Bellway

BUILDING HOMES, BUILDING VALUE

Annual Report and Accounts 2015

Contents

INITIALLY INCORPORATED IN 1946, BELLWAY HAS GROWN FROM A FAMILY-OWNED HOUSEBUILDING BUSINESS IN NEWCASTLE UPON TYNE TO BECOME THE **FOURTH LARGEST VOLUME HOUSEBUILDING GROUP IN THE UK**, CONSTRUCTING AND SELLING MORE THAN **140,000 HOMES** OVER THE PAST 70 YEARS. IN 2014/15 BELLWAY SOLD 7,752 HOMES, AND GENERATED REVENUE OF **£1.765 BILLION**.

Or for further details on our business please visit:

www.bellway.co.uk

Left:
Weavers Mead, Desborough, Nottinghamshire

Front cover:
Orchid Meadow, Formby, Merseyside

Back cover:
Kingley Gate, Littlehampton, West Sussex

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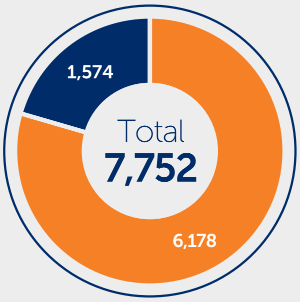
About Us

Bellway has its headquarters in Newcastle upon Tyne and now operates from 17 trading divisions throughout the UK. The Group constructs and sells high quality homes to suit a variety of budgets and tastes, from one-bedroom apartments up to five-bedroom family homes, including the provision of social housing throughout the country. We directly employed an average of 2,164 employees throughout the year and indirectly engaged a substantial number of other workers via sub-contract arrangements.

The Group's operations are located in the main population centres in the UK (excluding Northern Ireland), as shown in the chart to the right. The northern region covers Scotland, the north east and north west of England, Yorkshire and the Midlands. In the south, our business incorporates divisions in the south east and south west of England, London and Wales. The number of homes sold and average selling price for each region is shown below and in greater detail on page 20.

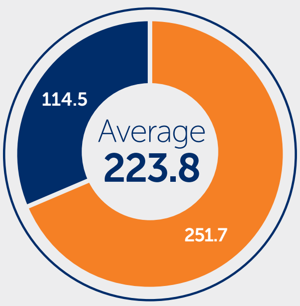
HOMES SOLD (NUMBER)

● Private ● Social



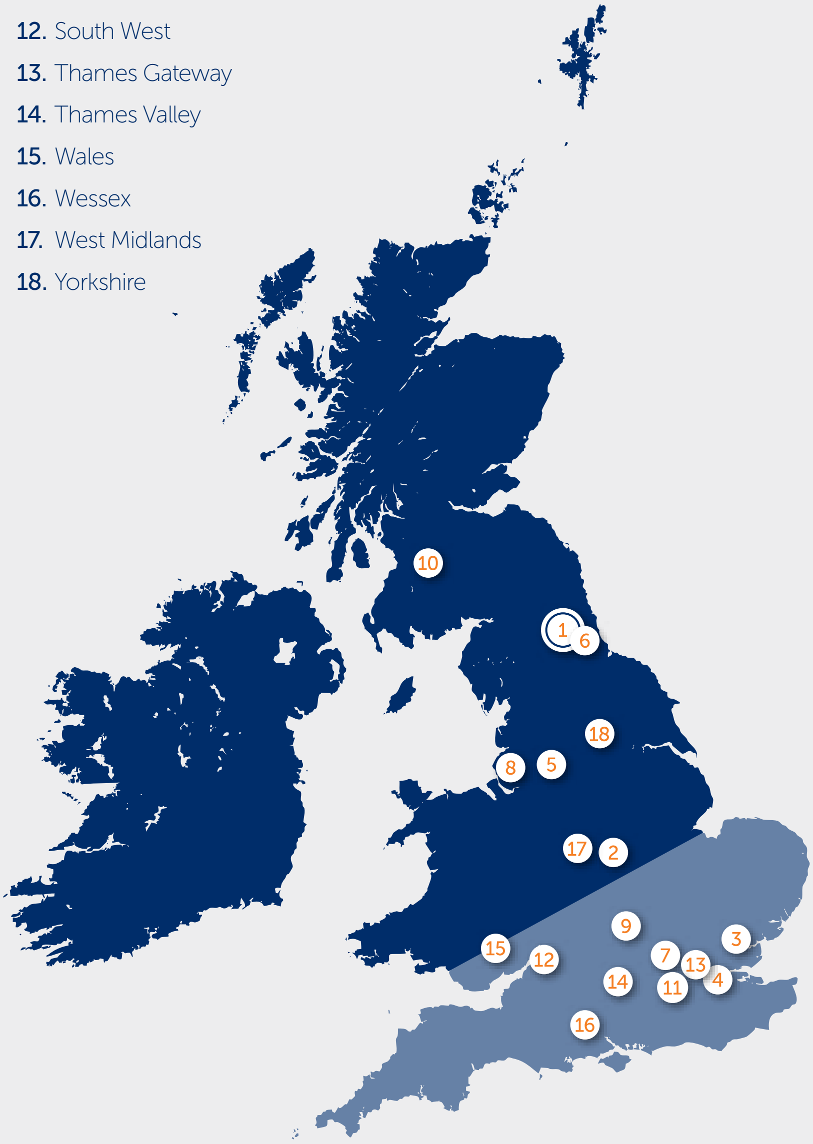
AVERAGE SELLING PRICE (£000)

