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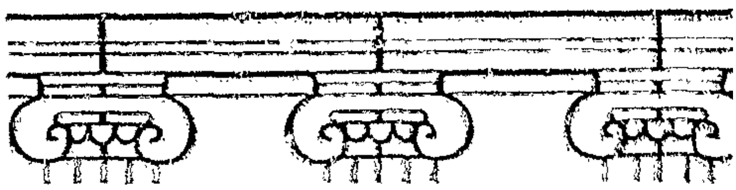
BELLWAY · *annual report and accounts 1989*

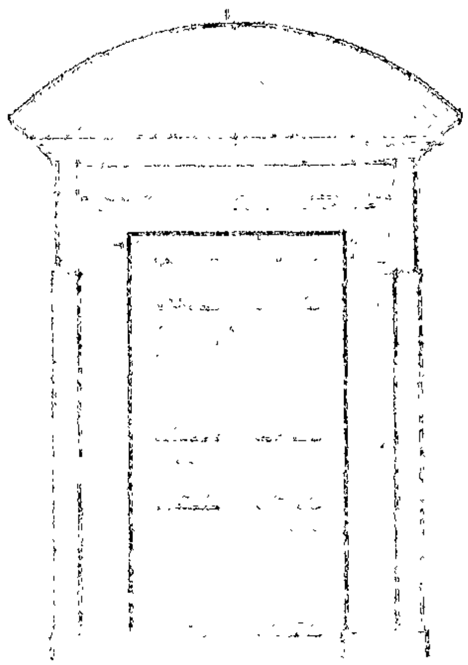
Bellway p.l.c.



The 1988/9 financial year saw Bellway strengthening its financial position and realigning its divisional activities to meet the challenges of the housing market nationwide.

With its strong presence in all sectors of this market *Bellway* is well placed to respond positively when demand improves. If interest rates delay that revival for longer than expected, its presence in northern markets, in commercial property and in partnership projects with local authorities and housing associations, affords the Group much opportunity. *Bellway* adapts to variations in demand by changing the emphasis of its operations. For example, the Group is an important provider of package deals to housing associations; a market which is supported by government and is not affected to the same extent as the private sector housing market.

The Group's five year record of growth underlines the success of management policies and forward planning. Earnings per share have risen significantly and the Company has continued to plan for the medium and long term by maintaining the quality of its land bank. In the past judicious investment in land has helped *Bellway* to offer a competitively priced product with good levels of profitability.



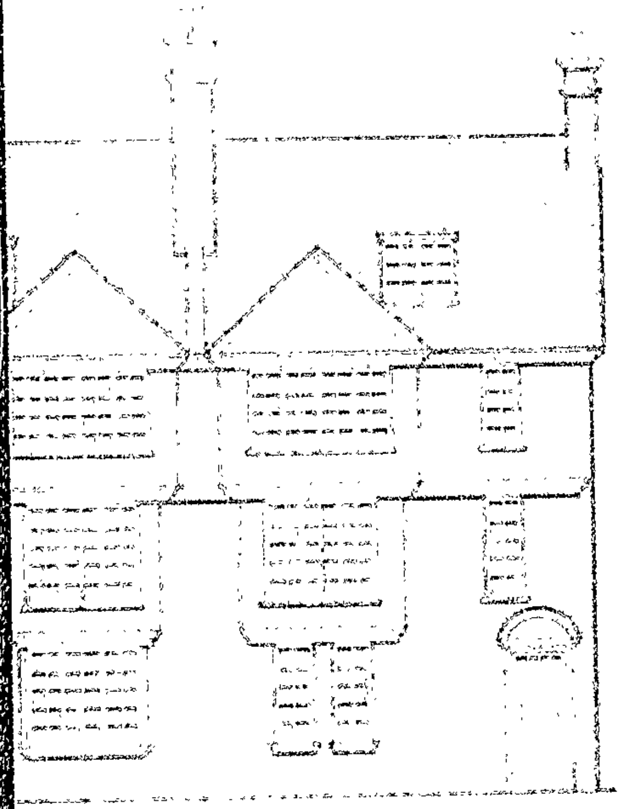
For five years in succession, *Bellway* has won the 'What House' Magazine Award for best innovation. The latest award is for the Company's trade training scheme which gives school leavers and the long term unemployed a chance to learn building industry skills. *Bellway* has previously won awards for its fire safety and security schemes, and for a plan to make new homes available to unemployed people.

During the year *Bellway* became the first major house-builder to ban the use of materials that use CFC's in their manufacturing process. In response to the Friends of the Earth report 'Safe as Houses' all specifications have been redrawn to make use of ozone - friendly alternatives, at an insignificant extra cost.

Bellway's record proves that innovation and consistent financial performance go hand in hand.

In Britain today, the housing market reflects the far reaching social changes of recent years. In particular, there has been a marked increase in the number of single person households.

Although many small properties are still sold as starter homes to single people or young couples, buyers may also be widowed or divorced; there are now six times as many divorces each year as there were thirty years ago. One and two bedroom houses also meet the needs of older couples who want to release the capital tied up in large family homes.
The exact composition of the market varies across the country. With its regional structure, *Bellway* is able to plan developments and house designs to meet the demands of local buyers.



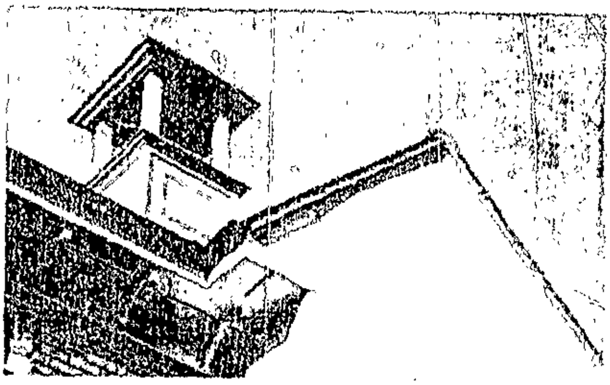
In the south east of England a major proportion of *Bellway's* building activity is in the first time market, which on past form, should be the first to revive when the market improves. *Bellway* provides excellent value for money through its product since the Company has resisted the 'white goods' path in sales promotion in favour of providing more usable space per pound spent than most competing firms. In the South East, *Bellway* offers a special design – the *Bellway* apartment – which is an ideal choice for young people who want a compact home base at an affordable price. In northern cities, where land costs are lower, starter homes usually consist of one and two bedroom flats and terraced houses.

Not all *Bellway's* one and two bedroom flats and houses are built as part of speculative private housing developments. Most urban renewal programmes in which *Bellway* is involved include smaller housing units, built in partnership with local authorities, housing associations and building society housing trusts.

[illegible]

. . . . . developing standards

[illegible] oriented houses at Cambridge Park, Preston.



[illegible] and flats at South Woodham Ferrers, Essex.

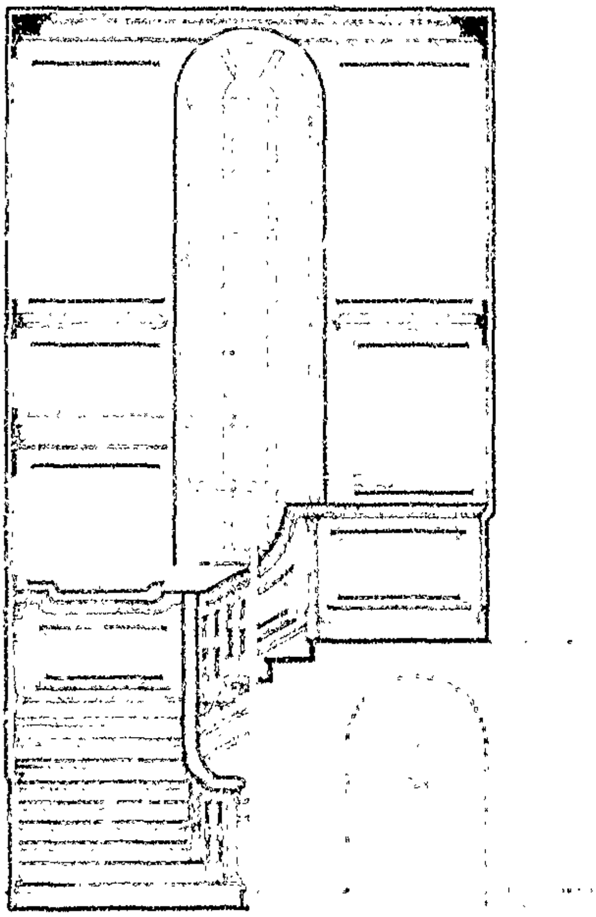
When it's time to move on or move up, many Belkway owners decide to stay with the Company. It is not unusual to find owners who have bought five *Belkway* homes in succession; and '*Bellway* built' is often advertised as a selling point when homes are resold.

The middle market in housing, once overwhelmingly concerned with family homes, has been altered considerably by social and demographic changes.

A significant proportion of our purchasers in this category are one person households, including those who are widowed or divorced as well as other single people moving up the property ladder.

For one reason or another, most middle market buyers are looking for homes that will need minimum maintenance and be comfortable and easy to run. This puts *Bellway*, as a recognised innovator, in a strong position.

