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Bellway

Annual Report and
Accounts 2013

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#283

COMPANIES HOUSE

BUILDING
HOMES,
BUILDING
VALUE

Overview
ABOUT US

From its origins nearly 70 years ago as a small family owned housebuilding business in Newcastle upon Tyne, Bellway has become one of the UK's largest housebuilding companies, with annual revenue of more than £1 billion.



It has its headquarters in Newcastle but now operates from 15 divisions throughout the UK and has built and sold over 100,000 homes.

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FINANCIAL HIGHLIGHTS

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Completed sales (homes)

Graph removed

5,652 homes
+8.2%

Average selling price (£)

Graph removed

£193,025
+3.4%

Total Group revenue (£m)

Graph removed

£1,110.7m
+10.6%

Operating margin (%)

Graph removed

13.6%
+220bps

Profit before taxation (£m)

Graph removed

£140.9m
+33.8%

Earnings per ordinary share (p)

Graph removed

89.3p
+36.3%

Dividend per ordinary share (p)

Graph removed

30.0p
+50.0%

Net asset value per ordinary share (p)

Graph removed

1,001p
+7.3%

Return on capital employed (%)

Graph removed

12.3%
+220bps

*Pre-exceptional items

Image removed

Image removed

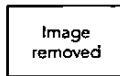
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Cover
Scholars Field, Crawley,
West Sussex

Above and opposite
The Pavilions Hale Village
London Borough of Haringey

Scan this code with one of the many available QR reader apps on your smartphone to access our interactive online report

For further detail on our business please visit
www.bellway.co.uk



DIVIDEND PER ORDINARY SHARE

30.0_p

+50%

Overview

CHAIRMAN'S STATEMENT

"Another strong performance with profit before taxation increasing by almost 34% to £140.9 million"



John Watson
Chairman

Introduction

I am pleased to report, in my first year as Chairman, another strong performance by the Group with profit before taxation increasing by almost 34% to £140.9 million (2012 – £105.3 million)

There has been a significant improvement in trading conditions during the year, largely stimulated through wider access to more affordable, higher loan to value mortgages. Government support, and the Help to Buy scheme in particular since its launch on 1 April, has had a significant effect on the housing market, improving mortgage availability and helping to satisfy previously restrained consumer demand.

These more favourable mortgage conditions, a gradual improvement in consumer confidence, together with a continuing programme of site openings, have allowed the Group to deliver its fourth consecutive year of earnings growth.

Trading and results

The financial year began well with visitor numbers and reservations slightly ahead of initial expectations. The reservation rate gathered momentum with the onset of spring and the commencement of the Help to Buy scheme brought with it the strongest market conditions seen since the downturn in 2008. This strong demand has enabled the Group to complete the sale of 5,652 homes (2012 – 5,226), an increase of 8.2% compared to last year. The average selling price of homes sold has increased by 3.4% to £193,025 (2012 – £186,648) as a result of continuing changes in product and geographic mix. As a result, housing revenue in the year has risen by nearly 12% to £1,091.0 million (2012 – £975.4 million) and this, together with other revenue of £197 million (2012 – £28.8 million), has resulted in total revenue increasing by almost 11% to £1,110.7 million (2012 – £1,004.2 million).

The Group delivered a 31.8% increase in operating profit to £151.1 million (2012 – £114.6 million) at an operating margin of 13.6% (2012 – 11.4%). This improvement in the operating margin continues to be generated from a combination of the growing proportion of completions derived from higher margin land, acquired since the downturn, together with robust cost control.

Net finance costs remain low at under £10.2 million (2012 – £9.3 million) resulting in profit before taxation of £140.9 million (2012 – £105.3 million), an increase of 33.8% compared with the prior year.

Basic earnings per share have increased by 36.3% to 89.3p (2012 – 65.5p) and this has resulted in growth of 7.3% in the net asset value per share to 1,001p at 31 July 2013 (2012 – 933p).

The Group applies strong capital disciplines and continues to meet its acquisition criteria in respect of gross margin and return on capital employed on all new land acquisitions. As a result of this approach, the Group's return on capital employed has further improved to 12.3% (2012 – 10.1%).

Bellway ended the financial year with net bank debt of £5.8 million after spending £300 million on land and land creditors. This balance sheet strength, compounded by a limited exposure to historic shared equity schemes and a relatively insignificant pension deficit, ensures that the Group retains its ability to continue investing in land. This should support the further growth of the business where favourable opportunities can be sourced by our land teams.

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CHAIRMAN'S STATEMENT CONTINUED

Dividend

Given the Group's strong earnings growth and balance sheet position, the Board is proposing to increase the final dividend by 50% to 21 0p per ordinary share (2012 – 14 0p). This rise also produces a 50% increase in the total dividend for the year to 30 0p (2012 – 20 0p) with this being covered by earnings almost 3 0 times (2012 – 3 3 times).

People

The continued commitment of all those who work for and with Bellway is critical to its ongoing success and this has enabled the Group to achieve significant growth in profitability during the year. I would like to express the Board's gratitude to all Bellway's employees, sub-contractors and partners whose commitment and loyalty will help to facilitate the future growth of the business.

Board changes

Peter Johnson, the senior independent non-executive director will retire on 31 January 2014 following ten years of dedicated service with Bellway. On behalf of the Board, I would like to thank him for his commitment and invaluable contribution to the progress of the Group. John Cuthbert, who joined the Board on 1 November 2009, will succeed Peter in the role of senior independent non-executive director on 1 February 2014.

We welcome to the Board Paul Hampden Smith and Denise Jagger, as independent non-executive directors, who joined Bellway on 1 August 2013. I would like to take this opportunity to wish both Paul and Denise every success in their new roles and I am sure they will make a valuable contribution to the progress of the Group in the years to come.

Outlook

Since 31 July, reservations have remained ahead of last year and demand remains strong in most areas of the country.

The Group has expanded its divisional structure by opening two new divisions, in Manchester and in the Thames Valley, with effect from 1 August 2013. This increased operational capacity, coupled with an order book of over £644 million at 29 September (30 September 2012 – £438 million), means that, subject to construction delivery, Bellway is well placed to further increase the rate of volume growth in the year ahead.

This increased operational capacity, together with a strong balance sheet and a focus on return on capital, should mean that the Group is able to continue delivering sustainable, responsible growth in net asset value, whilst maintaining its progressive dividend policy.



John Watson

Chairman
14 October 2013

Image
removed

Left
The Fairways, Rowley Regis,
West Midlands

Opposite
Cherrywood, Ware,
Hertfordshire

Image removed

RETURN ON CAPITAL EMPLOYED

12.3%

+220bps

Overview
BUILDING HOMES, BUILDING VALUE



Top
Five Mile Park, North Gosforth,
Tyne and Wear

Above
Hanbury Drive, hornchurch
Essex

Centre
Prospect Place, Grangetown,
Cardiff

Opposite
Abbotswood Park
Abbots Langley, Hertfordshire

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Image removed



**AVERAGE WEEKLY RESERVATION
RATE DURING THE YEAR**

128
homes per week

+27%

Performance

CHIEF EXECUTIVE'S OPERATING REVIEW

"The Group has delivered another strong set of results, with further growth in volume, average selling price and operating margin"



Ted Ayres
Chief Executive

Market overview

The market for new homes has benefited from improving consumer confidence throughout the year, further stimulated by government schemes in the form of NewBuy and Help to Buy. The latter was introduced in England in April 2013 and offers purchasers the ability to acquire newly constructed houses and apartments, with only a 5% deposit. The Group's sales rate improved significantly following the introduction of Help to Buy, with the scheme having been used in 29% of reservations in the period since its launch, up to 31 July 2013.

Visitor numbers to our developments and website have risen during the year resulting in the average weekly reservation rate rising by almost 27% to 128 homes per week (2012 – 101).

Set against this backdrop of rising consumer confidence and wider accessibility to higher loan to value mortgages, the Group has delivered another strong set of results, with further growth in volume, average selling price and operating margin contributing to a growth in earnings and an improvement in return on capital employed.

Opposite
Mulberry Lodge, Tiptree Essex

Building shareholder value

The improvement in market conditions, together with the Group's operational and balance sheet capacity for growth, ensures that Bellway is well positioned to deliver further volume growth in the years ahead, whilst maintaining strict capital disciplines.

This should enable the Group to build further shareholder value through continued growth in net asset value together with a progressive dividend policy.

Regional performance

Our divisions in the north of the country have benefited from investment in new sites and as a result, completions have increased by 11.7% to 2,652 homes (2012 – 2,375). The Scotland and Yorkshire divisions showed noticeable improvement in volume with the number of legal completions rising to 414 (2012 – 336) and 301 (2012 – 225) respectively.

The average selling price in the north has increased by 8.0% to £163,534 (2012 – £151,376) largely as a result of changes in product mix with Bellway continuing its focus on traditional two storey family housing. For example, the Group sold 965 homes (2012 – 734) with four bedrooms or more, an increase of 31.5% compared to last year. The effect of this change in product mix is most pronounced in the North West and Yorkshire divisions, where the average selling price increased to £171,204 (2012 – £156,389) and £168,751 (2012 – £148,442) respectively.

Our southern divisions have also performed well, benefiting in many areas from a strong consumer demand for new homes. As a result, completions have increased by 5.2% to 3,000 homes (2012 – 2,851) and the average selling price in the south rose slightly to £219,094 (2012 – £216,031).

Four of the Group's southern divisions also benefit from a strong presence in the London Boroughs, where Bellway completed the sale of 865 homes, representing 19% of total housing revenue. The average selling price in the London Boroughs has risen by almost 5% in the period to £240,539 (2012 – £229,794) with this being affordable in the context of the London market. Bellway has developed successfully within the London Boroughs for a number of years and traded from 22 outlets during the year.

Strong cost control

Strong cost control has contributed to the Group's performance with construction costs remaining relatively benign throughout the year. The vast majority of materials used throughout the Group are centrally procured and our supply chain contracts are fixed in advance for periods of 12 months or more. This has enabled the Group to ensure consistent cost and quality control. We have encountered some material and sub-contractor labour shortages in recent months and as volumes continue to grow in the industry, the Group's procurement teams will face inevitable cost pressures. We will continue to work closely with the existing supplier and sub-contractor base to minimise any cost increases.

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PLOTS IN LAND BANK
AT 31 JULY 2013

32,991
plots

+6.0%

Performance

CHIEF EXECUTIVE'S OPERATING REVIEW CONTINUED

A strong presence in the London BoroughsLand bank and planning

The Group's controlled approach to land buying requires the divisional land teams to appraise both gross margin and return on capital employed for each potential land acquisition. Whilst adopting this approach, Bellway has expended £300 million on land and land creditors during the year, with a focus on the acquisition of land that has the benefit of implementable detailed planning permission ('DPP') or is conditional on obtaining implementable DPP.

The land bank at 31 July 2013 totalled 32,991 plots (2012 – 31,136), comprising 18,991 plots (2012 – 17,636) owned with a DPP, together with a further 14,000 plots (2012 – 13,500) in the 'pipeline'. The Group defines its 'pipeline' as plots which are either owned or contracted, often conditionally, pending an implementable DPP. The Group's success at acquiring land on a conditional basis, often at a higher margin, allows our planning and technical teams to reduce the risk associated with each development opportunity. This frequently results in land with DPP being paid for at the point of delivery, thereby enhancing the Group's return on capital employed. In the period, we have successfully obtained a DPP on 4,252 (2012 – 2,472) plots which were previously included in the pipeline tier of the land bank. Furthermore, the Group acquired an additional 2,755 (2012 – 2,304) plots with the benefit of DPP directly into the land bank. Bellway has, therefore, successfully added 7,007 (2012 – 4,776) plots with implementable DPP into the land bank.

In addition to its land holdings of 32,991 plots, the Group has longer term strategic land holdings, typically held under option. Within this section of the land bank there are approximately 4,400 plots (2012 – 3,900) which are currently allocated in emerging plans, with 2,130 (2012 – 1,773) of these being the subject of current planning applications. Furthermore, the Group had, at 31 July 2013, agreed terms for the acquisition of a further 4,100 plots, of which 924 plots have been acquired since the end of the year.

The Group has been included on all of the government's re-tendered development partner panels and our expertise in delivering complex regeneration schemes should place Bellway in a strong position to benefit from this land source at returns that meet our minimum acquisition criteria.

Following the introduction of the government's National Planning Policy Framework, the Group's planning teams have seen an improvement in the consultation process with many local authorities. The subsequent requirement to discharge numerous pre-commencement conditions is, however, still adding unnecessary delay to the opening of new outlets to meet housing demand.

Opposite
The Lawns, Reading, Berkshire

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CHIEF EXECUTIVE'S OPERATING REVIEW CONTINUED

Customer care and training

Quality of construction and customer care are key priorities for the Group. Every customer is requested to complete a customer satisfaction survey and is asked whether they would 'Recommend Bellway to a friend'. The Group attained a positive reply from 94.8% (2012 – 93.8%) of respondents. These scores are independently benchmarked against other major national housebuilders and have helped the Group to retain its Home Builders Federation ('HBF') rating as a 5* housebuilder.

During the year, our site managers won 27 NHBC sponsored 'Pride in the Job' awards, which is the most the Group has ever achieved. This is testament to Bellway's ongoing investment in training and the quality of our construction staff.

The Group operates a graduate recruitment scheme to recruit high quality graduates into its teams and, in the future, we anticipate a minimum of two graduates per division. In addition, the Group has 73 trade apprentices working on its construction sites and this figure will rise further as production activity increases.

Health and safety

The Group's health and safety record continues to improve with the reportable incident rate, measured in accordance with Health and Safety Executive ('HSE') guidelines, decreasing by 12.7% compared with the previous year. Our site managers won three National NHBC Health and Safety Awards, with two of them commended and one highly commended.

We have supported the HSE in their efforts to improve dust suppression by issuing advice and instructions to all of our sub-contractors and ensure compliance during site inspections. Bellway remains committed to further improvement in all areas of health and safety to minimise the risk of injury on our sites.

**Corporate responsibility**

The Group is focused upon and committed to delivering and maintaining, high standards of corporate governance and responsibility. The operating divisions continue to work with external advisers to ensure that house types meet the new energy efficiency requirements of the current building regulations and Code for Sustainable Homes 4 ('Code 4'). In the period, the Group has successfully constructed 244 homes built to Code 4 and a further 543 homes incorporating photovoltaic ('PV') panels to meet renewable energy planning requirements. The use of PV panels will expand with the imminent introduction of further new building regulations.

Outlook

The improved sales rate, influenced by the launch of Help to Buy in April 2013, has resulted in the order book at 31 July totalling 3,525 plots (2012 – 2,533), representing an increase in value of 54% to £679.5 million (2012 – £441.2 million).

We are hopeful that the improved trading conditions experienced over recent months will be maintained in the current financial year. Government support, both through the extension of the Help to Buy equity loan scheme to include Scotland, and the proposed extension to include Wales, together with the recent launch of the Help to Buy mortgage guarantee, should continue to assist those potential purchasers requiring a 95% loan to value mortgage.

Furthermore, in order to facilitate our growth plans, two new divisions have opened, with effect from 1 August 2013, in Manchester and in the Thames Valley. These have been planned over the last 12 months and, as a consequence, the new divisions have acquired sufficient land to contribute legal completions in the current financial year.

The investment in these new divisions has increased operational capacity to 7,500 homes and beyond per annum and this, together with the strong order book and growing customer demand, could enable the Group to achieve volume growth of up to 15% in the current financial year. The attainment of this target will be subject to market conditions remaining unchanged and construction delivery times being achieved. As a result of the strong order book at 31 July, the rate of volume growth is expected to be more heavily weighted to the first half of the current financial year.

Bellway has a strong balance sheet, low net bank debt of £5.8 million and, with its increased operational capacity, the Group is well placed to deliver disciplined volume growth, with a focus on return on capital, over the coming years. This should allow Bellway to deliver its aim of creating ongoing enhancement in shareholder value by a combination of growth in net asset value, together with a progressive dividend policy.

Ted Ayres
Chief Executive
14 October 2013

Right
The Asters,
Sunningdale Berkshire

Image
removed

VALUE OF ORDER BOOK
AT 31 JULY 2013

£679.5_m

+54%



Right
Interior at The Heath,
Warrington, Cheshire

Below
Interior at Langroyd Mews,
London Borough of Wandsworth



Performance

CORPORATE RESPONSIBILITY POLICY



Through sustainable construction we aim to create new communities and lasting environments for people now and in the future. Using our skills, and in consultation with our partners, we aim to enhance the environment in which we are working and secure the advantages that this offers to Bellway, its shareholders, employees and customers.

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.

Through Bellway's commitment to corporate responsibility we

- engage and respond to stakeholders, including shareholders, employees, customers, government and communities that we affect, thereby improving internal and external awareness
- 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 medium and 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

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

- the Chief Executive is responsible for this policy and reports to the Board and external stakeholders on performance in relation to all corporate responsibility matters
- the Chief Executive is supported by the Corporate Responsibility Group which includes senior employees from within the Group who are responsible for the development and review of this policy. They in turn delegate to managers within each of the divisions who are responsible for implementation

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 in relation to environmental issues and health and safety, 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.

Above

Burying a time capsule with pupils from Wallyford Primary School, Wallyford, East Lothian

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2013 CORPORATE RESPONSIBILITY STATEMENT**Introduction**

The protection of the environment and working with communities to develop new homes that are both efficient and sustainable is fundamental to the continued success of our business. Resource management is one of the most important aspects of our business. Our customers and investors are increasingly interested in how we adjust to changing conditions. For Bellway, resource management is about land use, consumption of materials and how they are used and where they are sourced.

During the last 12 months we have closely examined the environmental credentials of our supply chain partners to ensure that every day decision-making is not compromising our environmental aims and obligations.

We work with hundreds of supply chain partners who provide us with goods and services, ranging from bricks and blocks to roof trusses and kitchen fittings. In managing the environmental integrity of our supply chain we require all suppliers to provide details of their environmental credentials as a prerequisite of entering into a contract with Bellway.

Supply chain

To achieve a more energy efficient home we focus on the fabric of the materials that we use in construction, concentrating on highly insulated walls, windows and lofts. We then ensure that our homes are airtight and use mechanical ventilation systems to maintain good air quality and comfort. Where appropriate, we use low-carbon and renewable technologies such as solar panels, photovoltaic panels ('PV'), combined heat and power plants and air and ground source heat pumps.

The selection of the appropriate materials is essential in developing a sustainable building. For example, the Thermalite aerated concrete blocks we use offer high thermal insulation and contain up to 80% recycled material (pulverised fuel ash). Thermalite was one of the first blocks to receive a Certified Environmental Profile and eco-points score from the Building Research Establishment, achieving an 'A' rating in the Green Guide to Specification. Its manufacturers, Hanson, employ a strict waste minimisation scheme that ensures that all surplus materials used in its production are recycled into the next mix, used in other products or used as an aggregate bulk fill replacement in road construction.

Our principal supplier of bricks, Ibstock, has achieved BES 6001 accreditation across all of its manufacturing sites and we recognise their policy for responsible sourcing of construction products and demonstrating that a building material has been produced in a way that has minimised its environmental effect, and is sustainable.

Marley Eternit, our supplier of roof tiles was the first roofing manufacturer in the UK to achieve an independent carbon footprint certification for all of its roofing products and certifies the total amount of carbon dioxide ('CO₂') and other greenhouse gases emitted in the production and use of a product at every stage throughout its lifecycle.

We purchase timber from a variety of suppliers and in accordance with our timber procurement policy we specify that all timber products must comply with either FSC or PEFC credentials. In March 2013, a new EU regulation came into force which prohibits placing timber on the EU market if it was illegally harvested. In accordance with these new guidelines we have put in place procedures to ensure that all timber used by Bellway has been harvested from legitimate sources.

Managing consumption

Throughout the year we have been monitoring our consumption of gas, electricity, petrol, diesel and the amount of waste we generate. With assistance from the environmental consultancy, Trucost, we have collated this data to ensure that we can report our direct and indirect greenhouse gas emissions in accordance with the regulations that came into effect on 1 October 2013. Furthermore, the actions we have taken enable us to set realistic targets for the future which will help us to reduce our carbon footprint.

Climate change

The new homes we build are considerably more energy efficient than older housing. New building regulations introduced in 2010 require all new homes to achieve a 25% reduction in carbon emissions compared with the 2006 regulations. There will be further changes to building regulations as the industry moves towards building carbon neutral homes (Code Level 6) by 2016. This year we completed 5,652 homes, of these 28% were constructed to Code Level 3 and 4% achieved Code Level 4.

As an example of our commitment to more energy efficient properties, our development in east London, So Stepney, includes a community heating system. This comprises a combined heat and power unit that provides a highly efficient heating system for our residents and also generates electricity that is returned to the national grid. This is one of the most carbon efficient systems available and is well suited to apartment schemes where the residents benefit from lower energy costs and will always have hot water 'on demand'. The system will be the responsibility of the community heating scheme operator who is contracted to maintain the system and provide competitive rates for its energy against traditional heating systems, thus ensuring that our customers benefit from reduced energy bills.

At Roby Park in Liverpool we have provided homes with air source heat pumps, which are designed to heat homes using thermal energy from the outside air. The heat pumps generate heat to warm radiators and provide hot water and can lower fuel bills by up to £300 over the course of a year.

PV panels are now more widely used throughout our developments across the country. To help maintain the affordability of our homes and to meet planning obligations and Code for Sustainable Homes requirements, we have entered into a partnership with a renewable energy company to provide our customers with free solar panels fitted in return for a 20 year roof lease. The initiative gives customers the opportunity to generate their own electricity and thus reduce their energy bills.

Land

Central to our business is the procurement of land suitable for residential development. Increasingly, planning policy favours the use of brownfield sites, particularly in urban areas. Here there is a greater potential to affect neighbouring communities through the construction process. Prior to us submitting a planning application, we undertake a series of public engagement events to present our plans to local people. This consultation process enables us to gauge opinion and make any revisions which improve the balance between the demands of our business in conjunction with providing for the needs of our residents and their communities.

In the West Midlands, in Coleshill, near Birmingham, we are working in partnership with the Father Hudson Society where we have plans to replace existing buildings with a high quality scheme of townhouses, retirement apartments and new office accommodation. Specialist heritage architects have been appointed to design the scheme, which includes a bespoke design proposal to ensure that the new development complements its surroundings and enhances the conservation area.

In east London, in the Borough of Tower Hamlets, in partnership with the housing association, Family Mosaic, we have redeveloped the former Festival of Britain site to create New Festival Quarter. The site, measuring 4.75 acres, has enabled us to provide 490 homes for open market sale, shared equity and rent, close to Canary Wharf and several transport hubs. New Festival Quarter is providing affordable housing as well as being an important feature of Tower Hamlet's wider regeneration aspirations.

Also in east London in Hackney, we have entered into a collaboration with the Peabody Trust as part of their programme of estate renewal to create Pembury Circus. This enabled us to share our skills in regeneration to return a redundant site to residential use and provide 149 private apartments, 40 shared equity apartments and 79 apartments for rent. The development was thoughtfully planned to provide a range of on-site community facilities including a creche, community centre, gym and roof terrace.

Employment opportunities

Apart from the obvious change to the built environment, redevelopment can also provide important employment opportunities. In east London we are working in a consortium to regenerate the Ocean Estate in Stepney. Arising from this development and working with Tower Hamlets Council, East Thames Housing and Skillsmatch, the development by the consortium has provided employment opportunities for 65 local people who had been unemployed for several months or, in some cases, years, with the east end of London's biggest housing regeneration scheme.

