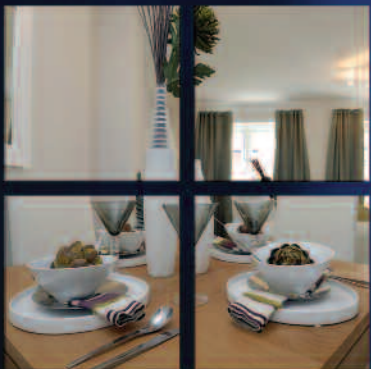




ANNUAL REPORT & ACCOUNTS
2008



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Chairman's Statement

Results

The current state of the housing and mortgage markets has been well documented and the speed of the deterioration is unprecedented. Nevertheless, the Group completed the sale of 6,556 homes, a fall of 14.2% from last year's record level of 7,638. The average price achieved for these sales was £169,729, down 2.1% from £173,300 in 2007, resulting in housing turnover reducing by 15.9% from £1,323.7 million to £1,112.7 million. Other turnover increased from £30.3 million to £36.8 million, resulting in total turnover for the Group of £1,149.5 million, compared to £1,354.0 million in 2007.

Operating margins have come under increasing pressure as the market rapidly contracted and, in response to this, more incentives were used. As a consequence, the operating margin, as mentioned in the Trading Update on 14 August, has fallen from 18.7% in 2007 to 16.1%, before any exceptional charge. This has resulted in operating profit falling from £253.1 million to £185.0 million.

The net interest charge for the period is £19.1 million, up from £17.9 million, mainly reflecting changes in interest rates. Gearing, as at 31 July 2008, was 23.7%, with 42.5% of the Group's £512 million bank facilities having been utilised.

In light of ongoing adverse market conditions, the Group considered it prudent to review its stocks by applying current expectations of revenues, dependent upon location and product. The Group has also written down costs incurred on sites, not yet purchased, where the likelihood is that we will not conclude a purchase under current contractual terms. In addition, our stock of unsold part exchange properties has been written down by 10%. The total exceptional charge created by these actions is £130.9 million, equating to 8.0% of stocks at 31 July 2008.

The net profit before tax, and after exceptional items, was £34.8 million giving earnings per ordinary share of 23.6p, compared to 146.1p in 2007. Net assets per ordinary share at 31 July 2008 were 871p compared to 903p at 31 July 2007.

Crystal Park, Airdrie, Lanarkshire



Dividend

The Board recognises the importance of cash dividends to shareholders and, consequently, despite the current instability in the financial markets and the resultant effects on the general economy, has decided to propose a final dividend of 6p per ordinary share. This results in a total dividend for the year of 24.1p, representing 56% of last year's payment of 43.125p. The Board believes this level of dividend for the year is an appropriate reduction, given current trading conditions. Future dividend payments will be quantified with reference to cash generation. The dividend will be paid on Wednesday 21 January 2009 to all ordinary shareholders on the Register of Members on Friday 12 December 2008. The ex-dividend date is Wednesday 10 December 2008.



Figures at a glance

	2008	2007
TOTAL GROUP REVENUE	£1,149.5m	£1,354.0m
OPERATING PROFIT - PRE EXCEPTIONAL ITEM	£185.0m	£253.1m
- POST EXCEPTIONAL ITEM	£54.1m	£253.1m
PROFIT BEFORE TAXATION - PRE EXCEPTIONAL ITEM	£165.7m	£234.8m
- POST EXCEPTIONAL ITEM	£34.8m	£234.8m
EARNINGS PER ORDINARY SHARE - PRE EXCEPTIONAL ITEM	104.2p	146.1p
- POST EXCEPTIONAL ITEM	23.6p	146.1p
TOTAL DIVIDEND FOR THE YEAR	24.1p	43.125p
INCREASE IN SOCIAL HOUSING COMPLETIONS OF 49% TO 1,337 HOMES		
GEARING OF 23.7%		



Dovecote Barns, Purfleet, Essex



Castell Maen, Warrington, Caerphilly

People

In these extremely testing times our employees, sub-contractors, suppliers and partners have contributed more than ever to the production of these results and the Board is extremely grateful to all of them, including those who have now, sadly, left the business.

The Board

Leo Finn, our senior independent non-executive director, steps down at the forthcoming AGM on 16 January 2009 and will not seek re-election. Leo has given thirteen years of sterling service to the Group and the Board would like to thank him for all his efforts on behalf of Bellway. He is to be replaced on 1 February 2009 by Mike Toms whose current directorships include the role of non-executive director of UK COAL PLC and whose past directorships include the role of executive director of BAA plc. We wish Mike every success in his new role, which will incorporate the chairmanship of the Board Committee on Executive Directors' Remuneration. Peter Johnson will become senior independent director from 16 January 2009.

Outlook

In its long experience, the Board has never witnessed such a swift change in the housing market as has been seen in the last twelve months. The Board has a clear strategy, aimed primarily at conserving cash and reducing the cost base, whilst maintaining the essential operational fabric and protecting shareholder value so that growth may commence when the market returns to more normal conditions.

Howard C Dawe

Chairman

24 October 2008

“ The Board has a clear strategy, aimed primarily at conserving cash and reducing the cost base, whilst maintaining the essential operational fabric and protecting shareholder value so that growth may commence when the market returns to more normal conditions. ”

The Board



■ **HOWARD C DAWE**

Date of Birth: 07.04.44

Mr Dawe joined Bellway in 1961, was appointed a director in 1977 and was appointed Group 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 a member of the Nomination Committee.

■ **JOHN K WATSON**

Date of Birth: 21.03.54

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.

■ **PETER J STOKER**

Date of Birth: 23.05.56

Mr Stoker qualified as a Solicitor in 1979 and joined Bellway in 1981. He was appointed Company Secretary in 1985 and joined the Board as an executive director in 1995. He resigned as Company Secretary to take up his new role as Commercial Director on 1 August 2002. He is a member of the Board Committee on Non-Executive Directors' Remuneration.

■ **ALISTAIR M LEITCH**

Date of Birth: 14.02.54

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.

Advisers

Group Company Secretary and Registered Office

G K Wrightson ACIS
Bellway p.l.c.
Seaton Burn House
Dudley Lane, Seaton Burn
Newcastle upon Tyne NE13 6BE
Registered number 1372603

Financial Advisers

N M Rothschild & Sons Limited

Registrars and Transfer Office

Capita Registrars Limited
Northern House, Woodsome Park
Fenay Bridge, Huddersfield
West Yorkshire HD8 0LA

Stockbrokers

Citigroup Global Markets Limited

Bankers

Barclays Bank PLC
HBOS plc
Lloyds TSB Bank plc

Auditors

KPMG Audit Plc
Quayside House, 110 Quayside
Newcastle upon Tyne NE1 3DX



LEO P FINN

Date of Birth: 13.07.38

Mr Finn was appointed a non-executive director on 1 August 1995 and was, until February 2001, the Chief Executive of Northern Rock plc. He is currently Non-Executive Chairman of Northern Recruitment Group Plc and a member of the North East Regional Housing Board. Since 1 November 2003 he has been senior independent non-executive director and Chairman of the Board Committee on Executive Directors' Remuneration. He is also a member of both the Audit Committee and the Nomination Committee.



DAVID G PERRY

Date of Birth: 26.12.37

Mr Perry was appointed a non-executive director on 1 November 1999. He was formerly Chairman of Waddington PLC and Anglian Group PLC. He is Chairman of the Nomination Committee and is also a member of both the Audit Committee and the Board Committee on Executive Directors' Remuneration.



PETER M JOHNSON

Date of Birth: 17.04.48

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 is Chairman of the Audit Committee and is also a member of both the Board Committee on Executive Directors' Remuneration and the Nomination Committee.



GROUP COMPANY SECRETARY

G KEVIN WRIGHTSON

Date of Birth: 27.10.54

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.



Chief Executive's Operating Review



Meridian South, Borough of Lewisham, London

Introduction

The Group's policy of forward selling resulted in the Company holding a strong forward sales position of £594 million on 1 August 2007. As the events of the last twelve months unfolded, this order book stood us in good stead to weather the initial changes in the market. From Easter onwards, however, customers cancelled at an increasing rate and our divisional sales teams did well to hold on to sales they had achieved, resulting in a year on year fall in total completions of 14.2% to 6,556. This number was underpinned by an increasing proportion of social housing where completions rose by 49% to 1,337 homes. The Group has sold 144 properties to first time buyers through initiatives promoted by English Partnerships and the Housing Corporation. Private sales fell by 22.5% to 5,219 homes, reflecting the swift change in consumer confidence. Completions are divided almost equally between the northern and southern regions.

Regional Performance

Northern Region

During the year, the then nine northern divisions sold 3,348 homes, a decrease from the previous year's 4,168 homes. Of this total, 339 homes, some 10%, were sold to housing associations compared to 431 the previous year. Overall the average selling price in the north is marginally reduced at £157,000. The effect of the slowing economy and the erosion of consumer confidence hit our markets in the north much earlier in the financial year with the Manchester and Yorkshire divisions being particularly hard hit. Conversely, the South Midlands division managed to increase output benefiting from new outlets opening as part of the North Solihull regeneration project. The West Scotland division maintained output of 500 homes without any exposure to social housing and the West Lancashire division, with an average selling price of only £126,000, continued to build on several developments in and around the Liverpool Pathfinder area which led to the completion of 528 homes, of which some 19% were sold to housing associations.



Earsdon View, Shiremoor, North Tyneside

Southern Region

The Southern divisions sold 3,208 homes, a decrease of only 7.5% from the previous year's total of 3,470. This relatively small reduction was achieved by more than doubling sales to housing associations from 469 to 998 homes. Primarily due to this increased exposure to social housing, the overall average selling price for the region fell from £191,000 to £183,000. The Thames Gateway area demonstrated the greatest resilience, with the Thames Gateway North division, established in 2005, virtually doubling volumes to 203 homes. Its much larger neighbour, Thames Gateway South, also benefited from strong demand, especially from developments in the London boroughs of Tower Hamlets and Greenwich, which helped to increase output to 759 homes.

Sales Incentives and Cost Control

During the year the average cancellation rate gradually increased, finishing at an annualised rate of 26%, a level not previously experienced. Sales incentives have therefore been employed on a regular basis to support the targeted selling rate. Typically these incentives included cash discounts, part exchange and other incentives determined by our divisions. Mortgage and stamp duty subsidies, for example, were widely advertised and utilised. For the second time buyer, part exchange was a popular sales aid and was used in 10% of transactions. The Group sold 560 part exchange homes during the year and ended it with a stock of 331 part exchange properties valued at £40.6 million, after the exceptional write down. Since the year end, the stock has been reduced to £29 million. Tight controls continue to be operated in relation to the part exchange scheme in these markets. These incentives have been a major reason for the operating margin falling from 18.7% to 16.1%.

In response to the reduction in workloads, we have seen a curtailment in labour rate increases and in sub-contract tender prices, where recent tenders have fallen by up to 6%, particularly in areas such as

foundations and road and sewer works. Approximately 30% of production last year used timber frame systems where the price of timber has fallen by up to 10%. National agreements with major suppliers should reduce ongoing costs by a further £5 million per annum. The overall build cost per home, therefore, should continue to fall, helping, in part, to offset sales incentives currently being offered.

Overhead Reduction and Company Structure

With little prospect of an immediate recovery, the primary operational focus of the Group has changed during the course of the year to cost control and cash management. At the beginning of May, the Group commenced a redundancy and rationalisation programme which resulted in job losses amounting to 35% of the workforce. The vast majority of these people have, sadly, already left the organisation. This should result in a net overhead saving of £8 million in the financial year ending 31 July 2009.

The number of divisions has been slimmed down from eighteen to thirteen. This now leaves the Group much leaner as most of the affected divisions have been amalgamated with adjoining 'neighbours'. We feel nationwide coverage has not been compromised and the Group's growth potential remains intact.

Bellway continues to focus on cost control and cash management. Every new release to construct is now assessed centrally on a plot by plot basis and only proceeds if production is matched by sales. The result of these actions should lead to a reduction in the number of active sites, which presently stands at around 210.



Land

The Group has been cautious over the last twelve months, but particularly in 2008 with regard to land acquisition, with very little new investment in land with planning permission. During the year, 5,556 plots were acquired and land held with planning permission reduced to 22,500 plots, compared with 23,500 in the previous year. Land owned, contracted or under option currently awaiting planning permission has decreased to 14,400 plots, a fall of 1,400 as we allowed contracts that we deemed no longer viable to expire. The Group has 36,900 plots as part of its short and medium-term holdings. These holdings exclude long term land, representing a combination of greenfield and regeneration opportunities, amounting to around 4,850 plots.

Due to the weaknesses in the market and, in particular, selling prices, the holding cost of stock has been reviewed. Whilst markets currently vary, dependent upon product and geography, selling prices since 31 July 2008 have fallen. This has resulted in a total write-down of stocks of £130.9 million, including around £15 million of fees and option costs already incurred on land transactions that are unlikely to proceed and £3 million in relation to part exchange stocks.

Environment

The grant of planning permission is often perceived by local politicians and communities as damaging to the environment, however, with the grant of planning permission, substantial benefits often accrue which are not always apparent to the broader community. During the year, through a variety of legal agreements, the Group's developments will generate an estimated £17 million of benefits with the majority of its contributions going towards education and sporting facilities. Other benefits include car clubs, especially in and around London, which aim to reduce the number of car journeys made by residents from each development.

Running costs of new homes will come down as the industry embraces new technology. During the year 5% of our production incorporated some form of renewable energy technology, utilising features such as solar and photovoltaic panels and biomass heat units. In Halstead, Essex, for example, construction is about to commence using air source heat pumps and a heat recovery system which should reduce the carbon footprint of each home by about 40%. Additionally, almost 20% of homes built were constructed to EcoHomes standards. With the imposition of higher gas and electricity bills, the purchase of a new Bellway home will certainly reap rewards for our purchasers, as well as directly benefiting the environment.

An increasing element of the whole construction process incorporates recycled materials such as plasterboard, timber flooring and lightweight blocks. All timber now comes from accredited managed sources. With the cost of landfill waste increasing on an annual basis we have, during the year, recycled almost 2,900 tonnes of plasterboard and, in addition, 106,000 tonnes of demolition material has been crushed and reused on-site.

Health and Safety

The Group is pleased to report that the number of lost time reportable accidents declined during the year from 48 to 46. The number of reportable accidents resulting from falls from height declined from 11 to 8. The Group is currently enforcing best practice on its sites by targeting and supporting a nationwide ladder safety campaign. Site based employees, including those employed by sub-contractors, attend regular health and safety meetings to raise awareness on this most serious of subjects.







Demolition treatment



Stone crushing and sorting

“during the year, we have recycled almost 2,900 tonnes of plasterboard and, in addition, 106,000 tonnes of demolition material has been crushed and reused on-site.”

During the year, the Manchester division (now part of the North West division) received a silver award from the Royal Society for the Prevention of Accidents (“RoSPA”) for the second year running in recognition of its high standards in managing and maintaining health and safety awareness. In addition, 93% of employees have now received a Construction Skills Certification Scheme (“CSCS”) card and site managers are being trained to NVQ Level 3.

Customer Care

At Bellway, we pride ourselves in providing a first class service, guiding our customers through every step of the purchasing process. The latest independent survey, carried out on a quarterly basis, confirmed that 80% of our customers are prepared to recommend Bellway to a friend - a marginal improvement on last year's 79%. The Group must continue to improve its performance in this area and the recent Office of Fair Trading investigation into the housebuilding industry will result in a new customer code being agreed and implemented in the near future.

Looking Forward

The Group had secured an order book, at 30 September 2008, of £342 million with almost 50% of these sales to housing associations. There is clearly, at present, great uncertainty regarding future transaction levels, selling prices and profitability. Therefore, the Group's priorities are to target the sale of stock properties and strictly control work in progress and land expenditure, with a view to reducing borrowings from the year end position of £218 million, thus further lowering gearing. The Group is, and wishes to remain, in a strong position to recommence its organic growth model as and when more normal market conditions return.

John K Watson

Chief Executive

24 October 2008



Corporate Responsibility Policy



The Old Tannery, Canterbury, Kent

“The effect of climate change is one of the main challenges facing the housebuilding industry today.”



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 is a significant element of sustained financial success.

Corporate responsibility is action taken by our Group which positively affects 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 & 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 advising the Board on all corporate responsibility matters.*
- *The Chief Executive is supported by the Sustainability Management Working Group which includes senior employees from across the Group who are responsible for the development and review of this policy.*
- *The financial 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 & 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.

Summary Corporate Responsibility Statement





Synergy at Park 25, Redhill, Surrey

2008 marks the sixth successive year for reporting the progress we are making in managing the effect of our operations on the environment. Since the publication of our first report in 2003 we have made considerable progress in managing our environmental footprint and what this means to the many communities around the country where Bellway is working.

Our sustainability strategy helps us to respond to the numerous social, economic and environmental challenges that we face. It also represents an investment in the future of our business enabling us to adapt to the changing expectations and needs of society.

Increasingly we are focusing upon the sustainability of the homes that we build. We aim to minimise the effects of the building process and create vibrant sustainable communities where people wish to live. To achieve this objective we have established five strategic principles that steward our day-to-day activities.