● Private ● Social



→ OUR OFFICE LOCATIONS

1. Head Office
2. East Midlands
3. Essex
4. Kent
5. Manchester
6. North East
7. North London
8. North West
9. Northern Home Counties
10. Scotland
11. South London
12. South West
13. Thames Gateway
14. Thames Valley
15. Wales
16. Wessex
17. West Midlands
18. Yorkshire



Financial Highlights

GROUP REVENUE (£m)

1,765.4 +18.9%

2015	**1,765.4**
2014	1,484.8[2]
2013	1,110.7
2012	1,004.2
2011	886.1

OPERATING PROFIT (£m)

360.4[1] +41.0%

2015	**360.4[1]**
2014	255.6[2]
2013	151.1
2012	114.6
2011	75.2

OPERATING MARGIN (%)

20.4[1] +320bps

2015	**20.4[1]**
2014	17.2
2013	13.6
2012	11.4
2011	8.5

PROFIT BEFORE TAXATION (£m)

354.2 +44.0%

2015	**354.2**
2014	246.0[2]
2013	140.9
2012	105.3
2011	67.2

EARNINGS PER ORDINARY SHARE (p)

231.5 +47.5%

2015	**231.5**
2014	157.0
2013	89.3
2012	65.5
2011	41.5

PROPOSED TOTAL DIVIDEND PER ORDINARY SHARE (p)

77.0 +48.1%

2015	**77.0**
2014	52.0
2013	30.0
2012	20.0
2011	12.5

NET ASSET VALUE PER ORDINARY SHARE (p)

1,286 +15.0%

2015	**1,286**
2014	1,118
2013	1,001
2012	933
2011	888

RETURN ON CAPITAL EMPLOYED (%)

23.9[1] +430bps

2015	**23.9[1]**
2014	19.6
2013	12.3
2012	10.1
2011	7.0

Notes:

1. Stated before exceptional item (see note 5 on page 80).
2. Restated following the adoption of IFRS 10 'Consolidated Financial Statements' and IFRS 11 'Joint Arrangements' (see note 28 on page 99).

Operational Highlights

COMPLETED SALES (homes)

7,752 +13.2%

2015	**7,752**
2014	6,851
2013	5,652
2012	5,226
2011	4,922

AVERAGE SELLING PRICE (£)

223,821 +5.0%

2015	**223,821**
2014	213,182
2013	193,025
2012	186,648
2011	175,613

OWNED AND CONTROLLED LAND BANK (plots)

36,211 +2.2%

2015	**36,211**
2014	35,434
2013	32,991
2012	31,136
2011	31,086

ORDER BOOK VALUE AT 31 JULY (£m)

1,087.9 +17.7%

2015	**1,087.9**
2014	924.3
2013	679.5
2012	441.2
2011	426.8

CASH EXPENDED ON LAND AND LAND CREDITORS IN THE YEAR (£m)

620.0 +34.8%

2015	**620.0**
2014	460.0
2013	300.0
2012	305.0
2011	250.0

1
Dunton Fields, Basildon, Essex

2
Hardy's Gate, Radcliffe, Greater Manchester

Chairman's Statement

"THIS EXCEPTIONAL SET OF RESULTS COULD NOT HAVE BEEN ACHIEVED WITHOUT THE SKILL, HARD WORK AND DEDICATION OF ALL THOSE WHO HAVE WORKED FOR AND WITH BELLWAY OVER THE PAST YEAR."

John Watson
Chairman

Number of homes sold

7,752
+13.2%
(2014 – 6,851)

Introduction

Bellway has achieved an excellent set of results, delivering another increase in the number of homes sold, whilst further enhancing the financial performance of the Group.

Volume, average selling price and operating margin have all risen to a record level and this has resulted in a 47.5% increase in EPS to 231.5p (2014 – 157.0p).

Strategy of building shareholder value

The Group has set out a clear strategy of delivering value for shareholders by growing the net asset value whilst paying a regular and progressive dividend. The Group's strong balance sheet and operational capacity, together with favourable market conditions, means that this is best achieved through disciplined volume growth, with a continuing focus on return on capital employed.