Focus on customer satisfaction

We know that Bellway's best advert is a satisfied customer, which is why we devote so much time to making sure that our homes match and exceed our customers' expectations. We continually review our customer care procedures to ensure that we are providing the best possible service. Our efforts have been rewarded this year as we have retained our 5* rating awarded by the HBF and increased our customer satisfaction score by reference to the question 'Would you recommend a Bellway home?' to 94.8%. In addition, we are also very pleased to report that we have received 27 NHBC Pride in the Job Quality Awards, which further reflects the skills and dedication of our workforce.

Image removed

Right
Pembury Circus, London
Borough of Hackney

Performance

2013 CORPORATE RESPONSIBILITY STATEMENT CONTINUED

Prioritising health and safety

The management of health and safety is a vitally important part of our day-to-day operations and it is our aim to create an accident free environment. Underpinning this aim is a comprehensive Health and Safety Policy and associated health and safety procedures and practices.

We take a proactive approach to managing health and safety on our sites and this includes visits by our in-house health and safety team who review procedures and ensure that the requirements of our Health and Safety Policy are being adhered to. NHBC safety consultants also regularly visit our sites and undertake health and safety audits. The ensuing reports are reviewed by management and actions are taken to remedy items of non-compliance and/or the sharing of best practice.

Our on-site induction process and regular tool box talks help us to maintain the competency of our staff and sub-contractors. 90% of our employees carry a CSCS card. CSCS is the largest competence-based scheme in the construction industry, covering 220 core trades and also requires supervisors and operatives to pass a mandatory health and safety test.

Protecting wildlife

In all development processes we take account of the presence of existing biodiversity habitats and work with local agencies to manage the requirements of these natural areas. We ensure that, when necessary, the appropriate level of care and attention is taken to preserve or enhance these areas. An example of this approach can be seen at Hinckley in Leicestershire where, as part of constructing The Greens development, we have relocated and created a new habitat for a colony of great crested newts. We have also provided bat garages and installed bat sensitive lighting at several developments throughout the country.



Left
The RSPB's Craig Hartley receiving a donation of £5,000 from Bellway Sales Manager Paula Murdoch

Opposite
Work in progress on a block of flats

Community and infrastructure support

The granting of planning permission triggers financial support from Bellway to benefit the communities adjacent to our developments. This year we have provided £44.2 million which has been used to support education initiatives, transport and highway improvements, health facilities and open spaces. In addition, our employees involve themselves in many local charitable projects and Bellway has provided a total of £77,699 to many charities throughout the country, both large and small, including national charities, such as the Alzheimers Society, British Heart Foundation, Cancer Research UK, Centrepoint, Groundwork, Help for Heroes, NSPCC, Princes Trust, RSPB, Shelter and Woodland Trust.

Behaving responsibly and running a sustainable business that considers and addresses the social, economic and environmental issues that concern our stakeholders makes eminently good business sense. We remain committed to improving our environmental credentials and will continue to report progress annually. Further information can also be found on our corporate responsibility website <http://www.bellway.co.uk/corporate-responsibility>

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KEY PERFORMANCE INDICATORS ('KPIs') (NON-FINANCIAL)

We use these non-financial KPIs to help us measure our performance against our corporate responsibility objectives. Financial KPIs are set out on pages 22 and 23 of this Report

KPIs	Financial year ended 31 July				
	2009	2010	2011	2012	2013
Commercial					
Total number of homes sold	4,380	4,595	4,922	5,226	5,652
Number of homes sold to Registered Providers	980	943	1,079	868	958
Number of plots with detailed planning permission	19,260	17,602	18,086	17,636	18,991
Number of sites registered with the Considerate Constructors Scheme	56	89	108	128	126
Number of homes built to Lifetime Homes standards ⁽¹⁾	-	690	1,119	798	818
Environmental					
Percentage of homes developed on brownfield sites	84%	80%	77%	69%	74%
Number of homes per hectare	67	63	59	57	53
Number of EcoHomes with at least 'Very Good' rating	786	480	693	464	422
Number of homes built to Code Level 3	428	1,186	1,371	964	1,566
Number of homes built to Code Level 4 ⁽²⁾	-	-	36	249	244
Number of homes built with renewable energy technology	636	1,653	2,092	2,865	2,278
Percentage of homes built using timber frame	23%	15%	13%	5%	6%
Number of homes built using thin joint technology ⁽²⁾	-	-	126	50	0
Measure of waste (number of 7m ³ skips per home sold)	3.60	3.78	3.44	2.92	3.02
Number of active sites with a Biodiversity Plan in place ⁽³⁾	-	-	-	36	39
Number of compliance breaches	0	1	1	1	1
Number of homes with energy efficient lighting ⁽²⁾	-	-	3,973	5,155	5,301
Number of homes with rainwater harvesting ⁽²⁾	-	-	224	260	152
Number of homes with waste recycling facilities ⁽³⁾	-	-	-	1,613	1,897
Number of current sites with SUDS designed into the scheme	77	86	89	110	114
Number of trees planted ⁽¹⁾	-	8,484	8,843	6,894	8,485
Number of current sites with car clubs	5	7	6	9	16
Number of homes with access to a cycle store ⁽²⁾	-	-	2,278	2,079	2,813
Number of sites within 500 metres of a transport node ⁽³⁾	-	-	-	206	154
Employees					
Employee turnover ⁽⁴⁾	65.2%	21.0%	13.8%	14.6%	17.5%
Number of site workers (including sub-contractors) accredited with CSCS cards	1,793	3,489	4,037	3,622	3,497
Number of graduates on training programme ⁽⁵⁾	-	-	-	-	15
Number of apprentices employed (including via sub-contractors)	30	33	43	69	73
Number of NHBC Pride in the Job Awards received	15	18	22	23	27
Health and Safety					
Rate of over three-day lost time accidents per 100,000 employees	973.24	945.18	767.90	761.18	664.75
Number of health and safety prosecutions	1	0	0	0	0
Creating community value					
Financial contributions under section 106 agreements	£2.0m	£13.0m	£30.9m	£39.4m	£44.2m
Man hours contributed to charitable initiatives ⁽⁶⁾	-	-	-	191	145
Number of plots built to Secured by Design principles ⁽⁶⁾	-	-	-	1,614	1,897
Number of work placements offered to local people in the last three years ⁽⁶⁾	-	-	-	91	57
Stakeholder					
Percentage of customers who would recommend Bellway to a friend (annualised)	89%	86%	91%	94%	95%
Number of suppliers/contractors who have worked for Bellway for at least three years ⁽¹⁾	-	2,777	2,916	3,579	3,436

⁽¹⁾ 2010 was the first year of reporting ⁽²⁾ 2011 was the first year of reporting ⁽³⁾ 2012 was the first year of reporting ⁽⁴⁾ Includes redundancies ⁽⁵⁾ 2013 was the first year of reporting

Performance

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, not only to limit the negative effects of our operations on the environment, but also to enhance it, 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, 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 objectives to ensure that Bellway's environmental aims and their importance are communicated throughout the Group, including to appropriate sub-contractors, suppliers and other parties, and that a copy of this policy statement is displayed in all Bellway sites and offices
- consider the role that Bellway can play in helping to contribute to the principles of sustainable development within the UK.

- recognise and respond to the challenges and opportunities that are presented by climate change

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

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

The above statement will be balanced against economic considerations

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Overview

Performance

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Performance

GROUP FINANCE DIRECTOR'S REVIEW

"The Group has delivered further value for shareholders"

Keith Adey
Finance Director

Introduction

Bellway has delivered another strong set of results, having achieved growth in volume, average selling price and operating margin for the fourth successive year. As a result of this solid trading performance, operating profit has increased by 31.8% to £151.1 million (2012 – £114.6 million) and operating margin has been further enhanced by 220 basis points to 13.6% (2012 – 11.4%). Basic earnings per ordinary share has increased by 36.3% to 89.3p (2012 – 65.5p).

The Group's balance sheet is strong, with Bellway ending the year with net bank debt of £5.8 million (2012 – £40.6 million), representing gearing of only 0.5%, excluding the Group's £20 million preference shares. The net asset value ("NAV") per share has grown by 7.3% to 1,001p (2012 – 933p).

The growth in operating profit, together with the Group's strong capital disciplines, has resulted in return on capital employed ("ROCE") increasing to 12.3% (2012 – 10.1%).

This strong performance has allowed the Board to propose a 50% increase in the total dividend per ordinary share to 30.0p (2012 – 20.0p) for the financial year ended 31 July 2013. This progressive dividend policy, coupled with the continued growth in NAV and a strong focus on ROCE, has enabled the Group to create further value for shareholders.

Group results

The following tables provide additional information on the composition of homes sold and average selling price, analysed between north, south, private and social.

Homes sold (number)

	Private		Social		Total	
	2013	2012	2013	2012	2013	2012
North	2,386	2,115	266	260	2,652	2,375
South	2,308	2,243	692	608	3,000	2,851
Group total	4,694	4,358	958	868	5,652	5,226

Average selling price (£000)

	Private		Social		Total	
	2013	2012	2013	2012	2013	2012
North	173.0	159.9	79.1	82.1	163.5	151.4
South	242.9	238.4	139.9	133.6	219.1	216.0
Group average	207.3	200.3	123.0	118.2	193.0	186.6

The increase in the average selling price is mainly due to the continued evolution of product mix, with the Group maintaining a focus on apartments within the London Boroughs, together with more traditional two storey family housing outside London.

As a result of the increase in both the number of legal completions and average selling price, housing revenue has increased by 11.9% to £1,091.0 million (2012 – £975.4 million). Non-housing revenue, which principally comprises ground rent and commercial unit sales, was £19.7 million (2012 – £28.8 million), with total Group revenue increasing by 10.6% to £1,110.7 million (2012 – £1,004.2 million).

The gross margin has increased by 220 basis points to 18.3% (2012 – 16.1%), primarily as a consequence of the proportion of legal completions from land acquired since the downturn, at margins in excess of 20%, increasing to 64% (2012 – 55%).

Strong cost control has ensured that administrative expenses have remained at 4.7% of revenue (2012 – 4.7%), whilst increasing in absolute terms, to £52.2 million (2012 – £47.5 million), as a result of further investment in divisional teams in order to facilitate future growth.

Overall, the Group operating profit has increased by 31.8% to £151.1 million (2012 – £114.6 million), representing a 220 basis point improvement in operating margin to 13.6% (2012 – 11.4%).

Finance costs

The net finance costs of the Group have increased slightly by £0.8 million to just under £10.2 million (2012 – £9.3 million). Net bank finance expenses decreased to £3.7 million (2012 – £4.7 million) and the Group's notional interest on land acquired on deferred terms increased by £1.7 million to £4.7 million (2012 – £3.0 million). Interest on the Group's £20 million preference shares, repayable in April 2014, remains at £1.9 million. The Group had a £0.3 million (2012 – £0.5 million) net expense in relation to the pension scheme deficit and there was other net interest income of £0.4 million (2012 – £0.8 million).

Taxation

The Group incurred a tax charge of £32.4 million (2012 – £26.0 million) at an effective tax rate of 23.0% (2012 – 24.7%) mainly reflecting a 1.6% drop in the statutory tax rate. The effective rate is below the Group's standard rate for the year of 23.7% (2012 – 25.3%), largely due to an enhanced tax deduction for land remediation relief.

Earnings per share

The strong trading performance, together with the relatively low finance cost and reducing tax rate, has resulted in basic earnings per ordinary share ('EPS') increasing by 36.3% to 89.3p (2012 – 65.5p). This is Bellway's fourth consecutive year of earnings growth with EPS having trebled since July 2010.

Dividend

The Board is proposing a 50.0% increase in the final dividend to 21.0p (2012 – 14.0p) per ordinary share, providing a total dividend for the year of 30.0p (2012 – 20.0p) per ordinary share. The total dividend is covered almost 3.0 times (2012 – 3.3 times) with the reduction in dividend cover a reflection of the Group's strong trading position and balance sheet strength.

<p>Total Group revenue (£m)</p> <p>Graph removed</p> <p>£1,110.7m +10.6%</p>	<p>Operating margin (%)</p> <p>Graph removed</p> <p>13.6% +220bps</p>	<p>Profit before taxation (£m)</p> <p>Graph removed</p> <p>£140.9m +33.8%</p>	
<p>Earnings per ordinary share (p)</p> <p>Graph removed</p> <p>89.3p +36.3%</p>	<p>Dividend per ordinary share (p)</p> <p>Graph removed</p> <p>30.0p +50.0%</p>	<p>Return on capital employed (%)</p> <p>Graph removed</p> <p>12.3% +220bps</p>	<p>Net asset value per ordinary share (p)</p> <p>Graph removed</p> <p>1,001p +7.3%</p>

*Pre exceptional items

Performance

GROUP FINANCE DIRECTOR'S REVIEW CONTINUED

Balance sheet

There has been a controlled increase in inventories from £1,399.8 million to £1,513.5 million with the Group increasing the value of its land holdings by 6.4% to £907.3 million (2012 – £853.0 million). The Group's investment in land holdings with a detailed planning permission, increased by 13.8% to £782.5 million (2012 – £687.6 million). This is as a result of a continued drive to acquire land that is ready for development, thereby ensuring Bellway is well positioned to meet its growth aspirations.

The value of work in progress has increased by 11.6% to £535.0 million (2012 – £479.5 million), largely in response to an increase in production in order to satisfy a strong order book, which stood at £679.5 million at 31 July 2013 (2012 – £441.2 million).

The Group has increased its stock of show homes to £52.8 million (2012 – £45.5 million). Whilst part-exchange remains an important sales incentive, the Group reduced its holding of part-exchange properties at 31 July 2013 to £18.4 million (2012 – £21.9 million). The decrease follows an improvement in the rate of onward sale of these assets, with the average holding time being reduced from 11 to 9 weeks.

The Group holds 2,843 shared equity assets at a value of £34.5 million (2012 – £35.1 million), representing a significant discount to vacant possession value.

The use of shared equity products as a sales incentive continued to be restricted and was used on only 3% (2012 – 6%) of legal completions. With the exception of the government's Help to Buy scheme, Bellway withdrew the use of shared equity products on reservations in England with effect from 1 April 2013.

The Group's total investment in shared equity assets represents less than 3% of net asset value, thereby minimising the capital resource directed away from investment in potential land opportunities.

The Group started the year with net bank debt of £40.6 million and generated £93.8 million of cash from operations, having expended £300 million on land and land creditors in the year. This, combined with corporation tax and dividend payments of £28.8 million and £28.0 million respectively, together with other net outflows of £2.2 million, resulted in modest net bank debt of £5.8 million at the end of the year.

The IAS 19 valuation of the Bellway p l c 1972 Pension Scheme at 31 July 2013 resulted in a reduction in the deficit to £9.0 million (2012 – £11.5 million) with the Group having made regular cash contributions totalling £1.2 million during the year.

Land creditors increased to £146.0 million (2012 – £120.6 million) but remain modest in the context of the balance sheet. The Group tries to use its relatively low cost of finance to its advantage by offering discounted cash payments on legal completion to land vendors where appropriate, although deferred terms are used when this is a more cost effective method of financing.

Net assets attributable to shareholders increased by £85.7 million to £1,218.8 million (2012 – £1,133.1 million), equating to a 7.3% increase in NAV per share to 1,001p (2012 – 933p).

Return on capital employed

This is a key metric used by the Group during the land acquisition process and for monitoring performance thereafter and this has increased from 10.1% to 12.3% in the year. This improvement is derived primarily from the enhanced operating margin, together with a disciplined approach to balance sheet management.

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Capital management

The Group is principally financed through the proceeds of issued ordinary shares, re-invested profits, bank borrowings less cash in hand and £20 million of preference share capital. The preference shares will be repaid in April 2014, and this will marginally reduce the Group's cost of debt. The following table provides the composition of the capital structure of the Group.

	2013 £million	2012 £million
Equity	1,218.8	1,133.1
Preference shares	20.0	20.0
Net bank debt	5.8	40.6
Capital employed	1,244.6	1,193.7

In addition, the Group often obtains deferred payment terms in its contracts for land purchases.

The Group has a strong balance sheet and with bank facilities of £300 million, Bellway is well positioned to deliver further growth if market conditions will allow. The Group's banking facilities provide flexibility and expire during the course of the following financial years.

	£million
By 31 July 2014	25
By 31 July 2015	125
By 31 July 2016	80
By 31 July 2017	70
Total	300

The Board remains satisfied with the level of the Group's borrowing facilities and believes Bellway's balance sheet retains sufficient capacity to facilitate future growth, subject to market conditions.

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. Relationships with banks and overall cash management are co-ordinated centrally. The Group is operating well within its financial covenants and available bank facilities.

Short-term cash surpluses are placed on deposit at competitive rates with high quality counterparties. Other than disclosed above, there are no financial instruments or derivative contracts.

Credit risk

The Group's credit risk is largely alleviated as the vast majority of the Group's sales are made on completion of a legal contract, at which point monies are received in exchange for transfer of legal title. Those completions where shared equity incentives are used do represent some exposure to credit risk but this is small, given the high number of counterparties.

Interest rate risk

The Group's attitude to interest rate risk and forecast debt 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.

Summary

The Group has delivered further value for shareholders during the year as a result of the growth in earnings and NAV, combined with the proposed increase in annual dividend.

The continued focus on ROCE, together with the Group's balance sheet capacity for further investment, should mean that the Group is well positioned to generate further value for shareholders.



Keith Adey
Finance Director
14 October 2013

Performance

OPERATING RISK STATEMENT

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

Area of risk	Description of risk and how it has changed during the year	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. During the year we have improved the way we purchase land to speed up the negotiation process. This reduces the risk of the market changing during negotiations and reduces costs.	<ul style="list-style-type: none"> ▪ Endeavour to ensure that a land bank with detailed 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 accordance with robust Group procedures
Planning	Delays and the complexity of the planning process hamper and slow the Group's growth prospects. Changes to planning legislation and government housing strategy continue to present risks to the Group.	<ul style="list-style-type: none"> ▪ Centralised and regional Planning Directors provide advice and support to divisions to assist with progressing the process for securing planning consent.
Sales	Ensuring that the effects of any diminution in the size of the marketplace, the ability of prospective customers to access credit facilities or the sales prices achieved are managed in such a way as to limit any adverse financial or operational effects on the Group's performance.	<ul style="list-style-type: none"> ▪ 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. This risk has increased during the year as the labour market has become more competitive and the lead time for the provision of some materials has increased.	<ul style="list-style-type: none"> ▪ Identifying training needs and allocating appropriate resources to training ▪ Ensuring systems are in place for engaging, monitoring and controlling work carried out by sub-contractors ▪ Ensuring competitive reward systems are in place ▪ Ensuring Group purchasing arrangements are in place to secure materials at competitive prices ▪ Improving forward planning of the buying function to ensure increased lead times do not affect availability of materials on-site
Environment	Housebuilding has a significant effect on the environment and it is important that the effects of the Group's developments are, as far as possible, positive rather than negative.	<ul style="list-style-type: none"> ▪ 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 21, or our website at www.bellway.co.uk, for further information.
Health and Safety	It is important to ensure that the Group has adequate systems in place to mitigate, as far as possible, the dangers to people inherent in the construction process.	<ul style="list-style-type: none"> ▪ The Board considers health and safety issues at each Board meeting ▪ Regular visits to sites by senior management (independent of our divisions) and external consultants to monitor health and safety standards and performance against the Group's health and safety policies and procedures

Area of risk	Description of risk and how it has changed during the year	Mitigation of risk
Personnel	Attracting and retaining the correct personnel is key to the Group's long-term success. Failure to do so will severely affect the Group's ability to perform in a highly competitive market. The labour market has become increasingly competitive during the year.	<ul style="list-style-type: none"> ▪ The Group offers competitive salary and benefits packages, and keeps these under regular review ▪ Divisional training plans are in place ▪ Succession planning for key posts ▪ 90% of site workers (including sub-contractors) are fully accredited under CSCS ▪ Graduate training programme
Information Technology	It is vital that the Group has suitable information systems in place to ensure that, as far as possible, a smooth flow of information is transmitted throughout the Group and that the risk of system loss is mitigated and supported by appropriate contingency plans. During the year the Group has increased its investment in information systems to improve information flow and system security.	<ul style="list-style-type: none"> ▪ Group-wide systems are in operation which are centrally controlled with an outsourced support function in place
Asset Protection	The way in which the Group carries out its operations can have a material effect on the value of its assets.	<ul style="list-style-type: none"> ▪ 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 and optimise return on capital.	<ul style="list-style-type: none"> ▪ Central negotiation and control of banking facilities to ensure liquidity and debt levels are appropriate ▪ Facilities derived from various sources ▪ Careful management and monitoring of cash forecasts
Legal and Regulatory Compliance	Disadvantageous contractual obligations, regulatory fines or adverse publicity by failing to comply with current laws and regulations or failing to have appropriately worded contracts in place.	<ul style="list-style-type: none"> ▪ Central secretariat, human resources and legal functions advise divisions on compliance and ensure policies and procedures are kept up to date to minimise risk of non-compliance

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

Governance

BOARD OF DIRECTORS**1 JOHN WATSON****NON-EXECUTIVE CHAIRMAN**

Date of Birth 21 March 1954

John Watson, a Chartered Surveyor, joined Bellway in 1978 and was later appointed Managing Director of the North East division, a position which he held for 12 years. John joined the Board as Technical Director in 1995 and became Chief Executive on 1 November 1999. On 31 January 2013 he stepped down as Chief Executive to become non-executive Chairman. John is a member of the Nominations Committee.

2 TED AYRES**CHIEF EXECUTIVE**

Date of Birth 10 October 1962

Ted Ayres joined Bellway in January 2002 as a divisional Managing Director, becoming Southern Regional Chairman in 2006. Ted was appointed to the Board as Operations Director on 1 August 2011, and succeeded John Watson as Chief Executive on 1 February 2013. Ted is Chairman of the Board Committee on Non-Executive Directors' Remuneration.

3 KEITH ADEY**FINANCE DIRECTOR**

Date of Birth 13 May 1979

Keith Adey, a Chartered Accountant, was appointed to the Board as Finance Director on 1 February 2012. Keith joined the Company in December 2008 as Group Chief Accountant and prior to joining Bellway he worked at KPMG and Grainger Plc. Keith is a member of the Board Committee on Non-Executive Directors' Remuneration.

4 PETER JOHNSON**SENIOR INDEPENDENT
NON-EXECUTIVE DIRECTOR**

Date of Birth 17 April 1948

Peter Johnson, a Chartered Accountant, was appointed a non-executive director on 1 November 2003. Peter 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 a director of Newcastle University Pension Trustees (1971) Limited. He was, until 31 July 2013, Honorary Treasurer of the University of Newcastle upon Tyne. Peter 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.

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5 MIKE TOMS**NON-EXECUTIVE DIRECTOR**

Date of Birth 1 July 1953

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

6 JOHN CUTHBERT OBE DL**NON-EXECUTIVE DIRECTOR**

Date of Birth 9 February 1953

John Cuthbert, a Chartered Accountant, was appointed a non-executive director on 1 November 2009. John 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. John is Chairman of the Nomination Committee and is also a member of the Audit Committee and the Board Committee on Executive Directors' Remuneration.

7 PAUL HAMPDEN SMITH**NON-EXECUTIVE DIRECTOR**

Date of Birth 1 December 1960

Paul Hampden Smith, a Chartered Accountant, was appointed a non-executive director on 1 August 2013. Paul was Group Finance Director of Travis Perkins plc from 1996 until his retirement in February 2013, having worked for Travis Perkins since 1988. He is a non-executive director and Chairman of the Audit Committee of Pendragon PLC. He was previously a non-executive director and Chairman of the Audit Committee of Redrow plc. Paul is a member of the Audit and Nomination Committees and is also a member of the Board Committee on Executive Directors' Remuneration.