- *Protection of the environment in which we are working.*
- *Prudent use of natural resources.*
- *Creating environments that have the potential to add to economic growth and employment opportunities.*
- *Social considerations that recognise the needs for a changing and advancing population.*
- *The development of communities that will endure and where people will aspire to live.*

Protection of the environment

The construction process affects the environment in many different ways. It is our aim to minimise the effect of our development operations and reclaim former brownfield sites, returning them to community use. This year 79% of our developments have been built on brownfield sites – well above the Government target of 60%. The majority of these sites are located in urban areas, where there is greater potential to affect neighbouring communities. Prior to construction, we test all sites with impact assessment and sustainability studies. The preparation of these documents, in conjunction with public consultation exercises, allows us to understand the unique characteristics of the sites we develop and to identify the appropriate methods of remediation and development.

We have deliberately chosen timber frame as a principal building material. This year 30% of our homes have been constructed using timber frame. Timber is a natural and renewable resource that offers significant environmental benefits saving around 4 tonnes of CO₂ for every home built. All our timber suppliers are either accredited to Forest Stewardship Council (“FSC”) or Programme for the Endorsement of Forest Certification (“PEFC”) standards. Wherever possible we aim to reuse materials and this year 106,000 tonnes of demolition material has been recycled.

During the year Site Waste Management Plans have been introduced. They will advance the management of waste materials and increase the volume of material that is able to be re-used. The objective is, ultimately, to achieve 100% recycling on-site.

Prudent use of natural resources

Earlier this year we undertook a detailed review of our supply chain which enabled us to evaluate the consequences of the materials used in the construction process and their method of manufacture. The selection of building materials is a key component in limiting the effects of climate change. Many of the products we use display high environmental credentials. For example, Thermalite is a brand of aerated concrete block containing up to 80% recycled material (pulverised fuel ash) which achieves an “A” rating in the Green Guide and offers high standards of insulation.

Adding economic value to communities

Bellway has an established track record for its ability to manage significant regeneration schemes across the country. These are extremely complex projects calling for a broad spectrum of experience. One of the principal outcomes of these schemes is the value that we add to the community in terms of returning derelict land to economic use. For example in Glasgow, it has been acknowledged that our Mondriaan development has created a radical new presence amidst one of the most challenging social environments in Scotland. Similarly, in South Tyneside, our scheme at Cleadon Park has turned a blighted area into a new community, benefiting from 750 new, seamlessly integrated homes for sale and rent, along with a new primary care centre and community facilities.

Recognising the needs for a changing and advancing population

Bellway has been at the forefront of developing new and extending existing communities for more than 20 years. Recognising the unique characteristics that combine to create sustainable communities lies at the heart of our business. Last year saw the completion of our Ravenswood scheme in Ipswich. After 10 years of development, this 1,200 home community provides a high quality, attractive and stimulating environment for residents. The scheme provides a wide range of accommodation and tenure, meeting both the local and wider needs of the Ipswich and Suffolk area.

In North Solihull, we are engaged in a major regeneration scheme that will result in new homes, new schools, more open space and new village centres. The overall aim of the scheme is to bring about physical change to a deprived area and to bridge the economic divide between north and south Solihull. Key to the success of this scheme is the partnership we have with the community and key stakeholders; a fact that was recognised this year when the scheme won the Regeneration and Renewal Partnership of the Year Award, with the judges citing that community involvement was at the forefront of the scheme.

Similarly, in the Meden Valley, on the borders of Nottinghamshire and Derbyshire, we are working with the development agency, Meden Valley Making Places, to regenerate the neglected former coal mining areas. As well as returning derelict land back to economic use, the scheme is creating valuable training and employment opportunities for the local community. To date, more than 100 local people have been employed across a range of building trades. Apprenticeship schemes have also been established which work in conjunction with local colleges so that apprentices develop building skills and attain recognised qualifications.

Developing communities that will endure and where people will aspire to live

In creating new neighbourhoods and better places to live we aim to blend design quality with affordable prices to create community hubs with safer streets, play areas and better community facilities.

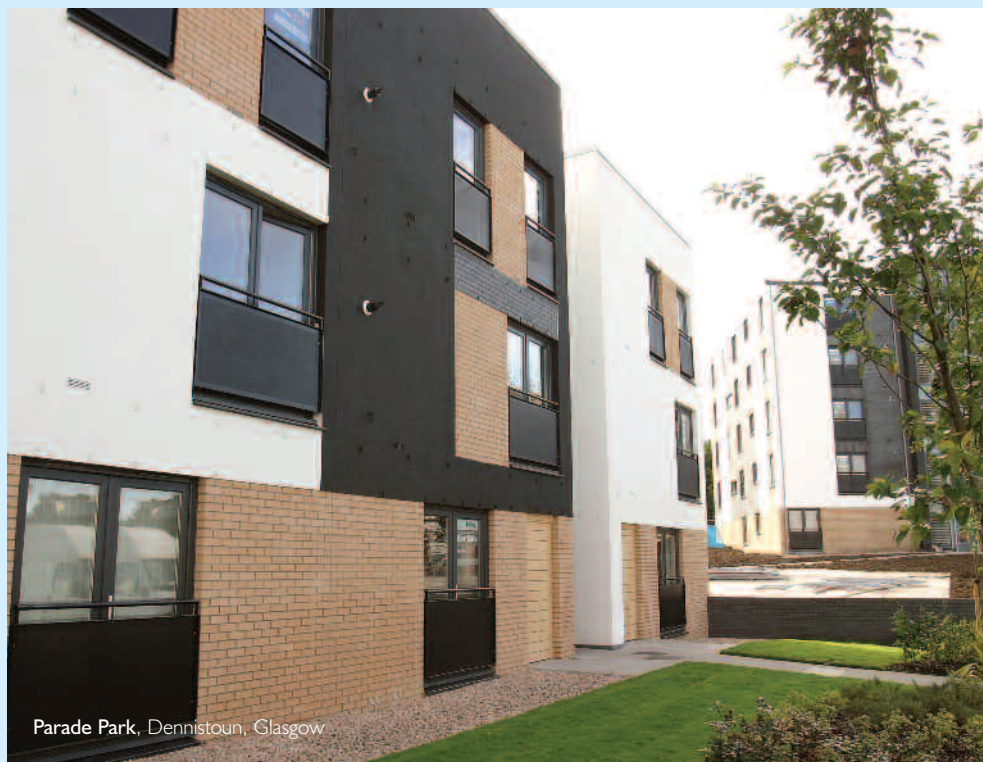
Schemes involving significant regeneration are underway in various parts of the country. In bringing these schemes forward, as well as creating new homes and new places to live, we are adding wealth to the local economy through the building process and the transformation of these formerly derelict sites.

Increasingly the housebuilding environment is becoming more complex. Bellway has made considerable progress in recent years in the way that it manages the effect of its operations upon the environment. We fully expect that the coming years will be as equally challenging, but feel confident that Bellway is well placed to respond to these challenges.

“As well as returning derelict land back to economic use, the regeneration is creating valuable training and employment.”



The Hawthorns, Leicester, Leicestershire



Key Performance Indicators

	Financial year ended 31 July				
	2004	2005	2006	2007	2008
Economic					
Total homes sold	6,610	7,001	7,117	7,638	6,556
Number of homes sold to Registered Social Landlords	556	828	790	900	1,337
Plots with planning permission	20,700	22,500	22,600	23,500	22,500
Environmental					
% of homes developed on brownfield sites	75%	78%	81%	81%	79%
Density of build per hectare (number of homes)	56	69	69	66	63
Number of EcoHomes with at least 'Very Good' rating	168	224	263	326	1,194
Number of homes built to Code Level 3 ⁽¹⁾	-	-	-	-	48
Average SAP rating for all Bellway homes	95.60	89.60	90.20	91.20	88.00
Number of homes built with renewable energy technology	-	-	-	17	307
% of homes built using timber frame	-	25%	32%	34%	30%
Tonnes of plasterboard recycled	1,287	2,408	4,708	3,900	2,868
Measure of waste (skips 7m ³ /home sold)	6.10	7.55	7.10	5.70	4.30
Number of compliance breaches	4	1	3	9	6
Employees					
Training days per employee	0.50	1.18	1.22	1.24	1.03
Employee turnover	na	27.0%	31.1%	25.6%	33.7%
Number of employees accredited with CSCS cards	na	305	597	783	1,042
Number of apprentices employed	116	139	206	203	149
Health and Safety					
Lost time accidents	57	51	47	48	46
Number of health and safety prosecutions	0	0	1	0	0

Notes:

1. The Code for Sustainable Homes Level 3 applies to new build social housing from April 2008 and therefore this is the first year of reporting.

na = not available

Environmental Policy Statement



“The Bellway Group is one of the largest house builders in the UK. The house building 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 sustainable new environment has been created that will continue over time.”

Cotton Gardens, Romford, Essex



Recognising that we have responsibilities to both limit damage to 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 targets and periodically review progress against these
- ensure that Bellway's environmental aims and their importance are communicated throughout the Group, including appropriate sub-contractors and suppliers, and that a copy of this policy statement is displayed at each Bellway office and site
- 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 commitments, the Group has identified a number of specific priority areas which we will endeavour to achieve:

- 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 effects on both the natural and built environment
- providing environmental benefits and minimising nuisance arising from construction activities and preventing pollution on development sites
- consideration of environmental issues within our corporate functions and everyday business decision-making processes.

The above statement will be balanced against economic considerations.





Financial Review

Introduction

Bellway is a volume housebuilder selling primarily in the private market and trading nationally in areas of high population. Its principal subsidiary company is Bellway Homes Limited which, during the majority of the financial year to 31 July 2008, traded throughout Great Britain from its eighteen operating divisions. In the latter part of the year, however, a process of divisional rationalisation was undertaken in order to address the downturn in market conditions. The aim of this process was to reduce the number of operating divisions to thirteen, whilst still maintaining geographical coverage. This was achieved shortly after the year end.

Each operating division of Bellway Homes Limited has its own local management team covering all aspects of the business and they are given a high degree of autonomy and responsibility. Although the Group is decentralised, there are strict central controls and reporting systems in place. The main Group financial and computing systems are standard throughout and this has been achieved without diluting the local character of the divisions.

Bellway Homes Limited has three further divisions; Planning and Development which deals with planning matters and long-term strategic land acquisitions on a national basis; City Solutions which deals with the sourcing of regeneration projects throughout the UK and Group Administration which deals with, among other things, group reporting systems, information technology, treasury, banking, personnel, pensions, land vetting, public relations, administration, insurance, legal and company secretarial functions.

The activities of other subsidiary companies accounted for less than 1% of the turnover of the Group.

Reporting Requirements

The accounting policies of the Group are stated on pages 47 to 51.

The report on corporate governance as recommended in the 'Combined Code' is stated on pages 28 to 32.

The Report of the Board on Directors' Remuneration is shown on pages 34 to 41.

International Financial Reporting Standards

The financial information has been prepared in accordance with International Financial Reporting Standards adopted by the EU (IFRSs).

Income Statement

Revenue and profit from the sale of homes is recorded when sales are legally completed.

We build an extensive range of homes and a geographical summary of the homes sold in the year to 31 July is detailed in the table overleaf.



	Homes sold Number		Average selling price £000		Turnover £m	
	2008	2007	2008	2007	2008	2007
Northern Region	3,348	4,168	157.3	158.5	526.6	660.7
Southern Region	3,208	3,470	182.7	190.8	586.1	663.0
GROUP TOTAL	6,556	7,638	169.7	173.3	1,112.7	1,323.7

The new homes sold above include 1,337 (2007 – 900) housing association sales. In addition, the Group derived £36.8 million (2007 – £30.3 million) turnover from other sources. This consisted of land sales, financial services, commercial developments, rental income and miscellaneous items.

The Group will, in the appropriate economic environment, seek to secure forward sales of homes. This policy involves securing a purchaser in advance of the physical completion of the home. Marketing frequently begins at an early stage of a development and prospective purchasers are able to pay a small deposit of between £250 and £1,000 in order to register their interest in a property. At this stage there is no legal obligation for the prospective purchaser to buy the property and no legal obligation for the Group to sell. The Group is merely giving an undertaking not to secure another purchaser within a particular number of weeks. The deposit is held in the balance sheet as a payment in advance of the purchase. If the prospective purchaser does not proceed to exchange and completion the cash deposit is classified as a forfeited deposit and taken to the income statement.

Once contracts are exchanged, a larger deposit is paid and there is a legal obligation to purchase, and to sell, the home. This larger deposit is

also held in the balance sheet as a payment in advance. All deposits are taken to the income statement on legal completion, as part of revenue.

The Group acquires second hand homes taken in part-exchange against a new home. The subsequent sales of these properties are not included in homes sold or turnover. The net result of the part-exchange transaction is classified as a cost of sale.

Pre-exceptional gross profit decreased from £311.9 million to £243.8 million and administrative expenses during the year remained static at £58.8 million, representing 5.1% of turnover (2007 – 4.3%).

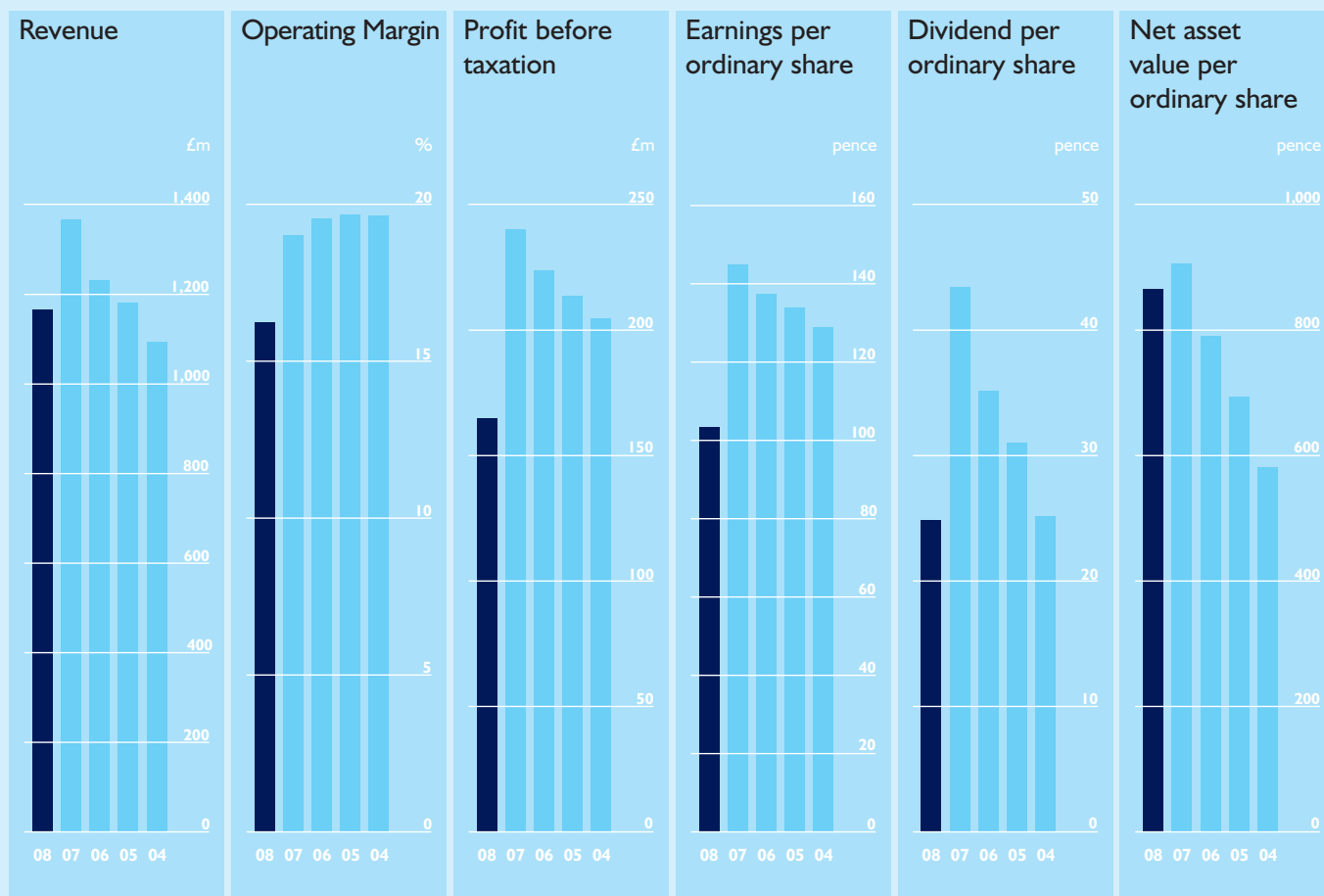
The operating profit (pre-exceptional item) of £185.0 million compares to £253.1 million last year, giving an operating margin of 16.1% on turnover (2007 – 18.7%).

All the Group operating profit arose in Great Britain.

Interest is written off as it is incurred and this year amounted to £19.1 million compared to £17.9 million in 2007 and is covered 10 times (2007 – 14 times).

The profit before taxation (pre-exceptional item) of £165.7 million is £69.1 million lower than the previous year's figure of £234.8 million, a decrease of 29.4%.