The ongoing implementation of this strategy has resulted in the number of homes sold rising by 13.2% to a record 7,752 (2014 – 6,851) and the Group achieving a return on capital employed of 23.9%[1] [2] (2014 – 19.6%[2]). The resultant increase in earnings has led to an increase of 15.0% in the NAV to 1,286p (2014 – 1,118p).

Dividend

The Board are proposing to raise the final dividend by 44.4% to 52.0p per share, which if approved, will bring the total dividend for the year to 77.0p per share. The proposed increase in the total dividend of 48.1% is commensurate with the growth in earnings, providing a regular and progressive cash return to shareholders. The total dividend cover of 3.0 times (2014 – 3.0 times) enables substantial funds to be reinvested in high quality land opportunities, thereby ensuring the continued expansion of the business.

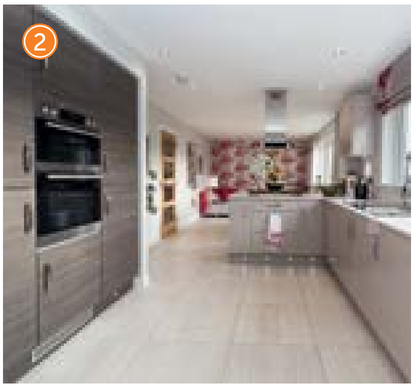
For the foreseeable future, the Board expects to maintain a similar dividend cover, but will retain the ability to remain flexible and respond to market cycles. This approach should ensure that the combination of dividend and capital growth generates superior, long-term and sustainable returns for shareholders.

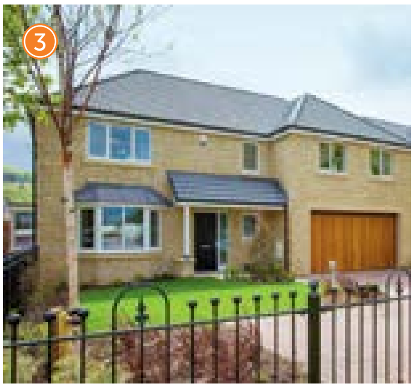
People and supply chain

This exceptional set of results could not have been achieved without the skill, hard work and dedication of all those who have worked for and with Bellway over the past year. On behalf of the Board, I would like to express gratitude for the invaluable contribution made by them all, that has enabled the Group to continue to deliver its strategy for growth.

John Watson
Chairman
12 October 2015

Notes:
1. Stated before exceptional item (see note 5 on page 80).
2. Calculated as pre-exceptional operating profit, divided by the average of opening and closing capital employed. Capital employed is equity, net debt and preference share capital.





1
New Chrysalis Park, Stevenage, Hertfordshire

2
Glenmill, Darnley, City of Glasgow

3
Cotswold Place, Gloucester, Gloucestershire

Group Strategy

Bellway's strategy is to build shareholder value through sustainable and disciplined volume growth, utilising the Group's operational and balance sheet capacity, combined with a strong focus on return on capital employed ('ROCE'). This generates growth in the Group's net asset value ('NAV') per ordinary share which, when combined with a progressive dividend policy, results in value creation for shareholders.

The Group's operational capacity is currently centred around a nationwide structure of 17 operating divisions. One of these divisions, the South West division which is based in Bristol, was opened in February 2015. A further division was opened in Kings Hill, Kent in August 2015. The opening of these two new divisions, combined with the recently opened divisions in Manchester and the Thames Valley will assist in the implementation of the Group's strategy of volume growth. In addition there is operational and balance sheet capacity to further expand the Group's divisional base in areas of high demand whilst maintaining strict investment criteria and cost control, but not encroaching upon the existing divisional structure.

The Group's balance sheet capacity largely comprises a modest net debt position of £38.5 million at 31 July 2015 combined with undrawn bank facilities of £320 million. As a result of these factors the Group has a capability to invest in land that either meets or exceeds our investment criteria, which include gross margin and ROCE.

Proposed total dividend per ordinary share

77.0p

+48.1%

(2014 – 52.0p)

THE PRIMARY EXTERNAL FACTORS THAT CAN AFFECT THE GROUP'S PERFORMANCE AGAINST ITS STRATEGY ARE AS FOLLOWS:

The planning system

The Group's ability to deliver new homes is dependent on the efficiency of the planning system to provide the necessary planning consents in a timely and effective manner to meet the requirements of the Group's volume targets.

The National Planning Policy Framework system ('NPPF') introduced in March 2012, working in parallel with the Localism Act 2011, has had a positive effect on the planning environment.

Right: Abbotswood, Romsey, Hampshire

The availability of mortgages

Mortgage availability is an important component in a successful housing market. Following the introduction of the government's Help to Buy scheme in April 2013, the availability of higher loan to value mortgage finance has increased significantly, thereby assisting in an increase in the sale of new homes, particularly for first-time buyers.

