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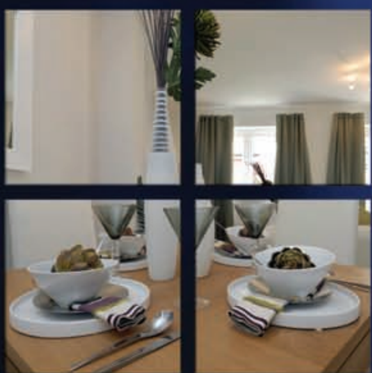
HALF YEAR REPORT **2009**



Bellway

Highlights

- **HOMES SOLD**
  2,014 in 2009 from 3,252 in 2008

- **AVERAGE SELLING PRICE**
  £156,100 in 2009 from £174,800 in 2008

- **TURNOVER**
  £320.2m in 2009 from £581.5m in 2008

- **PROFIT BEFORE TAXATION**
  £17.7m * in 2009 from £96.9m in 2008

- **INTERIM DIVIDEND**
  3.0p per share in 2009 from 18.1p per share in 2008

- **GEARING**
  20.7% in 2009 from 23.7% at 31 July 2008

- **NET DEBT**
  £198.8m in 2009 from £237.7m at 31 July 2008
  - ahead of debt reduction programme

- **NET ASSET VALUE PER ORDINARY SHARE**
  834p in 2009 from 871p at 31 July 2008

* Before exceptional items

Chairman's Statement

As anticipated, in this difficult market, Bellway suffered a fall in volume and average selling price for the six months ended 31 January 2009, consequently revenue for the Group reduced from £581.5 million to £320.2 million. The number of homes sold in the period was 2,014 (2008 - 3,252) with the average selling price being £156,100 (2008 - £174,800). Operating profit before exceptional items benefited from the reduction in overheads made during 2008 and at £29.5 million, produces an operating margin of 9.2% which the Board believes is a creditable performance, given current conditions. Profit before tax and exceptional charge was £17.7 million compared to £96.9 million in the same period last year.

House prices have already fallen by around 25% from their peak in August 2007, with price reductions obviously varying from region to region and the Group has seen falls of anything up to 40%, depending upon location and type of site. As required by current accounting standards the Board has reviewed the value of its land and work in progress. This review has resulted in an exceptional charge in the period of £58.9 million. In addition, the net realisable value of our part exchange properties and land without planning have been reviewed and the charge for these further categories is £7.4 million, giving a total exceptional charge for the Group of £66.3 million.

The exceptional charge produces a loss before tax in the period of £48.6 million compared to a profit before tax of £96.9 million in 2008. Despite the lower level of revenue, gearing remained a modest 20% with net debt of £198.8 million at 31 January. The current net asset value per ordinary share is 834 pence.

Dividend

The Group recognises the importance of dividend payments to shareholders and given the strength of the balance sheet, is paying an interim dividend of 3 pence per ordinary share. This dividend will be paid on Wednesday 1 July to all shareholders on the Register of Members on Friday 22 May. The ex-dividend date is Wednesday 20 May.

Trading

The sales performance in the south has been reasonably robust with volumes falling by a relatively modest 14% to 1,286 homes with an average sales price of £164,873. In the north, however, volumes declined more rapidly and resulted in completions falling by 59% to 728 homes with an average sales price of £140,729. Included in the above are 379 homes sold to housing associations with an average selling price of £115,960, the majority of which were concluded by our southern divisions.

Virtually every private reservation since last summer has been achieved using a variety of incentives, notably part exchange and Bellway's own shared equity scheme, 'Opening Doors'. A combination of low levels of mortgage lending, high deposit requirements and the caution adopted by most valuers on behalf of lenders has not helped consumer confidence. As a consequence, we are experiencing historically high levels of cancellations of around 26%. However, in the first eleven weeks of this calendar year, visitor and subsequent reservation rates have improved upon those seen in the last five months of 2008.

These reservations are currently running at only 13% below the same period last year, generating optimism that our current year end target is achievable. Our future order book on 23 March stood at £370 million (2008 - £670 million) and currently the Group has 98% (2008 - 88%) of its annual target secured.