Key Financial Performance Indicators



The pre-exceptional tax charge for the year (including deferred tax) of £46.2 million (2007 - £65.0 million) is 27.9% (2007 - 29.0%) of profit before taxation (pre-exceptional item). The current tax charge (pre-exceptional item) is 27.1% (2007 - 28.7%) and this compares with the company's standard tax rate for the year of 29.3% (2007 - 30.0%). The Group does not have the benefit of any unused tax losses.

The Board is recommending a dividend for the year of 24.1 pence per ordinary share representing a decrease of 44.1% on the previous year, which is covered 4.3 times by earnings (2007 - 3.4 times). Basic earnings per share (pre-exceptional item), (EPS), amount to 104.2 pence, compared to 146.1 pence in 2007, a decrease of 28.7%.

Exceptional Item

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 in the income statement.

For the year ended 31 July 2008, a full review of inventories has been performed and write downs have been made where cost exceeds estimated net realisable value. Net realisable value represents the estimated selling price (in the ordinary course of business) less all estimated costs of completion and overheads. Estimated selling prices have been reviewed on a site by site basis and selling prices have been reduced based on local management and the Board's assessment of

current market conditions. In the main, a fall of 12.5% in housing revenue was assumed, although certain sites had revenue falls in excess of this amount applied. These site reviews have resulted in write-downs totalling £112.5 million.

In addition land option costs and related fees have been written down by £15.4 million to their net realisable value.

The Board has also reassessed the net realisable value of currently unsold part exchange properties and has written down stock by 10% totalling £3.0 million.

The above has resulted in an exceptional charge of £130.9 million.

Balance Sheet

The balance sheet remains strong with inventories, after exceptional charges, showing a moderate decrease from £1,537.9 million to £1,503.9 million. Our land holdings, at 31 July 2008, with residential planning permission total some 22,500 units (2007 - 23,500 units). In addition, we have extensive land interests with development potential.

At 31 July 2008 borrowings, net of cash balances, were £237.7 million, which compared with £112.2 million last year. The Group's gearing at 31 July 2008 was 23.7% compared with 10.8% last year. Net current assets increased by £196.2 million from £1,134.6 million to £1,330.8 million.



“Each operating division of Bellway Homes Limited has its own local management team covering all aspects of the business and they are given a high degree of autonomy and responsibility.”

Total equity decreased by £34.7 million from £1,035.8 million to £1,001.1 million, reflecting total recognised income of £16.7 million, less ordinary dividends paid of £51.3 million and share issues and share option movements in reserves of £0.1 million.

Finance

Other than the proceeds obtained from the issue of ordinary shares and reinvestment of retained profits, the Group's activities are financed principally by a combination of preference shares, bank borrowings and cash in hand. Our bank borrowing facilities comprise a long-term fixed rate loan, 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.

Treasury Policy and Liquidity Risk

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

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

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.

Fair Value

The fair values of the Group's financial instruments at 31 July 2008 are disclosed in note 17 on page 64. This states that the fair values are not materially different to their book value except that, for the 9.5% cumulative redeemable preference shares, and the long-term fixed rate bank loan the fair value exceeds book value by £0.4 million and £0.02 million respectively. This reflects the movement in long-term interest rates since these financial instruments were entered into.

Share Price and Net Asset Value

The share price at 31 July 2008 was 477.25p (2007 – 1,247p). This compares with a book net asset value at 31 July 2008 of 871p (2007 – 903p).

Alistair M Leitch

Finance Director

24 October 2008

Operating Risk Statement

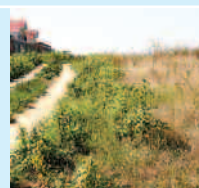


“The management of risk is a key operating component of the Bellway Group.”

The management of risk is a key operating component of the Bellway Group. The manner in which this is carried out is very important to the long term success of the business. The principal operating risks of the Group include, but are not limited to, the following areas:

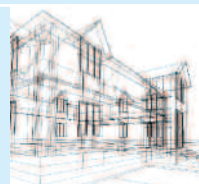
■ Land

Inability to source suitable land at satisfactory margins would have a detrimental effect on the Group's land bank and consequently, its future success.



■ Planning

Delays and the increased complexity of the planning process hampers and slows the Group's growth prospects.



■ Sales

Ensuring that the effects of any diminution in the size of the market place, 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.



■ Construction

Ensuring, in a competitive labour market, that appropriately skilled personnel are available and that suitable materials are also available at the right price.



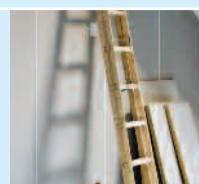
■ Environment

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.



■ Health & Safety

It is important to ensure that the Group has adequate systems in place to mitigate, as far as possible, the dangers inherent in the construction process.



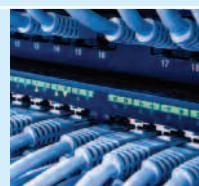
■ Personnel

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.



■ 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 operates throughout the Group and that the risk of system loss is mitigated and supported by appropriate contingency plans.



■ Insurance

It is vital that suitable insurance arrangements exist to underpin and support the many areas in which the Group is exposed to risk of loss.



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 2008.

Principal activities

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

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 to 4, the Chief Executive's Operating Review on pages 7 to 11, the Corporate Responsibility Policy on pages 13 to 14, the Summary Corporate Responsibility Statement on pages 15 to 18, the Environmental Policy Statement on pages 19 and 20, and the Financial Review on pages 21 to 24. In addition, information in respect of the principal operating risks of the business is set out in the Operating Risk Statement on pages 25 and 26.

Results and dividends

The profit for the year attributable to equity holders of the parent amounts to £27.0m (2007 - £166.7m).

Ordinary dividends

The directors have proposed a final ordinary dividend for the year ended 31 July 2008 of 6.0 pence 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 26.675 pence per share in respect of the previous year ended 31 July 2007, together with an interim dividend in respect of the year ended 31 July 2008 of 18.1 pence per share.

The directors recommend payment of the final dividend on Wednesday 21 January 2009 to shareholders on the Register of Members at the close of business on Friday 12 December 2008.

Directors

All the directors of the Company, who are shown on pages 5 and 6, served throughout the year.

Three directors retire from the Board and offer themselves for re-election at the forthcoming Annual General Meeting ("AGM"). Mr Stoker and Mr Johnson, retire by rotation in accordance with the Company's Articles of Association (the "Articles") and the Combined Code. Mr Perry will have served on the Board for more than nine years and is therefore subject to annual re-election in accordance with the Combined Code provision A.7.2. One non-executive director, Mr Finn, will retire at the forthcoming AGM and is not seeking re-election. The directors' biographies are on pages 5 and 6.

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 Mr Stoker, Mr Johnson and Mr Perry.

As reported in the Chairman's statement on page 4, Mr Mike Toms is to be appointed as a non-executive director with effect from 1 February 2009. Mr Toms will join the Audit and Nomination Committees and the Board Committee on Executive Directors' Remuneration.

Directors' contracts

Details of the terms of appointment of the three directors who are retiring and offering themselves for re-election at the forthcoming AGM are set out below:

	First appointed as a director	Current contract/letter of appointment commencement date	Current contract/letter of appointment expiry date	Unexpired term at the date of this report	Notice period by either side
Service contract of Executive Director					
P J Stoker	1 August 2002	1 September 2002	Normal retirement age (60)	12 months	12 months
Letter of appointment of Non-Executive Directors					
P M Johnson	1 November 2003	1 November 2006	31 October 2009	12 months	3 months
D G Perry	1 November 1999	1 November 2006	16 January 2009	3 months	3 months

Details of the terms of appointment of all the directors are given in the Report of the Board on Directors' Remuneration on page 34.

Report of the Directors (continued)

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 40.

Takeovers Directive

The information for shareholders required pursuant to section 992 of the Companies Act 2006 which implements the Takeovers Directive is disclosed in this report and in the Shareholder Information section on pages 80 and 81.

Notifiable shareholders' interests

As at 24 October 2008, 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:

	Number of shares with voting rights	% Total Voting Rights
Fidelity International Ltd/FMR Corp	9,300,000	8.09
Jupiter Asset Management Limited	6,647,489	5.78
Aviva plc	5,751,086	5.00
AXA S.A.	5,603,638	4.87
JP Morgan Chase & Co	5,254,822	4.57
Polaris Capital Management	4,683,001	4.07
Legal & General Group plc	4,609,806	4.01
HBOS plc	4,261,453	3.71
Prudential plc	4,224,092	3.67

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 34 to 41, describes how the Principles of Good Governance, which are set out in Section I of the Combined Code, are applied by the Group.

Statement of compliance with the Code of Best Practice

The Board considers that it has complied with the detailed provisions of the Combined Code issued in June 2006 throughout the year to 31 July 2008 and with the detailed provisions of the Combined Code issued in June 2008 from 1 August 2008 up to the date of this report. Both versions of the Combined Code are 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 Combined 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 Financial Review present a balanced and comprehensive assessment of the Group's position and prospects.

The Board

The Board consists of seven directors whose names, responsibilities and other details appear on pages 5 and 6. Three of the directors are executive and four of the directors, including the Chairman, are non-executive. One of the non-executive directors, Mr Finn, will retire at the AGM on 16 January 2009 and will not seek re-election. Mr Mike Toms has accepted an appointment as a non-executive director from 1 February 2009. Once these changes have been put in place, the Board will, from 1 February 2009, continue to consist of three executive and four non-executive directors. 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.

Report of the Directors (continued)

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 purchased, major projects, senior appointments, corporate governance, internal control 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.

Board effectiveness

The directors possess an appropriate balance of skills and experience for the requirements of the business.

During the year there were nine 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 two Nomination Committee meetings.

There were no absences from any Board or Committee meetings by any director, with the exception that Mr Leitch was unable to attend one Board meeting and Mr Johnson was unable to attend one Board meeting and one meeting of the Board Committee on Executive Directors' Remuneration.

The non-executive directors met without the executive directors on one occasion, and also met once during the year without the Chairman present to evaluate his performance.

One third of the directors offer themselves for re-election each year at the AGM and all directors seek re-election every three years in accordance with the Articles. Mr Perry is excluded from the foregoing as he is subject to annual re-election for the reasons set out on page 27. New directors appointed since the last AGM are required to offer themselves for re-appointment at the next 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.

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 Finn. It is the Company's intention that Mr Johnson will assume the role of senior independent non-executive director following the retirement of Mr Finn on 16 January 2009. 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 Combined Code. In the case of Mr Finn, the Company considers him to have remained independent throughout the financial year for the reasons which have been detailed in previous annual report and accounts. In addition, the Company has consulted with shareholders in relation thereto. With regard to Mr Perry, as at 1 November 2008, he will have served on the Board and its Committees for nine years. The Company has carefully considered Mr Perry's character and judgement. He has been subject to a rigorous evaluation process and the Company can confirm that, in its view, he remains independent.

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 self-assessment framework. 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.

Report of the Directors (continued)

The Board Committees

The Board has properly constituted Audit, Remuneration and Nomination Committees. The terms of reference for the Committees 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 Finn and Mr Perry, who were members of the Committee throughout the year. Mr Finn is to retire at the AGM on 16 January 2009. He will be replaced on the Committee from 1 February 2009 by Mr Toms. It meets at least three times a year and met three times during the year under review. The Committee's responsibilities include the following:

- 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 ensure that the provision of non-audit services does not impair 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 management's reports on the effectiveness of systems for internal financial control, financial reporting and risk management.
- 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 and make recommendations in relation to the half year and annual accounts prior to submission to the Board.

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 what 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. Any material project with fees in excess of £200,000, where the auditors are considered for the provision of services, would be the subject of a competitive process. 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 Finn (Chairman), Mr Perry and Mr Johnson, who were members of the Committee throughout the year. Mr Finn is to retire at the AGM on 16 January 2009, and he will be replaced on this Committee from 1 February 2009 by Mr Toms, with Mr Toms taking the role of Committee Chairman. 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, benefits in kind, terms and conditions of employment, including performance related payments, long term incentive schemes and pension benefits of the executive directors and the Chairman. The Report of the Board on Directors' Remuneration on pages 34 to 41 contains details of directors' remuneration and the Group's policies in relation to directors' remuneration.

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 and conditions and the 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 Perry (Chairman), Mr Finn, Mr Johnson and Mr Dawe, who were members of the Committee throughout the year. Mr Finn is to retire at the AGM on 16 January 2009, and he will be replaced on the Committee with effect from 1 February 2009 by Mr Toms. Its main duties are to make recommendations regarding appointments to the Board. The Committee meets at least twice a year and last year met on two occasions.

Appointments to the Board are made on merit through a formal, rigorous and transparent process against objective criteria recommended by the Committee. 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.

During the year the Committee appointed external recruitment consultants to assist it in the recruitment of Mr Toms as a new non-executive director to fill the vacancy to be created when Mr Finn retires from the Board at the AGM on 16 January 2009.

The Committee is also responsible for formulating plans for succession for both executive and non-executive directors and in particular for the key roles of Chairman and Chief Executive.

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

Report of the Directors (continued)

Directors' and officers' liability insurance

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

Directors' remuneration

The principles and details of directors' remuneration are detailed in the Report of the Board on Directors' Remuneration on pages 34 to 41.

Accountability and audit

The statement on going concern and the Statement of Directors' Responsibilities in respect of the Annual Report and the Accounts are shown on pages 32 and 42 respectively.

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

Internal control

The Board is responsible for the Group's system of internal control and also for reviewing its effectiveness. The Board has reviewed, on an ongoing basis, 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 has reviewed the effectiveness of the system of internal control and, in particular, it has reviewed the process for identifying and evaluating the significant risks affecting the business and the policies and procedures by which these risks are managed.

Management are responsible for the identification and evaluation of significant risks applicable to their particular areas of the business together with the design and operation of suitable controls. These risks 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 basis, to review the key risks inherent in the business, the operation of the systems and controls necessary to manage such risks and its effectiveness and 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 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, taxation, financial services, pensions, insurance, information technology, legal, personnel and company secretarial.

Report of the Directors (continued)

Internal audit

The Company does not have an internal audit function and, as recommended by the Combined Code, the Audit Committee considers annually whether there is a need for an internal audit function and makes a recommendation to the Board. During the year, having considered the position, the Audit Committee recommended that no internal audit function, as such, was presently required, given the robust systems and strong controls already present in the Group. 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. 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 meet with current and prospective shareholders and institutions as required. No requests have been received to date. 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 80 to 82 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.

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 or sexual orientation.

All employees, whether part time, full time or temporary, are treated fairly and equally. Selection for employment, promotion, training or other benefit is on the basis of aptitude and ability. All employees are helped 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 employee relations appropriate to its own particular needs and a Group magazine is published at periodic intervals.

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 a personal accident insurance scheme. 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 Statement, approved by the Board, has been adopted by all trading entities within the Group. Environmental issues are addressed in the Corporate Responsibility Policy on pages 13 and 14, the Summary Corporate Responsibility Statement on pages 15 to 18, the Environmental Policy Statement on pages 19 and 20, and in the Corporate Responsibility Report itself which is available to view on the Company's website www.bellway.co.uk or 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 7 to 11, in the Corporate Responsibility Policy on pages 13 and 14, in the Summary Corporate Responsibility Statement on pages 15 to 18, and in the Corporate Responsibility Report.

Donations

During the year the Group made no political contributions but donated £22,010 (2007 - £95,956) for charitable purposes.

Report of the Directors (continued)

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 follows the Better Payment Practice Code and its 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 2008 of £75,075,000 (2007 - £84,387,000) gave a creditor payment period of 27 days (2007 - 27 days). Land creditors due within one year were £81,806,000 (2007 - £112,148,000). Including land creditors, the creditor payment period was 57 days (2007 - 63 days).

The parent company had no land or trade creditors at 31 July 2008 (2007 - £nil).

Purchase of the Company's own shares

The Company was given authority at the 2008 AGM to purchase its own ordinary or preference shares. As at the date of this report no market purchases have been made and this authority will expire at the end of the 2009 AGM. Shareholders will be asked to renew this authority at the 2009 AGM.

Disclosure of all relevant information to auditors

The directors who held office at the date of approval 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

KPMG Audit Plc has indicated its willingness to continue in office and a resolution proposing its re-appointment as auditors will be put to shareholders at the AGM.

AGM - special business

Three resolutions will be proposed as special business at the AGM to be held on Friday 16 January 2009. Explanatory notes on these resolutions are set out in Shareholder Information on page 80.

By order of the Board

G Kevin Wrightson

Group Company Secretary

24 October 2008

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 Finn (Chairman), Mr Perry and Mr Johnson. Mr Finn is to retire at the AGM on 16 January 2009, and he will be replaced on this Committee from 1 February 2009 by Mr Mike Toms, with Mr Toms taking the role of Committee Chairman. 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.

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. Hewitt New Bridge Street was appointed by the Committee and does not provide any other service 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 Hewitt New Bridge Street.

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

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 and it is satisfied that the structure of the executives' packages will broadly achieve 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 incentives) 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 Total Shareholder Return ("TSR") and Return on Capital Employed ("ROCE") performance conditions, thereby creating alignment with the interests of shareholders.

In framing the Company's remuneration policy for executive directors, the Committee has given full consideration to the best practice provisions in the Combined Code and the Association of British Insurers' ("ABI") guidance.