The government announcement that the equity loan element of the Help to Buy scheme in England will be supported up to 2020 provides certainty for the housing market and will greatly assist purchasers of new homes and first-time buyers, in particular.

Due to the confidence in the current market place aided by the continued success of Help to Buy, lenders are offering a wider range of more competitive products to buyers. Whilst some of the larger lenders show long-standing continued support for the new homes market, other lenders are generating a variety of products which enables them to compete for a share in the market. This increased willingness of lenders to provide funding has resulted in a more sustainable mortgage market.

The affordability of mortgages

Mortgage affordability is a crucial ingredient for a successful and sustainable housing market. Access to affordable finance assists potential purchasers in securing a new or first home. The Bank of England base rate remains unchanged at 0.5% and due to the increasing volume of mortgage products, this has resulted in a gradual reduction in interest rates in the last 12 months for all products, with varying levels of deposit required. Average mortgage repayments, as a percentage of income, have gradually fallen from a peak in 2007, following the down-turn in the housing market in 2008/09.

The availability of land at attractive margins

Acquiring land in areas of high demand, in attractive locations, in accordance with the Group's financial and non-financial acquisition criteria, is one of the key factors to the success of Bellway.

The market for land in the UK, particularly in the main conurbations, remains competitive but we continue to secure land that meets or exceeds our acquisition criteria.

Business Model

THE BUSINESS MODEL WE USE TO DELIVER THE GROUP STRATEGY IS SUMMARISED BELOW.

The detailed aspects of the business model are shown on the next few pages, together with recent progress achieved, and future plans. We also detail the key performance indicators ('KPIs') we use to measure our performance against our strategy.

The Group has five principal KPIs and a larger number of secondary KPIs to support them. The principal KPIs together with the performance for 2015 and the comparator for 2014 are shown below.

1

Selecting the right land

Acquiring land in primary locations that meet or exceed the Group's financial and non-financial acquisition criteria is key to the success of the business.

→ FOR MORE INFORMATION SEE PAGES 10 – 11

2

Managing the planning process

Ensuring that the planning policies of local authorities are complied with in order to deliver sufficient planning permissions for the business.

→ FOR MORE INFORMATION SEE PAGES 12 – 13

The principal KPIs are:

VOLUME GROWTH

7,752 homes +13.2%

2015	7,752
2014	6,851

OPERATING MARGIN GROWTH

20.4%(1) +320bps

2015	20.4(1)
2014	17.2

IMPROVEMENT IN ROCE

23.9%(1) +430bps

2015	23.9(1)
2014	19.6

Note:

1. Stated before exceptional item (see note 5 on page 80).

3

Construction of the right product

Providing an appropriate product range on the Group's housing developments, at prices which are affordable for our customers.

→ FOR MORE INFORMATION SEE PAGES 14 – 15

4

Delivering a positive sales and customer care experience

Making sure that our customers find the purchase of a Bellway home a satisfactory and rewarding experience, both prior to and following moving in.

→ FOR MORE INFORMATION SEE PAGES 16 – 17

5

Managing people

Ensuring that our employees find working with Bellway a positive and fulfilling experience which will contribute to producing a loyal, happy and committed workforce who will deliver high levels of performance and output.

→ FOR MORE INFORMATION SEE PAGES 18 – 19

IMPROVEMENT IN NAV PER ORDINARY SHARE

1,286p +15.0%

2015	**1,286**
2014	1,118

PROPOSED TOTAL DIVIDEND PER ORDINARY SHARE

77.0p +48.1%

2015	**77.0**
2014	52.0

Selecting the right land

Description

- Land opportunities are identified by our divisional land departments using their local knowledge and contacts. A viability assessment is prepared by the division, which is reviewed at regional and Group level, where the final decision is taken on whether or not to purchase the site.
- Land acquisitions are considered against a number of criteria, such as gross margin, ROCE, forecast sales rates, customer demand and planning prognosis.
- The number of large long-term sites owned by the Group is strictly controlled to avoid having too much capital concentrated in one location.
- The Group focuses on the acquisition of brownfield land as these sites tend to have a better chance of obtaining an implementable detailed planning permission ('DPP') and can often be acquired at higher returns.

How this links to strategy

- The Group acquires land to meet its volume growth aspirations. This will comprise land with and without DPP.
- The land acquired must meet or exceed our gross margin and ROCE acquisition criteria.

How we performed in 2014/15

- We increased the number of plots we own and control with DPP by 1,977 plots to 21,411 plots. The number of plots owned and controlled awaiting implementable DPP ('pipeline'), has reduced by 1,200 to 14,800 plots. The Group has an interest in long-term strategic land holdings, of which 6,000 plots have been identified as benefiting from a positive planning status.
- The Group only acquired land which met or exceeded the Group's minimum acquisition criteria.
- Our focus has remained on brownfield sites, with 66% of the Group's owned and controlled land bank being on brownfield land.