8 DENISE JAGGER**NON-EXECUTIVE DIRECTOR**

Date of Birth 7 September 1958

Denise Jagger, a solicitor, was appointed a non-executive director on 1 August 2013. Denise has been a partner at Eversheds LLP since 2004, and is a non-executive director of the British Olympic Association. Prior to joining Eversheds she was Company Secretary and General Counsel at ASDA Wal-Mart from 1993 to 2004. Denise's previous non-executive directorships include Redrow plc and SCS Upholstery plc. Denise is a member of the Audit and Nomination Committees and also a member of the Board Committee on Executive Directors' Remuneration.

9 KEVIN WRIGHTSON**GROUP COMPANY SECRETARY**

Date of Birth 27 October 1954

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

ADVISERS**Group Company Secretary and Registered Office**

Kevin Wrightson FCIS
Bellway plc
Seaton Burn House
Dudley Lane,
Seaton Burn
Newcastle upon Tyne
NE13 6BE
Registered number
1372603

Registrars and Transfer Office

Capita Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Financial Adviser

N M Rothschild & Sons
Limited

Stockbroker

Citigroup Global Markets
Limited

Bankers

Barclays Bank PLC
Lloyds Banking Group plc

Auditor

KPMG Audit Plc

Governance

CHAIRMAN'S STATEMENT ON CORPORATE GOVERNANCE



John Watson
Chairman

I am pleased to confirm that the Company has complied with the requirements of the UK Corporate Governance Code, published in June 2010, throughout the financial year to 31 July 2013 and up to the date of this Report

As Chairman of the Board, I am responsible for the leadership of the Board and ensuring that it conducts itself in an effective manner. The Board has agreed clearly defined roles for myself and the Chief Executive and the non-executive directors challenge management and contribute to the development of strategy.

The Board, its committees and individual directors are subject to annual performance evaluation and all directors are subject to annual re-election by shareholders.

Appointments to the Board are always made on merit, against objective criteria and the Board strongly supports the principle of boardroom diversity in all its aspects. During the year under review, the Board has been particularly focused on a number of key areas:

- 1 The recruitment and selection of two new non-executive directors, with Paul Hampden Smith and Denise Jagger joining the Board with effect from 1 August 2013,
- 2 The transition of new management into their roles, including, in particular, the appointment of Ted Ayres to the role of Chief Executive on 1 February 2013, coinciding with my appointment as non-executive Chairman on the same date,

3 The first externally facilitated Board evaluation which was carried out with the assistance of Independent Audit Limited. The results of the evaluation were positive and the Board is currently addressing a number of areas which the evaluation highlighted for attention, in particular:

- the structure and provision of information for Board meetings,
- communication and reporting, and
- succession planning

We are pleased with the progress achieved so far and I will report further in next year's report.

Peter Johnson, the senior independent non-executive director, retires from the Board on 31 January 2014 after ten years loyal service and I would like to thank Peter, on behalf of the Board, for his significant contribution since joining Bellway on 1 November 2003. Peter will be replaced as senior independent non-executive director by John Cuthbert, who is also Chairman of the Nomination Committee. Peter will be replaced as Chairman of the Audit Committee by Paul Hampden Smith, who has held similar roles with other companies.

The changes noted above will, I believe, ensure that the Board continues to carry out its duties effectively. The Board is giving appropriate consideration to the requirements of the new UK Corporate Governance Code, which was introduced for accounting periods commencing on or after 1 October 2012 and will report on its progress in next year's annual report.

The Board has already partially addressed some of the matters raised in the new Code, particularly in relation to the issue of diversity and more particularly to the matters raised by Lord Davies of Abersoch in his report 'Women on Boards'. Women account for around 30% of Bellway's workforce and hold a number of key senior positions across the Group. The Board will continue to promote the interests of women and all other aspects of diversity, both at Board level and throughout its operations for the long-term benefit of the Group, its investors and other stakeholders.

The Board has complied, as far as possible, with the requirements of the new remuneration disclosure regulations in this report, which is one year earlier than necessary.

This is my first Annual Report as Chairman and I am very keen to encourage effective communication with the Company's shareholders and other stakeholders. As part of this process, I am writing to our major shareholders advising them of my availability should they wish to discuss anything with me.

John Watson
Chairman
14 October 2013

Governance

REPORT OF THE DIRECTORS

The directors have pleasure in submitting the Annual Report and Accounts of Bellway p l c to the shareholders for the year ended 31 July 2013

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 3 and 4, the Chief Executive's Operating Review on pages 9 to 12, the Corporate Responsibility Policy on page 15, the 2013 Corporate Responsibility Statement on pages 16 to 19, the Environmental Policy on page 21 and the Group Finance Director's Review on pages 22 to 25. In addition, information in respect of the principal operating risks of the business is set out in the Operating Risk Statement on pages 26 and 27

Results and dividends

The profit for the year attributable to equity holders of the parent company amounts to £108.6 million (2012 – £79.3 million)

The directors have proposed a final ordinary dividend for the year ended 31 July 2013 of 21.0p per share. This has not been included within creditors as it was not approved before the end of the financial year. Dividends paid during the year comprise a final dividend of 14.0p per share in respect of the year ended 31 July 2012, together with an interim dividend in respect of the year ended 31 July 2013 of 9.0p per share.

The directors recommend payment of the final dividend on Wednesday 15 January 2014 to shareholders on the Register of Members at the close of business on Friday 13 December 2013.

Directors

All the directors of the Company, who are shown on pages 28 and 29, served throughout the year, with the exception of Paul Hampden Smith and Denise Jagger who were both appointed on 1 August 2013. Howard Dawe, who is not shown, was a director up until the date of his retirement on 31 January 2013.

Directors' contracts

Details of the terms of appointment of all the directors are given in the Report of the Board on Directors' Remuneration on pages 44 and 45.

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 39 to 53.

Takeovers Directive

The information for shareholders required pursuant to the relevant companies' legislation which implements the Takeovers Directive is disclosed in this Report and in the Shareholder Information section on pages 91 and 92.

Governance

REPORT OF THE DIRECTORS CONTINUED

Notifiable shareholders' interests

As at 31 July 2013 and at the date of this Report the Company had been notified of the following interests amounting to 3% or more of the voting rights in the issued ordinary share capital of the Company

	As at 31 July 2013		As at 14 October 2013	
	Number of shares with voting rights	% total voting rights	Number of shares with voting rights	% total voting rights
Blackrock Inc	14,767,027	12.13	15,863,955	13.03
Fidelity International Ltd/FMR Corp	9,300,000	7.64	9,300,000	7.64
JP Morgan Chase & Co	5,712,902	4.69	5,715,902	4.69
AXA Framlington Investment Management	5,603,638	4.60	5,603,638	4.60
Polaris Capital Management LLC	4,897,018	4.02	N/A	Below 3%
Lloyds Banking Group plc	4,261,453	3.50	4,261,453	3.50
Credit Suisse Securities (Europe) Limited	3,890,282	3.20	3,890,282	3.20
Legal & General Group PLC	3,658,355	3.01	3,658,355	3.01

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 39 to 53, describes how the Principles of Good Governance, which are set out in the UK Corporate Governance Code, are applied by the Group.

Statement of compliance with the UK Corporate Governance Code

The Board considers that it has complied with the detailed provisions of the UK Corporate Governance Code published in June 2010 throughout the year to 31 July 2013 and up to the date of this Report. The UK Corporate Governance Code is publicly available, free of charge, from FRC publications, tel 020 8247 1264, e-mail cch@wolterskluwer.co.uk and online at www.frcpublications.com

Statement about applying the Principles of Good Governance

The Group has applied the Principles of Good Governance, including both the Main Principles and the Supporting Principles, by complying with the UK Corporate Governance Code as reported above. Further explanations of how the Main Principles and Supporting Principles have been applied are set out below and in connection with the remuneration of the directors, 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 eight directors whose names, responsibilities and other details appear on pages 28 and 29. Two of the directors are executive and six 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 resources and personnel 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 strategy and management, structure and capital, financial reporting and controls, internal controls, contracts and agreements, communication, Board membership and other appointments, remuneration, delegation of authority, corporate governance matters, policies 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, land acquisition, major projects, personnel, risk, health and safety, strategy, reporting requirements, corporate governance, internal control and matters for decision. 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 responsibilities as directors.

The Company's Articles of Association ('Articles') require one-third of the directors to offer themselves for re-election each year at the Annual General Meeting ('AGM') and all directors to seek re-election at least every three years. The Articles also require new directors appointed since the last AGM to offer themselves for re-election at the next AGM. In addition, the UK Corporate Governance Code includes a provision that all directors should be subject to annual re-election. As a result, all of the directors, with the exception of Mr Johnson, retire from the Board and offer themselves for re-election at the forthcoming AGM. Mr Johnson retires from the Board on 31 January 2014 and is therefore not retiring and seeking re-election at the AGM. The directors' biographies are shown on pages 28 and 29. None of the executive directors hold external directorships.

Board effectiveness

The Chairman is responsible for leading the Board and ensuring it operates effectively. In this regard it pays due cognisance to the FRC's document entitled Guidance on Board Effectiveness, dated March 2011. The directors possess an appropriate balance of skills and experience to meet the requirements of the business.

During the year there were eight Board meetings, three Audit Committee meetings, four meetings of the Board Committee on Executive Directors' Remuneration, two meetings of the Board Committee on Non-Executive Directors' Remuneration and four Nomination Committee meetings. The Board holds a meeting at least once a year dedicated almost entirely to strategy. In addition, the Board aims to visit four divisions each year and last year visited the North East, Yorkshire, North West and embryo Manchester divisions, as well as receiving presentations at Board meetings from senior Head Office and divisional management. In addition, presentations are also given by external advisers and other third parties, where necessary.

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

The non-executive directors met three times during the year, including once without the Chairman present.

Training and development

The Board received appropriate training and updates on various matters relevant to its role, as and when required. Training needs are reviewed as part of the performance evaluation process and on an ongoing basis.

The new non-executive directors have benefited from a Board induction programme which included meetings with a number of the Company's advisers, senior staff at both Head Office and the divisions and also site visits.

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 Peter Johnson, who is available for shareholders to raise any queries or concerns they may have. Following Peter's retirement from the Board on 31 January 2014, John Cuthbert will succeed him as senior independent non-executive director with effect from 1 February 2014.

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 or her independent judgement and decision-making. The Company considers all of its non-executive directors, excluding the Chairman, to be independent, as defined in the UK Corporate Governance Code.

Whenever any director considers that he or she 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 Board conducted its first externally facilitated evaluation of the performance and effectiveness of the Board, its Committees and individual directors. The evaluation was performed, utilising online questionnaires and telephone and face to face interviews. It was facilitated by Independent Audit Limited, who have no other business connections with the Group.

This process included the Chairman, acting on behalf of the Board, evaluating the performance of the other 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 their respective Chairmen, evaluated their own performance. The outcome of this process was extremely positive, with the Board concluding that its performance and that of its Committees were both satisfactory and effective, that they were balanced and that the individual directors were working in a committed and effective manner. Following the evaluation, the Board produced a number of action points, some of which have already been dealt with and others which it will be addressing throughout the course of the next 12 months and will be reporting upon in next year's report.

The Board Committees

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

Audit Committee

The Audit Committee comprises five independent non-executive directors, Peter Johnson (Chairman), Mike Toms and John Cuthbert, who were members of the Committee throughout the year, and Paul Hampden Smith and Denise Jagger who joined the Committee on 1 August 2013. The Committee meets at least three times a year and met three times during the year under review. Following Peter Johnson's retirement from the Board on 31 January 2014 Paul Hampden Smith will become Chairman of the Committee. Its activities during the year related to routine matters including the review of risk, internal controls, auditor performance and review of half year and annual accounts. The Committee met the auditor without management present on two occasions. In addition, the Committee Chairman had regular contact with the Finance Director and the external auditor.

Governance

REPORT OF THE DIRECTORS CONTINUED

The Committee's responsibilities include the following

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

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

The Company's independent auditor would not be engaged for any of the following non-audit related services

- bookkeeping or other services related to the accounting records or financial statements of the Company,
- financial information system design and implementation,
- appraisal or valuation services, fairness opinions, or contributions in kind reports,
- actuarial services,
- internal audit outsourcing services,
- management functions or human resources,
- broker or dealer, investment adviser or investment banking services,
- legal services and expert services unrelated to the audit, and
- any other service that is impermissible by regulation

The Company's auditor, KPMG Audit Plc, has advised that, due to an internal reorganisation, it has instigated an orderly wind down of its audit business and transfer to KPMG LLP. The Board has therefore decided to put KPMG LLP forward to be appointed as auditor and resolutions concerning its appointment and to authorise the directors to agree its remuneration will be put to the forthcoming AGM. Further information is provided in Shareholder Information on page 87.

Board Committee on Executive Directors' Remuneration

The Board Committee on Executive Directors' Remuneration comprises Mike Toms (Chairman), Peter Johnson and John Cuthbert, who were members of the Committee throughout the year, and Paul Hampden Smith and Denise Jagger who joined the Committee on 1 August 2013.

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 plans and other benefits of the executive directors and the Chairman. The Committee also reviews remuneration policies for senior management below Board level. During the year, in addition to routine matters, the Committee dealt with, inter-alia, arrangements for the introduction of the new performance share plan, the remuneration packages in respect of the new management team and consideration of the new disclosure requirements for remuneration reports. The Report of the Board on Directors' Remuneration on pages 39 to 53 contains details of directors' remuneration and the Group's policies in relation to directors' remuneration.

Board Committee on Non-Executive Directors' Remuneration

The Board Committee on Non-Executive Directors' Remuneration comprises the executive directors and is chaired by the Chief Executive. 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 two occasions to review the fees and terms of appointment of the non-executive directors.

Nomination Committee

The Nomination Committee comprises John Cuthbert, who was appointed Chairman of the Committee on 1 February 2013, Peter Johnson, Mike Toms and John Watson, who were all members of the Committee throughout the year, with the exception of John Watson, who was appointed on 1 February 2013, replacing Howard Dawe, who was Chairman of the Committee until his retirement from the Board on 31 January 2013. In addition, Paul Hampden Smith and Denise Jagger joined the Committee on 1 August 2013. The Committee's main duties are to formulate plans for succession for both executive and non-executive directors and, in particular, for the key roles of Chairman and Chief Executive and to make recommendations regarding appointments to the Board.

The Committee meets at least twice a year and last year met on four occasions. During the year, the Committee made recommendations to the Board in relation to the re-appointment of non-executive directors whose letters of appointment expired during the year and to the appointment of the two new non-executive directors, which took effect on 1 August 2013.

Appointments to the Board are made on merit through a formal, rigorous and transparent process against objective criteria recommended by the Committee, with due regard given to the benefits of diversity on the Board, in all its aspects. The two non-executive directors were appointed following a rigorous selection process, involving the consideration of a long list which was then reduced to a short list of five individuals (comprising three women and two men). The interview process involved the whole Board and the Group Company Secretary. The Committee was assisted in this process by The Zygos Partnership, which has no other business relationship with the Company.

Although the Board already includes a number of accountants, it was felt appropriate to recruit Paul Hampden Smith who has significant recent relevant financial experience. He will become Chairman of the Audit Committee when Peter Johnson retires on 31 January 2014.

Denise Jagger is a solicitor by qualification but has an extensive commercial background and it was felt that this would augment the skills and experience already available on 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.

The Committee also guides the whole Board in arranging orderly succession for appointments to the Board.

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

Directors' remuneration

The principles and details of directors' remuneration are detailed in the Report of the Board on Directors' Remuneration on pages 39 to 53.

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 37 and 54 respectively.

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

Internal control

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

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

Management is responsible for the identification and evaluation of significant risks applicable to particular areas of the business together with the design and operation of suitable controls. These significant risks, which are described in the Operating Risk Statement on pages 26 and 27, are regularly assessed and cover all aspects of the business, and in particular land acquisition, planning, construction, health and safety, information and reporting systems, sales, environmental issues, personnel, asset protection, treasury management, taxation 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.

Governance

REPORT OF THE DIRECTORS CONTINUED

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

The continuing role of the Board is, on a systematic and on-going basis, to review the key risks inherent in the business, the operation of the systems and controls necessary to manage such risks and their effectiveness and to satisfy itself that all reasonable steps are being taken to mitigate these risks. The key areas of control are as follows

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

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

During the year, there were no significant internal control issues identified by the Group's internal control monitoring procedures, as detailed above.

Whistleblowing arrangements

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

Relations with shareholders

The Company encourages active dialogue with its private and institutional shareholders, both current and prospective. Meetings are held with both existing and prospective institutional shareholders on a regular basis and as requested. Shareholders are also kept up to date with Company affairs through the Annual and Half Year Reports, Trading Updates and Interim Management Statements. The AGM is used to communicate with institutional and private investors and their participation is encouraged by the taking of questions by the whole Board, both during, and also informally, before and after the meeting. The senior independent non-executive director is always available to discuss issues with current and prospective shareholders and institutions, as required. In addition, the whole Board is regularly updated on shareholder and investor views and activities at Board meetings by the Chief Executive and the Finance Director. During the year the Chairman of the Board Committee on Executive Directors' Remuneration consulted with a number of major shareholders on matters concerning executive remuneration.

Further information for shareholders is available under Shareholder Information on page 87 to 93 and also on the Group's website at www.bellway.co.uk

Going concern

After making due enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts as discussed further on page 61.

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 all employees of the Group, or those who seek employment with the Group, irrespective of their age, colour, disability, ethnic origin, gender, marital status, nationality, parental status, race, religion, belief or sexual orientation.

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

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

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

New employees, when eligible, are invited to join the Company's pension and life assurance arrangements. In addition, the Group operates a savings related share option scheme. The Company also offers a private medical scheme, childcare vouchers and personal accident insurance arrangements.

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 15, the 2013 Corporate Responsibility Statement on pages 16 to 19, the Environmental Policy on page 21, and in the Corporate Responsibility section of the Group'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, 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 9 to 12, in the Corporate Responsibility Policy on page 15, in the 2013 Corporate Responsibility Statement on pages 16 to 19, and in the Corporate Responsibility section of the Group's website www.bellway.co.uk.

Donations

During the year the Group made no political contributions but donated £77,699 (2012 – £45,875) for charitable purposes. The Company made no political contributions or charitable donations during the year (2012 – £nil).

Significant relationships

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

Suppliers

The Group agrees terms and conditions under which business transactions with suppliers are conducted. The policy is that payments to suppliers are made in accordance with these terms and conditions, provided that the supplier is also complying with the terms and conditions. The Group's current policy concerning the payment of the majority of its materials suppliers and sub-contractors is for payment to be made at the end of the month 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 2013 of £88.4 million (2012 – £76.3 million) resulted in a creditor payment period of 23 days (2012 – 24 days). Land creditors due within one year were £107.0 million (2012 – £89.1 million). Including land creditors, the creditor payment period was 60 days (2012 – 52 days).

The parent company had no land or trade creditors at 31 July 2013 (2012 – £nil).

Governance

REPORT OF THE DIRECTORS CONTINUED**Purchase of the Company's own shares**

The Company was given authority at the AGM on 11 January 2013 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 forthcoming AGM when shareholders will be asked to renew this authority for a further year.

Directors' and officers' liability insurance and indemnification of directors

The Company carries appropriate insurance cover in respect of possible legal action being taken against its directors and senior employees, and the Articles provide the directors with further protection against liability to third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of this Report.

Disclosure of all relevant information to auditor

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 auditor is 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 auditor is aware of that information.

Auditor

In accordance with section 489 of the Companies Act 2006, a resolution for the appointment of KPMG LLP as auditor of the Company is to be proposed at the forthcoming AGM. See Shareholder Information on page 87 for details on the change of auditor.

AGM – special business

Seven resolutions will be proposed as special business at the AGM to be held on Friday 13 December 2013. Explanatory notes on these resolutions are set out in Shareholder Information on pages 87 to 91.

By order of the Board



Kevin Wrightson
Group Company Secretary
14 October 2013

Governance

REPORT OF THE BOARD ON DIRECTORS' REMUNERATION**Annual statement****Dear Shareholder,**

I am pleased to take this opportunity to introduce the Report of the Board on Directors' Remuneration. In June 2013, The Department of Business, Innovation and Skills published regulations that change the way directors' remuneration will be reported and voted upon. The regulations do not take effect until next year's report, however the Board has decided to disclose, in advance, additional information which it believes will make this Report easier to understand, consistent, as far as possible, with the requirements of the new regulations, and more helpful to shareholders.

Remuneration policy

The Board Committee on Executive Directors' Remuneration (the 'Committee') reviews executive remuneration arrangements to ensure they are effective in supporting the business strategy, are competitive and align the remuneration of the executives with the interests of shareholders.

Remuneration paid in 2012/13

The basic salaries of the executive directors in 2012/13 were determined in July 2012 and were set out in last year's report. The total remuneration earned was determined in large part by the bonuses awarded for performance. Pages 3 and 4 of the Annual Report highlights the progress made by the Company which moved forward strongly throughout the year with significant gains in sales, average selling price, margin, operating profit, dividend and NAV. Importantly the year concluded with a strong forward order book and a significant increase in plots available with detailed planning permission. Operating performance exceeded the expectations of the Board and investors at the start of the year.

This performance is reflected in the annual bonus earned by executive directors for the year under review. The increase in operating profit of 31.8% was at the top of the target range and there was an improvement in all the non-financial target measures (health and safety, customer care and land bank). As a result, the executive directors earned a full bonus of 120% of basic salary.

Neither of the executive directors were granted awards under the existing Bellway p l c 2004 Performance Share Plan ('2004 PSP') in 2010. The performance conditions were not achieved, and all the awards granted to other participants on 21 October 2010 under the 2004 PSP will lapse.

Implementation of the remuneration policy in 2013/14

For the current year, the Committee focused on two specific areas. The first was the review of basic salary increases for the executive directors and the second related to the introduction of a new long-term incentive arrangement to replace the existing incentive plan. The latter was undertaken with the benefit of consultation with major investors, in accordance with the UK Corporate Governance Code.

As disclosed last year, when the Chief Executive and Finance Director were appointed to the Board, their salaries were positioned at levels significantly below those of their more experienced predecessors, but with a stated intention of raising these towards competitive market levels, subject to good performance and increased experience in their roles. Ted Ayres was promoted to Chief Executive in February 2013 on a salary of £400,000 per annum and Keith Adey's salary throughout the year was £225,000 per annum. These salaries are significantly below the levels at other comparable housebuilders and FTSE 250 companies. Their predecessors had retired on salaries of £560,300 in 2013 and £354,000 in 2012 respectively.

During the year, the Committee considered its approach to increasing salaries to market competitive levels and believes that phasing the increases is appropriate. The Committee not only recognises the strong Company performance during the year but also the steps taken to position the Company well for the future, including an increased level of land buying, the opening of new divisions and changes to the management team. It therefore decided to award salary increases of 25% for Ted Ayres and 27% for Keith Adey, bringing their salaries to £500,000 per annum and £285,000 per annum respectively from 1 August 2013. These remain below market levels and subject to continued strong performance in their respective roles, the Committee envisages making a further increase next year to bring salaries up to market levels in each case. Before doing so the Committee will seek up-to-date independent advice on market levels of basic salary at other housebuilders and consider this in light of the relative size, complexity and performance of the comparator companies.

The second major item considered by the Committee related to a new long-term incentive plan, to replace the existing 2004 PSP which reaches the end of its 10-year life in January 2014.

In determining an appropriate new long-term incentive for executives, the Committee has undertaken a full review of the Company's arrangements to ensure that this policy is appropriate, straightforward and reflects institutional investors' views and market practice.

Following this review, the Committee has concluded that the current policy for the annual bonus and performance share plan remains appropriate for the Company and has determined that the new Bellway p l c (2013) Performance Share Plan ('2013 PSP') should incorporate the current terms of the 2004 PSP, albeit ensuring that it incorporates the latest best practice. There will be a slight change in relation to the calculation of one of the Total Shareholder Return ('TSR') performance conditions, and these are described later in the Report.