I am pleased to report that we are currently ahead of our planned debt reduction programme with net bank borrowings down almost £40 million from July 2008 to the end of January at £178.8 million. The Group's committed facilities remain at £402 million with £20 million due for renewal in May together with £2 million repayable at the end of May. The remaining maturity dates of the committed facilities extend in tranches out to 2015. These facilities were agreed and concluded in April/May 2008 and the Group continues to operate comfortably within its covenants.

People

As ever, the Group's performance is dependant upon the efforts and abilities of its many employees, suppliers, sub-contractors and partners. In what continues to be very difficult circumstances, the Board would like to thank all those, past and present, who have played a part in helping the Group deliver these results.

Outlook

Until the Group experiences consistent and prolonged signs of improvement in customer confidence, combined with a change in lending and valuing criteria, the Board will continue its current programme of reducing land expenditure and work in progress, but not to the detriment of any opportunities that may present themselves. We will continue to focus on the early sale of stock properties, currently standing at 850 homes, to enhance the cash position.

These actions, combined with those taken in 2008 in rationalising the divisional structure, should prepare the business for the future and help maintain the underlying strength of the Group's balance sheet.

Howard C Dawe
Chairman
30 March 2009

Group Income Statement

	Notes	Half year ended 31 January 2009 £m	Half year ended 31 January 2008 £m	Year ended 31 July 2008 £m
Revenue		**320.2**	581.5	1,149.6
Cost of sales		**(337.0)**	(445.3)	(1,036.7)
Analysed as:				
Cost of sales before exceptional item		**(270.7)**	(445.3)	(905.8)
Impairment of inventories	4	**(66.3)**	-	(130.9)
Cost of sales		**(337.0)**	(445.3)	(1,036.7)
Gross (loss) / profit		**(16.8)**	136.2	112.9
Administrative expenses		**(20.0)**	(31.0)	(58.8)
Operating (loss) / profit		**(36.8)**	105.2	54.1
Analysed as:				
Operating profit before exceptional item		**29.5**	105.2	185.0
Impairment of inventories	4	**(66.3)**	-	(130.9)
Operating (loss) / profit		**(36.8)**	105.2	54.1
Finance income		**2.8**	3.7	3.6
Finance expenses		**(14.5)**	(11.8)	(22.6)
Share of loss of equity accounted entities		**(0.1)**	(0.2)	(0.3)
(Loss) / profit before taxation		**(48.6)**	96.9	34.8
Income tax credit / (expense)	3	**13.6**	(28.9)	(7.8)
(Loss) / profit for the period		**(35.0)**	68.0	27.0
(Loss) / earnings per ordinary share [i] - Basic		**(30.5p)**	59.4p	23.6p
- Diluted		**(30.5p)**	59.2p	23.5p
Dividend per ordinary share	5	**3.0p**	18.1p	24.1p
Non-GAAP measures				
Underlying earnings per share [ii] - Basic		**11.1p**	59.4p	104.2p
- Diluted		**11.1p**	59.2p	104.1p

i (Loss) / earnings per share calculated in accordance with IAS 33 'Earnings per share'
ii Underlying earnings per share excludes exceptional items (see note 4)

Consolidated Statement of Recognised Income and Expense

	Notes	Half year ended 31 January 2009 £m	Half year ended 31 January 2008 £m	Year ended 31 July 2008 £m
Actuarial losses on defined benefit pension scheme		**(1.6)**	(0.7)	(14.3)
Tax on items taken directly to equity	3	**0.4**	0.2	4.0
Net expense recognised directly in equity		**(1.2)**	(0.5)	(10.3)
(Loss) / profit for the period		**(35.0)**	68.0	27.0
Total recognised (expense) / income for the period	6	**(36.2)**	67.5	16.7