Below: Abbey Fields, Hucknall, Nottinghamshire

Our plans for 2015/16

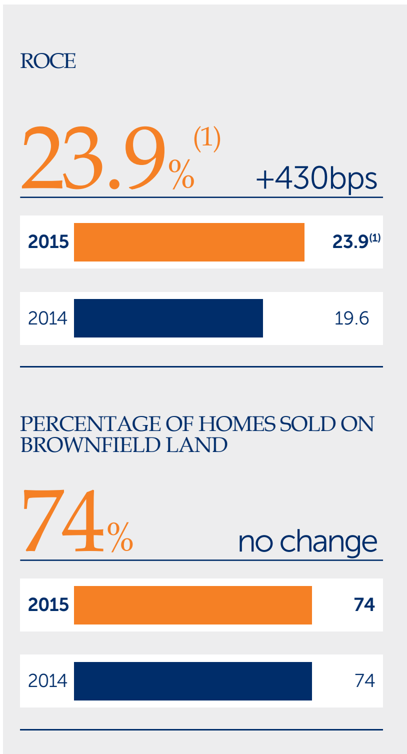
- We aim to ensure that plots in our owned and controlled land bank with DPP at the year end are sufficient to meet next year's growth targets and to progress land through the planning system to meet the following year's growth targets.
- We will continue to acquire land which meets or exceeds our acquisition criteria.
- We will continue to focus our land buying on brownfield sites, where possible.

KPIs

- ROCE 23.9%[1] (2014 – 19.6%).
- The percentage of homes sold on brownfield land is 74% (2014 – 74%).

Note:

1. Stated before exceptional item (see note 5 on page 80).



Managing the planning process

Description

- Our land bank is comprised of three components: i) land with an implementable DPP; ii) medium-term 'pipeline' land, pending an implementable DPP; iii) strategic long-term land which we have an interest in, which may often have the benefit of a positive planning status in approved or emerging local plans.
- Our divisional and Head Office planning departments work closely with local authorities and communities to obtain DPP to construct homes which reflect planning and vernacular requirements, which is attractive to local customers. The divisional planning departments progress a combination of medium-term 'pipeline' land and land from our strategic land bank throughout the planning system.

How this links to strategy

- Without sufficient land with DPP the Group would be unable to achieve its volume growth targets. Furthermore, by not efficiently progressing land through the planning process capital could be tied up in land for longer than necessary which may result in a reduction in the Group's ROCE.
- Strategic land helps to augment our land bank and complements our strategy of volume growth.

How we performed in 2014/15

- The Group secured implementable DPP on sufficient land during the year to meet its growth aspirations for 2015/16.
- The number of plots that were converted from our medium-term 'pipeline' land bank to land with DPP in 2014/15 was 6,909 plots.
- The Group invested in sufficient 'pipeline' land to provide plots available to progress through the planning process.
- We increased the number of strategic plots with a positive planning status from 4,500 to 6,000 plots.

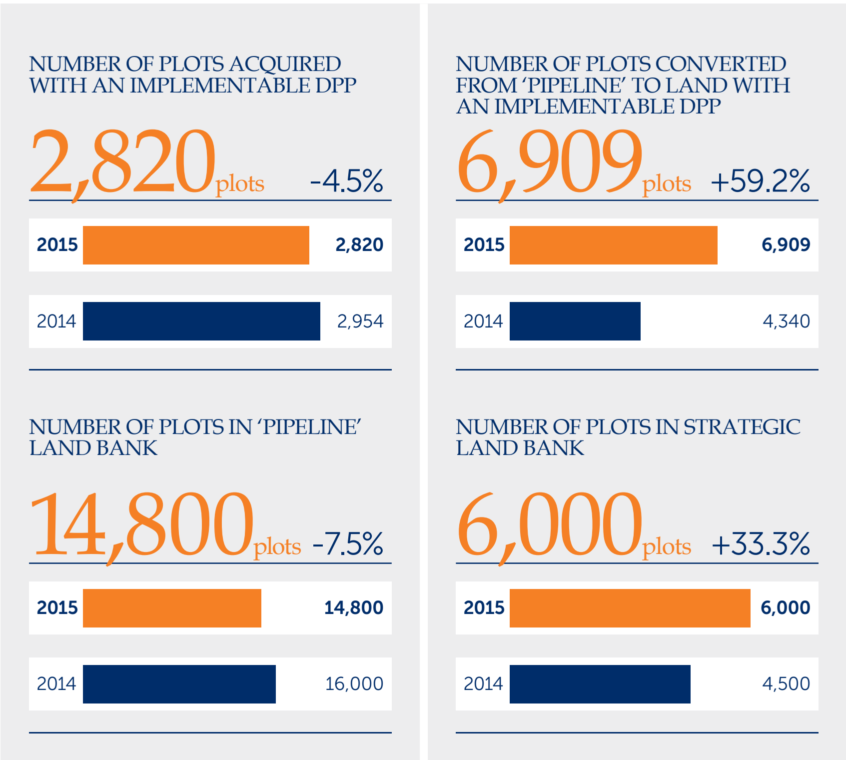
Below: Sales Adviser Cathy Bentley and visitors to Glaze, Lount, Leicestershire