Governance

**REPORT OF THE BOARD ON DIRECTORS'
REMUNERATION CONTINUED**

A number of the shareholders who were consulted on the new 2013 PSP queried the need for the Company's current Share Matching Plan ('SMP'), which expires in 2018, to run alongside the PSP. The Committee believes that the plan has provided a useful vehicle for the new directors to start to build shareholdings in the Company, but in response to the points raised during the consultation, the Committee intends to discontinue the plan after the 2014 round of awards.

Other than the changes to base salaries and a new performance share plan, the Committee is not proposing any other changes to the remuneration policy for the 2013/14 financial year, which is set out on pages 41 to 46. During the year it will review the metrics for the non-financial elements of the annual bonus to ensure that they remain aligned to the business strategy.

Conclusion

The Committee considers that there has been a robust link between performance delivered and payments to executives and that the remuneration policy will both support and motivate the executive directors whilst aligning their remuneration to the Company's strategic objectives and to achieving long-term growth for shareholders.

The Committee seeks to maintain a good relationship with investors and will consult with major shareholders, the Association of British Insurers ('ABI'), and key advisory bodies ahead of any significant future changes to the remuneration policy. The Board was pleased that the 2012 Report of the Board on Directors' Remuneration received a 99% vote in favour at the last AGM. Shareholders are invited to approve the 2013 Report of the Board on Directors' Remuneration which will be subject to an advisory vote at the AGM to be held on Friday 13 December 2013.

**Mike Toms**

Chairman of the Board Committee on Executive Directors' Remuneration
14 October 2013

The Report of the Board on Directors' Remuneration has been prepared pursuant to, and in accordance with Schedule 8 of the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 and a resolution to approve this Report will be proposed at the AGM of the Company to be held on 13 December 2013

The Board supports the focus on transparency in the new disclosure regulations for UK listed companies which are due to take effect from October 2013. The Company has, therefore, decided to structure the Report to incorporate, voluntarily, as many of the proposed features as practicable this year. Accordingly, this Report has two sections – the Directors' Remuneration Policy and the Annual Report on Remuneration

The section on Directors' Remuneration Policy, which will in future years (normally on a triennial basis) be subject to a binding shareholder vote, includes

- a description of the Group's remuneration policy,
- a description of how the conditions of other employees and the views of shareholders are taken into account in the Committee's deliberations about executive pay,
- a future policy table which outlines the features of key elements of remuneration,
- the terms of executive directors' service contracts,
- the Group's policy on exit payments, and
- an outline of remuneration scenarios for executive directors at different performance levels

The Annual Report on Remuneration details the remuneration of directors in respect of the financial year under review

DIRECTORS' REMUNERATION POLICY

The remuneration of the executive directors and the Chairman is determined by the Committee within a framework set by the Board. As at the date of this Report, the Committee's members are the non-executive directors and Mike Toms is the Chairman. None of the Committee members has a personal financial interest, other than as shareholders, in the matters to be decided. There are no conflicts of interest arising from cross-directorships and no day-to-day involvement in running the business. The Terms of Reference of the Committee are available on the Group's website www.bellway.co.uk. During the year, the Group Company Secretary provided advice on issues other than those relating to his own remuneration. The Committee also received independent external advice from New Bridge Street ('NBS'), a trading subsidiary of Aon plc. NBS 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. NBS is also a member of the Remuneration Consultants Group and abides by its Code of Conduct. The Committee is satisfied that NBS is independent. The total fee paid to NBS for advice to the Committees during the year was £65,560.

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. It also receives advice from the Group Company Secretary and NBS.

The remuneration policy has been developed taking into account the principles of the UK Corporate Governance Code published in 2012 and the views of the Company's major shareholders.

Objectives of remuneration policy

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 a policy of paying a level of remuneration at around the mid-market level of a peer group of similar UK housebuilding businesses, subject to experience and performance. The Committee uses this comparative approach to benchmarking with caution, recognising the relatively low number of direct housebuilding comparators, their differing size and the risk of an upward ratchet effect with any peer-based analysis.

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 stretching performance targets are achieved. There is both encouragement and an incentive for executives to build a significant shareholding.

The structure of the performance conditions for annual bonus and long-term incentives has been designed to provide a strong link to the Company's performance, namely a focus on maximising profit in a sustainable fashion and generating superior shareholder returns, thereby generating a strong alignment of interest between senior executives and shareholders. The components of the non-financial elements of the bonus have been in place in, substantially, their present form for three years and performance against the targets has now reached high levels. The Committee believes that it would be timely to review them during the current year with a view to introducing possible changes from 2014/15.

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 ABI guidance.

Governance

REPORT OF THE BOARD ON DIRECTORS' REMUNERATION CONTINUED

Consideration of employment conditions elsewhere in the Group

While the Company does not consult directly with employees when drawing up the executive remuneration policy, in 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 basic pay increase awarded to the workforce generally. Normally the salaries of the directors are increased in accordance with the pay increase awarded to the workforce and it is the intention of the Committee to revert to this practice when the executive directors' salaries have reached mid-market levels. All employees, including the executive directors, can join the Company's savings related share option arrangements, have life assurance benefits and a significant proportion of employees benefit from health insurance, a company car or car allowance. Following the introduction of auto-enrolment in October 2013, all employees now have access to pension arrangements. The Committee is apprised regularly of any significant policy changes for the workforce generally and management below Board level in particular.

Consideration of shareholder views

The Committee takes into account the views of shareholders. When any significant changes are proposed to the remuneration policy, the Chairman of the Committee will consult with major shareholders in advance. During 2012/13 remuneration issues generally were discussed with shareholders as part of the consultation on management succession. Shareholders have also been consulted on the proposals for the new performance share plan described below.

Details of votes cast for and against the resolution to approve last year's remuneration report are provided on page 53.

Future policy table

This section of the Report describes the key components of the remuneration arrangements for each element of remuneration for executive and non-executive directors.

Component and link to strategy	Operation	Maximum opportunity	Framework to assess performance
Salary To be market competitive and therefore assist in recruiting and retaining high quality executives. Reflects individual role and experience.	Salaries are reviewed in July each year and changes take effect from 1 August. They are determined by reference to market levels of a peer group of similar UK housebuilding businesses taking account of salaries at other companies of a similar size and by taking account of individual performance and experience. Where salaries of new executive directors are positioned below market levels, the Committee's policy is to progress these over time as experience is gained subject to performance.	No prescribed maximum. Increases normally in line with the average for the workforce generally, unless due to promotion or role change. Salaries for 2013/14 are set out in the Annual Report on Remuneration.	The performance of the executives and the Company is kept under continuous review by the Board.
Annual bonus To reward achievement with a combination of financial and non-financial operational based performance targets in accordance with Company KPIs.	Annual bonuses are payable in November following the year end subject to the achievement of performance targets that were set at the start of the year. Bonuses are payable in cash and executives have the opportunity to invest up to 25% of their net cash bonus in Bellway shares with the opportunity of receiving matching shares (see below). The Company operates a clawback mechanism which allows the Company, in exceptional circumstances, to clawback some or all of the payments made under the variable components of an individual's remuneration.	120% of basic salary maximum.	The bonus is based on a combination of financial and non-financial objectives, with financial performance accounting for a majority of the overall bonus opportunity. The Committee determines the choice of measure(s) and their weighting for each year to ensure alignment with the Board's priorities over the short to medium-term. Where non-financial performance conditions are used in the event that the financial performance criteria do not meet threshold performance, the Committee will not pay any bonus under the non-financial elements. Details of the performance targets set for 2013/14 are set out in the Annual Report on Remuneration.

Component and link to strategy	Operation	Maximum opportunity	Framework to assess performance
Long-term incentives (performance share plan ('PSP') and matching share plan ('SMP')) To encourage long-term value creation, aid retention, encourage shareholding and promote alignment of interests with shareholders	The Company operates two types of long term incentive plan for executive directors a PSP and a SMP	Under the PSP the normal award limit to executive directors is 100% of salary with the maximum value per annum capped at 150% of salary in exceptional circumstances	PSP awards and SMP awards are subject to stretching three-year targets
	Annual awards of nil cost options or conditional awards will be made under the 2013 PSP to the executive directors, at the discretion of the Committee. Awards vest three years after grant subject to the achievement of stretching performance targets	Under the SMP, matching shares of up to 2:1 equivalent to bonus investment on a gross of tax basis (maximum of 25% of net cash bonus). It is intended that no more awards will be made under this plan after the 2014 round of awards	The awards are subject to relative TSR conditions against relevant comparator companies ⁽¹⁾ . For future awards the Committee may choose a financial measure such as EPS, ROCE or NAV in conjunction with or as an alternative to TSR depending on the medium to long-term priorities of the Group at the time of grant
	Under the SMP, the executive directors may invest up to 25% of their net cash annual bonus in Bellway shares which must be held for a minimum of three years. Invested shares are not subject to the risk of forfeiture and executives will have full beneficial ownership (including voting rights and dividends). In return for investing in shares, an award of matching shares of up to 2:1 is granted on a gross of tax basis. These matching shares vest after three years subject to the achievement of stretching performance conditions	If the Committee decides to introduce a financial measure, it will carry out prior consultation with major shareholders. Further details of the performance metrics applying to the awards for 2013/14 are set out in the Annual Report on Remuneration	
	The Company operates a clawback mechanism which allows the Company, in exceptional circumstances, to clawback some or all of the payments made		
Pension To provide a structure and value that is market competitive	Pension contributions into the Company's Group Self Invested Personal Pension Plan and/or a salary supplement in lieu of pension contributions	20% of salary	Not applicable
Benefits To provide a range and value that is market competitive	Comprises car or car allowance, life assurance and health insurance	Not applicable	Not applicable
Chairman and non-executive directors To set appropriate fees in light of the time commitment, responsibilities, wider market and best practice	The Chairman's fee is approved by the Board on the recommendation of the Board Committee on Executive Directors' Remuneration The remuneration of the non-executive directors is determined by the Board Committee on Non-Executive Directors' Remuneration, which comprises the executive directors Fee levels are reviewed annually taking into account the time commitment and responsibilities of the roles including membership or chairmanship of Board Committees and the level of fees for similar positions in comparable companies. Non-executive directors are not entitled to any benefits (with the exception of the Chairman who receives health and life assurance benefits) or pension. They do not participate in any bonus or long-term incentive plans (with the exception of the Chairman whose existing entitlement when he moved from the role of Chief Executive under the 2004 PSP will be maintained) and they are not entitled to compensation on termination of their arrangements, other than normal notice provisions of three months given by either party	Not applicable	The performance of the non-executive directors is assessed by the Chairman. The senior independent non-executive director reviews the performance of the Chairman in conjunction with the directors

Notes

- 1 The Committee believes that relative TSR is an appropriate long term performance metric as it generates an alignment of interest between executives and institutional shareholders by providing a reward mechanism for delivering superior stock market performance. The TSR performance is independently calculated for the Committee by the Company's brokers

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REPORT OF THE BOARD ON DIRECTORS' REMUNERATION CONTINUED

Approach to recruitment remuneration

In arriving at a total package and in considering quantum for each element of the package, the Committee will take into account the skills and experience of the candidate, the market rate for a candidate of that experience as well as the importance of securing the preferred candidate

Element	General Policy	Specifics
Salary	At a level required to attract the most appropriate candidate	Discretion to pay lower basic salary with incremental increases as new appointee becomes established in the role
Pension and benefits	In line with Company policies	
Bonus	In line with existing schemes	Specific targets could be introduced for an individual within the maximum individual limits of the annual bonus plan applicable at the time. Pro-rating would be applied as appropriate for intra-year joiners
Long term incentives (PSP and SMP)	In line with Company policies and maximum limits in the PSP/SMP rules	An award may be made in the year of joining or, alternatively, the award can be delayed until the following year. Targets would be the same as for other directors and grant levels consistent with the permitted individual maximum under the rules of the plan
Other share awards ⁽¹⁾	The Committee may make an incentive award to replace deferred or incentive pay forfeited by an executive leaving a previous employer	Awards would, where possible, be consistent with the awards forfeited in terms of vesting periods, expected value and performance conditions

Notes

1 The Committee may make use of the flexibility provided in the Listing Rules to make such awards if deemed appropriate and/or arrangements outside the Committee's usual recruitment policy if the circumstances so demand in terms of replacing forfeited variable pay, securing the preferred candidate, relocation expenses or for any other reason. Shareholder approval will be sought for any such arrangements as necessary

Service contracts and loss of office payment policy

The executive directors have service contracts with a 12-month notice period from the Company and a 6-month notice period from the executive

The overriding principle for payments on loss of office will be to honour contractual remuneration entitlements. The Committee would determine, on an equitable basis, the appropriate treatment of performance-linked elements of the package, taking account of the circumstances, in accordance with the rules of each respective plan. Failure will not be rewarded

	'Leaver' ⁽¹⁾	Departure on agreed terms ⁽²⁾	Good leaver ⁽³⁾
Salary, pension and benefits (after cessation of employment)	Nil	Up to 12 months' basic salary, benefits and pension Payments may be phased and subject to offset against earnings from elsewhere during the notice period The Company may pay in lieu of notice an amount equivalent to 12 months' salary, pension and benefits	Apart from death, up to 12 months' basic salary, benefits and pension, less any period of notice worked Payments may be phased and subject to offset against earnings from elsewhere during the notice period The Company may pay in lieu of notice an amount equivalent to 12 months' salary, pension and benefits
Annual bonus	No bonus payable	For the proportion of the financial year worked, bonus may be payable pro-rata at the discretion of the Committee There will be no bonus payment in respect of any period of notice not worked	For the proportion of the financial year worked, bonus may be payable pro-rata at the discretion of the Committee

	'Leaver' ⁽¹⁾	Departure on agreed terms ⁽²⁾	Good leaver ⁽³⁾
PSP and SMP	All awards, including those which have vested but are un-exercised will lapse immediately upon cessation of employment	Awards will lapse upon cessation of employment unless the Committee decides otherwise in which case awards may vest Where employment ends before the vesting date awards may vest at the normal time (other than by exception) to the extent that the performance conditions have been satisfied The level of vested award will be reduced pro-rata based upon the period of time after the grant date and ending on the date of cessation of employment relative to the three-year performance period unless the Committee acting fairly and reasonably, decides that such a scaling back is inappropriate in any particular case	Awards may be exercised within 12 months of the vesting date Where employment ends before the vesting date, awards may be exercised at the normal vesting time (other than by exception) and only to the extent that the performance conditions have been satisfied The level of vested award will be reduced, pro-rata, based upon the period of time after the grant date and ending on the date of cessation of employment relative to the three-year performance period unless the Committee, acting fairly and reasonably decides that such a scaling back is inappropriate in any particular case
Other payments	Nil	Depending upon circumstances the Committee may consider payments in respect of an unfair dismissal award, outplacement support and assistance with legal fees	Nil

Notes

- 1 For example, normal resignation from the Company or termination for cause (e.g. disciplinary issues)
- 2 This may cover a range of circumstances such as business re-organisation, changes in reporting structure, change in requirement for the role, termination as a result of a failure to be re-elected at an AGM, etc
- 3 Leaver for compassionate reasons such as death, injury, disability or retirement, with the agreement of the employer

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

Executive director	First appointed as a director	Current contract commencement date
E F Ayres	1 August 2011	1 August 2011
K D Adey	1 February 2012	1 February 2012

All non-executive directors have letters of appointment with the Company of no more than three years, subject to annual re-appointment at the AGM, with a three-month notice period by either side. The appointment letters for the Chairman and non-executive directors provide that no compensation is payable on termination, other than fees accrued and expenses

Non-executive director	First appointed as a director	Current letter of appointment commencement date	Current letter of appointment expiry date
J K Watson	1 August 1995	1 February 2013	31 January 2016
P M Johnson	1 November 2003	1 November 2012	31 January 2014
M R Toms	1 February 2009	1 February 2012	31 January 2015
J A Cuthbert	1 November 2009	1 November 2012	31 October 2015
P N Hampden Smith	1 August 2013	1 August 2013	31 July 2016
D N Jagger	1 August 2013	1 August 2013	31 July 2016

Peter Johnson will retire from the Board on 31 January 2014

The executive directors may accept external appointments provided that such appointments do not, in any way, prejudice their ability to perform their duties as executive directors of the Company. The extent to which any executive director is allowed to retain any fees payable in respect of such appointments, or whether such fees are remitted to the Company, will be assessed on a case-by-case basis. None of the executive directors currently hold any outside appointments.

Governance

**REPORT OF THE BOARD ON DIRECTORS'
REMUNERATION CONTINUED****Illustrations of application of remuneration policy**

The Company's policy results in a significant portion of remuneration received by executive directors being dependent on the Group's performance. The chart below illustrates how the total pay opportunities for the executive directors vary under three performance scenarios: minimum, target and maximum. The chart is indicative as share price movement and dividend accrual have been excluded.

Graph
removed

Chart labels show proportion of total package comprised of each element

Assumptions

Minimum – fixed pay only (salary + benefits + pension/pay in lieu of pension), salary is actual for 2013/14, benefits are based on actual benefits received in 2012/13 and pension/pay in lieu of pension is based on policy of 20% of salary

Target – 50% of maximum bonus payout, 25% of bonus investment in SMP and 1 times match. PSP award of 100% of salary with 50% of the award vesting

Maximum – full bonus payout, 25% investment of bonus in SMP and 2 times match. PSP with a face value of 100% of salary and full vesting

ANNUAL REPORT ON REMUNERATION

Implementation of remuneration policy in 2013/14

This section sets out how the Company has implemented the remuneration policy for the 2013/14 financial year

Base salaries

As stated in the section on Directors' Remuneration Policy, on their promotions to Chief Executive and Finance Director, their salaries were positioned significantly lower than their predecessors and market levels at the time. As indicated in last year's report, the Committee has decided to move salaries towards market levels in stages. The Committee believes that the new executives have settled well into their roles. They have taken advantage of market conditions and government policy to increase sales reservations, average selling price, legal completions and operating margin. The land bank has been increased and actions have been taken to develop management below Board level. Both the Chief Executive and the Finance Director have established sound relationships with investors and other stakeholders. Recognising both the strong Group and personal performance demonstrated during the year, it is intended that their salaries are increased to market levels in two instalments. The second instalment on 1 August 2014 will be contingent upon continuing strong performance of both the business and the executive over the year and on a current and independent review of the salaries of the executives of other housebuilders. For 2013/14, their salaries are as follows:

- Chief Executive £500,000 p a
- Finance Director £285,000 p a

Annual bonus

For the 2013/14 financial year, the bonus opportunity will be 120% of basic salary. The performance conditions relate to a stretching target range of pre-exceptional operating profit (90%) and non-financial performance (30%), with non-financial performance being assessed by reference to land bank management (10%), health and safety (10%) and customer care (10%). The Committee considers that performance in relation to targets based on annual profitability and non-financial metrics provide a good link to the long-term performance of the business. The focus on profitability is balanced by there being a meaningful weighting of the overall bonus on a number of core non-financial performance measures which are considered to have a strong link to short and long-term shareholder returns.

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 SMP. The Committee encourages the executives to take the opportunity provided by this scheme to build up their own personal shareholdings.

Long-term incentive plans

The Company will make awards under the new 2013 PSP for which it is seeking shareholder approval at the AGM on 13 December 2013. Performance shares with a face value of 100% of salary will be granted to the executive directors and Group Company Secretary. Grants at lower levels, in percentage of salary terms, will be made to other selected senior employees.

The executives will also have the opportunity to invest up to 25% of their 2012/13 net bonus for a period of three years in the SMP, for which they will receive a match of up to 2 times the level of investment on a gross of tax basis.

The 2013/14 PSP awards (and SMP awards to the extent they are made) will vest to executives after three years, subject to the achievement of performance conditions, based around TSR, which measures the total return (share price growth and dividend) on a notional investment in Bellway shares, compared to the return on the same notional investment in shares in a group of other companies or an index.

The TSR condition will comprise two equal parts. Half the award will be based on performance relative to the Housebuilders' Index and half by reference to the FTSE 250 Index, excluding investment trusts and companies in the financial services sector. The Housebuilders' Index will comprise The Berkeley Group plc, Taylor Wimpey plc, Barratt Developments PLC, Persimmon plc, Bovis Homes Group PLC, Redrow plc and Crest Nicholson Holdings plc.

Previously the TSR calculation has been based on the average TSR of the other housebuilders, with a requirement for Bellway's TSR to match this average (for 25% of an award to vest) rising to 100% vesting for Bellway's TSR outperforming the average TSR plus 7.5% per annum.

Having reviewed the basis for TSR performance measurement the Committee is proposing to change from using the average TSR to using the median TSR as the reference point. This is because the median value is less influenced by the performance of extreme outliers of the Index and so represents a more robust and comparable benchmark.

The Committee has re-examined the 7.5% hurdle for out performance to establish whether this remains appropriately stretching and is comfortable that, based on robust back-testing, this is broadly equivalent to upper quartile performance.

For the other half of the award, the TSR will be based on performance against the constituents of the FTSE 250 index, excluding investment trusts and financial services companies, with a median to upper quartile vesting scale for between 25% and 100% of the award to vest.

Regardless of TSR performance, 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 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.

Governance

REPORT OF THE BOARD ON DIRECTORS' REMUNERATION CONTINUED

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

Chairman and non-executive director fees

The Chairman's fee level will increase from £180,000 to £185,000 p a

For 2013/14 the base fee for non-executive directors will remain at £51,500 Fees for chairing the Audit Committee and the Board Committee on Executive Directors' Remuneration will rise from £3,000 to £5,000 and the additional fee for the senior independent non-executive director will increase from £4,000 to £5,000

Implementation of remuneration policy in 2012/13

The auditor is required to report on the information contained in the following part of this Report

Directors' emoluments

	Salary and fees	Taxable benefits ¹⁾	Pension	Payment in lieu of pension	Annual bonus	Sub-total	Long-term incentives ²⁾	Total	
	£	£	£	£	£	£	£	2013 £	2012 ³⁾ £
Non-executive Chairman									
H C Dawe ³⁾	124,500	1,333	-	-	-	125,833	-	125,833	243,834
J K Watson ⁴⁾	90,000	403	-	-	-	90,403	-	90,403	-
Executive directors									
J K Watson ⁴⁾	280,250	13,428	-	84,075	336,300	714,053	-	714,053	2,056,089
E F Ayres ⁵⁾	350,000	24,812	57,750	12,250	420,000	864,812	66,094	930,906	671,157
K D Adey	225,000	26,372	45,000	-	270,000	566,372	-	566,372	241,999
A M Leitch	-	-	-	-	-	-	-	-	888,155
Non-executive directors									
P M Johnson	58,500	-	-	-	-	58,500	-	58,500	56,650
M R Toms	54,500	-	-	-	-	54,500	-	54,500	51,500
J A Cuthbert	51,500	-	-	-	-	51,500	-	51,500	51,500
Totals	1,234,250	66,348	102,750	96,325	1,026,300	2,525,973	66,094	2,592,067	4,260,884

Notes

- 1 Taxable benefits include car or car allowance and health insurance
- 2 This relates to the vesting of the 1996 ESOS award exercisable from 17 November 2007 Further details are set out in the notes to the directors' share options table on page 51
- 3 Howard Dawe retired from the Board on 31 January 2013 The fee reflects his annual fee of £248,500 pro rated for his time in post
- 4 John Watson held the position of Chief Executive until 31 January 2013 and from 1 February 2013 he was appointed non-executive Chairman Salaries, fees, benefits and pay in lieu of pension are pro rated to reflect his time in each post
- 5 Ted Ayres was an executive director throughout the year holding the post of Group Operations Director until 31 January 2013 and from 1 February 2013, he was appointed Chief Executive The figures in the table reflect his aggregate remuneration for both roles held
- 6 Following adoption of the new directors' remuneration regulations the 2012 total figure now includes long-term incentive gains

Annual bonus for the year ended 31 July 2013

The annual bonus is payable in November 2013 for performance during the year ended 31 July 2013. The performance conditions for the 2012/13 bonus were operating profit (pre-exceptional items) (90%) and personal non-financial performance (30%), with non-financial performance being assessed by reference to land bank management, health and safety and customer care. Each of these elements accounts for a maximum bonus of 10% of salary. In the event, the Company achieved very substantial improvement in operating profit, above City expectations and improved its performance in relation to each of the non-financial measures. The actual bonus payment against operating profit was determined on the following basis:

Measure	Weighting (% of salary)	Threshold	Target	Maximum value	Actual	Payout (% of maximum)	Payout (% of salary)
Operating profit	90%	£125 million	£135 million	£150 million	£151 million	100%	90%

The three non-financial metrics were not determined on a range of targets but related to specific individual performance targets for each. Details are set out in the table below:

Non-financial measure	Objectives	Score
Land bank	Increase in the forward land bank of plots with detailed planning permission in the year to 31 July 2013 to ensure the Group's revenue aspirations are not frustrated by land shortages in future years	Maximum – 10% of salary
	The Group exceeded its land bank target for the following financial year	Achieved – 10% of salary
Health and safety	Improvement in performance by reference to the rate of over 3 day lost time accidents, taking account of the volume of activity	Maximum – 10% of salary
	The Group reduced its rate of over 3 day lost time accidents per 100,000 employees to 664.75 from 761.18 in 2012	Achieved – 10% of salary
Customer care	Improvement in the Group's performance, taking account of the results of the Company's survey of buyers' satisfaction 'Would you recommend a Bellway home?'	Maximum – 10% of salary
	The Group achieved a further improvement in its customer care score to 94.8% from 93.8% in 2012	Achieved – 10% of salary

All the targets were achieved and the full bonus was payable in relation to each element. If the targets had not been achieved then no bonus would have been payable. In the case of health and safety, no bonus is payable if a work related fatality occurs on site.