Service contracts and letters of appointment

The executive directors have fixed-term service contracts which specify that retirement is at age 60, with a 12 month notice period on either side. For executive directors, on termination, an amount equivalent to one year's salary, benefits and the average amount of the last two years' annual bonus payments, would be payable. The inclusion of average annual bonus in the calculation of compensation payable for early termination will ensure that there is 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.

The notice period of all executive directors' service contracts is kept under review by the Committee. It is the Committee's view that the notice period for the executive directors is appropriate and consistent with current market practice. 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
P J Stoker	1 August 1995	19 January 1996 and amended with effect from 1 November 2003
A M Leitch	1 August 2002	1 September 2002

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 2007	31 October 2010
L P Finn	1 August 1995	12 January 2008	16 January 2009
D G Perry	1 November 1999	1 November 2006	16 January 2009
P M Johnson	1 November 2003	1 November 2006	31 October 2009

On the expiry of his existing letter of appointment, it is the intention of the Company to issue a new letter of appointment to Mr Perry which will expire at the conclusion of the AGM in 2010.

Report of the Board on Directors' Remuneration (continued)

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 consideration, the executive directors were awarded rises varying from 4.84% to 11.11%. These increases were considered appropriate by the Committee after an assessment of base salary levels in peer group companies and also taking into consideration the performance of the executive directors and of the Company as a whole.

Fee levels for non-executive directors reflect the time commitment and responsibilities of the role and are reviewed annually, taking into account the level of fees for similar positions in comparable companies. 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.

Benefits in kind

Benefits in kind provided to the executive directors relate to car allowance and private medical insurance.

Annual bonus scheme

The annual bonus scheme has a potential which is currently capped at 120% of basic salary, other than in exceptional circumstances where outstanding performance may, in the view of the Committee, merit a higher bonus, subject to an overall cap of 150% of basic salary.

Recognising the genuinely exceptional operating environment for the UK housing market and the consequent short-term lack of visibility in the outlook for financial performance, the Committee intends to operate a less formulaic bonus structure for the forthcoming year (within the maximum cap set out above).

The basis for the payment of any bonus will be disclosed in next year's Remuneration Report.

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 under the terms of the Bellway p.l.c. (2008) Share Matching Plan.

Annual bonuses are not pensionable.

Long-term incentive schemes

- (1) The Bellway p.l.c. Savings Related Share Option Scheme, which was established in 2003, is available to all employees, including the executive directors.
- (2) The Bellway p.l.c. (2004) Performance Share Plan (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 base salary each year.

For awards made on 16 January 2008, two performance conditions applied to separate parts of the award:

- (a) 50% of the award is based on a TSR condition against other housebuilders but, instead of a ranking approach (comparing Bellway's TSR to that of each other company), an Index is created out of the TSR of the other housebuilders in the group. Bellway's TSR is compared to that of the Index. If Bellway's TSR matches that of the Index, 25% of the TSR part of the award vests (reduced from the previous vesting profile whereby 33% of the award vested at median). Full vesting is achieved for 7.5% per annum outperformance of the Index. The Committee has carried out significant modelling, the results of which support the premise that 7.5% per annum outperformance is equivalent to average 'upper quartile' TSR performance of the housebuilders.

Further, regardless of TSR performance, no part of the TSR element of an award will vest unless the Committee considers that the Company's TSR over the performance period reflects underlying financial performance.

The companies comprising the Index for the awards in the financial year commencing on 1 August 2008 are as follows;

Barratt Developments PLC	Bovis Homes Group PLC	Redrow plc
The Berkeley Group plc	Persimmon plc	Taylor Wimpey plc

TSR is recognised as enabling alignment with the interests of institutional shareholders through providing a reward mechanism for delivering superior stock market performance

- (b) The remaining 50% of the award is 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 vest) to 22% per annum for all of this part of the award to vest. Awards vest on a straight line basis in between these two points.

Report of the Board on Directors' Remuneration (continued)

For awards to be made in the financial year commencing 1 August 2008, in view of the difficulty in setting financial performance conditions in the current economic climate, it is proposed that the TSR part of the award will apply as the sole performance condition. It is currently anticipated that the performance conditions will revert to a combination of TSR and ROCE when the housing market returns to more normal conditions and clearer visibility of the Company's prospects is possible.

The directors' outstanding awards under the PSP are set out in the table on page 38.

- (3) Shareholder approval was given at the AGM in January 2008 for the introduction of a new long-term incentive plan, the Bellway p.l.c. (2008) Share Matching Plan (the "SMP") to operate in conjunction with the annual bonus plan.

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. 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 a performance condition.

For the 2008 SMP awards, the performance condition will be the same TSR-based condition as will apply to the 2008 award of performance shares. It is anticipated that the performance condition will revert to ROCE when the housing market returns to more normal conditions and clearer visibility of the Company's prospects is possible.

Shareholding Guidelines

There is a minimum shareholding requirement for the executive directors, equivalent to 100% of basic salary. As at 31 July 2008, and at the date of this report, all executive directors hold shares with an equivalent value in excess of 100% of their basic salary. Any executive directors appointed in the future will be given an appropriate period of time to acquire the requisite shareholding.

Directors' interests

The directors' interests (including family interests and holdings in which 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	
	31 July 2008	1 August 2007
Beneficial interests		
H C Dawe	143,634	123,634
J K Watson	400,527	364,733
P J Stoker	536,531	506,238
A M Leitch	132,473	100,000
L P Finn	34,000	34,000
D G Perry	5,000	5,000
P M Johnson	4,300	4,300

There has been no change in the above interests between 31 July 2008 and the date of this report.

Mr Dawe had a beneficial interest in 554,164 Bellway p.l.c. 9.5% cumulative redeemable preference shares 2014 of £1 each which are held in his Self Invested Personal Pension ("SIPP") at 31 July 2008 and at the date of this report (1 August 2007 - 554,164). During the year Mr Leitch acquired a beneficial interest in 50,000 Bellway p.l.c. 9.5% cumulative redeemable preference shares 2014 of £1 each, which he held at 31 July 2008 and at the date of this report (1 August 2007 - nil).

Report of the Board on Directors' Remuneration (continued)

Pensions

In an effort to control its long-term pension costs the Company, during the year, offered the executive directors an enhanced transfer value from the final salary section of the Bellway plc 1972 Pension & Life Assurance Scheme. The offer was made on equal terms for each individual with the additional amount available to be taken either as an enhancement to the standard pension transfer value, as a separate taxable cash amount, or a combination of both. The three executive directors elected to take a combination of both. The transfer values from the pension scheme to the individual director's private pension arrangements and the additional cash amounts received by them are set out in the table below.

	Transfer value	Enhancement to transfer value	Cash sum
	£	£	£
J K Watson	3,965,185	1,154,815	1,421,107
P J Stoker	3,073,328	13,672	1,470,628
A M Leitch	2,534,875	675,125	1,081,162

The transfers were all made on 31 July 2008. In addition, the three executive directors ceased to accrue future benefits in the scheme with effect from 31 May 2008. This action is considered to be beneficial as it removes an ongoing open-ended liability of the Company. The Committee received appropriate advice in arriving at the enhancement levels and the quantum is considered to be fair given the benefit promises surrendered. In a further effort to control the cost of ongoing pension provision the Company, in consultation with the rest of the active membership of the final salary section of the scheme, is carrying out a similar exercise in relation to the balance of the membership of the final salary section of the scheme. As part of the consultation exercise it is proposed that final salary accrual would terminate, to be replaced by Defined Contribution arrangements.

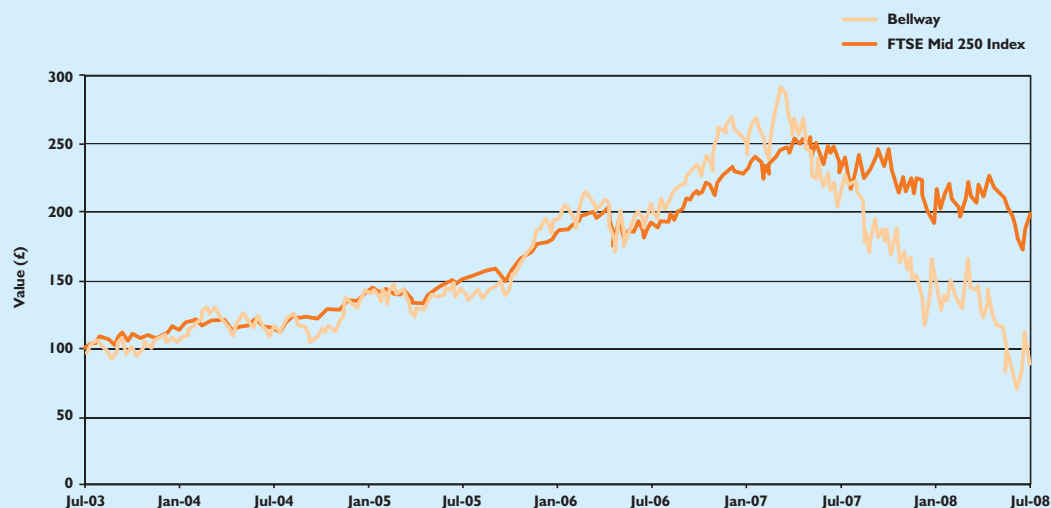
Further details in relation to executive directors' pensions can be found under 'Directors' pension information' on page 41.

Performance graph

In line with legislation introduced by the Government, this Report contains a graph below showing the performance of the Company and a 'broad equity market index' over the past 5 financial years. As the Company has been a constituent of the FTSE Mid 250 Index over this period, the Committee considers that index to be the most appropriate for this purpose.

Total shareholder return over last 5 financial years

Source: Datastream



This graph looks at the value, by 31 July 2008, of £100 invested in Bellway p.l.c. on 31 July 2003 compared with the value of £100 invested in the FTSE Mid 250 Index.

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.

Directors' interests in deferred bonus plan

The executive directors and the non-executive Chairman have a beneficial interest in certain shares held in the Bellway p.l.c. Employee Share Trust (1992) pursuant to the grant of deferred bonus entitlements. For further information concerning the directors' bonus arrangements, see page 35. The number of shares held in the Trust in respect of each director is as follows:

	Held in Trust as at 1 August 2007	Fully paid ordinary 12.5 pence shares Awarded during the year	Vested during the year ⁽²⁾	Held in Trust as at 31 July 2008
H C Dawe ⁽¹⁾	33,283	-	33,283	-
J K Watson	70,180	-	28,336	41,844
P J Stoker	54,549	-	23,928	30,621
A M Leitch	46,095	-	18,891	27,204

Notes:

- These shares relate to deferred bonus shares awarded to Mr Dawe while he was executive Chairman.
- Additional shares (not included above) were awarded on vesting in lieu of dividends accrued on the shares held in the Trust from the date of the award to vesting in respect of each director as follows: Mr Dawe 4,270 shares, Mr Watson 3,636 shares, Mr Stoker 2,293 shares and Mr Leitch 2,424 shares.
- There has been no change in the above holdings between 31 July 2008 and the date of this Report.

Directors' interests in Performance Share Plan

In addition, the executive directors have a potential future beneficial interest in certain shares held in the Bellway Employee Share Trust (1992) pursuant to the allocation of shares under the PSP. Further information on the PSP is set out on pages 35 and 36. 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, are shown below:

	Award date	Awards held at 1 August 2007	Fully paid ordinary 12.5 pence shares Awarded during the year	Awards lapsed during the year	Awards vested during the year ⁽⁵⁾	Awards held at 31 July 2008
Potential future beneficial interests						
J K Watson	30.11.2004 ⁽¹⁾	54,016	-	25,334	28,682	-
	14.11.2005 ⁽²⁾	42,083	-	-	-	42,083
	18.10.2006 ⁽³⁾	33,482	-	-	-	33,482
	16.01.2008 ⁽⁴⁾	-	67,159	-	-	67,159
Totals		129,581	67,159	25,334	28,682	142,724
P J Stoker	30.11.2004 ⁽¹⁾	39,801	-	18,667	21,134	-
	14.11.2005 ⁽²⁾	30,510	-	-	-	30,510
	18.10.2006 ⁽³⁾	23,065	-	-	-	23,065
	16.01.2008 ⁽⁴⁾	-	43,653	-	-	43,653
Totals		93,376	43,653	18,667	21,134	97,228
A M Leitch	30.11.2004 ⁽¹⁾	34,115	-	16,000	18,115	-
	14.11.2005 ⁽²⁾	28,406	-	-	-	28,406
	18.10.2006 ⁽³⁾	23,065	-	-	-	23,065
	16.01.2008 ⁽⁴⁾	-	43,653	-	-	43,653
Totals		85,586	43,653	16,000	18,115	95,124

Report of the Board on Directors' Remuneration (continued)

Notes:

1. Market value on award 703.5p, performance period 1 August 2004 - 31 July 2007.
2. Market value on award 950.5p, performance period 1 August 2005 - 31 July 2008.
3. Market value on award 1344.0p, performance period 1 August 2006 - 31 July 2009.
4. Market value on award 744.5p, performance period 1 August 2007 - 31 July 2010.
5. Market value on 7 December 2007, which was the day the shares vested was 914.0p.
6. Aggregate gross gains made by these directors on vesting of awards under the performance share plan in the year were £620,886.34 (2007 - £1,192,896.05 (adjusted to exclude gains made by H C Dawe in 2006/07)).
7. Details of the performance conditions are shown on pages 35 and 36 and below. The award which was granted on 30.11.04 vested at 53.1% of the full entitlement.
8. The market price of the ordinary shares at 31 July 2008 was 477.5p and the range during the year was 377.75p to 1,320.0p.

Vesting of all but the last of these awards is conditional on the achievement of a TSR performance condition requiring Bellway's TSR to be at least at the median of a comparator group of other housebuilders (at which point 33% of the award vests). Full vesting requires Bellway's TSR to be at the upper quartile. The Comparator group comprises Barratt Developments PLC, The Berkeley Group plc, Bovis Homes Group PLC, Persimmon plc, Redrow plc and Taylor Wimpey plc (plus Countryside Properties PLC, Crest Nicholson plc, McCarthy & Stone plc, Taylor Woodrow plc, Westbury plc and Wilson Bowden plc, all of whom have now delisted). The vesting conditions of the award granted on 16 January 2008 are set out on page 35.

There has been no change in the above potential future beneficial interests between 31 July 2008 and the date of this Report.

The executive directors had no further potential future beneficial interest in ordinary shares at 31 July 2008 and at the date of this report (1 August 2007 - Nil) which are held by the Bellway Employee Share Trust (1992). For this Trust, a linking agreement is in place between the Group and the Trustees of the Trust, Capita IRG Trustees Limited. This agreement ensures that sufficient shares/cash are available in the Trust to meet obligations as they arise. The directors had a joint non-beneficial interest in 18,000 ordinary shares at 31 July 2008 and as at the date of this report (1 August 2007 - 18,000) which are held by the Bellway p.l.c. 1988 Employee Benefit Trust.

Directors' remuneration

	Salary and Fees	Taxable Benefits ⁽¹⁾	Annual Bonus ⁽²⁾	Payment in lieu of pension ⁽³⁾	2008	Total 2007
	£	£	£		£	£
Non-Executive Chairman						
H C Dawe	221,450	1,413	-	-	222,863	216,425
Executive Directors						
J K Watson	500,000	24,917	275,000	25,000	824,917	1,014,471
P J Stoker	325,000	24,276	178,750	16,250	544,276	705,886
A M Leitch	325,000	24,009	178,750	16,250	544,009	709,075
Non-Executive Directors						
L P Finn	50,000	-	-	-	50,000	45,700
D G Perry	46,000	-	-	-	46,000	43,000
P M Johnson	46,000	-	-	-	46,000	43,000
Totals	1,513,450	74,615	632,500	57,500	2,278,065	2,777,557

Report of the Board on Directors' Remuneration (continued)

Notes:

1. Taxable benefits relate to the provision of motor vehicles, car allowance and private medical insurance.
2. The annual bonus is payable in November 2008 for performance during the year ended 31 July 2008. The Board Committee on Executive Directors' Remuneration (the "Committee") has considered carefully the basis for bonus payments to executive directors for the 2007/08 year. The rapidly deteriorating housing market necessitated a review of the budget process for the Company and associated bonus targets (set by reference to budget). Due to the genuinely exceptional circumstances, the Committee agreed that the financial performance should be assessed at the end of the year, and the basis for the bonus should be determined at that time. Accordingly, at the Committee meeting in June, it was confirmed that the bonus level should be equivalent to 55% of an executive director's salary. In coming to this conclusion, the Committee took into account the Company's financial performance in its own right and also compared to other housebuilders, and considered that management's own performance had been very good in extremely challenging conditions.
3. The three executive directors ceased to accrue pension benefits under the terms of the Bellway plc 1972 Pension & Life Assurance Scheme with effect from 31 May 2008. As a consequence the Committee agreed that the executive directors may receive a cash payment in lieu of pension contributions amounting to 30% of base salary commencing with effect from 1 June 2008. The value of the cash payment has been calculated on a basis which is considered to be cost beneficial to the Company compared to the cost of continued accrual under the terms of the executive directors' previous final salary arrangements.