Group Balance Sheet

	Notes	At 31 January 2009 £m	At 31 January 2008 £m	At 31 July 2008 £m
ASSETS				
Non-current assets				
Property, plant and equipment		**9.9**	12.3	11.6
Investment property		**5.5**	2.4	4.1
Investments in equity accounted entities		**0.1**	-	0.1
Other financial assets		**13.5**	6.0	5.6
Deferred tax assets		**9.0**	5.5	7.9
		38.0	26.2	29.3
Current assets				
Inventories		**1,319.3**	1,628.4	1,503.9
Trade and other receivables		**70.9**	42.9	54.5
Cash and cash equivalents		**98.2**	25.7	109.3
		1,488.4	1,697.0	1,667.7
Total assets		**1,526.4**	1,723.2	1,697.0
LIABILITIES				
Non-current liabilities				
Interest bearing loans and borrowings		**(275.0)**	(162.0)	(295.0)
Retirement benefit obligations		**(14.8)**	(3.0)	(12.7)
Land payables		**(41.8)**	(33.6)	(51.3)
		(331.6)	(198.6)	(359.0)
Current liabilities				
Interest bearing loans and borrowings		**(22.0)**	(91.5)	(52.0)
Trade and other payables		**(214.4)**	(335.1)	(284.9)
Current tax liabilities		**-**	(26.6)	-
		(236.4)	(453.2)	(336.9)
Total liabilities		**(568.0)**	(651.8)	(695.9)
Net assets		**958.4**	1,071.4	1,001.1
EQUITY				
Issued capital		**14.3**	14.3	14.3
Share premium		**117.0**	116.0	117.0
Other reserves		**1.5**	1.5	1.5
Retained earnings		**825.7**	939.7	868.4
Total equity attributable to equity holders of the parent	6	**958.5**	1,071.5	1,001.2
Minority interest		**(0.1)**	(0.1)	(0.1)
Total equity		**958.4**	1,071.4	1,001.1

Group Cash Flow Statement

	Notes	**Half year ended 31 January 2009 £m**	Half year ended 31 January 2008 £m	Year ended 31 July 2008 £m
Cash flows from operating activities				
(Loss) / profit for the period		**(35.0)**	68.0	27.0
Depreciation charge		**1.3**	1.4	2.9
Finance income		**(2.8)**	(3.7)	(3.6)
Finance expenses		**14.5**	11.8	22.6
Share based payment charge		**0.5**	1.0	1.7
Income tax (credit) / expense	3	**(13.6)**	28.9	7.8
Decrease / (increase) in inventories		**184.6**	(90.5)	33.9
(Increase) / decrease in trade and other receivables		**(16.4)**	2.5	13.3
Decrease in trade and other payables		**(96.7)**	(62.2)	(101.6)
Cash inflow / (outflow) from operations		**36.4**	(42.8)	4.0
Interest paid		**(12.0)**	(9.8)	(17.4)
Income tax refunded / (paid)		**20.9**	(34.6)	(62.9)
Net cash inflow / (outflow) from operating activities		**45.3**	(87.2)	(76.3)
Cash flows from investing activities				
Acquisition of property, plant and equipment		**(0.2)**	(1.4)	(2.1)
Acquisition of investment property		**(1.4)**	(0.1)	(1.9)
Proceeds from sale of property, plant and equipment		**0.6**	0.4	0.4
Proceeds from the sale of investment property		**-**	0.2	0.3
Interest received		**1.6**	2.7	4.6
Net cash inflow from investing activities		**0.6**	1.8	1.3
Cash flows from financing activities				
(Decrease) / increase in bank borrowings		**(50.0)**	135.0	253.0
Proceeds from the issue of share capital on exercise of share options		**-**	0.5	1.5
Purchase of own shares by employee share option plans		**(0.1)**	(0.5)	(0.6)
Dividends paid	5	**(6.9)**	(30.2)	(51.4)
Net cash (outflow) / inflow from financing activities		**(57.0)**	104.8	202.5
Net (decrease) / increase in cash and cash equivalents		**(11.1)**	19.4	127.5
Cash and cash equivalents at beginning of period		**109.3**	(18.2)	(18.2)
Cash and cash equivalents at end of period		**98.2**	1.2	109.3

Notes

1 Basis of preparation and accounting policies

These condensed financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU. They do not include all of the information required for full annual financial statements and should be read in conjunction with the Group financial statements for the year ended 31 July 2008.

These condensed financial statements are unaudited and were approved by the Board of Directors on 30 March 2009.