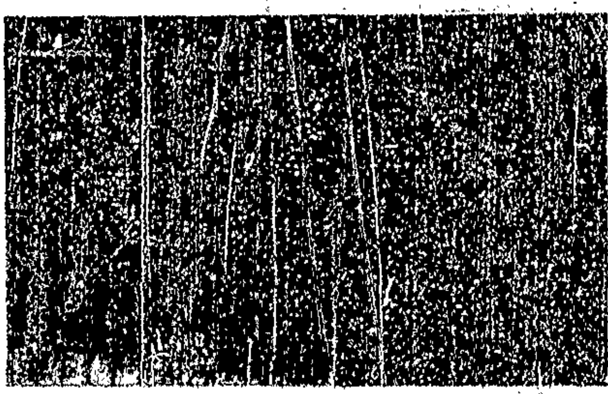
Bellway are receptive to new ideas which will meet the needs of different groups One such group is the self-employed homeowner; at South Woodham Ferrers in Essex *Bellway* included nine four bedroomed houses with studio workshops in their gardens. The development was carefully planned so that commercial activity will not interfere with the residential character of the neighbourhood, and so popular was this development, it is hoped to repeat the exercise in other areas.

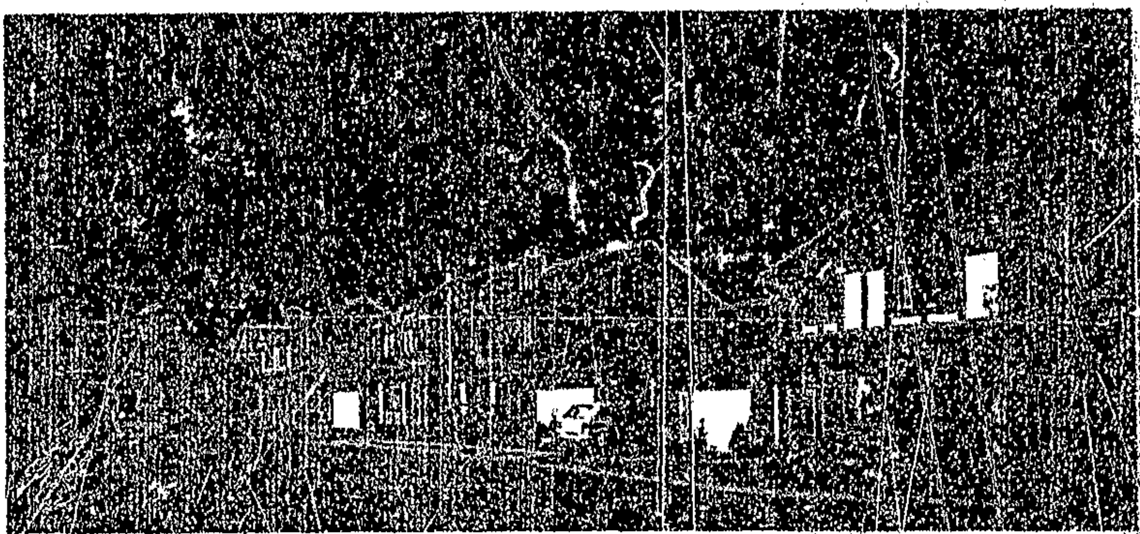


They returned to the hall, that the chief staircase might be ascended, and the beauty of its wood and ornaments of rich carving might be pointed out

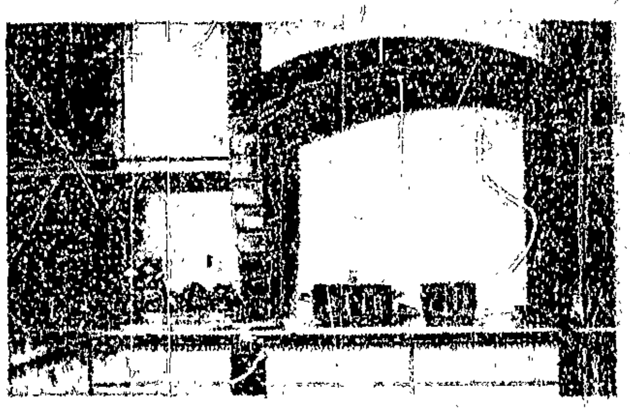
Northanger Abbey   Jane Austen

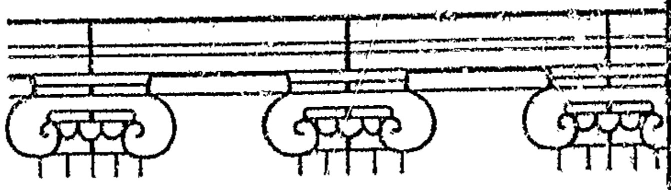
BELLWAY....... *building confidence*





Three bedroom family homes at Northburn Lea, Cramlington, Northumberland.





Bellway has grown as a company through skill in interpreting market trends and finding the common denominators that appeal to purchasers within each price band or socio-economic group.

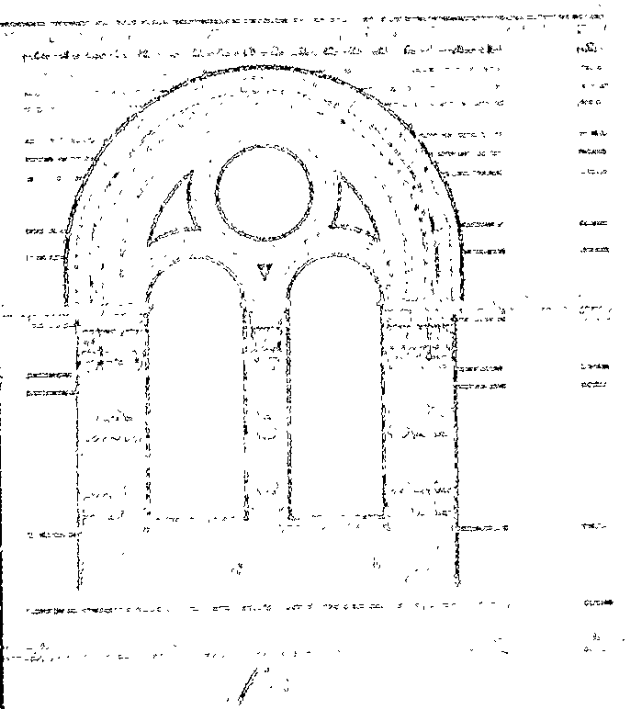
Whilst *Bellway's* top of the range developments are designed to appeal to senior executives and professionals, the company has chosen not to become involved in the bespoke housing market in which the extra time spent meeting personal preferences is not often matched by increased profitability.

Regional variations are less obvious in this market than in starter and middle market homes. Buyers' aspirations are much the same throughout the country and the profile of purchasers becomes more uniform: most sales are to couples with one salary.

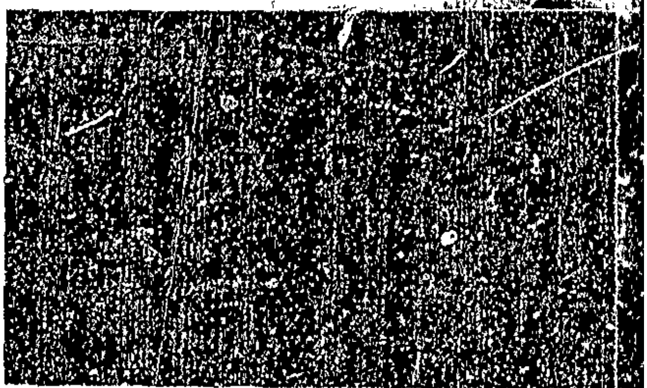
These are of course our largest houses, usually with ten rooms or more. Depending on land price, gardens will be larger than in the middle market.

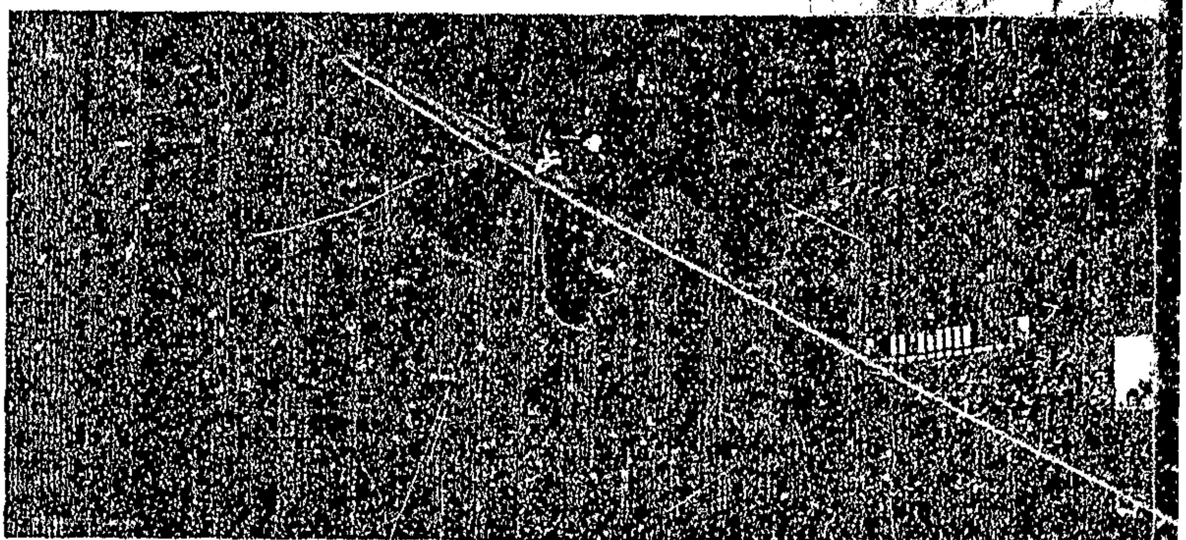
Layout and attention to detail remain at the forefront of design requirements. At this level buyers are particularly interested in decorative detail and expect luxury specifications throughout.

