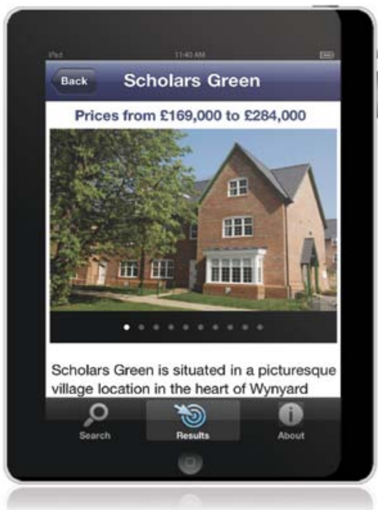
Bellway

ANNUAL REPORT AND ACCOUNTS 2011

Welcome to this year's report

Since its formation more than 50 years ago, Bellway has built over 100,000 homes. It is recognised throughout the industry for building quality homes.



Find your dream home on the move with our new app for iPhone and iPad

Search through hundreds of properties nationwide by price, number of bedrooms, house type and more. Get direct access to a member of our sales team to request further information or answer any of your queries.

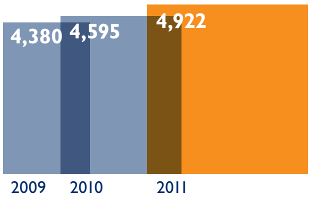
Front cover: Carillons, Wokingham, Berkshire.

Back cover: Church Meadow, East Huntspill, Somerset.

Business Review

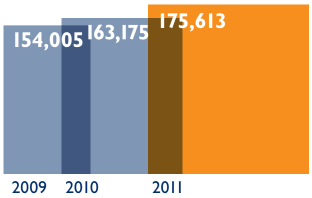
Financial Highlights

Completed sales (homes)



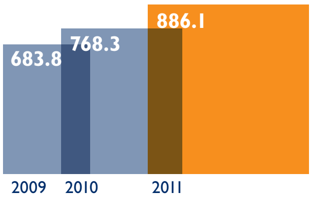
↑7.1%

Average selling price (£)



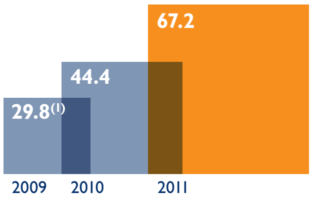
↑7.6%

Total Group revenue (£m)



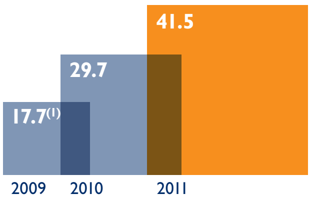
↑15.3%

Profit before taxation (£m)



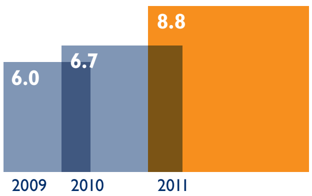
↑51.2%

Earnings per ordinary share (p)



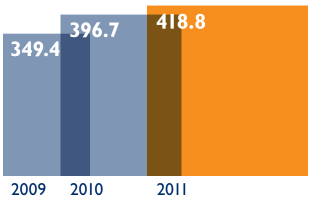
↑39.7%

Final dividend for the year (p)



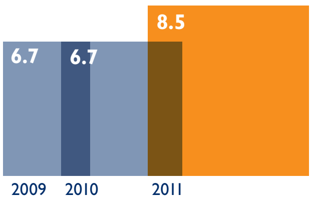
↑31.3%

Forward order book at 30 September (£m)



↑4.8%

Operating margin (%)



↑26.9%

(1) Before exceptional items.

Business Review

Chairman's Statement

"against a backdrop of ongoing economic uncertainty" ... the Group ... "has performed very well in the year ended 31 July 2011."

"Bellway aims to continue to increase both volumes and average selling prices, the latter by way of ongoing changes in the product mix. This, combined with the improvement in the operating margin, should ensure that shareholder value continues to be enhanced."

Introduction

In my statement last year I referred to the lessons learnt by the Board during previous downturns, and these lessons continue to be applied in what remain testing times for the UK housebuilding industry. Against a backdrop of ongoing economic uncertainty, the housing market has stabilised and the Group, in general, has performed very well in the year ended 31 July 2011. With profit before tax rising by just over 50%, the Board has decided to increase the final dividend by just over 30%. Bellway has an uninterrupted record of paying dividends since 1979, which is unique in the UK housebuilding industry.

Trading and Results

After a relatively slow start to the financial year and poor weather conditions prior to Christmas, the Group's average weekly reservation rate rose during the early part of 2011 and did not fall until the summer months, thereby returning to a typical pattern for a normal housing market. During the year, the Group legally completed the sale of 4,922 homes, an increase of just over 7% compared to the previous year, at an average selling price of £175,613, an increase of almost 8%. These two factors, combined with other revenue of £21.7 million, mean that turnover for the Group has grown in the year from £768.3 million to £886.1 million, an increase of just over 15%. The operating margin has risen from 6.7% to 8.5% for the full year and, in the second half rose to 9.8%, thereby increasing operating profit to £75.2 million from £51.3 million in the previous year. Net finance charges total £8.0 million compared to £6.8 million last year. As a consequence, profit before tax has increased by 51.2% to £67.2 million from £44.4 million in 2010. Basic earnings per share have increased to 41.5p from 29.7p and the net asset value per ordinary share grew by almost 4% from 856p to 888p at 31 July. At the end of the financial year the Group had £3.4 million of net cash and £290 million of facilities with its banking partners.

Dividend

The Board is proposing to increase the final dividend from 6.7p to 8.8p, a rise of 31.3%, producing a total dividend for the year of 12.5p, up 25% from 10p in 2010. This dividend, which is covered over 3.3 times, will be paid on Wednesday 18 January 2012 to all ordinary shareholders on the Register of Members on Friday 16 December 2011. The ex-dividend date is Wednesday 14 December 2011.

Employees, Sub-contractors and Suppliers

I would like to express the Board's gratitude to all its employees, sub-contractors, suppliers and other partners for their efforts in what has been another encouraging but challenging year for the Group.

Board Changes

Peter Stoker retired as Commercial Director on 31 July and was replaced by Ted Ayres in the new role of Operations Director. Ted joined the Group in 2002, firstly as Managing Director of our Thames Gateway division and since 2006 has held the position of Southern Regional Chairman.

Alistair Leitch, our Finance Director since 2002, has decided to retire on 31 January 2012 and he will be replaced by Keith Adey, the Group Chief Accountant.

On behalf of the Board, I would like to thank Peter and Alistair for their significant contributions to the Group over many years and welcome Ted and Keith to the Board, and wish them every success in their new roles.

Outlook

Whilst developments in and around London, where we presently operate from about 35 sites, have been the most resilient, there are many areas throughout the rest of the country where activity has also been encouraging. Reservations in the first nine weeks of the new financial year are almost 11% ahead of the same period last year, and at 30 September the Group had an order book of £418.8 million (2010 – £396.7 million). We continue to focus on rebuilding the Group's operating margin and anticipate it rising further, primarily from an increased contribution from recently acquired land.

Bellway aims to continue to increase both volumes and average selling prices, the latter by way of ongoing changes in the product mix. This, combined with the improvement in the operating margin, should ensure that shareholder value continues to be enhanced. The Board is confident of delivering these improvements over the next 12 months but, as ever, remains mindful of current economic uncertainties.

Howard C Dawe

Chairman
17 October 2011

Customers Raphael and Georgia viewing the showhouse at Williamson Place, Liverpool, Merseyside.

THE COPPICE,
TAKELEY, ESSEX.

The Coppice offers a selection of 3, 4 and 5 bedroomed houses.

Number of homes on this development

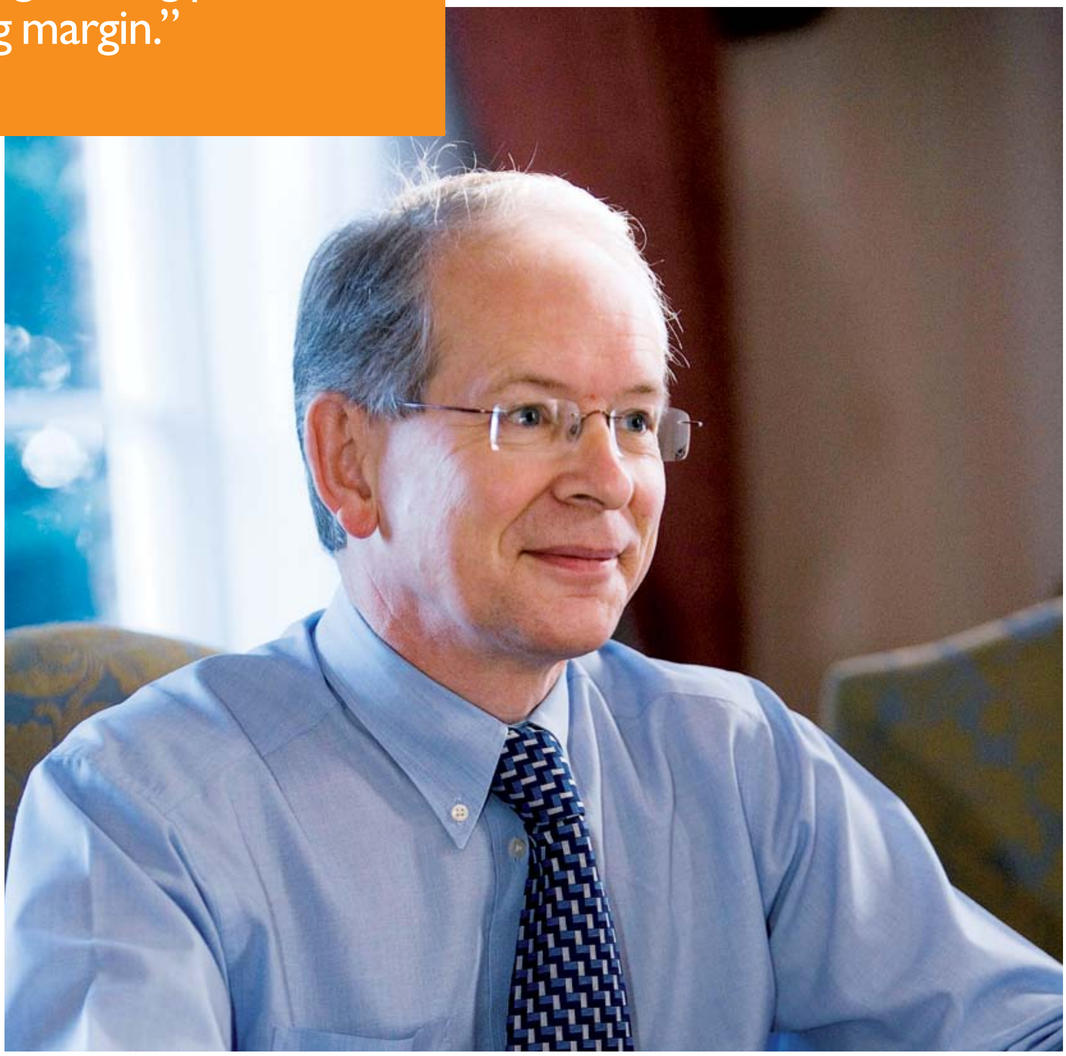
98

4,922

completed sales in the year

Business Review
Chief Executive's Operating Review

"the Group continues to focus on the delivery of the same three-pronged strategy of increasing volume, average selling price and operating margin."



"The Group ended the year operating from 205 outlets, having started with 185 and, with the benefit of a strong balance sheet, we are in a good position to increase our land bank and sales outlets in the future."

Background

At the beginning of the financial year the marketplace had stabilised, but a degree of uncertainty had been created by the looming austerity measures to be proposed in the Government's Comprehensive Spending Review. The number of "down-valuations" received from mortgage providers was reducing and cancellations from customers who had reserved a new home remained at around 13%, with no change to the level of incentives being offered on new homes. Despite the uncertainty, the challenge faced by the Group was simply to improve profitability and shareholder returns. To do this a three-pronged strategy was implemented aimed at increasing volumes, raising average selling prices and lifting operating margins.

Sales Volumes and Pricing

The first six months of the financial year saw an average sales rate of 80 homes per week, a slight reduction compared to the previous year, but severe weather conditions before Christmas slowed visitor and sales rates further. First-time buyers, in particular, continued to face major obstacles in gaining access to mortgage products. The strong brought forward sales position on 1 August 2010, however, enabled the Group to complete the sale of 2,332 homes in the first six months of the financial year, compared to 2,247 in the previous year. Furthermore, our order book by 31 January remained healthy at £402.3 million.

With the onset of the new calendar year and improved weather conditions, sales reservation rates began to rise, culminating in an average sales rate in the second half of the year of 106 homes per week. This increased rate was supported by the opening of more selling outlets and, consequently, the number of legal completions in the second half of the year increased by 10%, to 2,590, compared to the previous year. The turnover from 4,922 homes sold in the full year was £864.4 million, producing an average selling price of £175,613, up 7.6% from £163,175 in the previous year. The increase in the average selling price was achieved by a combination of factors, including the completion of several high value developments in and around London where the average selling price was in excess of £250,000, and by a change in the product mix outside London where apartments have been replaced by higher value family homes.

In achieving this increase in volume and pricing, customers were regularly incentivised, which ranged from simple discounting to the use of our part-exchange arrangements. The latter was employed in 13%, or 630, of our legal completions, which is 137 more transactions than the previous year. The Group's part-exchange stock, however, increased from 115 homes to 175 homes by 31 July with a value of around £23.3 million.

Due largely to the ongoing lack of accessible mortgages for first-time buyers, shared equity schemes have become popular in recent years and these arrangements were employed in 10% of legal completions during the year. The use of this selling aid, however, has fallen from 18% in the previous year, as the Government's original HomeBuy Direct initiative came to an end in September 2010. At 31 July, Bellway held £33.5 million of this type of asset on its balance sheet, which represents just under 50% of the original deferred sums due from home purchasers.

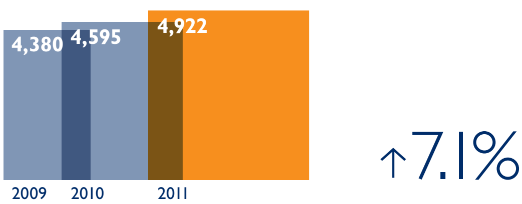
Operating Margins and the Cost Base

The operating margin also continued to improve and moved up to 8.5%, an increase from 6.7% in the prior year. This improvement is the consequence of several different elements but is being achieved primarily through a combination of a growing output from newly acquired land where gross margins are in excess of 20%, and also efficient management of the Group's cost base. In addition, we are gradually trading out of the older sites with lower margins. The new sites contributed some 27% of our legal completions during the course of the financial year and as this percentage increases there should be a continuing improvement in the operating margin.

With regard to the cost base, as the production of new homes, nationally, remains low, competition for work remains high amongst our sub-contractors and suppliers. Whilst there are many inflationary and regulatory pressures at all levels in the housebuilding process, our costs overall have not seen any substantial increases during the course of the year and this has helped to support the increase in the operating margin. The majority of materials used in building a new home are negotiated with national suppliers on a fixed price basis, typically for 12 months or more, and this helps to smooth out short-term fluctuations in material prices. Whilst labour rates vary from region to region, our strong order book provides visibility of workload for sub-contractors, providing the Group with a strong negotiating platform. As a result, the cost of labour-intensive activities such as road, sewer and foundation works have remained relatively stable throughout the year.

Looking back over the last two to three years we estimate the cost of building an average sized home has fallen by around 8%. Challenges in future to the cost base will come in the shape of higher planning fees and the costs involved in reducing CO_2 emissions. During the course of the year, approximately 1,000 homes had either solar or photovoltaic panels installed, and three blocks of apartments were built with a heating plant installed in the basement, fuelled by wood chip as its

Completed sales (homes)



TEMPUS,
HARROW, MIDDLESEX.

A development of 1, 2 and 3 bed apartments.

Number of homes on this development

158

Business Review

Chief Executive's Operating Review (continued)

main heating source. Such new technology does put pressure on costs and one of our main challenges is to manage this process whilst maintaining product efficiency and without negatively affecting operating margins.

Divisional Performance

Many commentators talk about a current north/south divide in the housing market but our six northern divisions legally completed 2,345 homes, an increase of 18% compared to the previous year. Almost half of this volume increase was delivered by the West Midlands division which achieved 500 legal completions in the year, a similar volume to the North East division which consistently achieves this level of output.

The average selling price of the homes legally completed in the north remained broadly static compared to 2010, with the North East division having the highest average selling price of £167,592. Conversely, the southern divisions' average selling price increased by 13.1% to £203,973 but sales volumes remained broadly static at 2,577. The Thames Gateway division, following the completion of some high rise apartment blocks in the east end of London and Greenwich Peninsula, has seen average selling prices increase since last year by almost 40% to £212,694. Developments such as these benefit from a more diverse marketing strategy with buyers from the Far East, in particular, being prepared to buy off-plan at an early stage in the construction process.

Out of the total number of new homes legally completed, only 339 were acquired by housing associations in the north, compared with 740 in the south. Housing associations are prepared to acquire homes in London and its suburbs over and above the normal planning obligations, creating a more diverse marketplace, which does influence our thinking when it comes to land buying.

Buying off-plan is unusual in these current market conditions and the Group has not only increased its work in progress levels on a number of sites to create "street scenes", it has also increased the number of show homes by 13% to enable potential customers to view our finished product.

Targeting Land Buying

Bellway ended the financial year in a net cash position of £3.4 million having expended £250 million on land and land creditors during the year. The majority of this expenditure was in the south, most notably sites at Stepney in east London for 350 homes and a redundant hospital in Carshalton, Surrey for 180 homes. Further investment in the north has also taken place, for example, a site only five miles north of Newcastle city centre gained planning permission, on appeal, for 330 homes. A Premier League football club's former training ground was acquired in the North West and planning permission has been granted for 80 detached homes. The average selling price of £400,000 will bring a welcome boost to that division's current average selling price of £133,863. Land previously held under option near Leicester was eventually granted planning approval for 200 homes. All the aforementioned sites will contribute towards the 2011/12 financial year output. Land acquisitions during the year continue to be subject to approval by our Head Office team, in conjunction with the Regional Chairmen, and this process ensures that our margin disciplines are not compromised.

At 31 July 2011, as a result of adding 5,406 plots, the land owned with planning permission has increased to 18,086 plots. In addition, land owned or controlled pending a planning permission represents a further 13,000 plots. Long-term land, typically held under option, amounts to over 3,000 acres, where we now have some 1,600 plots with planning applications submitted, awaiting the outcome of the planning process.

This land bank provides the Group with new sales outlets but it is unrealistic, given current market conditions, to assume that the sales rate per outlet will increase. To fulfil our growth aspirations, therefore, the focus has been, and will continue to be, whilst current market conditions persist, the opening of more selling outlets. The Group ended the year operating from 205 outlets, having started with 185 and, with the benefit of a strong balance sheet, we are in a good position to increase our land bank and sales outlets in the future.

The Environment and Health and Safety

Increasing site activity needs to be combined with minimising the environmental effects, with waste management continuing to be one of our priorities. Divisions work in conjunction with their sub-contractors to minimise waste and maximise recycling, and this year we used 16,936 waste skips compared to 17,375 last year, which represents a reduction in skips per home sold of 9%. Wherever possible we attempt to reuse demolition waste on our sites, typically under hard standing or landscaping areas. All timber products such as roof trusses and floor beams are procured from sustainable sources, and underground drainage systems are now being procured where the pipe work is manufactured using 50% recycled UPVC materials, thereby reducing the use of crude oil in the manufacturing process. The introduction of new building regulations has resulted in more homes being tested for air retention which, in turn, helps reduce CO_2 emissions by 25%, compared to homes constructed under previous regulations.

Whilst the grant of planning permission can be controversial within a local community, there are often significant benefits which follow as a result of signing planning agreements. This year we estimate more than £30 million will be spent on local improvements in terms of transport, education and health care facilities in relevant local authority areas. For example, at Barking Riverside in east London, in conjunction with our partner, the Homes and Communities Agency, a multi-million pound contribution was made to facilitate the construction of a new primary school and community facilities, which opened in September 2011.

A safe working environment for our employees, sub-contractors and suppliers is of prime concern. In this financial year I am pleased to report a 19% reduction in the over three-day absence accident ratio on Bellway's building sites.

Putting the Customer First

Revised customer care procedures were implemented at the start of the financial year to improve practice, process and work methods and increase the level of supervision in relation to quality control. As a result of these changes, greater communication now takes place with customers after they have moved into their new home. A new benchmark has been introduced whereby we are striving to resolve customer complaints within seven days of notification. Furthermore, in an effort to improve our out of hours, seven days a week emergency service, a new national helpline for our customers has been introduced.

We continue to employ an independent consultant to survey our client base and in our latest survey to the end of June 2011, reported that 91% of clients "Would Recommend a Friend" to buy a Bellway home compared with 86% the previous year. Hopefully, the new measures introduced at the start of the financial year will prove beneficial, resulting in a higher percentage of satisfied customers in years to come.

Outlook

At the beginning of the new financial year the Group held 2,497 reservations. In the first nine weeks of the new financial year, which includes a typically quiet August period, reservations are almost 11% ahead of the same period last year. Whilst global economic conditions remain uncertain the Group continues to focus on the delivery of the same three-pronged strategy of increasing volume, average selling price and operating margin. Bellway has started the year with 205 sales outlets and, subject to necessary planning consents, we are targeting to increase this, and consequently volumes, by up to 5% during the course of the current financial year. The combination of product mix between houses and apartments is unlikely to change drastically, but as new outlets come on to the market we anticipate that average selling prices and operating margins will improve further. Delivery of these improvements, combined with a strong balance sheet and healthy forward order book, will place Bellway in a position to further enhance shareholder return in the future.

John K Watson

Chief Executive
17 October 2011

SpacE1, Whitechapel, London Borough of Tower Hamlets.

EVERGREEN EAST,
LEEDS, WEST YORKSHIRE.

An exclusive development of contemporary 2, 3, 4 and 5 bedroom homes situated at the heart of the Leeds New Forest Village.

Number of homes on this development

69

Business Review

Corporate Responsibility Policy

Through sustainable construction we aim to create new communities and lasting environments for people now and in the future.

Bellway believes that its reputation is critical to the creation of long-term value for its shareholders. We recognise that financial success is reinforced by our behaviour beyond the balance sheet. Protecting and enhancing our reputation and social licence to operate are significant elements of sustained financial success.

At Bellway, the term Corporate Responsibility describes how we manage the environmental, social and economic effects of our business and how these affect our employees, customers, shareholders, suppliers, the communities where we work and the environment that we operate in, and goes beyond our legal or regulatory obligations. This policy sets out how we will operate and drives the Group's corporate responsibility activity.