Directors' share options

Details of all directors' interests in the share option schemes outlined on page 35 are shown below:

	Scheme	1 August 2007	Granted during the year	Exercised during the year	31 July 2008	Exercise price (p)	Exercisable from	Expiry date	Market price at date of exercise (p)
J K Watson	2003 SRSOS	1,762	-	1,762	-	537.60	1 Feb 2008	31 July 2008	789.0p
	2003 SRSOS	-	1,133	-	1,133	847.20	1 Feb 2011	31 July 2011	-
Totals		1,762	1,133	1,762	1,133				
P J Stoker	2003 SRSOS	1,762	-	1,762	-	537.60	1 Feb 2008	31 July 2008	789.0p
	2003 SRSOS	-	1,133	-	1,133	847.20	1 Feb 2011	31 July 2011	-
Totals		1,762	1,133	1,762	1,133				
A M Leitch	2003 SRSOS	1,762	-	1,762	-	537.60	1 Feb 2008	31 July 2008	789.0p
	2003 SRSOS	-	1,133	-	1,133	847.20	1 Feb 2011	31 July 2011	-
Totals		1,762	1,133	1,762	1,133				

Notes:

1. All of the above options were granted for nil consideration.
2. The market price of the ordinary shares at 31 July 2008 was 477.5p and the range during the year was 377.75p to 1,320.0p.
3. Aggregate gains made by directors on exercise of share options in the year were £13,289.01 (2007 - £1,399,802.50 (adjusted to exclude gains made by H C Dawe in 2006/07)).

Report of the Board on Directors' Remuneration (continued)

Directors' pension information

The following directors had accrued entitlements under the Bellway plc 1972 Pension & Life Assurance Scheme defined benefit section as follows:

	Accrued pension as at 31 July 2007	Increase in accrued pension during the year excluding inflation to 31 July 2008	Increase in accrued pension during the year including inflation to 31 July 2008	Transfer value of the increase in entitlement during the year	Accrued pension as at and transferred out on 31 July 2008	Transfer value of pension as at and transferred out on 31 July 2008	Transfer value of pension as at 31 July 2007
	£	£	£	£	£	£	£
J K Watson	228,635	39,508	48,425	730,098	277,060	5,120,000	3,515,000
P J Stoker	154,971	6,581	12,625	121,217	167,596	3,087,000	2,881,000
A M Leitch	156,837	12,915	19,032	235,727	175,869	3,210,000	2,423,000

Notes:

1. The pension shown as at, and transferred out on, 31 July 2008 is based on service to 31 May 2008, but excludes any statutory increases, which will reflect future inflation after the year end (see 'Pensions' section on page 37 for further details).
2. The 'net of inflation increase' in accrued pension during the year excludes any increase in respect of inflation. The inflation rate used is that published for September 2007 i.e. 3.9%.
3. There are no contributions from the directors to the Bellway plc 1972 Pension & Life Assurance Scheme; therefore there are no contributions to offset against the transfer values shown.
4. The transfer value as at 31 July 2007 has been calculated employing the transfer value basis adopted for the scheme as at that date.
5. The transfer value as at, and transferred out on, 31 July 2008 has been calculated employing the transfer value basis adopted for the scheme as at that date and includes an additional enhancement (see 'Pensions' section on page 37 for further details).
6. The pension entitlements are based on the pensionable salaries as at 31 July 2007 and 31 July 2008 which are derived from the "basic annual salary on the previous 31 October".

This report will be put to an advisory vote of the Company's shareholders at the Annual General Meeting on 16 January 2009.

On behalf of the Board of Bellway p.l.c.

Leo P Finn

Chairman of the Board Committee on Executive Directors' Remuneration
24 October 2008

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

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

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

The group and parent company financial statements are required by law and IFRSs as adopted by the EU to present fairly the financial position of the group and the parent company and the performance for that period; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

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 judgments 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 proper accounting records that 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 1985. 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 comply with that law and those regulations.

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

The Directors confirm that to the best of their 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 of the Company and the undertakings included in the consolidation taken as a whole and
- the Report of the Directors, the Chairman's Statement, the Chief Executive's Operating Review, the Corporate Responsibility Policy, the Summary Corporate Responsibility Statement, the Environmental Policy Statement, the Financial Review and the Operating Risk Statement includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

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

We have audited the group and parent company financial statements (the 'financial statements') of Bellway p.l.c. for the year ended 31 July 2008 which comprise the Group Income Statement, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements, the Group and Parent Company Statements of Recognised Income and Expenses, and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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

The directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and IFRSs as adopted by the EU are set out in the Statement of Directors' Responsibilities on page 42.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the group financial statements, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Report of the Directors is consistent with the financial statements. The information given in the Report of the Directors includes that specific information presented in the Chairman's statement, the Chief Executive's Operating Review, the Corporate Responsibility Policy, the Summary Corporate Responsibility Statement, the Environmental Policy Statement, the Financial Review and the Operating Risk Statement that is cross referred from the Performance and Prospects section of the Directors' Report.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the group's affairs as at 31 July 2008 and of its profit for the year then ended
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 July 2008
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the group financial statements, Article 4 of the IAS Regulation and
- the information given in the Report of the Directors is consistent with the financial statements.

KPMG Audit Plc

Chartered Accountants
Registered Auditor
Newcastle upon Tyne
24 October 2008

Group Income Statement for the year ended 31 July 2008

	Notes	2008 Pre-exceptional item £000	2008 Exceptional item £000	2008 Total £000	2007 Total £000
Revenue	1	1,149,541	-	1,149,541	1,354,022
Cost of sales	5	(905,745)	(130,905)	(1,036,650)	(1,042,102)
Gross profit		243,796	(130,905)	112,891	311,920
Administrative expenses		(58,761)	-	(58,761)	(58,844)
Operating profit	4	185,035	(130,905)	54,130	253,076
Finance income	2	3,631	-	3,631	5,050
Finance expenses	2	(22,683)	-	(22,683)	(22,961)
Share of losses of equity accounted entities		(315)	-	(315)	(315)
Profit before taxation		165,668	(130,905)	34,763	234,850
Income tax expense	6	(46,159)	38,399	(7,760)	(68,136)
Profit for the year (all attributable to equity holders of the parent)		119,509	(92,506)	27,003	166,714
Earnings per ordinary share - basic	8	104.2p	(80.6)p	23.6p	146.1p
Earnings per ordinary share - diluted	8	104.1p	(80.6)p	23.5p	144.7p

Statements of Recognised Income and Expense for the year ended 31 July 2008

	Notes	Group 2008 £000	Group 2007 £000	Company 2008 £000	Company 2007 £000
Actuarial (losses) / gains on defined benefit pension scheme	24	(14,351)	5,268	-	-
Tax on items taken directly to equity	6	4,018	(1,475)	-	-
Net (expense) / income recognised directly in equity		(10,333)	3,793	-	-
Profit / (loss) for the year		27,003	166,714	(1,900)	143,150
Total recognised income/(expense) (all attributable to equity holders of the parent)	19	16,670	170,507	(1,900)	143,150

Balance Sheets at 31 July 2008

	Notes	Group 2008 £000	Group 2007 £000	Company 2008 £000	Company 2007 £000
ASSETS					
Non-current assets					
Property, plant and equipment	9	11,559	12,671	-	-
Investment property	10	4,092	2,417	-	-
Investments in subsidiaries and equity accounted entities	11	126	-	25,470	23,785
Other financial assets	14	5,607	5,201	-	-
Deferred tax assets	12	7,871	7,826	-	-
		29,255	28,115	25,470	23,785
Current assets					
Inventories	13	1,503,936	1,537,874	-	-
Trade and other receivables	14	54,496	45,252	715,578	767,304
Cash and cash equivalents	21	109,313	25,381	5,139	4,991
		1,667,745	1,608,507	720,717	772,295
Total assets		1,697,000	1,636,622	746,187	796,080
LIABILITIES					
Non-current liabilities					
Interest bearing loans and borrowings	15	295,000	77,000	20,000	20,000
Retirement benefit obligations	24	12,709	1,986	-	-
Land payables	16	51,306	47,875	-	-
		359,015	126,861	20,000	20,000
Current liabilities					
Interest bearing loans and borrowings	15	52,000	60,554	-	-
Trade and other payables	16	284,901	380,895	1,058	909
Current tax liabilities		-	32,498	-	-
		336,901	473,947	1,058	909
Total liabilities		695,916	600,808	21,058	20,909
Net assets		1,001,084	1,035,814	725,129	775,171
EQUITY					
Issued capital	18	14,372	14,337	14,372	14,337
Share premium	19	116,928	115,484	116,928	115,484
Other reserves	19	1,492	1,492	2,145	2,145
Share-based payment reserve	19	-	-	9,267	7,582
Retained earnings	19	868,358	904,567	582,417	635,623
Total equity attributable to equity holders of the parent		1,001,150	1,035,880	725,129	775,171
Minority interest	19	(66)	(66)	-	-
Total equity		1,001,084	1,035,814	725,129	775,171

Approved by the Board of Directors on 24 October 2008 and signed on its behalf by

Howard C Dawe
Director

Alistair M Leitch
Director

Cash Flow Statements for the year ended 31 July 2008

	Notes	Group 2008 £000	Group 2007 £000	Company 2008 £000	Company 2007 £000
Cash flows from operating activities					
Profit for the year		27,003	166,714	(1,900)	143,150
Depreciation charge		2,858	3,102	-	-
Loss / (profit) on sale of property, plant and equipment		140	(188)	-	-
Profit on sale of investment properties		(151)	-	-	-
Finance income	2	(3,631)	(5,050)	-	-
Finance expenses	2	22,683	22,961	1,900	1,900
Dividends received		-	-	-	(145,050)
Share based payment charge		1,685	2,580	-	-
Income tax expense	6	7,760	68,136	-	-
Decrease / (increase) in inventories		33,938	(103,875)	-	-
Decrease / (increase) in trade and other receivables		13,322	(17,151)	51,784	(105,107)
(Decrease) / increase in trade and other payables		(101,688)	46,584	149	-
Cash from operations		3,919	183,813	51,933	(105,107)
Interest paid		(17,418)	(19,382)	(1,900)	(1,900)
Income tax paid		(62,875)	(63,867)	-	-
Net cash (outflow) / inflow from operating activities		(76,374)	100,564	50,033	(107,007)
Cash flows from investing activities					
Acquisition of property, plant and equipment		(2,096)	(3,090)	-	-
Acquisition of investment properties		(1,858)	(704)	-	-
Proceeds from sale of property, plant and equipment		376	1,224	-	-
Proceeds from sale of investment properties		334	-	-	-
Interest received		4,557	3,988	-	-
Dividends received		-	-	-	145,050
Net cash inflow from investing activities		1,313	1,418	-	145,050
Cash flows from financing activities					
Increase / (decrease) in bank borrowings		253,000	(67,000)	-	-
Proceeds from the issue of share capital on exercise of share options		1,479	3,666	1,479	3,666
Purchase of own shares by employee share option plans		(568)	(2,431)	-	-
Dividends paid		(51,364)	(41,695)	(51,364)	(41,695)
Net cash inflow / (outflow) from financing activities		202,547	(107,460)	(49,885)	(38,029)
Net increase / (decrease) in cash and cash equivalents		127,486	(5,478)	148	14
Cash and cash equivalents at beginning of year		(18,173)	(12,695)	4,991	4,977
Cash and cash equivalents at end of year	21	109,313	(18,173)	5,139	4,991

Accounting Policies

Basis of preparation

Bellway plc (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, the Company is taking advantage of the exemption in s230 of the Companies Act 1985 not to present its individual income statement and related notes that form a part of these approved financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these consolidated financial statements. In these financial statements the following Adopted IFRS is effective for the first time and comparatives have been restated accordingly:

IFRS 7 - 'Financial Instruments: Disclosures' and the related amendment to IAS 1 'Presentation of Financial Statements' in relation to capital disclosures.

The Group adopted IFRS 7 - 'Financial instruments: Disclosures' on 1 August 2007. IFRS 7 and the related amendment to IAS 1 'Presentation of Financial Statements' in relation to capital disclosures, introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the Group's or Company's financial instruments.

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.

Judgements made by the directors, in the application of these accounting policies, that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed under accounting estimates and judgements on page 50.

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.

The consolidated financial statements include the Group's share of the total recognised income and expenses of equity accounted entities. When the Group's share of losses exceeds its interest in an equity accounted entity, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an investee.

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 property - 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 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 40 years (2007 - 40 years).

Accounting Policies (continued)

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. 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 an available-for-sale reserve, except for impairment losses. When these investments are derecognised, 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.

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 have been 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.

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 15) 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.

Accounting Policies (continued)

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 and 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 company of providing the incentive.

Rental income

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

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.

Any subsequent write-down below the part-exchange valuation is posted to cost of sales.

Taxation

The charge for taxation is based on the profit 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 pension 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 Recognised Income and Expense (SORIE). Further details of the scheme and the valuation methods applied may be found in note 24 on page 71.

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

Accounting Policies (continued)

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.

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 SORIE 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 IFRS1 and have not been accounted for under IFRS2, 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 Group-sponsored ESOP trust are included in the Group financial statements but are not accounted for within the Company's 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 also credited to finance income.

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.

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.

Exceptional items

For the year ended 31 July 2008, 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 reduced based on local management and the Board's assessment of current market conditions. These site reviews have resulted in write-downs totalling £112.5 million. Should there be a further significant reduction in UK house prices then further write-downs of land and work in progress may be required.

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.

Accounting Policies (continued)

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.

Standards and interpretations in issue but not yet effective

At the date of approval of these financial statements some standards, amendments and interpretations have been published which are expected to have an effect on the Group's financial statements for the accounting periods beginning on or after 1 August 2008. None of these have been endorsed by the EU with the exception of IFRS 8 'Operating Segments'.

The standards, interpretations and amendments which are expected to have an effect on the Group's financial statements are:

- IFRS 8 'Operating Segments'. This standard amends the current segmental reporting requirements of IAS 14 with a requirement for segmental information to be presented on the same basis as that used by management for internal reporting purposes. This standard will apply to the Group's financial statements for the period commencing 1 August 2009, with the requirement of additional disclosures.
- IAS 23 (Amendment): Borrowing costs. This amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of the asset, removing the option to immediately expense such costs. The Group is assessing whether this amendment is applicable to the Group and, if so, its likely effect on the financial statements.
- IFRIC 14 - IAS 19 - 'The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'. This IFRIC outlines when refunds or reductions in future contributions can be treated as available under IAS 19 and how a minimum funding requirement affects future contributions or may give rise to a liability. This interpretation applies to the Group's financial statements from the accounting period commenced on 1 August 2008. The Group anticipates that no additional liabilities will be recognised on the adoption of IFRIC 14.
- IFRIC 15 'Agreements for the construction of real estate'. This IFRIC provides guidance on whether the construction of real estate should be accounted for under IAS 11 or IAS 18. The interpretation is effective from 1 January 2009, however, the Group already accounts for the construction of real estate in accordance with IFRIC 15 and consequently there will be no 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.

Notes to the Accounts

1 Revenue / segmental analysis

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

2 Finance income and expenses

	2008	2007
	£000	£000
Interest income	3,631	5,050
Interest payable on bank loans and overdrafts	15,049	15,828
Interest on deferred term land payables	5,262	4,749
Interest element of movement in pension scheme deficit	63	85
Other interest expense	409	399
Preference dividends	1,900	1,900
Finance expenses	22,683	22,961

3 Employee information

Group employment costs, including directors, comprised:

	2008	2007
	£000	£000
Wages and salaries	80,768	81,238
Social security	9,215	9,816
Pension costs (note 24)	784	2,986
Share-based payments	1,685	2,580
	92,452	96,620

The average number of persons employed by the Group during the year was 2,203 (2007 - 2,476) comprising 704 (2007 - 704) administrative and 1,499 (2007 - 1,772) production and others employed in housebuilding and associated trading activities.

The figure for pension costs for the previous year has been restated due to an erroneous number in the prior year disclosure. The restatement relates to the above disclosure only and has no effect on the income statement for 2007.

Pension costs for the current year include a settlement gain of £1,783,000 (2007 - £nil).

The Executive Directors are the only employees of the Company and their emoluments are disclosed in the Report of the Board on Directors' Remuneration on pages 34 to 41.

Key management personnel remuneration, including directors, comprised:

	2008	2007
	£000	£000
Salaries and fees	1,733	1,837
Taxable benefits	75	135
Annual bonus - cash	807	1,776
Annual bonus - deferred	-	100
Pension costs	358	324
Share-based payments	1,161	1,392
	4,134	5,564

Notes to the Accounts (continued)

3 Employee information (continued)

Details of director's remuneration are given in the Report of the Board on Directors' Remuneration on pages 34 to 41.

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

4 Operating profit

	2008	2007
	£000	£000
Operating profit is stated after charging / (crediting):		
Staff costs (note 3)	92,452	96,620
Loss / (profit) on sale of property, plant and equipment	140	(338)
Depreciation	2,858	3,102
Hire of plant and machinery	10,210	14,649
Operating lease charges for land and buildings	1,569	1,561
Auditors' remuneration:		
Audit of these financial statements	31	31
Amounts receivable by the auditors and their associates in respect of:		
Audit of financial statements of subsidiaries pursuant to legislation	177	167
Other services relating to taxation	127	88
Pension scheme audits	5	5
Other services	6	182

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 has been performed and land write downs have been made where cost exceeds net realisable value. Net realisable value represents the estimated selling price (in the ordinary course of business) less all estimated costs of completion and overheads. Estimated selling prices have been reviewed on a site by site basis and selling prices have been reduced based on local management and the Board's assessment of current market conditions. These site reviews have resulted in land write downs totalling £112.5 million.