Top of the range homes must look imposing and individual, but the overall look of the development is also a selling point. In this market sector a typical *Bellway* development will offer a wide range of individual house designs.

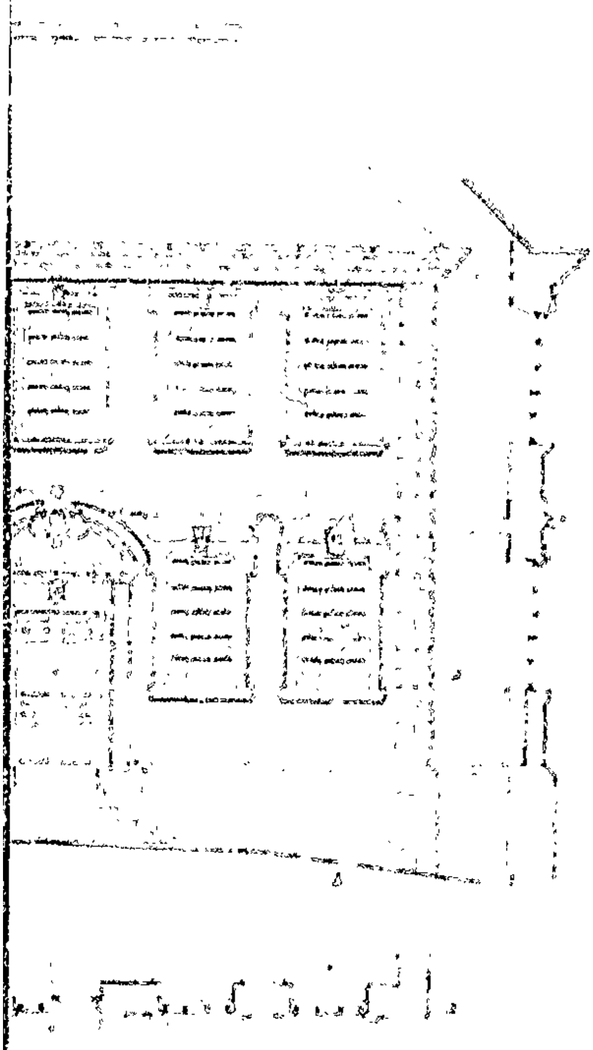


BELLWAY........*attention to detail*





This development of luxury homes at Orchard Dene, Harrington won a top award for landscaping from the RIBA



Belkway is a market leader in the expanding and related fields of urban renewal and social housing.

Belkway's acknowledged position in the field of Urban Renewal is not a recent phenomenon. From the early days of post-war slum clearance, the Company has developed an expertise for remedying the many inadequacies in the design and building of earlier public housing.

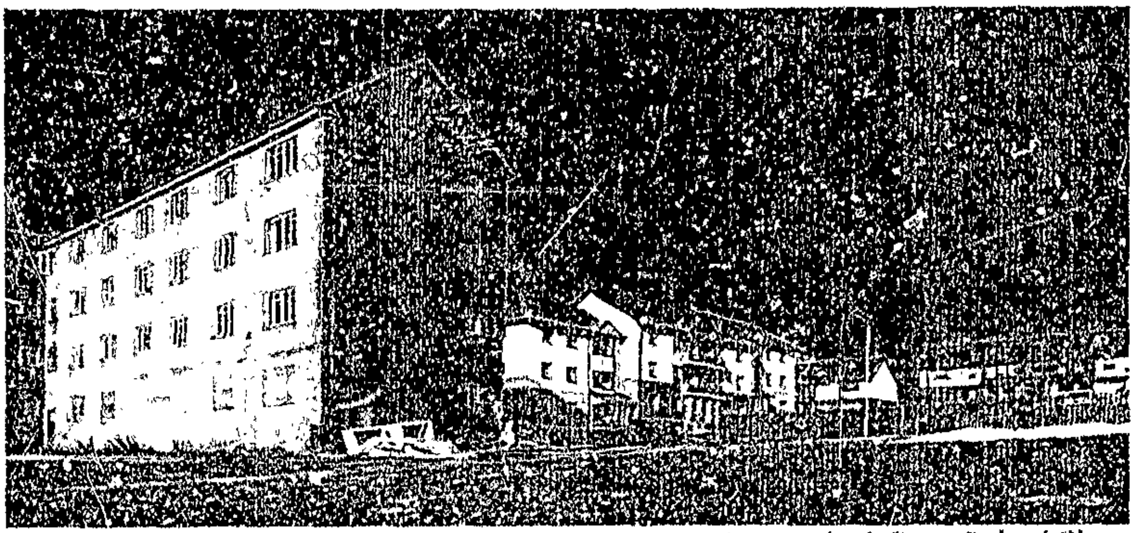
Since the housing stock continues to degenerate more quickly than it is being repaired and replaced, it is safe to assume that urban regeneration will be a major market for *Belkway* for many years to come.

In the Barlanark area of Glasgow, 274 two and three bedroom flats are being refurbished over four years, in partnership with the SDA and Glasgow District Council. In a £30 million project, the former Hawthorn Leslie shipyard at Hebburn on Tyne is being developed with the aid of Britain's largest Urban Development Grant. In Hull, the £130 million Victoria Dock scheme will provide 1,200 homes, in a joint venture with Hull City Council. This project has been awarded an Urban Regeneration Grant of £17 million, again a record.

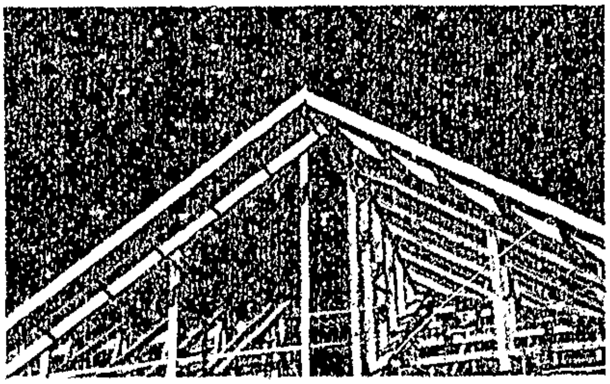
Belkway are also active in areas of special housing needs such as shared ownership schemes, under which low income buyers can purchase part of the property and rent the remainder through housing associations.

During the past year we have worked with Birmingham City, Chelmsford Borough Council, Coventry City, East London Housing Association, Family Housing Association (Birmingham), Glasgow District Council, Hull City Council, Local Housing Services, The London Boroughs of Bexley, Brent, Bromley, Harrow and Southwark, Metropolitan Housing Trust, Northern Rock Housing Trust, Network Housing Association, Orbit Housing Association, Park Housing Association, Richmond Churches Housing Association, Shared Ownership Housing Association, South Tyneside Metropolitan Borough Council and Warden Housing Association.

[illegible] . . . *caring for the community*



Reversing urban dereliction at Barlanark, Glasgow



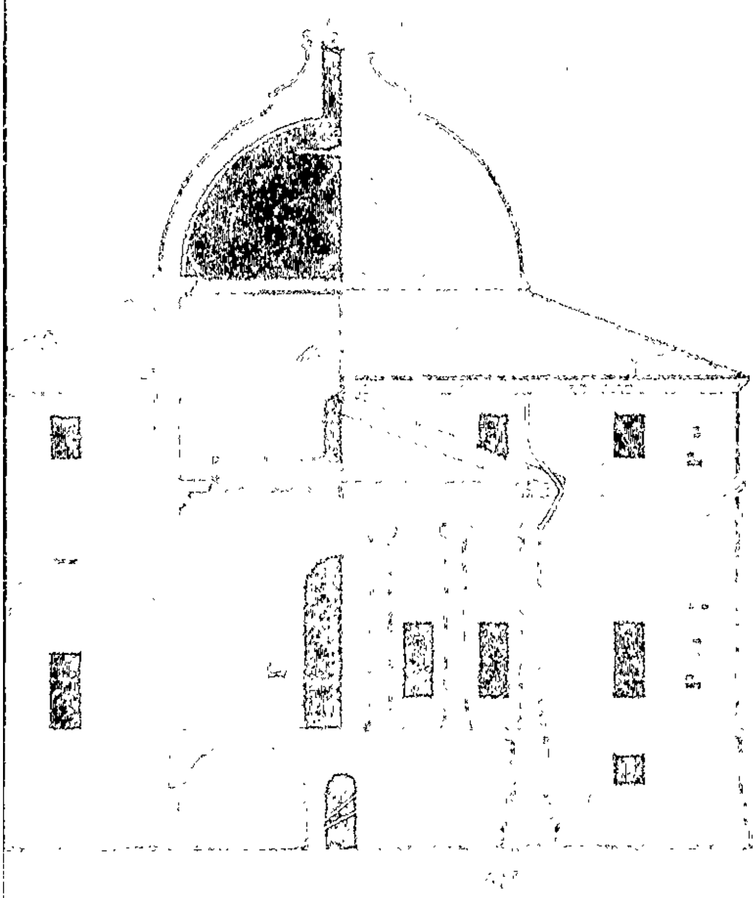
[illegible] on the formerly derelict Victoria Dock at Hull