Governance

REPORT OF THE BOARD ON DIRECTORS' REMUNERATION CONTINUED

Directors' interests in the long-term incentive plans

The Chairman and executive directors have a potential future beneficial interest pursuant to the allocation of shares under the PSP. The number of shares allocated in the Bellway Employee Share Trust (1992) ('Trust') in respect of each director, along with the market price of the shares at the date of award, is shown below.

PSP	Award date	Fully paid ordinary 12.5 pence shares				
		Awards held at 1 August 2012	Awarded during the year	Awards lapsed during the year	Awards vested during the year ^(a)	Awards held at 31 July 2013
Potential future beneficial interests						
J K Watson	29.10.2009 ⁽¹⁾	72,028	-	72,028	-	-
	21.10.2010 ⁽²⁾	96,060	-	-	-	96,060
	24.10.2011 ⁽³⁾	77,659	-	-	-	77,659
Totals		245,747	-	72,028	-	173,719
E F Ayres	24.10.2011 ⁽³⁾	35,689	-	-	-	35,689
	13.11.2012 ⁽⁴⁾	-	30,960	-	-	30,960
Totals		35,689	30,960	-	-	66,649
K D Adey	13.11.2012 ⁽⁴⁾	-	23,220	-	-	23,220

Notes

- Market value on award 715 00p. The performance period was 1 August 2009 – 31 July 2012. This award lapsed during the year due to failure to achieve the performance conditions.
- Market value on award 549 50p. The performance period was 1 August 2010 – 31 July 2013. The performance conditions were not achieved and these awards will lapse in full on 20 October 2013.
- Market value on award 700 50p. The performance period is 1 August 2011 – 31 July 2014.
- On 13 November 2012 an award of performance shares under the 2004 PSP was made to Ted Ayres and Keith Adey. The awards were in the form of nil cost options. The face value of awards granted were equal to 100% of their respective salaries which is in line with the Committee's current grant policy. Ted Ayres was granted an award over 30,960 shares with a face value, on grant, of £300,000 and Keith Adey's award was over 23,220 shares with a face value, on grant, of £225,000. The market value of a Bellway share on award was 976 50p, and the performance period is 1 August 2012 – 31 July 2015. The awards are subject to a TSR performance condition, which is in two parts. Half is measured by reference to Bellway's TSR against an index of the TSR of other housebuilders (the 'Housebuilders' Index'). If Bellway's TSR matches that of the Housebuilders' Index, 25% of the award vests. Full vesting would be achieved for 75% per annum outperformance of the Housebuilders' Index. The companies comprising the Housebuilders' Index are Barratt Developments PLC, The Berkeley Group plc, Bovis Homes Group PLC, Persimmon plc, Redrow plc and Taylor Wimpey plc. The other half is measured by reference to the companies in the FTSE 250 Index (excluding investment trusts and financial services). Awards start to vest at 25% if Bellway's TSR matches the median of the companies in the Index, increasing on a straight line basis so that full vesting would be achieved if Bellway's TSR reaches the upper quartile. Furthermore, no part of either element of this award will vest unless the Committee is satisfied that there has been an improvement in underlying financial performance, taking into account, inter alia, operating profit, operating margin, ROCE and NAV.
- The performance conditions for previous awards are summarised below:
 - For the awards made on 29 October 2009 and 21 October 2010 the performance criteria were not achieved.
 - For the award made on 24 October 2011 the TSR performance condition was in two parts. Half was measured by reference to the Housebuilders' Index as above, and the other half was measured by reference to the companies in the FTSE 250 Index (excluding investment trusts and financial services) as above. Awards start to vest at 25% if Bellway's TSR matches the median of the companies in the group, increasing on a straight-line basis so that full vesting would be achieved if Bellway's TSR reaches the upper quartile.

Regardless of TSR performance, no part of an award will vest unless the Committee is satisfied that the Company's TSR over the performance period is reflective of underlying financial performance, taking into account, inter alia, operating profit, operating margin, ROCE and NAV.
- The market price of the ordinary shares at 31 July 2013 was 1,380 00p and the range during the year was 802 00p to 1,455 00p.

The executive directors have a potential beneficial interest in certain shares held in the Trust pursuant to the allocation of shares under the SMP. The number of shares allocated in the Trust (as Matching Shares) in respect of each director, along with the market price of the shares at the date of award, is shown below.

SMP	Award date	Fully paid ordinary 12.5 pence shares				
		Awards held at 1 August 2012	Investment Shares purchased during the year	Matching Shares awarded during the year	Matching Shares lapsed during the year	Matching Shares vested during the year
Potential future beneficial interests						
E F Ayres	23.11.2012 ⁽¹⁾	-	3,721	15,504	-	-
K D Adey	23.11.2012 ⁽¹⁾	-	1,489	6,204	-	-

Notes

- Market value on award 967 50p. The performance period is 1 August 2012 – 31 July 2015. The vesting of the Matching Shares is subject to the same performance conditions as the PSP award made on 13 November 2012.

Directors' share options

Details of all directors' interests in the various share option schemes are shown below

	Scheme	1 August 2012	Granted during the year	Exercised during the year	31 July 2013	Exercise price (p)	Exercisable from	Expiry date
J K Watson	2003 SRSOS ^(a)	1,618	–	–	1,618	556 00	1 Feb 2015	31 July 2015
E F Ayres	1996 ESOS ^(b)	10,000	–	10,000	–	716 00	17 Nov 2007	17 Nov 2014
	1996 ESOS ^(c)	16,500	–	–	16,500	844 00	31 Oct 2008	31 Oct 2015
	2005 ESOS ^(d)	3,500	–	–	3,500	844 00	31 Oct 2008	31 Oct 2015
	2003 SRSOS ^(a)	2,350	–	–	2,350	661 60	1 Feb 2015	31 July 2015
Totals		32,350	–	10,000	22,350			
K D Adey	2003 SRSOS ^(a)	3,463	–	–	3,463	439 60	1 Feb 2016	31 July 2016

Notes

1 All of the above options were granted for nil consideration unless noted

2 Aggregate gross gains made by the directors on the exercise of the above options in the year were £66 094 00 (2012 – £70,659 87)

3 References to (b), (c) and (e) correspond with the summary of outstanding share options in note 19 on page 77

4 The 1996 ESOS award exercisable from 17 November 2007 is subject to the achievement of either of the following objective performance conditions (a) the growth in earnings per share of the Group in any three consecutive years will not be less than the growth in the Retail Price Index plus 6% over the same period or (b) the growth in earnings per share of the Group in any three consecutive years exceeding the mean average growth in earnings per share in the same period of companies whose shares were formerly quoted in the 'Building and Construction' sector but whose shares are now quoted in the 'Household Goods' sector of the FTSE Actuaries Shares Indices. The 1996 ESOS and 2005 ESOS awards exercisable from 31 October 2008 are subject to a profit before tax (PBT) performance target at the operating division of Bellway Homes Limited where Ted Ayres was a director at the time of the grant and during the three year performance period. Full vesting occurs where actual PBT reaches the forecast PBT within a 10% range, in each of the three financial years of the performance period, with one-third vesting if the target is met in only one year and two-thirds vesting if the target is met in two of the three years. If the target was not reached in any of the three years then the total award would lapse. The performance conditions have been met in full.

Statement of directors' shareholdings and share interests

There is a policy for a minimum shareholding requirement for the executive directors, equivalent to 100% of basic salary. Within a period of three months of appointment an executive director must acquire a minimum of 1,000 ordinary shares in the Company and must retain at least 50% of any shares awarded under the PSP or SMP, after allowance for paying tax, until the requisite number of shares has been accumulated. If personal circumstances make this difficult, the Committee would exercise discretion. The directors' interests (including family interests) in the ordinary share capital of the Company are set out below.

Director	Beneficially owned at 31 July 2013	Beneficially owned at 31 July 2012	Outstanding and unvested PSP awards	Outstanding and unvested SMP awards	Outstanding and unvested share options	Share options vested but unexercised	Share options exercised in the year
J K Watson	403,384	403,384	173,719	N/A	1,618	–	–
E F Ayres	16,292	10,105	66,649	15,504	2,350	20,000	10,000
K D Adey	2,489	1,000	23,220	6,204	3,463	–	–
P M Johnson	4,300	4,300	N/A	N/A	N/A	N/A	N/A
M R Toms	1,500	1,500	N/A	N/A	N/A	N/A	N/A
J A Cuthbert	6,000	6,000	N/A	N/A	N/A	N/A	N/A

There has been no change in any of the above interests between 31 July 2013 and the date of this Report. John Watson's interest in outstanding PSP awards will fall to 77,659 when the award over 96,060 shares made on 21 October 2010 lapses in full. Further details are provided in the PSP table on page 50.

At the date of their appointment to the Board on 1 August 2013 as non-executive directors and at the date of this Report, Paul Hampden Smith and Denise Jagger were interested in 4,620 and 500 fully paid ordinary 12 5p shares respectively.

Governance

**REPORT OF THE BOARD ON DIRECTORS'
REMUNERATION CONTINUED****Performance graph and table**

The graph below shows the TSR performance over the past five years of the Company, the FTSE 250 Index and the bespoke Housebuilders' Index (as defined in note 4 on page 50). The FTSE 250 Index has been selected as the most appropriate 'broad equity market index' as the Company has been a constituent of the FTSE 250 Index over this period, and the bespoke Housebuilders' Index has been selected as this index is used for the Company's long-term incentive plans.

Graph
removed

This graph shows the value, by 31 July 2013, of £100 invested in Bellway p l c on 31 July 2008 compared with the value of £100 invested in the FTSE 250 Index and equally in each of the housebuilders currently contained in the FTSE 350 Index (excluding Bellway and Crest Nicholson, which re-listed in February 2013). The other points plotted are the values at intervening financial year ends.

Chief Executive total remuneration

The table below sets out the total remuneration for the Chief Executive over the same five year period as for the chart above, together with the annual bonus paid and the vesting percentage of long-term incentives, as a percentage of the maximum (relating to the performance periods ending in that year).

	2009	2010	2011	2012	2013
Total remuneration (£000)	1,312	1,532	1,899	1,396	1,243 ⁽¹⁾
Annual bonus paid (as % of maximum)	20.3%	76.9%	100.0%	99.3%	100.0%
PSP vesting (as % of maximum)	100.0%	48.3%	99.6%	0.0%	0.0%

Notes

¹ John Watson held the role of Chief Executive up to 31 January 2013 and Ted Ayres was Chief Executive for the remainder of the financial year from 1 February 2013 to 31 July 2013. The total remuneration for the period as Chief Executive was £714,053 for John Watson and £528,500 for Ted Ayres.

Percentage change in remuneration of the Chief Executive

The table below shows the percentage change over the prior year in respect of

- the Chief Executive's remuneration (comprising salary, fees, taxable benefits and annual bonus) throughout the year
- all other employees' total remuneration (comprising wages, salaries, taxable benefits and annual bonus) throughout the year

	2013 £000	2012 £000	% change
Chief Executive ⁽¹⁾	1,082	1,219	-11.1%
All other employees	71,810	66,542	+79%

Notes

¹ John Watson was Chief Executive throughout the financial year ended 31 July 2012 and for the period from 1 August 2012 to 31 January 2013. Ted Ayres was Chief Executive for the remainder of the financial year from 1 February 2013 to 31 July 2013. The figure in respect of the year to 31 July 2013 is the combined pro-rated Chief Executive remuneration for both Messrs Watson and Ayres for the period they each were Chief Executive. The note to the previous table shows their individual remuneration.

Importance of remuneration relative to dividends and corporation tax

The chart below shows the relative expenditure of the Group in respect of employee remuneration, dividends and corporation tax, together with the percentage change in each, for the financial years ended 31 July 2012 and 31 July 2013.

	2013 £000	2012 £000	% change
Employee costs	72,892	67,761	7.5%
Dividends	36,518	24,280	50.4%
Corporation tax	32,355	26,026	24.3%

Statement of voting at AGM

At last year's AGM held on 13 January 2013, the Report of the Board on Directors' Remuneration received the following votes from shareholders:

	Votes	% of votes cast
Votes cast in favour	95,093,505	99.39%
Votes cast against	584,586	0.61%
Total votes cast	95,678,091	100.00%
Votes withheld	2,600,394	

This Report will be put to an advisory vote of the Company's shareholders at the AGM on 13 December 2013.

On behalf of the Board



Mike Toms

Chairman of the Board Committee on Executive Directors' Remuneration
14 October 2013

Governance

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND ACCOUNTS

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

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

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

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

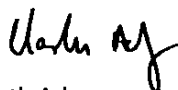
Under applicable law and regulations, the directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group'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.



Keith Adey
Finance Director
14 October 2013

Governance

**INDEPENDENT AUDITOR'S 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 2013 set out on pages 56 to 85

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

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 54, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's 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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate

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 2013 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

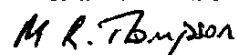
We have nothing to report in respect of the following

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 37, in relation to going concern,
- the part of the Corporate Governance Statement on pages 32 to 36 relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration



Mick 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
14 October 2013

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GROUP INCOME STATEMENT

for the year ended 31 July 2013

	Notes	2013 £000	2012 £000
Revenue	1	1,110,676	1,004,227
Cost of sales	5	(907,380)	(842,124)
Gross profit		203,296	162,103
Administrative expenses		(52,227)	(47,472)
Operating profit	4	151,069	114,631
Finance income	2	751	1,676
Finance expenses	2	(10,893)	(11,023)
Profit before taxation		140,927	105,284
Income tax expense	6	(32,355)	(26,026)
Profit for the year *		108,572	79,258

* All attributable to equity holders of the parent

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

Earnings per ordinary share – Basic	8	89 3p	65 5p
Earnings per ordinary share – Diluted	8	88 9p	65 2p

STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 31 July 2013

	Notes	Group 2013 £000	Group 2012 £000	Company 2013 £000	Company 2012 £000
Profit/(loss) for the period		108,572	79,258	(1,900)	(1,918)
Other comprehensive income/(expense)					
Actuarial gains/(losses) on defined benefit pension plans	25	1,558	(3,845)	–	–
Income tax on other comprehensive (income)/expense	6	(530)	676	–	–
Other comprehensive income/(expense) for the period, net of income tax		1,028	(3,169)	–	–
Total comprehensive income/(expense) for the period *		109,600	76,089	(1,900)	(1,918)

* All attributable to equity holders of the parent

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STATEMENTS OF CHANGES IN EQUITY

at 31 July 2013

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 2011		15,105	160,642	1,492	896,135	1,073,374	(66)	1,073,308
Total comprehensive income for the period								
Profit for the period		-	-	-	79,258	79,258	-	79,258
Other comprehensive expense *		-	-	-	(3,169)	(3,169)	-	(3,169)
Total comprehensive income for the period		-	-	-	76,089	76,089	-	76,089
Transactions with shareholders recorded directly in equity								
Dividends on equity shares	7	-	-	-	(17,890)	(17,890)	-	(17,890)
Shares issued	19	75	2,113	-	-	2,188	-	2,188
Credit in relation to share options and tax thereon	25	-	-	-	719	719	-	719
Purchase of own shares	20	-	-	-	(1,279)	(1,279)	-	(1,279)
Total contributions by and distributions to shareholders		75	2,113	-	(18,450)	(16,262)	-	(16,262)
Balance at 31 July 2012		15,180	162,755	1,492	953,774	1,133,201	(66)	1,133,135
Total comprehensive income for the period								
Profit for the period		-	-	-	108,572	108,572	-	108,572
Other comprehensive income *		-	-	-	1,028	1,028	-	1,028
Total comprehensive income for the period		-	-	-	109,600	109,600	-	109,600
Transactions with shareholders recorded directly in equity								
Dividends on equity shares	7	-	-	-	(27,963)	(27,963)	-	(27,963)
Shares issued	19	41	2,377	-	-	2,418	-	2,418
Credit in relation to share options and tax thereon	25	-	-	-	1,648	1,648	-	1,648
Total contributions by and distributions to shareholders		41	2,377	-	(26,315)	(23,897)	-	(23,897)
Balance at 31 July 2013		15,221	165,132	1,492	1,037,059	1,218,904	(66)	1,218,838

* Additional breakdown is provided in the Statements of Comprehensive Income

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STATEMENTS OF CHANGES IN EQUITY CONTINUED

at 31 July 2013

Company	Issued capital £000	Share premium £000	Other reserves £000	Share-based payment reserve £000	Retained earnings £000	Total equity £000
Balance at 1 August 2011	15,105	160,642	2,145	12,914	534,570	725,376
Total comprehensive expense for the period						
Loss for the period	-	-	-	-	(1,918)	(1,918)
Other comprehensive income *	-	-	-	-	-	-
Total comprehensive expense for the period	-	-	-	-	(1,918)	(1,918)
Transactions with shareholders recorded directly in equity						
Dividends on equity shares	7	-	-	-	(17,890)	(17,890)
Shares issued	19	75	2,113	-	-	2,188
Credit in relation to share options	25	-	-	1,046	-	1,046
Purchase of own shares	20	-	-	-	(1,279)	(1,279)
Total contributions by and distributions to shareholders	75	2,113	-	1,046	(19,169)	(15,935)
Balance at 31 July 2012	15,180	162,755	2,145	13,960	513,483	707,523
Total comprehensive expense for the period						
Loss for the period	-	-	-	-	(1,900)	(1,900)
Other comprehensive income *	-	-	-	-	-	-
Total comprehensive expense for the period	-	-	-	-	(1,900)	(1,900)
Transactions with shareholders recorded directly in equity						
Dividends on equity shares	7	-	-	-	(27,963)	(27,963)
Shares issued	19	41	2,377	-	-	2,418
Credit in relation to share options	25	-	-	1,021	-	1,021
Total contributions by and distributions to shareholders	41	2,377	-	1,021	(27,963)	(24,524)
Balance at 31 July 2013	15,221	165,132	2,145	14,981	483,620	681,099


* Additional breakdown is provided in the Statements of Comprehensive Income

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BALANCE SHEETS

at 31 July 2013

	Notes	Group 2013 £000	Group 2012 £000	Company 2013 £000	Company 2012 £000
ASSETS					
Non-current assets					
Property, plant and equipment	9	11,328	11,407	-	-
Investment property	10	7,697	9,748	-	-
Investments in subsidiaries and jointly controlled entities	11	-	-	31,184	30,163
Other financial assets	14	34,484	35,080	-	-
Deferred tax assets	12	3,238	3,241	-	-
		56,747	59,476	31,184	30,163
Current assets					
Inventories	13	1,513,527	1,399,843	-	-
Trade and other receivables	15	57,166	71,133	622,054	649,499
Cash and cash equivalents	22	24,215	21,413	48,727	48,745
		1,594,908	1,492,389	670,781	698,244
Total assets		1,651,655	1,551,865	701,965	728,407
LIABILITIES					
Non-current liabilities					
Interest bearing loans and borrowings	16	-	20,000	-	20,000
Retirement benefit obligations	25	9,042	11,501	-	-
Trade and other payables	17	45,062	37,867	-	-
		54,104	69,368	-	20,000
Current liabilities					
Interest bearing loans and borrowings	16	50,000	62,000	20,000	-
Corporation tax payable		18,305	14,820	-	-
Trade and other payables	17	310,408	272,542	866	884
		378,713	349,362	20,866	884
Total liabilities		432,817	418,730	20,866	20,884
Net assets		1,218,838	1,133,135	681,099	707,523
EQUITY					
Issued capital	19	15,221	15,180	15,221	15,180
Share premium		165,132	162,755	165,132	162,755
Other reserves		1,492	1,492	2,145	2,145
Share-based payment reserve		-	-	14,981	13,960
Retained earnings		1,037,059	953,774	483,620	513,483
Total equity attributable to equity holders of the parent		1,218,904	1,133,201	681,099	707,523
Non-controlling interest		(66)	(66)	-	-
Total equity		1,218,838	1,133,135	681,099	707,523

Approved by the Board of Directors on 14 October 2013 and signed on its behalf by


 John Watson
 Director


 Keith Adey
 Director

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CASH FLOW STATEMENTS

for the year ended 31 July 2013

	Notes	Group 2013 £000	Group 2012 £000	Company 2013 £000	Company 2012 £000
Cash flows from operating activities					
Profit/(loss) for the year		108,572	79,258	(1,900)	(1,918)
Depreciation charge	9, 10	2,487	1,836	-	-
Profit on sale of property, plant and equipment	4	(76)	(213)	-	-
Profit on sale of investment properties		(578)	(35)	-	-
Finance income	2	(751)	(1,676)	-	-
Finance expenses	2	10,893	11,023	1,900	1,900
Share-based payment expense	25	1,021	1,046	-	-
Income tax expense	6	32,355	26,026	-	-
Increase in inventories		(113,684)	(129,263)	-	-
Decrease/(increase) in trade and other receivables		14,573	(10,617)	27,445	18,893
Increase/(decrease) in trade and other payables		39,030	28,798	(18)	10
Cash from operations		93,842	6,183	27,427	18,885
Interest paid		(5,922)	(7,001)	(1,900)	(1,900)
Income tax paid		(28,770)	(22,317)	-	-
Net cash inflow/(outflow) from operating activities		59,150	(23,135)	25,527	16,985
Cash flows from investing activities					
Acquisition of property, plant and equipment		(1,956)	(4,551)	-	-
Acquisition of investment properties		-	(1,106)	-	-
Proceeds from sale of property, plant and equipment		197	296	-	-
Proceeds from sale of investment properties		2,213	233	-	-
Interest received		743	1,245	-	-
Net cash inflow/(outflow) from investing activities		1,197	(3,883)	-	-
Cash flows from financing activities					
Decrease in bank borrowings		(32,000)	(18,000)	-	-
Proceeds from the issue of share capital on exercise of share options		2,418	2,188	2,418	2,188
Purchase of own shares by employee share option plans		-	(1,279)	-	(1,279)
Dividends paid	7	(27,963)	(17,890)	(27,963)	(17,890)
Net cash outflow from financing activities		(57,545)	(34,981)	(25,545)	(16,981)
Net increase/(decrease) in cash and cash equivalents		2,802	(61,999)	(18)	4
Cash and cash equivalents at beginning of year		21,413	83,412	48,745	48,741
Cash and cash equivalents at end of year	22	24,215	21,413	48,727	48,745

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ACCOUNTING POLICIES

Basis of preparation

Bellway p l c (the 'Company') is a company incorporated in England and Wales

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 14 October 2013, the Company is taking advantage of the exemption in section 408 of the Companies Act 2006 not to present its individual income statement and related notes that form a part of these financial statements.

