basic**

6 **157.0p** 89.3p



Earnings per ordinary share - Diluted

6

156.3p

88.9p

## GROUP STATEMENT OF COMPREHENSIVE INCOME

### For the year ended 31 July 2014

	2014 £000	2013 £000
<b>Profit for the period</b>	<b>191,424</b>	108,572
<b>Other comprehensive (expense) / income</b>		
Items that will not be recycled to the income statement:		
Remeasurement (losses) / gains on defined benefit pension plans	(1,052)	1,558
Income tax on other comprehensive expense / (income)	210	(530)
<b>Other comprehensive (expense) / income for the period, net of income tax</b>	<b>(842)</b>	1,028
<b>Total comprehensive income for the period *</b>	<b>190,582</b>	109,600

\* All attributable to equity holders of the parent.

## GROUP STATEMENT OF CHANGES IN EQUITY

### At 31 July 2014

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
<b>Balance at 1 August 2012</b>	15,180	162,755	-	1,492	953,774	1,133,201	(66)	1,133,135
<b>Total comprehensive income for the period</b>								
Profit for the period	-	-	-	-	108,572	108,572	-	108,572
Other comprehensive income *	-	-	-	-	1,028	1,028	-	1,028
<b>Total comprehensive income for the period</b>	-	-	-	-	109,600	109,600	-	109,600
<b>Transactions with shareholders recorded directly in equity:</b>								
Dividends on equity shares	7	-	-	-	(27,963)	(27,963)	-	(27,963)
Shares issued	41	2,377	-	-	-	2,418	-	2,418
Credit in relation to share options and tax thereon	-	-	-	-	1,648	1,648	-	1,648
<b>Total contributions by and distributions to shareholders</b>	<b>41</b>	<b>2,377</b>	<b>-</b>	<b>-</b>	<b>(26,315)</b>	<b>(23,897)</b>	<b>-</b>	<b>(23,897)</b>
<b>Balance at 31 July 2013</b>	15,221	165,132	-	1,492	1,037,059	1,218,904	(66)	1,218,838
<b>Total comprehensive income for the period</b>								
Profit for the period	-	-	-	-	191,424	191,424	-	191,424
Other comprehensive expense *	-	-	-	-	(842)	(842)	-	(842)
<b>Total comprehensive income for the period</b>	-	-	-	-	190,582	190,582	-	190,582
<b>Transactions with shareholders recorded directly in equity:</b>								
Dividends on equity shares	7	-	-	-	(45,102)	(45,102)	-	(45,102)
Shares issued	52	1,813	-	-	-	1,865	-	1,865
Purchase of own shares	-	-	-	-	(764)	(764)	-	(764)
Redemption of preference shares	-	-	20,000	-	(20,000)	-	-	-
Credit in relation to share options and tax thereon	-	-	-	-	645	645	-	645
<b>Total contributions by and distributions to shareholders</b>	<b>52</b>	<b>1,813</b>	<b>20,000</b>	<b>-</b>	<b>(65,221)</b>	<b>(43,356)</b>	<b>-</b>	<b>(43,356)</b>
<b>Balance at 31 July 2014</b>	<b>15,273</b>	<b>166,945</b>	<b>20,000</b>	<b>1,492</b>	<b>1,162,420</b>	<b>1,366,130</b>	<b>(66)</b>	<b>1,366,064</b>

\* Additional breakdown is provided in the Group Statement of Comprehensive Income.

## GROUP BALANCE SHEET

### At 31 July 2014

	Note	2014 £000	2013 £000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		12,493	11,328
Investment property		6,371	7,697
Other financial assets		32,186	34,484
Deferred tax assets		2,762	3,238
		<b>53,812</b>	<b>56,747</b>
<b>Current assets</b>			
Inventories	3	1,822,682	1,513,527
Trade and other receivables		72,876	57,166
Cash and cash equivalents	8	35,136	24,215
		<b>1,930,694</b>	<b>1,594,908</b>
<b>Total assets</b>		<b>1,984,506</b>	<b>1,651,655</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Retirement benefit obligations		7,932	9,042
Trade and other payables		67,725	45,062
		<b>75,657</b>	<b>54,104</b>
<b>Current liabilities</b>			
Interest bearing loans and borrowings		30,000	50,000
Corporation tax payable		29,752	18,305
Trade and other payables		483,033	310,408
		<b>542,785</b>	<b>378,713</b>
<b>Total liabilities</b>		<b>618,442</b>	<b>432,817</b>
<b>Net assets</b>		<b>1,366,064</b>	<b>1,218,838</b>
<b>EQUITY</b>			
Issued capital		15,273	15,221
Share premium		166,945	165,132
Capital redemption reserve	9	20,000	-
Other reserves		1,492	1,492
Retained earnings	9	1,162,420	1,037,059
<b>Total equity attributable to equity holders of the parent</b>		<b>1,366,130</b>	<b>1,218,904</b>
<b>Non-controlling interest</b>		<b>(66)</b>	<b>(66)</b>
<b>Total equity</b>		<b>1,366,064</b>	<b>1,218,838</b>