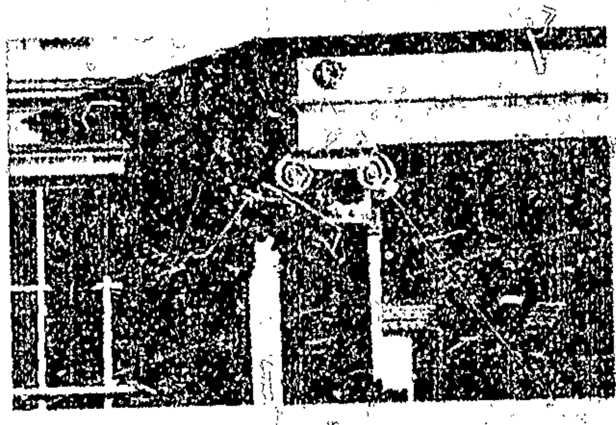
Although the main activity of the Bellway Group will always be housebuilding, commercial development is becoming a valuable adjunct to its operations. In particular, urban renewal projects often present an opportunity to include offices or shops as part of the large scale redevelopment of a neighbourhood. At the Victoria Dock development in Hull, planning permission has been granted for an hotel, pub, shopping centre and 20,000 sq ft of office space.

We have successfully completed office developments as part of the reorganisation and relocation of our own divisional offices. *Bellway South East* recently moved into brand-new offices which it built at Merstham. Comprising 7,500 sq ft on three floors the building was sold and leased back to *Bellway*. Similarly new offices were recently completed at Bromsgrove in the West Midlands to accommodate the company there. With 6,000 sq ft on three floors this office adequately provides for future expansion in this region.

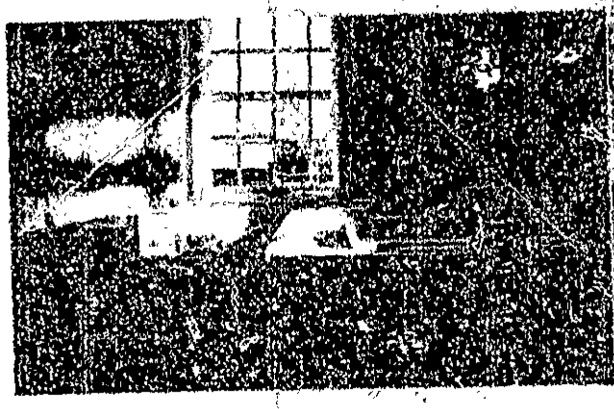
In Glasgow city centre, *Bellway Properties* has transformed the former Opthalmic Institute into four floors of efficient modern office space, whilst retaining the original façade. The property has been sold subsequent to the year end. There has also been a successful office block development in Edinburgh; and in the West Midlands a completed project in Bromsgrove is to be placed on the market.

The *Bellway* board has taken a conservative approach towards commercial development, and believes that this element of caution has helped the Group to make sound progress within this market. The indications are that commercial property will continue to make an increasing contribution to profitability.





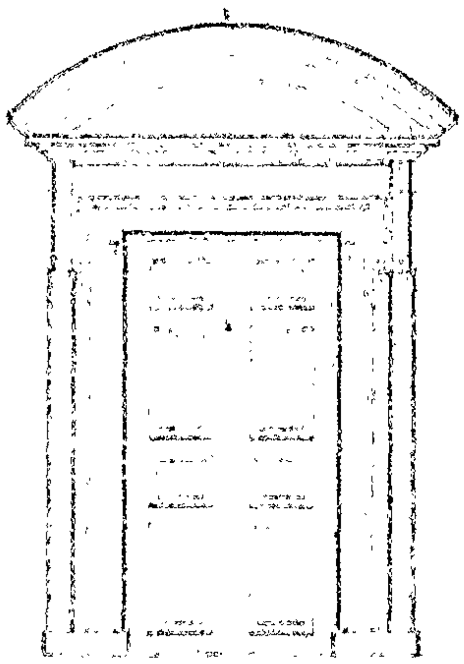
The former Opthalmic Institute in Glasgow has been completely renovated for office use



BELLWAY HOMES . . . *regional offices*

[illegible]

[illegible] Charlotte Bronte



BELLWAY plc
Horsley House
Regent Centre
Gosforth — *Tel: (091) 285 0121*
Newcastle upon Tyne NE3 3LU . . . . *Fax: (091) 284 6325*

ANGLIA
215/217 High Street
Kelvedon
Colchester — *Tel: (0376) 71068*
Essex CO5 9JT . . . . *Fax: (0376) 70633*

NORTH EAST
Bell House
North Tyne Industrial Estate
Whitley Road — *Tel: (091) 215 0040*
Newcastle upon Tyne NE12 9SZ . . . . *Fax: (091) 215 0428*

NORTH LONDON
Raebarn House
Northolt Road
South Harrow — *Tel: (01) 864 9726*
Middlesex HA2 0BA . . . . *Fax: (01) 864 0213*

NORTH WEST
16 Market Street
Altrincham — *Tel: (061) 928 6116*
Cheshire WA14 1QB . . . . *Fax: (061) 928 0439*

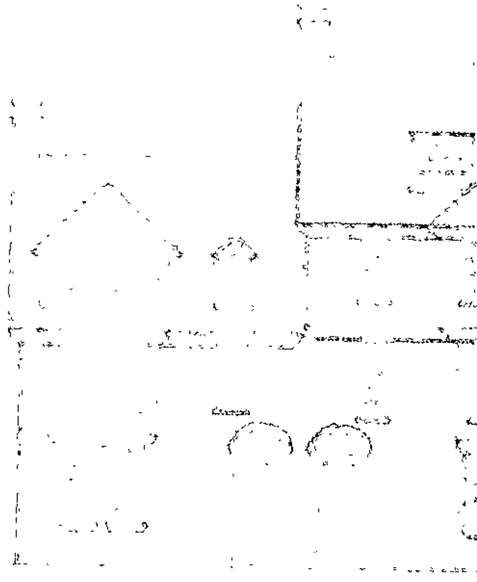
SCOTLAND
24 Park Circus — *Tel: (041) 332 5934 & 5963*
Glasgow G3 6AP . . . . *Fax: (041) 332 7320*

SOUTH EAST
Bellway House
London Road
Merstham — *Tel: (07374) 4911*
Surrey RH1 3YU . . . . *Fax: (07374) 5961*

URBAN RENEWALS
Warrengate House
Lower Warrengate — *Tel: (0924) 382697*
Wakefield WF1 1SA . . . . *Fax: (0924) 371844*

WEST MIDLANDS
Bellway House
7 Worcester Road
Bromsgrove — *Tel: (0527) 575522*
Worcestershire B61 7DL . . . . *Fax: (0527) 579003*

AUSTRALIA
Bellway Pty Ltd
Box 623 L P.O.
Newcastle, 2300
New South Wales — *Tel: 010 6149 261 588*
Australia . . . . *Fax: 010 6149 295 288*



annual report

and

accounts 1989

Bellway p.l.c.

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Bellway p.l.c.

CHAIRMAN'S STATEMENT

I am delighted to report another year of record results from the group with profits before exceptional items up by 31% to £18 million.

Whilst the Southern Divisions, as might be expected, experienced difficult trading conditions with profits down on last year, our Northern Divisions responded to a buoyant market with a substantial increase in production, resulting in a strong upsurge in profits.

Your group encountered difficulties on a one-off conversion contract which is now nearing completion. This resulted in an exceptional provision of £1.7 million which has been offset by a £0.7 million profit on the sale of part of our shareholding in Highland Participants PLC. After taking account of these items and preference share dividends earnings per ordinary share have increased by 17% to 41.2p.

During the year your group successfully raised £20 million of new capital by means of a 9½% preference share issue. This issue has given us a strong balance sheet ready for the eventual upturn in the housing market. As at 31st July 1989 borrowings net of cash were less than £2 million.

In anticipation of a further difficult year in the south, your Board has taken action to reduce overheads. In particular, our activities in Hertfordshire and the East Midlands have been absorbed into the North London and Anglian Divisions. These and other actions are already showing benefits.

Our Northern Divisions have continued to perform well in the early months of the new financial year, with good forward sales levels, but there are indications that the market is slowing down and it is therefore difficult to predict the level of activity in the second half of this year.