In addition option costs and related fees have been written down by £15.4 million to their net realisable value.

The Board has also reassessed the net realisable value of currently unsold part-exchange properties and has written down stock by 10% totalling £3.0 million.

The above has resulted in an exceptional charge totalling £130.9 million (2007 - £nil).

Notes to the Accounts (continued)

6 Income tax expense

	2008	2007
	£000	£000
Current tax expense:		
UK corporation tax	10,855	70,950
Adjustments in respect of prior years	(4,378)	(3,595)
	6,477	67,355
Deferred tax expense:		
Origination and reversal of temporary differences	1,277	775
Adjustments in respect of prior years	6	6
	1,283	781
Total income tax expense in income statement	7,760	68,136

	2008	2008	2007	2007
	%	£000	%	£000
Reconciliation of effective tax rate:				
Profit before tax		34,763		234,850
Tax calculated at UK corporation tax rate	28.0	9,734	30.0	70,455
Non-deductible expenses	5.6	1,936	0.5	1,270
Effect of hybrid rate of tax	1.3	462	-	-
Adjustments in respect of prior years - current tax	(12.6)	(4,378)	(1.5)	(3,595)
- deferred tax	-	6	-	6
Effective tax rate and tax expense for the year	22.3	7,760	29.0	68,136

The UK corporation tax rate changed from 30% to 28% with effect from 1 April 2008. All deferred tax assets and liabilities are now recognised at 28%.

The adjustment in respect of prior year's current tax has been applied to the pre-exceptional charge in the income statement.

	Income	Deferred	Total	Total
	tax	tax		
	2008	2008	2008	2007
	£000	£000	£000	£000
Tax recognised directly in equity:				
Relating to equity-settled transactions	-	(2,690)	(2,690)	92
Relating to actuarial movement on the defined benefit pension scheme	-	4,018	4,018	(1,475)

Notes to the Accounts (continued)

7 Dividends on equity shares

	2008	2007
	£000	£000
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 July 2007 of 26.675p per share (2006 - 20.2p)	30,541	23,103
Interim dividend for the year ended 31 July 2008 of 18.1p per share (2007 - 16.45p)	20,765	18,813
	51,306	41,916
Proposed final dividend for the year ended 31 July 2008 of 6.0p per share (2007 - 26.675p)	6,912	30,810

The 2008 proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 16 January 2009 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:

Pre-exceptional item*	Earnings	Weighted average number of ordinary shares	Earnings per share	Earnings	Weighted average number of ordinary shares	Earnings per share
	2008 £000	2008 no.	2008 p	2007 £000	2007 no.	2007 p
For basic earnings per ordinary share	119,509	114,615,661	104.2	166,714	114,108,350	146.1
Dilutive effect of options and awards		245,743	(0.1)		1,140,376	(1.4)
For diluted earnings per ordinary share	119,509	114,861,404	104.1	166,714	115,248,726	144.7
Post-exceptional item						
For basic earnings per ordinary share	27,003	114,615,661	23.6	166,714	114,108,350	146.1
Dilutive effect of options and awards		245,743	(0.1)		1,140,376	(1.4)
For diluted earnings per ordinary share	27,003	114,861,404	23.5	166,714	115,248,726	144.7

* Exceptional charge of £130.9m (2007 - £nil) in the current year (note 5).

Notes to the Accounts (continued)

9 Property, plant and equipment

	Land and property £000	Plant, fixtures and fittings £000	Total £000
Group			
Cost			
At 1 August 2006	7,311	18,092	25,403
Additions	-	3,060	3,060
Disposals	(420)	(2,927)	(3,347)
At 1 August 2007	6,891	18,225	25,116
Additions	2	2,260	2,262
Disposals	(92)	(2,269)	(2,361)
At 31 July 2008	6,801	18,216	25,017
Depreciation			
At 1 August 2006	537	11,117	11,654
Charge for year	140	2,962	3,102
On disposals	-	(2,311)	(2,311)
At 1 August 2007	677	11,768	12,445
Charge for year	140	2,718	2,858
On disposals	-	(1,845)	(1,845)
At 31 July 2008	817	12,641	13,458
Net book value			
At 31 July 2008	5,984	5,575	11,559
At 31 July 2007	6,214	6,457	12,671
At 31 July 2006	6,774	6,975	13,749

10 Investment property

	Total £000
Group	
Cost	
At 1 August 2006	1,713
Additions	704
At 1 August 2007	2,417
Additions	1,858
Disposals	(183)
At 31 July 2008	4,092

Investment properties, which 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 impairment losses. A formal external valuation of investment properties was carried out at the end of the financial year.

The fair value of investment properties was assessed at £9,038,000 (2007 - £6,519,000).

As noted above, the Group, in conjunction with external valuers, assessed the residual values as being highly likely to exceed cost and, in the event that costs exceed residual values, any excess would be viewed as not likely to be material in the Group's financial statements. The Group has determined, therefore, that no depreciation should be charged (2007 - £nil).

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

Notes to the Accounts (continued)

11 Investments in subsidiaries, equity accounted entities and proportionately consolidated jointly controlled entities

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

Subsidiaries

Company

	Shares in subsidiary undertakings £000
Cost	
At 1 August 2007	23,785
Additions	1,685
At 31 July 2008	25,470

Principal subsidiary undertakings

A summary of the principal subsidiary undertakings is given in note 26 on page 78.

Equity accounted entities

The Group and Company own 25% - 50% of the ordinary share capital of several small entities which they have accounted for using the equity method as they are not considered to be significant.

	Investments in equity accounted entities £000
Cost	
At 1 August 2007 and at 31 July 2008	5
Share of post acquisition reserves	
At 1 August 2007	(5)
Loss for the year	(296)
Transferred to current liabilities within other payables	194
Reclassification of opening balance	228
At 31 July 2008	121
Net book value	
At 31 July 2008	126
At 31 July 2007	-

The above equity accounted entities are incorporated in Great Britain and registered in England and Wales.

The amount by which the accumulated share of post acquisition losses exceeds the cost of the investment in individual equity accounted entities has, where required by the Group accounting policy, been transferred to current liabilities and included within note 16.

One of the equity accounted entities has a net asset position at 31 July 2008 and also at 31 July 2007. The other equity accounted entity has a net liability position for those years. The figure for investments in equity accounted entities at 31 July 2008 represents the amount for the entity which has a net asset position. The corresponding figure at 31 July 2007 of £228,000 (adjusted above) was not separately disclosed in the accounts for the year then ended.

Guarantees relating to the overdrafts of equity accounted entities have been given by the Company (note 22).

Notes to the Accounts (continued)

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

	2008	2007
	£000	£000
Summary of financial information on equity accounted entities - 100%		
Total assets	3,922	3,791
Total liabilities	(5,348)	(4,623)
Net liabilities of equity accounted entities	(1,426)	(832)
Revenue	983	316
Loss after interest	(630)	(630)
Taxation	38	-
Loss after interest and taxation	(592)	(630)

Proportionately consolidated jointly controlled entities

Name	Country of incorporation	Percentage of shares owned directly by Bellway p.l.c.
Barking Riverside Limited	Great Britain	51%

	2008	2007
	£000	£000
Aggregated amounts relating to share of proportionately consolidated jointly controlled entity		
Non-current assets	288	2
Current assets	22,742	18,705
Non-current liabilities	-	-
Current liabilities	(466)	(814)
Net assets	22,564	17,893
Income	638	1,198
Expenses	(1,449)	(1,012)

Notes to the Accounts (continued)

12 Deferred taxation

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

	Capital allowances	Retirement benefit obligations	Share-based payments	Land payables	Other temporary differences	Total
	£000	£000	£000	£000	£000	£000
Group						
At 1 August 2006	405	3,515	4,194	1,789	271	10,174
Income statement credit / (charge)	25	(1,484)	144	565	(31)	(781)
Charge to statement of recognised income and expense	-	(1,475)	-	-	-	(1,475)
Charge to equity	-	-	(92)	-	-	(92)
At 31 July 2007	430	556	4,246	2,354	240	7,826
Income statement credit / (charge)	57	(1,016)	(1,127)	851	(48)	(1,283)
Credit to statement of recognised income and expense	-	4,018	-	-	-	4,018
Charge to equity	-	-	(2,690)	-	-	(2,690)
At 31 July 2008	487	3,558	429	3,205	192	7,871

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

13 Inventories

	2008 £000	2007 £000
Group		
Land	920,778	1,041,790
Work in progress	497,713	429,317
Showhomes	44,786	36,839
Part-exchange properties	40,659	29,928
	1,503,936	1,537,874

Inventories of £872.0m were expensed in the year (2007 - £1,004.0m).

Inventories have been written down by £1.9m (2007 - £1.6m) in the year. In addition there have been inventory write-backs of £20.2m (2007 - £4.4m).

There has also been an exceptional write-down of inventories in 2008 of £130.9m as outlined in note 5 on page 53.

Land with a carrying value of £61.158m (2007 - £80.803m) was used as security for land payables (note 16).

Notes to the Accounts (continued)

14 Trade and other receivables

Non-current receivables

	Group		Company	
	2008 £000	2007 £000	2008 £000	2007 £000
Other financial assets	5,607	5,201	-	-

Current receivables

	Group		Company	
	2008 £000	2007 £000	2008 £000	2007 £000
Trade receivables	13,644	15,948	-	-
Other receivables	15,130	26,104	-	-
Corporation tax receivable	23,900	-	-	-
Amounts owed by Group undertakings	-	-	715,578	767,297
Prepayments and accrued income	1,822	3,200	-	7
	54,496	45,252	715,578	767,304

The Group assesses the aging 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 (2007 - £nil).

The other financial assets due after more than one year are recorded at fair value, being the amount receivable by the Group discounted to present day values. The difference between the nominal value and the initial fair value is credited over the deferred term to finance income, with the financial asset increasing to its full cash settlement value on the anticipated payment date. None of the other financial assets are past their due dates (2007 - £nil).

Credit risk is accounted for in determining fair values and appropriate discount factors are applied. The Group holds a second charge over property sold under shared equity schemes.

The other financial assets were held at amortised cost at 31 July 2007. This change in accounting policy, which has been accounted for in the current year, does not have a material effect.

Other receivables due within one year include £5.509m (2007 - £15.761m) in relation to VAT recoverable.

15 Interest bearing loans and borrowings

Non-current liabilities

	Group		Company	
	2008 £000	2007 £000	2008 £000	2007 £000
Bank loans	275,000	57,000	-	-
Preference shares (see note below)	20,000	20,000	20,000	20,000
	295,000	77,000	20,000	20,000

Current liabilities

	Group		Company	
	2008 £000	2007 £000	2008 £000	2007 £000
Bank overdrafts	-	43,554	-	-
Bank loans	52,000	17,000	-	-
	52,000	60,554	-	-

Notes to the Accounts (continued)

15 Interest bearing loans and borrowings (continued)

Preference shares

	Group		Company	
	2008 £000	2007 £000	2008 £000	2007 £000
Authorised, allotted, called up and fully paid				
Number				
20,000,000 at 1 August 2007 and 31 July 2008	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:

- 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.
- 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.
- 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.
- 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.

16 Trade and other payables

Non-current liabilities

	Group		Company	
	2008 £000	2007 £000	2008 £000	2007 £000
Land payables	51,306	47,875	-	-

Land payables of £12.154m (2007 - £8.595m) are secured on the land to which they relate.

The carrying value of the land used for security is £24.327m (2007 - £17.1m).

Current liabilities

	Group		Company	
	2008 £000	2007 £000	2008 £000	2007 £000
Trade payables	75,075	84,387	-	-
Land payables	81,806	112,148	-	-
Social security and other taxes	4,984	3,055	-	-
Other payables	3,137	4,613	457	308
Accrued expenses and deferred income	82,707	96,077	601	601
Payments on account	37,192	80,615	-	-
	284,901	380,895	1,058	909

Land payables of £17.546m (2007 - £36.838m) are secured on the land to which they relate.

The carrying value of the land used for security is £36.831m (2007 - £63.703m).

Notes to the Accounts (continued)

17 Financial risk management

The Group's financial instruments comprise cash, bank loans and overdrafts and various items such as trade receivables and trade payables that arise directly from its operations. The main objective of the Group's policy towards financial instruments is to maximise returns on the Group's cash balances, manage the Group's working capital requirements and finance the Group's ongoing operations.

The Company's only financial instruments are 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) 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 14). In managing risk the Group assesses the credit risk of its counter parties 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 as shown in note 16. No other security is held against any other financial asset 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.

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 to the bank's base rate.

For the year ended 31 July 2008 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 £2.2m (2007 - £0.9m).

Notes to the Accounts (continued)

17 Financial risk management (continued)

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 2008	133,112	139,916	83,279	42,306	7,125	7,206
At 31 July 2007	160,023	167,397	113,121	33,679	17,995	2,602

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	325,000	334,151	59,151	-	235,000	40,000
Bank loans - fixed rates	2,000	2,134	2,134	-	-	-
Preference shares	20,000	31,400	-	-	-	31,400
Trade and other payables	115,404	115,404	115,404	-	-	-
At 31 July 2008	462,404	483,089	176,689	-	235,000	71,400
Bank overdrafts	43,554	45,621	45,621	-	-	-
Bank loans - floating rates	70,000	72,170	17,170	-	55,000	-
Bank loans - fixed rates	4,000	4,403	2,269	2,134	-	-
Preference shares	20,000	33,300	-	-	-	33,300
Trade and other payables	169,615	169,615	169,615	-	-	-
At 31 July 2007	307,169	325,109	234,675	2,134	55,000	33,300

The interest rate on the fixed rate borrowing and preference shares apply to the whole term of the relevant instruments.

No interest rate has been calculated for the imputed interest on land payables as this is an accounting transaction with no actual interest payment being made by the Group.

At the year end, the Group had £294.3m (2007 - £432.1m) of undrawn bank facilities available.

The Company's only financial instruments are Preference Shares as disclosed in the maturity profile above.

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 ending July 2008 and July 2007 for both the Group and the Company are shown in note 21.

At 31 July 2008 the average interest rate earned on the temporary closing cash balance was 3.69% (2007 - 4.58%). The carrying amount of these assets approximates their fair value.

Notes to the Accounts (continued)

17 Financial risk management (continued)

Fair values

Financial assets

The carrying values of financial assets equates to their fair values.

Financial liabilities

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

	2008	2008	2007	2007
	£000	£000	£000	£000
	Book value	Fair value	Book value	Fair value
Preference shares - fixed rate	20,000	20,400	20,000	23,000
Bank loan - fixed rate	2,000	2,021	4,000	4,049

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

The fair value of the fixed rate bank loan is based on an indicative rate which could have been obtained on the market 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.

18 Issued capital

	2008	2008	2007	2007
	Number	£000	Number	£000
	'000	£000	'000	£000
Group and Company				
Authorised				
Ordinary shares of 12.5p each	146,000	18,250	146,000	18,250
Allotted, called up and fully paid Equity				
At 1 August 2007	114,670	14,337	113,988	14,252
Issued on exercise of options	281	35	682	85
At 31 July 2008	114,951	14,372	114,670	14,337

Notes to the Accounts (continued)

18 Issued capital (continued)

Share options

At 31 July 2008 all outstanding options to purchase ordinary shares in Bellway p.l.c., in accordance with the terms of the applicable schemes, were as follows:

	Number of shares	Exercise price (p)	Date from which exercisable		Expiry date
(a) Bellway p.l.c. (1995) Employee Share Option Scheme					
	1,000	273.50	29 October 2001	to	28 October 2008
	6,000	354.50	28 May 2002	to	27 May 2009
	7,500	248.00	13 April 2003	to	12 April 2010
	2,000	277.50	17 October 2003	to	16 October 2010
	3,500	409.30	25 April 2004	to	24 April 2011
	12,600	474.00	18 April 2005	to	17 April 2012
	27,743	524.00	13 May 2006	to	12 May 2013
	800	621.50	24 October 2006	to	23 October 2013
	2,500	712.50	10 May 2007	to	9 May 2014
	167,340	716.00	17 November 2007	to	16 November 2014
	<u>230,983</u>				

(b) Bellway p.l.c. (1996) Employee Share Option Scheme

	500	409.30	25 April 2004	to	24 April 2011
	3,700	474.00	18 April 2005	to	17 April 2012
	6,650	524.00	13 May 2006	to	12 May 2013
	6,500	621.50	24 October 2006	to	23 October 2013
	3,500	712.50	10 May 2007	to	9 May 2014
	158,090	716.00	17 November 2007	to	16 November 2014
	380,850	844.00	31 October 2008	to	30 October 2015
	750	1,122.00	16 May 2009	to	15 May 2016
	<u>560,540</u>				

Notes to the Accounts (continued)

18 Issued capital (continued)

	Number of shares	Exercise price (p)	Date from which exercisable		Expiry date
(c) Bellway p.l.c. (2005) Employee Share Option Scheme					
	126,350	844.00	31 October 2008	to	30 October 2015
	13,300	1,470.00	7 February 2010	to	6 February 2017
	<u>139,650</u>				
(d) Bellway p.l.c. (2007) Employee Share Option Scheme					
	<u>28,700</u>	1,470.00	7 February 2010	to	6 February 2017
(e) Bellway p.l.c. (2003) Savings Related Share Option Scheme					
	35,142	489.60	1 February 2009	to	31 July 2009
	44,208	537.60	1 February 2010	to	31 July 2010
	102,732	676.00	1 February 2009	to	31 July 2009
	61,964	676.00	1 February 2011	to	31 July 2011
	51,804	1,092.00	1 February 2010	to	31 July 2010
	18,587	1,092.00	1 February 2012	to	31 July 2012
	138,796	847.20	1 February 2011	to	31 July 2011
	61,042	847.20	1 February 2013	to	31 July 2013
	<u>514,275</u>				
Total	<u>1,474,148</u>				

Details of directors' share options are contained within the Report of the Board on Directors' Remuneration on pages 34 to 41.