Through Bellway's commitment to corporate responsibility we will:

- engage and respond to stakeholders, including shareholders, employees, customers, government and communities that we affect.
- comply with all relevant legislation as a minimum standard.
- work towards recognised good practice in sustainability and corporate responsibility.
- treat all employees fairly and invest in training for the long-term to bring out the best in our people.
- provide a healthy and safe environment in which to work through an effective health and safety management system.
- demonstrate continual improvement in our approach to sustainable developments (in both design and practice).
- recognise and respond to the challenges and opportunities that are presented by climate change.
- invest in the communities we develop in a way that contributes to local community needs.
- manage our environmental footprint and aim to enhance our performance in areas where we operate, particularly in relation to energy and waste.
- consider and respond to the social and environmental effects of the homes we develop and communities that we create.
- improve internal and external awareness of our corporate responsibility programmes and initiatives.
- report regularly to the Board and external stakeholders on performance using sustainability indicators.

The following structure has been put in place to achieve these commitments:

- the Chief Executive is responsible for this policy and advises the Board on all corporate responsibility matters.
- the Chief Executive is supported by the CSR Group which includes senior employees from within the Group who are responsible for the development and review of this policy.
- the finance directors or managers of each regional division are responsible for implementation and reporting on performance.

Bellway is committed to reporting annually on its approach to corporate responsibility and has established key performance indicators to enable others to judge our performance. This policy does not replace existing policies on environment, health and safety and wood procurement, but has been developed to work in conjunction with them. All policies are available on the Bellway website www.bellway.co.uk and are reviewed annually.

Heritage Park, Duston, Northamptonshire.

Wendover Rise, Wendover, Buckinghamshire.

Business Review

2011 Corporate Social Responsibility Statement

The business environment is constantly evolving and recent years have seen an increasing emphasis on corporate social responsibility ("CSR"). This evolution has been reflected in mounting pressure on business for greater transparency and accountability in environmental and social performance alongside economic performance.

We have been reporting openly on the CSR aspects of our business since 2003. During that time we have worked with our stakeholders and established mechanisms through which they can be involved in our environmental and social strategy. The following paragraphs exhibit some of the work that has been undertaken this year and provides a glimpse of our approach towards developing sustainable communities.

Saving Energy

On the edge of Castle Bromwich in the West Midlands, our Oaklands development features a range of homes where we have installed solar panels and rainwater harvesting systems. Rainwater harvesting can reduce water consumption by up to 50%. The rainwater which is collected from roofs is stored in underground tanks and is used in toilets and for garden irrigation. Systems such as these can achieve and maintain excellent water quality with a minimum of maintenance as well as reducing utility bills.

At Alston Grange in Chelmsford, Essex, we are creating a new residential quarter comprising 22 new homes incorporating photovoltaic panels on the roofs. These panels generate electricity for the homes during daylight hours and have the capacity of returning unused electricity to the National Grid. We estimate that residents at Alston Grange will save around £350 per year on their fuel bill. In addition, the renewable technology achieves a 10% reduction in carbon emissions.

In higher density developments, particularly in our Thames Gateway division, we have adopted an energy strategy that relies upon generating energy using biomass boilers and combined heat and power ("CHP") technology. In Whitechapel, east London, we are using a biomass boiler in our SpacE1 development to heat 214 homes. This will reduce CO_2 emissions by 23% and save around 93,000 kilograms of CO_2 per year.

Our development in Chrisp Street, Poplar, east London, will utilise a CHP system to heat 117 homes. CHP provides similar reductions in CO_2 emissions to biomass due to the co-generation of heat and electricity, thus displacing and reducing the need for electricity from the National Grid.

Selecting Responsible Supply Chain Partners

Housing currently produces around one-third of the UK's CO_2 emissions. In working towards reducing our carbon footprint we work closely with our supply chain partners to maximise energy savings. One of our principal suppliers of kitchen furniture is in the process of commissioning a two megawatt wind turbine at their production facility in Yorkshire, which will make the facility energy neutral. The same supplier employs delivery vehicles that have been engineered to convert nitrogen oxides into harmless nitrogen and water. Their kitchen carcasses are made from 100% recycled materials and all timber based materials are sourced from guaranteed Forest Stewardship Council ("FSC") sustainable forests.

Our supplier of underground drainage systems has recently introduced a new and innovative technology called Recycore. This results in the manufacture of a multilayered pipe that reduces the use of virgin materials in its products so that they can be manufactured with 50% recycled material that is sourced from old UPVC window frames, pipes and fascia boards. Recycore offers a 50% reduction of virgin UPVC usage in favour of recycled material and we estimate, based upon 2011 building levels, that the amount of virgin UPVC used will fall by 144.5 tonnes in 2012.

Supporting Training

In addition to our own training programmes, periodically we are asked by schools and colleges to host visits. Earlier this year students from Harrogate College visited our Edison Fields development in Guiseley, Yorkshire.

Charity bike ride organised by staff from our Wales division.

Public consultation.

The students who are studying for a diploma in joinery and carpentry were able to view the construction process at close quarters which assisted their classroom work.

Supporting the Community

The Government's Localism Bill is designed to boost development and provide local communities with added benefits. We welcome the Government's intention to reform the planning system, ensuring that planning decisions involve local people. In response to this we are developing initiatives to support a community focused approach to formulating development plans.

Arising from the granting of planning permissions, this year Bellway has contributed a total £30.9 million to local communities through Section 106 planning agreements. By way of an example, our Poppyfields development at Newton in Nottingham involves the construction of a new community comprising 83 homes. Arising from the development, £750,000 has been used to deliver new affordable housing, educational improvements and improve traffic management in the wider community as well as providing a greater variety of housing stock for the region.

In the face of a challenging market, and in conjunction with Thurrock Thames Gateway Development Corporation, we have pioneered an agreement to develop both affordable and private housing whereby the landowner is paid on the sale of the homes, thus mitigating the initial costs of the development and enabling the building work to be brought forward.

> "By adopting a new and more flexible approach as to how the land transaction is structured in the development process we have been able to enter into an agreement and bring forward the development to create much needed housing in a continually improving residential location."
> Niall Lindsay – Thurrock Thames Gateway Development Corporation's Chief Executive.

In Bedford we have commenced work on the former RAF Cardington site. In the future, this old airbase will be transformed into a new 970 home community. This year, as part of the regeneration of the site, we have opened a new Cadet Centre for the Air Cadets and begun the regeneration of the old Shorts Building that will provide community facilities, including a Sure Start Nursery, community training centre and IT suite as well as residential accommodation on the upper floors.

In Wendover, Buckinghamshire, we are developing a new community comprising 400 new homes. As part of the development process we are also contributing £750,000 towards the cost of building a new Multiple Sclerosis ("MS") Centre to replace an existing building.

The new 14,000 square feet centre is significantly larger and will provide much enhanced services to MS sufferers in the Buckinghamshire, Oxfordshire and Berkshire areas. The new centre will be able to offer MS sufferers treatments including oxygen therapy, massage, counselling, acupuncture, reflexology, speech therapy and physiotherapy.

Bioremediation

At Barking Riverside in east London, we have been working with our partners, The London Wildlife Trust and the architectural practice Make:Good, along with local volunteers, to create the largest bee house in the world. Solitary bees that make up 90% of our bee population are in decline as a result of the increased use of pesticides. At Barking Riverside, using wood and bamboo to mimic a natural habitat, we have created a 178 square feet bee house. We have also created a new habitat for a colony of water voles that were living on the site. The water voles were successfully relocated following an agreed strategy with the Environment Agency, and specialist ecologists were brought in to manage the relocation process.

Charitable Giving Examples

Our employees are involved in a diverse range of social and charitable initiatives, which see them supporting schools and charities alike. In our Yorkshire division, as a result of dress down days, £505 was raised for the Make-A-Wish Foundation, and in the West Midlands division our employees came together to raise £1,400 for the Cancer Ward at Birmingham's Queen Elizabeth Hospital. In Wales a team from Bellway cycled the entire length of Wales to raise £8,000 to support a school that takes care of children suffering from autism. This year, as a Group, Bellway has made charitable donations of £20,716.

Summary

To be successful, any environmental policy and social programme must link aspirations with practical objectives. In Bellway's case this means understanding the environmental and social issues which affect our business and working with the local community to build vibrant and sustainable places to live and work. The aforementioned case studies provide some examples of our approach to meeting our corporate responsibility objectives; further information is available on our CSR website www.bellway.co.uk/corporate-responsibility.

Bee house, Barking Riverside, London Borough of Barking and Dagenham.

Business Review

Key Performance Indicators (Non-Financial)

We use these non-financial KPIs to help us measure our performance against our CSR objectives. Financial KPIs are set out at page 1 of this Report.

Key Performance Indicators	Financial year ended 31 July 2007	2008	2009	2010	**2011**
Commercial					
Total number of homes sold	7,638	6,556	4,380	4,595	**4,922**
Number of homes sold to Registered Social Landlords	900	1,337	980	943	**1,079**
Number of plots with planning permission	23,500	22,500	19,260	17,602	**18,086**
Number of sites registered with the Considerate Constructors Scheme(2)	–	–	56	89	**108**
Number of homes built to Lifetime Home Standards(3)	–	–	–	690	**1,119**
Environmental					
Percentage of homes developed on brownfield sites	81%	79%	84%	80%	**77%**
Number of homes per hectare	66	63	67	63	**59**
Number of EcoHomes with at least "Very Good" rating	326	1,194	786	480	**693**
Number of homes built to Code Level 3(1)	–	48	428	1,186	**1,371**
Number of homes built to Code Level 4(4)	–	–	–	–	**36**
Number of homes built with renewable energy technology	17	307	636	1,653	**2,092**
Percentage of homes built using timber frame	34%	30%	23%	15%	**13%**
Number of homes built using thin joint technology(4)	–	–	–	–	**126**
Number of homes with energy efficient lighting(4)	–	–	–	–	**3,973**
Number of homes with rainwater harvesting(4)	–	–	–	–	**224**
Measure of waste (number of $7m^3$ skips per home sold)	5.70	4.30	3.60	3.78	**3.44**
Number of current sites with Sustainable Urban Drainage Systems ("SUDS") designed into the scheme(2)	–	–	77	86	**89**
Number of trees planted(3)	–	–	–	8,484	**8,843**
Number of current sites with car clubs(2)	–	–	5	7	**6**
Number of homes with access to a cycle store(4)	–	–	–	–	**2,278**
Number of compliance breaches	9	6	0	1	**1**
Employees					
Employee turnover(5)	25.6%	33.7%	65.2%	21.0%	**13.8%**
Number of site workers (including sub-contractors) accredited with Construction Skills Certification Scheme ("CSCS") cards	783	1,042	1,793	3,489	**4,037**
Number of apprentices employed	203	149	30	33	**43**
Number of NHBC Pride in the Job Awards received	19	20	15	18	**22**
Health and Safety					
Rate of over three-day lost time accidents per 100,000 employees	957.78	980.18	973.24	945.18	**767.90**
Number of health and safety prosecutions	0	0	1	0	**0**
Creating community value					
Financial contributions under Section 106 agreements(1)	–	£17.0m	£2.0m	£13.0m	**£30.9m**
Stakeholder					
Percentage of customers who would recommend Bellway to a friend (annualised)(1)	–	80%	89%	86%	**91%**
Number of suppliers/contractors who have worked for Bellway for at least three years(3)	–	–	–	2,777	**2,916**

(1) 2008 was the first year of reporting.
(2) 2009 was the first year of reporting.
(3) 2010 was the first year of reporting.
(4) 2011 is the first year of reporting.
(5) Includes redundancies.

1,371

homes built to Level 3 of the Code for Sustainable Homes

Solar panels at our development at Meadway Court, Forest Hall, Tyne and Wear. This year 2,092 of our new homes have had renewable energy technology installed.

Business Review

Environmental Policy

Bellway is one of the largest housebuilding groups in the UK. The housebuilding process affects the environment by the use of land and consumption of resources throughout the development process. It is our objective to ensure that at the conclusion of a development an attractive and desirable new environment has been created that will be sustainable over time.

Recognising that we have responsibilities to both limit any negative effect on, and enhance, the environment, this statement sets out our policies for managing the environmental aspects across our business.

Key objectives are to:

- minimise any deleterious effects on the environment and where possible to seek environmental enhancements, concentrating on areas where there is most room for improvement.
- aim to meet and, where practicable, exceed all relevant environmental legislation and regulations.
- improve our environmental performance.
- set specific environmental objectives and periodically review progress against these.
- ensure that Bellway's environmental aims and their importance are communicated throughout the Group, including to appropriate sub-contractors and suppliers, and that a copy of this policy statement is displayed in each Bellway site and office.
- consider the role that Bellway can play in helping to contribute to the principles of sustainable development within the UK.
- recognise and respond to the challenges and opportunities that are presented by climate change.

In addition to our key objectives, the Group has identified a number of specific priority areas upon which we will be particularly focusing:

- consideration of environmental aspects in the selection and procurement of land for development, including implications for biodiversity and sustainable development.
- meeting and, where possible, exceeding government targets for the redevelopment of brownfield land.
- influencing the design of sites, housing, and fittings to minimise the effects on both the natural and built environment.
- providing environmental benefits and minimising nuisance arising from construction activities, and preventing pollution on development sites and surrounding areas.
- consideration of environmental issues within our corporate functions and everyday business decision-making processes.

The above statement will be balanced against economic considerations.

Solar panel installation, Cleadon Vale, Tyne and Wear.

Business Review

Group Finance Director's Review

> "the Group is able to report a 7.1% increase in legal completions to 4,922 units for the year to 31 July 2011."

Group Summary

Reservations in the early part of the financial year did not benefit from the usual degree of uplift normally associated with the housing market in autumn as uncertainties surrounding the Government's Comprehensive Spending Review appeared to affect consumer confidence. In the period following the Comprehensive Spending Review, the decline in consumer confidence levelled out, albeit the particularly cold and inclement winter weather continued to affect site visitor rates and hence reservation rates.

Reservation rates from the beginning of January returned to a more normal pattern with a healthy spring selling season followed by a traditionally slower selling period throughout the summer months.

Cancellation rates have remained stable, at or around 13% (2010 – 13%), against a backdrop of continuing constraints in relation to mortgage supply, particularly in relation to first-time buyers, where the ability to raise at least a 10% deposit, but more often a 20% deposit, continues to pose a challenge.

Despite these difficulties, the Group is able to report a 7.1% increase in legal completions to 4,922 units for the year to 31 July 2011. Average selling prices have increased by 7.6% from £163,175 to £175,613 largely as a result of continuing changes in product mix towards more traditional two storey family housing. Revenue growth, combined with a greater contribution of completions from more recently acquired higher margin land, has contributed to an increase in profit before tax of 51.4%, from £44.4 million to £67.2 million.

Bellway continues to benefit from a strong balance sheet with net cash at the bank (excluding preference shares) of £3.4 million (2010 – £65.7 million), having expended £250 million on land and land creditors during the year. In December 2010 Bellway successfully renewed a bilateral borrowing facility with one of its major banking partners, which combined with existing facilities, gives the Group total facilities of £290 million at 31 July 2011, these being due to expire in a variety of tranches through to December 2015. The Group continues to be well placed to pursue future land opportunities, whilst retaining the ability to respond to any future changes in market conditions.

Group Results

Revenue from home sales increased by 15.3% from £749.8 million to £864.4 million, reflecting an increase in unit completions from 4,595 to 4,922 and the increase in the average selling price.

Other revenue of £21.7 million (2010 – £18.5 million) has slightly increased by £3.2 million, and principally includes one-off land sales totalling £14.8 million.

Total Group revenue increased by 15.3% from £768.3 million to £886.1 million.

The Group constructs an extensive range of homes within its one UK operating segment. The following table provides additional information on the composition of homes sold, split between north, south, private and social.

Homes sold (number)	Private		Social		Total	
	2011	2010	**2011**	2010	**2011**	2010
North	**2,006**	1,650	**339**	335	**2,345**	1,985
South	**1,837**	2,002	**740**	608	**2,577**	2,610
Group total	**3,843**	3,652	**1,079**	943	**4,922**	4,595

Average selling price (£000)	Private		Social		Total	
	2011	2010	**2011**	2010	**2011**	2010
North	**153.1**	148.1	**93.5**	104.4	**144.4**	140.7
South	**233.5**	194.1	**130.8**	134.9	**204.0**	180.3
Group average	**191.5**	173.3	**119.1**	124.1	**175.6**	163.2

The higher average selling price is principally driven by continued changes in product mix, with a greater focus towards higher value more traditional two storey family housing.

This trend is reflected in the average home size, having increased by over 2% from 912 square feet to 931 square feet, with a corresponding reduction in the proportion of apartments sold, from 39% to 34% of output.

Incentives continue to be applied to the majority of sales with part-exchange used as a selling tool in 13% of completions (2010 – 11%), again reflecting the move towards higher value homes.

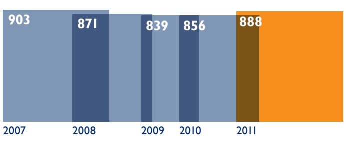
The use of shared equity arrangements continues to be a useful incentive, either through the Government's HomeBuy Direct initiative or Bellway's own Sharp Start scheme, but its use is carefully controlled having fallen from 18% to 10% of completions in the year.

Gross margin has increased from 11.7% to 13.5% as the contribution of completions from higher margin land acquired since the downturn continues to increase and the Group trades out of lower margin land which has been written down.

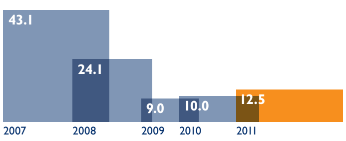
Administrative expenses, whilst remaining static at 5% of revenue, have increased in absolute terms by over 14% from £38.5 million to £44.2 million. The increase is a result of the Group's additional investment in our land and sales teams to enable future volume and profit growth, whilst also facilitating larger staff bonus payments commensurate with enhanced divisional performance.

Overall the Group has delivered an operating profit of £75.2 million (2010 – £51.3 million) representing a margin of 8.5% (2010 – 6.7%).

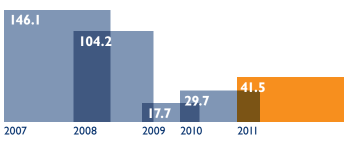
Net asset value per ordinary share (p)



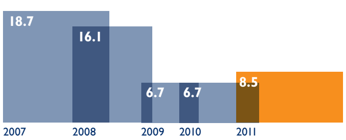
Dividend per ordinary share (p)



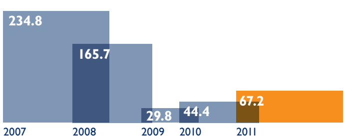
Earnings per ordinary share* (p)



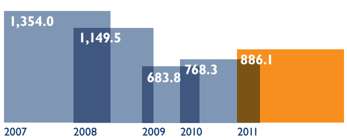
Operating margin* (%)



Profit before taxation* (£m)



Revenue (£m)



* Pre-exceptional items.

Business Review

Group Finance Director's Review (continued)

Finance Costs

Net finance costs have increased by 18% from £6.8 million to £8.0 million. The fees associated with the new £150 million bilateral facility have been fully expensed during the period.

The Group has benefited from a very modest net debt position for the majority of the year. Net interest payable on bank loans and overdrafts of £2.8 million (2010 – £0.8 million) largely represents commitment fees payable on undrawn facilities and the costs associated with the refinancing of the bank facilities.

Notional interest on land acquired on deferred payment terms has fallen slightly by £1.4 million from £4.5 million to £3.1 million, whilst the interest payable on the Group's £20 million preference shares, repayable in April 2014, remains at £1.9 million.

Taxation

The effective income tax rate is 25.3% of profit before tax (2010 – 19.4%) and compares favourably to the Group's standard tax rate for the year of 27.3% (2010 – 28.0%). In the prior year ended 31 July 2010 the Group benefited from enhanced claims for qualifying expenditure on remediated land, relating to current and prior periods. The legacy of these outstanding claims was fully agreed with HMRC in the year ended 31 July 2011, and this has resulted in a further reduction in the overall tax charge by £1.1 million in the year.

The Group has fully utilised all historic losses.

Earnings per Share

Basic earnings per ordinary share amount to 41.5p compared to 29.7p in 2010, an increase of almost 40%.

Balance Sheet

The balance sheet remains strong with net cash (excluding preference shares) of £3.4 million at 31 July 2011 (2010 – net cash of £65.7 million excluding preference shares). Inventories have shown a measured increase, up from £1,148.7 million to £1,270.3 million as a result of a disciplined approach to land buying and an increase in finished goods stock as the Group finds that finished product is easier to sell. In addition, new site openings have contributed to the increase in work in progress. Following a full review of inventories at 31 July 2011 the Board can report that there are no further exceptional write downs or write backs.

The Group has continued to use shared equity incentives, however, the use of this type of incentive has been tightly controlled during the year. The Board have reassessed the carrying value of the resultant debt, shown as other financial assets on the balance sheet, which, at £33.5 million (2010 – £32.7 million), represents a significant discount to vacant possession value (note 14).

Land payables have increased slightly from £61.9 million to £83.2 million reflecting the increased land buying activity in the period.

The valuation of the Bellway p.l.c. 1972 Pension Scheme (the "Scheme") at 31 July 2011 shows a slight reduction in the deficit, calculated in accordance with IAS 19, of £0.3 million from £8.7 million to £8.4 million.

The increase in Group net assets of £38.5 million from £1,034.8 million to £1,073.3 million comprises profit after tax for the year of £50.1 million, a net reduction in pension liabilities of £0.2 million after tax, ordinary dividends paid of £12.5 million, and other share issues and share option movements through reserves of £0.7 million.

Birchwood, Cowdenbeath, Fife.

Park Mews, Mapperley, Northamptonshire.

Treasury

Other than the proceeds obtained from the issue of ordinary shares and reinvestment of retained profits, the Group's activities are financed principally through a combination of its £20.0 million preference shares, redeemable in April 2014, bank borrowings and cash in hand.

The Group's bank borrowing facilities comprise medium-term loans, short-term floating rate loans and overdrafts. In addition, the Group often obtains deferred payment terms in its contracts for land purchases.

Bank facilities expire during the course of the following financial years:

By 31 July 2012	£35 million
By 31 July 2013	£85 million
By 31 July 2014	£45 million
By 31 July 2015	£95 million
By 31 July 2016	£30 million
TOTAL	**£290 million**

The Board remains satisfied with the level of its borrowing facilities.

Treasury Policy and Liquidity Risk

The Group's treasury policy has, as its principal objective, the maintenance of flexible bank facilities in order to meet anticipated borrowing requirements. An internal cash forecasting system enables the Group to plan and assess its future treasury needs.

Short-term cash surpluses are placed on deposit. Other than disclosed above, there are no financial instruments, derivatives or commodity contracts used.

Woodlands, Bushey, Hertfordshire.

Interest Rate Risk

The Group's attitude to interest rate risk 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.

Share Price and Net Asset Value

The share price at 31 July 2011 was 660.00p (2010 – 579.50p). This compares with a book net asset value per ordinary share at 31 July 2011 of 888p (2010 – 856p).

Dividend

The Board is proposing an increase in the final dividend of 31.3% to 8.8p per ordinary share (2010 – 6.7p) giving a total dividend for the year of 12.5p compared to 10.0p for 2010. The total dividend is covered over 3.3 times (2010 – 3.0 times).