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

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chief Executive's Operating Review on pages 9 to 12. 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 22 to 25. Note 18 to the financial statements sets out the Group's policies and processes for managing its capital, financial risk, and its exposures to credit risk and liquidity risk.

The Group's activities are financed principally by a combination of ordinary shares, preference shares, bank borrowings and cash in hand. At 31 July 2013, net bank borrowings were £5.8 million having generated cash of £2.8 million during the year. The Group has operated within all of its banking covenants throughout the year. In addition, the Group had bank facilities of £300 million, expiring in tranches up to November 2016, with £270 million available for drawdown under such facilities at 31 July 2013.

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

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

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

Effect of new standards and interpretations effective for the first time

The Group has adopted IAS 1 'Presentation of Financial Statements' (Amendment) in the Group's financial statements for the year ended 31 July 2013. This amendment requires the separate disclosure of the tax effect of each item of other comprehensive income. The disclosures in these financial statements reflect this amendment.

The other standards and interpretations that are applicable for the first time in the Group's financial statements for the year ended 31 July 2013, have no effect on these financial statements.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company 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 these entities are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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

Property, plant and equipment

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

Plant, fixtures and fittings – 3 to 10 years

Freehold buildings – 40 years

Freehold land is not depreciated

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ACCOUNTING POLICIES CONTINUED**Investment property**

Investment property is initially recognised at cost. Subsequent to recognition, investment property is measured using the cost model and is carried at cost less any accumulated depreciation and accumulated impairment losses.

Depreciation is charged, where material, so as to write off the cost less residual value of the investment properties over their estimated useful lives. The residual values and useful lives of investment properties are reviewed at each financial year end.

The useful life of investment properties has been assessed as 10 – 100 years.

Land is not depreciated.

Investments in subsidiaries

Interests in subsidiary undertakings are valued at cost less impairment.

Inventories

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

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

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

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

Trade and other receivables

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

Other financial assets

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

A description of the valuation technique is given in note 14 on page 72.

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 figure 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:

- 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
- 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 housing sales and land is recognised when transactions have legally completed.

Incentives

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

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

Rental income

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

Part-exchange properties

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

Contingent liabilities

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

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ACCOUNTING POLICIES CONTINUED**Taxation**

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

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

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

Employee benefits – retirement benefit costs

For the defined benefit scheme, the liability is calculated as the present value of the defined benefit obligation at the balance sheet date. The fair values of scheme assets are then deducted. The calculation is performed by a qualified actuary using the projected unit credit method. All actuarial gains and losses are recognised immediately in the statements of comprehensive income ('SOCl'). Further details of the scheme and the valuation methods applied may be found in note 25 on page 79.

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

Employee benefits – share-based payments

In accordance with IFRS 2 'Share-based Payment', 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.

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 SOCl as share-based payments are considered to be transactions with shareholders.

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

Own shares held by ESOP trust

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

Operating leases

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

Finance income and expenses

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

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

Exceptional items

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

Accounting estimates and judgements

Management considers the key estimates and judgements made in the financial statements to be related to

Valuation of work in progress and land held for development

Inventories are carried at the lower of cost and net realisable value, less payments on account. Net realisable value represents the estimated selling price (in the ordinary course of business) less all estimated costs of completion and overheads. Valuations of site work in progress are carried out at regular intervals and estimates of the cost to complete a site and estimates of anticipated revenues are required to enable a development profit to be determined. Management are required to employ considerable judgement in estimating the profitability of a site and in assessing any impairment provisions which may be required.

For both the years ended 31 July 2013 and 31 July 2012, 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 have been amended based on local management and the Board's assessment of current market conditions. For the years ended 31 July 2013 and 31 July 2012 no exceptional charge has resulted from the review.

Whilst management remain cautious, selling prices and volumes have stabilised. 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.

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 72.

Standards and interpretations in issue but not yet effective

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

- IAS 19 'Employee Benefits' (Amendment) The amendment requires additional disclosures, the disaggregation of plan costs and the removal of the corridor approach for the recognition of actuarial gains and losses. This is effective for the period beginning on 1 August 2013.
- IFRS 10 'Consolidated Financial Statements' The standard provides a single control model for the inclusion of entities in consolidated financial statements. This is effective for the period beginning on 1 August 2014.
- IFRS 11 'Joint Arrangements' The standard requires the equity method to be used when consolidating jointly controlled entities, and does not permit the use of the proportional method which is currently used by the Group. The adoption of this standard will result in presentational changes to the income statement and balance sheet and require adjusted comparative information in the year of adoption. This is effective for the period beginning on 1 August 2014.
- IFRS 12 'Disclosure of Interests in Other Entities' The standard requires additional disclosures in relation to subsidiaries, joint arrangements, associates and unconsolidated entities. This is effective for the period beginning on 1 August 2014.
- IFRS 13 'Fair Value Measurement' The standard defines fair value and provides a single IFRS framework for measuring fair value. This is effective for the period beginning on 1 August 2013.

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

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

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NOTES TO THE ACCOUNTS

1 Segmental analysis

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

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

Additional information on average selling prices and the unit sales split between north, south, private and social has been included in the Group Finance Director's Review on pages 22 to 25. 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

	2013 £000	2012 £000
Interest receivable on bank deposits	309	715
Other interest income	442	961
Finance income	751	1,676
Interest payable on bank loans and overdrafts	3,983	5,388
Interest on deferred term land payables	4,682	3,022
Interest element of movement in pension scheme deficit	299	455
Other interest expense	29	258
Preference dividends	1,900	1,900
Finance expenses	10,893	11,023

3 Employee information

Group employment costs, including directors, comprised

	2013 £000	2012 £000
Wages and salaries	71,599	66,577
Social security	7,870	7,105
Pension costs (note 25)	2,238	2,120
Share-based payments (note 25)	1,021	1,046
	82,728	76,848

The average number of persons employed by the Group during the year was 1,733 (2012 – 1,555) comprising 578 (2012 – 534) administrative and 1,155 (2012 – 1,021) production and others employed in housebuilding and associated trading activities.

The executive directors and the Group Company Secretary are the only employees of the Company and the emoluments of the executive directors are disclosed in the Report of the Board on Directors' Remuneration on pages 39 to 53.

Key management personnel remuneration, including directors, comprised

	2013 £000	2012 £000
Salaries and fees	2,263	2,405
Taxable benefits	128	144
Annual bonus – cash	1,633	2,037
Pension costs	166	126
Share-based payments	564	507
	4,754	5,219

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

4 Operating profit

	2013 £000	2012 £000
Operating profit is stated after charging/(crediting)		
Staff costs (note 3)	82,728	76,848
Profit on sale of property, plant and equipment	(76)	(213)
Depreciation of property, plant and equipment	2,071	1,796
Depreciation of investment property	416	40
Hire of plant and machinery	9,331	8,660
Operating lease charges for land and buildings	1,138	1,233
Auditor's remuneration		
Audit of these financial statements	30	30
Amounts receivable by the auditors and their associates in respect of		
Audit of financial statements of subsidiaries pursuant to legislation	196	196
Other services relating to taxation	53	43
Pension scheme audits	4	4

Amounts paid to the Company's auditor and its 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 2013 and the carrying value of land was compared to the net realisable value. Net realisable value represents the estimated selling price (in the ordinary course of business) less all estimated costs of completion and attributable overheads. Estimated selling prices were reviewed on a site-by-site basis and selling prices were amended based on local management and the Board's assessment of current market conditions. No exceptional land write-downs or land write backs were required as a result of this review.

There were no exceptional items in the year ended 31 July 2012

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NOTES TO THE ACCOUNTS CONTINUED

6 Income tax expense

	2013 £000	2012 £000
Current tax expense		
UK corporation tax	33,559	26,707
Adjustments in respect of prior years	(1,304)	(1,406)
	32,255	25,301
Deferred tax expense		
Origination and reversal of temporary differences	(210)	519
Reduction in tax rate	164	45
Adjustments in respect of prior years	146	161
	100	725
Total income tax expense in income statement	32,355	26,026

	2013 %	2013 £000	2012 %	2012 £000
Reconciliation of effective tax rate				
Profit before taxation		140,927		105,284
Tax calculated at UK corporation tax rate	23.7	33,400	25.3	26,637
(Enhanced deductions)/non-deductible expenses	-	(51)	0.6	589
Reduction in tax rate	0.1	164	-	45
Adjustments in respect of prior years – current tax	(0.9)	(1,304)	(1.3)	(1,406)
– deferred tax	0.1	146	0.1	161
Effective tax rate and tax expense for the year	23.0	32,355	24.7	26,026

The deferred tax assets held by the Group at the start of the year that are expected to be realised after 31 March 2014 have been revalued at the tax rate that will be effective when they are expected to be realised. At the year end a tax rate reduction to 21%, effective from 1 April 2014, and 20%, effective from 1 April 2015, were substantively enacted.

The corporation tax rate reduced from 26% to 24% with effect from 1 April 2012, and to 23% with effect from 1 April 2013. Further reductions to 21% and 20% will reduce the Group's current tax charge accordingly.

The effective income tax charge is 23.0% of profit before taxation (2012 – 24.7%) and compares favourably to the Group's standard tax rate for the year of 23.7% (2012 – 25.3%). The lower effective tax rate in the current year is principally due to finalisation of prior year corporation tax returns.

	2013 £000	2012 £000
Deferred tax recognised directly in equity		
Credit/(charge) relating to equity-settled transactions	627	(327)
(Charge)/credit relating to actuarial movement on the defined benefit pension scheme	(530)	676

7 Dividends on equity shares

	2013 £000	2012 £000
Amounts recognised as distributions to equity holders in the year		
Final dividend for the year ended 31 July 2012 of 14.0p per share (2011 – 8.8p)	17,017	10,613
Interim dividend for the year ended 31 July 2013 of 9.0p per share (2012 – 6.0p)	10,952	7,283
Dividends forfeited	(6)	(6)
	27,963	17,890
Proposed final dividend for the year ended 31 July 2013 of 21.0p per share (2012 – 14.0p)	25,572	17,003

The 2013 proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 13 December 2013 and, in accordance with IAS 10 'Events after the Reporting Period', has not been included as a liability in these financial statements. At the record date for the final dividend for the year ended 31 July 2012, shares were held by the Trust (note 20) on which dividends had been waived.

8 Earnings per ordinary share

Basic earnings per ordinary share is calculated by dividing earnings by the weighted average number of ordinary shares in issue during the year (excluding the weighted average number of ordinary shares held by the employee share ownership plans which are treated as cancelled)

Diluted earnings per ordinary share uses the same earnings figure as the basic calculation except that the weighted average number of shares has been adjusted to reflect the dilutive effect of outstanding share options allocated under employee share schemes where the market value exceeds the option price. It is assumed that all dilutive potential ordinary shares are converted at the beginning of the accounting period. Diluted earnings per ordinary share is calculated by dividing earnings by the diluted weighted average number of ordinary shares.

Reconciliations of the earnings and weighted average number of shares used in the calculations are outlined below

	Earnings	Weighted average number of ordinary shares	Earnings per share	Earnings	Weighted average number of ordinary shares	Earnings per share
	2013 £000	2013 Number	2013 p	2012 £000	2012 Number	2012 p
For basic earnings per ordinary share	108,572	121,572,688	89.3	79,258	121,036,846	65.5
Dilutive effect of options and awards		599,151	(0.4)		465,010	(0.3)
For diluted earnings per ordinary share	108,572	122,171,839	88.9	79,258	121,501,856	65.2

9 Property, plant and equipment

Group	Land and property £000	Plant, fixtures and fittings £000	Total £000
Cost			
At 1 August 2011	6,244	15,061	21,305
Additions	1,401	3,150	4,551
Disposals	–	(1,706)	(1,706)
Transfer to inventories	(445)	–	(445)
At 1 August 2012	7,200	16,505	23,705
Additions	–	2,113	2,113
Disposals	–	(2,043)	(2,043)
At 31 July 2013	7,200	16,575	23,775
Depreciation			
At 1 August 2011	1,237	11,045	12,282
Charge for year	145	1,651	1,796
On disposals	–	(1,623)	(1,623)
Transfer to inventories	(157)	–	(157)
At 1 August 2012	1,225	11,073	12,298
Charge for year	166	1,905	2,071
On disposals	–	(1,922)	(1,922)
At 31 July 2013	1,391	11,056	12,447
Net book value			
At 31 July 2013	5,809	5,519	11,328
At 31 July 2012	5,975	5,432	11,407
At 31 July 2011	5,007	4,016	9,023

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NOTES TO THE ACCOUNTS CONTINUED

10 Investment property

Group	Total £000
Cost	
At 1 August 2011	8,883
Additions	1,106
Disposals	(198)
At 1 August 2012	9,791
Disposals	(1,685)
At 31 July 2013	8,106
Depreciation	
At 1 August 2011	3
Charge for year	40
At 1 August 2012	43
Charge for year	416
Disposals	(50)
At 31 July 2013	409
Net book value	
At 31 July 2013	7,697
At 31 July 2012	9,748
At 31 July 2011	8,880

Investment properties mainly represent properties where Bellway has retained an interest in a sold property comprising a proportion of the cost of residential units constructed by the Group, the units being sold under a shared ownership scheme. They are valued under the cost model and are held at cost less accumulated depreciation and accumulated impairment losses. A formal internal valuation of investment properties was carried out at the end of the financial year. The fair value of the investment properties was assessed at £7,697 million (2012 – £10,615 million).

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 2012	30,163
Additions	1,021
At 31 July 2013	31,184

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

Principal subsidiary undertakings

A summary of the principal subsidiary undertakings is given in note 27 on page 85

Jointly controlled entities

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

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

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

	2013 £000	2012 £000
Non-current assets	202	225
Current assets	37,140	36,064
Non-current liabilities	(7,256)	(7,264)
Current liabilities	(40,830)	(39,707)
Net liabilities	(10,744)	(10,682)
Income	2,440	1,064
Expenses	(2,502)	(1,681)

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	Other temporary differences £000	Total £000
At 1 August 2011	415	2,100	1,168	(66)	3,617
Income statement (charge)/credit	(208)	(131)	(483)	97	(725)
Credit to statement of comprehensive income	-	676	-	-	676
Charge to equity	-	-	(327)	-	(327)
At 31 July 2012	207	2,645	358	31	3,241
Income statement (charge)/credit	(158)	(306)	303	61	(100)
Charge to statement of comprehensive income	-	(530)	-	-	(530)
Credit to equity	-	-	627	-	627
At 31 July 2013	49	1,809	1,288	92	3,238

There are no deferred tax balances in respect of the Company

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13 Inventories

Group	2013 £000	2012 £000
Land	907,279	852,987
Work in progress	535,022	479,481
Showhomes	52,827	45,498
Part-exchange properties	18,399	21,877
	1,513,527	1,399,843

Inventories of £880.8 million were expensed in the year (2012 – £817.8 million)

In the ordinary course of business inventories have been written back by a net £3.2 million (2012 – written down by £14.7 million) in the year. There has been no exceptional write-down of inventories in the period (2012 – nil) as outlined in note 5 on page 67. Land with a carrying value of £53.2 million (2012 – £56.4 million) was used as security for land payables (note 17).

The directors consider all inventories to be essentially current in nature although the Group's operational cycle is such that a proportion of inventories will not be realised within 12 months. It is not possible to determine with accuracy when specific inventory will be realised as this is subject to a number of issues including consumer demand and planning permission delays.

The Company has no inventory.

14 Other financial assets

Group	2013 £000	2012 £000
At 1 August	35,080	33,491
Additions	1,128	2,559
Redemptions	(1,849)	(857)
Imputed interest	125	(113)
At 31 July	34,484	35,080

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 charged over the estimated deferred term to cost of sales, with the financial asset increasing to its full expected cash settlement value on the anticipated receipt date. The imputed interest credited (2012 – charged) to cost of sales for the year ended 31 July 2013 was £0.125 million (2012 – £0.113 million).

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 2013 (2012 – nil). None of the other financial assets are past their due dates (2012 – 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 statements of comprehensive income.

The directors considered that there was no material difference between the initial market discount rate and the market discount rate at 31 July 2013 or 31 July 2012 and accordingly have not recognised any movements directly within the statements of comprehensive income to date.

The Company has no other financial assets.

15 Trade and other receivables

Current receivables

	Group 2013 £000	Group 2012 £000	Company 2013 £000	Company 2012 £000
Trade receivables	9,881	20,975	-	-
Other receivables	44,606	48,293	-	4
Amounts owed by Group undertakings	-	-	622,054	649,495
Prepayments and accrued income	2,679	1,865	-	-
	57,166	71,133	622,054	649,499

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 (2012 – nil)

Other receivables due within one year include £11,956 million (2012 – £19,177 million) in relation to VAT recoverable

16 Interest bearing loans and borrowings

Non-current liabilities

	Group 2013 £000	Group 2012 £000	Company 2013 £000	Company 2012 £000
Preference shares (see note below)	-	20,000	-	20,000
	-	20,000	-	20,000

Current liabilities

	Group 2013 £000	Group 2012 £000	Company 2013 £000	Company 2012 £000
Bank loans	30,000	62,000	-	-
Preference shares (see note below)	20,000	-	20,000	-
	50,000	62,000	20,000	-

Preference shares

	Group 2013 £000	Group 2012 £000	Company 2013 £000	Company 2012 £000
Authorised, allotted, called up and fully paid				
20,000,000 at 1 August 2012 and 31 July 2013	20,000	20,000	20,000	20,000

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

- The holders are entitled to a preferential fixed cumulative dividend at an annual rate of 9.5% payable half yearly on 6 April and 6 October
- The shares are redeemable by the Company at any time at a sum calculated by reference to the yield on 12% Exchequer Stock 2013/2017 provided such sum is neither less than the nominal value nor more than twice the nominal value of the shares. Any shares still in issue shall be redeemed at par on 6 April 2014
- In the event of a winding up of the Company, the preference shareholders are entitled to a preferential payment in addition to any arrears of dividend, equivalent to the nominal value of the preference shares, or in the event of a voluntary winding up, an amount per share calculated by reference to the yield on 12% Exchequer Stock 2013/2017, provided such sum is neither less than the nominal value nor more than twice the nominal value of the shares
- The preference shareholders have no ordinary voting rights except in circumstances where the fixed dividend on the preference shares is six months in arrears or where the business of a general meeting includes the consideration of certain resolutions as defined in the Articles of Association relating to winding up, changes in the rights of preference shareholders or failure by the Company to redeem the preference shares by 6 April 2014

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17 Trade and other payables

Non-current liabilities

	Group 2013 £000	Group 2012 £000	Company 2013 £000	Company 2012 £000
Land payables	38,986	31,475	-	-
Other payables	4,858	5,322	-	-
Accrued expenses and deferred income	1,218	1,070	-	-
	45,062	37,867	-	-

Land payables of £10 650 million (2012 – £21 367 million) are secured on the land to which they relate
The carrying value of the land used for security is £9 421 million (2012 – £19 786 million)

Current liabilities

	Group 2013 £000	Group 2012 £000	Company 2013 £000	Company 2012 £000
Trade payables	88,423	76,291	-	-
Land payables	107,033	89,116	-	-
Social security and other taxes	2,918	2,634	-	-
Other payables	26,413	23,879	121	138
Accrued expenses and deferred income	49,512	47,691	745	746
Payments on account	36,109	32,931	-	-
	310,408	272,542	866	884

Land payables of £45 513 million (2012 – £38 055 million) are secured on the land to which they relate
The carrying value of the land used for security is £43 811 million (2012 – £36 605 million)

18 Financial risk management

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

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

Capital management

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

Management of financial risk

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

Credit risk

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

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

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

18 Financial risk management (continued)

Liquidity risk

The Group finances its operations through a mixture of equity (comprising share capital, reserves and reinvested profits) 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 LIBOR.

For the year ended 31 July 2013 it is estimated that an increase of 1% in interest rates applying for the full year would decrease the Group's profit before taxation by £0.649 million (2012 – £0.199 million).

Housing market risk

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

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

Land purchased on deferred terms

The Group sometimes acquires land on deferred payment terms. In accordance with IAS 39 'Financial Instruments: Recognition and Measurement' 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 2013	146,019	150,551	108,403	18,064	21,442	2,642
At 31 July 2012	120,591	126,783	90,088	20,538	14,862	1,295

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	30,000	30,015	30,015	–	–	–
Preference shares	20,000	21,900	21,900	–	–	–
Trade and other payables	122,612	122,612	117,754	–	–	4,858
At 31 July 2013	172,612	174,527	169,669	–	–	4,858
Bank loans – floating rates	62,000	62,230	62,230	–	–	–
Preference shares	20,000	23,800	1,900	21,900	–	–
Trade and other payables	108,126	108,126	102,804	–	–	5,322
At 31 July 2012	190,126	194,156	166,934	21,900	–	5,322

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 £270.0 million (2012 – £238.0 million) of undrawn bank facilities available.

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

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NOTES TO THE ACCOUNTS CONTINUED

18 Financial risk management (continued)

Cash and cash equivalents

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

The amounts of cash and cash equivalents for the years ended 31 July 2013 and 31 July 2012 for both the Group and the Company are shown in note 22

At 31 July 2013 the average interest rate earned on the temporary closing cash balance was 0.48% (2012 – 0.72%)

The carrying amount of these assets approximates their fair value

Fair values**Financial assets**

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

Financial liabilities

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

	Book value 2013 £000	Fair value 2013 £000	Book value 2012 £000	Fair value 2012 £000
Preference shares – fixed rate	20,000	20,900	20,000	21,600
Bank loans – floating rate	30,000	29,990	62,000	60,417

The fair value of the fixed rate preference shares is based on quoted mid-market prices at 31 July 2013

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 2013 £000	Group 2012 £000	Company 2013 £000	Company 2012 £000
Available-for-sale financial assets	34,484	35,080	–	–
Loans and receivables	54,487	69,268	–	4
Cash and cash equivalents	24,215	21,413	48,727	48,745
Financial liabilities at amortised cost	(315,713)	(308,083)	(20,121)	(20,138)
	(202,527)	(182,322)	28,606	28,611

19 Issued capital

Group and Company	2013 Number 000	2013 £000	2012 Number 000	2012 £000
Allotted, called up and fully paid ordinary shares				
At 1 August 2012	121,451	15,180	120,848	15,105
Issued on exercise of options	321	41	603	75
At 31 July 2013	121,772	15,221	121,451	15,180

19 Issued capital (continued)

Share options

At 31 July 2013 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					
17 November 2004	26,000	716 00	17 November 2007	to	16 November 2014
	26,000				
(b) Bellway p l c (1996) Employee Share Option Scheme					
24 October 2003	1,500	621 50	24 October 2006	to	23 October 2013
17 November 2004	7,700	716 00	17 November 2007	to	16 November 2014
31 October 2005	100,000	844 00	31 October 2008	to	30 October 2015
	109,200				
(c) Bellway p l c (2005) Employee Share Option Scheme					
31 October 2005	31,600	844 00	31 October 2008	to	30 October 2015
7 February 2007	7,400	1,470 00	7 February 2010	to	6 February 2017
	39,000				
(d) Bellway p l c (2007) Employee Share Option Scheme					
7 February 2007	14,600	1,470 00	7 February 2010	to	6 February 2017
	14,600				
(e) Bellway p l c (2003) Savings Related Share Option Scheme					
13 November 2008	229,404	336 00	1 February 2014	to	31 July 2014
11 November 2009	11,985	661 60	1 February 2015	to	31 July 2015
12 November 2010	117,926	439 60	1 February 2014	to	31 July 2014
12 November 2010	56,088	439 60	1 February 2016	to	31 July 2016
14 November 2011	283,247	556 00	1 February 2015	to	31 July 2015
14 November 2011	46,650	556 00	1 February 2017	to	31 July 2017
16 November 2012	115,131	805 60	1 February 2016	to	31 July 2016
16 November 2012	18,640	805 60	1 February 2018	to	31 July 2018
	879,071				
Total	1,067,871				

Details of directors' share options are contained within the Report of the Board on Directors' Remuneration on pages 39 to 53

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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 no market purchase of shares (2012 – 175,803 at an average price of 728p) and transferred nil (2012 – 241,887) shares to employees. The number of shares held within the Trust, and on which dividends have been waived, at 31 July 2013 was 38,443 (2012 – 38,443). These shares are held within the financial statements at a cost of £0.269 million (2012 – £0.269 million). The market value of these shares at 31 July 2013 was £0.531 million (2012 – £0.309 million).