Notes to the Accounts (continued)

19 Reconciliation of movements in capital and reserves

	Attributable to equity holders of the parent				Total	Minority interest	Total equity
	Ordinary share capital	Share premium	Other reserves	Retained earnings			
Group	£000	£000	£000	£000	£000	£000	£000
At 1 August 2006	14,252	111,903	1,492	775,919	903,566	(66)	903,500
Total recognised income and expense	-	-	-	170,507	170,507	-	170,507
Dividends on equity shares	-	-	-	(41,916)	(41,916)	-	(41,916)
Shares issued	85	3,581	-	-	3,666	-	3,666
Credit in relation to share options and tax thereon	-	-	-	2,488	2,488	-	2,488
Purchase of own shares	-	-	-	(2,431)	(2,431)	-	(2,431)
At 31 July 2007	14,337	115,484	1,492	904,567	1,035,880	(66)	1,035,814
Total recognised income and expense	-	-	-	16,670	16,670	-	16,670
Dividends on equity shares	-	-	-	(51,306)	(51,306)	-	(51,306)
Shares issued	35	1,444	-	-	1,479	-	1,479
Charge in relation to share options and tax thereon	-	-	-	(1,005)	(1,005)	-	(1,005)
Purchase of own shares	-	-	-	(568)	(568)	-	(568)
At 31 July 2008	14,372	116,928	1,492	868,358	1,001,150	(66)	1,001,084

Within retained earnings are amounts relating to ordinary shares held by the employee share ownership plans. The number of shares held within these plans at 31 July 2008 was 197,858 (2007 - 337,089) which are held within the financial statements at a value of £1.872m (2007 - £3.239m).

Notes to the Accounts (continued)

19 Reconciliation of movements in capital and reserves (continued)

	Attributable to equity holders of the parent					Total £000	Minority interest £000	Total equity £000
	Ordinary share capital £000	Share premium £000	Other reserves £000	Share-based payment reserve £000	Retained earnings £000			
Company								
At 1 August 2006	14,252	111,903	2,145	5,002	534,389	667,691	-	667,691
Total recognised income and expense	-	-	-	-	143,150	143,150	-	143,150
Dividends on equity shares	-	-	-	-	(41,916)	(41,916)	-	(41,916)
Shares issued	85	3,581	-	-	-	3,666	-	3,666
Credit in relation to share options	-	-	-	2,580	-	2,580	-	2,580
At 31 July 2007	14,337	115,484	2,145	7,582	635,623	775,171	-	775,171
Total recognised income and expense	-	-	-	-	(1,900)	(1,900)	-	(1,900)
Dividends on equity shares	-	-	-	-	(51,306)	(51,306)	-	(51,306)
Shares issued	35	1,444	-	-	-	1,479	-	1,479
Credit in relation to share options	-	-	-	1,685	-	1,685	-	1,685
At 31 July 2008	14,372	116,928	2,145	9,267	582,417	725,129	-	725,129

As permitted by section 230 of the Companies Act 1985, the Company's income statement has not been included in these financial statements. The Company's loss for the financial year was £1.9m (2007 - Profit £143.15m).

20 Reconciliation of net cash flow to net debt

	2008 £000	2007 £000
Group		
Increase / (decrease) in net cash and cash equivalents	127,486	(5,478)
(Increase) / decrease in bank loans	(253,000)	67,000
(Increase) / decrease in net debt from cash flows	(125,514)	61,522
Net debt at 1 August	(112,173)	(173,695)
Net debt at 31 July	(237,687)	(112,173)

Notes to the Accounts (continued)

20 Reconciliation of net cash flow to net debt (continued)

	2008	2007
	£000	£000
Company		
Increase in net cash and cash equivalents	148	14
Net debt at 1 August	(15,009)	(15,023)
Net debt at 31 July	(14,861)	(15,009)

21 Analysis of net debt

	At 1 August 2007 £000	Cash flows £000	At 31 July 2008 £000
Group			
Cash and cash equivalents	25,381	83,932	109,313
Bank overdrafts	(43,554)	43,554	-
Net cash and cash equivalents	(18,173)	127,486	109,313
Bank loans	(74,000)	(253,000)	(327,000)
Preference shares redeemable after more than one year	(20,000)	-	(20,000)
Net debt	(112,173)	(125,514)	(237,687)
	At 1 August 2007 £000	Cash flows £000	At 31 July 2008 £000
Company			
Cash and cash equivalents	4,991	148	5,139
Preference shares redeemable after more than one year	(20,000)	-	(20,000)
Net debt	(15,009)	148	(14,861)

Notes to the Accounts (continued)

22 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.

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 2008 there were bank overdrafts of £ nil (2007 - £43.554m) and loans of £327.0m (2007 - £74.0m). The Company has given performance and other trade guarantees on behalf of subsidiary undertakings. The Company has guaranteed the overdrafts of equity accounted entities up to a maximum of £6.5m (2007 - £6.0m).

23 Commitments

	2008	2007
	£000	£000
Group		
Capital commitments		
Contracted not provided	-	48
Authorised not contracted	-	33

Operating leases

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2008	2007
	£000	£000
Expiring within one year	1,298	1,327
Expiring within the second to fifth years	4,331	4,895
Expiring in more than five years	2,778	3,823
	8,407	10,045

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 (2007 - £ nil).

Notes to the Accounts (continued)

24 Employee benefits

Retirement benefit obligations

The Group sponsors the Bellway p.l.c. 1972 Pension and Life Assurance Scheme which has a funded defined benefit arrangement. The last full actuarial valuation of this scheme was carried out by a qualified independent actuary as at 1 August 2005 and was updated on an approximate basis to 31 July 2008.

Contributions of £866,000 (2007 - £909,000) were charged to the income statement for the defined contribution section of the Scheme.

With regard to the defined benefit section of the Scheme, the regular contributions made by the employer over the financial year have been £1,174,000, equivalent to approximately 32.7% of pensionable pay less members' contributions. This level of contribution is to continue until reviewed following the triennial valuation of the Scheme due as at 1 August 2008. The Company also paid special contributions amounting to £2,435,000. Expenses were paid in addition.

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

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:

	2008	2007
	£000	£000
Present value defined benefit obligation	(47,472)	(51,531)
Fair value of scheme assets	34,763	49,545
Deficit in plan	(12,709)	(1,986)

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

Best estimate of contributions to be paid to the Scheme for the year ended 31 July 2009

This best estimate of contributions to be paid to the Scheme for the year ending 31 July 2009 is £808,000, all in respect of regular contributions.

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

	2008	2007
	£000	£000
Defined benefit obligation at start of year	51,531	53,338
Current service cost	1,530	1,777
Interest cost	2,948	2,743
Contributions by plan participants	67	73
Actuarial loss / (gain)	8,103	(4,006)
Benefit paid, death in service insurance premiums and expenses	(2,485)	(2,694)
Settlement	(14,393)	-
Past service cost	171	300
Defined benefit obligation at end of year	47,472	51,531

Notes to the Accounts (continued)

24 Employee benefits (continued)

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

	2008	2007
	£000	£000
Fair value of assets at start of year	49,545	41,622
Expected return on assets	2,885	2,658
Actuarial (losses) / gains	(6,248)	1,262
Contributions by employer	3,609	6,624
Contributions by Scheme participants	67	73
Benefit paid, death in service insurance premiums and expenses	(2,485)	(2,694)
Settlement	(12,610)	-
Fair value of assets at end of year	34,763	49,545

Total (income) / expense recognised in the income statement:

	2008	2007
	£000	£000
Current service cost	1,530	1,777
Interest on liabilities	2,948	2,743
Expected return on assets	(2,885)	(2,658)
Settlement	(1,783)	-
Past service cost	171	300
Total (income) / expense	(19)	2,162

Of the total expense, £82,000 (2007 - £2,077,000) is recognised within administrative expenses and £63,000 (2007 - £85,000) is recognised within finance expenses.

(Losses) / gains recognised in statement of recognised income and expense:

	2008	2007	2008	2007	
	£000	£000	%	%	
Difference between expected and actual return on Scheme assets	(6,248)	1,262	18	(3)	% of Scheme assets
Experience gains and losses arising on the Scheme liabilities	(1,001)	(967)	2	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	(7,102)	4,973	15	(10)	% of the present value of Scheme liabilities
Total amount recognised in statement of recognised income and expense	(14,351)	5,268	30	(10)	% of the present value of Scheme liabilities

The cumulative amount of actuarial gains and losses recognised in the statement of recognised income and expense since adoption of IAS 19 is a loss of £16,236,000.

Notes to the Accounts (continued)

24 Employee benefits (continued)

Assets

	2008	2007	2006	2005
	£000	£000	£000	£000
Equities	18,993	28,765	23,968	21,071
Bonds	12,459	15,948	12,694	11,846
Cash	3,311	4,832	4,960	1,686
Total	34,763	49,545	41,622	34,603

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:

	2008	2007	2006	2005
	% per annum	% per annum	% per annum	% per annum
Equities	6.30	6.50	6.50	6.50
Bonds	4.80	5.00	5.00	5.00
Cash	5.00	5.00	4.00	4.00
Overall for Scheme	5.60	5.90	5.90	5.90

Actual return of Scheme assets

The actual return on the Scheme assets over the year ending 31 July 2008 was (7.35%).

Assumptions

	2008	2007	2006	2005
	% per annum	% per annum	% per annum	% per annum
Inflation	3.90	3.30	3.20	2.75
Salary increases	4.90	4.30	4.20	3.75
Rate of discount	6.00	5.70	5.10	5.00
Allowance for pension in payment increases of RPI or 2.5% p.a. if less	-	-	-	-
Allowance for pension in payment increases of RPI or 5% p.a. if less	3.90	3.30	3.20	2.75
Allowance for revaluation of deferred pensions of RPI or 5% p.a. if less	3.90	3.30	3.20	2.75
Allowance for commutation of pension for cash at retirement	-	-	-	-

The mortality assumptions adopted at 31 July 2008 are based on the PA92 tables using the medium cohort improvements and allow for future improvement in mortality. The tables used imply the following life expectancies at age 65:

Male currently aged 40	23 years
Female currently aged 40	26 years
Male currently aged 65	22 years
Female currently aged 65	25 years

Notes to the Accounts (continued)

24 Employee benefits (continued)

Amounts for the current and previous three years:

	2008	2007	2006	2005
	£000	£000	£000	£000
Fair value of assets	34,763	49,545	41,622	34,603
Defined benefit obligation	47,472	51,531	53,338	46,687
Deficit in Scheme	(12,709)	(1,986)	(11,716)	(12,084)
Experience adjustment on Scheme liabilities	(1,001)	(967)	(543)	(3,341)
Experience adjustment on Scheme assets	(6,248)	1,262	1,435	3,876
Effects of changes in the demographic and financial assumptions underlying the present value of the Scheme liabilities	(7,102)	4,973	(3,095)	(5,575)

Share-based payments

The Group operates a long-term incentive plan (LTIP), an annual bonus scheme, employee share ownership 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 and the annual bonus scheme have been made to executive directors and the company secretary.

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 and to other employees in November 2004. 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 page 35 within the Report of the Board on Directors' Remuneration.

For awards made prior to 16 January 2008, vesting of options under the LTIP is dependent upon total shareholder return of the Group measured against relevant comparator companies as detailed on page 35 within the Report of the Board on Directors' Remuneration. For awards made on 16 January 2008, vesting of options is dependent upon two conditions, total shareholder return and return on capital employed, as detailed on page 35 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 is payable in November each year following the announcement of the Group's annual results. The other half is 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 company secretary in relation to the year ended 31 July 2007, and subsequent years, are made in cash with no compulsory deferral element.

Shares in relation to the annual bonus scheme and the LTIP, which are held in the Bellway Employee Share Trust (1992) carry voting rights which are not exercisable by the employees until the shares vest. Prior to this, the voting rights are exercisable by the trustees of the Trust.

Share options have been valued by an external third party using various models detailed below, based on publicly available market data at the time of the grant, which the directors consider to be the most appropriate method of determining their fair value.

Notes to the Accounts (continued)

24 Employee benefits (continued)

Share-based payments (continued)

Reconciliations of share options outstanding and weighted average exercise prices for each type of share option are shown below:

	Number of share options 2008	Number of share options 2007
LTIP		
Outstanding at the beginning of the year	355,851	456,213
Granted during the year	176,963	91,517
Forfeited during the year	-	-
Lapsed during the year	(69,334)	(61,593)
Exercised during the year	(78,498)	(130,286)
Outstanding at the end of the year	384,982	355,851
Exercisable at the end of the year	-	-

The weighted average share price at the date of exercise for share options exercised during the year was 914.25p (2007 - 1,488p). The options outstanding at 31 July 2008 had a weighted average remaining life of 1.5 years (2007 - 0.8 years).

	Annual Bonus Number of share options 2008	Annual Bonus Number of share options 2007
Annual bonus		
Outstanding at the beginning of the year	248,868	322,549
Granted during the year	16,064	55,436
Forfeited during the year	-	-
Exercised during the year	(118,783)	(129,117)
Outstanding at the end of the year	146,149	248,868
Exercisable at the end of the year	12,000	2,000

The weighted average share price at the date of exercise for share options exercised during the year was 881.9p (2007 - 1,395.2p). The options outstanding at 31 July 2008 had a weighted average remaining contractual life of 0.7 years (2007 - 1.0 years).

	Number of share options 2008	Weighted average exercise price 2008	Number of share options 2007	Weighted average exercise price 2007
1995, 1996, 2005 and 2007 ESOS				
Outstanding at the beginning of the year	1,301,193	792.0p	1,799,466	717.6p
Granted during the year	-	-	50,000	1470.0p
Forfeited during the year	(255,200)	(828.3p)	(98,300)	(767.5p)
Exercised during the year	(86,120)	(637.1p)	(449,973)	(575.6p)
Outstanding at the end of the year	959,873	796.6p	1,301,193	792.0p
Exercisable at the end of the year	409,923	558.2p	124,743	487.5p

The weighted average share price at the date of exercise for share options exercised during the year was 958.4p (2007 - 1,386.5p). The options outstanding at 31 July 2008 had exercise prices ranging from 273.5p to 1,470p (2007 - 248p to 1,470p) and the weighted average remaining contractual life of these options was 6.6 years (2007 - 7.6 years).

Notes to the Accounts (continued)

24 Employee benefits (continued)

Share-based payments (continued)

The figure for forfeited during the year ended 31 July 2007 has been reduced by 8,900 share options, with the figure for options outstanding at the end of the year being increased by the corresponding amount. These options were erroneously treated as forfeited in the year ended 31 July 2007.

	Number of share options 2008	Weighted average exercise price 2008	Number of share options 2007	Weighted average exercise price 2007
SRSOS				
Outstanding at the beginning of the year	700,983	680.9p	828,554	482.5p
Granted during the year	267,031	847.2p	162,336	1,092.0p
Forfeited during the year	(262,340)	(815.9p)	(64,067)	(683.7p)
Exercised during the year	(191,399)	(475.3p)	(225,840)	(459.3p)
Outstanding at the end of the year	514,275	774.8p	700,983	680.9p
Exercisable at the end of the year	-	-	-	-

The weighted average share price at the date of exercise for share options exercised during the year was 796.2p (2007 - 1,393.9p). The options outstanding at 31 July 2008 had exercise prices ranging from 490p to 1,092p (2007 - 384p to 1,092p) and the weighted average remaining contractual life of these options was 2.6 years (2007 - 2.3 years).

The figure for forfeited during the year ended 31 July 2007 has been increased by 371 share options, with the figure for options outstanding at the end of the year being decreased by the corresponding amount. These options were erroneously omitted from the figure for forfeited in the year ended 31 July 2007.

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.