Alistair M Leitch

Finance Director
17 October 2011

Business Review

Operating Risk Statement

Risk is a natural part of any business. The management of risk is a key operating component of the Group. The manner in which this is carried out is highly important to the long-term success of the business. The Group has identified, evaluated and put in place strategies to mitigate the principal risks faced by the business, shown in the table below:

Area of Risk	Description of Risk	Mitigation of Risk
Land	The inability to source suitable land at satisfactory margins would have a detrimental effect on the Group's land bank and consequently, its future success.	■ Endeavour to ensure that a land bank with planning permission for at least three years' construction programme is in place on a rolling basis. ■ Thorough pre-purchase due diligence and viability assessments. ■ Authorisation of land purchases in line with robust Group procedures.
Planning	Delays and the increased complexity of the planning process hampers and slows the Group's growth prospects.	■ Centralised and Regional Planning Directors provide advice and support to divisions to assist with progressing the planning permission process.
Sales	Ensuring that the effects of any diminution in the size of the marketplace, the ability of prospective customers to access credit facilities or the sales prices achieved are managed in such a way as to limit any adverse financial or operational effects on the Group's performance.	■ In consultation with Head Office, local divisional management determines product range and pricing strategy commensurate with regional market conditions. ■ Use of sales incentives where appropriate to encourage the selling process, such as part-exchange and Express Mover. ■ Use of government-backed schemes to encourage home ownership where appropriate. ■ Ensuring that construction rates are managed to ensure stock availability matches sales rates.
Construction	Ensuring that appropriately skilled personnel are available and that suitable materials are also available at the right price.	■ Identifying training needs and allocating appropriate resources to training. ■ Ensuring systems are in place for engaging, monitoring and controlling work carried out by sub-contractors. ■ Ensuring competitive reward systems are in place. ■ Ensuring Group purchasing arrangements are in place to secure materials at competitive prices.
Environment	Housebuilding has a significant effect on the environment. It is important that the effects of the Group's developments are, as far as possible, positive rather than negative.	■ It is our objective to ensure that at the conclusion of a development an attractive and sustainable new environment has been created that will continue over time. See our Environmental Policy on page 19, or our website at www.bellway.co.uk, for further information.
Health and Safety	It is important to ensure that the Group has adequate systems in place to mitigate, as far as possible, the dangers to people inherent in the construction process.	■ The Board considers health and safety issues at each Board 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 Group's health and safety policies and procedures.

Area of Risk	Description of Risk	Mitigation of Risk
Personnel	Attracting and retaining the correct personnel is key to the Group's long-term success. Failure to do so will severely affect the Group's ability to perform in a highly competitive market.	■ The Group offers competitive salary and benefits packages. ■ Divisional training plans are in place. ■ Succession planning for key posts. ■ 98% of site workers (including sub-contractors) are fully accredited under CSCS.
Information Technology	It is vital that the Group has suitable systems in place to ensure that, as far as possible, a smooth flow of information is transmitted throughout the Group and that the risk of system loss is mitigated and supported by appropriate contingency plans.	■ Group-wide systems are in place which are centrally controlled with an outsourced support function in place.
Asset Protection	The way in which the Group carries out its operations can have a material effect on the value of its assets.	■ The Group prepares viability assessments on all of its land purchases and construction projects, and keeps these under regular review to protect, wherever possible, the value of its assets.
Treasury Management	Ensuring suitable financial resources, at appropriate costs, are in place to meet Group requirements.	■ Central negotiation and control of banking facilities to ensure liquidity and debt levels are appropriate. ■ Facilities distributed across various sources. ■ Careful management and monitoring of cash forecasts.
Legal and Regulatory Compliance	Disadvantageous contractual obligations, regulatory fines or adverse publicity by failing to comply with current laws and regulations or failing to have appropriately worded contracts in place.	■ Central secretariat, human resources and legal functions advise divisions on compliance and ensure policies and procedures are kept up to date to minimise risk of non-compliance.

In addition, the Board ensures that adequate insurance cover is maintained to underpin and support the many areas in which the Group is exposed to risk of loss.

Governance

Board of Directors

As at 17 October 2011

Howard C Dawe

Date of Birth: 7 April 1944

Mr Dawe joined Bellway in 1961, was appointed a director in 1977 and was appointed Chief Executive in 1985. In May 1997 he was appointed Acting Chairman and Chairman on 1 November 1999 when he relinquished the role of Chief Executive. On 1 November 2004, Mr Dawe became non-executive Chairman. He is Chairman of the Nomination Committee.

John K Watson

Date of Birth: 21 March 1954

Mr Watson, a Chartered Surveyor, joined Bellway in 1978. He was later appointed Managing Director of the North East division, a position which he held for 12 years. He joined the Board as Technical Director in 1995 and became Chief Executive on 1 November 1999. He is Chairman of the Board Committee on Non-Executive Directors' Remuneration.

Alistair M Leitch

Date of Birth: 14 February 1954

Mr Leitch qualified as a Chartered Accountant in 1977 and joined Bellway in 1981. He has held a number of senior positions in the Company including, from 1996, the post of Group Chief Accountant. He was appointed Finance Director on 1 August 2002. He is a member of the Board Committee on Non-Executive Directors' Remuneration.

Edward (Ted) F Ayres

Date of Birth: 10 October 1962

Mr Ayres joined Bellway in January 2002 as a divisional Managing Director, becoming Southern Regional Chairman in 2006, and was appointed to the Board as Group Operations Director on 1 August 2011. He is a member of the Board Committee on Non-Executive Directors' Remuneration.

Peter M Johnson

Date of Birth: 17 April 1948

Mr Johnson, a Chartered Accountant, was appointed a non-executive director on 1 November 2003. He had been, on his retirement in September 2000, a partner in KPMG for 23 years. He is a non-executive director of Sunderland Marine Mutual Insurance Company Limited and Honorary Treasurer of the University of Newcastle upon Tyne. He became senior independent non-executive director on 16 January 2009 and is Chairman of the Audit Committee and is also a member of both the Board Committee on Executive Directors' Remuneration and the Nomination Committee.

Mike R Toms
Date of Birth: 1 July 1953

Mr Toms was appointed a non-executive director on 1 February 2009. He is currently a non-executive director of Birmingham Airport Holdings Limited. He was formerly an executive director of BAA plc and was non-executive Chairman of Northern Ireland Electricity plc. He was also a non-executive director of Viridian Group PLC and UK Coal PLC. He is a member of the Royal Institution of Chartered Surveyors (MRICS) and a member of the Royal Town Planning Institute (MRTPI). He is Chairman of the Board Committee on Executive Directors' Remuneration, and a member of the Audit and Nomination Committees of the Board.

John A Cuthbert OBE
Date of Birth: 9 February 1953

Mr Cuthbert, a Chartered Accountant, was appointed a non-executive director on 1 November 2009. Mr Cuthbert 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. He is Chairman of Castle View Enterprise Academy in Sunderland. He is a member of the Audit and Nomination Committees and the Board Committee on Executive Directors' Remuneration.

Group Company Secretary

G Kevin Wrightson
Date of Birth: 27 October 1954

Mr Wrightson, a Chartered Secretary, joined Bellway in 1990. He has held senior posts within the Group, including that of Deputy Group Secretary, before being appointed as Group Company Secretary on 1 August 2002.

Advisers

Group Company Secretary and Registered Office
G K Wrightson FCIS
Bellway p.l.c.
Seaton Burn House
Dudley Lane, Seaton Burn
Newcastle upon Tyne
NE13 6BE
Registered number 1372603

Registrars and Transfer Office
Capita Registrars Limited
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Financial Advisers
N M Rothschild & Sons Limited

Stockbrokers
Citigroup Global Markets Limited

Bankers
Barclays Bank PLC
Lloyds Banking Group plc

Auditors
KPMG Audit Plc

Governance

Report of the Directors

The directors have pleasure in submitting the Annual Report and Accounts of Bellway p.l.c. to the shareholders for the year ended 31 July 2011.

Principal Activities

The Company is a holding company, owning subsidiary undertakings which continue to be engaged principally in housebuilding in the United Kingdom ("UK").

Performance and Prospects

A review of the Group's performance and prospects that fulfils the requirements of the business review can be found in the Chairman's Statement on pages 2 and 3, the Chief Executive's Operating Review on pages 6 to 11, the Corporate Responsibility Policy on page 13, the 2011 Corporate Social Responsibility Statement on pages 14 and 15, the Environmental Policy on page 19 and the Group Finance Director's Review on pages 20 to 23. In addition, information in respect of the principal operating risks of the business is set out in the Operating Risk Statement on pages 24 and 25.

Results and Dividends

The profit for the year attributable to equity holders of the parent company amounts to £50.1 million (2010 – £35.8 million).

Ordinary Dividends

The directors have proposed a final ordinary dividend for the year ended 31 July 2011 of 8.8p per share. This has not been included within creditors as it was not approved before the year end. Dividends paid during the year comprise a final dividend of 6.7p per share in respect of the previous year ended 31 July 2010, together with an interim dividend in respect of the year ended 31 July 2011 of 3.7p per share.

The directors recommend payment of the final dividend on Wednesday 18 January 2012 to shareholders on the Register of Members at the close of business on Friday 16 December 2011.

Directors

All the directors of the Company, who are shown on pages 26 and 27, served throughout the year, with the exception of Mr Ayres who was appointed on 1 August 2011. Mr Stoker was a director at the start of the year and retired on 31 July 2011.

The UK Corporate Governance Code includes a provision that all directors should be subject to annual re-election. As a result, all of the directors, with the exception of Mr Leitch, retire from the Board and offer themselves for re-election at the forthcoming Annual General Meeting ("AGM"). Mr Leitch retires from the Board on 31 January 2012 and is therefore not retiring and seeking re-election at the AGM. The directors' biographies are shown on pages 26 and 27. None of the executive directors hold external directorships.

Following formal rigorous evaluation, the Chairman, acting on behalf of the Board, is satisfied as to the effectiveness and commitment of all of the directors.

Directors' Contracts

Details of the terms of appointment of all the directors are given in the Report of the Board on Directors' Remuneration on pages 36 and 37.

Directors' Interests

The directors' interests in the share capital of the Company and in share ownership plan arrangements are given in the Report of the Board on Directors' Remuneration on pages 35 to 42.

Takeovers Directive

The information for shareholders required pursuant to the relevant companies' legislation which implements the Takeovers Directive is disclosed in this report and in the Shareholder Information section on page 79.

Notifiable Shareholders' Interests

As at 31 July 2011 and at the date of this report the Company had been notified 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 2011		As at date of this report	
	Number of shares with voting rights	% total voting rights	Number of shares with voting rights	% total voting rights
BlackRock Inc	10,000,579	8.28	13,183,615	10.91
Fidelity International Ltd/FMR Corp	9,300,000	7.70	9,300,000	7.70
JP Morgan Chase & Co	5,712,902	4.73	5,712,902	4.73
AXA Framlington Investment Management	5,603,638	4.64	5,603,638	4.64
Polaris Capital Management LLC	4,897,018	4.05	4,897,018	4.05
Capital Group International Inc	4,831,994	4.00	N/A	Below 3.00
Legal & General Group plc	4,545,633	3.76	4,545,633	3.76
HBOS plc	4,261,453	3.53	4,261,453	3.53
Credit Suisse Securities (Europe) Limited	3,890,282	3.22	3,890,282	3.22
Third Avenue Management LLC	3,668,120	3.04	3,668,120	3.04

Corporate Governance

Introduction

The Board acknowledges the importance of, and is committed to, the principle of achieving and maintaining a high standard of corporate governance. This report, together with the Report of the Board on Directors' Remuneration, as detailed on pages 35 to 42, describes how the Principles of Good Governance, which are set out in the UK Corporate Governance Code, are applied by the Group.

Statement of Compliance with the UK Corporate Governance Code

The Board considers that it has complied with the detailed provisions of the UK Corporate Governance Code throughout the year to 31 July 2011 and up to the date of this report. The UK Corporate Governance Code is publicly available free of charge from FRC publications, tel: 020 8247 1264, e-mail: customer.services@cch.co.uk and online at: www.frcpublications.com.

Statement about Applying the Principles of Good Governance

The Group has applied the Principles of Good Governance, including both the Main Principles and the Supporting Principles, by complying with the UK Corporate Governance Code as reported above. Further explanations of how the Main Principles and Supporting Principles have been applied are set out below and, in connection with the directors' remuneration, in the Report of the Board on Directors' Remuneration.

The Chairman's Statement, the Chief Executive's Operating Review and the Group Finance Director's Review present a balanced and comprehensive assessment of the Group's position and prospects.

The Board

At the date of this report the Board consists of seven directors whose names, responsibilities and other details appear on pages 26 and 27. Three of the directors are executive and four of the directors, including the Chairman, are non-executive. The Board discharges its responsibilities by providing entrepreneurial leadership of the Company within a framework of prudent and effective controls, which enables risk to be assessed and managed. It sets the Company's strategic aims, ensures that the necessary financial and human resources are in place for the Company to meet its objectives and reviews management performance. It also defines the Company's values and standards and ensures that its obligations to its shareholders are understood and met.

The Board has adopted a schedule of matters which are specifically reserved for its decision which includes various matters to do with Companies Acts and other legal requirements, listing requirements, Board membership and Board Committees, management, corporate governance, employment, financial and other miscellaneous items. In addition, it has a series of matters that are dealt with at regular Board meetings including an operational review, a financial review, strategy, land acquired, major projects, personnel, corporate governance, internal control, risk and health and safety. It has also adopted a framework of delegated commercial and operational authorities which define the scope of powers delegated to management below Board level.

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

Governance
Report of the Directors (continued)

Board Effectiveness
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 ten Board meetings, three Audit Committee meetings, six meetings of the Board Committee on Executive Directors' Remuneration, one meeting of the Board Committee on Non-Executive Directors' Remuneration and four Nomination Committee meetings. The full Board aims to visit at least two divisions each year, and last year visited the North East, South East and Wessex divisions, as well as receiving presentations at Board meetings from divisional senior management.

There were no absences from any Board or Committee meetings by any director.

During the year the non-executive directors met without the executive directors on two occasions, and the Chairman was not present on one of these occasions.

The Articles require one-third of the directors to offer themselves for re-election each year at the AGM and all directors to seek re-election at least every three years. The Articles also require new directors appointed since the last AGM to offer themselves for re-election at the next AGM. In addition, Provision B.7.1 of the UK Corporate Governance Code states that all directors should retire and offer themselves for re-election at each AGM.

Training and Development
The Board received appropriate training and updates on various matters relevant to its role, as and when required, during the year. Training needs are reviewed as part of the performance evaluation process and on an ongoing basis. Mr Ayres' induction programme to the Board includes meetings with the Company's various advisers, and he has also attended a formal training course designed specifically for new plc directors. Mr Ayres has held senior roles within Bellway since 2002 and is therefore well versed in the operations, practice and procedures of the Group.

Board Balance and Independence
The roles of Chairman and Chief Executive, which are recorded in writing and approved by the Board, are separate, with a clear division of responsibilities, ensuring a balance of responsibility and authority at the head of the Group.

The senior independent non-executive director is Mr Johnson. The senior independent non-executive director is available for shareholders to contact with any queries or concerns they may have.

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

Whenever any director considers that he 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 of any significance have arisen during the year.

Board Evaluation
During the year the directors undertook an evaluation of the performance and effectiveness of the Board, its Committees and individual directors. The evaluation was performed using a system of self-assessment. This involved the Chairman, acting on behalf of the Board, evaluating the performance of the other individual directors, and the non-executive directors, led by the senior independent non-executive director, assessing the performance of the Chairman, taking into account the views of the executive directors. The Board, led by the Chairman, evaluated its own performance, and the Committees, led by the Chairman of each, evaluated their own performance.

As part of the process of ensuring Board effectiveness, the non-executive directors, led by the senior independent non-executive director, met without the Chairman present. Additionally, the Chairman held a meeting with the non-executive directors without the executives present. The Chairman also had meetings with each of the executive directors.

The Board and its Committees reviewed the results of these evaluations and are satisfied with the evidence they provided about the balance, effectiveness and performance of the Board and its Committees and the effectiveness and commitment of each director.

The Board Committees
The Board has formally constituted Audit, Remuneration and Nomination Committees. The terms of reference for the Audit and Nomination Committees and the Board Committee on Executive Directors' Remuneration are available either on request, at the AGM or on the Company's website: www.bellway.co.uk.

Audit Committee
The Audit Committee comprises three independent non-executive directors, Mr Johnson (Chairman), Mr Toms and Mr Cuthbert, who were members of the Committee throughout the year.

The Committee meets at least three times a year and met three times during the year under review. The Committee's responsibilities include the following:

- to monitor the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance.
- to review and make recommendations in relation to the half year and annual accounts prior to submission to the Board.

- to assess the scope and effectiveness of the systems established by management to identify, assess, manage and monitor financial and non-financial risks.
- to review management's reports on the effectiveness of systems for internal financial control, financial reporting and risk management.
- to consider the appointment/re-appointment of the external auditors and assess their independence each year.
- to recommend the audit fee to the Board and pre-approve any fees in respect of non-audit services provided by the external auditors and to develop and monitor the Company's policy on the provision of non-audit services by the external auditor and to ensure that the provision of non-audit services does not restrict the external auditors' independence or objectivity.
- to agree the nature and scope of the audit and review the quality control procedures and steps taken by the auditors to respond to changes in regulatory and other requirements.
- to oversee the process for selecting the external auditors and make appropriate recommendations through the Board to the shareholders to consider at the AGM.
- to consider annually whether there is a need for an internal audit function and make a recommendation to the Board.
- to review the Group's procedures for handling allegations from "whistleblowers".
- to review annually the Group's compliance with its Anti-Bribery Policy.

The Board believes that Mr Johnson, the Committee Chairman, has recent relevant financial experience as a Chartered Accountant. The Group has a written Independent Auditor Policy in place which seeks to preserve the independence of its auditors by defining those non-audit services the independent auditors may and may not provide. There are clearly defined levels of approval depending on the value of work to be provided. Where fees exceed £100,000, or where total non-audit fees equate to 100% of audit fees, Board approval would be required. In respect of any material project with fees in excess of £200,000 where the auditors are considered for the provision of services, this would be the subject of a competitive tendering process.

The Committee recommended to the Board that the external auditors should be re-appointed at the forthcoming AGM. It reached this conclusion based on the ongoing performance of the incumbent auditors and the competitive fee structure when compared with peer companies.

During the year the Committee met the auditors without management present on two occasions. In addition, the Committee Chairman had regular contact with the Finance Director and the external auditors.

Board Committee on Executive Directors' Remuneration

The Board Committee on Executive Directors' Remuneration comprises Mr Toms (Chairman), Mr Johnson and Mr Cuthbert, who were members of the Committee throughout the year.

The Committee meets at least twice a year and during the year it met on six occasions. Its duties are to review and recommend the basic salary, taxable benefits, terms and conditions of employment, including performance-related payments, long-term incentive plans and other benefits of the executive directors and the Chairman. The Report of the Board on Directors' Remuneration on pages 35 to 42 contains details of directors' remuneration and the Group's policies in relation to directors' remuneration. The Committee is also responsible, in consultation with the Chief Executive, for monitoring the total remuneration packages of senior executives below Board level.

Board Committee on Non-Executive Directors' Remuneration

The Board Committee on Non-Executive Directors' Remuneration comprises the executive directors and is chaired by Mr Watson. It meets at least once a year to review and recommend the terms, conditions and remuneration of the non-executive directors. Last year it met on one occasion to review the fees and terms of appointment of the non-executive directors.

Nomination Committee

The Nomination Committee comprises Mr Dawe (Chairman), Mr Johnson, Mr Toms and Mr Cuthbert, who were all members of the Committee throughout the year. The Committee's main duties are to formulate plans for succession for both executive and non-executive directors and, in particular, for the key roles of Chairman and Chief Executive and to make recommendations regarding appointments to the Board.

The Committee meets at least twice a year and last year met on four occasions.

Appointments to the Board are made on merit through a formal, rigorous and transparent process against objective criteria recommended by the Committee, with due regard given to the benefits of diversity on the Board, including gender. The Committee also guides the whole Board in arranging orderly succession for appointments to the Board. The appointment of a non-executive director is for a specified term and re-appointment is not automatic and is made on the recommendation of the Committee.

Other committees of the Board are formed to perform certain specific functions as required from time to time.

Directors' Remuneration

The principles and details of directors' remuneration are detailed in the Report of the Board on Directors' Remuneration on pages 35 to 42.

Governance

Report of the Directors (continued)

Accountability and Audit

The statement on going concern and the Statement of Directors' Responsibilities in respect of the Annual Report and Accounts are shown on pages 33 and 43 respectively.

The Audit Committee, whose role is detailed above, has meetings at least twice a year with the Company's auditors, KPMG Audit Plc.

Internal Control

The Board is responsible for the Group's system of internal control and also for reviewing its effectiveness. The Board has reviewed the effectiveness of the system of internal control throughout the year and up to the date of approval of the Annual Report and Accounts. The system is regularly reviewed by the Board in accordance with the guidance contained in the Turnbull Report "Internal Control Guidance for Directors of Listed Companies Incorporated in the United Kingdom". The Board acknowledges its responsibility to establish, maintain and monitor a system of internal control relating to operational, financial and compliance controls and risk management to safeguard the shareholders' interests in the Company's assets. This system, however, is designed to manage and meet the Group's particular requirements and reduce the risk to which it is exposed rather than eliminate the risk of failure to achieve business objectives. It can provide only reasonable and not absolute assurance against material misstatement or loss.

The Board reviews the effectiveness of the system of internal control and, in particular, it reviews the process for identifying and evaluating the significant risks affecting the business and the policies and procedures by which these risks are managed on an ongoing basis.

Management is responsible for the identification and evaluation of significant risks applicable to particular areas of the business together with the design and operation of suitable controls. These significant risks, which are described in the Operating Risk Statement on pages 24 and 25, are regularly assessed and cover all aspects of the business, but in particular land acquisition, planning, construction, health and safety, information and reporting systems, sales, environmental issues, personnel, asset protection, treasury management and legal and regulatory compliance. In addition, there is a responsibility to mitigate risk by the provision of adequate insurance cover and by management reporting on material changes in the business or external environment affecting the risk profile.

There is a system of regular reporting to the Board which provides for appropriate details and assurances on the assessment and control of risks.

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 and has considered the extent to which the measures taken by the Group mitigate those risks.
- an established monitoring structure is in place, which provides short lines of communication and easy access to members of the Board.
- delegation of clearly defined responsibilities to the Regional Chairmen and divisional boards with clear procedures and authority limits in place to provide and maintain effective controls across the Group.
- a comprehensive reporting system entailing annual budgets, regular forecasting and financial reporting.
- a central treasury function operates at Head Office.
- regular meetings with management attended by members of the Board to review divisional performance.
- the acquisition of land and land interests is subject to checking by management and approval by the Board to ensure that purchasing criteria are met.
- regular reviews of site costs and revenues by senior Head Office personnel which are reported to the Board.
- regular visits to sites by senior management and external consultants to monitor health and safety standards and performance.
- a number of the Group's key functions are dealt with centrally. These include finance, banking and treasury, taxation, financial services, pensions, insurance, information technology, legal, personnel and company secretarial.

The Company does not have a separate internal audit function and, as recommended by the UK Corporate Governance Code, the Audit Committee considers annually whether there is a need for such an internal audit function and makes a recommendation to the Board. During the year, having considered the robust systems and strong controls already present in the Group and as described above, the Audit Committee recommended that no separate internal audit function was presently required. The position will continue to be monitored by the Audit Committee on behalf of the Board.

