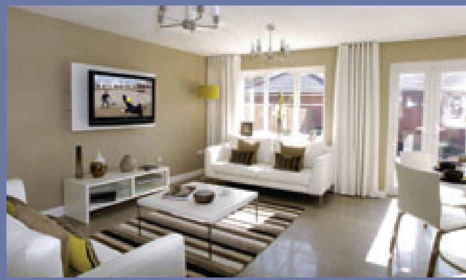
Bellway

Annual Report and Accounts 2010



www.bellway.co.uk

A sound business...

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

In this year's report...

Financial Highlights

A solid performance...

Completed sales
4,595 homes
(2009 – 4,380)

Average price achieved
£163,175
(2009 – £154,005)

Total Group revenue
£768.3m
(2009 – £683.8m)

Profit before taxation
£44.4m
(2009 – £29.8m)[1]

Exceptional items
£nil
(2009 – £66.3m write down)

Earnings per ordinary share
29.7p
(2009 – 17.7p)[1]

Final dividend for the year
6.7p
(2009 – 6.0p)

Forward order book at 30 September
£396.7m
(2009 – £349.4m)

[1] before exceptional items (note 5 – page 53).

Front cover:

Top – Lounge at The Pines, Linton, Northumberland.
Main left – Customers Ryan and Melanie outside their new home at Parchment Place, Havant, Hampshire.
Main right – The Pastures, Bruton, Somerset.
Bottom centre – Glastian Meadows, Kinglassie, Fife
Bottom Right – Les Arrowsmith, Site Manager at Eaton Lodge, Rugeley, Staffordshire.

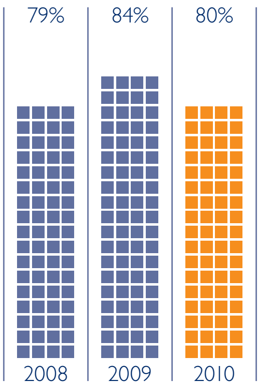
For more information on our business, please go to **www.bellway.co.uk**

A focused business model...

Through sustainable construction we aim to create new communities and life-supporting environments for people now and in the future. We use some of the following Key Performance Indicators ("KPIs") to measure our progress:

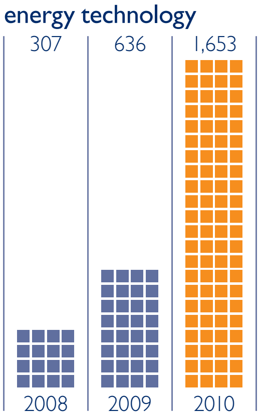
Key Facts

Percentage of homes developed on brownfield sites

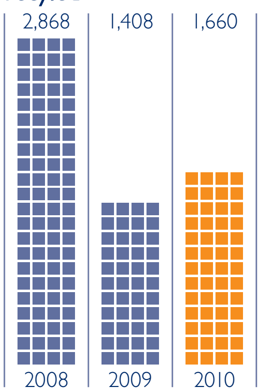


Number of 7m³ skips per homes sold

Number of homes built with renewable energy technology



Tonnes of plasterboard recyled



Number of NHBC Pride in the Job Awards

18

(2009 – 15)

Number of homes built per hectare

63

(2009 – 67)

Financial contribution under Section 106 agreements

£13m

(2009 – £2m)

Number of current sites with SUDS (Sustainable Urban Drainage Systems)

86

(2009 – 77)

A nationwide presence...

With its headquarters in the North East of England, the Group's operations are located throughout the UK. Bellway provides a wide range of house types covering one, two and three-bedroom apartments; terraced homes; three storey homes; semi-detached homes; and three, four and five-bedroom detached homes. The Group is active in major inner city regeneration schemes across the country and is a leading provider of affordable homes.


▲ Wyfold Place, Fulham, London Borough of Hammersmith and Fulham.


▲ Uplands, Stowmarket, Suffolk.


▲ The Wardale family choosing their new home at Wheatridge Park, Seaton Delaval, Tyne and Wear.


▲ Herons Reach, Barnsley, South Yorkshire.


▲ Broadheath, Newport, Gwent.

Number of homes built to The Code for Sustainable Homes Level 3

1,186

(2009 – 428)

Number of homes built to Lifetime Homes Standards

690

(2009 – nil)[(1)]

Customers who would recommend Bellway to a friend

86%

(2009 – 89%)

Number of sites registered with Considerate Constructors Scheme

89

(2009 – 56)

(1) This is the first year of reporting.

Chairman's Statement

Introduction

I am pleased to report that Bellway has returned to profitability in the year ended 31 July 2010, in the wake of the difficulties that the housing market has endured since 2008. The lessons learnt by the Board in previous downturns have been applied to good effect and as a result, the Group has not only returned to profitability but also has net cash on the Balance Sheet. Having continued to make dividend payments throughout the downturn, the Board is now recommending an increase in the total dividend per share.

Results

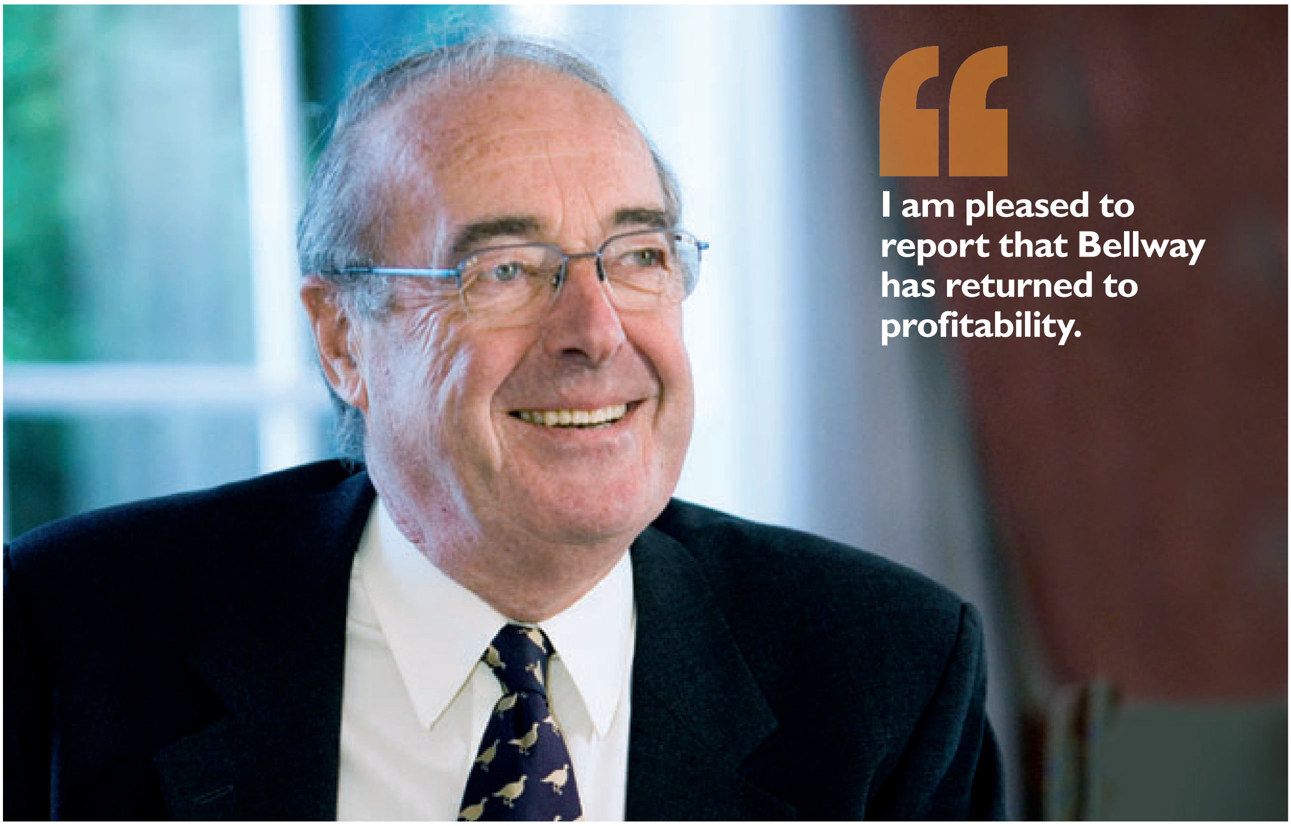
The Group completed the sale of 4,595 homes, an increase of almost 5% over last year, and these homes were sold at an average selling price of £163,175, an increase of almost 6%, mainly due to changes in product mix. These factors, combined with other revenue of £18.5 million, principally arising from ground rents, meant that turnover for the Group grew by 12.4% from £683.8 million to £768.3 million. The operating margin of 6.7% is the same as last year, however this year there are no exceptional items (2009 – £66.3 million write down). The finance charge of £6.8 million has fallen by almost 57% from £15.8 million, resulting in profit before tax of £44.4 million compared to a loss before tax (after exceptionals) of £36.6 million last year. Basic earnings per share have increased to 29.7p from a loss per share (after exceptionals) of 23.9p in 2009. The net asset value per ordinary share at 31 July 2010 has grown from 839p to 856p per share. During the year £208 million was spent on land and at 31 July the Group had net cash of £66 million.

Dividend

I am delighted that Bellway has continued to pay dividends throughout these testing times and the Board is now proposing to increase the final dividend by 11.7% from 6p to 6.7p per ordinary share, giving a total dividend increase for the year of 11.1% from 9p to 10p per ordinary share. This dividend, which is covered almost three times, will be paid on Wednesday 12 January 2011 to all ordinary shareholders on the Register of Members on Friday 10 December 2010. The ex-dividend date is Wednesday 8 December 2010.

People

The Board once again would like to express its gratitude to all of its employees, suppliers and sub-contractors for their outstanding efforts in what has been another very challenging year for the industry.



Looking Forward

Bellway has seen reservations in 2010 return to a more normal selling pattern with a strong spring selling season. However, following the change of government in May and the emergency Budget in June, buyer confidence slowly ebbed away during the summer as increasing media coverage was given to the new policies of the coalition Government to tackle the deficit.

Sales in the early part of what is traditionally an active autumn selling period have picked up, albeit only slightly, following the usual summer lull and it seems that potential homebuyers are awaiting the outcome of the Comprehensive Spending Review.

Whilst the Board's desire to increase volumes annually remains, it is ever mindful of past experiences, however, the Group currently has a strong land bank, a forward order book of £397 million and with £59 million of net cash, the capacity to grow the business should market conditions allow. The Board therefore remains confident as to the Group's ability to respond effectively to whatever market conditions prevail over the coming months.

Howard C Dawe

Chairman
18 October 2010

▲ Duchess Park, Dalkeith, Mid Lothian.

For more information on our business, please go to **www.bellway.co.uk**

Chief Executive's Operating Review

Introduction

By the beginning of the financial year our strategy of cash generation had reduced the Group's indebtedness by £181 million and this was supplemented in August 2009 with a share placing which raised £43.7 million putting the Company on a sound financial footing. Regular meetings were taking place at this time with lenders' valuers and gradually the number of down valuations for mortgage purposes began to fall compared to the previous year. This process was reflected in the number of mortgage approvals which increased throughout 2009 to around 60,000 by December helping customer confidence which began to firm up at that time.

Market Place

Against this backdrop of a more stable housing market, Bellway increased legal completions of its new homes by 215 to 4,595. Private sales increased by 7% to 3,652 from 3,400, whilst there was a slight decline in the sales of social housing from 980 to 943 homes. Cancellation rates during the year have remained consistent at around 13% compared to a 26% peak in 2008/09. Incentives were regularly employed throughout the year to maintain sales rates and these ranged from simple cash discounts through to the part-exchange of owned homes and shared equity schemes. The last of these incentives was needed for first-time buyers in particular who struggled to raise the necessary deposits. Government's actions during the year through its continuance of HomeBuy Direct in England are to be applauded and 640 first-time buyers were qualified to buy homes from Bellway in the year where the average deposit required was only 5%. Part-exchange has been used by our customers on 493 occasions and has been helpful in maintaining confidence in local markets. At 31 July the stock of second-hand properties held by the Group stood at £15.0 million (2009 – £8.0 million) comprising 115 homes (2009 – 69 homes).

Weekly sales rates from August to December 2009 were broadly consistent but 2010 has seen the market return to its more normal pattern of increased activity in spring followed by a decline as summer arrived. For the 12 months ended 31 July 2010 the Group averaged 89 reservations per week, achieving a high of 169 reservations during one week in March. The confidence that consumers had built up in late 2009 and early 2010 appeared, however, to stall at or around the time of the General Election as customers waited for the emergence of the new Government's proposed policies.

"The Board believes that with cash in hand, a strong order book, well located and desirable developments, Bellway is well positioned whichever way the market moves in the coming months.

Completed sales

4,595 homes

(2009 – 4,380)

▲ Bishops Keep, Farnham, Surrey.

▲ Sandpipers, Congleton, Cheshire.

▲ Barcham Green, Maidstone, Kent.

Divisional Performance

The six divisions located in the northern part of the UK sold 1,985 homes, an increase of 152 compared to the previous year. Throughout the year this market has been challenging but prices gradually stabilised as the year progressed and most divisions were able to increase volumes, resulting in an 8% increase when compared with the previous year. The North East division performed well, increasing the number of legal completions in the year by 19% to 500 homes, and the West Midlands division, with the aid of 113 housing association sales, generated through the North Solihull Partnership, increased output by 15% to 328 homes. The average selling price in these northern divisions was £140,690 (2009 – £134,179) and this increase of 4.9% is almost entirely due to a change in the mix of properties legally completed in the period.

The seven remaining divisions in the south benefited from a market that had recovered earlier and faster and contributed 57% of total completions. Average sales prices in this region increased by 7% to £180,277 (2009 – £168,273) as the Group's focus moved towards higher value homes and this region saw a general improvement in consumer confidence. The size of a first-time buyer's deposit in this part of the country can be particularly daunting. Housing associations, however, remain active in providing housing for this segment of the market and almost two-thirds of our social home sales are in the south of the country.

The Thames Gateway division alone accounted for almost 25% of the 943 social sales. We have continued to buy land for apartments in certain areas of the south, particularly within the M25 and with several small schemes coming to fruition, the South East division was able to almost double its output of private sales from 148 to 273 homes.

Margin Improvement

During the downturn the Board made a conscious decision to, where possible, re-plan sites and move away from apartments and town houses to two storey family housing. As a consequence, output of apartments has declined from 48% to 39% of home sales and is set to reduce further. These changes have also had a marked effect on the price and mix the Group is achieving. In the year, homes sold under £150,000 fell from 59% to 53% of legal completions and homes sold over £250,000 have, for the first time, accounted for more than 10% of output.

Whilst operating margins remained flat year on year, they have started to move in an upward direction, helped by stability of revenues with continuing tight controls on costs and overheads supporting the improvement from 6.1% in the first half of the year to 7.2% in the second half. Should stability in pricing remain, this increasing margin trend is expected to continue in the current financial year and beyond as a greater proportion of recently acquired land is traded.

For more information on our business, please go to **www.bellway.co.uk**

Enhancing...

a wide range of bespoke options gives customers the freedom to personalise their new homes before they even move in – see www.bellway.co.uk/bespoke-additions for more information.

▲ Springhill Meadows, Kilmarnock, Ayrshire.

▲ Paul Edwards, Site Manager at Watermill Rise, Bridgnorth, Shropshire, with his NHBC Pride in the Job Award.

Further reductions in build costs are still being achieved especially in relation to plastering, foundation and road and sewer works. Some materials, mainly timber and steel, have increased in price, although they represent a very small percentage of the overall cost. The Group does benefit from national agreements with material suppliers whereby fixed prices quite often straddle more than one financial year, eliminating short-term cost fluctuations. These cost movements do not affect every site but are highlighted when existing schemes have been re-drawn and re-tendered. On these sites, cost savings of around £2,400 per unit have been identified and the divisions will now need to work hard to deliver these savings as labour rates respond quickly to workload increases. The cost implications flowing from new technology, especially in relation to CO_2 emissions, are difficult to predict and will remain a focus for future cost control.

Planning for Recovery and Land Bank

The Group has increased the number of show homes since the year end and has revamped its website to enhance our sales effort, and we are hoping to increase the number of sales outlets to 200 by spring next year. Divisions have released more homes to build and we therefore anticipate that work in progress levels will increase as the year progresses.

At the beginning of the financial year, Bellway decided to engage in opportunistic land buying and indeed, our cash outlay on land has increased to £208 million in the year ended 31 July 2010. Whilst the land bank of plots with planning permission has been slimmed down further from 19,260 to 17,602 plots at 31 July 2010, the Group has increased its land bank awaiting planning permission from 14,000 to 15,000 plots. This pipeline has a high percentage of plots with outline planning permission and now, based on current volumes, our total land bank equates to a seven year supply. Excluded from this are our long-term holdings which amount to over 3,000 acres where presently some 2,800 plots have a positive planning status granted by the various planning departments, who are currently assessing the effect of the new Government's localism agenda. As a result of acquiring more land in the south of England, the average plot cost of our land bank should increase but, more importantly, has been acquired on higher margins.

Quality and Service

The Group is committed to offering the highest standard of quality and customer service and, by listening to our customers and monitoring our performance, standards can be raised. In April 2010 a new "Consumer Code for House Builders" was introduced and we believe the Code will help to drive quality. The Code will also provide the customer with an Ombudsman should any dispute require resolution. Divisions closely monitor their own quality and customer satisfaction levels and the Group employs an independent company to report on its findings. The latest quarterly survey shows 87% of customers said they would recommend a Bellway home to a friend.

The Group's performance has also been recognised independently by the recent achievement of 4* builder status in the Home Builders Federation's fifth Customer Satisfaction Survey.

Every year the National House Building Council ("NHBC") undertakes an audit of our sites and evaluates the skills of our Site Managers and I am pleased to report that this year Bellway received 18 NHBC Pride in the Job Awards. Following on from our "Major House Builder 2009" Award, our Scottish division's efforts were recognised this summer when they received the award for the Large House Builder of the Year 2010 at the Scottish Homes Awards.

Health and Safety

The health and safety of the Group's staff, sub-contractors and those visiting our sites is of the utmost importance to the Board. During the course of the year the NHBC audited our site-based systems to ensure compliance with latest legislation. We are pleased to report that the rate of incidents, despite the increasing levels of activity on site, has fallen to its lowest level since 2006.