Our plans for 2015/16

- We aim to have sufficient plots with implementable DPP at 31 July 2016 to meet our 2016/17 volume growth aspirations.
- We aim to increase the number of plots we convert from our medium-term 'pipeline' land bank to land with implementable DPP.
- We aim to invest in sufficient 'pipeline' land to provide plots that can be reliably progressed through the planning process without tying up excess capital.
- We aim to increase the number of strategic option sites owned by the Group to complement the other tiers of the land bank.

KPIs

- The number of plots that were acquired directly in to our land bank with an implementable DPP in the year was 2,820 (2014 – 2,954).
- The number of plots that were converted from our medium-term 'pipeline' land to owned and controlled with an implementable DPP in the year was 6,909 plots (2014 – 4,340).
- The number of plots in our 'pipeline' land bank fell slightly but remained appropriate at 14,800 (2014 – 16,000).
- The number of plots identified in our strategic land bank with a positive planning status is 6,000 (2014 – 4,500).



Construction of the right product

Description

- We construct a wide range of homes to suit a variety of budgets and tastes. Our homes are built to specific standards to ensure quality and compliance with building regulations and current best practice.
- In addition, we take very seriously the health and safety of our employees and sub-contractors who work on our sites.
- We strive to maintain long-term working relationships with reputable sub-contractors to reduce health and safety risks and ensure the quality of our product. We seek to make sure that we have suitable building materials available at competitive prices to enable us to construct homes to the required standards expected of us by our customers, within budget and on time.
- We are signatories to the Prompt Payment Code, thereby ensuring that our sub-contractors are paid in accordance with contractual requirements.
- We place a great emphasis on the importance of health and safety throughout the construction process.
- We closely monitor work in progress to ensure that construction rates are consistent with sales rates.

How this links to strategy

- The products designed by the Group must achieve or exceed our customers' expectations and we use customer feedback to monitor this.
- Good product quality enhances customer satisfaction and ultimately our reputation, which aids our ability to sell the homes we construct.
- Having suitable materials at competitive prices enables us to meet our growth aspirations, helps support our margin and gives the Group better control over its cost base.
- It is important to have high standards of health and safety on our sites to create the appropriate working environment to deliver a good quality product.

How we performed in 2014/15

- We have concluded the trials of our new house type layouts which demonstrated savings in design and construction costs for the Group. As a result, these are now being implemented within the Group. The use of these standard layouts will have a limited effect on the external design of our homes which we strive to construct in keeping with the local vernacular.
- Our homes were regularly inspected during the construction process both by in-house management and the NHBC to ensure that building standards were achieved.
- In a competitive and growing market, we have focused on engaging with and maintaining the loyalty of the vast majority of our sub-contractors. We have now started a review of the methods we use to monitor and control their work and have identified a number of potential improvement areas.

Below: Scalebor Grange, Burley-in-Wharfedale, West Yorkshire

How we performed in 2014/15 (continued)

Key building materials in the construction process, such as bricks, blocks, lintels and boilers are subject to Group purchasing arrangements, ensuring consistently high quality product throughout the Group and competitive prices. This process was carefully managed by the Group procurement function.

- The Board continues to pay close attention to the Group's health and safety performance at each Board meeting by monitoring performance against pre-determined targets and objectives.
- The Group's sites were regularly inspected by both internal and external specialists to ensure that high standards of health and safety compliance were maintained.
- The Board set key targets and objectives in terms of health and safety performance and these were achieved.

Our plans for 2015/16

- We continue to develop and implement the new standard house type layouts on some of our newly acquired sites. A structured programme of feedback will help us ensure these deliver business and customer benefits before we implement them on all new sites.
- We will implement changes to the way we set up contracts and use management information to monitor and improve sub-contractor performance.
- We will continue forward planning within the procurement function to provide certainty of delivery of materials on our sites.
- The Board will continue to monitor the Group's health and safety performance at each Board meeting by monitoring performance against key targets and objectives.
- The Group's sites will continue to be regularly inspected by both internal and external specialists to ensure high standards of health and safety compliance and performance are maintained.