Whistleblowing Arrangements

The Group has operated throughout the year a "whistleblowing" arrangement whereby all employees of the Group are able, via an independent external third party, to confidentially report any malpractice or matters of concern they have regarding the actions of management and employees. This facility is also available for employees to report any breaches of the Company's Anti-Bribery Policy. The Audit Committee and the Board regularly review the effectiveness of this arrangement.

Relations with Shareholders

The Company encourages active dialogue with its private and institutional shareholders, both current and prospective. Meetings are held with both existing and prospective institutional shareholders on a regular basis and as requested. Shareholders are also kept up to date with Company affairs through the Annual and Half Year Reports, Trading Updates and Interim Management Statements. The AGM is used to communicate with institutional and private investors and their participation is encouraged by the taking of questions by the whole Board, both during, and also informally, before and after the meeting. The senior independent non-executive director is always available to discuss issues with current and prospective shareholders and institutions, as required. In addition, the whole Board is regularly updated on shareholder and investor views and activities at Board meetings by the Chief Executive and the Finance Director. Further information for shareholders is available under Shareholder Information on pages 78 to 81 and also on the Company's website at www.bellway.co.uk.

Going Concern

After making due enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts as discussed further on page 50.

Employees

The Group is an equal opportunities employer. It is the Group's policy to develop and apply, throughout the Group, procedures and practices which are designed to ensure that equal opportunities are provided to employees of the Group, 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 assisted and encouraged to develop their full potential and the talents and resources of the workforce are fully utilised to maximise the efficiency of the organisation.

It is Group 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. Training at each division is planned and monitored through an annual training plan.

The importance of good communications with employees is recognised by the directors. Each division maintains good employee relations using a variety of means appropriate to its own particular needs, with guidance when necessary from Head Office.

New employees, when eligible, are invited to join the Company's pension and life assurance arrangements and the savings related share option scheme. The Company also offers a private medical scheme, childcare vouchers and personal accident insurance arrangements. In accordance with statutory requirements, the Company also has a designated stakeholder pension arrangement.

Environmental Issues

The Board recognises the importance of environmental issues and, when carrying out its business, endeavours to make a positive contribution to the quality of life, both for the present and the future. An Environmental Policy, approved by the Board, has been adopted by all trading entities within the Group. Environmental issues are addressed in the Corporate Responsibility Policy on page 13, the 2011 Corporate Social Responsibility Statement on pages 14 and 15, the Environmental Policy on page 19, and in the Corporate Social Responsibility section of the Company's website www.bellway.co.uk, a copy of which is available from the Group Company Secretary at the Company's registered office.

Health and Safety at Work

The Group promotes all aspects of health and safety throughout its operations in the interests of employees, sub-contractors and visitors to its sites and premises and the general public. Health and safety issues are considered at each Board meeting, and are addressed in the Chief Executive's Operating Review on pages 6 to 11, in the Corporate Responsibility Policy on page 13, in the 2011 Corporate Social Responsibility Statement on pages 14 and 15, and in the Corporate Social Responsibility section of the Company's website www.bellway.co.uk.

Donations

During the year the Group made no political contributions but donated £20,716 (2010 – £17,011) for charitable purposes.

Significant Relationships

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. Other than the foregoing the Group has contractual and other arrangements in place with suppliers and other third parties which support its business activities. None of these arrangements are considered to be critical to the performance of the business.

Suppliers

The Group agrees terms and conditions under which business transactions with suppliers are conducted. The policy is that payments to suppliers are made in accordance with these terms and conditions, provided that the supplier is also complying with the terms and conditions. The Group's current policy concerning the payment of the majority of its materials suppliers and sub-contractors is for payment to be made at the month end following the month of the invoice. For other supplies, particularly land, the terms are many and varied. Trade creditors due within one year at 31 July 2011 of £80.0 million (2010 – £68.0 million) resulted in a creditor payment period of 25 days (2010 – 32 days). Land creditors due within one year were £57.5 million (2010 – £45.0 million). Including land creditors, the creditor payment period was 43 days (2010 – 53 days).

The parent company had no land or trade creditors at 31 July 2011 (2010 – £nil).

Governance

Report of the Directors (continued)

Purchase of the Company's Own Shares

The Company was given authority at the 2011 AGM to purchase its own ordinary and preference shares. As at the date of this report no market purchases have been made by the Company and this authority will expire at the end of the 2012 AGM. Shareholders will be asked to renew this authority for a further year at the 2012 AGM. Market purchases, for which shareholder authority is not required, have been made by the trustees of the employee share schemes (see note 20 for further details).

Directors' and Officers' Liability Insurance and Indemnification of Directors

The Company carries appropriate insurance cover in respect of possible legal action being taken against its directors and senior employees, and the Articles provide the directors 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.

Disclosure of all Relevant Information to Auditors

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 auditors are unaware and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

In accordance with section 489 of the Companies Act 2006, a resolution for the re-appointment of KPMG Audit Plc as auditors of the Company is to be proposed at the forthcoming AGM.

AGM – Special Business

Four resolutions will be proposed as special business at the AGM to be held on Friday 13 January 2012. Explanatory notes on these resolutions are set out in Shareholder Information on page 78.

By order of the Board

G Kevin Wrightson

Group Company Secretary
17 October 2011

Governance
Report of the Board on Directors' Remuneration

Introduction
The remuneration of the executive directors is determined by the Board Committee on Executive Directors' Remuneration (the "Committee") within a framework set by the Board. As at the date of this report, the Committee's members are three non-executive directors, Mr Toms (Chairman), Mr Johnson and Mr Cuthbert. None of the Committee members has 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 Terms of Reference of the Committee are available on the Company's website www.bellway.co.uk.

During the year, the Group Company Secretary attended a number of Committee meetings at the invitation of the Committee and provided advice on issues other than those relating to his own remuneration. The Committee also received independent external advice from Hewitt New Bridge Street ("HNBS"). HNBS 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.

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. The Board Committee on Non-Executive Directors' Remuneration also receives advice from the Group Company Secretary and HNBS.

The Chairman's remuneration is determined by the other non-executive directors.

Context
This year's remuneration report is made at the end of a year which saw significant progress in the management of the business. Profit before tax increased from £44.4 million to £67.2 million while debt levels remained extremely low, the Group ending the year with £3.4 million of net cash, excluding preference shares. Customer satisfaction levels improved, as did safety performance. Succession to two key Board positions by internal management development was also determined.

The appointment of two new executive directors in the 2011/12 financial year will provide an opportunity to effect some changes to remuneration packages and contracts. Both the new executive directors will start on basic salaries significantly below their predecessors, with a view to upward movement as they develop in their roles. Pension contributions will also be significantly lower than the salary supplement in lieu of pension contributions which are paid to Mr Watson and Mr Leitch. Both appointments will have new service contract terms reflecting best practice.

Long-term incentive award levels will remain in line with the previous policy. The Committee, however, has also given further consideration to the performance targets and has consulted shareholders on possible changes to these measures. The conclusions are set out in detail in this report.

Objectives
The aim of the Committee is to ensure that the Company has competitive remuneration packages in place in order to recruit, retain and motivate executive directors in the overall interests of shareholders, the Company, its employees and its customers.

The Committee has set, as an objective, a policy of paying remuneration around the median of a peer group of similar UK housebuilding businesses, subject to experience and performance, and it is satisfied that the structure of the executives' packages broadly achieves this objective.
The Committee has used this comparative approach to benchmarking with caution, recognising the risk of upward only reviews of remuneration. The structure of the package has been designed to ensure that the performance-related elements of remuneration (annual bonus and long-term incentive plans ("LTIPs")) constitute a significant proportion of an executive's potential total remuneration package, but are only receivable if demanding and stretching performance targets are achieved. The Committee considers that the remuneration level and structure are fully competitive with the market, with a significant element of the package payable in the form of share-based incentives, subject to long-term performance conditions.

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

To improve the risk profile of the policy and in line with best practice, the Company is introducing a clawback mechanism for bonus and LTIP awards in respect of the executive directors and the Group Company Secretary to allow the Company, in exceptional circumstances, to clawback some or all of the variable components of that individual's remuneration.

In framing the Company's remuneration policy for executive directors, the Committee has given full consideration to the best practice provisions in the UK Corporate Governance Code and the Association of British Insurers' ("ABI") guidance. When 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 pay increase awarded to the workforce generally. All employees, including the executive directors, can join the Bellway p.l.c. (2003) Savings Related Share Option Scheme ("2003 SRSOS"). All employees have access to pension arrangements, most have access to life assurance benefits and a significant proportion of employees benefit from health insurance, company car or car allowance. The Committee is apprised of any significant policy changes for the workforce generally.

Governance

Report of the Board on Directors' Remuneration (continued)

Summary of Remuneration Policy

The policy in relation to each component of executive remuneration is described below:

Component	Policy	Performance period	How achieved
Salary	To be market competitive.	n/a	Salary levels set by reference to the mid market level of a peer group of similar UK housebuilding businesses, taking account of individual performance and experience. The salaries of the two new executive directors will be positioned below the median, with a view to progressing these over time as experience is gained.
Benefits	To provide a range and value which is market competitive.	n/a	Benefits to be at the mid market level of a peer group of similar UK housebuilding businesses, and for existing executives include a salary supplement in lieu of pension contributions, car or car allowance, life assurance, medical cover and permanent health insurance. The policy for new executive directors is that their pension contributions will be lower than the salary supplement in lieu of pension contributions which are paid to Mr Watson and Mr Leitch.
Annual Bonus	To reward achievement of a combination of financial and non-financial operational-based performance targets.	1 year	By providing the opportunity to earn a bonus of up to 100% of salary (120% for 2011/12) for outstanding operational performance, both financial and non-financial.
Long-term incentives (performance shares and matching shares)	To encourage long-term value creation, to aid retention, to encourage shareholding, and to promote alignment of interest with shareholders.	3 years	By using share-based incentives with performance conditions which are aligned with shareholders' interests, such as Total Shareholder Return ("TSR"), which are assessed over a three-year period.

Service Contracts and Letters of Appointment

The executive directors have service contracts with a 12-month notice period from the Company and a six-month notice period from the executive.

For Mr Watson and Mr Leitch, on termination by the Company, an amount equivalent to one year's salary, benefits and the average amount of the last two years' annual bonus payments, would be payable. Within six months of a change of control, if either Mr Watson or Mr Leitch serves notice to terminate the contract, the liquidated damages payment would be triggered. The inclusion of average annual bonus in the calculation of compensation payable for early termination has ensured that there was variability in the potential level of compensation. In particular, after a period of poor performance, it could be expected that little or no bonus would be payable, reducing potential payout in these circumstances. Mr Watson and Mr Leitch have long service with the Company and the Committee has not considered it appropriate to re-negotiate their contracts in relation to this provision.

In accordance with best practice, the service contracts of Mr Ayres, who was appointed to the Board on 1 August 2011, and Mr Adey, who will be appointed to the Board on 1 February 2012, will not provide for the inclusion of average bonus as part of the compensation arrangements in the event of early termination and will contain no liquidated damages provision.

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

Executive director	First appointed as a director	Current contract commencement date
J K Watson	1 August 1995	16 March 2001, amended 7 October 2009
A M Leitch	1 August 2002	1 September 2002, amended 7 October 2009
E F Ayres	1 August 2011	1 August 2011

All non-executive directors have letters of appointment with the Company of no more than three years with a three-month notice period by either side.

Non-executive director	First appointed as a director	Current letter of appointment commencement date	Current letter of appointment expiry date
H C Dawe	9 August 1977	1 November 2010	31 October 2013
P M Johnson	1 November 2003	1 November 2009	31 October 2012
M R Toms	1 February 2009	1 February 2009	31 January 2012
J A Cuthbert	1 November 2009	1 November 2009	31 October 2012

On the expiry of his existing letter of appointment, it is the intention of the Company, following rigorous review, to issue a new letter of appointment to Mr Toms for a term of three years from 1 February 2012.

Salaries and Fees

Salaries are reviewed on 1 August each year, taking into account the general settlement across the Company. Any changes are implemented from that date.

For the year under review, the executive directors received a 2.5% increase in basic salary which reflected the average percentage increase across the workforce generally. For 2011/12, Mr Watson and Mr Leitch have been awarded a 3% increase in basic salary, which will also reflect the average percentage increase across the workforce generally.

As previously announced, Mr Stoker retired on 31 July 2011 and Mr Leitch will retire on 31 January 2012. Mr Ayres was promoted to the Board on 1 August 2011 and Mr Adey will be promoted to the Board on 1 February 2012. The new executive directors' commencing salaries will be significantly below those of their predecessors, although it is envisaged that these will be progressively adjusted as they develop and adapt into their new roles. Mr Ayres' commencing salary is £250,000.

Fee levels for non-executive directors reflect the time commitment and responsibilities of the role, including membership or chairmanship of Board Committees. Fees are reviewed annually, taking into account the level of fees for similar positions in comparable companies. For the year under review, fees were increased by around 6% to reflect the increasing responsibilities, complexity and time commitment of their role. With effect from 1 August 2011 fees have been increased by 3% which is in line with the average percentage increase across the workforce generally. They are not entitled to any benefits (with the exception of the Chairman) or pension. They do not participate in any bonus or long-term incentive plan and they are not entitled to compensation on termination of their agreements, other than normal notice provisions of three months' notice given by either party.

Taxable Benefits

Taxable benefits provided relate to the provision of motor vehicles, telephones and private medical insurance.

Annual Bonus Scheme

For the year under review, bonuses were capped at 100% of basic salary. The performance conditions related to a stretching target range of operating profit (80%) and personal performance (20%), with personal performance being assessed by reference to board structure and succession planning, land bank management, health and safety and customer care. The Committee considers that the focus of the bonus on the Company's primary short-term performance measure of operating profit provides a good link between short-term rewards and its strategy, which is to maximise profits sustainably. This also ensures that bonuses are affordable out of profits and there is a consistency with broader employee bonus payments. The focus on profitability is balanced by there being a meaningful weighting of the overall bonus on a number of core non-financial KPIs (the proportion of which has been increased for 2011/12) which are considered to have a strong link to profitability and long-term shareholder returns.

The performance conditions for the annual bonus are balanced by complementary long-term performance conditions under the Bellway p.l.c. (2004) Performance Share Plan (the "PSP"), discussed later in this report.

Details of the bonus payments are set out in the notes to the table of directors' emoluments on page 40. Annual bonuses are not pensionable.

The bonus will be payable in cash, with executives having the opportunity to invest up to 25% of their net cash bonus in Bellway shares held in the Bellway Employee Share Trust (1992) (the "Trust") under the terms of the Bellway p.l.c. (2008) Share Matching Plan (the "SMP").

Governance

Report of the Board on Directors' Remuneration (continued)

As explained above, in relation to the two new executive directors joining the Board in the 2011/12 financial year, the Committee is keen to ensure that the total earnings opportunity for individuals should remain sufficient to retain high quality executives and to align their performance to the interests of shareholders. As part of this, the Committee has looked again at the maximum achievable annual bonus. Up to 2009, this had been set at 120% of salary, with 150% achievable in exceptional circumstances (effectively the maximum limit). In 2009, as the housebuilding sector encountered extremely difficult trading conditions, the maximum was reduced to 100%. The management have successfully steered the Company through this difficult period and trading conditions have become more stable. Since then a number of other peer housebuilders have raised their bonus potential to well in excess of the Bellway level. Following consultation with major shareholders, the Committee intends to return the Bellway maximum to 120%, but without the previous provision for 150% in exceptional circumstances. The Committee will ensure that performance targets to achieve the maximum will be challenging.

The 2011/12 bonus will be based on profit (90%) and personal performance targets (30%) with the latter being assessed by reference to land bank management, health and safety and customer care. The Committee considers that outperformance of targets in relation to annual profitability and non-financial metrics provide a good link to the long-term performance of the business.

Long-term Incentive Plans

The Company operates two LTIPs which are designed to focus executive directors on longer term value creation, provide a strong retentive element and alignment of interest with shareholders.

The PSP was introduced for the Company's executive directors and the Group Company Secretary. Under the PSP, executives have been granted awards over shares worth 100% of basic salary each year, subject to the achievement of TSR-based performance conditions or, in respect of the award granted in January 2008, a combination of TSR and Return on Capital Employed ("ROCE") conditions. Awards will vest to executives after three years, subject to the achievement of performance conditions based around TSR. TSR measures the total return (share price growth and dividend) on a notional investment in Bellway shares, compared to the return on the same notional investment in shares of the other UK housebuilders. Management is rewarded for Bellway's total return outperforming the other UK housebuilders.

During 2010/11 the Committee reviewed the performance conditions in respect of the vesting of future long-term incentive awards. For recent awards under the PSP, the TSR performance condition has been based on TSR relative to an index of the larger quoted UK housebuilders. The rationale has been that this represents the peer group most directly comparable with the Company. However, it presents two issues. Firstly, there are now only six large comparator housebuilders, which means that relative TSR can be volatile, driven by erratic performance by other companies in the sector. Secondly, in principle, Bellway has to compete for capital with investment opportunities beyond the housebuilding sector.

The Committee, after consultation with shareholders, has decided that for awards to be made in 2011/12, the TSR performance condition will be in two parts. Half will be measured by reference to the housebuilders' index as before, and the other half will be measured by reference to the FTSE 250 Index (excluding investment trusts and financial services). This change should not make the achievement of the vesting conditions easier, or indeed harder, over the long term, but it should make it less erratic. As there are a higher number of comparator companies in the FTSE 250 comparator group, performance of each company in the group will be assessed and ranked. Awards will 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 reaches the upper quartile. Grant levels will remain unchanged at 100% of basic salary.

The Committee has also consulted shareholders on the possibility of incorporating additional performance conditions into the PSP for future years and this will be considered further as and when appropriate.

TSR is recognised as enabling alignment with the interests of institutional shareholders by providing a reward mechanism for delivering superior stock market performance. TSR calculations are independently calculated for the Committee by the Company's brokers.

Further, regardless of TSR performance, for the award to be granted in the 2011/12 financial year, no part of the TSR element of an award will vest unless the Committee is satisfied that there has been an improvement in underlying financial performance over the performance period, taking into account, inter alia, operating profit, operating margin, ROCE and Net Asset Value ("NAV"). The Committee will scale back the level of vesting indicated by the TSR performance condition (potentially to zero) in circumstances where there has not been an improvement.

The SMP operates in conjunction with the annual bonus. Under the SMP senior executives may invest up to 25% of their net cash bonus, on a voluntary basis, in Bellway shares, which must be held for a minimum of three years in the Trust. Invested shares will not be subject to a risk of forfeiture and executives will enjoy full beneficial ownership (including voting rights and dividends).

In return for investing in shares under the SMP, an award of matching shares is granted. The level of matching is on a gross basis to the net of tax bonus invested in shares.

Matching shares will vest subject to the executive remaining employed, retention of the invested shares and also subject to performance conditions.

No awards have been made to date. For any awards which may be made, the performance conditions will be the same as will apply to the award under the PSP in the same period.

In addition to the two executive plans detailed above, the 2003 SRSOS is available to all employees, including the executive directors.

Shareholding Guidelines

There is a policy for a minimum shareholding requirement for the executive directors, equivalent to 100% of basic salary. As at 31 July 2011, and at the date of this report, Mr Watson and Mr Leitch held shares with an equivalent value well in excess of 100% of their basic salary. In response to the appointment of Mr Ayres to the Board on 1 August 2011 the Committee has established the following mechanism to ensure that new executive directors acquire the requisite shareholding. 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, 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.

Directors' Interests

The directors' interests (including family interests and holdings in which the directors are interested only as trustees) in the ordinary share capital of the Company are set out below:

	Fully paid ordinary 12.5 pence shares	
Beneficial interests	**31 July 2011**	1 August 2010 or date of appointment if later
H C Dawe	**143,634**	143,634
J K Watson	**400,527**	400,527
P J Stoker (retired 31 July 2011)	**540,000**	540,000
A M Leitch	**132,473**	132,473
P M Johnson	**4,300**	4,300
M R Toms	**1,500**	1,500
J A Cuthbert	**6,000**	6,000

The directors' interests (including family interests) in the preference share capital of the Company are set out below:

	Fully paid cumulative redeemable £1 preference shares	
Beneficial interests	**31 July 2011**	1 August 2010
H C Dawe	**709,164**	679,164
P J Stoker (retired 31 July 2011)	**300,000**	150,000
A M Leitch	**150,000**	150,000

There has been no change in any of the above interests between 31 July 2011 and the date of this report, apart from Mr Ayres, who joined the Board on 1 August 2011, who holds 3,073 ordinary shares in the Company, and Mr Stoker who retired from the Board on 31 July 2011 and whose interests at the date of this report are no longer disclosable.

Pensions

In July 2008 Mr Watson, Mr Stoker and Mr Leitch took enhanced transfer values from the final salary section of the Bellway p.l.c. 1972 Pension Scheme, and therefore have no accrued pension entitlements. Since 1 June 2008 they have received a cash payment in lieu of pension contributions amounting to 30% of basic salary. Following advice to the Committee, this amount was agreed as being reasonable in the circumstances and was less than the annual accrual foregone by the executive directors under the previous final salary arrangements.

Mr Ayres is a member of the Company's Group Self Invested Personal Pension Plan ("GSIPP") and from 1 August 2011 the Company makes a contribution of 16% of his basic salary to the GSIPP on his behalf.

Governance

Report of the Board on Directors' Remuneration (continued)

The auditors are required to report on the information contained in the following part of this report.

	Salary and fees £	Taxable benefits[1] £	Annual bonus[2] £	Payment in lieu of pension[3] £	Total 2011 £	Total 2010 £
Non-executive Chairman						
H C Dawe	233,750	3,201	–	–	**236,951**	230,633
Executive directors						
J K Watson	527,850	25,477	527,850	158,355	**1,239,532**	1,091,148
P J Stoker[4]	343,100	27,467	343,100	102,930	**816,597**	717,490
A M Leitch	343,100	25,281	343,100	102,930	**814,411**	717,397
Non-executive directors						
P M Johnson	55,000	–	–	–	**55,000**	51,500
M R Toms	50,000	–	–	–	**50,000**	47,380
J A Cuthbert	50,000	–	–	–	**50,000**	35,535
D G Perry[5]	–	–	–	–	**–**	21,746
Totals	1,602,800	81,426	1,214,050	364,215	**3,262,491**	2,912,829

Notes:

1. Taxable benefits relate to the provision of motor vehicles, telephones and private medical insurance.
2. The annual bonus is payable in November 2011 for performance during the year ended 31 July 2011. The performance conditions for the 2010/11 bonus were operating profit (pre-exceptional items) (80%) and non-financial performance (20%), with non-financial performance being assessed by reference to board structure and succession planning, land bank management, health and safety and customer care. The actual bonus payments against each of these metrics were determined on the following basis:
   - operating profit was £75.21 million, with no exceptional items, an increase of 46.7% over the previous year. This was substantially above City expectations of underlying profitability and at the top end of the target range. The maximum bonus of 80% of salary was therefore achieved.
   - in respect of the non-financial elements, the Committee took account of performance against each metric. In 2009/10 the non-financial metrics had not paid out in full, but in 2010/11 the Company had achieved a significant improvement in its customer care score from 86% to 91%, and reduced its rate of over three-day lost time accidents per 100,000 employees to 767.90 from 945.18 and had achieved its land bank target for the following financial year. It also completed the successful succession plans for the replacement of Mr Stoker and Mr Leitch. This performance triggered a full payout of the non-financial metrics.
3. Taxable cash payment in lieu of pension contribution amounting to 30% of basic salary.
4. Mr Stoker did not receive any payment for loss of office on his retirement from the Board.
5. Retired 15 January 2010.