◀ Lounge at Buckingham Chase, Great Blakenham, Suffolk.

Respecting...

our houses are designed and built by local people, reflecting local environments and demands.

The Group has its own health and safety teams who ensure best practice and they in turn are supported by external Health and Safety Inspectors who inspect our work practices on a monthly basis. During the last 12 months the teams have focused their site campaigns on manual handling and falls from height in an effort to create more awareness amongst all site operatives.

The Environment

Over 80% of the year's legal completions were built on brownfield land. The number of homes built to Code Level 3, or higher, of the Code for Sustainable Homes has substantially increased to 1,186 from the previous year's 428 homes. As a consequence, many more homes now have access to helpful everyday facilities such as car clubs and cycle stores and some 87% of sites are built within 500 metres of a transport node. Building homes to these new sustainable levels results in an estimated 25% reduction in CO_2 emissions compared with homes built under previous building regulations.

Virtually all of our developments now segregate waste on site thereby reducing the need for surplus material to be transported to landfill sites. Approximately 80,000 tonnes of demolition material has been re-used under roads and footpaths, therefore avoiding the payment of an ever increasing landfill tax which is presently levied at £48 per tonne.

The Group aims to ensure that the developments it builds have minimal negative effect on the local community. We now have some 89 sites registered under the Considerate Constructors Scheme, an audit process undertaken by third parties, assessing good practice and ensuring that the disruption to the local neighbourhood is minimised. In addition, as new planning agreements are implemented, we calculate that the financial contribution made to the local community has been in the region of £13 million resulting in new facilities such as community centres, play facilities and highway improvements.

Outlook

Throughout the summer consumer confidence appeared to recede as focus moved to the much talked about Comprehensive Spending Review. The first two months of the financial year have shown an increase in the number of reservations taken compared to the summer period and whilst encouraging, this level has been below the same period last year. Bellway is currently well positioned nevertheless having, by early October, already completed, contracted or reserved 2,999 homes for the year to 31 July 2011.

The Board believes that with cash in hand, a strong order book, well located and desirable developments, Bellway is well positioned whichever way the market moves in the coming months.

John K Watson

Chief Executive
18 October 2010

▲ Waterside, Leicester, Leicestershire.

▼ The Grange, Westhampnett, West Sussex.

▲ Kings Wood Park, Epping, Essex.

◄ Chapel Walk, Solihull, West Midlands.

Corporate Responsibility Policy

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

▲ Children from Barlows Lane Junior School, Fazakerley, Liverpool.

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

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

Through Bellway's commitment to corporate responsibility we will:

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

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

- the Chief Executive is responsible for this policy and advises the Board on all corporate responsibility matters.
- the Chief Executive is supported by the Sustainability Management Working Group which includes senior employees from within 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 and safety and wood procurement, but has been developed to work in conjunction with them. All policies are available on the Bellway website www.bellway.co.uk and are reviewed annually.

For more information on our business, please go to **www.bellway.co.uk**

► Two of our apprentices, Nathaniel Welsh and David Reynolds, employed as part of the East and South East Leeds regeneration programme, Leeds, West Yorkshire.


Nurturing...
we continue to invest
in our people and help
them develop their
skills and expertise.

2010 Corporate Social Responsibility Statement

Our commitment to sustainable development is evidenced by the fact that this is the eighth year that we have reported on our sustainability performance. This statement provides a summary of what we have been doing during the year. The Corporate Social Responsibility ("CSR") section of our website www.bellway.co.uk provides much more detail on our CSR strategy and policies, together with case studies of the progress we are making.

▲ Living roof at Barking Riverside, Barking, London Borough of Barking and Dagenham.

With developments stretching from the central belt of Scotland down to the south coast of England, Bellway is operational on 185 sites across the country. The size, scale and complexity of these development activities require strong partnerships with a range of key stakeholders including planners, local authorities as well as the community at large. In bringing these developments forward we must balance the responsibility owed to these stakeholders and others including our shareholders, customers and supply chain partners, employees and the natural environment. Our CSR strategy aims to develop good relationships, improve our reputation and create safe and rewarding environments in which people can live and work.

Despite this year's harsh economic climate, we have maintained our focus on CSR and have increased the number of homes built, achieving higher environmental credentials. Improving the energy efficiency of the homes we build will form part of the overall solution in moving towards a low carbon economy and helping to achieve the government's challenging objective to reduce UK CO_2 emissions by 80% by 2050.

At Barking Riverside in the Thames Gateway, we are working in partnership with the London Borough of Barking and Dagenham Council, the University of East London and the Environment Agency on a research programme to investigate best practice for maximising the benefits of green roof systems: 50% of the homes in the first stage of development will exhibit green roofs, so called "living roofs". These roof systems reduce heat loss and act as an important refuge for wildlife; their wider use will be one of the solutions in mitigating the effects of climate change in the future.

Renewable energy technology and measures to save water are increasingly common features in our developments and benefit customers through lower utility bills. In order to increase energy efficiency and reduce the carbon footprint of a new home we have installed alternative heating technology such as solar and photovoltaic panels in 1,653 homes this year (2009 – 636). Water saving devices such as flow restrictors, mixer taps and dual flush toilets have reduced water consumption to 105 litres per person per day. Other water saving initiatives include the provision of water butts on selected developments and the use, where appropriate, of Sustainable Urban Drainage Systems ("SUDS") which replicate the natural flow of water back to the aquifer.

We appreciate that the construction of new homes and new communities can be an emotive issue and we are sensitive to these points of view. As a consequence, when planning new developments we seek at the earliest stages to gather community support. We do this by explaining our intentions and entering into dialogue with local residents and planners to ensure complete transparency.

At North Solihull, in the West Midlands, we are engaged in one of the largest redevelopment schemes in the country where we are working alongside Whitefriars Housing Association and Solihull Council to improve the living conditions of 15 neighbourhoods within the regeneration area. Local consultation has been at the centre of the decision making process where over 2,000 people have attended consultation events. Resident implementation groups were established and development proposals were subjected to area and neighbourhood consultation meetings. Our approach has led to the development of a new urban neighbourhood at Burtons Farm Park, North Solihull, where we were particularly pleased to receive a silver Building for Life Award, recognising well designed homes and neighbourhoods.

During this financial year, 80% of the homes we built were on brownfield sites (2009 – 84%). These sites often require extensive remediation, which can have a positive effect on the local environment. Our development at New Cardington in Bedfordshire will create a new community from a former RAF base, where we are developing 970 new homes, a new school, shops, GP's surgery, a new cadet centre and a nursery. The development will provide a range of homes; the first phase will include 72 affordable homes for Bedford Pilgrims Housing Association.

The planning process often leads to substantial community benefits. At Cleadon Park in South Tyneside, we are transforming a former 1920's council estate into a new residential neighbourhood of 750 new homes. In addition to housing, the scheme has delivered a new Primary Care Centre, library and community centre which opened in July 2010 and which are already being well patronised by local residents. Arising from the grant of planning permissions, Bellway this year has contributed £13.0 million towards community benefits such as improved educational and transport facilities.

In managing our business we work with a variety of different agencies, and this year were pleased to support the World Wildlife Fund's Earth Hour campaign by carrying the Earth Hour message on our website and in all our press advertising. The campaign highlighted the need to conserve energy and helped direct the public's attention to the critically important issue of climate change. In reporting the progress we are making, it is important to ensure that our own management reporting systems are robust, which is why we are trialling the ISO 14001 Environmental Management Standard in our Thames Gateway division, and we will assess the benefits of this before deciding whether to extend this to our other divisions. We have also completed an audit of the procurement systems of our sub-contractors, benchmarking them against the ISO 9001 Quality Management Standard.

In addition to addressing the environmental credentials of the homes we build we have also looked at other areas of our business where we can improve our carbon footprint. As a consequence, in January 2010, we changed our company car policy so that any new cars purchased for the fleet must have CO_2 emissions of less than 160g/km.

The welfare of our employees is of paramount importance and we have continued to invest in health and safety training in order to develop the skills of our workforce. Initiatives such as regular tool box talks and campaigns focusing on manual handling and falls from height create added awareness of the dangers faced by site-based personnel. In addition to these initiatives the NHBC undertake health and safety audits every 21 working days across the majority of our developments. We are pleased to report that, despite the increased levels of activity on our sites, the rate of incidents has fallen to its lowest level since 2006. Our focus on health and safety has again been recognised by the Royal Society for the Prevention of Accidents who presented us with a silver award.

The health, safety and security of those living in a Bellway home is of the utmost importance. In order to ensure the security and safety of our residents many of our developments exhibit Home Zone methodologies and are designed so that they adopt Secured by Design principles.

Through the development of new homes we are able to provide significant benefits to the economy by creating long-term employment opportunities. Through the construction process jobs are created on-site, drawing from the local labour market where appropriate, and we estimate that for every home built 40 people are employed. At Hucknall in the East Midlands a sub-contractors' apprenticeship scheme created ten new employment opportunities for young people. During the year we employed 33 apprentices across the Group (2009 – 30), and we hope to be able to increase this number in the future subject, of course, to economic considerations.

Our employees make a very real difference to their communities through charity fund raising, dress-down days and sponsored events, which provide valuable income to local charitable initiatives, and we estimate that Bellway employees have donated in the region of £9,500.

In Gravesend, Kent, the Helen Allison School for autistic children has received support from Bellway to create a safe play area. At Hovington Park in Leeds, the Company has supported a local community project to create new green space and a children's play area. At Canterbury Gardens in Merseyside, we hosted a local school group who were keen to understand the differences between building in the 21st and 18th centuries.

More recently we have registered our interest in participating in the "Visit our Schools and Colleges" initiative that is being organised by the Education and Employers Taskforce.

Bellway has remained committed to its CSR programme despite the downturn in the housing market. Good CSR practice is directly aligned to good business practice and will continue to benefit the Group in the future.

▲ Bellway compound showing recycling and waste segregation.

▲ All customers receive the Go green leaflet giving advice on energy saving.

Key Performance Indicators

We use these KPIs to help us measure our performance against our objectives.

	Financial year ended 31 July				
Key Performance Indicators	2006	2007	2008	2009	**2010**
Commercial					
Total number of homes sold	7,117	7,638	6,556	4,380	**4,595**
Number of homes sold to Registered Social Landlords	790	900	1,337	980	**943**
Number of plots with planning permission	22,600	23,500	22,500	19,260	**17,602**
Number of sites registered with the Considerate Constructors Scheme	–	–	–	56	**89**
Number of homes built to Lifetime Home Standards(1)	–	–	–	–	**690**
Environmental					
Percentage of homes developed on brownfield sites	81%	81%	79%	84%	**80%**
Number of homes per hectare	69	66	63	67	**63**
Number of EcoHomes with at least "Very Good" rating	263	326	1,194	786	**480**
Number of homes built to Code Level 3(2)	–	–	48	428	**1,186**
Number of homes built with renewable energy technology	–	17	307	636	**1,653**
Percentage of homes built using timber frame	32%	34%	30%	23%	**15%**
Tonnes of plasterboard recycled	4,708	3,900	2,868	1,408	**1,660**
Measure of waste (number of $7m^3$ skips per home sold)	7.10	5.70	4.30	3.60	**3.70**
Number of compliance breaches	3	9	6	–	**1**
Number of current sites with car clubs	–	–	–	5	**7**
Number of current sites with Sustainable Urban Drainage Systems ("SUDS") designed into the scheme	–	–	–	77	**86**
Number of trees planted(1)	–	–	–	–	**8,484**
Employees					
Employee turnover	31.1%	25.6%	33.7%	65.2%	**21.0%**
Number of site workers (including sub-contractors) accredited with Construction Skills Certification Scheme ("CSCS") cards	597	783	1,042	1,793	**3,489**
Number of apprentices employed	206	203	149	30	**33**
Number of NHBC Pride in the Job Awards received	18	19	20	15	**18**
Health and Safety					
Rate of over 3-day lost time accidents per 100,000 employees	886.95	957.78	980.18	973.24	**945.18**
Number of health and safety prosecutions	1	–	–	1	**–**
Creating community value					
Total financial contribution under Section 106 agreements	–	–	£17m	£2m	**£13m**
Stakeholder					
Percentage of customers who would recommend Bellway to a friend (annualised)	–	–	80%	89%	**86%**
Number of suppliers/contractors who have worked for Bellway for at least three years(1)	–	–	–	–	**2,777**

(1) This is the first year of reporting.

(2) The Code for Sustainable Homes Level 3 applies to newly-constructed Affordable Housing subject to Homes and Communities Agency ("HCA") grant policy and all homes built on HCA land from 1 April 2008, and therefore 2008 was the first year of reporting.

Environmental Policy

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

Recognising that we have responsibilities to both limit 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 periodically review progress against these.
- ensure that Bellway's environmental aims and their importance are communicated throughout the Group, including to appropriate sub-contractors and suppliers, and that a copy of this policy statement is displayed in each Bellway site and office.
- consider the role that Bellway can play in helping to contribute to the principles of sustainable development within the UK.
- recognise and respond to the challenges and opportunities that are presented by climate change.

In addition to our key 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 and surrounding areas.
- consideration of environmental issues within our corporate functions and everyday business decision-making processes.

The above statement will be balanced against economic considerations.

▲ Example of tree-planting at The Retreat, Mildenhall, Suffolk.

Group Finance Director's Review

Group Summary

During the early part of the financial year stability gradually began returning to the housing market. This was reflected in an increase in mortgage approvals in late 2009 together with a measured reduction in the cancellation rate from its peak of 26% in 2008/09 to an average of 13%. As a result the Group is able to report a 4.9% increase in legal completions to 4,595 units for the year to 31 July 2010.

Selling prices have remained firm at, or around, their post write down levels and consequently, have contributed towards Bellway's return to profitability with pre tax earnings of £44.4 million (2009 – loss of £36.6 million), having reported no further exceptional items in the period (2009 – write down of £66.3 million).

The Group has maintained its focus on cash generation with a net cash inflow before debt repayments and excluding new market share issues, of £58.8 million (2009 – £180.9 million). On 6 August 2009 a further £43.7 million, net of expenses, was successfully raised via a share placing at an issue price of 779.0p per share, contributing to a net cash position (excluding preference shares) of £65.7 million at 31 July 2010 (2009 – net debt of £36.8 million). Bellway continues to benefit from a strong balance sheet and, with cash in the bank, is well placed to pursue future land opportunities, whilst retaining the ability to respond to any future changes in market conditions.

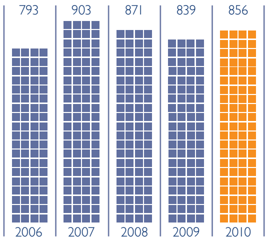
Group Results

Total Group revenue increased by 12.4% from £683.8 million to £768.3 million. Revenue from home sales increased by 11.2% from £674.5 million to £749.8 million, reflecting an increase in unit completions from 4,380 to 4,595 and an increase in the average selling price from £154,005 to £163,175.

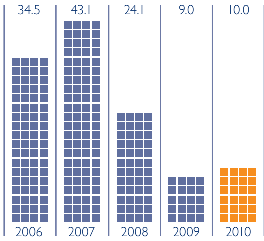
Other revenue of £18.5 million (2009 – £9.3 million) has almost doubled, principally due to ground rent sales.

"During the early part of the financial year stability gradually began to return to the housing market.

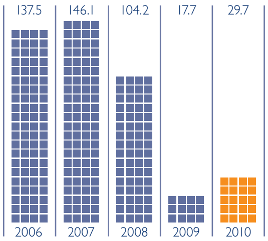
Net asset value per ordinary share (p)



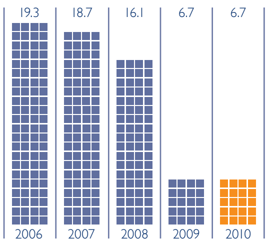
Dividend per ordinary share (p)



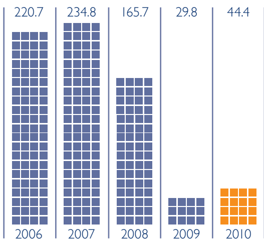
Earnings per ordinary share* (p)



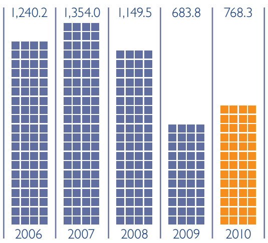
Operating margin* (%)



Profit before taxation* (£m)



Revenue (£m)



* Pre-exceptional items (note 5).

The Group constructs an extensive range of homes within its one UK operating segment; additional information on mix of homes sold, split between north, south, private and social, is provided in the following tables:

Homes sold (number)	Private		Social		Total	
	2010	2009	**2010**	2009	**2010**	2009
North	**1,650**	1,500	**335**	333	**1,985**	1,833
South	**2,002**	1,900	**608**	647	**2,610**	2,547
Group total	**3,652**	3,400	**943**	980	**4,595**	4,380

Average selling price (£000)	Private		Social		Total	
	2010	2009	**2010**	2009	**2010**	2009
North	**148.1**	143.8	**104.4**	91.6	**140.7**	134.2
South	**194.1**	183.7	**134.9**	122.6	**180.3**	168.3
Group total	**173.3**	166.1	**124.1**	112.1	**163.2**	154.0

The higher average selling price is principally driven by changes in mix, with a greater focus towards higher value more traditional two storey housing, where the ability to raise at least a 10% deposit, and hence the availability of mortgage finance, is more readily attainable.

This trend towards higher value product is reflected in the average home size, having increased by almost 7% from 855 square feet to 912 square feet, with a corresponding reduction in the proportion of apartment sales, falling from 48% to 39% of output.

Incentives continue to be applied to the majority of sales with part-exchange used as a selling tool in 11% of completions (2009 – 7%), again reflecting the move towards higher value homes.

The use of shared equity schemes has proved to be an increasingly important incentive, be it through the Government's HomeBuy Direct initiative or Bellway's own Opening Doors scheme, increasing from 13% to 18% of completions, a sign of the continued difficulties still faced by buyers in raising an adequate deposit.

Gross margin has reduced slightly from 12.7%[(1)] to 11.7%. At the time of the last exceptional land and work in progress write down at 31 January 2009, a concurrent reassessment of costs and revenues was undertaken on all sites. The outcome was a reduction in margins on those sites that had not been subject to a land write down. As a consequence, the Group has suffered fewer down valuations in the period, and following a full review of inventories at 31 July 2010, the Board can report that there are no further exceptional write downs or write backs.