Income statement

As permitted by section 408 of the Companies Act 2006, the Company's income statement has not been included in these financial statements. The Company's loss for the financial year was £1,900 million (2012 – £1,918 million).

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

Group	2013 £000	2012 £000
Increase/(decrease) in net cash and cash equivalents	2,802	(61,999)
Decrease in bank borrowings	32,000	18,000
Decrease/(increase) in net debt from cash flows	34,802	(43,999)
Net debt at 1 August	(60,587)	(16,588)
Net debt at 31 July	(25,785)	(60,587)

Company	2013 £000	2012 £000
(Decrease)/increase in net cash and cash equivalents	(18)	4
Net cash at 1 August	28,745	28,741
Net cash at 31 July	28,727	28,745

22 Analysis of net (debt)/cash

Group	At 1 August 2012 £000	Cash flows £000	At 31 July 2013 £000
Cash and cash equivalents	21,413	2,802	24,215
Bank loans	(62,000)	32,000	(30,000)
Preference shares	(20,000)	–	(20,000)
Net debt	(60,587)	34,802	(25,785)

Company	At 1 August 2012 £000	Cash flows £000	At 31 July 2013 £000
Cash and cash equivalents	48,745	(18)	48,727
Preference shares	(20,000)	–	(20,000)
Net cash	28,745	(18)	28,727

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 2013 there were bank overdrafts of £nil (2012 – £nil) and loans of £30.0 million (2012 – £62.0 million). The Company has given performance and other trade guarantees on behalf of subsidiary undertakings. The Company has guaranteed the overdrafts of jointly controlled entities up to a maximum of £7.5 million (2012 – £7.5 million). It is the directors' expectation that the possibility of cash outflow on these liabilities is considered minimal and no provision is required.

24 Commitments

Group	2013	2012
Capital commitments	£000	£000
Contracted not provided	20	98
Authorised not contracted	32	–

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:

	2013	2012
	£000	£000
Expiring within one year	69	–
Expiring within the second to fifth years	2,438	2,114
Expiring in more than five years	–	1,205
	2,507	3,319

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 (2012 – £nil).

25 Employee benefits

(a) Retirement benefit obligations

The Group sponsors the Bellway plc 1972 Pension Scheme (the 'Scheme') which has a funded defined benefit arrangement which is closed to new members and to future service accrual. The last full actuarial valuation of the Scheme was carried out by a qualified independent actuary as at 1 August 2011 and updated on an approximate basis to 31 July 2013.

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 £2.238 million (2012 – £2.120 million) were charged to the income statement for the GSIPP.

With regard to the Scheme, the regular contributions made by the employer over the financial year were £1.2 million (2012 – £nil).

The employer also paid special contributions amounting to £nil (2012 – £1.2 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

	2013	2012
	£000	£000
Present value defined benefit obligation	(48,549)	(47,317)
Fair value of Scheme assets	39,507	35,816
Deficit in Scheme	(9,042)	(11,501)

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

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NOTES TO THE ACCOUNTS CONTINUED

25 Employee benefits (continued)

Best estimate of regular contributions to be paid to the Scheme for the year ended 31 July 2014

The best estimate of regular contributions to be paid to the Scheme for the year ending 31 July 2014 is £1 2 million (2013 – £1 2 million)

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

	2013 £000	2012 £000
Defined benefit obligation at start of year	47,317	44,246
Interest cost	1,945	2,312
Actuarial loss	1,339	2,259
Benefit paid, death in service insurance premiums and expenses	(2,052)	(1,500)
Defined benefit obligation at end of year	48,549	47,317

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

	2013 £000	2012 £000
Fair value of assets at start of year	35,816	35,845
Expected return on assets	1,646	1,857
Actuarial gains/(losses)	2,897	(1,586)
Contributions by employer	1,200	1,200
Benefit paid, death in service insurance premiums and expenses	(2,052)	(1,500)
Fair value of assets at end of year	39,507	35,816

Total expense recognised in the income statement

	2013 £000	2012 £000
Interest on liabilities	1,945	2,312
Expected return on assets	(1,646)	(1,857)
Total expense	299	455

Total expense of £0 299 million (2012 – £0 455 million) is recognised within finance expenses

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

	2013 £000	2012 £000	2013 %	2012 %	
Difference between expected and actual return on Scheme assets	2,897	(1,586)	7	(4)	of Scheme assets
Experience gains and losses arising on the Scheme liabilities	39	(543)	(0)	1	of the present value of Scheme liabilities
Effects of changes in the demographic and financial assumptions underlying the present value of the Scheme liabilities	(1,378)	(1,716)	3	4	of the present value of Scheme liabilities
Total gain/(loss) recognised in statement of comprehensive income	1,558	(3,845)	(3)	8	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 'Employee Benefits' is a loss of £15 6 million

25 Employee benefits (continued)**Assets**

The fair value of the Scheme assets is

	2013 £000	2012 £000
Equities	23,810	20,675
Bonds	12,929	12,182
Cash	2,768	2,959
Total	39,507	35,816

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 2012 % per annum	Period commencing 1 August 2011 % per annum
Equities	5.40	5.40
Bonds	3.90	5.00
Cash	2.50	3.90
Overall for Scheme	4.65	5.26

Actual return on the Scheme assets

The actual return on the Scheme assets over the year ended 31 July 2013 was 12.1% (31 July 2012 – 0.8%)

Assumptions

	2013 % per annum	2012 % per annum
Inflation	3.55	2.85
Salary increases	4.05	3.35
Rate of discount	4.60	4.20
Allowance for pension in payment increases of RPI or 5% p.a. if less	3.55	2.85
Allowance for revaluation of deferred pensions of CPI or 5% p.a. if less	2.85	2.15
Allowance for commutation of pension for cash at retirement	50% of maximum	50% of maximum

The mortality assumptions adopted at 31 July 2013 are based on the SIPA tables and allow for future improvement in mortality. The tables used imply the following life expectancies at age 65:

Male retiring at age 65 in 2013	23.5 years
Female retiring at age 65 in 2013	25.6 years
Male retiring at age 65 in 2033	25.8 years
Female retiring at age 65 in 2033	28.0 years

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NOTES TO THE ACCOUNTS CONTINUED

25 Employee benefits (continued)

Following the formal valuation of the Scheme by the Trustees in the year the mortality assumption has been revised from the PA00 tables using long cohort improvements to the SIPA base table with an allowance for future improvement in mortality. The directors believe it is appropriate to use the same mortality assumption as used by the Trustees.

Amounts for the current and previous four years

	2013 £000	2012 £000	2011 £000	2010 £000	2009 £000
Fair value of assets	39,507	35,816	35,845	33,160	27,945
Defined benefit obligation	(48,549)	(47,317)	(44,246)	(41,896)	(39,870)
Deficit in Scheme	(9,042)	(11,501)	(8,401)	(8,736)	(11,925)
Experience adjustment on Scheme liabilities	39	(543)	(72)	813	5,351
Experience adjustment on Scheme assets	2,897	(1,586)	2,474	2,878	(3,997)
Effects of changes in the demographic and financial assumptions underlying the present value of the plan liabilities	(1,378)	(1,716)	(1,641)	(1,800)	(1,001)

(b) Share-based payments

The Group operates a long-term incentive plan ('LTIP'), a share matching plan ('SMP'), an annual bonus scheme, employee share option schemes ('ESOS') and Savings Related Share Option Schemes ('SRSOS'), all of which are detailed below.

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

Share options issued under the Bellway p l c (1995) Employee Share Option Scheme ('1995 ESOS') have been granted to employees at all levels as well as to executive directors. The last tranche of shares was awarded to directors in October 2003. No further options may be granted under this scheme. Options issued under the Bellway p l c (1996) Employee Share Option Scheme ('1996 ESOS') have been granted to employees at all levels as well as to executive directors. The last tranche of shares was awarded to employees in May 2006. No further options may be granted under this scheme. The Bellway p l c (2005) Employee Share Option Scheme ('2005 ESOS') replaces the 1995 ESOS. Awards may be granted on a discretionary basis to employees at all levels as well as to executive directors and are subject to performance conditions. The Bellway p l c (2007) Employee Share Option Scheme ('2007 ESOS') replaces the 1996 ESOS. It is an unapproved discretionary scheme which provides for the grant of options over ordinary shares to employees and executive directors. It is, however, the current intention that no executive directors of the Company should be granted options under these schemes. 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 LTIP and the SMP is detailed under the long-term incentive scheme section on pages 47, 48 and 50 within the Report of the Board on Directors' Remuneration.

Various small share option awards were made for years 2003 through to 2007 to employees, mainly at divisional management level, under the term of the Deferred Bonus Plan ('DBP'). These shares are held in the Bellway Employee Share Trust (1992) normally for three years. The shares can then be transferred into the employee's name.

Share-based payments have been valued by an external third party using various models detailed overleaf, 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.

25 Employee benefits (continued)

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

LTIP, SMP and DBP

	2013 Number of options	2012 Number of options
Outstanding at the beginning of the year	330,064	657,851
Granted during the year	108,962	141,257
Exercised during the year	–	(241,887)
Lapsed during the year	(187,807)	(190,736)
Forfeited during the year	–	(36,421)
Outstanding at the end of the year	251,219	330,064
Exercisable at the end of the year	1,000	1,000

The options outstanding at 31 July 2013 have a weighted average contractual life of 1.7 years (2012 – 1.7 years) The weighted average share price at the date of exercise for share options exercised during 2012 was 748 6p

1995, 1996, 2005 and 2007 ESOS, and SRSOS

	2013 Number of options	2012 Number of options
Outstanding at the beginning of the year	1,359,551	1,697,117
Granted during the year	139,180	387,351
Lapsed during the year	(64,560)	(80,751)
Forfeited during the year	(45,039)	(41,500)
Exercised during the year	(321,261)	(602,666)
Outstanding at the end of the year	1,067,871	1,359,551
Exercisable at the end of the year	188,800	521,732

The options outstanding at 31 July 2013 have an exercise price in the range of 336 0p to 1,470 0p (2012 – 336 0p to 1,470 0p) and have a weighted average contractual life of 2.0 years (2012 – 2.8 years) The weighted average share price at the date of exercise for share options exercised during the year was 1,155 6p (2012 – 775 3p)

Valuation methodology

For the LTIP options granted prior to 24 October 2011, a Monte Carlo simulation method was used which allows the Group's performance, in terms of TSR, to be measured against its comparator companies. Individual share price volatilities were calculated for each of the comparator companies. A correlation assumption, appropriate to the building sector, was also used. For LTIP and SMP options granted after 24 October 2011 half of the performance criteria is based on TSR against comparator companies with the other half based on TSR measured against the FTSE 250 Index (excluding investment trusts and financial service companies). A simplified Monte Carlo simulation method has been used to determine the Group's TSR performance against the FTSE 250 Index (excluding investment trusts and financial service companies).

In the case of the DBP, 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.

Accounts

NOTES TO THE ACCOUNTS CONTINUED

25 Employee benefits (continued)

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

Scheme description	2013				2012		
	November 2012	November 2012	November 2012	October 2012	November 2011	November 2011	October 2011
	SMP	3 Year SRSOS	5 Year SRSOS	LTIP	3 Year SRSOS	5 Year SRSOS	LTIP
Grant date	23 Nov 12	16 Nov 12	16 Nov 12	13 Nov 12	14 Nov 11	14 Nov 11	24 Oct 11
Risk free interest rate	0.4%	0.4%	0.8%	0.0%	0.8%	1.3%	0.0%
Exercise price	-	805.6p	805.6p	-	556.0p	556.0p	-
Share price at date of grant	967.5p	951.0p	951.0p	969.0p	713.5p	713.5p	700.5p
Expected dividend yield	n/a	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Expected life	3 years	3 years 2 months	5 years 2 months	3 years	3 years 2 months	5 years 2 months	3 years
Vesting date	23 Nov 15	1 Feb 16	1 Feb 18	13 Nov 15	1 Feb 15	1 Feb 17	24 Oct 14
Expected volatility	30%	30%	45%	30%	35%	45%	40%
Fair value of option	535p	215p	336p	501p	704p	133p	267p

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 £1,021 million (2012 – £1,046 million) in relation to equity-settled share-based payment transactions.

26 Related party transactions

The Board and certain members of senior management are related parties within the definition of IAS 24 'Related Party Disclosures'. Summary information of the transactions with key management personnel is provided in note 3. Detailed disclosure of individual remuneration of Board members is included in the Report of the Board on Directors' Remuneration on pages 39 to 53. There is no difference between transactions with key management personnel of the Company and the Group.

Transactions between fellow subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed.

Group

During the year the Group entered into the following related party transactions with its jointly controlled entities:

	2013 £000	2012 £000
Invoiced to jointly controlled entities in respect of accounting, management fees, interest on loans, land purchases and infrastructure works	2,876	1,282
Invoiced from jointly controlled entities in respect of fees, land purchases and infrastructure works	(1,588)	(3,376)
Amounts owed to jointly controlled entities in respect of land purchases and management fees at the year end	(180)	(726)
Amounts owed by jointly controlled entities in respect of accounting, management fees, interest, land purchases and infrastructure works	39,616	38,794

26 Related party transactions (continued)

Company

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

	2013 £000	2012 £000
Amounts received in the year from subsidiaries in respect of dividends and shares issued	2,421	2,184
Amounts paid in the year by subsidiaries on behalf of the Company in respect of dividends and finance expenses	(29,863)	(19,790)
Amounts owed by subsidiaries in respect of dividends and shares issued net of amounts paid on behalf of the Company	622,054	649,495
Investments in subsidiaries and jointly controlled entities	31,184	30,163

The Company has suffered no expense in respect of bad or doubtful debts of subsidiary undertakings in the year (2012 – £nil)

27 Principal subsidiary undertakings

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

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

*These shares are held indirectly

Other Information
FIVE YEAR RECORD

	2009 £m	2010 £m	2011 £m	2012 £m	2013 £m
Income statement					
Revenue	683.8	768.3	886.1	1,004.2	1,110.7
Operating profit	45.6*	51.3	75.2	114.6	151.1
Exceptional items	(66.3)	-	-	-	-
Net finance expenses	(15.8)	(6.9)	(8.0)	(9.3)	(10.2)
Profit/(loss) before taxation	(36.5)	44.4	67.2	105.3	140.9
Income tax (expense)/credit	9.1	(8.6)	(17.0)	(26.0)	(32.3)
Profit/(loss) for the year (all attributable to equity holders of the parent)	(27.4)	35.8	50.2	79.3	108.6
Balance sheet					
ASSETS					
Non-current assets	43.8	52.3	55.1	59.4	56.7
Current assets	1,306.2	1,340.2	1,415.9	1,492.4	1,594.9
LIABILITIES					
Non-current liabilities	(138.8)	(129.2)	(124.7)	(69.4)	(54.1)
Current liabilities	(246.2)	(228.5)	(273.0)	(349.3)	(378.7)
EQUITY					
Total equity	965.0	1,034.8	1,073.3	1,133.1	1,218.8
Statistics					
Number of homes sold	4,380	4,595	4,922	5,226	5,652
Average price of new homes	£154.0k	£163.2k	£175.6k	£186.6k	£193.0k
Gross margin	12.7%	11.7%	13.5%	16.1%	18.3%
Operating margin	6.7%*	6.7%	8.5%	11.4%	13.6%
Basic earnings/(loss) per ordinary share	(23.9)p	29.7p	41.5p	65.5p	89.3p
Dividend per ordinary share	9.0p	10.0p	12.5p	20.0p	30.0p
Return on capital employed	4.0%*	4.9%	7.0%	10.1%	12.3%
Gearing (including preference shares)	5.9%	-	1.5%	5.3%	2.1%
Net assets per ordinary share	839p	856p	888p	933p	1,001p
Land portfolio – plots with detailed planning permission	19,260	17,602	18,086	17,636	18,991
Weighted average no. of ordinary shares	114,949,883	120,619,800	120,705,397	121,036,846	121,572,688
No. of ordinary shares in issue at end of year	115,006,480	120,831,922	120,848,131	121,450,797	121,772,058

* Pre-exceptional items

Other Information

SHAREHOLDER INFORMATION

Annual General Meeting ('AGM')

This section is important. If you are in any doubt as to what action to take you should consult an appropriate independent financial adviser. If you have sold or transferred all of your shares in Bellway p l c you should pass this document and all accompanying documents to the person through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

Special Business

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

Resolutions 11 and 12 – Appointment of auditor and authority to agree remuneration

An auditor must be appointed at every AGM at which accounts are presented to the shareholders. KPMG Audit Plc has advised the Company that, due to an internal reorganisation, it has decided to wind down its audit business and transfer it to KPMG LLP. Consequently, KPMG Audit Plc has notified the Company that it is not seeking reappointment at the AGM and KPMG LLP has advised its willingness to stand for appointment as the auditor of the Company at the forthcoming AGM.

The statement of circumstances required from KPMG Audit Plc under section 519 of the Companies Act 2006 is reproduced below:

"Statement to Bellway p l c (no. 1372603) on ceasing to hold office as auditors pursuant to section 519 of the Companies Act 2006

The circumstances connected with our ceasing to hold office are that our company, KPMG Audit Plc, has instigated an orderly wind down of business. KPMG LLP, an intermediate parent, will immediately be seeking appointment as statutory auditor. We request that any correspondence in relation to this statement be sent to our registered office at 15 Canada Square, London, E14 5GL marked for the attention of the Audit Regulation Department.

Yours faithfully

KPMG Audit Plc"

The Board recommends the appointment of KPMG LLP as auditor following recommendation by the Audit Committee which has considered the circumstances of the change of auditor and conducted an evaluation of the auditor's effectiveness, independence and objectivity. The Board is also seeking authority to agree the remuneration of the auditor.

Resolution 13 – Approval of new LTIP

The Company's main existing long-term incentive arrangement for the Company's executive directors and other selected senior management is the Bellway p l c (2004) Performance Share Plan ('2004 PSP'). Since its approval by shareholders in January 2004, the 2004 PSP has provided for annual share-based awards, ordinarily vesting three years from grant, subject to continued service and also to the extent to which objective performance criteria are met over a three year measurement period. The 2004 PSP reaches the end of its ten year life in January 2014. The Board Committee on Executive Directors' Remuneration (the 'Committee') has recently undertaken a review of the 2004 Plan and has concluded that the directors should seek shareholder authority for a replacement plan, the Bellway p l c (2013) Performance Share Plan ('2013 PSP'). The terms of the 2013 PSP have been designed to materially continue with the existing terms under the 2004 PSP but with appropriate changes to bring the plan into line with prevailing best practice expectations. A summary of the principal terms of the 2013 PSP is set out on pages 88 to 91. A copy of the draft rules of the 2013 PSP will be available for inspection at the registered office of the Company and at the offices of New Bridge Street at 10 Devonshire Square, London EC2M 4YP during normal business hours on any weekday (Saturdays and English public holidays excepted) from the date of publication of this notice up to and including the date of the AGM and at the place of the AGM for at least 15 minutes prior to and during the AGM.

Resolution 14 – 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 £5,073,836, which is equivalent to approximately one-third of the Company's issued ordinary share capital as at 14 October 2013, and also gives the directors authority to allot, by way of rights issue only, ordinary shares up to an aggregate nominal value of £10,147,672 which is equivalent to approximately two-thirds of the Company's issued ordinary share capital as at 14 October 2013, such authority, if granted, to expire at the conclusion of the next AGM of the Company. As at 14 October 2013 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 15 – 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 11 January 2013 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 £761,075, being approximately equal to 5% of the issued ordinary share capital of the Company as at 14 October 2013.

Other Information

SHAREHOLDER INFORMATION CONTINUED**Resolution 16 – 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 next 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.

At 14 October 2013 there were options outstanding over 1,067,871 ordinary shares, representing 0.87% of the Company’s issued ordinary share capital. If the authority given by this resolution were to be fully used, these would represent 0.79% of the Company’s issued ordinary share capital. There are no warrants outstanding. Details of any substantial shareholders holding more than 10% of the Company’s issued ordinary share capital are included in the Notifiable Shareholders’ interests table on page 32.

It should be noted that the 2014 redeemable preference shares are due to be redeemed on their redemption date of 6 April 2014 in accordance with the rights attaching to them, after which they will be cancelled.

Resolution 17 – Length of notice of meeting

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

Recommendation

The 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 recommend voting in favour of the resolutions as they intend to do in respect of their own beneficial shareholdings.

Summary of the Principal Terms of the Bellway p.l.c. (2013) Performance Share Plan 2013 (the ‘2013 PSP’)**Operation**

The Board Committee on Executive Directors’ Remuneration (the ‘Committee’) will supervise the operation of the 2013 PSP (hereinafter the ‘Plan’).

Eligibility

Any employee (including an executive director) of the Company and its subsidiaries will be eligible to participate in the Plan at the discretion of the Committee. It is currently anticipated that participation in the Plan will be limited to the Company’s executive directors and selected senior management.

Grant of awards

The Committee may grant awards to acquire ordinary shares in the Company (‘shares’) within six weeks following the Company’s announcement of its results for any period. The Committee may also grant awards within six weeks of shareholder approval of the Plan or at any other time when the Committee considers there are sufficiently exceptional circumstances which justify the granting of awards.

The Committee may grant awards as conditional share awards or nil (or nominal) cost options. The Committee may also decide to grant cash-based awards of an equivalent value to share-based awards or to satisfy share-based awards in cash, although it does not currently intend to do so.

An award may not be granted more than 10 years after shareholder approval of the Plan.

No payment is required for the grant of an award. Awards are not transferable, except on death. Awards are not pensionable.

Individual limit

An employee may not receive awards in any financial year over shares having a market value in excess of 150% of their annual base salary in that financial year.

Performance conditions

The vesting of awards will be subject to performance conditions set by the Committee.

For the first awards granted under the Plan, one-half of each award will be subject to a performance condition based on the Company’s total shareholder return (‘TSR’) over three financial years commencing with the financial year in which the award is granted (the ‘Performance Period’). TSR measures the total return on a notional investment, expressed as a percentage. The Company’s TSR will be compared to a comparator group of seven other housebuilders: Barratt Developments plc, The Berkeley Group plc, Bovis Homes plc, Crest Nicholson plc, Persimmon plc, Redrow plc and Taylor Wimpey plc (the ‘Housebuilder TSR Target’).