Directors' Interests in the PSP

The executive directors have a potential future beneficial interest in certain shares held in the Trust pursuant to the allocation of shares under the PSP. Further information on the PSP is set out on page 38. The number of shares allocated in the Trust in respect of each director, along with the market price of the shares at the date of award, is shown below:

Potential future beneficial interests	Fully paid ordinary 12.5 pence shares					
	Award date	Awards held at 1 August 2010	Awarded during the year	Awards lapsed during the year	Awards vested during the year[5]	**Awards held at 31 July 2011**
J K Watson	16.01.2008[1]	67,159	–	34,721	32,438	**–**
	04.11.2008[2]	89,487	–	–	–	**89,487**
	29.10.2009[3]	72,028	–	–	–	**72,028**
	21.10.2010[4]	–	96,060	–	–	**96,060**
Totals		228,674	96,060	34,721	32,438	**257,575**
P J Stoker	16.01.2008[1]	43,653	–	22,569	21,084	**–**
	04.11.2008[2]	58,167[9]	–	–	–	**58,167**
	29.10.2009[3]	46,818[9]	–	–	–	**46,818**
	21.10.2010[4]	–	62,439[9]	–	–	**62,439**
Totals		148,638	62,439	22,569	21,084	**167,424**
A M Leitch	16.01.2008[1]	43,653	–	22,569	21,084	**–**
	04.11.2008[2]	58,167	–	–	–	**58,167**
	29.10.2009[3]	46,818	–	–	–	**46,818**
	21.10.2010[4]	–	62,439	–	–	**62,439**
Totals		148,638	62,439	22,569	21,084	**164,424**

Notes:

1. Market value on award 744.50p (16.01.2008), performance period 1 August 2007 – 31 July 2010.
2. Market value on award 575.50p (04.11.2008), performance period 1 August 2008 – 31 July 2011.
3. Market value on award 715.00p (29.10.2009), performance period 1 August 2009 – 31 July 2012.
4. Market value on award 549.50p (21.10.2010), performance period 1 August 2010 – 31 July 2013.
5. Market value on 18 January 2011, which was the day the shares in respect of Mr Watson and Mr Stoker vested, was 679.50p. Market value on 30 March 2011, which was the day the shares in respect of Mr Leitch vested, was 700.00p. The awards vested at 48.3% of the full entitlement. Aggregate gross gains made by the above directors on vesting of these awards under the PSP in the year were £511,267 (2010 – £610,420).
6. The performance conditions for each award are summarised below:
   (a) For awards made on 16 January 2008, two performance conditions applied to separate parts of the award:
      (i) 50% of the award was based on a TSR condition comparing Bellway's TSR against an index of the TSR of other housebuilders ("the Housebuilders Index"). Bellway's TSR was compared to that of the Housebuilders Index. If Bellway's TSR matched that of the Housebuilders Index, 25% of the TSR part of the award vested (reduced from the previous vesting profile whereby 33% of the award vested at median). Full vesting would be achieved for 7.5% per annum outperformance of the Housebuilders Index. The companies comprising the Housebuilders Index are Barratt Developments PLC, The Berkeley Group plc, Bovis Homes Group PLC, Persimmon plc, Redrow plc and Taylor Wimpey plc. This TSR condition was achieved at 96.6% of the maximum.
      (ii) The remaining 50% of the award was based on a range of ROCE based targets requiring average annual ROCE of 15% per annum (at which point, 25% of the ROCE part of the award would have vested) to 22% per annum for all of this part of the award to have vested. Awards would have vested on a straight-line basis in between these two points. This performance condition was not achieved.
   (b) For the awards made on 4 November 2008, 29 October 2009 and 21 October 2010 the TSR part of the award applied as the sole performance condition (compared to the same companies as for the award made on 16 January 2008).
   (c) For the awards made on 4 November 2008 and 29 October 2009, regardless of TSR performance, no part of the TSR element of an award will vest unless the Committee is satisfied that the Company's TSR over the performance period is reflective of underlying financial performance. For the 21 October 2010 award and for future awards, no part of the TSR element of an award will vest unless the Committee is satisfied that there has been an improvement in underlying financial performance, taking into account, inter alia, operating profit, operating margin, ROCE and NAV.
7. The market price of the ordinary shares at 31 July 2011 was 660.00p and the range during the year was 510.50p to 753.00p.
8. There has been no change in the above potential future beneficial interests between 31 July 2011 and the date of this report.
9. Following Mr Stoker's retirement from the Board on 31 July 2011, the full three year holding period of each of these awards is to apply up until the normal vesting dates. In respect of the awards granted on 4 November 2008 and 29 October 2009, Mr Stoker may exercise the full allocation of shares awarded subject to, and calculated by reference to, the relevant performance conditions and subject to the relevant financial underpin. In respect of the award granted on 21 October 2010, Mr Stoker may exercise up to 50% of the allocation of shares awarded subject to, and calculated by reference to, the relevant performance conditions and subject to the relevant financial underpin.

Governance

Report of the Board on Directors' Remuneration (continued)

Directors' Share Options

Details of all directors' interests under the 2003 SRSOS are shown below:

	Scheme	1 August 2010	Granted during the year	Exercised during the year	31 July 2011	Exercise price (p)	Exercisable from	Expiry date
J K Watson	2003 SRSOS	2,857	–	–	**2,857**	336.00	1 Feb 2012	31 July 2012
Totals		2,857	–	–	**2,857**			
P J Stoker	2003 SRSOS	2,857	–	–	**2,857**	336.00	1 Feb 2012	31 July 2012
Totals		2,857	–	–	**2,857**			

Notes:

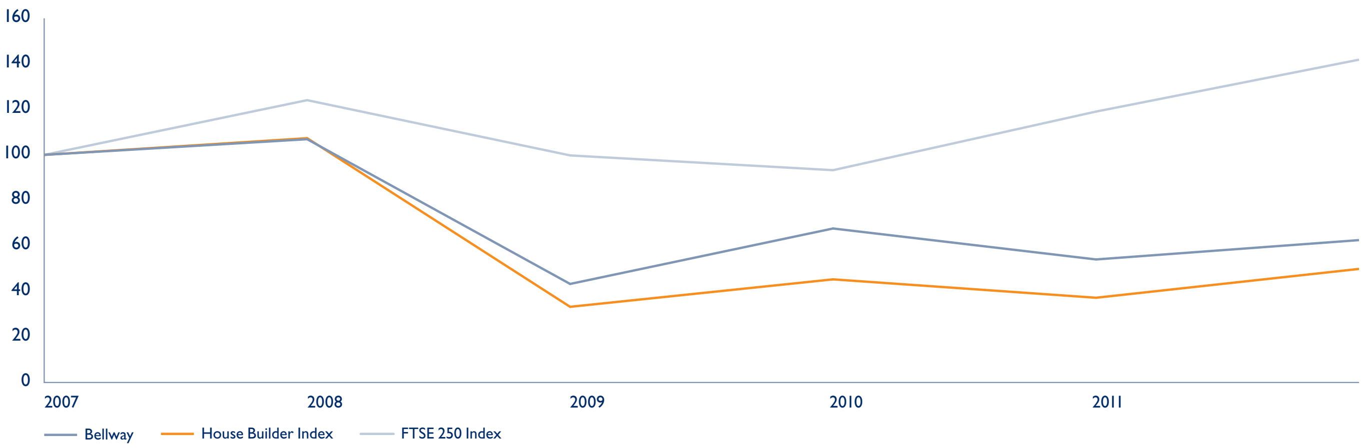
1. All of the above options were granted for nil consideration.
2 The market price of the ordinary shares at 31 July 2011 was 660.00p and the range during the year was 510.50p to 753.00p.
3. (i) Mr Stoker's options lapsed on 1 August 2011, following his retirement from the Board on 31 July 2011.
   (ii) Mr Ayres, who was appointed to the Board on 1 August 2011, had the following interests in the Company's shares on appointment and as at the date of this report:
   (b) option over 10,000 shares granted on 17 November 2004 and an option over 16,500 shares granted on 31 October 2005;
   (c) option over 3,500 shares granted on 31 October 2005;
   (e) an option over 2,350 shares granted on 11 November 2009, exercisable from 1 February 2013.
   References to (b), (c) and (e) correspond with the summary of outstanding share options in note 19 on page 68.
   (iii) There have been no other changes in the above holdings between 31 July 2011 and the date of this report.

Performance Graph

The graph below shows the TSR performance over the past five years of the Company, the FTSE 250 Index and the bespoke Housebuilders Index (as defined in note 6(a)(i) on page 41). 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, and the bespoke Housebuilders Index has been selected as this index is used for the Company's long-term incentive plans.

TSR over the last five financial years

Source: Datastream



This graph looks at the value at 31 July 2011, of £100 invested in Bellway p.l.c. on 31 July 2006 compared with the value of £100 invested in the FTSE 250 Index and in the bespoke Housebuilders Index over the same period.

This report will be put to an advisory vote of the Company's shareholders at the AGM on 13 January 2012.

On behalf of the Board

Mike R Toms

Chairman of the Board Committee on Executive Directors' Remuneration
17 October 2011

Governance

Statement of Directors' Responsibilities in respect of the Annual Report and Accounts

The directors are responsible for preparing the Annual Report and Accounts 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 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 and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business.

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 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 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; and
- the Directors' 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.

Alistair M Leitch

Finance Director
17 October 2011

Governance

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

We have audited the financial statements of Bellway p.l.c. for the year ended 31 July 2011 set out on pages 45 to 76.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 43, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's ("APB's") Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

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 2011 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with 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.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Report of the Board on Directors' Remuneration to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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 Report of the Board on Directors' Remuneration 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.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 33, in relation to going concern;
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

M R Thompson (Senior Statutory Auditor)

for and on behalf of KPMG Audit Plc, Statutory Auditor

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

17 October 2011

Accounts

Group Income Statement

for the year ended 31 July 2011

	Notes	2011 £000	2010 £000
Revenue	1	**886,095**	768,341
Cost of sales	5	**(766,717)**	(678,547)
Gross profit		**119,378**	89,794
Administrative expenses		**(44,168)**	(38,539)
Operating profit	4	**75,210**	51,255
Finance income	2	**1,774**	2,281
Finance expenses	2	**(9,822)**	(9,103)
Profit before taxation		**67,162**	44,433
Income tax expense	6	**(17,018)**	(8,620)
Profit for the year *		**50,144**	35,813

* All attributable to equity holders of the parent.

There were no exceptional items in the current period (note 5).

Earnings per ordinary share – Basic	8	**41.5p**	29.7p
Earnings per ordinary share – Diluted	8	**41.4p**	29.6p

Statements of Comprehensive Income

for the year ended 31 July 2011

	Notes	Group 2011 £000	Group 2010 £000	Company 2011 £000	Company 2010 £000
Profit/(loss) for the period		**50,144**	35,813	**(1,905)**	(1,913)
Other comprehensive income					
Actuarial gains on defined benefit pension plans	25	**761**	1,891	**–**	–
Income tax on other comprehensive income	6	**(587)**	(582)	**–**	–
Other comprehensive income for the period, net of income tax		**174**	1,309	**–**	–
Total comprehensive income/(expense) for the period *		**50,318**	37,122	**(1,905)**	(1,913)

* All attributable to equity holders of the parent.

Accounts

Statement of Changes in Equity

at 31 July 2011

Group	Notes	Issued capital £000	Share premium £000	Other reserves £000	Retained earnings £000	Total £000	Non-controlling interest £000	Total equity £000
Balance at 1 August 2009		14,375	117,198	1,492	832,013	965,078	(66)	965,012
Total comprehensive income for the period								
Profit for the period		–	–	–	35,813	35,813	–	35,813
Other comprehensive income *		–	–	–	1,309	1,309	–	1,309
Total comprehensive income for the period		–	–	–	37,122	37,122	–	37,122
Transactions with shareholders recorded directly in equity:								
Dividends on equity shares	7	–	–	–	(11,221)	(11,221)	–	(11,221)
Shares issued	19	728	43,365	–	–	44,093	–	44,093
Credit in relation to share options and tax thereon	25	–	–	–	1,569	1,569	–	1,569
Purchase of own shares	20	–	–	–	(1,777)	(1,777)	–	(1,777)
Total contributions by and distributions to shareholders		728	43,365	–	(11,429)	32,664	–	32,664
Balance at 31 July 2010		15,103	160,563	1,492	857,706	1,034,864	(66)	1,034,798
Total comprehensive income for the period								
Profit for the period		–	–	–	50,144	50,144	–	50,144
Other comprehensive income *		–	–	–	174	174	–	174
Total comprehensive income for the period		–	–	–	50,318	50,318	–	50,318
Transactions with shareholders recorded directly in equity:								
Dividends on equity shares	7	–	–	–	(12,543)	(12,543)	–	(12,543)
Shares issued	19	2	79	–	–	81	–	81
Credit in relation to share options and tax thereon	25	–	–	–	1,213	1,213	–	1,213
Purchase of own shares	20	–	–	–	(559)	(559)	–	(559)
Total contributions by and distributions to shareholders		2	79	–	(11,889)	(11,808)	–	(11,808)
Balance at 31 July 2011		**15,105**	**160,642**	**1,492**	**896,135**	**1,073,374**	**(66)**	**1,073,308**

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

Company	Notes	Issued capital £000	Share premium £000	Other reserves £000	Share-based payment reserve £000	Retained earnings £000	Total equity £000
Balance at 1 August 2009		14,375	117,198	2,145	10,585	570,197	714,500
Total comprehensive expense for the period							
Loss for the period		–	–	–	–	(1,913)	(1,913)
Other comprehensive income *		–	–	–	–	–	–
Total comprehensive expense for the period		–	–	–	–	(1,913)	(1,913)
Transactions with shareholders recorded directly in equity:							
Dividends on equity shares	7	–	–	–	–	(11,221)	(11,221)
Shares issued	19	728	43,365	–	–	–	44,093
Credit in relation to share options	25	–	–	–	1,372	–	1,372
Purchase of own shares	20	–	–	–	–	(7,486)	(7,486)
Total contributions by and distributions to shareholders		728	43,365	–	1,372	(18,707)	26,758
Balance at 31 July 2010		15,103	160,563	2,145	11,957	549,577	739,345
Total comprehensive expense for the period							
Loss for the period		–	–	–	–	(1,905)	(1,905)
Other comprehensive income *		–	–	–	–	–	–
Total comprehensive expense for the period		–	–	–	–	(1,905)	(1,905)
Transactions with shareholders recorded directly in equity:							
Dividends on equity shares	7	–	–	–	–	(12,543)	(12,543)
Shares issued	19	2	79	–	–	–	81
Credit in relation to share options	25	–	–	–	957	–	957
Purchase of own shares	20	–	–	–	–	(559)	(559)
Total contributions by and distributions to shareholders		2	79	–	957	(13,102)	(12,064)
Balance at 31 July 2011		**15,105**	**160,642**	**2,145**	**12,914**	**534,570**	**725,376**

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

Accounts

Balance Sheets

at 31 July 2011

	Notes	Group 2011 £000	Group 2010 £000	Company 2011 £000	Company 2010 £000
ASSETS					
Non-current assets					
Property, plant and equipment	9	**9,023**	8,216	**–**	–
Investment property	10	**8,880**	7,716	**–**	–
Investments in subsidiaries and jointly controlled entities	11	**–**	–	**29,117**	28,160
Other financial assets	14	**33,491**	32,664	**–**	–
Deferred tax assets	12	**3,683**	3,694	**–**	–
		55,077	52,290	**29,117**	28,160
Current assets					
Inventories	13	**1,270,292**	1,148,713	**–**	–
Trade and other receivables	15	**62,176**	45,801	**668,392**	683,173
Cash and cash equivalents	22	**83,412**	145,689	**48,741**	48,856
		1,415,880	1,340,203	**717,133**	732,029
Total assets		**1,470,957**	1,392,493	**746,250**	760,189
LIABILITIES					
Non-current liabilities					
Interest bearing loans and borrowings	16	**85,000**	100,000	**20,000**	20,000
Retirement benefit obligations	25	**8,401**	8,736	**–**	–
Trade and other payables	17	**31,218**	20,299	**–**	–
Deferred tax liabilities	12	**66**	166	**–**	–
		124,685	129,201	**20,000**	20,000
Current liabilities					
Interest bearing loans and borrowings	16	**15,000**	–	**–**	–
Corporation tax payable		**11,836**	2,842	**–**	–
Trade and other payables	17	**246,128**	225,652	**874**	844
		272,964	228,494	**874**	844
Total liabilities		**397,649**	357,695	**20,874**	20,844
Net assets		**1,073,308**	1,034,798	**725,376**	739,345
EQUITY					
Issued capital	19	**15,105**	15,103	**15,105**	15,103
Share premium		**160,642**	160,563	**160,642**	160,563
Other reserves		**1,492**	1,492	**2,145**	2,145
Share-based payment reserve		**–**	–	**12,914**	11,957
Retained earnings		**896,135**	857,706	**534,570**	549,577
Total equity attributable to equity holders of the parent		**1,073,374**	1,034,864	**725,376**	739,345
Non-controlling interest		**(66)**	(66)	**–**	–
Total equity		**1,073,308**	1,034,798	**725,376**	739,345

Approved by the Board of Directors on 17 October 2011 and signed on its behalf by

Registered number 1372603

Howard C Dawe
Director

Alistair M Leitch
Director

Accounts

Cash Flow Statements

for the year ended 31 July 2011

	Notes	Group 2011 £000	Group 2010 £000	Company 2011 £000	Company 2010 £000
Cash flows from operating activities					
Profit/(loss) for the year		**50,144**	35,813	**(1,905)**	(1,913)
Depreciation charge	9, 10	**1,695**	1,659	**–**	–
Profit on sale of property, plant and equipment	4	**(262)**	(184)	**–**	–
Profit on sale of investment properties		**(27)**	(39)	**–**	–
Finance income	2	**(1,774)**	(2,281)	**–**	–
Finance expenses	2	**9,822**	9,103	**1,900**	1,899
Share-based payment charge	25	**957**	1,372	**–**	–
Income tax expense	6	**17,018**	8,620	**–**	–
(Increase)/decrease in inventories		**(121,579)**	62,638	**–**	–
(Increase)/decrease in trade and other receivables		**(19,175)**	(15,869)	**14,781**	14,740
Increase/(decrease) in trade and other payables		**29,879**	(33,602)	**30**	(14)
Cash from operations		**(33,302)**	67,230	**14,806**	14,712
Interest paid		**(5,553)**	(2,534)	**(1,903)**	(1,895)
Income tax (paid)/received		**(8,444)**	7,484	**–**	–
Net cash (outflow)/inflow from operating activities		**(47,299)**	72,180	**12,903**	12,817
Cash flows from investing activities					
Acquisition of property, plant and equipment		**(2,588)**	(1,763)	**–**	–
Acquisition of investment properties		**(1,230)**	(657)	**–**	–
Proceeds from sale of property, plant and equipment		**351**	322	**–**	–
Proceeds from sale of investment properties		**185**	262	**–**	–
Interest received		**1,322**	1,049	**–**	–
Net cash outflow from investing activities		**(1,960)**	(787)	**–**	–
Cash flows from financing activities					
Proceeds from issue of share capital on share placing	19	**–**	43,658	**–**	43,658
Proceeds from the issue of share capital on exercise of share options		**81**	435	**81**	435
Purchase of own shares by employee share option plans		**(559)**	(1,777)	**(559)**	(1,777)
Dividends paid		**(12,540)**	(11,230)	**(12,540)**	(11,230)
Net cash (outflow)/inflow from financing activities		**(13,018)**	31,086	**(13,018)**	31,086
Net (decrease)/increase in cash and cash equivalents		**(62,277)**	102,479	**(115)**	43,903
Cash and cash equivalents at beginning of year		**145,689**	43,210	**48,856**	4,953
Cash and cash equivalents at end of year	22	**83,412**	145,689	**48,741**	48,856

Accounts

Accounting Policies

Basis of preparation

Bellway p.l.c. (the "Company") is a company incorporated in the UK.

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 other financial assets, 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 17 October 2011, the Company is taking advantage of the exemption in section 408 of the Companies Act 2006 not to present its individual income statement and related notes that form a part of these financial statements.

The preparation of financial statements in conformity with Adopted IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about 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 Chief Executive's Operating Review on pages 6 to 11. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Group Finance Director's Review on pages 20 to 23. Note 18 to the financial statements sets out the Group's policies and processes for managing its capital, financial risk, and its exposures to credit risk and liquidity risk.

The Group's activities are financed principally by a combination of ordinary shares, preference shares, bank borrowings and cash in hand. At 31 July 2011, cash net of borrowings (excluding preference shares) was £3.4 million having expended £62.3 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 £290.0 million, expiring in tranches up to December 2015, with £210.0 million available for drawdown under such facilities at 31 July 2011.

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 has adopted Annual Improvements 2009 in the Group's financial statements for the year ended 31 July 2011. The adoption of Annual Improvements 2009 has not had a material effect on the Group's profit for the period 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 2011 have 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 (its subsidiaries) made up to 31 July. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement. The consolidated financial statements include the Group's proportionate share of the significant entities' assets, liabilities, income and expenses with items of a similar nature on a line by line basis, from the date that joint control commences until the date that joint control ceases.

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: 10 – 100 years (2010 – 100 years).

Land is not depreciated.

Investments in subsidiaries
Interests in subsidiary undertakings are valued 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. 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 receivables are stated at their fair value at the date of initial recognition and subsequently at amortised cost less allowances for impairment.

Other financial assets
Other financial assets are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognised directly in equity within retained earnings, except for impairment losses and changes in future cash flows, which are recognised directly in the income statement. When these investments are de-recognised, the cumulative gain or loss previously recognised directly in equity is recognised in the income statement. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in the income statement.

A description of the valuation technique is given in note 14 on page 63.

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. Offset arrangements across Group businesses are applied to arrive at the cash and overdraft figures in the balance sheet.

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.

Accounts
Accounting Policies (continued)

Trade and other payables
Trade 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.

Share capital
I. Preference share capital
Preference share capital is redeemable on 6 April 2014 or at the option of the Company (subject to relevant conditions set out in note 16) and is classified as a liability.

II. Dividends
Dividends on redeemable preference shares are recognised as a liability and accrued using the effective interest rate method. They are recognised in the income statement within finance expenses.

Other dividends 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
Revenue from private housing sales and land is recognised when transactions have legally completed.

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.

Sales incentives also include shared equity schemes which are accounted for as Other Financial Assets. Revenue is recognised at the initial fair value of the Other Financial Assets as described above.

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

For the defined benefit scheme, the liability is calculated as the present value of the defined benefit obligation at the balance sheet date. The fair values of scheme assets are then deducted. The calculation is performed by a qualified actuary using the projected unit credit method. All actuarial gains and losses are recognised immediately in the Statement of Comprehensive Income ("SOCI"). Further details of the scheme and the valuation methods applied may be found in note 25 on pages 70 to 73.