KPIs

- Number of homes sold – 7,752 (2014 – 6,851).
- The Group's construction based employees have been awarded 33 Pride in the Job Awards (2014 – 29) and nine NHBC Health and Safety Awards (2014 – nine).
- Number of RIDDOR lost time accidents (over seven days) per 100,000 site operatives – 430.75 (2014 – 447.09).
- The effectiveness of health and safety on our sites, as measured using the NHBC benchmarking system – 0.936 (2014 – 0.986).

NUMBER OF HOMES SOLD

7,752 homes +13.2%

2015	**7,752**
2014	6,851

NUMBER OF PRIDE IN THE JOB AWARDS TO EMPLOYEES

33 awards +13.8%

2015	**33**
2014	29

NUMBER OF NHBC HEALTH AND SAFETY AWARDS

9 awards no change

2015	**9**
2014	9

NUMBER OF RIDDOR SEVEN-DAY LOST TIME ACCIDENTS

improved by 3.7%

430.75 accidents per 100,000 site operatives

2015	**430.75**
2014	447.09

NHBC HEALTH AND SAFETY BENCHMARK

0.936 improved by 5.1%

2015	**0.936**
2014	0.986

Delivering a positive sales and customer care experience

Description

- We aspire to sell homes that are desirable and affordable for our customers. The satisfaction of our purchasers is important to us as this can ultimately determine the success or otherwise of our business.
- We aim to deliver a positive sales experience to our customers, both prior to and following purchase, building upon our reputation as a quality national housebuilder.
- We aim to increase the number of homes sold through investment in land.

How this links to strategy

- It is important to have sufficient demand for the homes we construct to ensure the Group is able to meet its volume growth targets.
- Ensuring that our customers have a positive sales experience is something we seek to aspire to at all times. It also helps to perpetuate a positive reputation for the Group and assists in generating further sales through personal recommendation. We monitor customer satisfaction using feedback from our customers.

How we performed in 2014/15

- Our expanding national network of divisions, together with the development of attractive, affordable homes ranging from apartments to traditional two-storey five bedroom houses has helped increase the number of homes sold and the average selling price.
- 60% of our apartments sold in the year were in the London boroughs.
- Although we narrowly missed retaining our HBF/NHBC 5 star housebuilder status this year, nine out of ten of our customers would recommend Bellway to a friend.
- We have continued to train customer-facing employees throughout the year, albeit that our independent net customer satisfaction score has fallen slightly to 55.9.
- We successfully opened one new division during the financial year which will help to augment our sales performance.

Below: Launch day at St Clements Lakes, Greenhithe, Kent

Our plans for 2015/16

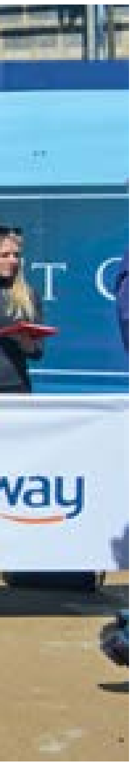
- We will continue to sell a wide range of high quality homes which customers with a variety of budgets and tastes wish to live in.
- We will seek to improve further our sales and customer care performance through further training of customer-facing employees.
- We aim to increase the number of new homes we bring to the market and thereby increase the number of homes we sell.
- We will seek to regain our HBF/NHBC 5 star housebuilder status.
- We will open another operating division during the year.

KPIs

- Our forward order book at 31 July 2015 has increased during the year to £1,087.9 million (2014 – £924.3 million).
- The reservation rate has increased to 153 per week (2014 – 148).
- The number of legal completions has risen to 7,752 (2014 – 6,851).
- Customers who would recommend Bellway to a friend – 89.8% (2014 – 90.1%)[1].
- HBF/NHBC 4 star housebuilder status (2014 – 5 star housebuilder status).
- We use an independently calculated net assessment of customer satisfaction and the score for the year was 55.9 (2014 – 56.7).
- Assessment of customer care satisfaction by reference to the average of six customer care related questions – 83.8% (2014 – 83.1%).

Note:

1. The method of calculation has been changed during the year and the comparative has therefore been restated.



FORWARD ORDER BOOK AT 31 JULY (£m)

£1,087.9 +17.7%

2015	1,087.9
2014	924.3

RESERVATION RATE

153 homes per week +3.5%

2015	153
2014	148

NUMBER OF LEGAL COMPLETIONS

7,752 +13.2%

2015	7,752
2014	6,851

CUSTOMERS WHO WOULD RECOMMEND BELLWAY TO A FRIEND

89.8% -30bps

2015	89.8
2014	90.1[1]

NET ASSESSMENT OF CUSTOMER SATISFACTION

55.9 -1.4%

2015	55.9
2014	56.7

CUSTOMER CARE SATISFACTION

83.8% +70bps

2015	83.8
2014	83.1

Managing people

Description

- The Group's employees play a vital role in implementing strategy.