Administrative expenses have reduced by over 7% from £41.6 million to £38.5 million as the Group continues to focus on cost control, having benefited fully from the reduced headcount and divisional rationalisation programme completed by July 2009.

Overall the Group has delivered an operating profit of £51.3 million (2009 – £45.6 million[(1)]) representing a margin of 6.7% which is comparable to the pre-exceptional operating margin of 6.7%[(1)] delivered in 2009.

Finance Costs

Net finance costs have reduced by 57% from £15.8 million to £6.8 million as the Group has benefited from being in a net cash position throughout the majority of the year. Net interest payable on bank loans and overdrafts is £0.8 million (2009 – £10.4 million) and largely represents commitment fees payable on undrawn facilities.

Taxation

The effective income tax rate is 19.4% of profit before tax (2009 – 24.9%) and compares favourably to the Group's standard tax rate for the year of 28.0% (2009 – 28.0%). This lower effective rate is principally due to enhanced claims for qualifying expenditure on remediated land, relating to current and prior periods, which have reduced the overall tax charge by £5.3 million in the year.

In estimating the tax liability for the year the Board expects to fully utilise tax losses brought forward from 2009.

Earnings per Share

Basic earnings per ordinary share amount to 29.7p compared to 17.7p[(1)] in 2009, an increase of almost 68%.

Balance Sheet

The Balance Sheet remains strong with net cash (excluding preference shares) of £65.7 million at 31 July 2010 (2009 – net debt of £36.8 million excluding preference shares) and with inventories showing a measured decrease, down from £1,211.4 million to £1,148.7 million as a result of a disciplined approach to land buying and a reduction in finished goods stock.

The continuing use of shared equity incentives has led to an increase in the value of the resultant debt, shown as other financial assets on the Balance Sheet at 31 July 2010, which, at £32.7 million (2009 – £20.8 million), represents a significant discount to vacant possession value (note 14).

Land payables have reduced from £110.0 million to £61.9 million as the Group has been able to secure land deals, in many cases, by offering vendors advance cash payments as opposed to deferred terms.

The valuation of the Bellway p.l.c. 1972 Pension & Life Assurance Scheme (the "Scheme") at 31 July 2010 shows a reduction in the deficit, calculated in accordance with IAS 19, of £3.2 million from £11.9 million to £8.7 million. This reduction is after a cash contribution of £1.7 million paid by the Group into the Scheme on 7 October 2009.

Earnings per ordinary share

29.7p

(2009 – 17.7p)[(1)]

(1) Pre-2009 exceptional write down of £66.3 million (see note 5).

The increase in Group net assets of £69.8 million from £965.0 million to £1,034.8 million comprises profit after tax for the year of £35.8 million, net cash raised through the share placing of £43.7 million, a net reduction in pension liabilities of £1.3 million after tax, ordinary dividends paid of £11.2 million, and other share issues and share option movements through reserves of £0.2 million.

Treasury

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

The Group's bank borrowing facilities comprise medium-term loans, short-term floating rate loans and overdrafts. In addition, the Group often obtains deferred payment terms in its contracts for land purchases. Facilities are due for renewal over the following time periods:

By July 2011	£145 million
By July 2012	£35 million
By July 2013	£85 million
By July 2014	£20 million
By July 2015	£20 million
TOTAL	**£305 million**

The Board remains comfortable with the Group's borrowing facilities.

Treasury Policy and Liquidity Risk

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

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

Interest Rate Risk

The Group's attitude to interest rate risk is influenced by the existing and forecast conditions prevailing at the time that each new interest-bearing instrument is entered into. This will determine, amongst other things, the term and whether a fixed or floating interest rate is obtained.

Share Price and Net Asset Value

The share price at 31 July 2010 was 579.5p (2009 – 735.0p). This compares with a book net asset value per ordinary share at 31 July 2010 of 856.0p (2009 – 839.0p).

Dividend

The Board is proposing an increase in the final dividend of 11.7% to 6.7p per ordinary share (2009 – 6.0p) giving a total dividend for the year of 10.0p compared to 9.0p for 2009. The total dividend is covered almost three times (2009 – two times[(1)]).

Alistair M Leitch

Finance Director
18 October 2010

Profit before taxation

£44.4m

(2009 – £29.8m)[(1)]

[(1)] Pre-2009 exceptional write down of £66.3 million (see note 5).

Operating Risk Statement

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

Area of Risk	Description of Risk	Mitigation of Risk
Land	The inability to source suitable land at satisfactory margins would have a detrimental effect on the Group's land bank and, consequently, its future success.	Endeavour to ensure that a land bank with planning permission for at least three years' construction programme is in place on a rolling basis. Thorough pre-purchase due diligence and viability assessments. Authorisation of land purchases in line with robust Group procedures.
Planning	Delays and the increased complexity of the planning process hampers and slows the Group's growth prospects.	Centralised and Regional Planning Directors provide advice and support to divisions to assist with progressing the planning permission process.
Sales	Ensuring that the effects of any diminution in the size of the 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.	In consultation with Head Office, local divisional management determines product range and pricing strategy commensurate with regional market conditions. Use of sales incentives where appropriate to encourage the selling process, such as part-exchange and Express Mover. Use of government-backed schemes to encourage home ownership where appropriate. Ensuring that construction rates are managed to ensure stock availability matches sales rates.
Construction	Ensuring that appropriately skilled personnel are available and that suitable materials are also available at the right price.	Identifying training needs and allocating appropriate resources to training. Ensuring systems are in place for engaging, monitoring and controlling work carried out by sub-contractors. Ensuring competitive reward systems are in place. Group purchasing arrangements in place to secure materials at competitive prices.
Environment	Housebuilding has a significant effect on the environment. It is important that the effects of the Group's developments are, as far as possible, positive rather than negative.	It is our objective to ensure that at the conclusion of a development an attractive and sustainable new environment has been created that will continue over time. See our Environmental Policy on page 17, or our website at www.bellway.co.uk, for further information.

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

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

Board of Directors
As at 18 October 2010

Howard C Dawe

Date of Birth: 7 April 1944

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

John K Watson

Date of Birth: 21 March 1954

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

Peter J Stoker

Date of Birth: 23 May 1956

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 February 1954

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

Peter M Johnson

Date of Birth: 17 April 1948

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

Mike R Toms

Date of Birth: 1 July 1953

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

John A Cuthbert

Date of Birth: 9 February 1953

Mr Cuthbert was appointed a non-executive director on 1 November 2009. He is a member of the Audit and the Nomination Committees and the Board Committee on Executive Directors' Remuneration. Mr Cuthbert worked in the water industry from 1991 to 2010, when he retired as Managing Director of Northumbrian Water Group plc, having formerly been Managing Director of North East Water plc and Managing Director of Essex and Suffolk Water plc. He is Chairman of Castle View Enterprise Academy in Sunderland.

Group Company Secretary

G Kevin Wrightson

Date of Birth: 27 October 1954

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

Advisers

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

Registrars and Transfer Office
Capita Registrars Limited
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
West Yorkshire HD8 0LA

Financial Advisers
N M Rothschild & Sons Limited

Stockbrokers
Citigroup Global Markets Limited

Bankers
Barclays Bank PLC
Lloyds Banking Group plc

Auditors
KPMG Audit Plc

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 2010.

Principal Activities

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

Performance and Prospects

A review of the Group's performance and prospects that fulfils the requirements of the business review can be found in the Chairman's Statement on pages 4 and 5, the Chief Executive's Operating Review on pages 6 to 11, the Corporate Responsibility Policy on page 12, the 2010 Corporate Social Responsibility Statement on pages 14 and 15, the Environmental Policy on page 17 and the Group Finance Director's Review on pages 18 to 21. In addition, information in respect of the principal operating risks of the business is set out in the Operating Risk Statement on pages 22 and 23.

Results and Dividends

The profit for the year attributable to equity holders of the parent company amounts to £35.8 million (2009 – £27.4 million loss).

Ordinary Dividends

The directors have proposed a final ordinary dividend for the year ended 31 July 2010 of 6.7p per share. This has not been included within creditors as it was not approved before the year end. Dividends paid during the year comprise a final dividend of 6.0p per share in respect of the previous year ended 31 July 2009, together with an interim dividend in respect of the year ended 31 July 2010 of 3.3p per share.

The directors recommend payment of the final dividend on 12 January 2011 to shareholders on the Register of Members at the close of business on 10 December 2010.

Directors

All the directors of the Company, who are shown on pages 24 and 25, served throughout the year, apart from Mr Cuthbert who was appointed on 1 November 2009. Mr Perry was a director at the start of the year and retired on 15 January 2010.

Two directors retire from the Board and offer themselves for re-election at the forthcoming Annual General Meeting ("AGM"). Mr Leitch and Mr Johnson retire by rotation in accordance with the requirements of the Company's Articles of Association (the "Articles") and the Combined Code. The directors' biographies are shown on pages 24 and 25. 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 the Finance Director, Mr Leitch, and of the senior independent non-executive director, Mr Johnson.

The UK Corporate Governance Code, which applies to the Company from its financial year which commenced on 1 August 2010, includes a provision that all directors should be subject to annual re-election. As best practice and shareholder opinion on compliance with this provision of the Code has yet to emerge, the Board will not be requiring all of its directors to submit to annual re-election at the AGM to be held on 7 January 2011 and will review the position before the 2012 AGM.

Directors' Contracts

Details of the terms of appointment of the two 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 the Company
Service contract of executive director					
A M Leitch	1 August 2002	1 September 2002, amended 7 October 2009	Normal retirement age (60)	12 months	12 months
Letter of appointment of non-executive director					
P M Johnson	1 November 2003	1 November 2009	31 October 2012	24 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 33.

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 32 to 39.

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 74 and 75.

Notifiable Shareholders' Interests

As at 18 October 2010, 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	7.70%
Capital Group International Inc	8,485,786	7.02%
JP Morgan Chase & Co	5,712,902	4.73%
AXA Framlington Investment Management	5,603,638	4.64%
BlackRock Inc	4,870,809	4.03%
Legal & General Group plc	4,545,633	3.76%
Polaris Capital Management LLC	4,407,939	3.65%
HBOS plc	4,261,453	3.53%
Credit Suisse Securities (Europe) Limited	3,890,282	3.22%

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 32 to 39, describes how the Principles of Good Governance, which are set out in section 1 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 throughout the year to 31 July 2010, and with the detailed provisions of the UK Corporate Governance Code from 1 August 2010 up to the date of this report. Copies of both codes 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 and the UK Corporate Governance Code as reported above. Further explanations of how the Main Principles and Supporting Principles have been applied are set out below and, in connection with the directors' remuneration, in the Report of the Board on Directors' Remuneration.

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

The Board

At the date of this report the Board consists of seven directors whose names, responsibilities and other details appear on pages 24 and 25. Three of the directors are executive and four of the directors, including the Chairman, are non-executive. The Board discharges its responsibilities by providing entrepreneurial leadership of the Company within a framework of prudent and effective controls, which enables risk to be assessed and managed. It sets the Company's strategic aims, ensures that the necessary financial and human resources are in place for the Company to meet its objectives and reviews management performance. It also defines the Company's values and standards and ensures that its obligations to its shareholders are understood and met.

The Board has adopted a schedule of matters which are specifically reserved for its decision which includes various matters to do with Companies Acts and other legal requirements, listing requirements, Board membership and Board Committees, management, corporate governance, employment, financial and other miscellaneous items. In addition, it has a series of matters that are dealt with at regular Board meetings including an operational review, a financial review, strategy, land acquired, major projects, personnel, corporate governance, internal control 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 Chairman is responsible for leading the Board and ensuring it operates effectively. The directors possess an appropriate balance of skills and experience to meet the requirements of the business.

During the year there were ten Board meetings, three Audit Committee meetings, four 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. The full Board aims to visit at least two divisions each year, and last year visited the Essex and Thames Gateway divisions, as well as receiving presentations at Board meetings from divisional senior management.

There were no absences from any Board or Committee meetings by any director, with the exception that Mr Dawe, Mr Leitch and Mr Cuthbert were each unable to attend one Board meeting.

During the year the non-executive directors met without the executive directors on two occasions, and also met once during the year without the Chairman present.

The Articles require one-third of the directors to offer themselves for re-election each year at the AGM and all directors to seek re-election at least every three years in accordance with the Articles. The Articles also require new directors appointed since the last AGM to offer themselves for re-election 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. As part of Mr Cuthbert's induction programme he visited a number of the Group's operations and met with senior management and other employees throughout the organisation.

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

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

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

Whenever any director considers that he is interested in any contract or arrangement to which the Group is or may be a party, due notice is given to the Board. No such instances of any significance have arisen during the year.

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

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

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

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

Audit Committee
The Audit Committee comprises three independent non-executive directors, Mr Johnson (Chairman) and Mr Toms, who were members of the Committee throughout the year, and Mr Cuthbert who joined the Committee on 15 January 2010. Mr Perry was a member of the Committee until his retirement on 15 January 2010.

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

- to consider the appointment/re-appointment of the external auditors and assess their independence each year.
- to recommend the audit fee to the Board and pre-approve any fees in respect of non-audit services provided by the external auditors and to develop and monitor the Company's policy on the provision of non-audit services by the external auditor and to ensure that the provision of non-audit services does not 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 those non-audit services the independent auditors may and may not provide. There are clearly defined levels of approval depending on the value of work to be provided. Where fees exceed £100,000, or where total non-audit fees equate to 100% of audit fees, Board approval would be required. 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 tendering 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 Toms (Chairman), Mr Johnson and Mr Cuthbert. Mr Toms and Mr Johnson were members of the Committee throughout the year, and Mr Cuthbert joined the Committee on 15 January 2010. Mr Perry was a member of the Committee until his retirement on 15 January 2010.

The Committee meets at least twice a year and during the year it met on four occasions. Its duties are to review and recommend the basic salary, taxable benefits, terms and conditions of employment, including performance-related payments, long-term incentive schemes and other benefits of the executive directors and the Chairman. The Report of the Board on Directors' Remuneration on pages 32 to 39 contains details of directors' remuneration and the Group's policies in relation to directors' remuneration. The Committee is also responsible, in consultation with the Chief Executive, for determining the total remuneration packages of senior executives below Board level.

Board Committee on Non-Executive Directors' Remuneration

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

Nomination Committee

The Nomination Committee comprises Mr Dawe (Chairman), Mr Johnson, Mr Toms and Mr Cuthbert. Mr Dawe, Mr Johnson and Mr Toms were members of the Committee throughout the year. Mr Perry was Chairman of the Committee until his retirement on 15 January 2010, when Mr Dawe became Committee Chairman. Mr Cuthbert joined the Committee on 15 January 2010. The Committee's main duties are to formulate plans for succession for both executive and non-executive directors and, in particular, for the key roles of Chairman and Chief Executive and to make recommendations regarding appointments to the Board.

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

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

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 32 to 39.

Accountability and Audit

The statement on going concern and the Statement of Directors' Responsibilities in respect of the Annual Report and Accounts are shown on pages 30 and 40 respectively.

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

Internal Control

The Board is responsible for the Group's system of internal control and also for reviewing its effectiveness. The Board has reviewed, 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 is responsible for the identification and evaluation of significant risks applicable to particular areas of the business together with the design and operation of suitable controls. These significant risks, which are described in the Operating Risk Statement on pages 22 and 23, 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 to satisfy itself that all reasonable steps are being taken to mitigate these risks. The key areas of control are as follows:

- the Board has agreed a list of key risks which affect the Group and has considered the extent to which the measures taken by the Group mitigate those risks.
- an established monitoring structure is in place, which provides short lines of communication and easy access to members of the Board.
- delegation of clearly defined responsibilities to 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.

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

Whistleblowing Arrangements
The Group has operated throughout the year a "whistleblowing" arrangement whereby all employees of the Group are able, via an independent external third party, to confidentially report any malpractice or matters of concern they have regarding the actions of management and employees. The Audit Committee and the Board regularly review the effectiveness of this arrangement.

Relations with Shareholders
The Company encourages active dialogue with its private and institutional shareholders, both current and prospective. Meetings are held with both existing and prospective institutional shareholders on a regular basis and as requested. Shareholders are also kept up to date with Company affairs through the Annual and Half Year Reports, Trading Updates and Interim Management Statements. The AGM is used to communicate with institutional and private investors and their participation is encouraged by the taking of questions by the whole Board, both during, and also informally, before and after the meeting. The senior independent non-executive director is always available to discuss issues with current and prospective shareholders and institutions, as required. In addition, the whole Board is regularly updated on shareholder and investor views and activities at Board meetings by the Chief Executive and the Finance Director. Further information for shareholders is available under Shareholder Information on pages 74 to 76 and also on the Company's website at www.bellway.co.uk.

Going Concern
After making due enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts as discussed further on pages 47 and 48.

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

All employees, whether part-time, full-time or temporary, are treated fairly and equally. Selection for employment, promotion, training or other matters affecting their employment is on the basis of aptitude and ability. All employees are assisted and encouraged to develop their full potential and the talents and resources of the workforce are fully utilised to maximise the efficiency of the organisation.

It is Group policy to give full and fair consideration to the employment needs of disabled persons (and persons who become disabled whilst employed by the Group) and to comply with any current legislation with regard to disabled persons. Training at each division is planned and monitored through an annual training plan.

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

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

Environmental Issues
The Board recognises the importance of environmental issues and, when carrying out its business, endeavours to make a positive contribution to the quality of life, both for the present and the future. An Environmental Policy, approved by the Board, has been adopted by all trading entities within the Group. Environmental issues are addressed in the Corporate Responsibility Policy on page 12, the 2010 Corporate Social Responsibility Statement on pages 14 and 15, the Environmental Policy on page 17, and in the Corporate Social Responsibility section of the Company's website www.bellway.co.uk, a copy of which is available from the Group Company Secretary at the Company's registered office.

Health and Safety at Work
The Group promotes all aspects of health and safety throughout its operations in the interests of employees, sub-contractors and visitors to its sites and premises and the general public. Health and safety issues are considered at each Board meeting, and are addressed in the Chief Executive's Operating Review on pages 6 to 11, in the Corporate Responsibility Policy on page 12, in the 2010 Corporate Social Responsibility Statement on pages 14 and 15, and in the Corporate Social Responsibility section of the Company's website www.bellway.co.uk.