The housebuilding industry is going through a difficult period because of the government's determination to control inflation by means of high interest rates, but our geographical spread has helped to cushion us from the worst effects. When better times do come – as they surely will – few companies will be better prepared.

Your Board is recommending the payment of a final dividend of 7p per ordinary share, which, together with the interim dividend, amounts to 11p per ordinary share for the year, an increase of 10% over last year.

May I take this opportunity to thank all directors, staff and employees for their continued loyalty, hard work and dedication, without which these excellent results in challenging conditions would not have been possible.

Kenneth Bell
Chairman

8th November 1989

FIVE YEAR RECORD AND FINANCIAL CALENDAR

FIVE YEAR RECORD

Year Ended 31st July	*Turnover £000*	*Profit before tax £000*	*Earnings per ordinary share pence*	*Dividends per ordinary share pence*	*Net assets per ordinary share pence*
1985	61,123	3,569	10.8	6.8	114
1986	73,216	4,500	15.5	7.2	122
1987	84,282	7,770	20.8	8.0	138
1988	102,485	14,048	35.1	10.0	162
1989	118,132	17,017	41.2	11.0	190

FINANCIAL CALENDAR

Announcement of results and dividends

Half year	*May*
Full year	*November*

Dividends paid

Interim	*July*
Final	*January*

Annual report posted to shareholders	*December*
Annual general meeting	*January*

Bellway p.l.c.

DIRECTORS AND ADVISERS

Directors

K. BELL *(Chairman)*
H. C. DAWE, M.C.I.O.B. *(Managing)*
A. G. ROBSON, F.C.A.
A. K. BELL
J. CORSCADDEN *(Non executive)*
C. E. J. THOMPSON, M.A.(Oxon), F.T.I.I. *(Non-executive)*

Secretary and Registered Office

P. J. STOKER, Solicitor
Horsley House
Regent Centre
Gosforth
Newcastle upon Tyne
NE3 3LU

Registrars

STENTHFORD CLOSE REGISTRARS LIMITED
Broseley House
Newlands Drive
Witham
Essex
CM8 2UL

Stockbrokers

CHARTERHOUSE TILNEY
WISE SPEKE LIMITED

Financial Advisers

CHARTERHOUSE BANK LIMITED

Bankers

BANK OF SCOTLAND
BARCLAYS BANK PLC
MIDLAND BANK plc
THE BRITISH LINEN BANK LIMITED

Auditors

PEAT MARWICK McLINTOCK
Maybrook House
27 Grainger Street
Newcastle upon Tyne
NE1 5JT

REPORT OF THE DIRECTORS

The directors have pleasure in submitting the annual report of Bellway p.l.c. to the shareholders, together with the audited accounts for the year ended 31st July 1989.

Principal activities
The Company is a holding company which owns subsidiary companies which continue to be principally engaged in housebuilding and associated trading activities.

Business review
A review of the Group's performance and prospects is given in the Chairman's Statement on page 2.

Profits and dividends
The Group profit for the year amounts to £11,081,000 of which £583,000 is attributable to preference shareholders. The balance of £10,498,000 is attributable to ordinary shareholders which the directors recommend be dealt with as follows:

	£000
Ordinary dividends	
Interim dividend paid, 4p per ordinary share	1,022
Final dividend proposed, 7p per ordinary share	1,793
Total ordinary dividends, 11p per ordinary share	2,815
Retained profit for year	7,683
	10,498

The directors recommend payment of the final dividend on 19th January 1990 to shareholders on the register at the close of business on 1st December 1989.

Fixed assets
In the opinion of the directors, the market values of the properties do not differ significantly from the values at which they are shown in the Group balance sheet at 31st July 1989. The movements on tangible assets are shown in Note 9 to the accounts on page 15.

Directors
The directors of the Company who are listed on page 4 have held office throughout the year.
In accordance with the Companys Articles of Association Mr. K. Bell and Mr. C. F. J. Thompson retire from the Board by rotation and, being eligible, offer themselves for re-election.
Mr K. Bell, Mr. A. K. Bell, Mr. H. C. Dawe and Mr. A. G. Robson have service contracts which are terminable by 59 months' notice by either party.
The Company has two non executive directors, Mr. J. Corscadden and Mr. C. F. J. Thompson. Mr J. Corscadden served with the Group since its early days in 1949, was housebuilding director from 1968 to 1977 and has been a non-executive director since 1979. Mr. C. F. J. Thompson has been connected with the Group since 1949 as a solicitor and was appointed a non-executive director in 1979. He has been a partner and latterly a consultant with his present firm, Dickinson Dees, since 1975.

REPORT OF THE DIRECTORS

Directors' and other major shareholders' interests

The directors' interests in the Company's ordinary shares are set out below including particulars of options granted under the Bellway p.l.c. Executive Share Option Scheme. No director has any interest in the preference shares or in any other Group company. The directors' interests include family interests and holdings in which the directors are interested only as trustees. The numbers of ordinary shares recorded in the register of directors' interests are as follows:

	At beginning of the year		At end of the year		At 8th November 1989	
	Fully paid	Under option	Fully paid	Under option	Fully paid	Under option
Beneficial interests						
K. Bell	939,688	141,446	962,787	141,446	962,787	141,446
H. C. Dawe	11,791	167,576	19,239	90,000	19,239	90,000
A. G. Robson	20,985	121,923	39,254	121,923	39,254	121,923
A. K. Bell	13,791	121,923	31,988	121,923	31,988	121,923
J. Corscadden	89,084	–	89,084	–	89,084	–
C. E. J. Thompson	2,666	–	2,666	–	9,452	–
Non-beneficial interests						
C. E. J. Thompson	246,504	–	193,504	–	193,504	–

Mr. A. K. Bell had a beneficial interest in up to 650,597 ordinary shares held by a family trust at 31st July 1989 and at 8th November 1989 (1st August 1988 – 650,597 shares).

As part of the merger agreement in 1987 the vendors of D. E. W. Golding Limited agreed to assign their voting rights in the Bellway shares received in consideration to the board of Bellway. As a result, each Bellway director has a joint non-beneficial interest in holdings comprising 1,838,306 ordinary shares at 31st July 1989 and at 8th November 1989 (31st July 1988 – 2,003,700 shares). In addition each Bellway director has a joint non-beneficial interest in 114,162 ordinary shares at 31st July 1989 and 8th November 1989 (31st July 1988 – 99,162 shares) which are held by the Bellway 1988 Employee Benefit Trust.

The Company has been notified that Mr. D. E. W. Golding is interested in 1,549,482 ordinary shares of the Company (6.05% of the issued ordinary share capital) and that The Prudential Corporation Group of Companies is interested in 1,671,664 ordinary shares of the Company (6.53% of the issued ordinary share capital).

Apart from the above there are no persons, so far as the Register of Shareholders discloses, holding or beneficially interested in 5% or more of the ordinary share capital of the Company.

Directors' interests in contracts

During the year the group sold a flat in Wimbledon, London to Mr. R. A. Cragie, a former director of Bellway p.l.c., at a price of £143,500 and the concrete crusher business of Blackett (UK) Limited to Mr. A. G. Waugh, a former director of Blackett (UK) Limited, at a price of £289,569. In the opinion of the directors both of these disposals were on fair and reasonable terms so far as the shareholders of the Company were concerned.

Apart from any transactions of a minor nature entered into in the ordinary course of business on normal commercial terms there are no other contracts subsisting with Bellway p.l.c. or any of its subsidiary companies in which any director of Bellway p.l.c. or its subsidiary companies is materially interested.

Employees

It is Group policy to give full and fair consideration to the employment needs of disabled persons and to comply with any current legislation with regard to disabled persons.

Donations

During the year the Group made no political contributions but donated £10,172 to charities.

REPORT OF THE DIRECTORS

Income and Corporation Taxes Act 1988
In the opinion of the directors, the Company is not a close company within the meaning of the *Income and Corporation Taxes Act 1988.*

Annual General Meeting – Special Business
Two resolutions will be proposed as special business at this year's Annual General Meeting. The effect of these resolutions is as follows:-

Resolution 6 – Company's purchase of its own ordinary shares

The Company's authority to purchase its own ordinary shares given last year expires on the conclusion of the Annual General Meeting of the Company to be held in 1990. The Directors propose that it should be renewed for a further year to expire on the date of the Annual General Meeting in 1991.
Although the Directors have no present intention to make purchases they consider it would be beneficial for them to continue to have the authority to do so within the terms of the Resolution to enable them to respond flexibly and in the best interests of the Company to changing market conditions. The Directors will only make purchases (which will reduce the number of ordinary shares in issue) after paying due attention to the effect on assets and earnings per ordinary share for the remaining shareholders.

Resolution 7 – *Disapplication of Pre-emption Rights*

Resolution 7 is the customary annual request that the shareholders empower the Directors to allot equity securities for cash in the terms of Section 89 of the Companies Act 1985 up to an aggregate nominal value of £320,133 being approximately equal to 5% of the Issued Ordinary Share Capital of the Company.