No part of the awards subject to the Housebuilder TSR Target will vest unless the Company's TSR performance outperforms the TSR of the median ranked company in the comparator group, with full vesting for out-performance of the median by an average of 7.5% p a or more over the Performance Period as follows

The Company's TSR performance compared to the median TSR performance of the Comparator Group	Percentage of the total number of shares subject to the Housebuilder TSR Target that will vest (subject to financial underpin – see below)
Median TSR + 7.5% p a	100% (i.e. 50% of the total number of shares subject to the award)
Between median TSR and median TSR + 7.5% p a	Between 25% and 100% on a straight-line basis (i.e. between 12.5% and 50% of the total number of shares subject to the award)
Median TSR	25% (i.e. 12.5% of the total number of shares subject to the award)
Less than median TSR	0%

The other half of the first awards will be subject to a performance condition measuring the Company's TSR over the same Performance Period relative to a comparator group comprising the constituents of the FTSE 250 (excluding investment trusts and financial services companies) (the 'FTSE 250 TSR Target')

No part of the awards subject to the FTSE 250 TSR Target will vest unless the Company's TSR performance over the Performance Period is at least equal to the median of a ranking of the TSR of each of the members of the comparator group, with full vesting for performance of upper quartile or above as follows

Rank of Company's TSR against the TSR of the members of the comparator group	Percentage of the total number of shares subject to the FTSE 250 TSR Target that will vest (subject to financial underpin – see below)
Upper quartile or above	100% (i.e. 50% of the total number of shares subject to the Award)
Between median and upper quartile	Between 25% and 100% (i.e. between 12.5% and 50% of the total number of shares subject to the Award)
Median	25% (i.e. 12.5% of the total number of shares subject to the Award)
Below median	0%

Regardless of TSR performance, no part of the award will vest unless the Committee is satisfied that there has been an improvement in the underlying financial performance of the Company over the Performance Period, taking into account, amongst others, operating profit, operating margin, return on capital employed and net asset value. To the extent that the Committee determines that such financial underpin has not been satisfied, it may scale back the level of vesting that would otherwise result under the above performance conditions to such extent as it considers appropriate, including to nil. Three month averaging periods prior to the start and end of the Performance Period will apply, for the purposes of the TSR calculations.

The Committee can set different performance conditions from that described above for future awards provided that, in the reasonable opinion of the Committee, the new targets are not materially less challenging in the circumstances than the condition described above.

The Committee may also vary the performance conditions applying to existing awards if an event has occurred which causes the Committee to consider that it would be appropriate to amend the performance conditions, provided the Committee considers the varied conditions are fair and reasonable and not materially less challenging than the original conditions would have been but for the event in question.

Vesting of awards

Awards normally vest three years after grant to the extent that the applicable performance conditions (see above) have been satisfied and provided the participant is still employed in the Company's group. Options granted to individuals who are tax resident in the UK are then exercisable up until the day before the tenth anniversary of grant, unless they lapse earlier. Longer vesting periods, or holding periods for vested awards, may be set for future awards.

Dividend equivalents

The Committee may decide that participants will receive a payment (in cash and/or shares) on or shortly following the vesting of their awards, of an amount equivalent to the reinvestment of dividends. Alternatively, participants may have their awards increased as if dividends were paid on the shares subject to their award and then reinvested in further shares.

Other Information

SHAREHOLDER INFORMATION CONTINUED

Leaving employment

As a general rule, an award will lapse upon a participant ceasing to hold employment or be a director within the Company's group. However, if a participant ceases to be an employee or a director because of injury or disability, retirement, redundancy, his employing company or the business for which he works being sold out of the Company's group or in other circumstances at the discretion of the Committee, then his award will normally vest on the date when it would have vested if he had not ceased such employment or office. The extent to which an award will vest in these situations will depend upon two factors: (i) the extent to which the performance conditions have, in the opinion of the Committee, been satisfied over the original three year performance measurement period, and (ii) pro rating of the award to reflect the reduced period of time between its grant and vesting, although the Committee can decide not to pro rate an award if it regards it as inappropriate to do so in the particular circumstances.

If a participant ceases to be an employee or director in the Company's group for one of the 'good leaver' reasons specified above, the Committee can decide that his award will vest when he leaves, subject to (i) the performance conditions measured at that time, and (ii) pro rating by reference to the time of cessation as described above.

If a participant ceases to be an employee or director in the Company's group by reason of death, then his award will normally vest on the date of cessation. The extent to which an award will vest in these situations will depend upon two factors: (i) the extent to which the performance conditions have been satisfied by reference to the date of cessation, and (ii) the pro rating of the award to reflect the reduced period of time between its grant and vesting, although the Committee can decide not to pro rate an award if it regards it as inappropriate to do so in the particular circumstances. Alternatively, the Committee can decide in exceptional circumstances that his award will vest on the date it would have vested had he not ceased employment or office due to death, subject to (i) the extent to which the performance conditions have, in the opinion of the Committee, been satisfied over the original three year performance measurement period, and (ii) pro rating of the award to reflect the reduced period of time between its grant and vesting, although the Committee can decide not to pro rate an award if it regards it as inappropriate to do so in the particular circumstances.

Corporate events

In the event of a takeover or winding up of the Company (not being an internal corporate reorganisation) all awards will vest early subject to (i) the extent that the performance conditions have been satisfied at that time, and (ii) the pro rating of the awards to reflect the reduced period of time between their grant and vesting, although the Committee can decide not to pro-rate an award if it regards it as inappropriate to do so in the particular circumstances.

In the event of an internal corporate reorganisation awards will be replaced by equivalent new awards over shares in a new holding company unless the Committee decides that awards should vest on the basis which would apply in the case of a takeover.

If a demerger, special dividend or other similar event is proposed which, in the opinion of the Committee, would affect the market price of shares to a material extent, then the Committee may decide that awards will vest on such basis as it decides.

Participants' rights

Awards of conditional shares and options will not confer any shareholder rights until the awards have vested or the options have been exercised and the participants have received their shares.

Rights attaching to shares

Any Shares allotted when an award vests or is exercised will rank equally with shares then in issue (except for rights arising by reference to a record date prior to their allotment).

Variation of capital

In the event of any variation of the Company's share capital or in the event of a demerger, payment of a special dividend or similar event which materially affects the market price of the shares, the Committee may make such adjustment as it considers appropriate to the number of shares subject to an award and/or the exercise price payable (if any).

Overall Plan limits

The Plan may operate over new issue shares, treasury shares or shares purchased in the market.

In any ten calendar year period, the Company may not issue (or grant rights to issue) more than

- (a) 10% of the issued ordinary share capital of the Company under the Plan and any other employee share plan adopted by the Company; and
- (b) 5% of the issued ordinary share capital of the Company under the Plan and any other executive share plan adopted by the Company.

Treasury Shares will count as new issue shares for the purposes of these limits unless institutional investors decide that they need not count.

Alterations to the Plan

The Committee may, at any time, amend the Plan in any respect, provided that the prior approval of shareholders is obtained for any amendments that are to the advantage of participants in respect of the rules governing eligibility, limits on participation, the overall limits on the issue of shares or the transfer of treasury shares, the basis for determining a participant's entitlement to, and the terms of, the shares or cash to be acquired and the adjustment of awards

The requirement to obtain the prior approval of shareholders will not, however, apply to any minor alteration made to benefit the administration of the Plan, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for any company in the Company's group. Shareholder approval will also not be required for any amendments to any performance condition applying to an award

Clawback

The Committee may decide within one year of the vesting of an award (or if later the date of publication of the first set of audited financial statements covering the financial year in which the vesting took place) that the award will be subject to clawback where there has been a material misstatement in the Company's financial results, an error in assessing any applicable performance condition or in the event of cessation of service resulting from gross misconduct which damages the reputation or performance of the Company

The clawback may be satisfied by way of a reduction in the amount of any future bonus, subsisting award, the vesting of any subsisting vested award or future share awards and/or a requirement to make a cash payment

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 2013 consisted of 121,772,058 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 Bellway Employee Share Trust (1992) in relation to the Company's employee share schemes are exercisable by the trustees

Restrictions on voting rights

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

Appointment and replacement of directors

The Company's rules about the appointment and replacement of directors are set out in the Articles and are summarised in the Directors' Report on page 33. In accordance with the UK Corporate Governance Code all the directors are seeking annual re-election by shareholders, apart from Peter Johnson, who retires from the Board on 31 January 2014

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 321,261 new ordinary shares were issued to satisfy awards made under the Company's employee share schemes. The directors have authority to allot shares within limits agreed by shareholders. Details of the renewal of this authority are set out on page 87, and Resolutions 14 and 15 in the Notice of Meeting of the AGM to be held on 13 December 2013 on pages 94 and 95 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 88, and Resolution 16 in the Notice of Meeting of the AGM to be held on 13 December 2013 on page 95 seeks to renew this authority

Other Information

SHAREHOLDER INFORMATION CONTINUED

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 agreement between the Company 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 12 months 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
Annual Report posted to shareholders	November
Final ordinary dividend – ex-dividend date	11 December 2013
Final ordinary dividend – record date	13 December 2013
AGM	13 December 2013
Final ordinary dividend – payment date	15 January 2014
Preference share – final dividend and redemption date	6 April 2014

Ordinary shareholders by size of holding at 31 July 2013

	Holdings		Shares	
	Number	%	Holding	%
0 – 2,000	1,685	68.75	1,082,054	0.89
2,001 – 10,000	400	16.32	1,719,555	1.41
10,001 – 50,000	151	6.16	3,649,426	3.00
50,001 and over	215	8.77	115,321,023	94.70
Total	2,451	100.00	121,772,058	100.00

Dividend Re-Investment Plan ('DRIP')

Shareholders may agree to participate in the Company's DRIP to receive dividends in the form of shares in Bellway p l c instead of in cash. The DRIP is provided by Capita Asset Services, a trading name of Capita IRG Trustees Limited which is authorised and regulated by the Financial Conduct Authority. For more information please call 0871 664 0381 (calls to this number cost 10p per minute plus network extras) or if calling from overseas +44 20 8639 3402. Lines are open from 9:00 am to 5:30 pm, Monday to Friday, (excluding Bank Holidays). Alternatively you can e-mail shares@capita.co.uk or log on to www.capitashareportal.com

Non-sterling bank account

If you live outside the UK, or have a non-sterling bank account, Capita can provide you with a service that will convert your sterling dividend into your local currency and send you the funds by currency draft, or pay them straight into your overseas bank account. You can sign up for this service on the Share Portal (by clicking on 'your dividend options' and following the on screen instructions) or by contacting the Customer Support Centre. For further information e-mail ips@capita.co.uk or call 0871 664 0385 (UK calls cost 10p per minute plus network extras), or from overseas call +44 20 8639 3405. Lines are open from 9:00 am to 5:30 pm, Monday to Friday (excluding Bank Holidays).

Share dealing service

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

For further information on this service, or to buy or sell shares, please contact www.capitadeal.com for online dealing, or telephone 0871 664 0454 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 investorrelations@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 Asset Services, or to the Company directly.

Corporate Responsibility reporting

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

Other Information

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at The Newcastle Marriott Hotel Gosforth Park, High Gosforth Park, Newcastle upon Tyne NE3 5HN on Friday 13 December 2013 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 2013 and the Directors' Report and the Auditor's 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 2013 of 21 0p per ordinary 12 5p share, as recommended by the directors, be declared
- 3 THAT Mr J K Watson be re-elected as a director of the Company
- 4 THAT Mr E F Ayres be re-elected as a director of the Company
- 5 THAT Mr K D Adey be re-elected as a director of the Company
- 6 THAT Mr M R Toms be re-elected as a director of the Company
- 7 THAT Mr J A Cuthbert be re-elected as a director of the Company
- 8 THAT Mr P N Hampden Smith be re-elected as a director of the Company
- 9 THAT Mrs D N Jagger be re-elected as a director of the Company
- 10 THAT the Report of the Board on Directors' Remuneration shown on pages 39 to 53 of the Annual Report and Accounts for the year ended 31 July 2013 be approved

Special Business

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

- 11 THAT KPMG LLP be appointed as the auditor 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
- 12 THAT the directors are authorised to agree the remuneration of the auditor of the Company
- 13 THAT the rules of the Bellway plc (2013) Performance Share Plan (the '2013 Plan') a summary of which is set out under Shareholder Information on pages 88 to 91 of the Annual Report and Accounts for the year ended 31 July 2013 and produced in draft to the meeting and, for the purposes of identification, initialed by the Chairman, be approved and the directors be authorised to
 - (a) make such modifications to the 2013 Plan as they may consider appropriate to take account of the requirements of best practice and for the implementation of the 2013 Plan and to adopt the 2013 Plan as so modified and to do all such other acts and things as they may consider appropriate to implement the 2013 Plan, and
 - (b) establish further plans based on the 2013 Plan but modified to take account of local tax, exchange control or securities laws in overseas territories, provided that any shares made available under such further plans are treated as counting against the limits on individual or overall participation in the 2013 Plan
- 14 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 £5,073,836, and
 - (b) allot equity securities (within the meaning of section 560 of the Act) up to a maximum nominal amount of £10,147,672 (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 next annual general meeting of the Company, 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

15 THAT,

- (a) subject to resolution 14 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 14 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 £761,075,
- (b) the power given by this resolution shall expire at the conclusion of the next annual general meeting of the Company 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)

16 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 12,177,206, being approximately 10% 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% of the average of the middle market quotations derived from the London Stock Exchange Official List for the five business days immediately preceding the date on which the ordinary shares are contracted to be purchased and the minimum price is 12.5p per share, in both cases exclusive of expenses,
- (d) the maximum price at which preference shares may be purchased shall be an amount calculated in accordance with the provisions contained in the Articles of Association of the Company and the minimum price is £1 per share, and
- (e) unless previously renewed, varied or revoked, the authority to purchase conferred by this resolution shall expire at the conclusion of the next annual general meeting of the Company or, if earlier, 15 months after the passing of this resolution provided that any contract for the purchase of any shares, as aforesaid, which was concluded before the expiry of the said authority may be executed wholly or partly after the said authority expires and the relevant shares purchased pursuant thereto

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

Other Information

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

Notes

- (i) A member entitled to attend and vote at the meeting convened by the above notice may appoint one or more proxies to attend and speak and vote instead of him/her, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy need not be a member of the Company.
- (ii) A form of proxy is enclosed separately. Completion and return of the form of proxy will not preclude shareholders from attending in person and voting at the meeting.
- (iii) CREST members will be able to cast their vote using CREST electronic proxy voting using the procedures described in the CREST Manual (available via www.euroclear.com/CREST). In order to be valid, the Company's registrars must receive CREST Proxy Instructions not less than 48 hours before the time of the meeting or any adjourned meeting.
- (iv) The above statement as to proxy rights contained in note (i) above does not apply to a person who receives this notice of general meeting as a person nominated to enjoy 'information rights' under section 146 of the Companies Act 2006. If you have been sent this notice of meeting because you are such a nominated person, the following statements apply: (a) you may have a right under an agreement between you and the member of the Company by whom you were nominated to be appointed or to have someone else appointed as a proxy for this general meeting, and (b) if you have no such right or do not wish to exercise it, you may have a right under such an agreement to give instructions to that member as to the exercise of voting rights. Nominated persons should contact the registered member by whom they were nominated in respect of these arrangements.
- (v) To be entitled to attend and vote at the meeting (and for the purposes of determination by the Company of the number of votes cast), shareholders must be entered on the Company's Register of Members at 5.30 pm on Wednesday 11 December 2013 (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 auditor and the statement may be dealt with as part of the business of the meeting.
- (vii) Any member attending the meeting has the right to ask questions. The Company must cause to be answered any such questions relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation of the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
- (viii) Members have the right, under section 338 of the Companies Act 2006, to require the Company to give its members notice of a resolution which the shareholders wish to be moved at an annual general meeting of the Company. Additionally, members have the right under section 338A of the Companies Act 2006 to require the Company to include a matter (other than a proposed resolution) in the business to be dealt with at the annual general meeting. The Company is required to give such notice of a resolution or include such matter once it has received requests from members representing at least 5% of the total voting rights of all the members who have a right to vote at the annual general meeting or from at least 100 members with the same right to vote who hold shares in the Company on which there has been paid up an average sum per member of at least £100. This request must be received by the Company not later than six weeks before the annual general meeting or, if later, the time at which notice is given of the annual general meeting. In the case of a request relating to section 338A of the Companies Act 2006, the request must be accompanied by a statement setting out the grounds for the request.
- (ix) Except as provided above, members who wish to communicate with the Company in relation to the AGM should do so in writing either to the Group Company Secretary at the registered office address or to the Company's registrar, Capita Registrars Limited, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. No other methods of communication will be accepted. In particular you may not use any electronic address provided either in this notice of meeting or in any related documents to communicate with the Company for any purposes other than those expressly stated.
- (x) There will be available for inspection during the AGM and for at least 15 minutes before it begins, the directors' appointment letters and service contracts.
- (xi) A copy of this notice and the other information required by section 311A of the Companies Act 2006 can be found at www.bellway.co.uk.
- (xii) As at the date of this notice there are 121,772,058 ordinary shares in issue and the total voting rights of the Company are therefore 121,772,058.

By order of the Board



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

14 October 2013

Other Information

GLOSSARY

Affordable Housing

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

Average Selling Price

Calculated by dividing the total price of homes sold by the number of homes sold

Brownfield Sites

Land which has been previously used for other purposes

Building Research Establishment ('BRE')

BRE carries out research, consultancy and testing for the construction and built environment sectors

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/CO₂, water, materials, surface water run-off, waste, pollution, health and well-being, management and ecology. Level 3 applies to newly-constructed affordable housing subject to Homes and Communities Agency ('HCA') grant policy and all homes built on HCA land from 1 April 2008. Level 3 differs from Level 4 primarily in respect of the energy/CO₂ levels. Level 3 seeks a 25% reduction in CO₂ emissions compared with the 2006 Building Regulations requirements whereas Level 4 requires a 44% reduction.

Considerate Constructors Scheme

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

Consumer Code for Home Builders

A voluntary code governing customer service and satisfaction, created by the NHBC in conjunction with MD Insurance Services Limited

CSCS Cards

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

EcoHomes

An environmental rating scheme for UK homes

FSC

The Forest Stewardship Council is an international, non-governmental organisation which promotes responsible management of the world's forests and certifies timber as having been produced from a forest which is managed in an environmentally responsible and socially beneficial manner

Green Guide

The Green Guide is part of BREEAM (BRE Environmental Assessment Method) an accredited environmental rating scheme for buildings

HBF

Home Builders Federation. HBF is an industry body representing the home building industry in England and Wales. It represents member interests on a national and regional level to create the best possible environment in which to deliver the homes the country needs

Help to Buy

The Help to Buy equity loan scheme is a government scheme which provides equity loans to both first-time buyers and home movers on new-build homes worth up to £600,000. Buyers have to contribute at least 5% of the property price as a deposit, and obtain a mortgage of up to 75% and the government provides a loan for up to 20% of the price.

The Help to Buy mortgage guarantee scheme helps people buy a home with a 5% deposit to get a 95% mortgage. The government gives a guarantee to the lender of up to 15% of the value of the property.

Land Bank

A supply of plots owned with a detailed planning permission and pipeline plots

Lifetime Homes

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

National Planning Policy Framework

The National Planning Policy Framework sets out the Government's planning policies for England and how these are expected to be applied. It provides a framework within which local people and their accountable councils can produce their own distinctive local and neighbourhood plans, which reflect the needs and priorities of their communities

NewBuy

NewBuy is the government backed 'mortgage indemnity' scheme that aims to help people with smaller deposits buy a new build home. NewBuy overcomes this so called 'deposit gap' by allowing them to get a mortgage with a minimum 5% deposit

Other Information

GLOSSARY CONTINUED**NHBC**

National House-Building Council. NHBC is the leading warranty, insurance provider and body responsible for setting standards of construction for UK housebuilding for new and newly converted homes

PEFC

The Programme for the Endorsement of Forest Certification is an international non-profit, non-governmental organisation which promotes sustainable forest management and certifies timber as having been produced from a forest which is managed in an environmentally responsible and socially beneficial manner

Pipeline

Plots which are either owned or contracted, often conditionally, pending an implementable detailed planning permission

Planning Consent/Permission

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

Photovoltaic panels

Solar panel electricity systems, also known as solar photovoltaics (PV), capture the sun's energy using photovoltaic cells. These cells don't need direct sunlight to work – they can still generate some electricity on a cloudy day. The cells convert the sunlight into electricity, which can be used to run household appliances and lighting. PV cells are made from layers of semi-conducting material, usually silicon. When light shines on the cell it creates an electric field across the layers. The stronger the sunshine, the more electricity is produced

Rainwater Harvesting

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

Registered Providers

Government funded organisations that provide affordable housing. These can be either non-profit making, such as housing associations, trusts and co-operatives, or profit making, such as housebuilders. Working alongside local authorities, they provide homes for people meeting the affordable homes criteria. As well as developing land and building homes, Registered Providers also perform a landlord function by maintaining properties and collecting rent

Royal Society for the Prevention of Accidents ('RoSPA')

RoSPA is a registered charity which promotes safety and the prevention of accidents at work, at leisure, on the road, in the home and through safety education

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

Is the official UK Police initiative supporting 'designing out crime' and 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

Total Shareholder Return ('TSR')

TSR measures the full returns earned by an investment over the period of ownership, including any dividend cashflows paid during that period, and demonstrates how well a company has created value for shareholders

Transport Node

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

Thin Joint Technology

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

Other Information
NOTES

Overview

Performance

Governance

Accounts

Other Information

Other Information
NOTES CONTINUED

BELLWAY P.L.C

Seaton Burn House, Dudley Lane, Seaton Burn, Newcastle upon Tyne, NE13 6BE
Tel (0191) 217 0717, Fax (0191) 236 6230, DX 711760 Seaton Burn, Website www.bellway.co.uk

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Liverpool L24 9LR
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Fax (0151) 336 9393

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Fax (01827) 255 766
DX 717023 Tamworth

Manchester

The Genesis Centre
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Birchwood
Warrington
Cheshire WA3 7BH
Tel (01925) 882 900

Northern Home Counties

Oak House
Woodlands Business Park
Breckland, Linford Wood
Milton Keynes MK14 6EY
Tel (01908) 328 800
Fax (01908) 328 801
DX 729383 Milton Keynes 16

Thames Valley

Regus Office
400 Thames Valley Park
Thames Valley Park Drive
Reading
Berkshire RG6 1PT
Tel (0118) 965 3500

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Wetherby
West Yorkshire LS22 7GZ
Tel (01937) 583 533
Fax (01937) 586 147
DX 16815 Wetherby

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Tyne and Wear
NE11 0JH
Tel (0191) 482 8800
Fax (0191) 491 4537
DX 745710 Gateshead 7

Scotland

Bothwell House
Hamilton Business Park
Caird Street
Hamilton ML3 0QA
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Fax (01698) 477 441
DX HA13 Hamilton

Wales

Alexander House
Excelsior Road
Western Avenue
Cardiff CF14 3AT
Tel (029) 2054 4700
Fax (029) 2054 4701

Other Subsidiary Bellway Housing Trust Limited

Seaton Burn House
Dudley Lane
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Newcastle upon Tyne
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Fax (0191) 236 6230
DX 711760 Seaton Burn

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Bellway plc are committed to caring for the environment and looking for sustainable ways to minimise our impact on it
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a third party

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Bellway

BUILDING HOMES,
BUILDING VALUE

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