## GROUP CASH FLOW STATEMENT

### For the year ended 31 July 2014

	Note	2014 £000	2013 £000
<b>Cash flows from operating activities</b>			
Profit for the year		191,424	108,572
Depreciation charge		2,998	2,487
Profit on sale of property, plant and equipment		(154)	(76)
Profit on sale of investment properties		(95)	(578)
Finance income	4	(807)	(751)

Finance expenses	4	10,996	10,893
Share-based payment expense		923	1,021
Income tax expense		54,513	32,355
Increase in inventories		(309,155)	(113,684)
(Increase) / decrease in trade and other receivables		(13,405)	14,573
Increase in trade and other payables		187,676	39,030
Cash from operations		124,914	93,842
Interest paid		(5,480)	(5,922)
Income tax paid		(42,658)	(28,770)
<b>Net cash inflow from operating activities</b>		<b>76,776</b>	<b>59,150</b>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment		(3,855)	(1,956)
Proceeds from sale of property, plant and equipment		296	197
Proceeds from sale of investment properties		904	2,213
Interest received		801	743
<b>Net cash (outflow) / inflow from investing activities</b>		<b>(1,854)</b>	<b>1,197</b>
<b>Cash flows from financing activities</b>			
Decrease in bank borrowings		-	(32,000)
Redemption of preference shares		(20,000)	-
Proceeds from the issue of share capital on exercise of share options		1,865	2,418
Purchase of own shares by employee share option plans		(764)	-
Dividends paid	7	(45,102)	(27,963)
<b>Net cash outflow from financing activities</b>		<b>(64,001)</b>	<b>(57,545)</b>
<b>Net increase in cash and cash equivalents</b>		<b>10,921</b>	<b>2,802</b>
Cash and cash equivalents at beginning of year		24,215	21,413
<b>Cash and cash equivalents at end of year</b>	8	<b>35,136</b>	<b>24,215</b>

## NOTES

### 1. Basis of preparation

Bellway p.l.c. is a company incorporated in England and Wales.

The financial information set out above does not constitute the Group's statutory financial statements for the years ended 31 July 2014 or 2013, but is derived from those financial statements. Statutory financial statements for 2013 have been delivered to the registrar of companies, and those for 2014 will be delivered in due course. The auditor, KPMG LLP, has reported on those financial statements; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The 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 carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The Group's activities are financed principally by a combination of ordinary shares and bank borrowings less cash in hand. At 31 July 2014, net cash was £5.1 million having generated cash of £10.9 million during the year. The Group has operated within all of its banking covenants throughout the year. In addition, the Group had bank facilities of £300.0 million, expiring in tranches up to November 2018, with £270.0 million available for drawdown under such facilities at 31 July 2014.

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.

Whilst the financial information included in this announcement has been prepared in accordance with Adopted IFRSs, this announcement does not itself contain sufficient information to comply with Adopted IFRSs. The Group expects to send its Annual Report and Accounts 2014 to shareholders on 14 November 2014.

The Group adopted the following standard and amendment during the financial year:

- IAS 19 'Employee Benefits' (Amendment). The amendment requires additional disclosures, the disaggregation of plan costs and the removal of the corridor approach for the recognition of actuarial gains and losses. For the current period the profit before taxation is £0.2 million lower than it would have been prior to the adoption of this amendment and net assets are unchanged. The comparative period has not been restated as the adoption of this amendment reduces the profit before taxation by less than £0.2 million and net assets are unchanged.
- IFRS 13 'Fair Value Measurement'. The standard defines fair value and provides a single IFRS framework for measuring fair value. The adoption of this standard has not had a material effect on the Group's profit for the period or equity.

## 2. Segmental analysis

The Board regularly reviews the Group's performance and balance sheet position for its entire operations, which are entirely based in its country of domicile, the UK, and receives financial information for the UK as a whole. As a consequence, the Group has one reportable segment which is UK house building.