Auditors
Our auditors, Peat Marwick McLintock have informed us that they will practise under the name of KPMG Peat Marwick McLintock with effect from 1st of January 1990.
In accordance with Section 384 of the Companies Act 1985, a resolution for the reappointment of KPMG Peat Marwick McLintock as auditors of the Company is to be proposed at the forthcoming annual general meeting.

By order of the Board

P. J. Stoker
Secretary

8th November 1989

REPORT OF THE AUDITORS *to the Members of Bellway p.l.c.*

We have audited the accounts on pages 9 to 22 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the Company and the Group at 31st July 1989 and of the profit and source and application of funds of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Maybrook House
27 Grainger Street
Newcastle upon Tyne
8th November 1989

Peat Marwick McLintock

PEAT MARWICK McLINTOCK
Chartered Accountants

ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the accounts are shown below.

(a) Basis of accounting

The accounts are prepared on the historical cost basis adjusted to incorporate the revaluation of certain land and property held as fixed assets.

(b) Consolidation

The Group accounts include the accounts of the Company and all its subsidiary companies made up to 31st July.

Related companies are stated in the Group balance sheet at the Group's share of their net tangible assets as shown by their latest audited accounts.

(c) Turnover and profit

Turnover represents the invoiced value of sales and rental income, excluding value added tax and transactions between members of the Group.

Turnover and profit on sales of houses are brought into account when the sales have been legally completed.

(d) Stocks

Work in progress and stocks are stated at the lower of cost and estimated net realisable value, less payments on account. The cost of housebuilding work in progress includes site overheads. The cost of other work in progress includes factory and administrative overheads where applicable. Houses taken in part exchange for new houses are stated at the lower of acquisition cost and estimated net realisable value.

(e) Government grants

Grants are deducted to arrive at the cost of the related fixed assets or in the case of grants based on revenue expenditure credited against such expenditure.

(f) Depreciation

Freehold land is not depreciated. Buildings held as fixed assets are being written off by equal annual instalments over 40 years.

Depreciation is provided on a straight line basis for vehicles, plant and equipment at rates which are calculated to write off the cost of those assets over their useful lives, which are estimated at between four and ten years.

(g) Foreign currencies

The accounts of the overseas subsidiary are translated into sterling at the rate ruling at the date of the balance sheet. The profits or losses arising from the translation into sterling of the Group's investment in the overseas subsidiary are dealt with through reserves.

(h) Deferred taxation

Deferred taxation is calculated on the liability method in respect of the excess of capital allowances over depreciation and in respect of other timing differences. Provision is made to the extent that it is probable that a liability will crystallise.

(i) Pension costs

Pension costs for defined contribution pension schemes are charged to profit and loss account in the period for which contributions are payable.

Pension costs for the defined benefit pension scheme are charged to profit and loss account on a basis which spreads the cost of providing pensions over employees' working lives with the Group. This is a change in accounting policy following the adoption of SSAP24. In previous years the charge to profit and loss account for this pension scheme was the amount of contributions payable by the Group. The cumulative adjustment arising from this change is being credited to profit and loss account over the expected remaining working lives of current employees (see note 8(b)).

ellway p.l.c.

GROUP PROFIT AND LOSS ACCOUNT

for the year ended 31st July 1989

	Notes	1989 £000	1988 £000
Turnover	1	118,132	102,485
Cost of sales		88,435	79,037
Gross Profit		29,697	23,448
Administrative expenses		8,530	7,832
Profit on ordinary activities before interest		21,167	15,616
Interest	2	3,120	1,843
Profit on ordinary activities before exceptional items		18,047	13,773
Exceptional items	3	(1,030)	275
Profit on ordinary activities before taxation	4	17,017	14,048
Taxation	5	5,936	5,178
Profit on ordinary activities after taxation	6	11,081	8,870
Dividends	7	3,398	2,534
Retained profit for year	20	7,683	6,336
Earnings per ordinary share	21	41.2p	35.1p

The notes on pages [illegible] to [illegible] form part of these accounts

BALANCE SHEETS *at 31st July 1989*

	Notes	Group 1989 £000	Group 1988 £000	Company 1989 £000	Company 1988 £000
Fixed assets					
Tangible assets	9	5,039	6,159	–	–
Investments	10	884	1,594	5,103	5,103
		5,923	7,753	5,103	5,103
Current assets					
Stocks	11	99,036	72,800	–	–
Debtors	12	4,709	4,979	46,273	21,037
Cash at bank and in hand		2,770	155	21	44
		106,515	77,934	46,294	21,081
Current liabilities					
Creditors due within one year	13	34,549	38,737	3,556	2,703
Net current assets		71,966	39,197	42,738	18,378
Total assets less current liabilities		77,889	46,950	47,841	23,481
Creditors due after one year	14	8,967	5,801	–	–
Provisions for liabilities and charges	15	149	143	–	–
Minority interests		4	4	–	–
Net assets		68,769	41,002	47,841	23,481
Capital and reserves					
Called-up share capital	18	26,403	6,339	26,403	6,339
Share premium account	19	8,974	8,942	8,974	8,942
Revaluation reserve	20	125	160	–	–
Other reserves	20	1,511	1,511	2,145	2,145
Profit and loss account	20	31,756	24,050	10,319	6,055
Shareholders' funds		68,769	41,002	47,841	23,481

The accounts were approved by the board of directors on 8th November 1989

K. Bell *Director*

A. G. Robson *Director*

The notes on pages [illegible] to [illegible] form part of these accounts.

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GROUP STATEMENT OF SOURCE AND APPLICATION OF FUNDS *for the year ended 31st July 1989*

	1989 £000	1988 £000
SOURCE		
Profit before taxation	17,017	14,048
Items not involving the movement of funds:		
Depreciation	1,059	1,014
Provision against cost of investments	-	9
Exchange difference on translation of overseas subsidiary	(18)	31
Generated from operations	18,058	15,102
Funds from other sources		
Preference shares issued net of expenses	19,767	-
Share options exercised	329	80
Tangible assets sold	2,137	667
Book value of investments sold	726	1,217
Minority investment in subsidiary	-	4
	41,017	17,070
APPLICATION		
Tangible assets acquired	2,076	2,315
Investments	16	1,509
Taxation	2,656	1,512
Dividends	2,797	2,024
Movement in working capital		
Stocks	26,236	29,723
Debtors	(461)	958
Creditors	1,342	(13,779)
	34,662	24,262
NET INCREASE/(DECREASE) IN FUNDS		
Bank loans advanced	(2,000)	(2,000)
Decrease/(increase) in net bank borrowings	8,355	(5,192)
	6,355	(7,192)

NOTES TO THE ACCOUNTS

1 TURNOVER

	1989	1988
	£000	£000
Housebuilding and associated trading activities	117,922	102,334
Ground rents and other rental income	210	151
	118,132	102,485

Overseas turnover is not significant.

2 INTEREST

	1989	1988
	£000	£000
Interest payable on overdrafts and bank and other loans		
repayable within 5 years	1,760	1,702
repayable wholly or partly in more than 5 years	1,495	188
Interest receivable	(135)	(47)
	3,120	1,843

3 EXCEPTIONAL ITEMS

	1989	1988
	£000	£000
Provision for loss on a conversion contract	(1,733)	–
Profit on sale of investments		
on disposal of part of shareholding in Highland Participants PLC	703	–
on disposal of shareholding in Cuehold Limited after transfer from reserves of £357,000	–	275
	(1,030)	275

4 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	1989	1988
	£000	£000
Profit before taxation is stated after charging		
Depreciation	1,059	1,014
Operating lease rentals		
Hire of plant and machinery	1,287	1,060
Land and buildings	136	118
Auditors' remuneration (including expenses)	119	117

NOTES TO THE ACCOUNTS

5 TAXATION

	1989 £000	1988 £000
Taxation based on profit for the year		
UK corporation tax at 35%	5,892	5,048
Deferred tax	21	130
Overseas tax	23	-
	5,936	5,178

6 PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION

	1989 £000	1988 £000
This has been dealt with in the accounts as follows		
Bellway p.l.c.	7,662	3,505
Subsidiary companies	3,419	5,365
	11,081	8,870

The Company has taken advantage of the exemption from the requirement to present its own profit and loss account which is given by Section 228(7) of the Companies Act 1985.

7 DIVIDENDS

	1989 £000	1988 £000
Ordinary share capital		
Interim paid on 5th July 1989 - 4p (1988 - 3p) on 25,561,064 shares (1988 - 25,292,136 shares)	1,022	759
Final proposed - 7p (1988 - 7p) on 25,610,712 shares (1988 - 25,362,471 shares)	1,793	1,775
Preference share capital		
Accrued from 11th April 1989 at the rate of 9.5% per annum	583	-
	3,398	2,534

8 EMPLOYEES AND DIRECTORS

	1989 £000	1988 £000
(a) Group employment costs		
Wages and salaries	10,513	9,560
Social security	865	852
Pension	328	500
	11,706	10,912

The average number of persons employed by the Group during the year was 755 (1988 - 732) comprising 207 (1988 - 211) administrative and 548 (1988 - 521) production and others employed in housebuilding and associated trading activities. In addition, the Group employs indirectly substantially more personnel through sub-contractors.