Donations
During the year the Group made no political contributions but donated £17,011 (2009 – £11,275) for charitable purposes.

Significant Relationships
The Company is party to a number of banking agreements with major clearing banks. The withdrawal of such facilities could have a material effect on the financing of the business. Other than the foregoing the Group has contractual and other arrangements in place with suppliers and other third parties which support its business activities. None of these arrangements are considered to be critical to the performance of the business.

Suppliers
The Group agrees terms and conditions under which business transactions with suppliers are conducted. The policy is that payments to suppliers are made in accordance with these terms and conditions, provided that the supplier is also complying with the terms and conditions. The Group 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 2010 of £67.973 million (2009 – £52.610 million) gave a creditor payment period of 32 days (2009 – 26 days). Land creditors due within one year were £44.969 million (2009 – £83.588 million). Including land creditors, the creditor payment period was 53 days (2009 – 68 days).

The parent company had no land or trade creditors at 31 July 2010 (2009 – £nil).

Purchase of the Company's Own Shares
The Company was given authority at the 2010 AGM to purchase its own ordinary and preference shares. As at the date of this report no market purchases have been made by the Company and this authority will expire at the end of the 2011 AGM. Shareholders will be asked to renew this authority for a further year at the 2011 AGM. Market purchases, for which shareholder authority is not required, have been made by the trustees of the employee share plans (see note 20 for further details).

Indemnification of Directors
The Company has in place directors' and officers' insurance and the Articles provide the directors with further protection against liability to third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of this report.

Disclosure of all Relevant Information to Auditors
The directors who held office at the date of this report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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

AGM – Special Business
Four resolutions will be proposed as special business at the AGM to be held on Friday 7 January 2011. Explanatory notes on these resolutions are set out in Shareholder Information on page 74.

By order of the Board

G Kevin Wrightson

Group Company Secretary
18 October 2010

Report of the Board on Directors' Remuneration

Introduction

The remuneration of the executive directors is determined by the Board Committee on Executive Directors' Remuneration (the "Committee") within a framework set by the Board. As at the date of this report, the Committee's members are three non-executive directors, Mr Toms (Chairman), Mr Johnson and Mr Cuthbert. Mr Perry was a member of the Committee until his retirement at the AGM on 15 January 2010, when his place on the Committee was taken by Mr Cuthbert. None of the Committee members has a personal financial interest, other than as shareholders, in the matters to be decided. There are no conflicts of interest arising from cross-directorships and no day-to-day involvement in running the business. The Terms of Reference of the Committee are available on the Company's website.

During the year, the Group Company Secretary attended a number of Committee meetings at the invitation of the Committee and provided advice on issues other than those relating to his own remuneration. The Committee also received independent external advice from Hewitt New Bridge Street ("HNBS"). HNBS was appointed by the Committee and does not provide any other services to the Company other than to the Board Committee on Non-Executive Directors' Remuneration.

The remuneration of the non-executive directors (apart from the Chairman) is determined by the Board Committee on Non-Executive Directors' Remuneration, which comprises the executive directors. The Board Committee on Non-Executive Directors' Remuneration also receives advice from the Group Company Secretary and HNBS.

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

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 broadly achieves this objective. The Committee has used this comparative approach to benchmarking with caution, recognising the risk of upward only reviews of remuneration. The structure of the package has been designed to ensure that the performance-related elements of remuneration (annual bonus and long-term 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 performance conditions, including relative Total Shareholder Return ("TSR") performance against other UK housebuilders, thereby creating an alignment with the strategy of the business and the long-term 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 UK Corporate Governance Code and the Association of British Insurers' ("ABI") guidance. When determining the elements of remuneration for the executive directors, the Committee takes into consideration the pay and conditions of employees throughout the Group as a whole, paying particular attention to the levels of pay increase awarded to the workforce generally. All employees, including the executive directors, can join the Savings Related Share Option Scheme. Most employees have access to pension and life assurance benefits and a significant proportion of staff benefit from health insurance, company car or car allowance.

Summary of Remuneration Policy

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

Component	Policy	Performance period	How achieved
Salary	To be market competitive.	n/a	Salary levels set by reference to the mid market level of a peer group of similar UK housebuilding businesses, taking account of individual performance and experience. In practice, notwithstanding the fact that the current management team is highly experienced and well regarded, salaries are generally at or below the median.
Benefits	To provide a range and value which is market competitive.	n/a	Benefits to be at the mid market level of a peer group of similar UK housebuilding businesses, and include a salary supplement in lieu of pension contributions, car or car allowance, life assurance, medical cover and permanent health insurance.
Annual Bonus	To reward achievement of annual operational-based performance targets.	1 year	By providing the opportunity to earn a bonus of up to 100% of salary for outstanding operational performance, both financial and non-financial.
Long-term incentives (performance shares and matching shares)	To encourage long-term value creation, to aid retention, to encourage shareholding, and to promote alignment of interest with shareholders.	3 years	By using share-based incentives with performance conditions which are aligned with shareholders' interests, such as TSR, which are assessed over a three-year period.

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 from the Company and a six-month notice period from the executive. On termination by the Company, an amount equivalent to one year's salary, benefits and the average amount of the last two years' annual bonus payments, would be payable. Within six months of a change of control, if the Company or the executive director serves notice to terminate the contract, the liquidated damages payment would be triggered.

The inclusion of average annual bonus in the calculation of compensation payable for early termination 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 current executive directors have long service with the Company and the Committee does not consider it appropriate to re-negotiate their contracts in relation to this material provision. However, for future executives' contracts the Committee will include a provision for bonus to be taken into account in the calculation for compensation payable. This will ensure that, going forward, service contracts are consistent with current best 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, amended 7 October 2009
P J Stoker	1 August 1995	19 January 1996, amended with effect from 1 November 2003 and further amended 7 October 2009
A M Leitch	1 August 2002	1 September 2002, amended 7 October 2009

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
P M Johnson	1 November 2003	1 November 2009	31 October 2012
M R Toms	1 February 2009	1 February 2009	31 January 2012
J A Cuthbert	1 November 2009	1 November 2009	31 October 2012

On the expiry of his existing letter of appointment, it is the intention of the Company, following rigorous review, to issue a new letter of appointment to Mr Dawe for a term of three years from 1 November 2010.

Salaries and Fees

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

For the year under review, the executive directors received no pay rise while the workforce was awarded an increase generally of 2%. For 2010/11, the executive directors have been awarded a 2.5% increase in basic salary, which will reflect the average percentage increase across the workforce generally.

Fee levels for non-executive directors reflect the time commitment and responsibilities of the role, including membership or chairmanship of Board Committees. Fees are reviewed annually, taking into account the level of fees for similar positions in comparable companies. For the year under review, fees were not increased from their 2008/09 level. With effect from 1 August 2010, fees have been increased by around 6% to reflect the increasing responsibilities, complexity and time commitment of their role. They are not entitled to any benefits (with the exception of the Chairman) or pension. They do not participate in any bonus or long-term incentive plan and they are not entitled to compensation on termination of their agreements, other than normal notice provisions of three months' notice given by either party.

Taxable Benefits

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

Annual Bonus Scheme

For the year under review, bonuses were capped at 100% of basic salary. The performance conditions related to operating profit (pre-exceptional items) (80%) and personal performance (20%), with personal performance being assessed by reference to board structure and succession planning, land bank management, health and safety and customer care. Details of the bonus payments are set out in the notes to the table of directors' emoluments on page 36. Annual bonuses are not pensionable.

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

The 2010/11 bonus will again be based on similar performance parameters as for the 2009/10 bonus and in the same proportions. The Committee considers that outperformance of targets in relation to year-on-year profitability and non-financial metrics provide a good link to the long-term performance of the business.

Long-term Incentive Schemes

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

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 basic salary each year, subject to the achievement of TSR-based performance conditions or, for the award granted in January 2008, a combination of TSR and Return on Capital Employed ("ROCE") conditions.

The policy for long-term incentives to be granted in the 2010/11 financial year, as was the case in prior years, will be for awards to be granted over shares worth 100% of basic salary. Awards will vest to executives after three years, subject to the achievement of performance conditions based around TSR, which compares the stock market performance (share price movement and dividends paid) of different companies.

The TSR performance condition will compare Bellway's TSR against that of an index created by the average TSR of the other UK housebuilders. Awards will start to vest at 25% if Bellway's TSR matches the performance of the index. Full vesting will occur if Bellway's TSR outperforms the index by an average of 7.5% per annum over three years. The Committee has carried out significant modelling during the year under review, the results of which continue to support the premise that 7.5% per annum outperformance is equivalent to average "upper quartile" TSR performance of the housebuilders over the long term.

The companies comprising the Index for the awards to be granted in the 2010/11 financial year are Barratt Developments PLC, The Berkeley Group plc, Bovis Homes Group PLC, Persimmon plc, Redrow plc and Taylor Wimpey plc.

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

Further, regardless of TSR performance, for the award granted in the 2010/11 financial year, no part of the TSR element of an award will vest unless the Committee is satisfied that there has been an improvement in underlying financial performance over the performance period, taking into account, inter alia, operating profit, operating margin, ROCE and Net Asset Value ("NAV"). The Committee will scale back the level of vesting indicated by the TSR performance condition (potentially to zero) in circumstances where there has not been an improvement. This is a change from the provision applying to previous years' awards, where the requirement was that TSR performance was simply reflective of underlying financial performance.

The Bellway p.l.c. (2008) Share Matching Plan (the "SMP") operates 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.

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

In addition to the two executive plans detailed above, the Bellway p.l.c. (2003) Savings Related Share Option Scheme ("2003 SRSOS") is available to all employees, including the executive directors.

Shareholding Guidelines

There is a minimum shareholding requirement for the executive directors, equivalent to 100% of basic salary. As at 31 July 2010, and at the date of this report, all executive directors hold shares with an equivalent value well 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 the directors are interested only as trustees) in the ordinary share capital of the Company are set out below:

	Fully paid ordinary 12.5 pence shares	
Beneficial interests	**31 July 2010**	1 August 2009 or date of appointment if later
H C Dawe	**143,634**	143,634
J K Watson	**400,527**	400,527
P J Stoker	**540,000**	540,000
A M Leitch	**132,473**	132,473
P M Johnson	**4,300**	4,300
M R Toms	**1,500**	–
J A Cuthbert	**6,000**	–

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

	Fully paid cumulative redeemable £1 preference shares	
Beneficial interests	**31 July 2010**	1 August 2009
H C Dawe	**679,164**	629,164
P J Stoker	**150,000**	–
A M Leitch	**150,000**	50,000

There has been no change in any of the above interests between 31 July 2010 and the date of this report.

Pensions

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

Report of the Board on Directors' Remuneration continued

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

	Salary and fees £	Taxable benefits[1] £	Annual bonus[2] £	Payment in lieu of pension[3] £	Total 2010 £	Total 2009 £
Non-executive Chairman						
H C Dawe	228,094	2,539	–	–	**230,633**	230,114
Executive directors						
J K Watson	515,000	25,484	396,164	154,500	**1,091,148**	799,646
P J Stoker	334,750	24,809	257,506	100,425	**717,490**	527,962
A M Leitch	334,750	24,716	257,506	100,425	**717,397**	527,725
Non-executive directors						
P M Johnson	51,500	–	–	–	**51,500**	49,675
M R Toms[4]	47,380	–	–	–	**47,380**	23,690
J A Cuthbert[5]	35,535	–	–	–	**35,535**	N/A
D G Perry[6]	21,746	–	–	–	**21,746**	47,380
Totals	1,568,755	77,548	911,176	355,350	**2,912,829**	2,206,192

Notes:

1. Taxable benefits relate to the provision of motor vehicles, telephones and private medical insurance.
2. The annual bonus is payable in November 2010 for performance during the year ended 31 July 2010. The performance conditions for the 2009/10 bonus were operating profit (pre-exceptional items) (80%) and non-financial performance (20%), with non-financial performance being assessed by reference to board structure and succession planning, land bank management, health and safety and customer care. The actual bonus payments against each of these metrics were determined on the following basis:
   - operating profit was £51.255 million. This was above City expectations of underlying profitability and towards the higher end of the target range. A bonus of 64.259% of salary was therefore achieved out of the maximum 80%.
   - in respect of the non-financial elements, the Committee took account of performance against each metric and determined that, overall, a bonus of 12.666% of salary should be payable out of the maximum 20%.
3. Executive directors receive a cash payment in lieu of pension contribution amounting to 30% of basic salary.
4. Appointed 1 February 2009.
5. Appointed 1 November 2009.
6. Retired 15 January 2010.

Directors' Interests in Deferred Bonus Plan

The executive directors had a beneficial interest in certain shares held in the Bellway Employee Share Trust (1992) ("the Trust") pursuant to the grant of deferred bonus entitlements under the terms of the Bellway p.l.c. 2003 Deferred Bonus Plan (a legacy plan). The number of shares held in the Trust in respect of each director was as follows:

	Fully paid ordinary 12.5p shares			
	Entitlements held in Trust as at 1 August 2009	Entitlements awarded during the year	Entitlements vested during the year[1]	**Entitlements held in Trust as at 31 July 2010**
J K Watson	17,857	–	(17,857)	**–**
P J Stoker	12,946	–	(12,946)	**–**
A M Leitch	12,054	–	(12,054)	**–**

Notes:

1. 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 Watson 1,987 shares, Mr Stoker 1,441 shares and Mr Leitch 1,342 shares.
2. There has been no change in the above holdings between 31 July 2010 and the date of this report.

Directors' Interests in Performance Share Plan ("PSP")

In addition, the executive directors have a potential future beneficial interest in certain shares held in the Trust pursuant to the allocation of shares under the PSP. Further information on the PSP is set out on page 34. The number of shares allocated in the Trust in respect of each director, along with the market price of the shares at the date of award, is shown below:

	Fully paid ordinary 12.5p shares					
Potential future beneficial interests	Award date	Awards held at 1 August 2009	Awarded during the year	Awards lapsed during the year	Awards vested during the year[5]	**Awards held at 31 July 2010**
J K Watson	18.10.2006[1]	33,482	–	–	(33,482)	**–**
	16.01.2008[2]	67,159	–	–	–	**67,159**
	04.11.2008[3]	89,487	–	–	–	**89,487**
	29.10.2009[4]	–	72,028	–	–	**72,028**
Totals		190,128	72,028	–	(33,482)	**228,674**
P J Stoker	18.10.2006[1]	23,065	–	–	(23,065)	**–**
	16.01.2008[2]	43,653	–	–	–	**43,653**
	04.11.2008[3]	58,167	–	–	–	**58,167**
	29.10.2009[4]	–	46,818	–	–	**46,818**
Totals		124,885	46,818	–	(23,065)	**148,638**
A M Leitch	18.10.2006[1]	23,065	–	–	(23,065)	**–**
	16.01.2008[2]	43,653	–	–	–	**43,653**
	04.11.2008[3]	58,167	–	–	–	**58,167**
	29.10.2009[4]	–	46,818	–	–	**46,818**
Totals		124,885	46,818	–	(23,065)	**148,638**

Notes:

1. Market value on award 1,344.00p (18.10.2006), performance period 1 August 2006 – 31 July 2009.
2. Market value on award 744.50p (16.01.2008), performance period 1 August 2007 – 31 July 2010.
3. Market value on award 575.50p (04.11.2008), performance period 1 August 2008 – 31 July 2011.
4. Market value on award 715.00p (29.10.2009), performance period 1 August 2009 – 31 July 2012.
5. Market value on 25 March 2010, which was the day the shares vested, was 765.00p. The awards vested at 100% of the full entitlement. Aggregate gross gains made by the above directors on vesting of these awards under the PSP in the year were £610,420.02 (2009 – £507,840.17).

6. The performance conditions for each award are summarised below:

(a) For awards made on 18 October 2006, which vested during the year, a TSR performance condition required Bellway's TSR to be at least at the median of a comparator group of other housebuilders (at which point 33% of the award vested), and at or above the upper quartile of the comparator group for full vesting. Bellway's TSR was above the upper quartile and therefore the awards vested in full. The comparator group comprised Barratt Developments PLC, The Berkeley Group plc, Bovis Homes Group PLC, Persimmon plc, Redrow plc and Taylor Wimpey plc (plus Crest Nicholson plc, McCarthy & Stone plc, Taylor Woodrow plc and Wilson Bowden plc, all of whom have now delisted).

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

(i) 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 companies comprising the Index for the awards made on 16 January 2008 are Barratt Developments PLC, The Berkeley Group plc, Bovis Homes Group PLC, Persimmon plc, Redrow plc and Taylor Wimpey plc. This TSR condition has been achieved as at 96.6% of the maximum.

(ii) 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. This performance condition has not been achieved.

(c) For the awards made on 4 November 2008 and 29 October 2009 the TSR part of the award applied as the sole performance condition (compared to the same companies as for the award made on 16 January 2008).

(d) Regardless of TSR performance, no part of the TSR element of an award will vest unless the Committee is satisfied that the Company's TSR over the performance period reflects underlying financial performance.

7. The market price of the ordinary shares at 31 July 2010 was 579.50p and the range during the year was 560.00p to 927.50p.

8. There has been no change in the above potential future beneficial interests between 31 July 2010 and the date of this report.

Directors' Share Options

Details of all directors' interests under the all-employee savings related share option scheme are shown below:

	Scheme	1 August 2009	Granted during the year	Exercised during the year	**31 July 2010**	Exercise price (p)	Exercisable from	Expiry date
J K Watson	2003 SRSOS	2,857	–	–	**2,857**	336.00	1 Feb 2012	31 July 2012
Totals		2,857	–	–	**2,857**			
P J Stoker	2003 SRSOS	2,857	–	–	**2,857**	336.00	1 Feb 2012	31 July 2012
Totals		2,857	–	–	**2,857**			

Notes:

1. All of the above options were granted for nil consideration.

2. The market price of the ordinary shares at 31 July 2010 was 579.50p and the range during the year was 560.00p to 927.50p.