The inputs into the Monte Carlo model for the various grants under the LTIP were as follows:

	January 2004	November 2004	November 2005	October 2006	January 2008 (ROCE element)	January 2008 (TSR element)
Grant date	19 Jan 2004	30 Nov 2004	14 Nov 2005	18 Oct 2006	16 Jan 2008	16 Jan 2008
Risk free interest rate	-	-	-	-	-	-
Exercise price	-	-	-	-	-	-
Share price at date of grant	667.5p	712p	999p	1,372p	766p	766p
Expected dividend yield	3.00%	3.00%	2.90%	2.40%	5.60%	5.60%
Expected life	3 years	3 years	3 years	3 years	3 years	3 years
Date vested	19 Jan 2007	30 Nov 2007	14 Nov 2008	18 Oct 2009	16 Jan 2011	16 Jan 2011
Expected volatility	25%	25%	25%	25%	-	30%
Fair value of option	343.0p	292.0p	480.0p	676.4p	650.0p	359.0p

Notes to the Accounts (continued)

24 Employee benefits (continued)

Share-based payments (continued)

The inputs into the simplified Black Scholes model used for the shares issued under the annual bonus scheme were as follows:

	May 2003	November 2003	October 2004	November 2005	October 2006	February 2007	November 2007	January 2008	April 2008
Grant date	31 May 2003	18 Nov 2003	26 Oct 2004	14 Nov 2005	18 Oct 2006	7 Feb 2007	23 Nov 2007	21 Jan 2008	17 Apr 2008
Exercise price	-	-	-	-	-	-	-	-	-
Share price at date of grant	575.5p	621.5p	675p	999p	1,372p	1,542p	993.5p	772.5p	783.5p
Expected dividend yield	-	-	-	-	-	-	-	-	-
Expected life	3 years	3 years	3 years	3 years	3 years	3 years	3 years	3 years	3 years
Date vested	31 May 2006	18 Nov 2006	26 Oct 2007	18 Nov 2008	18 Oct 2009	7 Feb 2010	23 Nov 2010	21 Jan 2011	17 Apr 2011
Fair value of option	575.5p	621.5p	675p	999p	1,372p	1,542p	993.5p	772.5p	783.5p

The inputs into the lattice model for the various grants under the 1995, 1996, 2005 and the 2007 ESOSs were as follows:

	April 2003	May 2003	October 2003	May 2004	November 2004	October 2005	May 2006	February 2007
Grant date	22 Apr 2003	13 May 2003	24 Oct 2003	10 May 2004	17 Nov 2004	31 Oct 2005	16 May 2006	7 Feb 2007
Risk free interest rate	4.10%	4.00%	4.90%	5.10%	4.70%	4.40%	4.40%	5.40%
Exercise price	548.5p	524p	621.5p	712.5p	716p	844p	1,122p	1,470p
Share price at date of grant	548.5p	524p	621.5p	712.5p	716p	844p	1,122p	1,542p
Expected dividend yield	3.00%	3.00%	3.00%	3.00%	3.00%	3.40%	3.40%	2.20%
Expected life	3 years	3 years	3 years	3 years	3 years	3 years	3 years	3 years
Date vested	22 Apr 2006	13 May 2006	24 Oct 2006	10 May 2007	17 Nov 2007	31 Oct 2008	16 May 2009	7 Feb 2010
Expected volatility	25%	25%	25%	25%	25%	25%	25%	25%
Fair value of option	129p	123p	155p	180p	183p	197p	197p	466p

The inputs into the Black Scholes model for the various grants under the SRSOS were as follows:

	November 2002	November 2003	November 2004	November 2004	November 2005	November 2005	November 2006	November 2006	November 2007	November 2007
	5 Year SRSOS	5 Year SRSOS	3 Year SRSOS	5 Year SRSOS	3 Year SRSOS	5 Year SRSOS	3 Year SRSOS	5 Year SRSOS	3 Year SRSOS	5 Year SRSOS
Grant date	26 Nov 2002	25 Nov 2003	19 Nov 2004	19 Nov 2004	15 Nov 2005	15 Nov 2005	14 Nov 2006	14 Nov 2006	13 Nov 2007	13 Nov 2007
Risk free interest rate	4.50%	5.00%	4.70%	4.70%	4.40%	4.40%	5.00%	4.90%	4.80%	4.80%
Exercise price	384.0p	489.6p	537.6p	537.6p	676.0p	676.0p	1,092p	1,092p	847.2p	847.2p
Share price at date of grant	451p	638p	720p	720p	995p	995p	1,397p	1,397p	1,034p	1,034p
Expected dividend yield	3.00%	3.00%	3.00%	3.00%	2.90%	2.90%	2.30%	2.30%	3.50%	3.50%
Expected life	5 years	5 years	3 years	5 years	3 years	5 years	3 years	5 years	3 years	5 years
	2 mths	2 mths	2 mths	2 mths	2 mths	2 mths	2 mths	2 mths	2 mths	2 mths
Date vested	1 Feb 2008	1 Feb 2009	1 Feb 2008	1 Feb 2010	1 Feb 2009	1 Feb 2011	1 Feb 2010	1 Feb 2012	1 Feb 2011	1 Feb 2013
Expected volatility	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Fair value of option	126p	209p	224p	239p	349p	363p	436p	482p	268p	291p

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 £1,685,000 (2007 - £2,580,000) in relation to equity-settled share-based payment transactions.

Notes to the Accounts (continued)

25 Related party transactions

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 equity accounted entities and proportionately consolidated jointly controlled entities:

	2008	2007
	£000	£000
Invoiced to equity accounted entities in respect of land purchases and infrastructure works	1	1
Invoiced from equity accounted entities in respect of management fees	(22)	(14)
Invoiced from equity accounted entities in respect of land purchases and infrastructure works	-	(97)
Invoiced to proportionately consolidated jointly controlled entities in respect of accounting, management fees and interest on loans	1,440	293
Invoiced from proportionately consolidated jointly controlled entities in respect of fees	(21)	-
Amounts owed by equity accounted entities respect of land purchases and infrastructure works at the year end	-	1
Amounts owed to equity accounted entities in respect of management fees at the year end	(11)	-
Amounts owed by proportionately consolidated jointly controlled entities in respect of accounting, management fees and interest at the year end	58	223

Company

During the year the Company entered into the following related party transactions with its subsidiaries, equity accounted entities and proportionately consolidated jointly controlled entities:

	2008	2007
	£000	£000
Amounts received in the year from subsidiaries in respect of dividends and shares issued	1,479	148,716
Amounts paid in the year by subsidiaries on behalf of the Company in respect of dividends and finance expenses	(53,198)	(43,763)
Amounts owed by subsidiaries in respect of dividends and shares issued net of amounts paid on behalf of the Company	715,578	767,297

26 Principal subsidiary undertakings

The Company owns the whole of the ordinary share capital of the following active subsidiary undertakings incorporated in Great Britain, registered in England and Wales and engaged in housebuilding and associated activities.

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.

Five Year Record

	2004 UK GAAP £m	2005 IFRS £m	2006 IFRS £m	2007 IFRS £m	2008 IFRS £m
<i>Income statement</i>					
Revenue	1,092.6	1,178.1	1,240.2	1,354.0	1,149.5
Operating profit*	213.3	230.1	239.3	253.0	185.1*
Exceptional items	-	-	-	-	(130.9)
Net finance expenses	(7.7)	(16.4)	(18.4)	(17.9)	(19.1)
Share of (losses) / profits of equity accounted entities	(0.1)	0.1	(0.2)	(0.3)	(0.3)
Profit before taxation	205.5	213.8	220.7	234.8	34.8
Income tax expense	(61.7)	(64.6)	(65.0)	(68.1)	(7.8)
Profit for the year (all attributable to equity holders of the parent)	143.8	149.2	155.7	166.7	27.0
<i>Balance sheet</i>					
Assets					
Non-current assets	16.7	36.7	31.4	28.1	29.3
Current assets	1,175.9	1,381.4	1,462.8	1,608.5	1,667.7
Liabilities					
Non-current liabilities	(180.7)	(287.4)	(194.7)	(126.9)	(359.0)
Current liabilities	(336.8)	(350.9)	(396.0)	(473.9)	(336.9)
Equity					
Total equity	675.1	779.8	903.5	1,035.8	1,001.1
<i>Statistics</i>					
Dividend per ordinary share	25.0p	31.25p	34.5p	43.125p	24.1p
Basic earnings per ordinary share	127.5p	133.1p	137.5p	146.1p	23.6p
Number of homes sold	6,610	7,001	7,117	7,638	6,556
Average price of new homes	£161.4k	£163.8k	£169.0k	£173.3k	£169.9k
Operating margin	19.5%	19.5%	19.3%	18.7%	16.1%*
Net assets per ordinary share	585p	689p	793p	903p	871p
Land portfolio - plots with planning permission	20,700	22,500	22,600	23,500	22,500
Weighted average no. of ordinary shares	111,303,849	112,054,913	113,248,814	114,108,350	114,615,661
No. of ordinary shares in issue at end of year	112,061,346	113,229,119	113,988,310	114,670,396	114,950,915

* Operating profit and operating margin are stated before exceptional item.

The amounts disclosed for 2004 are stated under UK GAAP because it is not practical to restate amounts for periods prior to the date of transition to International Financial Reporting Standards (IFRS).

Shareholder Information

AGM - special business

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.

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

Resolution 9 - Authority to directors to issue shares

This is an ordinary resolution which authorises the directors to allot unissued shares up to an aggregate nominal value of £1,293,629 which is the difference between the Company's authorised and issued ordinary share capital as at 24 October 2008. The resolution seeks to renew the authority given to the directors at the AGM in 2008. This authority, if granted, will expire at the conclusion of the AGM of the Company to be held in 2010. As at 24 October 2008 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.

Resolution 10 - Disapplication of pre-emption rights

This is a special resolution and is the customary annual request that shareholders empower the directors to allot equity securities for cash without first offering them pro rata to existing shareholders as would otherwise be required by section 89 of the Companies Act 1985. This power allows the directors to allot equity securities for cash only (a) up to an aggregate nominal value of £718,456, being approximately equal to 5% of the issued ordinary share capital of the Company; or (b) in a rights issue or other offer of securities pro rata to shareholders up to the maximum unused amount of the general authority to allot which shareholders are being asked in Resolution 9 to confer on the directors in substitution of the authority granted to the directors by shareholders on 11 January 2008 which expires at the end of this AGM.

Resolution 11 - 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 on 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 2010 AGM.

The directors will review opportunities to use this authority in the 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.

Recommendation

The Board considers 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, the directors 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 authorised share capital is divided into 146,000,000 ordinary shares of 12.5p each (representing 48% of the Company's total authorised share capital) and 20,000,000 9.5% Cumulative Redeemable Preference Shares 2014 of £1 each (representing 52% of the Company's total authorised share capital). As at 31 July 2008 there were 114,950,915 ordinary shares and 20,000,000 preference shares in issue. Further details of the issued capital of the Company and brief details of the rights attaching to the preference shares can be found in note 15 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. Copies of the Articles of Association can be obtained from Companies House or by writing to the Company Secretary.

Restrictions on the transfer of shares

The restrictions on the transfer of shares are set out in the Articles of Association. 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 on shares held in employee trust

The voting rights on shares held in 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 of Association. The directors are not aware of any agreements between shareholders that may result in restrictions on the transfer of securities or on voting rights.

Shareholder Information (continued)

Appointment and replacement of directors

The Company's rules about the appointment and replacement of directors are set out in the Articles of Association and are summarised in the directors' report at page 29.

Amendments to the Company's Articles of Association

The Company may amend its Articles of Association 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 of Association required to be exercised by the Company in general meetings. Subject to the provisions of the Articles of Association 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 280,519 shares were issued to satisfy awards made under the Company's employee share schemes. The directors have authority to allot unissued shares within limits agreed by shareholders. Details of the renewal of this authority are set out on page 80. Resolutions 9 and 10 in the Notice of Meeting for the AGM to be held on 16 January 2009 on page 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 in relation to the renewal of this authority are set out on page 80. Resolution 11 in the Notice of Meeting for the AGM to be held on 16 January 2009 at page 84 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 of loss of office following a change of control

The service agreements between the Company and the executive directors and the 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.

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 dividend - ex-dividend date	10 December 2008
Final dividend - record date	12 December 2008
AGM	16 January 2009
Final dividend - payment date	21 January 2009

Shareholders by size of holding at 31 July 2008

	Holdings		Shares	
	Number	%	Holding	%
0 - 2,000	2,250	72.0	1,505,817	1.3
2,001 - 10,000	498	15.9	2,179,420	1.9
10,001 - 50,000	174	5.6	4,313,850	3.8
50,001 and over	204	6.5	106,951,828	93.0
Total	3,126	100.0	114,950,915	100.0

Shareholder Information (continued)

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 on 0871 664 0300 - calls cost 10p per minute plus network extras. If calling from overseas please call +44 208 639 3399.

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 call 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 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 arrangements are currently available to shareholders.

Should you intend to purchase a new Bellway home, you will be entitled to a discount of £625 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.

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 kevin.wrightson@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 Responsibility Report 2008

The Company's Corporate Responsibility Report 2008 is available to view on the Company's website www.bellway.co.uk.

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 16 January 2009 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 2008 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 2008 of 6.0 pence per ordinary 12.5 pence share, as recommended by the directors, be declared.
3. THAT Mr P J Stoker be re-elected as a director of the Company.
4. THAT Mr P M Johnson be re-elected as a director of the Company.
5. THAT Mr D G Perry be re-elected as a director of the Company.
6. 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.
7. THAT the directors are authorised to agree the remuneration of the auditors of the Company.
8. THAT the Report of the Board on Directors' Remuneration shown on pages 34 to 41 of the Annual Report and Accounts for the year ended 31 July 2008 be approved.

Special business

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

9. THAT in substitution for the existing authority for the purposes of Section 80 of the Companies Act 1985 ("the Act") conferred upon the directors by a resolution passed at the Annual General Meeting of the Company held on 11 January 2008, the directors be and they are hereby generally and unconditionally authorised in accordance with Section 80 of the Act to allot relevant securities (which for the purposes of this resolution shall have the same meaning as in Section 80(2) of the Act) of the Company provided that:
 - (i) the maximum amount of relevant securities that may be allotted pursuant to the authority given by this resolution shall be up to an aggregate nominal amount of £1,293,629;
 - (ii) subject as provided in sub-paragraph (iii) below, such authority shall expire at the conclusion of the annual general meeting of the Company to be held in 2010, but may be previously revoked or varied by an ordinary resolution of the Company; and
 - (iii) such authority shall permit and enable the directors to make an offer or agreement before the expiry of such authority, which would or might require relevant securities to be allotted after such expiry and to allot such securities pursuant to any such offer or agreement as if such authority had not expired; and
 - (iv) in relation to the grant of any rights to subscribe for, or to convert any security into, shares in the Company, the reference in this resolution to the maximum amount of relevant securities that may be allotted is the maximum amount of shares which may be allotted pursuant to such rights.

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

10. THAT, subject to resolution 9 above being passed as an ordinary resolution, and insofar as it relates to securities that are not treasury shares within the meaning of Section 162A(3) of the Companies Act 1985 ("the Act"), the directors be empowered pursuant to Section 95 of the Act to allot equity securities (within the meaning of Section 94 of the Act) for cash pursuant to the authority so conferred or where the equity securities are held by the Company as qualifying shares (to which Sections 162A to 162G of the Act apply) in each case as if Section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities.
 - (i) in connection with an 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); and/or
 - (ii) otherwise than pursuant to sub-paragraph (i) above or pursuant to the Bellway p.l.c. (1995) Employee Share Option Scheme, the Bellway p.l.c. (1996) Employee Share Option Scheme, the Bellway p.l.c. (2003) Savings Related Share Option Scheme, the Bellway p.l.c. (2004) Performance Share Plan, the Bellway p.l.c. (2005) Employee Share Option Scheme, the Bellway p.l.c. (2007) Employee Share Option Scheme, and the Bellway p.l.c. (2008) Share Matching Plan, up to an aggregate nominal amount of £718,456 and shall expire on the conclusion of the next Annual General Meeting of the Company or, if earlier, 15 months after the passing of this resolution 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.

Notice of Annual General Meeting (continued)

11. THAT the Company be generally and unconditionally authorised for the purposes of Section 166 of the Companies Act 1985 ("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 163(3) of the Act) on the London Stock Exchange upon, and subject to the following conditions:
- (i) the maximum number of ordinary shares hereby authorised to be purchased is 11,495,292 ordinary shares of 12.5p each, being approximately 10 per cent of the ordinary shares in issue;
 - (ii) 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;
 - (iii) 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 Limited 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;
 - (iv) 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
 - (v) 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.

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. A proxy need not be a member of the Company.
- (ii) A form of proxy is enclosed separately. Completion and return of the 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. 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) There will be available for inspection during the AGM and for at least fifteen minutes before it begins, the Register of Members, Register of Directors' interests, details of all proxies received, a copy of the current Memorandum and Articles of Association, and the directors' appointment letters and service contracts.
- (v) 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 benefit from "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.
- (vi) 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 not less than 48 hours prior to the time set for the meeting.

Notice of Annual General Meeting

(vii) In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the Chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the Chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives - www.icsa.org.uk - for further details of this procedure. The guidance includes a sample form of representation letter if the Chairman is being appointed as described in (i) above.

(viii) As at the date of this notice there are 114,952,916 shares in issue and the total voting rights of the Company are therefore 114,952,916.

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

24 October 2008

Bellway p.l.c.

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Bellway



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Bellway p.l.c.

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