As there continues to be only one reportable segment whose revenue, profits, expenses, assets, liabilities and cash flows are measured and reported on a basis consistent with the Group financial statements, no additional numerical disclosures are necessary.

## 3. 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.

A full review of inventories was performed at 31 July 2014 and the carrying value of land was compared to the net realisable value. Net realisable value represents the estimated selling price (in the ordinary course of business) less all estimated costs of completion and attributable overheads. Estimated selling prices and costs to complete were reviewed on a site by site basis and selling prices were amended based on local management and the Board's assessment of current market conditions. No exceptional land write downs or land write backs were required as a result of this review.

There were no exceptional items in the year ended 31 July 2013.

## 4. Finance income and expenses

	<b>2014</b> <b>£000</b>	2013 £000
Interest receivable on bank deposits	<b>502</b>	309
Other interest income	<b>305</b>	442
	<hr/>	<hr/>
Finance income	<b>807</b>	751
	<hr/>	<hr/>
Interest payable on bank loans and overdrafts	<b>3,403</b>	3,983
Interest on deferred term land payables	<b>5,700</b>	4,682
Interest element of movement in pension scheme deficit	<b>358</b>	299
Other interest expense	<b>230</b>	29
Preference dividends	<b>1,305</b>	1,900
	<hr/>	<hr/>
Finance expenses	<b>10,996</b>	10,893
	<hr/>	<hr/>

## 5. Taxation

The effective rate of taxation for the year is 22.2% (2013 - 23.0%). The taxation charge for the years ended 31 July 2014 and 31 July 2013 is calculated by applying the directors' best estimate of the annual effective tax rate to the profit for the period.

## 6. 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 employee share ownership plans 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. It is assumed that all dilutive potential ordinary shares are converted at the beginning of the accounting period. 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
	2014 £000	2014 Number	2014 p	2013 £000	2013 Number	2013 p
For basic earnings per ordinary share	191,424	121,919,049	157.0	108,572	121,572,688	89.3
Dilutive effect of options and awards		535,130	(0.7)		599,151	(0.4)
For diluted earnings per ordinary share	191,424	122,454,179	156.3	108,572	122,171,839	88.9

## 7. Dividends on equity shares

	2014 £000	2013 £000
<b>Amounts recognised as distributions to equity holders in the year :</b>		
Final dividend for the year ended 31 July 2013 of 21.0p per share (2012 - 14.0p)	25,566	17,017
Interim dividend for the year ended 31 July 2014 of 16.0p per share (2013 - 9.0p)	19,543	10,952
Dividends forfeited	(7)	(6)
	<b>45,102</b>	<b>27,963</b>
Proposed final dividend for the year ended 31 July 2014 of 36.0p per share (2013 - 21.0p)	43,989	25,572

The 2014 proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 12 December 2014 and, in accordance with IAS 10 'Events after the Reporting Period', has not been included as a liability in these financial statements. The proposed final dividend, subject to shareholder approval, will be paid on 14 January 2015 to all ordinary shareholders on the Register of Members on 12 December 2014. The ex-dividend date is 11 December 2014. At the record date for the final dividend for the year ended 31 July 2013 shares were held by the Bellway Employee Share Trust (1992) (the 'Trust') on which dividends had been waived.

## 8. Analysis of net debt

	At 1 August 2013 £000	Cash flows £000	At 31 July 2014 £000
Cash and cash equivalents	24,215	10,921	35,136
Bank loans	(30,000)	-	(30,000)
Preference shares	(20,000)	20,000	-
<b>Net (debt) / cash</b>	<b>(25,785)</b>	<b>30,921</b>	<b>5,136</b>

## 9. Reserves

### Own shares held

The Group holds shares within the Trust for participants of certain share-based payment schemes. During the period the Trust made a market purchase of 50,000 (2013 - nil) shares at an average price of 1,529.7p (2013 - nil) and transferred nil (2013 - nil) shares to employees. The number of shares held within the Trust, and on which dividends have been waived, at 31 July 2014 was 88,443 (2013 - 38,443). These shares are held within the financial statements at a cost of £1.033 million (2013 - £0.269 million). The market value of these shares at 31 July 2014 was £1.336 million (2013 - £0.531 million).

### Redemption of preference shares

On 7 April 2014 the Group 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, has been transferred to a capital redemption reserve during the year.

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

This information is provided by RNS  
The company news service from the London Stock Exchange

END

FR LLFSLIELVLIS