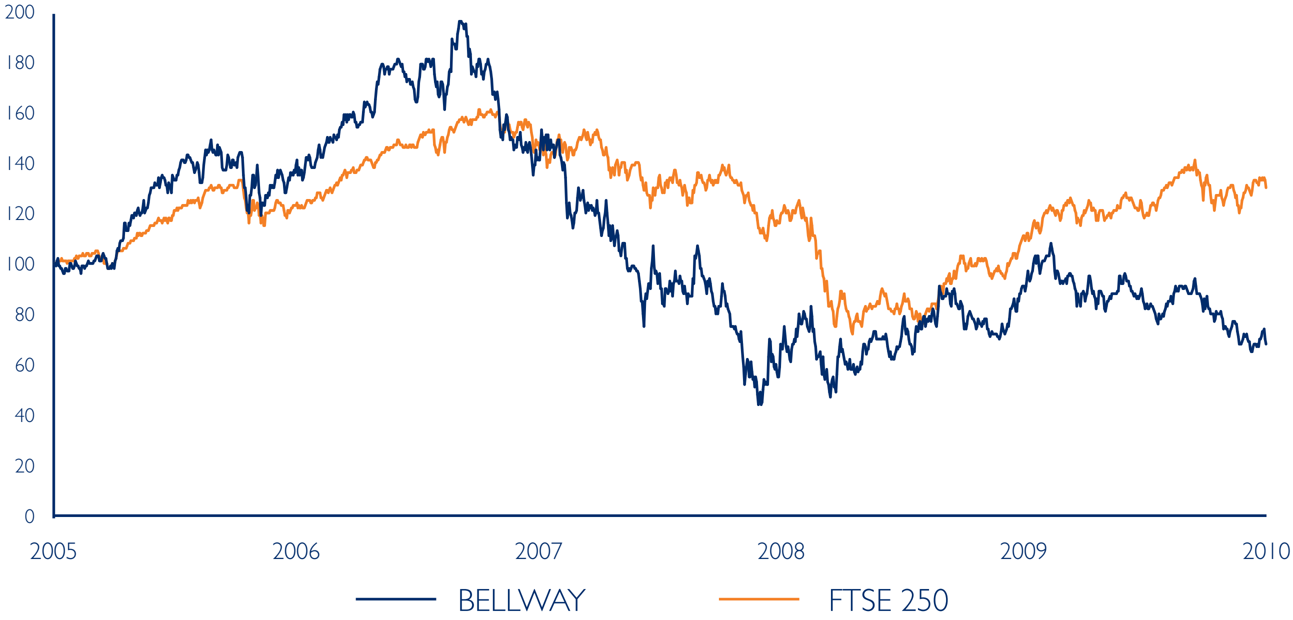
3. There has been no change in the above holdings between 31 July 2010 and the date of this report.

Performance Graph

The graph below shows the total shareholder return performance of the Company and a "broad equity market index" over the past five financial years. As the Company has been a constituent of the FTSE 250 Index over this period, the Committee considers that index to be the most appropriate for comparison purposes.

Total shareholder return over the last five financial years

Source: Datastream



This graph looks at the value at 31 July 2010, of £100 invested in Bellway p.l.c. on 31 July 2005 compared with the value of £100 invested in the FTSE 250 Index over the same period.

This report will be put to an advisory vote of the Company's shareholders at the AGM on 7 January 2011.

On behalf of the Board

Mike R Toms

Chairman of the Board Committee on Executive Directors' Remuneration
18 October 2010

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

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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

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

Responsibility statement of the directors in respect of the Annual Report and Accounts
We confirm that to the best of our knowledge:

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

Alistair M Leitch

Finance Director
18 October 2010

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

We have audited the financial statements of Bellway p.l.c. for the year ended 31 July 2010 set out on pages 42 to 72. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 40, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 July 2010 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

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

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 30, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

M R Thompson (Senior Statutory Auditor)

for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX

18 October 2010

Group Income Statement
for the year ended 31 July 2010

	Notes	2010 Total £000	2009 Pre-exceptional item £000	2009 Exceptional item note 5 £000	2009 Total £000
Revenue	1	**768,341**	683,813	–	683,813
Cost of sales	5	**(678,547)**	(596,680)	(66,312)	(662,992)
Gross profit		**89,794**	87,133	(66,312)	20,821
Administrative expenses		**(38,539)**	(41,554)	–	(41,554)
Operating profit/(loss)	4	**51,255**	45,579	(66,312)	(20,733)
Finance income	2	**2,281**	4,894	–	4,894
Finance expenses	2	**(9,103)**	(20,712)	–	(20,712)
Profit/(loss) before taxation		**44,433**	29,761	(66,312)	(36,551)
Income tax (expense)/credit	6	**(8,620)**	(9,460)	18,567	9,107
Profit/(loss) for the year *		**35,813**	20,301	(47,745)	(27,444)

* All attributable to equity holders of the parent.

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

	Notes	2010 Total	2009 Pre-exceptional item	2009 Exceptional item	2009 Total
Earnings/(loss) per ordinary share – Basic	8	**29.7p**	17.7p	(41.6)p	(23.9)p
Earnings/(loss) per ordinary share – Diluted	8	**29.6p**	17.6p	(41.5)p	(23.9)p

Statements of Comprehensive Income
for the year ended 31 July 2010

	Notes	2010 Group £000	2009 Group £000	2010 Company £000	2009 Company £000
Profit/(loss) for the period		**35,813**	(27,444)	**(1,913)**	(1,873)
Other comprehensive income					
Actuarial gains on defined benefit pension plans	25	**1,891**	353	**–**	–
Income tax on other comprehensive income	6	**(582)**	(99)	**–**	–
Other comprehensive income for the period, net of income tax		**1,309**	254	**–**	–
Total comprehensive income/(expense) for the period *		**37,122**	(27,190)	**(1,913)**	(1,873)

* All attributable to equity holders of the parent.

Statement of Changes in Equity
at 31 July 2010

Group	Notes	Issued capital £000	Share premium £000	Other reserves £000	Retained earnings £000	Total £000	Non-controlling interest £000	Total equity £000
Balance at 1 August 2008		14,372	116,928	1,492	868,358	1,001,150	(66)	1,001,084
Total comprehensive expense for the period								
Loss for the period		–	–	–	(27,444)	(27,444)	–	(27,444)
Other comprehensive income *		–	–	–	254	254	–	254
Total comprehensive expense for the period		–	–	–	(27,190)	(27,190)	–	(27,190)
Transactions with shareholders recorded directly in equity:								
Dividends on equity shares	7	–	–	–	(10,347)	(10,347)	–	(10,347)
Shares issued	19	3	270	–	–	273	–	273
Credit in relation to share options and tax thereon	25	–	–	–	1,305	1,305	–	1,305
Purchase of own shares	20	–	–	–	(113)	(113)	–	(113)
Total contributions by and distributions to shareholders		3	270	–	(9,155)	(8,882)	–	(8,882)
Balance at 31 July 2009		14,375	117,198	1,492	832,013	965,078	(66)	965,012
Total comprehensive income for the period								
Profit for the period		–	–	–	35,813	35,813	–	35,813
Other comprehensive income *		–	–	–	1,309	1,309	–	1,309
Total comprehensive income for the period		–	–	–	37,122	37,122	–	37,122
Transactions with shareholders recorded directly in equity:								
Dividends on equity shares	7	–	–	–	(11,221)	(11,221)	–	(11,221)
Shares issued	19	728	43,365	–	–	44,093	–	44,093
Credit in relation to share options and tax thereon	25	–	–	–	1,569	1,569	–	1,569
Purchase of own shares	20	–	–	–	(1,777)	(1,777)	–	(1,777)
Total contributions by and distributions to shareholders		728	43,365	–	(11,429)	32,664	–	32,664
Balance at 31 July 2010		**15,103**	**160,563**	**1,492**	**857,706**	**1,034,864**	**(66)**	**1,034,798**

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

Statement of Changes in Equity
at 31 July 2010

Company	Notes	Issued capital £000	Share premium £000	Other reserves £000	Share-based payment reserve £000	Retained earnings £000	Total equity £000
Balance at 1 August 2008		14,372	116,928	2,145	9,267	582,417	725,129
Total comprehensive expense for the period							
Loss for the period		–	–	–	–	(1,873)	(1,873)
Other comprehensive income *		–	–	–	–	–	–
Total comprehensive expense for the period		–	–	–	–	(1,873)	(1,873)
Transactions with shareholders recorded directly in equity:							
Dividends on equity shares	7	–	–	–	–	(10,347)	(10,347)
Shares issued	19	3	270	–	–	–	273
Credit in relation to share options	25	–	–	–	1,318	–	1,318
Total contributions by and distributions to shareholders		3	270	–	1,318	(10,347)	(8,756)
Balance at 31 July 2009		14,375	117,198	2,145	10,585	570,197	714,500
Total comprehensive expense for the period							
Loss for the period		–	–	–	–	(1,913)	(1,913)
Other comprehensive income *		–	–	–	–	–	–
Total comprehensive expense for the period		–	–	–	–	(1,913)	(1,913)
Transactions with shareholders recorded directly in equity:							
Dividends on equity shares	7	–	–	–	–	(11,221)	(11,221)
Shares issued	19	728	43,365	–	–	–	44,093
Credit in relation to share options	25	–	–	–	1,372	–	1,372
Purchase of own shares	20	–	–	–	–	(7,486)	(7,486)
Total contributions by and distributions to shareholders		728	43,365	–	1,372	(18,707)	26,758
Balance at 31 July 2010		**15,103**	**160,563**	**2,145**	**11,957**	**549,577**	**739,345**

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

Balance Sheets
at 31 July 2010

	Notes	2010 Group £000	2009 Group £000	2010 Company £000	2009 Company £000
ASSETS					
Non-current assets					
Property, plant and equipment	9	**8,216**	8,250	**–**	–
Investment property	10	**7,716**	7,377	**–**	–
Investments in subsidiaries	11	**–**	–	**28,160**	26,788
Other financial assets	14	**32,664**	20,826	**–**	–
Deferred tax assets	12	**3,694**	7,328	**–**	–
		52,290	43,781	**28,160**	26,788
Current assets					
Inventories	13	**1,148,713**	1,211,351	**–**	–
Corporation tax receivable		**–**	9,847	**–**	–
Trade and other receivables	15	**45,801**	41,749	**683,173**	703,617
Cash and cash equivalents	22	**145,689**	43,210	**48,856**	4,953
		1,340,203	1,306,157	**732,029**	708,570
Total assets		**1,392,493**	1,349,938	**760,189**	735,358
LIABILITIES					
Non-current liabilities					
Interest bearing loans and borrowings	16	**100,000**	100,000	**20,000**	20,000
Retirement benefit obligations	25	**8,736**	11,925	**–**	–
Land and other payables	17	**20,299**	26,854	**–**	–
Deferred tax liabilities	12	**166**	–	**–**	–
		129,201	138,779	**20,000**	20,000
Current liabilities					
Corporation tax payable		**2,842**	–	**–**	–
Trade and other payables	17	**225,652**	246,147	**844**	858
		228,494	246,147	**844**	858
Total liabilities		**357,695**	384,926	**20,844**	20,858
Net assets		**1,034,798**	965,012	**739,345**	714,500
EQUITY					
Issued capital	19	**15,103**	14,375	**15,103**	14,375
Share premium		**160,563**	117,198	**160,563**	117,198
Other reserves		**1,492**	1,492	**2,145**	2,145
Share-based payment reserve		**–**	–	**11,957**	10,585
Retained earnings		**857,706**	832,013	**549,577**	570,197
Total equity attributable to equity holders of the parent		**1,034,864**	965,078	**739,345**	714,500
Non-controlling interest		**(66)**	(66)	**–**	–
Total equity		**1,034,798**	965,012	**739,345**	714,500

Approved by the Board of Directors on 18 October 2010 and signed on its behalf by

Registered Number 1372603

Howard C Dawe
Director

Alistair M Leitch
Director

Cash Flow Statements
for the year ended 31 July 2010

	Notes	2010 Group £000	2009 Group £000	2010 Company £000	2009 Company £000
Cash flows from operating activities					
Profit/(loss) for the year		**35,813**	(27,444)	**(1,913)**	(1,873)
Depreciation charge	9	**1,659**	2,190	**–**	–
(Profit)/loss on sale of property, plant and equipment	4	**(184)**	4	**–**	–
(Profit)/loss on sale of investment properties		**(39)**	55	**–**	–
Finance income	2	**(2,281)**	(4,894)	**–**	(27)
Finance expenses	2	**9,103**	20,712	**1,899**	1,900
Share based payment charge	25	**1,372**	1,318	**–**	–
Income tax expense/(credit)	6	**8,620**	(9,107)	**–**	–
Decrease in inventories		**62,638**	293,155	**–**	–
(Increase)/decrease in trade and other receivables		**(15,869)**	(22,744)	**14,740**	11,961
(Decrease)/increase in trade and other payables		**(33,602)**	(69,282)	**(14)**	150
Cash from operations		**67,230**	183,963	**14,712**	12,111
Interest paid		**(2,534)**	(14,590)	**(1,895)**	(1,900)
Income tax received		**7,484**	23,591	**–**	–
Net cash inflow from operating activities		**72,180**	192,964	**12,817**	10,211
Cash flows from investing activities					
Acquisition of property, plant and equipment		**(1,763)**	(139)	**–**	–
Acquisition of investment properties		**(657)**	(3,383)	**–**	–
Proceeds from sale of property, plant and equipment		**322**	684	**–**	–
Proceeds from sale of investment properties		**262**	43	**–**	–
Interest received		**1,049**	1,265	**–**	27
Net cash (outflow)/inflow from investing activities		**(787)**	(1,530)	**–**	27
Cash flows from financing activities					
Decrease in bank borrowings	21	**–**	(247,000)	**–**	–
Proceeds from issue of share capital on share placing	19	**43,658**	–	**43,658**	–
Proceeds from the issue of share capital on exercise of share options		**435**	273	**435**	273
Purchase of own shares by employee share option plans		**(1,777)**	(113)	**(1,777)**	–
Dividends paid		**(11,230)**	(10,697)	**(11,230)**	(10,697)
Net cash inflow/(outflow) from financing activities		**31,086**	(257,537)	**31,086**	(10,424)
Net increase/(decrease) in cash and cash equivalents		**102,479**	(66,103)	**43,903**	(186)
Cash and cash equivalents at beginning of year		**43,210**	109,313	**4,953**	5,139
Cash and cash equivalents at end of year	22	**145,689**	43,210	**48,856**	4,953

Accounting Policies

Basis of preparation

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

Both the Company financial statements and the Group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs") and have been prepared on the historical cost basis except for other financial assets, which are stated at their fair value. On publishing the Company financial statements here together with the Group financial statements, which were approved for issue on 18 October 2010, the Company is taking advantage of the exemption in section 408 of the Companies Act 2006 not to present its individual income statement and related notes that form a part of these financial statements.

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

Effect of new standards and interpretations effective for the first time

The following new standards, amendments to standards or interpretations have been adopted in the Group's financial statements for the year ended 31 July 2010. They have had no material effect on the Group's financial statements.

- IAS 1 "Presentation of Financial Statements" (Amendment). These amendments are solely presentational and have been fully reflected in these financial statements.
- IAS 23 "Borrowing Costs" (Amendment). 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 Board has concluded that the Group does not hold any qualifying assets. The Board will continue to assess whether this amendment is applicable to future assets under construction.
- IAS 27 "Consolidated and Separate Financial Statements" (Amended). The amendments remove the definition of the "cost method" currently set out in IAS 27, and instead, require all dividends from a subsidiary, jointly controlled entity or associate to be recognised in the separate financial statements of the investor when the right to receive the dividend is established. The Board has concluded that there is no effect on the Group's financial statements.
- IAS 32 "Financial Instruments: Presentation" (Amendment). The amendment provides exemptions from the requirement to classify certain financial instruments as a liability where an entity has an unavoidable obligation to deliver cash arising on liquidation. The Board has concluded that the Group does not hold any applicable financial instruments.
- IFRS 7 "Financial Instruments: Disclosure" (Amendment). This amendment expands the disclosures required relating to fair value measurements and liquidity risk. These disclosures have been reflected in these financial statements.
- IFRS 8 "Operating Segments" replaces IAS 14 "Segmental Reporting" and requires the disclosure of segment information on the same basis as the management information that is regularly reviewed by the Chief Operating Decision Maker. The Board has been identified as the Chief Operating Decision Maker. The adoption of the standard has not resulted in a change in the Group's reportable segments (note 1). The Group continues to have one reportable segment which is house building in the United Kingdom.
- IFRS 2 "Share-based payment" (Amendment). The definition of vesting conditions in IFRS 2 has been amended to clarify that vesting conditions are limited to service conditions and performance conditions. Conditions other than service or performance conditions are considered non-vesting conditions. The amendment also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment, i.e. an acceleration of the charge, rather than being treated as a reversal. The Board has concluded that there is no significant effect on the Group's financial statements.
- IFRIC 14 "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction". This interpretation outlines when refunds or reductions in future contributions can be treated as available under IAS 19 "Employee Benefits" and how a minimum funding requirement affects future contributions or may give rise to a liability. The Board has concluded that this does not affect the Group's financial statements in the current year.
- IFRIC 15 "Agreements for the Construction of Real Estate". This interpretation provides guidance on whether construction of real estate should be accounted for under IAS 11 "Construction Contracts" or IAS 18 "Revenue". The Group already accounts for the construction of real estate in accordance with IFRIC 15. The Board has therefore concluded that this interpretation does not affect the Group's financial statements.

The other standards and interpretations that are applicable for the first time in the Group's financial statements for the year ended 31 July 2010, have no effect on these financial statements.

The preparation of financial statements in conformity with Adopted IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chief Executive's Operating Review on pages 6 to 11. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Group Finance Director's Review on pages 18 to 21. Note 18 to the financial statements sets out the Group's policies and processes for managing its capital, financial risk, and its exposures to credit risk and liquidity risk.

Basis of preparation (continued)

The Group's activities are financed principally by a combination of ordinary shares, preference shares, bank borrowings and cash in hand. During the year the Group generated cash of £102.5 million arising from a combination of trading activities and a share placing on 6 August 2009, which raised £43.658 million (net of issue costs). The Group has operated within all of its banking covenants throughout the year. At 31 July 2010 cash, net of borrowings (excluding preference shares), was £65.7 million. In addition, the Group had bank facilities of £305.0 million, expiring in tranches up to April 2015, with £225.0 million available for drawdown under such facilities at 31 July 2010.