The information for the year ended 31 July 2008 does not constitute statutory financial statements as defined in section 240 of the Companies Act 1985. Those financial statements have been reported on by the Group's auditors and delivered to the Registrar of Companies. The report of the auditors was unqualified and did not contain statements under section 237(2) or (3) of the Companies Act 1985.

The accounting polices applied by the Group in these condensed financial statements are the same as those applied by the Group in its consolidated financial statements for the year ended 31 July 2008.

2 Revenue / segmental analysis

The Group uses business as the basis for primary segmentation. Operations are carried out within one business segment which is housebuilding. No additional business segment information is required to be provided. The Group's secondary segment is geography. It operates in one geographical segment, the United Kingdom, therefore no additional geographical segment information is required to be provided.

3 Taxation

The taxation credit / (charge) for the half years ended 31 January 2009 and 31 January 2008 is calculated by applying the Directors' best estimate of the annual effective tax rate to the (loss) / profit for the period.

4 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 has been performed and land write downs have been made where cost exceeds 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. Estimated selling prices have been reviewed on a site by site basis and selling prices have been reduced, based on local management and the Board's assessment of current market conditions. These site reviews have resulted in land and work in progress write downs totalling £58.9m.

In addition, option costs and related fees have been written down by £6.3m to their net realisable value.

The Board has also reassessed the net realisable value of currently unsold part-exchange properties and has written down stock by £1.1m.

The above has resulted in an exceptional charge totalling £66.3m (2008 - £nil). The exceptional charge of £130.9m for the year ended 31 July 2008 is explained in note 5 of our Annual Report and Accounts.

5 Dividends

	Half year ended 31 January 2009 £m	Half year ended 31 January 2008 £m	Year ended 31 July 2008 £m
Final dividend paid for the year ended 31 July 2008 of 6.0p per share (2007 – 26.675p)	**6.9**	30.5	30.5
Interim dividend paid for the year ended 31 July 2008 of 18.1p per share	**-**	-	20.8
	6.9	30.5	51.3
Proposed interim dividend for the year ending 31 July 2009 of 3.0p per share (2008 – 18.1p)	**3.4**	20.8	-

The proposed interim dividend was approved by the Board of Directors on 30 March 2009 and has not been included as a liability at the balance sheet date.

6 Group statement of changes in equity

	Half year ended 31 January 2009 £m	Half year ended 31 January 2008 £m	Year ended 31 July 2008 £m
Total recognised (expense) / income	**(36.2)**	67.5	16.7
Dividends on equity shares	**(6.9)**	(30.5)	(51.3)
Shares issued	**-**	0.5	1.5
Credit / (charge) in relation to share options and tax thereon	**0.5**	(1.4)	(1.0)
Purchase of own shares	**(0.1)**	(0.5)	(0.6)
Net (reduction) / increase in total equity	**(42.7)**	35.6	(34.7)
Total equity at the start of the period	**1,001.2**	1,035.9	1,035.9
Total equity at the end of the period	**958.5**	1,071.5	1,001.2

7 Related party transactions

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

Related parties are consistent with those disclosed in the Group's Annual Report and Accounts for the year ended 31 July 2008.

8 Half year report

The condensed financial statements were approved by the Board of Directors on 30 March 2009 and copies are being posted to all shareholders. Further copies are available on application to the Company Secretary, Bellway plc, Seaton Burn House, Dudley Lane, Seaton Burn, Newcastle upon Tyne, NE13 6BE and are also available on our website at www.bellway.co.uk.

Notes (continued)

Principal risks and uncertainties

The directors consider that the principal risks and uncertainties which could have a material effect on the Group's performance in the remaining six months of the financial year remain the same as those stated on pages 25 and 26 of our Annual Report and Accounts for the year ended 31 July 2008 which is available on our website at www.bellway.co.uk.

Statement of Directors' responsibilities

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU;
- the interim management report includes a fair review of the information required by:
  - (a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
  - (b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the Group during that period; and any changes in the related party transactions described in the last annual report that could do so.

The directors of Bellway p.l.c. are listed in the Annual Report and Accounts for the year ended 31 July 2008. Leo Finn retired as non executive director on 16 January 2009. Mike Toms was appointed a non executive director on 1 February 2009.

For and on behalf of the Board of Directors

John K Watson
Chief Executive
30 March 2009

Notes

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