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

Employee benefits – share-based payment

In accordance with IFRS 2, 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.

IFRS 2 has been applied to options granted after 7 November 2002 which had not vested at 1 January 2005.

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

A deferred tax asset relating to awards issued before 7 November 2002, which follow the exemption of IFRS 1 and have not been accounted for under IFRS 2, has been recognised on transition. Subsequent reversal of the deferred tax asset and any excess tax benefits are recognised directly in equity.

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. Other financial assets relate to the deferred element of revenues receivable from the sale of homes under shared equity schemes. The discounting of these other financial assets produces a notional interest receivable amount and this is credited to cost of sales.

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

Accounts
Accounting Policies (continued)

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

Accounting estimates and judgements
Management 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, less payments on account. 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 work in progress are carried out at regular intervals and estimates of the cost to complete a site 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 and in assessing any impairment provisions which may be required.

For both the years ended 31 July 2011 and 31 July 2010, 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 basis and selling prices have been amended based on local management and the Board's assessment of current market conditions. For the years ended 31 July 2011 and 31 July 2010 no exceptional charge has resulted from the review.

Whilst management remain cautious, selling prices and volumes have stabilised, however the market remains fragile. Should there be further significant movements in selling prices, either further reductions or a stepped recovery, exceptional charges or credits may be necessary.

Pension
The Group has utilised a rate of return on assets and a discount rate having been advised by its actuary. To the extent that such assumed rates are different from what actually transpires, the pension liability of the Group would change.

Income taxes
A certain degree of estimation and judgement is required in establishing the tax figures prior to formal resolution with HMRC. In accordance with the contingent asset rules, detailed in IAS 37, the Group's policy is to be prudent in assessing the level of benefit which may accrue.

Other financial assets
The fair value of future anticipated cash receipts takes into account the directors' view of future house price movements, the expected timing of receipts and the likelihood that a purchaser defaults on a repayment. The directors revisit the future anticipated cash receipts from the assets at the end of each reporting period as detailed in note 14 on page 63.

Standards and interpretations in issue but not yet effective
At the date of authorisation of these financial statements, the following relevant amendment, which has not been applied in these financial statements, was in issue and endorsed by the EU but not yet effective:

- IFRS 7 "Financial Instruments: Disclosure" (Amendment). The amendment provides clarification of the standard and requires additional disclosures in relation to financial instruments. This is effective for the period beginning on 1 August 2011.

The Board anticipates that this amendment will be adopted in the Group's financial statements in the year it becomes effective and that the adoption of this amendment will not have a significant effect on the Group's financial statements.

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

Accounts

Notes to the Accounts

1 Segmental analysis

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

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.

Additional information on average selling prices and the unit sales split between north, south, private and social has been included in the Group Finance Director's Review on pages 20 to 23. The Board does not, however, consider these categories to be separate reportable segments as they review the entire operations as a whole, which are based in the UK, when assessing performance and making decisions about the allocation of resources.

2 Finance income and expenses

	2011 £000	2010 £000
Interest receivable on bank deposits	**1,381**	1,306
Other interest income	**393**	975
Finance income	**1,774**	2,281
Interest payable on bank loans and overdrafts	**4,154**	2,154
Interest on deferred term land payables	**3,062**	4,456
Interest element of movement in pension scheme deficit	**426**	413
Other interest expense	**280**	181
Preference dividends	**1,900**	1,899
Finance expenses	**9,822**	9,103

3 Employee information

Group employment costs, including directors, comprised:

	2011 £000	2010 £000
Wages and salaries	**61,906**	51,463
Social security	**6,231**	5,240
Pension costs (note 25)	**1,919**	1,720
Share-based payments (note 25)	**957**	1,372
	71,013	59,795

The average number of persons employed by the Group during the year was 1,496 (2010 – 1,360) comprising 516 (2010 – 464) administrative and 980 (2010 – 896) production and others employed in housebuilding and associated trading activities.

The executive directors and the Group Company Secretary are the only employees of the Company and the emoluments of the executive directors are disclosed in the Report of the Board on Directors' Remuneration on pages 35 to 42.

Accounts

Notes to the Accounts (continued)

3 Employee information (continued)

Key management personnel remuneration, including directors, comprised:

	2011 £000	2010 £000
Salaries and fees	**2,756**	2,533
Taxable benefits	**171**	167
Annual bonus – cash	**1,951**	1,318
Pension costs	**77**	46
Share-based payments	**378**	901
	5,333	4,965

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

4 Operating profit

	2011 £000	2010 £000
Operating profit is stated after charging/(crediting):		
Staff costs (note 3)	**71,013**	59,795
Profit on sale of property, plant and equipment	**(262)**	(184)
Depreciation of property, plant and equipment	**1,692**	1,659
Depreciation of investment property	**3**	–
Hire of plant and machinery	**8,069**	6,520
Operating lease charges for land and buildings	**1,203**	1,300
Auditors' remuneration:		
Audit of these financial statements	**29**	29
Amounts receivable by the auditors and their associates in respect of:		
Audit of financial statements of subsidiaries pursuant to legislation	**191**	183
Other services relating to taxation	**45**	46
Pension scheme audits	**4**	5

Amounts paid to the Company's auditors 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.

5 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 2011 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 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 2010.

6 Income tax expense

	2011 £000	2010 £000
Current tax expense:		
UK corporation tax	**19,164**	6,693
Adjustments in respect of prior years	**(1,726)**	(1,488)
	17,438	5,205
Deferred tax (credit)/expense:		
Origination and reversal of temporary differences	**(285)**	6,768
Reduction in tax rate	**(135)**	125
Adjustments in respect of prior years	**–**	(3,478)
	(420)	3,415
Total income tax expense in income statement	**17,018**	8,620

	2011 %	2011 £000	2010 %	2010 £000
Reconciliation of effective tax rate:				
Profit before tax		**67,162**		44,433
Tax calculated at UK corporation tax rate	**27.3**	**18,335**	28.0	12,441
Non-deductible expenses	**0.8**	**544**	2.3	1,020
Reduction in tax rate	**(0.2)**	**(135)**	0.3	125
Adjustments in respect of prior years – current tax	**(2.6)**	**(1,726)**	(3.4)	(1,488)
– deferred tax	**–**	**–**	(7.8)	(3,478)
Effective tax rate and tax expense for the year	**25.3**	**17,018**	19.4	8,620

The deferred tax assets and liabilities held by the Group at the start of the year that are expected to be realised after 31 March 2012 have been revalued at a tax rate of 25%, being the corporation tax rate that was substantively enacted at the balance sheet date, with effect from 1 April 2012. The Chancellor has also proposed changes to further reduce the main rate of corporation tax by one per cent per annum to 23% by 1 April 2014, but these changes were not substantively enacted at the balance sheet date and therefore are not included in the figures above.

The effective income tax charge is 25.3% of profit before tax (2010 – 19.4%) and compares favourably to the Group's standard tax rate for the year of 27.3% (2010 – 28.0%). The lower effective tax rate in the current year is principally due to finalisation of prior year land remediation claims.

	2011 £000	2010 £000
Deferred tax recognised directly in equity:		
Credit relating to equity-settled transactions	**256**	197
Charge relating to actuarial movement on the defined benefit pension scheme	**(587)**	(582)

Accounts

Notes to the Accounts (continued)

7 Dividends on equity shares

	2011 £000	2010 £000
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 July 2010 of 6.7p per share (2009 – 6.0p)	**8,096**	7,238
Interim dividend for the year ended 31 July 2011 of 3.7p per share (2010 – 3.3p)	**4,471**	3,987
Dividends forfeited	**(24)**	(4)
	12,543	11,221
Proposed final dividend for the year ended 31 July 2011 of 8.8p per share (2010 – 6.7p)	**10,635**	8,096

The 2011 proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 13 January 2012 and, in accordance with IAS 10, has not been included as a liability in these financial statements.

8 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 except that 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 2011 £000	Weighted average number of ordinary shares 2011 no.	Earnings per share 2011 p	Earnings 2010 £000	Weighted average number of ordinary shares 2010 no.	Earnings per share 2010 p
For basic earnings per ordinary share	**50,144**	**120,705,397**	**41.5**	35,813	120,619,800	29.7
Dilutive effect of options and awards		**462,722**	**(0.1)**		549,620	(0.1)
For diluted earnings per ordinary share	**50,144**	**121,168,119**	**41.4**	35,813	121,169,420	29.6

9 Property, plant and equipment

	Land and property £000	Plant, fixtures and fittings £000	Total £000
Group			
Cost			
At 1 August 2009	6,152	15,189	21,341
Additions	101	1,662	1,763
Disposals	(8)	(2,225)	(2,233)
At 1 August 2010	6,245	14,626	20,871
Additions	–	2,588	2,588
Disposals	(1)	(2,153)	(2,154)
At 31 July 2011	**6,244**	**15,061**	**21,305**
Depreciation			
At 1 August 2009	957	12,134	13,091
Charge for year	140	1,519	1,659
On disposals	–	(2,095)	(2,095)
At 1 August 2010	1,097	11,558	12,655
Charge for year	140	1,552	1,692
On disposals	–	(2,065)	(2,065)
At 31 July 2011	**1,237**	**11,045**	**12,282**
Net book value			
At 31 July 2011	**5,007**	**4,016**	**9,023**
At 31 July 2010	5,148	3,068	8,216
At 31 July 2009	5,195	3,055	8,250

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Notes to the Accounts (continued)

10 Investment property

	Total £000
Group	
Cost	
At 1 August 2009	7,377
Additions	657
Disposals	(318)
At 1 August 2010	7,716
Additions	1,230
Disposals	(63)
At 31 July 2011	**8,883**
Depreciation	
At 1 August 2009	–
Charge for year	–
At 1 August 2010	–
Charge for year	3
At 31 July 2011	**3**
Net book value	
At 31 July 2011	**8,880**
At 31 July 2010	7,716
At 31 July 2009	7,377

Investment properties, which primarily represent properties where Bellway has retained an interest in a sold property, 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 £9.608 million (2010 – £8.238 million).

The investment properties are primarily a proportion of the cost of residential units constructed by the Group, the units being sold under a shared ownership scheme.

11 Investments in subsidiaries and proportionately consolidated jointly controlled entities

The Group and Company have the following investments in subsidiaries and proportionately consolidated jointly controlled entities:

Subsidiaries

Company	Shares in subsidiary undertakings £000
Cost	
At 1 August 2010	28,160
Additions	957
At 31 July 2011	**29,117**

Principal subsidiary undertakings

A summary of the principal subsidiary undertakings is given in note 27 on page 76.

11 Investments in subsidiaries and proportionately consolidated jointly controlled entities (continued)

Jointly controlled entities

Name	Country of incorporation	Percentage of shares owned directly by Bellway p.l.c.
Barking Riverside Limited	England and Wales	51%

The Group and Company also own 25% – 50% of the ordinary share capital of several smaller proportionately consolidated jointly controlled entities. All of these entities are incorporated and registered in England and Wales.

Aggregated amounts relating to share of proportionately consolidated jointly controlled entities not adjusted for transactions with Group companies

	2011 £000	2010 £000
Non-current assets	**265**	293
Current assets	**36,123**	30,682
Non-current liabilities	**(6,283)**	(5,644)
Current liabilities	**(40,170)**	(35,297)
Net liabilities	**(10,065)**	(9,966)
Income	**5,140**	1,090
Expenses	**(5,240)**	(7,173)

Guarantees relating to the overdrafts of jointly controlled entities have been given by the Company (note 23).

12 Deferred taxation

The following are the deferred tax assets/(liabilities) recognised by the Group and the movements thereon during the current and prior year:

Group

	Capital allowances £000	Retirement benefit obligations £000	Share-based payments £000	Losses £000	Other temporary differences £000	**Total £000**
At 1 August 2009	679	3,339	753	2,104	453	7,328
Income statement charge	(156)	(399)	(137)	(2,104)	(619)	(3,415)
Charge to statement of comprehensive income	–	(582)	–	–	–	(582)
Credit to equity	–	–	197	–	–	197
At 31 July 2010	523	2,358	813	–	(166)	3,528
Income statement (charge)/credit	(108)	329	99	–	100	420
Charge to statement of comprehensive income	–	(587)	–	–	–	(587)
Credit to equity	–	–	256	–	–	256
At 31 July 2011	**415**	**2,100**	**1,168**	**–**	**(66)**	**3,617**

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Notes to the Accounts (continued)

12 Deferred taxation (continued)

The following is an analysis of the deferred tax balances for financial reporting purposes:

	2011 £000	2010 £000
Capital allowances	**415**	523
Retirement benefit obligations	**2,100**	2,358
Share-based payments	**1,168**	813
Deferred tax assets	**3,683**	3,694
Other temporary differences	**(66)**	(166)
Deferred tax liabilities	**(66)**	(166)
Net deferred tax asset at 31 July	**3,617**	3,528

There are no deferred tax balances in respect of the Company.

13 Inventories

	2011 £000	2010 £000
Group		
Land	**761,690**	724,991
Work in progress	**439,747**	370,911
Showhomes	**45,601**	37,819
Part-exchange properties	**23,254**	14,992
	1,270,292	1,148,713

Inventories of £742.9 million were expensed in the year (2010 – £659.5 million).

In the ordinary course of business inventories have been written down by a net £5.0 million (2010 – £4.4 million) in the year.

There has been no exceptional write down of inventories in the period (2010 – £nil) as outlined in note 5 on page 56.

Land with a carrying value of £20.5 million (2010 – £26.6 million) was used as security for land payables (note 17).

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 issues including consumer demand and planning permission delays.

The Company has no inventory.

14 Other financial assets

	2011 £000	2010 £000
Group		
At 1 August	**32,664**	20,826
Additions	**6,305**	10,451
Redemptions	**(904)**	(637)
Imputed interest	**(4,574)**	2,024
At 31 July	**33,491**	32,664

Other financial assets carried at fair value are categorised as level 3 within the hierarchical classification of IFRS 7 Revised (as defined within the standard).

Other financial assets comprise loans, largely with non-fixed repayment dates and variable repayment amounts, provided as part of sales transactions that are secured by way of a second legal charge on the related property. The assets are recorded at fair value, being the estimated amount receivable by the Group, discounted to present day values.

The fair value of future anticipated cash receipts takes into account the directors' view of future house price movements, the expected timing of receipts and the likelihood that a purchaser defaults on a repayment. The directors revisit the future anticipated cash receipts from the assets at the end of each reporting period.

The difference between the anticipated future receipt and the initial fair value is credited/charged over the estimated deferred term to cost of sales, with the financial asset increasing to its full expected cash settlement value on the anticipated receipt date. The imputed interest charged to cost of sales for the year ended 31 July 2011 was £4.574 million (2010 – £2.024 million credit).

Credit risk, which the directors currently consider to be largely mitigated through holding a second legal charge over the assets, is accounted for in determining present values. The directors review the financial assets for impairment at the end of each reporting period. There were no indicators of impairment at 31 July 2011 (2010 – nil). None of the other financial assets are past their due dates (2010 – nil).

At initial recognition, the fair value of the assets is calculated using a discount rate, appropriate to the class of assets, which reflects market conditions at the date of entering into the transaction. The directors consider at the end of each reporting period whether the initial market discount rate still reflects up to date market conditions. If a revision is required, the fair value of the asset is re-measured at the present value of the revised future cash flows using this revised discount rate; the difference between this value and the carrying value of the asset is recorded against the carrying value of the asset and recognised directly in the Statement of Comprehensive Income.

The directors considered that there was no material difference between the initial market discount rate and the market discount rate at 31 July 2011 or 31 July 2010 and accordingly have not recognised any movements directly within the Statement of Comprehensive Income to date.

The Company has no other financial assets.

15 Trade and other receivables

Current receivables

	Group 2011 £000	Group 2010 £000	Company 2011 £000	Company 2010 £000
Trade receivables	**26,316**	13,000	**–**	–
Other receivables	**33,596**	28,838	**3**	–
Amounts owed by Group undertakings	**–**	–	**668,389**	683,173
Prepayments and accrued income	**2,264**	3,963	**–**	–
	62,176	45,801	**668,392**	683,173

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 (2010 – nil).

Other receivables due within one year include £8.938 million (2010 – £8.733 million) in relation to VAT recoverable.

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Notes to the Accounts (continued)

16 Interest bearing loans and borrowings
Non-current liabilities

	Group 2011 £000	Group 2010 £000	Company 2011 £000	Company 2010 £000
Bank loans	**65,000**	80,000	**–**	–
Preference shares (see note below)	**20,000**	20,000	**20,000**	20,000
	85,000	100,000	**20,000**	20,000

Current liabilities

	Group 2011 £000	Group 2010 £000	Company 2011 £000	Company 2010 £000
Bank loans	**15,000**	–	**–**	–

Preference shares

	Group 2011 £000	Group 2010 £000	Company 2011 £000	Company 2010 £000
Authorised, allotted, called up and fully paid				
20,000,000 preference shares at 1 August 2010 and 31 July 2011	**20,000**	20,000	**20,000**	20,000

With regard to the 9.5% cumulative redeemable preference shares 2014 of £1 each the following rights are attached:

(a) The holders are entitled to a preferential fixed cumulative dividend at an annual rate of 9.5% payable half yearly on 6 April and 6 October.

(b) The shares are redeemable by the Company at any time at a sum calculated by reference to the yield on 12% Exchequer Stock 2013/2017 provided such sum is neither less than the nominal value nor more than twice the nominal value of the shares. Any shares still in issue shall be redeemed at par on 6 April 2014.

(c) In the event of a winding up of the Company, the preference shareholders are entitled to a preferential payment in addition to any arrears of dividend, equivalent to the nominal value of the preference shares, or in the event of a voluntary winding up, an amount per share calculated by reference to the yield on 12% Exchequer Stock 2013/2017, provided such sum is neither less than the nominal value nor more than twice the nominal value of the shares.

(d) The preference shareholders have no ordinary voting rights except in circumstances where the fixed dividend on the preference shares is six months in arrears or where the business of a General Meeting includes the consideration of certain resolutions as defined in the Articles of Association relating to winding up, changes in the rights of preference shareholders or failure by the Company to redeem the preference shares by 6 April 2014.

17 Trade and other payables

Non-current liabilities

	Group 2011 £000	Group 2010 £000	Company 2011 £000	Company 2010 £000
Land payables	**25,746**	16,884	**–**	–
Other payables	**4,782**	2,834	**–**	–
Accrued expenses and deferred income	**690**	581	**–**	–
	31,218	20,299	**–**	–

Land payables of £1.677 million (2010 – £3.972 million) are secured on the land to which they relate.

The carrying value of the land used for security is £1.453 million (2010 – £3.378 million).

Current liabilities

	Group 2011 £000	Group 2010 £000	Company 2011 £000	Company 2010 £000
Trade payables	**79,956**	67,973	**–**	–
Land payables	**57,461**	44,969	**–**	–
Social security and other taxes	**2,565**	2,246	**–**	–
Other payables	**27,449**	18,830	**273**	243
Accrued expenses and deferred income	**43,695**	42,901	**601**	601
Payments on account	**35,002**	48,733	**–**	–
	246,128	225,652	**874**	844

Land payables of £19.651 million (2010 – £24.321 million) are secured on the land to which they relate.

The carrying value of the land used for security is £19.009 million (2010 – £23.257 million).

18 Financial risk management

The Group's financial instruments comprise cash, bank loans and overdrafts and various items such as trade receivables, other financial assets 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.

The Company's only financial instruments are cash and preference shares.

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 retained earnings, bank borrowings and the management of working capital. From time to time, the trustees of the Bellway Employee Share Trust (1992) (the "Trust") also purchase shares for the future satisfaction of employee share options.

Management of financial risk

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

Credit risk

The Group's exposure to credit risk is limited by the fact that the Group generally receives cash at the point of legal completion of its sales.

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 and other financial assets, 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 15). In managing risk the Group assesses the credit risk of its counterparties before entering into a transaction. 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. In relation to land payables, certain payables are secured on the respective land asset held (see note 17). No other security is held against any other financial assets of the Group.

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

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Notes to the Accounts (continued)

18 Financial risk management (continued)

Liquidity risk

The Group finances its operations through a mixture of equity (comprising share capital, reserves and retained earnings) 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 two year rolling cash forecast.

The Group's banking arrangements outlined below are considered to be adequate in terms of flexibility and liquidity for its medium-term cash flow needs therefore mitigating the Group's liquidity risk.

Interest rate risk

Interest rate risk reflects the Group's exposure to fluctuations to interest rates in the market. The risk arises because the Group's overdraft and floating rate bank loans bear interest based on either LIBOR or the Bank of England base rate.

For the year ended 31 July 2011 it is estimated that an increase of 1% in interest rates applying for the full year would decrease the Group's profit before tax by £0.057 million (2010 – increase the Group's profit before tax by £0.4 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.

Whilst 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.

Land purchased on deferred terms

The Group sometimes acquires land on deferred payment terms. In accordance with IAS 39 the deferred creditor is recorded at fair value being the price paid for the land discounted to present day. 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 one year or on demand £000	1–2 years £000	2–5 years £000	More than 5 years £000
At 31 July 2011	**83,207**	**86,547**	**58,165**	**21,336**	**5,809**	**1,237**
At 31 July 2010	61,853	65,818	45,790	7,874	7,064	5,090

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 one year or on demand £000	1–2 years £000	2–5 years £000	More than 5 years £000
Bank loans – floating rates	80,000	82,441	15,990	25,780	40,671	–
Preference shares	20,000	25,700	1,900	1,900	21,900	–
Trade and other payables	114,752	114,752	109,970	–	–	4,782
At 31 July 2011	**214,752**	**222,893**	**127,860**	**27,680**	**62,571**	**4,782**
Bank loans – floating rates	80,000	83,480	1,030	15,990	66,460	–
Preference shares	20,000	27,600	1,900	1,900	23,800	–
Trade and other payables	91,883	91,883	89,049	–	–	2,834
At 31 July 2010	191,883	202,963	91,979	17,890	90,260	2,834

The interest rates on the preference shares apply to the whole term of the relevant instruments.

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 £210.0 million (2010 – £225.0 million) of undrawn bank facilities available.

The Company's only financial liabilities are preference shares as disclosed in the maturity profile above.

18 Financial risk management (continued)

Cash and cash equivalents

This comprises cash held by the Group and short-term bank deposits with a maturity date of less than one month.

The amounts of cash and cash equivalents for the years ended 31 July 2011 and 31 July 2010 for both the Group and the Company are shown in note 22.

At 31 July 2011 the average interest rate earned on the temporary closing cash balance was 1.08% (2010 – 1.32%).

The carrying amount of these assets approximates their fair value.

Fair values

Financial assets

The carrying values of financial assets is not materially different to their fair values.

Financial liabilities

A comparison of the book values and fair values of the Group's fixed rate preference shares and floating rate bank loans at 31 July is as follows:

	Book value 2011 £000	**Fair value 2011 £000**	Book value 2010 £000	Fair value 2010 £000
Preference shares – fixed rate	**20,000**	**21,500**	20,000	21,800
Bank loans – floating rate	**80,000**	**76,503**	80,000	75,275

The fair value of the fixed rate preference shares is based on quoted mid-market prices at 31 July.

In aggregate, the fair values of the Group's other financial assets and liabilities are not materially different from their book value.