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

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 July. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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

The Group and Company own 25%–50% of the ordinary share capital of several small entities and the results, assets and liabilities of these jointly controlled entities have been proportionately consolidated.

Property, plant and equipment

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

Plant, fixtures and fittings – 3 to 10 years.

Freehold buildings – 40 years.

Freehold land is not depreciated.

Investment property

Investment property is initially recognised at cost. Subsequent to recognition, investment property is measured using the cost model and is carried at cost less any accumulated 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 100 years (2009 – 40 years).

The Group has assessed the residual values as highly likely to exceed cost and has therefore determined that no depreciation should be charged (2009 – £nil). The increase in the assessment of the useful life of the investment properties from 40 years to 100 years accordingly has no effect on the financial statements.

Inventories

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

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

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

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

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

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

A description of the valuation technique is given in note 14 on page 59.

Cash and cash equivalents
Cash and cash equivalents are defined as cash balances in hand and in the bank (including short term cash deposits). The Group utilises bank overdraft facilities, which are repayable on demand, as part of its cash management policy. As a consequence, bank overdrafts are included as a component of net cash and cash equivalents within the cash flow statement. Offset arrangements across Group businesses are applied to arrive at the cash and overdraft figures in the balance sheet.

Interest bearing loans and borrowings
Interest bearing loans and borrowings are stated at their fair value at the date of initial recognition and subsequently at amortised cost.

Trade and other payables
Trade payables on normal terms are not interest bearing and are stated at their nominal value. Trade payables on deferred terms, most notably in relation to land purchases, are recorded initially at their fair value. The discount to nominal value is amortised over the period to settlement and charged to finance expenses.

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

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

Other dividends are recognised as a liability in the period in which they are approved by the shareholders. Interim dividends are recognised when paid.

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

(a) they include no contractual obligations upon the Company (or Group as the case may be) to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company (or Group); and

(b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

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

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

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

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

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

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

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

Any subsequent write-down below the part-exchange valuation is recognised in cost of sales.

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

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

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

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

Employee benefits – retirement benefit costs
For the defined benefit scheme, the liability is calculated at the present value of the defined benefit obligation at the balance sheet date. The fair values of scheme assets are then deducted. The calculation is performed by a qualified actuary using the projected unit credit method. All actuarial gains and losses are recognised immediately in the Statement of Comprehensive Income ("SOCI"). Further details of the scheme and the valuation methods applied may be found in note 25 on pages 66 to 69.

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

Employee benefits – share-based payment
In accordance with IFRS 2, the fair value of equity settled share options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured as at the date the options are granted and the charge is only amended if vesting does not take place due to non-market conditions not being met. Various option pricing models are used according to the terms of the option scheme under which the options were granted. The fair value is spread over the period during which the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of options that vest. At the balance sheet date, if it is expected that non-market conditions will not be satisfied, the cumulative expense recognised in relation to the relevant options is reversed.

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

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

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

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

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

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

Finance income and expenses
Finance income includes interest receivable on bank deposits. Other financial assets relate to the deferred element of revenues receivable from the sale of homes under shared equity schemes. The discounting of these other financial assets produces a notional interest receivable amount and this has been credited to cost of sales in the current year. This amount was credited to finance income in the previous year. The amount relating to the year ended 31 July 2009 has not been restated as it is not considered to be significant.

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 both the years ended 31 July 2010 and 31 July 2009, a full review of inventories has been performed and write downs have been made where cost exceeds net realisable value. Estimated selling prices have been reviewed on a site-by-site basis and selling prices have been amended based on local management and the Board's assessment of current market conditions. For the year ended 31 July 2010 no exceptional charge has resulted from the review. In the year ended 31 July 2009 a total exceptional charge of £66.3 million, made up of £58.9 million from site reviews, and £7.4 million from option cost and part-exchange property write downs, was charged to the income statement.

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

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

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

Other financial assets
The fair value of future anticipated cash receipts takes into account the directors' view of future house price movements, the expected timing of receipts and the likelihood that a purchaser defaults on a repayment. The directors revisit the future anticipated cash receipts from the assets at the end of each reporting period as detailed in note 14 on page 59.

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

- Annual Improvements 2009. This is a collection of amendments to 12 standards as part of the IASB programme of annual improvements. Most of the amendments are effective for the Group for the period beginning 1 August 2010.
- IFRS 7 "Financial Instruments: Disclosure" (Amendment). The amendment provides clarification of the standard and requires additional disclosures in relation to financial instruments. This is effective for the period beginning on 1 August 2011.

The Board anticipates that these amendments will be adopted in the Group's financial statements in the year they become effective and that the adoption of these amendments will not have a significant effect on the Group's financial statements.

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

Notes to the Accounts

1 Revenue/Segmental analysis

For the purposes of determining its reportable segments, the Chief Operating Decision Maker ("CODM") has been identified as the Board of Directors. The Board has reviewed the requirements of IFRS 8 "Operating Segments", including consideration of the internal reporting it receives to assess performance and to make decisions on how resources are allocated.

The Board regularly reviews the Group's performance and balance sheet position for its entire operations, which are based in the UK, and receives financial information for the UK as a whole. As a consequence, having carefully considered the requirements of IFRS 8, the Board has concluded that the Group has one reportable segment, which is UK housebuilding.

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

Additional information on average selling prices and the unit sales split between north, south, private and social has been included in the Group Finance Director's Review on pages 18 to 21. The Board does not, however, consider these categories to be separate reportable segments as they review the entire operations as a whole, which are based in the UK, when assessing performance and making decisions about the allocation of resources.

2 Finance income and expenses

	2010 £000	2009 £000
Interest receivable on bank deposits	**1,306**	1,438
Interest income from financial assets	**–**	1,594
Other interest income	**975**	1,862
Finance income	**2,281**	4,894
Interest payable on bank loans and overdrafts	**2,154**	11,857
Interest on deferred term land payables	**4,456**	5,663
Interest element of movement in pension scheme deficit	**413**	906
Other interest expense	**181**	386
Preference dividends	**1,899**	1,900
Finance expenses	**9,103**	20,712

3 Employee information

Group employment costs, including directors, comprised:

	2010 £000	2009 £000
Wages and salaries	**51,463**	48,028
Social security	**5,240**	5,069
Pension costs (note 25)	**1,720**	816
Share-based payments (note 25)	**1,372**	1,318
	59,795	55,231

The average number of persons employed by the Group during the year was 1,360 (2009 – 1,240) comprising 464 (2009 – 452) administrative and 896 (2009 – 788) production and others employed in housebuilding and associated trading activities.

Pension costs for the current year are net of a settlement gain of £nil (2009 – £1.348 million).

The executive directors and the Group Company Secretary are the only employees of the Company and the emoluments of the executive directors are disclosed in the Report of the Board on Directors' Remuneration on pages 32 to 39.

3 Employee information (continued)

Key management personnel remuneration, including directors, comprised:

	2010 £000	2009 £000
Salaries and fees	**2,533**	2,192
Taxable benefits	**167**	122
Annual bonus – cash	**1,318**	335
Pension costs	**46**	12
Share-based payments	**901**	1,040
	4,965	3,701

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

4 Operating profit/(loss)

	2010 £000	2009 £000
Operating profit/(loss) is stated after charging/(crediting):		
Staff costs (note 3)	**59,795**	55,231
(Profit)/loss on sale of property, plant and equipment	**(184)**	4
Depreciation	**1,659**	2,190
Hire of plant and machinery	**6,520**	4,648
Operating lease charges for land and buildings	**1,300**	1,271
Auditors' remuneration:		
Audit of these financial statements	**29**	29
Amounts receivable by the auditors and their associates in respect of:		
Audit of financial statements of subsidiaries pursuant to legislation	**183**	180
Other services relating to taxation	**46**	84
Pension scheme audit	**5**	5
Other services	**–**	66

Amounts paid to the Company's auditors and their associates in respect of services to the Company, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis.

5 Exceptional items

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

A full review of inventories was performed at 31 July 2010, and the carrying value of land was compared to the net realisable value. Net realisable value represents the estimated selling price (in the ordinary course of business) less all estimated costs of completion and overheads. Estimated selling prices were reviewed on a site by site basis and selling prices were amended based on local management and the Board's assessment of current market conditions. No further exceptional land write downs or land write backs were required as a result of this review.

The exceptional charge of £66.312 million for the year ended 31 July 2009 comprised write downs to net realisable value arising from site reviews (£58.881 million), option costs and related fees (£6.338 million), and part-exchange properties (£1.093 million).

6 Income tax expense/(credit)

	2010 £000	2009 £000
Current tax expense/(credit):		
UK corporation tax	**6,693**	(6,927)
Adjustments in respect of prior years	**(1,488)**	(2,611)
	5,205	(9,538)
Deferred tax expense/(credit):		
Origination and reversal of temporary differences	**6,768**	(2,317)
Reduction in tax rate	**125**	–
Adjustments in respect of prior years	**(3,478)**	2,748
	3,415	431
Total income tax expense/(credit) in income statement	**8,620**	(9,107)

	2010 %	2010 £000	2009 %	2009 £000
Reconciliation of effective tax rate:				
Profit/(loss) before tax		**44,433**		(36,551)
Tax calculated at UK corporation tax rate	**28.0**	**12,441**	28.0	(10,234)
Non-deductible expenses	**2.3**	**1,020**	(3.6)	1,305
Effect of hybrid rate of tax	**–**	**–**	0.9	(315)
Reduction in tax rate	**0.3**	**125**	–	–
Adjustments in respect of prior years – current tax	**(3.4)**	**(1,488)**	7.1	(2,611)
– deferred tax	**(7.8)**	**(3,478)**	(7.5)	2,748
Effective tax rate and tax expense/(credit) for the year	**19.4**	**8,620**	24.9	(9,107)

The deferred tax assets and liabilities held by the Group at the start of the year that are expected to be realised after 31 March 2011 have been revalued at a tax rate of 27%, being the corporation tax rate that was substantively enacted at the balance sheet date, with effect from 1 April 2011.

The effective income tax charge is 19.4% of profit before tax (2009 – 24.9% tax credit of loss before tax) and compares favourably to the Group's standard tax rate for the year of 28.0% (2009 – 28.0%). The lower effective tax rate in the current year is principally due to enhanced claims for qualifying expenditure on remediated land, relating to current and prior periods, which have reduced the overall tax charge by £5.3 million in the year.

The UK corporation tax rate changed from 30% to 28% with effect from 1 April 2008. The hybrid tax rate continued to affect the tax credit for the year ended 31 July 2009 with respect to losses carried back from that period.

The adjustment in respect of the prior years' current and deferred tax has been applied to the pre-exceptional charge in the income statement for the year ended 31 July 2009.

	2010 £000	2009 £000
Deferred tax recognised directly in equity:		
Credit/(charge) relating to equity-settled transactions	**197**	(13)
Charge relating to actuarial movement on the defined benefit pension scheme	**(582)**	(99)

7 Dividends on equity shares

	2010 £000	2009 £000
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 July 2009 of 6.0p per share (2008 – 6.0p)	**7,238**	6,897
Interim dividend for the year ended 31 July 2010 of 3.3p per share (2009 – 3.0p)	**3,987**	3,450
Dividends forfeited	**(4)**	–
	11,221	10,347
Proposed final dividend for the year ended 31 July 2010 of 6.7p per share (2009 – 6.0p)	**8,096**	7,245

The 2010 proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 7 January 2011 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 [1]	Earnings 2010 £000	Weighted average number of ordinary shares 2010 no.	Earnings per share 2010 p	Earnings/(loss) 2009 £000	Weighted average number of ordinary shares 2009 no.	Earnings/(loss) per share 2009 p
For basic earnings per ordinary share	**35,813**	**120,619,800**	**29.7**	20,301	114,949,883	17.7
Dilutive effect of options and awards		**549,620**	**(0.1)**		339,658	(0.1)
For diluted earnings per ordinary share	**35,813**	**121,169,420**	**29.6**	20,301	115,289,541	17.6
Post-exceptional item						
For basic earnings per ordinary share	**35,813**	**120,619,800**	**29.7**	(27,444)	114,949,883	(23.9)
Dilutive effect of options and awards [2]		**549,620**	**(0.1)**		–	–
For diluted earnings per ordinary share	**35,813**	**121,169,420**	**29.6**	(27,444)	114,949,883	(23.9)

[1] Exceptional charge of £nil (2009 – £66.3 million) in the current year (note 5) less associated tax credit of £nil (2009 – £18.6 million).

[2] In accordance with IAS 33 potential ordinary shares are only treated as dilutive when their conversion to ordinary shares would increase the loss per share.

9 Property, plant and equipment

	Land and property £000	Plant fixtures and fittings £000	Total £000
Group			
Cost			
At 1 August 2008	6,801	18,216	25,017
Additions	–	139	139
Disposals	(79)	(3,166)	(3,245)
Reclassification	(570)	–	(570)
At 1 August 2009	6,152	15,189	21,341
Additions	101	1,662	1,763
Disposals	(8)	(2,225)	(2,233)
At 31 July 2010	**6,245**	**14,626**	**20,871**
Depreciation			
At 1 August 2008	817	12,641	13,458
Charge for year	140	2,050	2,190
On disposals	–	(2,557)	(2,557)
At 1 August 2009	957	12,134	13,091
Charge for year	140	1,519	1,659
On disposals	–	(2,095)	(2,095)
At 31 July 2010	**1,097**	**11,558**	**12,655**
Net book value			
At 31 July 2010	**5,148**	**3,068**	**8,216**
At 31 July 2009	5,195	3,055	8,250
At 31 July 2008	5,984	5,575	11,559

Land and property with a book cost of £0.570 million was reclassified from property, plant and equipment to inventories in the previous year.

10 Investment property

	Total £000
Group	
Cost	
At 1 August 2008	4,092
Additions	3,383
Disposals	(98)
At 1 August 2009	7,377
Additions	657
Disposals	(318)
At 31 July 2010	**7,716**

10 Investment property (continued)

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 internal valuation of investment properties was carried out at the end of the financial year.

The fair value of investment properties was assessed at £8.238 million (2009 – £7.983 million).

As noted above, the Group 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 (2009 – 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.

11 Investments in subsidiaries and proportionately consolidated jointly controlled entities

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

Subsidiaries

Company	Shares in subsidiary undertakings £000
Cost	
At 1 August 2009	26,788
Additions	1,372
At 31 July 2010	**28,160**

Principal subsidiary undertakings

A summary of the principal subsidiary undertakings is given in note 27 on page 72.

Jointly controlled entities

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

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

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

	2010 £000	2009 £000
Non-current assets	**293**	565
Current assets	**30,682**	27,816
Non-current liabilities	**(5,644)**	(471)
Current liabilities	**(35,297)**	(31,793)
Net liabilities	**(9,966)**	(3,883)
Income	**1,090**	1,111
Expenses	**(7,173)**	(3,845)

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

12 Deferred taxation

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

Group

	Capital allowances £000	Retirement benefit obligations £000	Share-based payments £000	Land payables £000	Losses £000	Other temporary differences £000	**Total £000**
At 1 August 2008	487	3,558	429	3,205	–	192	7,871
Income statement credit/(charge)	192	(120)	337	(3,205)	2,104	261	(431)
Charge to statement of comprehensive income	–	(99)	–	–	–	–	(99)
Charge to equity	–	–	(13)	–	–	–	(13)
At 31 July 2009	679	3,339	753	–	2,104	453	7,328
Income statement charge	(156)	(399)	(137)	–	(2,104)	(619)	(3,415)
Charge to statement of comprehensive income	–	(582)	–	–	–	–	(582)
Credit to equity	–	–	197	–	–	–	197
At 31 July 2010	**523**	**2,358**	**813**	**–**	**–**	**(166)**	**3,528**

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

	2010 £000	2009 £000
Capital allowances	**523**	679
Retirement benefit obligations	**2,358**	3,339
Share-based payments	**813**	753
Losses	**–**	2,104
Other temporary differences	**–**	453
Deferred tax assets	**3,694**	7,328
Other temporary differences	**(166)**	–
Deferred tax liabilities	**(166)**	–
Net deferred tax asset at 31 July	**3,528**	7,328

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

13 Inventories

	2010 £000	2009 £000
Group		
Land	**724,991**	774,677
Work in progress	**370,911**	386,570
Showhomes	**37,819**	42,106
Part-exchange properties	**14,992**	7,998
	1,148,713	1,211,351

Inventories of £659.5 million were expensed in the year (2009 – £643.9 million).

In the ordinary course of business inventories have been written down by a net £4.4 million (2009 – £5.7 million) in the year.

There has been no exceptional write down of inventories in the period (2009 – £66.3 million) as outlined in note 5 on page 53.

Land with a carrying value of £26.6 million (2009 – £63.6 million) was used as security for land payables (note 17).

The Company has no inventory.

14 Other financial assets

	2010 £000	2009 £000
Group		
At 1 August	**20,826**	5,607
Additions	**10,451**	13,842
Redemptions	**(637)**	(217)
Imputed interest	**2,024**	1,594
At 31 July	**32,664**	20,826

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

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

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

The difference between the anticipated future receipt and the initial fair value is credited over the estimated deferred term to cost of sales (finance income in the previous period – see accounting policies), with the financial asset increasing to its full expected cash settlement value on the anticipated receipt date.

Credit risk, which the directors currently consider to be largely mitigated through holding a second legal charge over the assets, is accounted for in determining present values. The directors review the financial assets for impairment at the end of each reporting period. There were no indicators of impairment at 31 July 2010 (2009 – nil). None of the other financial assets are past their due dates (2009 – nil).

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

The directors considered that there was no material difference between the carrying value and the fair value of the assets at 31 July 2010 or 31 July 2009 and accordingly have not recognised any movements directly within the Statement of Comprehensive Income to date.

The Company has no other financial assets.

15 Trade and other receivables

Current receivables

	Group 2010 £000	Group 2009 £000	Company 2010 £000	Company 2009 £000
Trade receivables	**13,000**	11,032	**–**	–
Other receivables	**28,838**	27,166	**–**	–
Amounts owed by Group undertakings	**–**	–	**683,173**	703,617
Prepayments and accrued income	**3,963**	3,551	**–**	–
	45,801	41,749	**683,173**	703,617

The Group assesses the ageing of trade receivables in terms of whether amounts are receivable in less than one year or more than one year. None of the trade receivables are past their due dates (2009 – nil).