NOTES TO THE ACCOUNTS

(b) Pension Costs

The Group operates a defined benefit scheme and various additional supplementary schemes based on defined contributions. The assets of the schemes are in funds held separately from those of the Group.

A valuation of the defined benefit scheme is undertaken by independent qualified actuaries every three years and the annual contributions to the scheme are paid in acccordance with their recommendations. The most recent valuation of this scheme was undertaken as at 1st November 1988 and used the Age Attained method. The assumption which has the most significant effect on the results of the valuation is the difference of 1½% per annum between the yield on the funds' assets over the rate of salary increases. The actuary calculated that the assets of the defined benefit scheme had a value at 1st November 1988 of £3,378,000. The actuarial value of these assets was sufficient to cover 159% of the benefits that had accrued to members after allowing for expected future increases in earnings. The excess is being credited to profit and loss account over the expected remaining working lives of current employees. Contributions to the fund have been suspended pending further advice from the actuaries.

The pension cost for the year of £328,000 (1988 £500,000) includes £128,000 (1988 £271,000) in respect of the defined benefit scheme after a credit of £176,000 in respect of the amortisation of the surplus. At 31st July 1989 prepaid pension contributions were £188,000 (1988 £17,000) and contributions totalling £76,000 (1988 £156,000) were payable to the funds.

(c) *Directors' remuneration*

	1989 £000	1988 £000
Group employment costs include the following emoluments in respect of directors of Bellway p.l.c.		
Fees for services as directors	8	8
Other emoluments (including pension contributions)	832	864
Compensation for loss of office	–	30
	840	902

The emoluments (excluding pension contributions) of the Chairman, who was the highest paid director, were £194,000 (1988 - £163,000).

The number of directors, excluding the Chairman, whose emoluments (excluding pension contributions) fell within the following ranges was

	1989	1988
£0-£5,000	2	2
£5,001-£10,000	–	1
£95,001-£100,000	–	1
£115,001-£120,000	–	1
£120,001-£125,000	–	1
£140,001-£145,000	1	–
£150,001-£155,000	1	–
£155,001-£160,000	–	1
£185,001-£190,000	1	–

NOTES TO THE ACCOUNTS

(d) Higher paid employees

The number of higher paid employees, other than directors, whose emoluments (excluding pension contributions) fell within the following ranges was

	1989	1988
£30,001-£35,000	10	5
£35,001-£40,000	1	1
£40,001-£45,000	3	2
£45,001-£50,000	6	2
£50,001-£55,000	1	-
£60,001-£65,000	4	1
£65,001-£70,000	3	2
£70,001-£75,000	-	1
£75,001-£80,000	-	3
£80,001-£85,000	1	-
£85,001-£90,000	-	1
£105,001-£110,000	2	-
£110,001-£115,000	-	1
£115,001-£120,000	-	1
£140,001-£145,000	1	1
£185,001-£190,000	1	-

TANGIBLE ASSETS

Group	Land and property £000	Vehicles, plant and equipment £000	Total £000
Cost or valuation			
At 1st August 1988	3,069	5,834	8,903
Additions	283	1,793	2,076
Disposals	(1,332)	(1,628)	(2,960)
At 31st July 1989	2,020	5,999	8,019
Depreciation			
At 1st August 1988	212	2,532	2,744
Charge for year	52	1,007	1,059
On disposals	(70)	(753)	(823)
At 31st July 1989	194	2,786	2,980
Net book value			
At 31st July 1989	1,826	3,213	5,039
At 31st July 1988	2,857	3,302	6,159
Net book value at 31st July 1989 is based on			
Valuation in 1979	139	-	139
Valuation in 1985	[illegible]	-	84
Cost	1,603	3,213	4,816
	1,826	3,213	5,039

Land and property at 31st January 1979 and certain properties at 31st December 1985 were valued on an open market basis. The historic cost of land and property amounts to £1,917,000 (1988 - £2,899,000) and accumulated depreciation based on historic cost would be £172,000 (1988 - £192,000).

Land and property at net book value comprises

	1989 £000	1988 £000
Freehold ground rents	338	405
Freehold land	155	449
Freehold buildings	1,047	1,628
Leaseholds over 50 years	244	333
Leaseholds under 50 years	42	42
	1,826	2,857

(b) **FIXED ASSET INVESTMENTS**

Group	Related companies Shares £000	Related companies Loans £000	Other investments Listed £000	Other investments Unlisted £000	Other investments Loans £000	**Total £000**
Cost						
At 1st August 1988	21	5	31	1,723	154	1,934
Additions	3	–	13	–	–	16
Disposals	–	–	–	(726)	–	(726)
At 31st July 1989	24	5	44	997	154	1,224
Provisions	16	5	–	165	154	340
Net book value						
At 31st July 1989	8	–	44	832	–	884
At 31st July 1988	5	–	31	1,558	–	1,594

At 31st July 1989 the market value of the investment listed on The Stock Exchange was £293,000 (1988 – £178,000).

Company	£000
Shares in subsidiaries at 1st August 1988 and 31st July 1989 comprise	
Cost	5,153
Provision	(50)
Net book value	5,103

Details of the principal subsidiary and related companies are shown on page 22.

NOTES TO THE ACCOUNTS

11 STOCKS

Group	1989 £000	1988 £000
Work in progress and stocks	101,911	75,013
Showhouses and houses awaiting sale	5,212	2,109
	107,123	77,122
Less: Payments on account	8,087	4,322
	99,036	72,800

12 DEBTORS

	Group		Company	
	1989 £000	1988 £000	1989 £000	1988 £000
Due within one year				
Trade debtors	1,627	2,888	-	-
Amounts owed by subsidiary companies	-	-	45,481	20,445
Other debtors	1,419	1,450	-	-
Prepayments and accrued income	1,033	420	-	-
	4,079	4,758	45,481	20,445
Due after one year				
Advance corporation tax recoverable	412	221	792	592
Other debtors	102	-	-	-
Prepayments and accrued income	116	-	-	-
	4,709	4,979	46,273	21,037

13 CREDITORS DUE WITHIN ONE YEAR

	Group		Company	
	1989 £000	1988 £000	1989 £000	1988 £000
Bank overdrafts- unsecured	652	6,392	-	-
Trade creditors	14,189	19,541	-	-
Amounts owed to subsidiary companies	-	-	-	18
Dividends	2,376	1,775	2,376	1,775
Advance corporation tax	1,132	844	1,132	844
Corporation tax	4,661	2,659	26	22
Other taxation and social security	359	453	-	-
Other creditors	684	270	22	44
Accruals and deferred income	10,232	6,441	-	-
Payments on account	264	362	-	-
	34,549	38,737	3,556	2,703

NOTES TO THE ACCOUNTS

14 CREDITORS DUE AFTER ONE YEAR

Group	1989 £000	1988 £000
Bank loans - unsecured	4,000	2,000
Other creditors	-	3
Corporation tax payable		
August 1990	4,967	-
December 1989	-	3,798
	8,967	5,801

Bank loans bear interest at rates linked to normal bank rates. £250,000 (1988 - nil) is repayable between 4 and 5 years and £3,750,000 (1988 - £2,000,000) is repayable after 5 years.

15 PROVISIONS FOR LIABILITIES AND CHARGES

Group	1989 £000	1988 £000
Deferred taxation		
UK		
Excess of capital allowances over depreciation	256	325
Capital gains rolled over on investments	169	200
Other timing differences	107	(5)
Overseas	(3)	(6)
	529	514
Advance corporation tax recoverable	(380)	(371)
	149	143

Full provision has been made for deferred taxation. The increase in the provision for deferred taxation of £15,000 is represented by a transfer from profit and loss account of £21,000 and £6,000 transferred to reserves in respect of exchange differences.

16 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 any overdrawn balance on a Group bank account and in respect of other overdrafts, loans and guarantees given by the banks to or on behalf of other Group companies. At 31st July 1989 these bank overdrafts amounted to £650,000 (1988 - £6,382,000) and the loans to £4,000,000 (1988 - £2,000,000).

The Company has guaranteed further loans and overdrafts of subsidiary companies up to a maximum of £180,000 (1988 - £190,000) and given performance and other trade guarantees on behalf of subsidiary companies.

The Company has guaranteed the overdraft of a related Company up to a maximum of £500,000 (1988 - £500,000).

The Company has guaranteed the overdrafts of third parties up to a maximum of £400,000 (1988 - £500,000).

No valuable security has been given in respect of the above guarantees.

NOTES TO THE ACCOUNTS

[illegible] COMMITMENTS

	1989 £000	1988 £000
Capital commitments		
Contracted but not provided for	232	248
Authorised but not contracted for	–	–

Payments due in the year to 31st July 1990 in respect of operating leases

	Land and buildings £000	Other £000
Expiring within one year	35	13
Expiring within the second to fifth years	–	24
Expiring in more than five years	208	95
	243	132

Leases of land and buildings are subject to periodic rent reviews.