Financial assets and liabilities by category

	Group 2011 £000	Group 2010 £000	**Company 2011 £000**	Company 2010 £000
Other financial assets	**33,491**	32,664	**–**	–
Loans and receivables	**59,912**	41,838	**3**	–
Cash and cash equivalents	**83,412**	145,689	**48,741**	48,856
Financial liabilities at amortised cost	**(309,795)**	(257,159)	**(20,273)**	(20,243)
	(132,980)	(36,968)	**28,471**	28,613

19 Issued capital

Group and Company

	2011 Number 000	**2011 £000**	2010 Number 000	2010 £000
Allotted, called up and fully paid equity				
At 1 August 2010	**120,832**	**15,103**	115,006	14,375
Issued on exercise of options	**16**	**2**	78	10
Issued for cash in respect of share placing	**–**	**–**	5,748	718
At 31 July 2011	**120,848**	**15,105**	120,832	15,103

On 6 August 2009 the Group announced the successful placing of 5,747,648 new ordinary shares of 12.5p each (the "Placing Shares") at a price of 779p per Placing Share, raising gross proceeds of £44.774 million (£43.658 million net of issue costs). The Placing Shares issued represented approximately 5.0% of the Company's issued ordinary share capital prior to the Placing.

The Placing Shares are credited as fully paid and rank equally in all respects with the existing ordinary shares, including the right to receive all dividends and other distributions declared, made or paid in respect of such shares after the date of the issue of the Placing Shares.

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Notes to the Accounts (continued)

19 Issued capital (continued)
Share options
At 31 July 2011 all outstanding options to purchase ordinary shares in Bellway p.l.c., in accordance with the terms of the applicable schemes, were as follows:

Grant date	Number of shares	Exercise price (p)	Dates from which exercisable		Expiry date
(a) Bellway p.l.c. (1995) Employee Share Option Scheme					
18 April 2002	5,300	474.00	18 April 2005	to	17 April 2012
13 May 2003	18,543	524.00	13 May 2006	to	12 May 2013
10 May 2004	2,500	712.50	10 May 2007	to	9 May 2014
17 November 2004	105,650	716.00	17 November 2007	to	16 November 2014
	131,993				
(b) Bellway p.l.c. (1996) Employee Share Option Scheme					
18 April 2002	2,000	474.00	18 April 2005	to	17 April 2012
13 May 2003	6,650	524.00	13 May 2006	to	12 May 2013
23 October 2003	6,500	621.50	24 October 2006	to	23 October 2013
10 May 2004	3,500	712.50	10 May 2007	to	9 May 2014
17 November 2004	90,350	716.00	17 November 2007	to	16 November 2014
31 October 2005	249,250	844.00	31 October 2008	to	30 October 2015
16 May 2006	750	1122.00	16 May 2009	to	15 May 2016
	359,000				
(c) Bellway p.l.c. (2005) Employee Share Option Scheme					
31 October 2005	82,750	844.00	31 October 2008	to	30 October 2015
7 February 2007	10,700	1470.00	7 February 2010	to	6 February 2017
	93,450				
(d) Bellway p.l.c. (2007) Employee Share Option Scheme					
7 February 2007	26,300	1470.00	7 February 2010	to	6 February 2017
	26,300				
(e) Bellway p.l.c. (2003) Savings Related Share Option Scheme					
15 November 2005	2,381	676.00	1 February 2011	to	31 July 2011
14 November 2006	2,932	1092.00	1 February 2012	to	31 July 2012
13 November 2007	2,851	847.20	1 February 2013	to	31 July 2013
13 November 2008	564,771	336.00	1 February 2012	to	31 July 2012
13 November 2008	249,243	336.00	1 February 2014	to	31 July 2014
11 November 2009	41,595	661.60	1 February 2013	to	31 July 2013
11 November 2009	14,993	661.60	1 February 2015	to	31 July 2015
12 November 2010	138,709	439.60	1 February 2014	to	31 July 2014
12 November 2010	68,899	439.60	1 February 2016	to	31 July 2016
	1,086,374				
Total	**1,697,117**				

Details of directors' share options are contained within the Report of the Board on Directors' Remuneration on pages 35 to 42.

20 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 25. During the period the Trust made a market purchase of 100,000 (2010 – 248,955) shares at an average price of 559p (2010 – 714p) and transferred 95,473 (2010 – 148,955) shares to employees. The number of shares held within the Trust, and on which dividends have been waived, at 31 July 2011 was 104,527 (2010 – 100,000). These shares are held within the financial statements at a cost of £0.584 million (2010 – £0.601 million). The market value of these shares at 31 July 2011 was £0.690 million (2010 – £0.580 million).

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 loss for the financial year was £1.905 million (2010 – £1.913 million).

21 Reconciliation of net cash flow to net (debt)/cash

Group

	2011 £000	2010 £000
(Decrease)/increase in net cash and cash equivalents	**(62,277)**	102,479
Net cash/(debt) at 1 August	**45,689**	(56,790)
Net (debt)/cash at 31 July	**(16,588)**	45,689

Company

	2011 £000	2010 £000
(Decrease)/increase in net cash and cash equivalents	**(115)**	43,903
Net cash/(debt) at 1 August	**28,856**	(15,047)
Net cash at 31 July	**28,741**	28,856

22 Analysis of net cash/(debt)

Group

	At 1 August 2010 £000	Cash flows £000	**At 31 July 2011 £000**
Cash and cash equivalents	145,689	(62,277)	**83,412**
Bank loans	(80,000)	–	**(80,000)**
Preference shares redeemable after more than one year	(20,000)	–	**(20,000)**
Net cash/(debt)	45,689	(62,277)	**(16,588)**

Company

	At 1 August 2010 £000	Cash flows £000	**At 31 July 2011 £000**
Cash and cash equivalents	48,856	(115)	**48,741**
Preference shares redeemable after more than one year	(20,000)	–	**(20,000)**
Net cash	28,856	(115)	**28,741**

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Notes to the Accounts (continued)

23 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 2011 there were bank overdrafts of £nil (2010 – £nil) and loans of £80.0 million (2010 – £80.0 million). The Company has given performance and other trade guarantees on behalf of subsidiary undertakings. The Company has guaranteed the overdrafts of jointly controlled entities up to a maximum of £7.5 million (2010 – £7.5 million).

24 Commitments

Group

	2011 £000	2010 £000
Capital commitments		
Contracted not provided	**161**	187
Authorised not contracted	**1,450**	65

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:

	2011 £000	2010 £000
Expiring within one year	**88**	79
Expiring within the second to fifth years	**3,448**	3,157
Expiring in more than five years	**783**	1,590
	4,319	4,826

Operating lease payments principally relate to rents payable by the Group for office premises. These leases are subject to periodic rent reviews.

Company

The commitments of the Company were £nil (2010 – £nil)

25 Employee benefits

(a) Retirement benefit obligations

The Group sponsors the Bellway p.l.c. 1972 Pension Scheme (the "Scheme") which has a funded defined benefit arrangement which is closed to new members and to future service accrual. The last full actuarial valuation of the Scheme was carried out by a qualified independent actuary as at 1 August 2008 and updated on an approximate basis to 31 July 2011.

The Group also sponsors the Bellway plc 2008 Group Self Invested Personal Pension Plan ("GSIPP") which is a defined contribution contract-based arrangement.

Contributions to the GSIPP of £1.919 million (2010 – £1.763 million) were charged to the income statement.

With regard to the Scheme, the regular contributions made by the employer over the financial year were £nil (2010 – £nil). The employer also paid special contributions amounting to £nil (2010 – £1.668 million). Expenses were paid in addition.

It is the policy of the Group to recognise all actuarial gains and losses in the year in which they occur outside the income statement and in the statement of comprehensive income.

Insured pensions and defined contributions have been excluded from the assets and liabilities.

Present values of defined benefit obligations, fair value of Scheme assets and deficit:

	2011 £000	2010 £000
Present value of defined benefit obligation	**(44,246)**	(41,896)
Fair value of Scheme assets	**35,845**	33,160
Deficit in Scheme	**(8,401)**	(8,736)

As all actuarial gains and assets are recognised, the deficits shown above are those recognised in the balance sheet.

25 Employee benefits (continued)

Best estimate of contributions to be paid to the Scheme for the year ended 31 July 2012

This best estimate of contributions to be paid to the Scheme for the year ending 31 July 2012 is £nil (2011 – £nil).

Reconciliation of opening and closing balances of the present value of the defined benefit obligation:

	2011 £000	2010 £000
Defined benefit obligation at start of year	**41,896**	39,870
Current service cost	**–**	(43)
Interest cost	**2,200**	2,277
Actuarial loss	**1,713**	987
Benefit paid, death in service insurance premiums and expenses	**(1,563)**	(1,195)
Defined benefit obligation at end of year	**44,246**	41,896

Reconciliation of opening and closing balances of the fair value of Scheme assets:

	2011 £000	2010 £000
Fair value of assets at start of year	**33,160**	27,945
Expected return on assets	**1,774**	1,864
Actuarial gains	**2,474**	2,878
Contributions by employer	**–**	1,668
Benefit paid, death in service insurance premiums and expenses	**(1,563)**	(1,195)
Fair value of assets at end of year	**35,845**	33,160

Total expense recognised in the income statement:

	2011 £000	2010 £000
Current service income	**–**	(43)
Interest on liabilities	**2,200**	2,277
Expected return on assets	**(1,774)**	(1,864)
Total expense	**426**	370

Of the total expense, £nil (2010 – £0.043 million income) is recognised within administrative expenses and an expense of £0.426 million (2010 – £0.413 million) is recognised within finance expenses.

Gains/(losses) recognised in the statement of comprehensive income:

	2011 £000	2010 £000	2011 %	2010 %	
Difference between expected and actual return on Scheme assets	**2,474**	2,878	**7**	9	of Scheme assets
Experience gains and losses arising on the Scheme liabilities	**(72)**	813	**0**	(2)	of the present value of Scheme liabilities
Effects of changes in the demographic and financial assumptions underlying the present value of the Scheme liabilities	**(1,641)**	(1,800)	**4**	4	of the present value of Scheme liabilities
Total gain recognised in statement of comprehensive income	**761**	1,891	**(2)**	(5)	of the present value of Scheme liabilities

The cumulative amount of actuarial gains and losses recognised in the statement of comprehensive income since adoption of IAS 19 is a loss of £13.320 million.

Accounts

Notes to the Accounts (continued)

25 Employee benefits (continued)

Assets

The fair value of Scheme assets is:

	2011 £000	2010 £000
Equities	**23,686**	21,578
Bonds	**12,001**	11,075
Cash	**158**	507
Total	**35,845**	33,160

None of the fair values of the assets shown above include any of the Group's own financial instruments or any property occupied by, or other assets used by, the Group.

Expected long-term rates of return

The expected long-term return on cash is related to bank base rates at the balance sheet date. The expected return on bonds is determined by reference to UK long dated gilt and bond yields at the balance sheet date. The expected rate of return on equities has been determined by setting an appropriate risk premium above gilt/bond yields having regard to market conditions at the balance sheet date.

The expected long-term rates of return are as follows:

	Period commencing 1 August 2010 % per annum	Period commencing 1 August 2009 % per annum
Equities	**5.70**	7.50
Bonds	**5.10**	5.65
Cash	**4.20**	4.50
Overall for Scheme	**5.48**	6.61

Actual return on Scheme assets

The actual return on the Scheme assets over the year ended 31 July 2011 was 12.80% (31 July 2010 – 16.97%).

Assumptions

	2011 % per annum	2010 % per annum
Inflation	**3.75**	3.45
Salary increases	**4.75**	4.45
Rate of discount	**5.30**	5.35
Allowance for pension in payment increases of RPI or 5% p.a. if less	**3.75**	3.45
Allowance for revaluation of deferred pensions of RPI or 5% p.a. if less	**n/a**	3.45
Allowance for revaluation of deferred pensions of CPI or 5% p.a. if less	**3.05**	n/a
Allowance for commutation of pension for cash at retirement	**–**	–

The mortality assumptions adopted at 31 July 2011 are based on the PA00 tables using the long cohort improvements and allow for future improvement in mortality. The tables used imply the following life expectancies at age 65:

Male retiring at age 65 in 2011	23.2 years
Female retiring at age 65 in 2011	25.7 years
Male retiring at age 65 in 2031	25.2 years
Female retiring at age 65 in 2031	27.6 years

With effect from 1 January 2011 the UK Government changed the basis for both statutory revaluation of pension scheme benefits and increases to pensions under defined benefit pension schemes, from RPI to CPI measures. Where this change affects the future obligations under the Scheme, the change has been accounted for as a change in the financial assumptions used to measure the defined benefit obligation.

25 Employee benefits (continued)

Amounts for the current and previous four years

	2011 £000	2010 £000	2009 £000	2008 £000	2007 £000
Fair value of assets	**35,845**	33,160	27,945	34,763	49,545
Defined benefit obligation	**(44,246)**	(41,896)	(39,870)	(47,472)	(51,531)
Deficit in Scheme	**(8,401)**	(8,736)	(11,925)	(12,709)	(1,986)
Experience adjustment on Scheme liabilities	**(72)**	813	5,351	(1,001)	(967)
Experience adjustment on Scheme assets	**2,474**	2,878	(3,997)	(6,248)	1,262
Effects of changes in the demographic and financial assumptions underlying the present value of the plan liabilities	**(1,641)**	(1,800)	(1,001)	(7,102)	4,973

(b) Share-based payments

The Group operates a long-term incentive plan ("LTIP"), an annual bonus scheme, employee share option schemes ("ESOS") and Savings Related Share Option Schemes ("SRSOS") all of which are detailed below. IFRS 2 has been applied to options granted after 7 November 2002, which had not vested at 1 January 2005.

Awards under the LTIP have been made to executive directors and the Group Company Secretary, with awards under the annual bonus scheme also made to senior employees. The awards take the form of ordinary shares in the Company.

Share options issued under the Bellway p.l.c. (1995) Employee Share Option Scheme ("1995 ESOS") have been granted to employees at all levels as well as to executive directors. The last tranche of shares was awarded to directors in October 2003. No further options may be granted under this scheme. Options issued under the Bellway p.l.c. (1996) Employee Share Option Scheme ("1996 ESOS") have been granted to employees at all levels as well as to executive directors. The last tranche of shares was awarded to employees in May 2006. No further options may be granted under this scheme. The Bellway p.l.c. (2005) Employee Share Option Scheme ("2005 ESOS") replaces the 1995 ESOS. Awards may be granted on a discretionary basis to employees at all levels as well as to executive directors and are subject to performance conditions. The Bellway p.l.c. (2007) Employee Share Option Scheme ("2007 ESOS") replaces the 1996 ESOS. It is an unapproved 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 the scheme. Awards will be available to vest after three years, subject to objective performance targets.

Options issued under the SRSOS are offered to all employees including the executive directors.

An outline of the performance conditions in relation to the above Schemes is detailed under the long-term incentive scheme section on pages 38 and 41 within the Report of the Board on Directors' Remuneration.

For awards made prior to 16 January 2008, vesting of awards under the LTIP is dependent upon total shareholder return of the Group measured against relevant comparator companies as detailed on page 41 within the Report of the Board on Directors' Remuneration. For awards made on 16 January 2008, vesting of awards is dependent upon two conditions, total shareholder return and return on capital employed. For awards made on 4 November 2008, 29 October 2009 and 21 October 2010, vesting of awards is dependent only on total shareholder return as detailed on page 41 within the Report of the Board on Directors' Remuneration.

With regard to the annual bonus scheme, for awards up to and including those for the year ended 31 July 2006, one half was payable in November each year following the announcement of the Group's annual results. The other half was used to acquire Bellway shares at the prevailing market value. These shares are held in the Bellway Employee Share Trust (1992) for three years. The shares can then be transferred into the employee's name. In addition, various small share awards were made for years 2003 through to 2007 to employees, mainly at divisional management level. These awards mainly had three year vesting periods. Awards to executive directors and to the Group Company Secretary in relation to the year ended 31 July 2007, and subsequent years, are made in cash with no compulsory deferral element.

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.

Accounts
Notes to the Accounts (continued)

25 Employee benefits (continued)
The number and weighted average exercise price of share-based payments is as follows:

LTIP and annual bonus

	2011 Number of options	2010 Number of options
Outstanding at the beginning of the year	**620,587**	571,747
Granted during the year	**255,447**	197,335
Exercised during the year	**(95,473)**	(148,495)
Lapsed during the year	**(91,490)**	–
Forfeited during the year	**(31,220)**	–
Outstanding at the end of the year	**657,851**	620,587
Exercisable at the end of the year	**8,032**	3,000

The options outstanding at 31 July 2011 have a weighted average contractual life of 1.2 years (2010 – 1.3 years). The weighted average share price at the date of exercise for share options exercised during the year was 658.7p (2010 – 765.5p).

1995, 1996, 2005 and 2007 ESOS, and SRSOS

	2011 Number of options	2010 Number of options
Outstanding at the beginning of the year	**1,682,152**	1,815,198
Granted during the year	**227,465**	111,531
Lapsed during the year	**(150,291)**	(83,383)
Forfeited during the year	**(46,000)**	(83,400)
Exercised during the year	**(16,209)**	(77,794)
Outstanding at the end of the year	**1,697,117**	1,682,152
Exercisable at the end of the year	**613,124**	676,312

The options outstanding at 31 July 2011 have an exercise price in the range of 336.0p to 1,470.0p (2010 – 336.0p to 1,470.0p) and have a weighted average contractual life of 2.7 years (2010 – 3.5 years). The weighted average share price at the date of exercise for share options exercised during the year was 675.6p (2010 – 681.3p).

Valuation methodology
For the LTIP, a Monte Carlo simulation method is used which allows the Group's performance, in terms of total shareholder return, to be measured against its comparator companies. Individual share price volatilities are calculated for each of the comparator companies. A correlation assumption, appropriate to the building sector, is also used.

In the case of the deferred element of the annual bonus, a simplified Black Scholes method is applied with an exercise price and dividend yield of zero. This is because no performance conditions attach to the award and no dividends are credited to the individual. The result is that the fair value equates to the face value of the award.

The Black Scholes method is used for the SRSOS due to the relatively short exercise window of six months.

For the 1995, 1996, 2005 and 2007 ESOSs, a lattice method is used which enables early exercise behaviour to be modelled in a more sophisticated manner than under Black Scholes.

25 Employee benefits (continued)

The fair value of services received in return for share options granted are 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:

	2011			2010		
	November 2010	**November 2010**	**October 2010**	November 2009	November 2009	October 2009
Scheme description	**3 Year SRSOS**	**5 Year SRSOS**	**LTIP**	3 Year SRSOS	5 Year SRSOS	LTIP
Grant date	**12 Nov 2010**	**12 Nov 2010**	**21 Oct 2010**	11 Nov 2009	11 Nov 2009	29 Oct 2009
Risk free interest rate	**1.4%**	**2.1%**	**0%**	2.1%	2.9%	0%
Exercise price	**439.6p**	**439.6p**	**–**	661.6p	661.6p	–
Share price at date of grant	**538.5p**	**538.5p**	**549.5p**	750.5p	750.5p	715.0p
Expected dividend yield	**3.00%**	**3.00%**	**3.00%**	3.00%	3.00%	3.00%
Expected life	**3 years 2 months**	**5 years 2 months**	**3 years**	3 years 2 months	5 years 2 months	3 years
Vesting date	**1 Feb 2014**	**1 Feb 2016**	**21 Oct 2013**	1 Feb 2013	1 Feb 2015	29 Oct 2012
Expected volatility	**55%**	**45%**	**55%**	55%	45%	55%
Fair value of option	**212p**	**205p**	**213p**	284p	279p	360p

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 £0.957 million (2010 – £1.372 million) in relation to equity-settled share-based payment transactions.

26 Related party transactions

The Board and certain members of senior management are related parties within the definition of IAS 24 "Related party disclosures". Summary information of the transactions with key management personnel is provided in note 3. Detailed disclosure of individual remuneration of Board members is included in the Report of the Board on Directors' Remuneration on pages 35 to 42. There is no difference between transactions with key management personnel of the Company and the Group.

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 jointly controlled entities:

	2011 £000	2010 £000
Invoiced to jointly controlled entities in respect of accounting, management fees, interest on loans, land purchases and infrastructure works	**1,310**	850
Invoiced from jointly controlled entities in respect of fees, land purchases and infrastructure works	**(2,988)**	(929)
Amounts owed to jointly controlled entities in respect of land purchases and management fees	**(646)**	(440)
Amounts owed by jointly controlled entities in respect of accounting, management fees, interest, land purchases and infrastructure works	**36,763**	34,703

Accounts

Notes to the Accounts (continued)

26 Related party transactions (continued)

Company

During the year the Company entered into the following related party transactions with its subsidiaries and jointly controlled entities:

	2011 £000	2010 £000
Amounts received in the year from subsidiaries in respect of dividends and shares issued	**230**	435
Amounts paid in the year by subsidiaries on behalf of the Company in respect of dividends and finance expenses	**(15,014)**	(13,380)
Amounts owed by subsidiaries in respect of dividends and shares issued net of amounts paid on behalf of the Company	**668,389**	683,173

27 Principal subsidiary undertakings

The directors set out below information relating to the major subsidiary undertakings (those that principally affect the profits and assets of the Group) of Bellway p.l.c. taking advantage of the exemption in section 410 of the Companies Act 2006 not to disclose all subsidiary undertakings. All of these companies are registered in England and Wales, are engaged in housebuilding and associated activities, have coterminous year ends with the Group, and 100% of their ordinary share capital is held by the Company (unless otherwise stated).

Bellway Homes Limited
Bellway Properties Limited
Bellway (Services) Limited
Litrose Investments Limited
Bellway Financial Services Limited
Bellway Housing Trust Limited
The Victoria Dock Company Limited (60% owned)*

* These shares are held indirectly.

Other Information

Five Year Record

	2007 £m	2008 £m	2009 £m	2010 £m	**2011 £m**
Income statement					
Revenue	1,354.0	1,149.5	683.8	768.3	**886.1**
Operating profit	253.0	185.1*	45.6*	51.3	**75.2**
Exceptional items	–	(130.9)	(66.3)	–	**–**
Net finance expenses	(17.9)	(19.1)	(15.8)	(6.9)	**(8.0)**
Share of losses of associates	(0.3)	(0.3)	–	–	**–**
Profit/(loss) before taxation	234.8	34.8	(36.5)	44.4	**67.2**
Income tax (expense)/credit	(68.1)	(7.8)	9.1	(8.6)	**(17.0)**
Profit/(loss) for the year (all attributable to equity holders of the parent)	166.7	27.0	(27.4)	35.8	**50.2**
Balance sheet					
ASSETS					
Non-current assets	28.1	29.3	43.8	52.3	**55.1**
Current assets	1,608.5	1,667.7	1,306.2	1,340.2	**1,415.9**
LIABILITIES					
Non-current liabilities	(126.9)	(359.0)	(138.8)	(129.2)	**(124.7)**
Current liabilities	(473.9)	(336.9)	(246.2)	(228.5)	**(273.0)**
EQUITY					
Total equity	1,035.8	1,001.1	965.0	1,034.8	**1,073.3**
Statistics					
Dividend per ordinary share	43.125p	24.1p	9.0p	10.0p	**12.5p**
Basic earnings/(loss) per ordinary share	146.1p	23.6p*	(23.9)p*	29.7p	**41.5p**
Number of homes sold	7,638	6,556	4,380	4,595	**4,922**
Average price of new homes	£173.3k	£169.9k	£154.0k	£163.2k	**£175.6k**
Operating margin	18.7%	16.1%*	6.7%*	6.7%	**8.5%**
Net assets per ordinary share	903p	871p	839p	856p	**888p**
Land portfolio – plots with planning permission	23,500	22,500	19,260	17,602	**18,086**
Weighted average no. of ordinary shares	114,108,350	114,615,661	114,949,883	120,619,800	**120,705,397**
No. of ordinary shares in issue at end of year	114,670,396	114,950,915	115,006,480	120,831,922	**120,848,131**

* Stated before exceptional items.