Other receivables due within one year include £8.733 million (2009 – £4.096 million) in relation to VAT recoverable.

16 Interest-bearing loans and borrowings

Non-current liabilities

	Group 2010 £000	Group 2009 £000	Company 2010 £000	Company 2009 £000
Bank loans	**80,000**	80,000	**–**	–
Preference shares (see note below)	**20,000**	20,000	**20,000**	20,000
	100,000	100,000	**20,000**	20,000

Preference shares

	Group 2010 £000	Group 2009 £000	Company 2010 £000	Company 2009 £000
Authorised, allotted, called up and fully paid				
Number				
20,000,000 at 1 August 2009 and 31 July 2010	**20,000**	20,000	**20,000**	20,000

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

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

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

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

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

17 Trade and other payables

Non-current liabilities

	Group 2010 £000	Group 2009 £000	Company 2010 £000	Company 2009 £000
Land payables	**16,884**	26,379	**–**	–
Other payables	**2,834**	–	**–**	–
Accrued expenses and deferred income	**581**	475	**–**	–
	20,299	26,854	**–**	–

Land payables of £3.972 million (2009 – £6.246 million) are secured on the land to which they relate. The carrying value of the land used for security is £3.378 million (2009 – £6.246 million).

Current liabilities

	Group 2010 £000	Group 2009 £000	Company 2010 £000	Company 2009 £000
Trade payables	**67,973**	52,610	**–**	–
Land payables	**44,969**	83,588	**–**	–
Social security and other taxes	**2,246**	1,712	**–**	–
Other payables	**18,830**	15,454	**243**	257
Accrued expenses and deferred income	**42,901**	49,713	**601**	601
Payments on account	**48,733**	43,070	**–**	–
	225,652	246,147	**844**	858

Land payables of £24.321 million (2009 – £50.473 million) are secured on the land to which they relate. The carrying value of the land used for security is £23.257 million (2009 – £57.354 million)

18 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 cash and Preference Shares.

Capital management

The Board's policy is to maintain a strong capital base to underpin the future development of the business in order to deliver value to shareholders. The Group finances its operations through retained earnings, bank borrowings and the management of working capital. From time to time, the trustees of the Bellway Employee Share Trust (1992) (the "Trust") also purchase shares for the future satisfaction of employee share options.

On 6 August 2009 the Group announced the successful placing of 5,747,648 new ordinary shares of 12.5p each representing approximately 5.0% of the Group's issued ordinary share capital prior to the Placing (note 19).

Management of financial risk

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

Credit risk

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

There is no specific concentration of credit risk in respect of home sales as the exposure is spread over a number of customers. In respect of trade receivables and other financial assets, the amounts presented in the balance sheet are stated after adjusting for any doubtful receivables, based on the judgement of the Group's management through using both previous experience and knowledge of the current position (see note 15). In managing risk the Group assesses the credit risk of its counterparties before entering into a transaction. No credit limits were exceeded during the reporting period or subsequently and the Group does not anticipate any losses from non-performance by these counterparties. In relation to land payables, certain payables are secured on the respective land asset held (see note 17). No other security is held against any other financial assets of the Group.

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

Liquidity risk

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

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

Interest rate risk

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

For the year ended 31 July 2010 it is estimated that an increase of 1% in interest rates applying for the full year would increase the Group's profit before tax by £0.4 million (2009 – decrease the Group's profit before tax by £1.8 million).

Housing market risk

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

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

18 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 2010	**61,853**	**65,818**	**45,790**	**7,874**	**7,064**	**5,090**
At 31 July 2009	109,967	113,474	85,341	21,230	6,752	151

The maturity profile of the total contracted payments in respect of financial liabilities (excluding amounts due on land creditors shown separately above) is as follows:

	Balance at 31 July £000	Total contracted cash payment £000	Within one year or on demand £000	1–2 years £000	2–5 years £000	More than 5 years £000
Bank loans – floating rates	80,000	83,480	1,030	15,990	66,460	–
Preference shares	20,000	27,600	1,900	1,900	23,800	–
Trade and other payables	91,883	91,883	89,049	–	–	2,834
At 31 July 2010	**191,883**	**202,963**	**91,979**	**17,890**	**90,260**	**2,834**
Bank loans – floating rates	80,000	84,521	1,030	1,030	62,262	20,199
Preference shares	20,000	29,500	1,900	1,900	25,700	–
Trade and other payables	69,776	69,776	69,776	–	–	–
At 31 July 2009	169,776	183,797	72,706	2,930	87,962	20,199

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

The imputed interest rate on land payables reflects market interest rates available to the Group on floating rate bank loans at the time of acquiring the land.

At the year end, the Group had £225.0 million (2009 – £290.0 million) of undrawn bank facilities available.

The Company's only financial liabilities 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 ended 31 July 2010 and 31 July 2009 for both the Group and the Company are shown in note 22.

At 31 July 2010 the average interest rate earned on the temporary closing cash balance was 1.32% (2009 – 0.22%).

The carrying amount of these assets approximates their fair value.

18 Financial risk management (continued)

Fair values

Financial assets

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

Financial liabilities

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

	2010 £000 Book value	**2010 £000 Fair value**	2009 £000 Book value	2009 £000 Fair value
Preference shares – fixed rate	**20,000**	**21,800**	20,000	21,500
Bank loans – floating rate	**80,000**	**75,275**	80,000	70,983

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

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

Financial assets and liabilities by category

	Group 2010 £000	Group 2009 £000	**Company 2010 £000**	Company 2009 £000
Other financial assets	**32,664**	20,826	**–**	–
Loans and receivables	**41,838**	48,045	**–**	–
Cash and cash equivalents	**145,689**	43,210	**48,856**	4,953
Financial liabilities at amortised cost	**(257,159)**	(280,218)	**(20,243)**	(20,257)
	(36,968)	(168,137)	**28,613**	(15,304)

19 Issued capital

Group and Company

	2010 Number 000	**2010 £000**	2009 Number 000	2009 £000
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 2009	**115,006**	**14,375**	114,951	14,372
Issued on exercise of options	**78**	**10**	55	3
Issued for cash in respect of share placing	**5,748**	**718**	–	–
At 31 July 2010	**120,832**	**15,103**	115,006	14,375

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

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

19 Issued capital (continued)

Share options

At 31 July 2010 all outstanding options to purchase ordinary shares in Bellway p.l.c., in accordance with the terms of the applicable schemes, were as follows:

Grant date	Number of shares	Exercise price (p)	Dates from which exercisable		Expiry date
(a) Bellway p.l.c. (1995) Employee Share Option Scheme					
25 April 2001	3,500	409.30	25 April 2004	to	24 April 2011
18 April 2002	7,600	474.00	18 April 2005	to	17 April 2012
13 May 2003	20,743	524.00	13 May 2006	to	12 May 2013
10 May 2004	2,500	712.50	10 May 2007	to	9 May 2014
17 November 2004	120,650	716.00	17 November 2007	to	16 November 2014
	154,993				
(b) Bellway p.l.c. (1996) Employee Share Option Scheme					
25 April 2001	500	409.30	25 April 2004	to	24 April 2011
18 April 2002	3,700	474.00	18 April 2005	to	17 April 2012
13 May 2003	6,650	524.00	13 May 2006	to	12 May 2013
23 October 2003	6,500	621.50	24 October 2006	to	23 October 2013
10 May 2004	3,500	712.50	10 May 2007	to	9 May 2014
17 November 2004	93,550	716.00	17 November 2007	to	16 November 2014
31 October 2005	274,150	844.00	31 October 2008	to	30 October 2015
16 May 2006	750	1122.00	16 May 2009	to	15 May 2016
	389,300				
(c) Bellway p.l.c. (2005) Employee Share Option Scheme					
31 October 2005	84,650	844.00	31 October 2008	to	30 October 2015
7 February 2007	10,700	1470.00	7 February 2010	to	6 February 2017
	95,350				
(d) Bellway p.l.c. (2007) Employee Share Option Scheme					
7 February 2007	26,300	1470.00	7 February 2010	to	6 February 2017
	26,300				
(f) Bellway p.l.c. (2003) Savings Related Share Option Scheme					
19 November 2004	491	537.60	1 February 2010	to	31 July 2010
15 November 2005	15,898	676.00	1 February 2011	to	31 July 2011
14 November 2006	8,201	1092.00	1 February 2010	to	31 July 2010
14 November 2006	3,410	1092.00	1 February 2012	to	31 July 2012
13 November 2007	11,305	847.20	1 February 2011	to	31 July 2011
13 November 2007	3,722	847.20	1 February 2013	to	31 July 2013
13 November 2008	601,844	336.00	1 February 2012	to	31 July 2012
13 November 2008	265,294	336.00	1 February 2014	to	31 July 2014
11 November 2009	81,228	661.60	1 February 2013	to	31 July 2013
11 November 2009	24,816	661.60	1 February 2015	to	31 July 2015
	1,016,209				
Total	**1,682,152**				

Details of directors' share options are contained within the Report of the Board on Directors' Remuneration on pages 32 to 39.

20 Reserves

Own shares held

The Group and Company holds shares within the Bellway Employee Share Trust (1992) (the "Trust") for participants of certain share-based payment schemes as outlined in note 25. During the period the Trust made a market purchase of 248,955 shares at an average price of 714p and transferred 148,955 shares to employees. The number of shares held within the Trust, and on which dividends have been waived, at 31 July 2010 was 100,000 (2009 – nil). These shares are held within the financial statements at a cost of £0.601 million (2009 – £nil). The market value of these shares at 31 July 2010 was £0.580 million (2009 – £nil).

The Board considers that the Company has de-facto control over the Trust. Included within the Company's purchase of own shares in the period of £7.5 million, an amount of £5.7 million relates to the cumulative cost of transactions within the Trust at 31 July 2009, with the balance of £1.8 million relating to transactions within the period.

Income statement

As permitted by section 408 of the Companies Act 2006, the Company's income statement has not been included in these financial statements. The Company's loss for the financial year was £1.913 million (2009 – £1.873 million).

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

Group

	2010 £000	2009 £000
Increase/(decrease) in net cash and cash equivalents	**102,479**	(66,103)
Decrease in bank loans	**–**	247,000
Decrease in net debt from cash flows	**102,479**	180,897
Net debt at 1 August	**(56,790)**	(237,687)
Net cash/(debt) at 31 July	**45,689**	(56,790)

Company

	2010 £000	2009 £000
Increase/(decrease) in net cash and cash equivalents	**43,903**	(186)
Net debt at 1 August	**(15,047)**	(14,861)
Net cash/(debt) at 31 July	**28,856**	(15,047)

22 Analysis of net (debt)/cash

Group

	At 1 August 2009 £000	Cash flows £000	At 31 July 2010 £000
Cash and cash equivalents	43,210	102,479	**145,689**
Bank loans	(80,000)	–	**(80,000)**
Preference shares redeemable after more than one year	(20,000)	–	**(20,000)**
Net (debt)/cash	(56,790)	102,479	**45,689**

Company

	At 1 August 2009 £000	Cash flows £000	At 31 July 2010 £000
Cash and cash equivalents	4,953	43,903	**48,856**
Preference shares redeemable after more than one year	(20,000)	–	**(20,000)**
Net (debt)/cash	(15,047)	43,903	**28,856**

Notes to the Accounts continued

23 Contingent liabilities

The Company is liable, jointly and severally with other members of the Group, under guarantees given to the Group's bankers in respect of overdrawn balances on certain Group bank accounts and in respect of other overdrafts, loans and guarantees given by the banks to or on behalf of other Group undertakings. At 31 July 2010 there were bank overdrafts of £nil (2009 – £nil) and loans of £80.0 million (2009 – £80.0 million). The Company has given performance and other trade guarantees on behalf of subsidiary undertakings. The Company has guaranteed the overdrafts of associated undertakings up to a maximum of £7.5 million (2009 – £7.5 million).

24 Commitments

Group

	2010 £000	2009 £000
Capital commitments		
Contracted not provided	**187**	–
Authorised not contracted	**65**	–

Operating leases

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

	2010 £000	2009 £000
Expiring within one year	**79**	88
Expiring within the second to fifth years	**3,157**	3,218
Expiring in more than five years	**1,590**	2,510
	4,826	5,816

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 (2009 – £nil).

25 Employee benefits

Retirement benefit obligations

The Group sponsors the Bellway p.l.c. 1972 Pension and Life Assurance Scheme (the "Scheme") which has a funded defined benefit arrangement which is closed to new members and to future service accrual. The last full actuarial valuation of the Scheme was carried out by a qualified independent actuary as at 1 August 2008 and updated on an approximate basis to 31 July 2010.

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

Contributions of £1.763 million (2009 – £1.393 million) were charged to the income statement for the defined contribution section of the Scheme.

With regard to the Scheme, the regular contributions made by the employer over the financial year were £nil (2009 – £0.179 million). The employer also paid special contributions amounting to £1.668 million (2009 – £0.581 million). Expenses were paid in addition.

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

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

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

	2010 £000	2009 £000
Present value of defined benefit obligation	**(41,896)**	(39,870)
Fair value of Scheme assets	**33,160**	27,945
Deficit in Scheme	**(8,736)**	(11,925)

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

25 Employee benefits (continued)

Best estimate of contributions to be paid to the Scheme for the year ended 31 July 2011

This best estimate of contributions to be paid to the Scheme for the year ending 31 July 2011 is £nil (2010 – £1.668 million).

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

	2010 £000	2009 £000
Defined benefit obligation at start of year	**39,870**	47,472
Current service cost	**(43)**	199
Interest cost	**2,277**	2,822
Contributions by scheme participants	**–**	16
Actuarial loss/(gain)	**987**	(4,350)
Benefit paid, death in service insurance premiums and expenses	**(1,195)**	(1,711)
Settlement	**–**	(5,150)
Past service cost	**–**	572
Defined benefit obligation at end of year	**41,896**	39,870

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

	2010 £000	2009 £000
Fair value of assets at start of year	**27,945**	34,763
Expected return on assets	**1,864**	1,916
Actuarial gains/(losses)	**2,878**	(3,997)
Contributions by employer	**1,668**	760
Contributions by scheme participants	**–**	16
Benefit paid, death in service insurance premiums and expenses	**(1,195)**	(1,711)
Settlement	**–**	(3,802)
Fair value of assets at end of year	**33,160**	27,945

Total expense recognised in the income statement:

	2010 £000	2009 £000
Current service (income)/cost	**(43)**	199
Interest on liabilities	**2,277**	2,822
Expected return on assets	**(1,864)**	(1,916)
Settlement	**–**	(1,348)
Past service cost	**–**	572
Total expense	**370**	329

Of the total expense, income of £0.043 million (2009 – £0.577 million) is recognised within administrative expenses and an expense of £0.413 million (2009 – £0.906 million) is recognised within finance expenses.

25 Employee benefits (continued)

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

	2010 £000	2009 £000	**2010 %**	2009 %
Difference between expected and actual return on Scheme assets	**2,878**	(3,997)	**9**	(14) of Scheme assets
Experience gains and losses arising on the Scheme liabilities	**813**	5,351	**(2)**	(13) of the present value of Scheme liabilities
Effects of changes in the demographic and financial assumptions underlying the present value of the Scheme liabilities	**(1,800)**	(1,001)	**4**	3 of the present value of Scheme liabilities
Total gain recognised in statement of comprehensive income	**1,891**	353	**(5)**	(1) of the present value of Scheme liabilities

The cumulative amount of actuarial gains and losses recognised in the statement of comprehensive income since adoption of IAS 19 is a loss of £14.081 million.

Assets

The fair value of Scheme assets is:

	2010 £000	2009 £000
Equities	**21,578**	15,206
Bonds	**11,075**	11,715
Cash	**507**	1,024
Total	**33,160**	27,945

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

Expected long term rates of return

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

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

	Period commencing 1 August 2009 % per annum	Period commencing 1 August 2008 % per annum
Equities	**7.50**	6.30
Bonds	**5.65**	4.80
Cash	**4.50**	5.00
Overall for Scheme	**6.61**	5.60

Actual return on Scheme assets

The actual return on the Scheme assets over the year ended 31 July 2010 was 16.97% (31 July 2009 – reduction of 4.70%).

25 Employee benefits (continued)

Assumptions

	2010 % per annum	2009 % per annum
Inflation	**3.45**	3.70
Salary increases	**4.45**	4.70
Rate of discount	**5.35**	5.80
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	**3.45**	3.70
Allowance for revaluation of deferred pensions of RPI or 5% p.a. if less	**3.45**	3.70
Allowance for commutation of pension for cash at retirement	**–**	–

The mortality assumptions adopted at 31 July 2010 are based on the PA00 tables using the long cohort improvements and allow for future improvement in mortality. The tables used imply the following life expectancies at age 65:

Male retiring at age 65 in 2010	23.1 years
Female retiring at age 65 in 2010	25.6 years
Male retiring at age 65 in 2030	25.1 years
Female retiring at age 65 in 2030	27.5 years

Amounts for the current and previous four years

	2010 £000	2009 £000	2008 £000	2007 £000	2006 £000
Fair value of assets	**33,160**	27,945	34,763	49,545	41,622
Defined benefit obligation	**(41,896)**	(39,870)	(47,472)	(51,531)	(53,338)
Deficit in Scheme	**(8,736)**	(11,925)	(12,709)	(1,986)	(11,716)
Experience adjustment on Scheme liabilities	**813**	5,351	(1,001)	(967)	(543)
Experience adjustment on Scheme assets	**2,878**	(3,997)	(6,248)	1,262	1,435
Effects of changes in the demographic and financial assumptions underlying the present value of the plan liabilities	**(1,800)**	(1,001)	(7,102)	4,973	(3,095)

25 Employee benefits (continued)

Share-based payments

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

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

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

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

An outline of the performance conditions in relation to the above Schemes is detailed under the long-term incentive scheme section on pages 34 and 38 within the Report of the Board on Directors' Remuneration.

For awards made prior to 16 January 2008, vesting of awards under the LTIP is dependent upon total shareholder return of the Group measured against relevant comparator companies as detailed on page 38 within the Report of the Board on Directors' Remuneration. For awards made on 16 January 2008, vesting of awards is dependent upon two conditions, total shareholder return and return on capital employed. For awards made on 4 November 2008 and 29 October 2009, vesting of awards is dependent only on total shareholder return as detailed on page 38 within the Report of the Board on Directors' Remuneration.