[illegible] SHARE CAPITAL

	1989 £000	1988 £000
Authorised		
32,000,000 (1988 – 32,000,000) ordinary shares of 25p each	8,000	8,000
20,000,000 (1988 – nil) preference shares of £1 each	20,000	–

	Number	£000
Allotted, called up and fully paid		
Ordinary shares of 25p each		
At 1st August 1988	25,354,197	6,339
Issued on exercise of options	256,515	64
At 31st July 1989	25,610,712	6,403
9[illegible]% cumulative redeemable preference shares 2014 of £1 each		
Allotted, called up and fully paid on 11th April 1989	20,000,000	20,000
At 31st July 1989	20,000,000	20,000
		26,403

The preference shares were allotted and issued to provide the group with long term capital at a fixed cost. The preference shares will be redeemed at par on 6th April 2014. Before that date they may be redeemed by the Company at an amount per share (which may not exceed a sum equal to twice the nominal value of a preference share) equal to the greater of (a) the price at which the gross redemption yield on the preference shares is equal to the mean gross redemption yield on 12 per cent. Exchequer stock 2013/17 while that stock is in issue, and thereafter such United Kingdom government stock as the Directors, having taken advice, may decide, calculated by reference to the average of the middle market quotations for that stock over the period of 20 business days immediately preceding the date fixed for the redemption and (b) the nominal value of a preference share.

NOTES TO THE ACCOUNTS

At 31st July 1989, outstanding options to purchase ordinary shares in Bellway p.l.c., in accordance with the terms of the Bellway p.l.c. Executive Share Option Scheme, were as follows

Number of shares	Price per share	Dates between which options are exercisable
238,935	127.62p	7th June 1988 to 6th June 1995
68,264	129.36p	23rd December 1988 to 22nd December 1995
18,000	153.00p	14th November 1989 to 13th November 1996
293,870	202.20p	6th May 1990 to 5th May 1997
212,000	252.20p	3rd June 1991 to 2nd June 1998

19 SHARE PREMIUM ACCOUNT

	£000
At 1st August 1988	8,942
Arising on ordinary shares allotted on exercise of options	265
Arising on preference share issue	174
Expenses of preference share issue	(407)
At 31st July 1989	8,974

RESERVES

Group	Revaluation reserve £000	Other Non-distributable reserves £000	Profit and loss account £000
At 1st August 1988	160	1,511	24,050
Transfer to profit and loss account on sale of property	(35)	-	35
Exchange difference	-	-	(12)
Retained profit for year	-	-	7,683
At 31st July 1989	125	1,511	31,756

Company	Other Non-distributable reserves £000	Profit and loss account £000
At 1st August 1988	2,145	6,055
Retained profit for year	-	4,264
At 31st July 1989	2,145	10,319

EARNINGS PER ORDINARY SHARE

The calculation of earnings per ordinary share is based on earnings of £10,498,000 (1988 - £8,870,000) after taxation and preference dividend and weighted average number of ordinary shares ranking for dividend of 25,461,720 (1988 - 25,301,089). There would be no material dilution to earnings per ordinary share if all outstanding options were exercised.

PRINCIPAL GROUP COMPANIES

Unless otherwise stated the Company owns the whole of the ordinary share capital of the following companies incorporated and operating in Great Britain in housebuilding and associated activities.

United Kingdom subsidiary companies

Bellway Homes Limited
Bellway Homes (Anglia) Limited
Bellway Homes (Hertfordshire) Limited
Bellway Homes (West Midlands) Limited
Bellway (North East) Limited
Bellway (North London) Limited
Bellway (North West) Limited
Bellway (Scotland) Limited
Bellway Urban Renewals Limited
Bellway Urban Renewals (New Homes) Limited
Bellway Urban Renewals (Contract[illegible]) [illegible]
Bellway Properties Limited
Bellway (Services) Limited (motoring services)
Blackett (UK) Limited
Heron Electrical Contractors Limited
Litrose Investments Limited
Nixons Fitted Furnishings Limited
**The Victoria Dock Company Limited (60% owned)*

Overseas subsidiary company

**Bellway Pty Limited (incorporated in Australia)*

Related company

**†Cramlington Developments Limited (50% owned)*

Notes

*These companies' shares are held indirectly.
†The related company has an issued share capital of 10,000 ordinary shares of £1 each and an accounting reference date of 30th June.

Bellway p.l.c.

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting of the Company will be held at the Gosforth Park Hotel, High Gosforth Park, Newcastle upon Tyne, NE3 5HN on Monday, 15th January 1990 at 12.00 noon for the following purposes:

1. To receive the report of the directors, the accounts and the auditors' report.

2. To declare a dividend.

3. To elect Mr. K. Bell as a director of the Company.

4. To elect Mr. C. F.J. Thompson as a director of the Company.

5. To re-appoint KPMG Peat Marwick McLintock as auditors of the company and to authorise the directors to fix their remuneration.

As special business to consider and, if thought fit, to pass the following Resolutions which will be proposed as Special Resolutions:

6. That the Company be and is hereby authorised to purchase for cancellation its own ordinary shares by way of market purchase upon and subject to the following conditions:-

   (i) the maximum number of ordinary shares which may be purchased is 2,561,071 Ordinary Shares of 25p each being approximately 10 per cent of the ordinary shares in issue;

   (ii) 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 Stock Exchange Daily Official List for the 10 business days immediately preceding the date on which the ordinary shares are contracted to be purchased and the minimum price is 25p per ordinary share in both cases exclusive of expenses; and

   (iii) the authority to purchase conferred by this resolution shall expire at the conclusion of the Annual General Meeting of the Company to be held in 1991 provided that any contract for the purchase of any ordinary shares as aforesaid which was concluded before the expiry of the said authority may be executed wholly or partly after the said authority expires.

7. That the Directors, pursuant to the general authority conferred by Resolution 6A passed at the Annual General Meeting of the Company held on 9th January 1987 be and are hereby empowered pursuant to Section 95 of the Companies Act 1985 to allot equity securities (within the meaning of Section 94 of the said Act) as if sub-section (1) of Section 89 of the said Act did not apply to any such allotment provided that this power shall be limited:-

   (i) to the allotment of equity securities in connection with rights issues in favour of ordinary shareholders where the equity securities respectively attributable to the interests of all ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them on a fixed record date (but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of or the requirements of any recognised regulatory body or any stock exchange in any territory); and

   (ii) to the allotment (otherwise than pursuant to sub-paragraph (i) above) of equity securities up to an aggregate nominal value of £320,133

   and shall expire on the conclusion of the next Annual General Meeting of the Company after the passing of this Resolution or, if sooner, on 12th April 1991 save 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 in pursuance of such offer or agreement as if the power conferred hereby had not expired.

Bellway p.l.c.

NOTICE OF MEETING

8. To transact any other ordinary business of the company.

Notes.

(i) A member may appoint one or more proxies to attend and vote instead of him. A proxy need not be a member of the Company.

(ii) There will be available for inspection at the registered office of the Company, Horsley House, during usual business hours (Saturdays excepted) from the date of this notice until the date of the annual general meeting:

   (a) A statement of all transactions of each director and of his family interests in the equity share capital of the Company.

   (b) Copies of contracts of service of the directors employed by the Company.

   These will also be available for inspection during the annual general meeting and for at least fifteen minutes before it begins.

By order of the board

Horsley House
Regent Centre
Gosforth
Newcastle upon Tyne NE3 3LU

8th November 1989

P.J. STOKER
Secretary

Bellway p.l.c.

PROXY CARD

Proxy Card for use at the Annual General Meeting of Bellway p.l.c. to be held on 15th January 1990.

I/We .... of ....
(Name and address in block capitals)

....

....

the undersigned, being (a) member(s) of the above named Company, hereby appoint †Mr. H. C. Dawe or failing him Mr. A. K. Bell, Directors of the Company or

....

....

as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on the 15th January 1990 and at every adjournment thereof and I/we direct my/our proxy to vote as indicated below.

Date .... Signed ....

Please indicate, by inserting a cross in the appropriate square, how you wish your votes to be cast on the resolutions mentioned. Unless so instructed and on any other resolutions proposed at the meeting, your proxy will vote or abstain at his discretion. This proxy will be used only in the event of a poll being directed or demanded.

ANNUAL GENERAL MEETING		
RESOLUTIONS	FOR	AGAINST
1. To adopt the Directors' Report and Accounts for the year ended 31st July 1989		
2. To declare a dividend		
3. To elect Mr. K. Bell		
4. To elect Mr. C. F. J. Thompson		
5. To reappoint KPMG Peat Marwick McLintock as auditors of the Company and to authorise the Directors to fix their remuneration		
6. To authorise market purchases of the Company's own ordinary shares		
7. To exclude the application of pre-emption rights to the allotment of equity securities		

NOTES

† Delete the underlined if it is desired to appoint any other person, who need not be a member of the Company, and insert his/her name and address

(i) To be effective this proxy must be deposited at the office of the Company's Registrars shown overleaf not less than 48 hours before the time appointed for the holding of the meeting for which it is to be used

(ii) Any alterations to this form of proxy should be initialled

(iii) In the case of a joint holding, the proxy may be signed by any of the joint holders

(iv) In the case of a corporation, the form of proxy should be under its Common Seal or under the hand of a duly authorised officer or attorney

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