Other Information

Shareholder Information

Annual General Meeting ("AGM")

This section is important. If you are in any doubt as to what action to take you should consult an appropriate independent financial adviser.

If you have sold or transferred all of your shares in Bellway p.l.c. you should pass this document and all accompanying documents to the person through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

Special business

Four resolutions will be proposed as special business at the forthcoming AGM. The effect of these resolutions is as follows:

Resolution 12 – Authority to directors to issue shares

This is an ordinary resolution which authorises the directors to allot ordinary shares up to an aggregate nominal value of £5,035,348, which is equivalent to approximately one-third of the Company's issued ordinary share capital as at 17 October 2011, and also gives the directors authority to allot, by way of rights issue only, ordinary shares up to an aggregate nominal value of £10,070,696 which is equivalent to approximately two-thirds of the Company's issued ordinary share capital as at 17 October 2011, such authority, if granted, to expire at the conclusion of the AGM of the Company to be held in 2013. As at 17 October 2011 the Company held no shares as treasury shares. At present, the directors only intend to use this authority to satisfy the exercise of awards under the Company's share schemes. The directors wish to obtain the necessary authority from shareholders so that allotments can be made (if required and if suitable market conditions arise) at short notice and without the need to convene a general meeting of the Company which would be both costly and time consuming.

Resolution 13 – Disapplication of pre-emption rights

This is a special resolution and is the customary annual request, in substitution for the authority granted to the directors by shareholders on 7 January 2011 which expires at the conclusion of the forthcoming AGM, that shareholders empower the directors to allot ordinary shares for cash without first offering them pro rata to existing shareholders as would otherwise be required by section 561 of the Companies Act 2006 (a) in connection with a rights issue or other pre-emptive offer and (b) (otherwise than in connection with a rights issue or other pre-emptive offer) up to an aggregate nominal value of £755,302, being approximately equal to 5% of the issued ordinary share capital of the Company as at 17 October 2011.

Resolution 14 – Company's purchase of its own shares

The Company's authority to purchase its own ordinary and preference shares, given at the last AGM, expires at the conclusion of the forthcoming AGM. This authority was not used during the year. The directors propose, as a special resolution, that it should be renewed for a further year to expire on the date of the 2013 AGM.

The directors will review opportunities to use this authority in light of stock market conditions and trading opportunities during the year.

The directors will only make purchases (which will reduce the number of shares in issue) after paying due attention to the effect on the financing of the Group, its assets and earnings per share for the remaining shareholders. Any shares purchased under this authority may be cancelled (in which case the number of shares in issue will be reduced accordingly) or may be held in treasury.

Resolution 15 – Length of notice of meeting

Shareholder approval for general meetings of the Company other than AGMs to be held on 14 days' notice, given at the last AGM, expires at the conclusion of the forthcoming AGM. There is no current intention to use this authority and the Company will only consider using this authority where it is considered that this would be for the benefit of shareholders as a whole. The directors propose, as a special resolution, that it should be renewed for a further year to expire on the date of the 2013 AGM.

Recommendation

Your directors consider each of the resolutions set out in the Notice of AGM to be in the best interests of the Company and its shareholders as a whole. Accordingly, they unanimously recommend that you vote in favour of the resolutions as they intend to do in respect of their own beneficial shareholdings.

Takeovers Directive

Where not provided in the Directors' Report the following sets out the information required to be provided to shareholders in compliance with the Takeovers Directive.

Share capital

The Company's total issued ordinary and preference share capital as at 31 July 2011 consisted of 120,848,131 ordinary shares of 12.5p each (representing 43% of the Company's total issued share capital) and 20,000,000 9.5% Cumulative Redeemable Preference Shares 2014 of £1 each (representing 57% of the Company's total issued share capital). Further details of the issued capital of the Company and brief details of the rights in relation to the preference shares can be found in note 16 to the accounts. The rights and obligations attaching to the ordinary and preference 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 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 addition, in compliance with the FSA Listing Rules, Company approval is required for directors, certain employees and their connected persons 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 Trust 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 Company's 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.

Appointment and replacement of directors

The Company's rules about the appointment and replacement of directors are set out in the Articles and are summarised in the Directors' Report on page 30. In accordance with the UK Corporate Governance Code all the directors are seeking annual re-election by shareholders with the exception, this year, of Mr Leitch who retires from the Board on 31 January 2012 and does not seek re-election.

Amendments to the Company's Articles of Association

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

Powers of the Board

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

Allotment of shares

During the year 16,209 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 are set out on page 78, and Resolutions 12 and 13 in the Notice of Meeting of the AGM to be held on 13 January 2012 on pages 82 and 83 seek to renew this authority.

Purchase of own shares

The Company has not purchased any of its own shares during the year. The directors have authority to purchase the Company's own shares within limits agreed by shareholders. Details of the renewal of this authority are set out on page 78, and Resolution 14 in the Notice of Meeting of the AGM to be held on 13 January 2012 on page 83 seeks to renew this authority.

Significant agreements – change of control provisions

The Company is party to a number of banking agreements which may be terminable in the event of a change of control of the Company.

Agreements for compensation for loss of office following a change of control

The service agreements between the Company and Mr Watson, Mr Leitch and the Group Company Secretary contain provisions that entitle the individual to terminate the agreement following a takeover offer and receive an amount equivalent to one year's salary, benefits and the average amount of the last two years' annual bonus payment.

Other Information

Shareholder Information (continued)

Financial calendar

Announcement of results and ordinary dividends	
Half year	March
Full year	October
Ordinary share dividend payments	
Interim	July
Final	January
Preference share dividend payments at the rate of 9.5% per annum paid half yearly	April and October
Annual report posted to shareholders	November
Final ordinary dividend – ex-dividend date	14 December 2011
Final ordinary dividend – record date	16 December 2011
AGM	13 January 2012
Final ordinary dividend – payment date	18 January 2012

Ordinary shareholders by size of holding at 31 July 2011

	Holdings		Shares	
	Number	%	Holding	%
0 – 2,000	**1,811**	**71.55**	**1,156,385**	**0.96**
2,001 – 10,000	**396**	**15.65**	**1,685,474**	**1.39**
10,001 – 50,000	**133**	**5.25**	**3,345,749**	**2.77**
50,001 and over	**191**	**7.55**	**114,660,523**	**94.88**
Total	**2,531**	**100.00**	**120,848,131**	**100.00**

Dividend Re-Investment Plan ("DRIP")

Shareholders may agree to participate in the Company's DRIP to receive dividends in the form of shares in Bellway p.l.c. instead of in cash. For further information please e-mail Capita Registrars Limited at shares@capitaregistrars.com or telephone 0871 664 0300 – calls cost 10p per minute plus network extras. If calling from overseas please call +44 208 639 3399. Lines are open from 8.30 am to 5.30 pm on Monday to Friday (excluding Bank Holidays).

Non-sterling bank account

If you reside outside the UK, or have a non-sterling bank account, Capita Registrars can now convert your dividend into your local currency and send you the funds by currency draft, or they may be able to pay them straight into your overseas bank account. For further information on Capita's International Payment Service e-mail Capita Registrars Limited at IPS@capitaregistrars.com or telephone +44 208 639 3405. Lines are open from 9.00 am to 5.30 pm London time on Monday to Friday (excluding Bank Holidays).

Share dealing service

The Company's registrars, Capita Registrars Limited, provide a share dealing service to existing shareholders to buy or sell the Company's shares. Online and telephone dealing facilities provide an easy to access and simple to use service.

For further information on this service, or to buy or sell shares, please contact: www.capitadeal.com for online dealing, or telephone 0871 664 0364 for telephone dealing.

Please note that the directors of the Company are not seeking to encourage shareholders to either buy or sell their shares in the Company. Shareholders in any doubt as to what action to take are recommended to seek financial advice from an independent financial adviser, authorised under the terms of the Financial Services and Markets Act 2000.

Discount to shareholders

The following discount arrangement is currently available to shareholders.

Should you intend to purchase a new Bellway home, you will be entitled to a discount of £2,000 per £25,000, or pro rata on part thereof, of the purchase price provided that:

(a) you have been the registered holder of at least 2,000 ordinary shares for a minimum period of 12 months prior to the reservation of your new home; and

(b) you inform our sales representative on-site when reserving your property that you are claiming shareholder discount.

The above discount arrangement is only available to shareholders on the Company's Register of Members. Employees of investing companies or members of investing institutions would not therefore be eligible. Underlying beneficial shareholders would be entitled to benefit from the arrangements.

For further details please contact the Group Company Secretary, Bellway p.l.c., Seaton Burn House, Dudley Lane, Seaton Burn, Newcastle upon Tyne NE13 6BE, telephone 0191 217 0717 or e-mail investor.relations@bellway.co.uk.

Beneficial owners of shares with "information rights"

Beneficial owners of shares who have been nominated by the registered holder of those shares to receive information rights under section 146 of the Companies Act 2006 are required to direct all communications to the registered holder of their shares rather than to the Company's registrar, Capita Registrars Limited, or to the Company directly.

Corporate Social Responsibility Reporting

Further reporting on the Company's Corporate Social Responsibility activities is available to view in the Corporate Social Responsibility section of the Company's website www.bellway.co.uk.

Other Information

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at The Copthorne Hotel, The Close, Quayside, Newcastle upon Tyne NE1 3RT on Friday 13 January 2012 at 12.00 noon for the following purposes:

Ordinary business

To consider and, if thought fit, pass the following resolutions which will be proposed as ordinary resolutions:

1. THAT the Accounts for the financial year ended 31 July 2011 and the Directors' Report and the Auditors' Report on those Accounts and the auditable part of the Report of the Board on Directors' Remuneration be received and adopted.
2. THAT a final dividend for the year ended 31 July 2011 of 8.8p per ordinary 12.5p share, as recommended by the directors, be declared.
3. THAT Mr H C Dawe be re-elected as a director of the Company.
4. THAT Mr J K Watson be re-elected as a director of the Company.
5. THAT Mr E F Ayres be re-elected as a director of the Company.
6. THAT Mr P M Johnson be re-elected as a director of the Company.
7. THAT Mr M R Toms be re-elected as a director of the Company.
8. THAT Mr J A Cuthbert be re-elected as a director of the Company.
9. THAT KPMG Audit Plc be re-appointed as the auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next general meeting at which Accounts are laid before the Company.
10. THAT the directors are authorised to agree the remuneration of the auditors of the Company.
11. THAT the Report of the Board on Directors' Remuneration shown on pages 35 to 42 of the Annual Report and Accounts for the year ended 31 July 2011 be approved.

Special business

To consider and, if thought fit, pass the following resolution which will be proposed as an ordinary resolution:

12. THAT the directors be generally and unconditionally authorised pursuant to and in accordance with section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to:
    (a) allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company ("Rights") up to a maximum nominal amount of £5,035,348; and
    (b) allot equity securities (within the meaning of section 560 of the Act) up to a maximum nominal amount of £10,070,696 (such amount to be reduced by the nominal amount of any shares issued or in respect of which Rights are granted under (a) above) in connection with an offer by way of a rights issue to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings and so that the directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter, provided that:
        (i) this authority shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2013, but may be previously revoked or varied by an ordinary resolution of the Company; and
        (ii) this authority shall permit and enable the Company to make offers or agreements before the expiry of this authority which would or might require shares to be allotted or Rights to be granted after such expiry and the directors shall be entitled to allot shares and grant Rights pursuant to any such offers or agreements as if this authority had not expired; and
        (iii) all unexercised authorities previously granted to the directors to allot shares and grant Rights be and are hereby revoked.

To consider and, if thought fit, pass the following resolutions which will be proposed as special resolutions:

13. THAT,

(a) subject to resolution 12 above being passed as an ordinary resolution, the directors be empowered pursuant to section 570 and section 573 of the Companies Act 2006 ("the Act") to allot equity securities (within the meaning of section 560 of the Act) for cash pursuant to the authority so conferred or by way of sale of treasury shares in each case as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:

(i) the allotment of equity securities in connection with a pre-emptive offer (but in the case of the authority conferred under paragraph (b) of resolution 12 in connection with an offer by way of rights issue only); and

(ii) the allotment to any person or persons (otherwise than pursuant to paragraph (i) above) of equity securities up to an aggregate nominal amount of £755,302;

(b) the power given by this resolution shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2013 except that the Company may, before such expiry, make an offer or agreement which would, or might, require equity securities to be allotted after such expiry and the directors may allot equity securities pursuant to such an offer or agreement as if the power conferred by this resolution had not expired; and

(c) for the purposes of this resolution, "pre-emptive offer" means a rights issue, open offer or other offer of equity securities open for acceptance for a fixed period, by the directors to ordinary shareholders of the Company on the Register on a fixed record date in proportion (as nearly as may be) to their then holdings of such equity securities (but subject to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with legal or practical problems under the laws of, or the requirements of, any regulatory body or any stock exchange in, any overseas territory or fractional entitlements or any other matter whatsoever).

14. THAT the Company be generally and unconditionally authorised for the purposes of section 701 of the Companies Act 2006 ("the Act") to purchase ordinary shares and preference shares in the capital of the Company by way of one or more market purchases (within the meaning of section 693 of the Act) on the London Stock Exchange upon, and subject to the following conditions:

(a) the maximum number of ordinary shares hereby authorised to be purchased is 12,084,835, being approximately 10 per cent of the ordinary shares in issue;

(b) the maximum number of preference shares hereby authorised to be purchased is 20,000,000 9.5% Cumulative Redeemable Preference Shares 2014 of £1 each, being the total amount of preference shares in issue;

(c) the maximum price at which ordinary shares may be purchased is an amount equal to 105 per cent of the average of the middle market quotations derived from the London Stock Exchange Official List for the five business days immediately preceding the date on which the ordinary shares are contracted to be purchased and the minimum price is 12.5p per share, in both cases exclusive of expenses;

(d) the maximum price at which preference shares may be purchased shall be an amount calculated in accordance with the provisions contained in the Articles of Association of the Company and the minimum price is £1 per share; and

(e) unless previously renewed, varied or revoked, the authority to purchase conferred by this resolution shall expire at the conclusion of the next Annual General Meeting of the Company or, if earlier, 15 months after the passing of this resolution provided that any contract for the purchase of any shares, as aforesaid, which was concluded before the expiry of the said authority may be executed wholly or partly after the said authority expires and the relevant shares purchased pursuant thereto.

15. THAT a general meeting of the Company, other than an annual general meeting of the Company, may be called on not less than 14 clear days' notice.

Other Information

Notice of Annual General Meeting (continued)

Notes:

(i) A member entitled to attend and vote at the meeting convened by the above notice may appoint one or more proxies to attend and speak and vote instead of him/her, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy need not be a member of the Company.

(ii) A form of proxy is enclosed separately. Completion and return of the form of proxy will not preclude shareholders from attending in person and voting at the meeting.

(iii) CREST members will be able to cast their vote using CREST electronic proxy voting using the procedures described in the CREST Manual (available via www.euroclear.com/CREST). In order to be valid, the Company's registrars must receive CREST Proxy Instructions not less than 48 hours before the time of the meeting or any adjourned meeting.

(iv) The above statement as to proxy rights contained in note (i) above does not apply to a person who receives this notice of general meeting as a person nominated to enjoy "information rights" under section 146 of the Companies Act 2006. If you have been sent this notice of meeting because you are such a nominated person, the following statements apply: (a) you may have a right under an agreement between you and the member of the Company by whom you were nominated to be appointed or to have someone else appointed as a proxy for this general meeting; and (b) if you have no such right or do not wish to exercise it, you may have a right under such an agreement to give instructions to that member as to the exercise of voting rights. Nominated persons should contact the registered member by whom they were nominated in respect of these arrangements.

(v) To be entitled to attend and vote at the meeting (and for the purposes of determination by the Company of the number of votes cast), shareholders must be entered on the Company's Register of Members at 5.30 pm on Wednesday 11 January 2012 (or, in the event of any adjournment, at 5.30 pm on the date which is two days prior to the adjourned meeting). Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting or adjourned meeting.

(vi) Pursuant to section 527 of the Companies Act 2006, where requested by either a member or members having a right to vote at the general meeting and holding at least 5% of total voting rights of the Company or at least 100 members having a right to vote at the meeting and holding, on average, at least £100 per member of paid up share capital, the Company must publish on its website a statement setting out any matter that such members propose to raise at the meeting relating to either the audit of the Company's accounts that are to be laid before the meeting or the circumstances connected with an auditor ceasing to hold office since the last meeting at which accounts were laid. Where the Company is required to publish such a statement on its website, it may not require the members making the request to pay any expenses incurred by the Company in complying with the request. It must forward the statement to the Company's auditors and the statement may be dealt with as part of the business of the meeting.

(vii) Any member attending the meeting has the right to ask questions. The Company must cause to be answered any such questions relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation of the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

(viii) Members have the right, under section 338 of the Companies Act 2006, to require the Company to give its members notice of a resolution which the shareholders wish to be moved at an annual general meeting of the Company. Additionally, members have the right under section 338A of the Companies Act 2006 to require the Company to include a matter (other than a proposed resolution) in the business to be dealt with at the annual general meeting. The Company is required to give such notice of a resolution or include such matter once it has received requests from members representing at least 5% of the total voting rights of all the members who have a right to vote at the annual general meeting or from at least 100 members with the same right to vote who hold shares in the Company on which there has been paid up an average sum per member of at least £100. This request must be received by the Company not later than six weeks before the annual general meeting or, if later, the time at which notice is given of the annual general meeting. In the case of a request relating to section 338A of the Companies Act 2006, the request must be accompanied by a statement setting out the grounds for the request.

(ix) Except as provided above, members who wish to communicate with the Company in relation to the AGM should do so in writing either to the Group Company Secretary at the registered office address or to the Company's registrar, Capita Registrars Limited, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. No other methods of communication will be accepted. In particular you may not use any electronic address provided either in this notice of meeting or in any related documents to communicate with the Company for any purposes other than those expressly stated.

(x) There will be available for inspection during the AGM and for at least 15 minutes before it begins, the directors' appointment letters and service contracts.

(xi) A copy of this notice and the other information required by section 311A of the Companies Act 2006 can be found at www.bellway.co.uk.

(xii) As at the date of this notice there are 120,848,354 ordinary shares in issue and the total voting rights of the Company are therefore 120,848,354.

By order of the Board

G Kevin Wrightson

Group Company Secretary

Registered Office
Bellway p.l.c.
Seaton Burn House
Dudley Lane
Seaton Burn
Newcastle upon Tyne NE13 6BE

Registered in England and Wales
No. 1372603

17 October 2011

Other Information
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.

Average selling price
Calculated by dividing the total price of homes sold by the number of homes sold.

Brownfield sites
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 line with the Consumer Code for Home Builders.

Code for Sustainable Homes
A national standard for sustainable design and construction of new homes. The Code measures the "whole home" as a complete package, assessing its sustainability against nine categories: energy/CO_2, water, materials, surface water run-off, waste, pollution, health and well-being, management and ecology. Level 3 applies to newly-constructed Affordable Housing subject to Homes and Communities Agency ("HCA") grant policy and all homes built on HCA land from 1 April 2008. Level 3 differs from Level 4 primarily in respect of the energy/CO_2 levels Level 3 seeks a 25% reduction in CO_2 emissions compared with 2006 Building Regulations requirements whereas Level 4 requires a 44% reduction.

Considerate Constructors Scheme
A national initiative by the construction industry, where companies and sites voluntarily register and agree to be monitored against, a Code of Considerate Practice, with a view to promoting best practice beyond statutory requirements.

Consumer Code for Home Builders
A voluntary code governing customer service and satisfaction, created by the NHBC in conjunction with MD Insurance Service Limited.

CSCS cards
The CSCS card denotes achievement of a Construction Skills Certificate, demonstrating occupational competence in the construction industry.

EcoHomes
An environmental rating scheme for UK homes.

HBF
Home Builders Federation.

Home Zones
Residential streets in which the road space is shared between drivers of motor vehicles and other road users, with the wider needs of residents (including children) who walk and cycle, in mind. The aim is to change the way that streets are used and to improve the quality of life in residential streets by making them for people, not just for traffic. For more information see www.homezones.org.uk.

Land bank
A supply of plots for potential development.

Lifetime Homes
Are ordinary homes incorporating 16 Design Criteria which add to the comfort and convenience of the home and support the changing needs of individuals and families at different stages of life.

NHBC
National House-Building Council.

Pipeline
Land bank awaiting planning permission.

Planning consent/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. Consent is either "outline", when detailed plans are still to be approved, or "detailed" when detailed plans have been approved.

Rainwater harvesting
Rainwater harvesting is a system by which rainwater is collected from roofs, stored in underground tanks and then used in toilets and for garden irrigation. Rainwater harvesting can reduce household water consumption by up to 50%.

Registered Social Landlords ("RSLs")
Government-funded not-for-profit organisations that provide affordable housing, such as housing associations, trusts and cooperatives. Working alongside local authorities, they provide homes for people meeting the affordable homes criteria. As well as developing land and building homes, RSLs perform a landlord function by maintaining properties and collecting rent.

Other Information
Glossary (continued)

Safemark Certificate
NHBC's Health & Safety Competence Assessment Scheme.

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.

Secured by Design
Focuses on crime prevention at the design, layout and construction stages of homes and commercial premises and promotes the use of security standards for a wide range of applications and products. For more information see www.securedbydesign.com.

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.

Sustainability
Environmental sustainability has been defined as meeting the needs of the present without compromising the ability of future generations to meet their needs.

Sustainable Urban Drainage Systems ("SUDS")
Designed to reduce the environmental effects of surface water run-off, which has been a problem with conventional drainage systems, particularly in new developments. SUDS replicate natural systems with minimal environmental effect, draining away dirty and surface water through collection, storage and cleaning.

Transport node
A point at which residents are able to access a public transport facility with ease.

Thin joint technology
Thin joint technology uses autoclaved aerated concrete blocks with 2mm–3mm mortar joints. The blocks are produced to a high degree of accuracy, and the thin layer mortar sets more rapidly than normal mortar, reducing the length of time before the wall becomes stable. The advantages of this system of construction are high build quality, greater productivity, improved thermal performance, air-tightness and waste reduction.

Waste Management Plan
Plans setting out how all resources, products and by-products will be managed and waste controlled at all stages of a construction project. Site Waste Management Plans are a legal requirement for all sites with an estimated construction cost of over £300,000.

Other Information

Notes

Other Information
Notes (continued)

Bellway p.l.c.

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Other Subsidiary

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Bellway

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