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

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

The number and weighted average exercise price of share-based payments is as follows:

LTIP and annual bonus

	2010 Number of options	2009 Number of options
Outstanding at the beginning of the year	**571,747**	531,131
Granted during the year	**197,335**	240,799
Exercised during the year	**(148,495)**	(200,183)
Outstanding at the end of the year	**620,587**	571,747
Exercisable at the end of the year	**3,000**	1,000

The options outstanding at 31 July 2010 have a weighted average contractual life of 1.3 years (2009 – 1.5 years). The weighted average share price at the date of exercise for share options exercised during the year was 765.5p (2009 – 515.4p).

25 Employee benefits (continued)

1995, 1996, 2005 and 2007 ESOS, and SRSOS

	2010 Number of options	2009 Number of options
Outstanding at the beginning of the year	**1,815,198**	1,474,148
Granted during the year	**111,531**	970,830
Lapsed during the year	**(83,383)**	–
Forfeited during the year	**(83,400)**	(575,210)
Exercised during the year	**(77,794)**	(54,570)
Outstanding at the end of the year	**1,682,152**	1,815,198
Exercisable at the end of the year	**676,312**	756,143

The options outstanding at 31 July 2010 have an exercise price in the range of 336.0p to 1,470.0p (2009 – 336.0p to 1,470.0p) and have a weighted average contractual life of 3.5 years (2009 – 3.4 years). The weighted average share price at the date of exercise for share options exercised during the year was 681.3p (2009 – 677.4p).

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 fair value of services received in return for share options granted are measured by reference to the fair value of the share options granted. The inputs into the models for the various grants in the current and previous year were as follows:

	November 2009	November 2009	October 2009	November 2008	November 2008	November 2008
Scheme description	**3 year SRSOS**	**5 year SRSOS**	**LTIP**	3 year SRSOS	5 year SRSOS	LTIP
Grant date	**11 Nov 2009**	**11 Nov 2009**	**29 Oct 2009**	13 Nov 2008	13 Nov 2008	4 Nov 2008
Risk free interest rate	**2.1%**	**2.9%**	**0%**	2.90%	3.50%	0%
Exercise price	**661.6p**	**661.6p**	**–**	336.0p	336.0p	–
Share price at date of grant	**750.5p**	**750.5p**	**715p**	515p	515p	576p
Expected dividend yield	**3.00%**	**3.00%**	**3.00%**	4.50%	4.50%	4.00%
Expected life	**3 years 2 months**	**5 years 2 months**	**3 years**	3 years 2 months	5 years 2 months	3 years
Vesting date	**1 Feb 2013**	**1 Feb 2015**	**29 Oct 2012**	1 Feb 2012	1 Feb 2014	4 Nov 2011
Expected volatility	**55%**	**45%**	**55%**	50%	40%	50%
Fair value of option	**284p**	**279p**	**360p**	212p	195p	395.0p

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 £1.372 million (2009 – £1.318 million) in relation to equity-settled share-based payment transactions.

26 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 jointly controlled entities:

	2010 £000	2009 £000
Invoiced to jointly controlled entities in respect of accounting, management fees, interest on loans, land purchases and infrastructure works	**850**	1,525
Invoiced from jointly controlled entities in respect of fees, land purchases and infrastructure works	**(929)**	(1,555)
Amounts owed to jointly controlled entities in respect of land purchases and management fees at the year end	**(440)**	–
Amounts owed by jointly controlled entities in respect of accounting, management fees, interest, land purchases and infrastructure works	**34,703**	31,577

Company

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

	2010 £000	2009 £000
Amounts received in the year from subsidiaries in respect of dividends and shares issued	**435**	276
Amounts paid in the year by subsidiaries on behalf of the Company in respect of dividends and finance expenses	**(13,380)**	(12,236)
Amounts owed by subsidiaries in respect of dividends and shares issued net of amounts paid on behalf of the Company	**683,173**	703,617

27 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

	2006 £m	2007 £m	2008 £m	2009 £m	**2010 £m**
Income statement					
Revenue	1,240.2	1,354.0	1,149.5	683.8	**768.3**
Operating profit	239.3	253.0	185.1*	45.6*	**51.3**
Exceptional items	–	–	(130.9)	(66.3)	**–**
Net finance expenses	(18.4)	(17.9)	(19.1)	(15.8)	**(6.9)**
Share of losses of associates	(0.2)	(0.3)	(0.3)	–	**–**
Profit/(loss) before taxation	220.7	234.8	34.8	(36.5)	**44.4**
Income tax (expense)/credit	(65.0)	(68.1)	(7.8)	9.1	**(8.6)**
Profit/(loss) for the year (all attributable to equity holders of the parent)	155.7	166.7	27.0	(27.4)	**35.8**
Balance sheet					
ASSETS					
Non-current assets	31.4	28.1	29.3	43.8	**52.3**
Current assets	1,462.8	1,608.5	1,667.7	1,306.2	**1,340.2**
LIABILITIES					
Non-current liabilities	(194.7)	(126.9)	(359.0)	(138.8)	**(129.2)**
Current liabilities	(396.0)	(473.9)	(336.9)	(246.2)	**(228.5)**
EQUITY					
Total equity	903.5	1,035.8	1,001.1	965.0	**1,034.8**
Statistics					
Dividend per ordinary share	34.5p	43.125p	24.1p	9.0p	**10.0p**
Basic earnings/(loss) per ordinary share	137.5p	146.1p	23.6p	(23.9)p	**29.7p**
Number of homes sold	7,117	7,638	6,556	4,380	**4,595**
Average price of new homes	£169.0k	£173.3k	£169.9k	£154.0k	**£163.2k**
Operating margin	19.3%	18.7%	16.1%*	6.7%*	**6.7%**
Net assets per ordinary share	793p	903p	871p	839p	**856p**
Land portfolio – plots with planning permission	22,600	23,500	22,500	19,260	**17,602**
Weighted average no. of ordinary shares	113,248,814	114,108,350	114,615,661	114,949,883	**120,619,800**
No. of ordinary shares in issue at end of year	113,988,310	114,670,396	114,950,915	115,006,480	**120,831,922**

* Stated before exceptional items.

Shareholder Information

Annual General Meeting ("AGM")

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

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

Special business

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

Resolution 8 – Authority to directors to issue shares

This is an ordinary resolution which authorises the directors to allot ordinary shares up to an aggregate nominal value of £5,034,700, which is equivalent to approximately one-third of the Company's issued ordinary share capital as at 18 October 2010, and also gives the directors authority to allot, by way of rights issue only, ordinary shares up to an aggregate nominal value of £10,069,400, which is equivalent to approximately two-thirds of the Company's issued ordinary share capital as at 18 October 2010, such authority, if granted, to expire at the conclusion of the AGM of the Company to be held in 2012. As at 18 October 2010 the Company held no shares as treasury shares. At present, the directors only intend to use this authority to satisfy the exercise of awards under the Company's share schemes. The directors wish to obtain the necessary authority from shareholders so that allotments can be made (if required and if suitable market conditions arise) at short notice and without the need to convene a general meeting of the Company which would be both costly and time consuming.

Resolution 9 – Disapplication of pre-emption rights

This is a special resolution and is the customary annual request, in substitution for the authority granted to the directors by shareholders on 15 January 2010 which expires at the conclusion of the forthcoming AGM, that shareholders empower the directors to allot ordinary shares for cash without first offering them pro rata to existing shareholders as would otherwise be required by section 561 of the Companies Act 2006 (a) in connection with a rights issue or other pre-emptive offer and (b) (otherwise than in connection with a rights issue or other pre-emptive offer) up to an aggregate nominal value of £755,205, being approximately equal to 5% of the issued ordinary share capital of the Company as at 18 October 2010.

Resolution 10 – Company's purchase of its own shares

The Company's authority to purchase its own ordinary and preference shares, given at the last AGM, expires at the conclusion of the forthcoming AGM. This authority was not used during the year. The directors propose, as a special resolution, that it should be renewed for a further year to expire on the date of the 2012 AGM.

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

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

Resolution 11 – Length of notice of meeting

Shareholder approval for general meetings of the Company other than AGMs to be held on 14 days' notice, given at the last AGM, expires at the conclusion of the forthcoming AGM. The directors propose, as a special resolution, that it should be renewed for a further year to expire on the date of the 2012 AGM.

Recommendation

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

Takeovers Directive

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

Share capital

The Company's total issued ordinary and preference share capital as at 31 July 2010 consisted of 120,831,922 ordinary shares of 12.5p each (representing 43% of the Company's total issued share capital) and 20,000,000 9.5% Cumulative Redeemable Preference Shares 2014 of £1 each (representing 57% of the Company's total issued share capital). Further details of the issued capital of the Company and brief details of the rights in relation to the preference shares can be found in note 16 to the accounts. The rights and obligations attaching to the ordinary and preference shares in the Company are set out in the Articles of Association (the "Articles"). Copies of the Articles can be obtained from Companies House or by writing to the Group Company Secretary at the Company's registered office.

Restrictions on the transfer of shares

The restrictions on the transfer of shares are set out in the Articles. In addition, in compliance with the FSA Listing Rules, Company approval is required for directors, certain employees and their connected persons to deal in the Company's ordinary shares.

No person has special rights of control over the Company's share capital.

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

The voting rights on shares held in the employee benefit trust in relation to the Company's employee share schemes are exercisable by the trustees.

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

Appointment and replacement of directors
The Company's rules about the appointment and replacement of directors are set out in the Articles and are summarised in the Directors' Report on pages 26 and 28.

Amendments to the Company's Articles of Association
The Company may amend its Articles by passing a special resolution at a general meeting of its shareholders.

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

Allotment of shares
During the year 77,794 new ordinary shares were issued to satisfy awards made under the Company's employee share schemes and 5,747,648 new ordinary shares were issued by way of a placing with new and existing institutional shareholders. The directors have authority to allot shares within limits agreed by shareholders. Details of the renewal of this authority are set out on page 74, and Resolutions 8 and 9 in the Notice of Meeting of the AGM to be held on 7 January 2011 on page 77 seek to renew this authority.

Purchase of own shares
The Company has not purchased any of its own shares during the year. The directors have authority to purchase the Company's own shares within limits agreed by shareholders. Details of the renewal of this authority are set out on page 74, and Resolution 10 in the Notice of Meeting of the AGM to be held on 7 January 2011 on page 78 seeks to renew this authority.

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

Agreements for compensation for loss of office following a change of control
The service agreements between the Company and the executive directors and the Group Company Secretary contain provisions that entitle the individual to terminate the agreement following a takeover offer and receive an amount equivalent to one year's salary, benefits and the average amount of the last two years' annual bonus payment.

Financial calendar

Announcement of results and ordinary dividends	
Half year	March
Full year	October
Ordinary share dividend payments	
Interim	July
Final	January
Preference share dividend payments at the rate of 9.5% per annum paid half yearly	April and October
Annual report posted to shareholders	November
Final ordinary dividend – ex-dividend date	8 December 2010
Final ordinary dividend – record date	10 December 2010
AGM	7 January 2011
Final ordinary dividend – payment date	12 January 2011

Shareholders by size of holding at 31 July 2010

	Holdings		Shares	
	Number	%	Holding	%
0 – 2,000	1,997	71.81	1,299,061	1.07
2,001 – 10,000	441	15.85	1,855,142	1.54
10,001 – 50,000	139	5.00	3,263,404	2.70
50,001 and over	204	7.34	114,414,315	94.69
Total	**2,781**	**100.00**	**120,831,922**	**100.00**

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 0871 664 0300 – calls cost 10p per minute plus network extras. If calling from overseas please call +44 208 639 3399. Lines are open from 8.30 am to 5.30 pm on Monday to Friday (excluding Bank Holidays).

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

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

For further information on this service, or to buy or sell shares, please contact: www.capitadeal.com for online dealing, or call 0871 458 4577 for telephone dealing.

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

Discount to shareholders
The following discount arrangement is currently available to shareholders.

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

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

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

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

For further details please contact the Group Company Secretary, Bellway p.l.c., Seaton Burn House, Dudley Lane, Seaton Burn, Newcastle upon Tyne NE13 6BE, telephone 0191 217 0717 or e-mail 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 Social Responsibility Reporting
Further reporting on the Company's Corporate Social Responsibility activities is available to view in the Corporate Social Responsibility section of the Company's website www.bellway.co.uk.

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 7 January 2011 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 2010 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 2010 of 6.7p per ordinary 12.5p share, as recommended by the directors, be declared.
3. THAT Mr A M Leitch 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 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.
6. THAT the directors are authorised to agree the remuneration of the auditors of the Company.
7. THAT the Report of the Board on Directors' Remuneration shown on pages 32 to 39 of the Annual Report and Accounts for the year ended 31 July 2010 be approved.

Special business

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

8. THAT the directors be generally and unconditionally authorised pursuant to and in accordance with section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to:
   (a) allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company ("Rights") up to a maximum nominal amount of £5,034,700; and
   (b) allot equity securities (within the meaning of section 560 of the Act) up to a maximum nominal amount of £10,069,400 (such amount to be reduced by the nominal amount of any shares issued or in respect of which Rights are granted under (a) above) in connection with an offer by way of a rights issue to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings and so that the directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter, provided that:
      (i) this authority shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2012, but may be previously revoked or varied by an ordinary resolution of the Company; and
      (ii) this authority shall permit and enable the Company to make offers or agreements before the expiry of this authority which would or might require shares to be allotted or Rights to be granted after such expiry and the directors shall be entitled to allot shares and grant Rights pursuant to any such offers or agreements as if this authority had not expired; and
      (iii) all unexercised authorities previously granted to the directors to allot shares and grant Rights be and are hereby revoked.

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

9. THAT,
   (a) subject to resolution 8 above being passed as an ordinary resolution, the directors be empowered pursuant to section 570 and section 573 of the Companies Act 2006 ("the Act") to allot equity securities (within the meaning of section 560 of the Act) for cash pursuant to the authority so conferred or by way of sale of treasury shares in each case as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:
      (i) the allotment of equity securities in connection with a pre-emptive offer (but in the case of the authority conferred under paragraph (b) of resolution 8 in connection with an offer by way of rights issue only); and
      (ii) the allotment to any person or persons (otherwise than pursuant to paragraph (i) above) of equity securities up to an aggregate nominal amount of £755,205;
   (b) the power given by this resolution shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2012 except that the Company may, before such expiry, make an offer or agreement which would, or might, require equity securities to be allotted after such expiry and the directors may allot equity securities pursuant to such an offer or agreement as if the power conferred by this resolution had not expired; and
   (c) for the purposes of this resolution, "pre-emptive offer" means a rights issue, open offer or other offer of equity securities open for acceptance for a fixed period, by the directors to ordinary shareholders of the Company on the Register on a fixed record date in proportion (as nearly as may be) to their then holdings of such equity securities (but subject to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with legal or practical problems under the laws of, or the requirements of, any regulatory body or any stock exchange in, any overseas territory or fractional entitlements or any other matter whatsoever).

Notice of Annual General Meeting continued

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

    (a) the maximum number of ordinary shares hereby authorised to be purchased is 12,083,281, being approximately 10 per cent of the ordinary shares in issue;

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

    (c) the maximum price at which ordinary shares may be purchased is an amount equal to 105 per cent of the average of the middle market quotations derived from the London Stock Exchange 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;

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

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

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

Notes:

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

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

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

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

(v) To be entitled to attend and vote at the meeting (and for the purposes of determination by the Company of the number of votes cast), shareholders must be entered on the Company's Register of Members at 5.30 pm on Wednesday 5 January 2011 (or, in the event of any adjournment, at 5.30 pm on the date which is two days prior to the adjourned meeting). Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting or adjourned meeting.

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

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

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

(ix) Except as provided above, members who wish to communicate with the Company in relation to the AGM should do so in writing either to the Group Company Secretary at the registered office address or to the Company's registrar, Capita Registrars Limited, Northern House, Woodsome Park, Fenay Bridge, Huddersfield, West Yorkshire HD8 0LA. No other methods of communication will be accepted. In particular you may not use any electronic address provided either in this notice of meeting or in any related documents to communicate with the Company for any purposes other than those expressly stated.

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

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

(xii) As at the date of this notice there are 120,832,805 ordinary shares in issue and the total voting rights of the Company are therefore 120,832,805.

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

18 October 2010

Glossary

Affordable Housing
Social rented and intermediate housing provided to specified eligible households whose needs are not met by the market, at a cost low enough for them to afford, determined with regard to local incomes and local house prices.

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

Brownfield sites
Land which has been previously used for other purposes.

Cancellation rate
The rate at which customers withdraw from a house purchase after paying the reservation fee, but before contracts are exchanged, usually due to difficulties in obtaining mortgage finance. Reservation fees are refunded in line with the Consumer Code for Home Builders.

Code for Sustainable Homes
A national standard for sustainable design and construction of new homes. The Code measures the 'whole home' as a complete package, assessing its sustainability against nine categories: energy/CO_2, water, materials, surface water run-off, waste, pollution, health and well-being, management and ecology. Level 3 applies to newly-constructed Affordable Housing subject to Homes and Community Agency ("HCA") grant policy and all homes built on HCA land from 1 April 2008.

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

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

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

EcoHomes
An environmental rating scheme for UK homes.

HBF
Home Builders Federation.

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

Land bank
A supply of plots for potential development.

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

NHBC
National House-Building Council.

Pipeline
Land bank awaiting planning permission.

Planning consent/permission
Usually granted by the local planning authority, this permission allows a plot of land to be built on, change its use or for an existing building to be redeveloped or altered. Consent is either "outline", when detailed plans are still to be approved, or "detailed" when detailed plans have been approved.

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

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

Section 106 planning agreements
These are legally-binding agreements or planning obligations entered into between a landowner and a local planning authority, under Section 106 of the Town and Country Planning Act 1990. These agreements are a way of delivering or addressing matters that are necessary to make a development acceptable in planning terms. They are increasingly used to support the provision of services and infrastructure, such as highways, recreational facilities, education, health and affordable housing.

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

Social housing
Housing that is let at low rents and on a secure basis to people in housing need. It is generally provided by councils and not-for-profit organisations such as housing associations.

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

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

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

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

Notes

Notes

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www.bellway.co.uk

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