How this links to strategy

- We rely on having highly skilled, professional and dedicated employees who add value at all stages of our operations to enable the Group to implement its strategy.

How we performed in 2014/15

- We have continued to increase training of employees involved with sales, customer care and health and safety.
- The number of our site managers who have now achieved NVQ Level 6 qualifications in Construction Management has increased.
- Our senior personnel have received employee management skills training.
- We increased the minimum employer and employee pension contributions for all employees from 2% to 3% of basic pay.

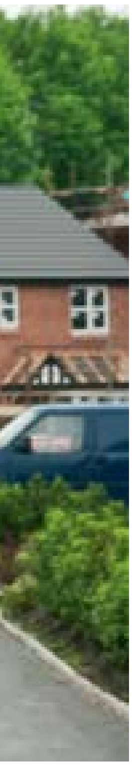
Below: Kris Roughley, Site Manager, Cedar Fold, Tottington, Greater Manchester

Our plans for 2015/16

- We will continue to develop a comprehensive Personnel/Human Resources strategy appropriate for the increasing size and sophistication of the business with an emphasis on training and development, retention and increased employee engagement.
- We will aim to increase the number of graduates and apprentices we recruit and train, with the introduction of a centralised trainee recruitment programme.

KPIs

- Employees who have worked for the Group for ten years or more – 18% (2014 – 19%).
- Graduates and apprentices – 73 (2014 – 62).
- Site managers with NVQ Level 6 – 141 (2014 – 106).
- Customer care training during the year – 3,586 hours (2014 – 4,388 hours).
- Employee turnover – 19.1% (2014 – 20.8%).



EMPLOYEES WHO HAVE WORKED FOR THE GROUP FOR TEN YEARS OR MORE

18% -100bps

2015	**18**
2014	19

NUMBER OF GRADUATES AND APPRENTICES

73 +17.7%

2015	**73**
2014	62

SITE MANAGERS WITH NVQ LEVEL 6

141 +33.0%

2015	**141**
2014	106

CUSTOMER CARE TRAINING

3,586 hours -18.3%

2015	**3,586**
2014	4,388

EMPLOYEE TURNOVER

19.1% -170bps

2015	**19.1**
2014	20.8

Chief Executive's Operating Review

"BELLWAY HAS CAPACITY TO CONTINUE ITS GROWTH STRATEGY, INVESTING IN HIGH QUALITY LOCATIONS."

Ted Ayres
Chief Executive

Enhancing value through ongoing growth

With sales of 7,752 homes, Bellway has capacity to continue its growth strategy, investing in high quality locations to help satisfy the demand for new housing.

In order to assist in delivering this growth, the Group opened a new South West division, located in Bristol, in February 2015 and has subsequently opened its seventeenth operating division, located in Kings Hill, Kent, in August 2015. As well as the capacity within this existing structure, Bellway has the ability to expand the divisional network further, should opportunities arise, by continuing to acquire land in areas of high demand.

In addition to increasing the number of divisions, Bellway has a strong balance sheet, enabling the Group to continue its controlled investment in land and work in progress in order to deliver further volume growth. The Group has expended a record sum of £620 million on land and land creditors and has continued to strengthen its divisional land and planning teams. This investment has resulted in a high quality land bank which should facilitate future growth.

Whilst investing in land, stringent capital disciplines and a robust investment appraisal process continue to form part of the Group's strategy to maximise returns for shareholders.

Housing market

The housing market remains strong, supported by an improvement in the availability of affordable, higher loan to value mortgage products. Customer confidence is robust, with low unemployment and this, together with a national requirement for new homes, is supporting high customer demand.

Whilst it is inevitable that interest rates will rise at some point in the future, new homes remain affordable and the lending institutions continue to adopt a responsible approach towards mortgage applications. The continuation of the Help to Buy shared equity scheme in England until March 2020, provides visibility over the medium-term and this should help to ensure that mortgages for new homes remain both affordable and accessible in the foreseeable future.

Trading performance

Against this backdrop of a positive housing market, the Group recorded an average of 153 reservations per week (2014 – 148 per week), an increase of over 3%, compared to the prior year. The Group started the year with a very strong order book comprising 4,363 homes and as a result of this significant forward sales position, there was a reduced number of plots available for sale on certain sites in the first half of the year. Increased investment in work in progress has resulted in greater availability of product and as a consequence, the private reservation rate gathered pace in the second half of the financial year.

The strong reservation rate has been underpinned by a slight reduction in the cancellation rate, with this falling to just 10.8% (2014 – 10.9%), a reflection of continued underlying customer confidence. Incentives are still used to secure sales on some sites, although demand is such that these are used sparingly.

The table below shows the number and average selling price of homes completed in the year, analysed geographically between private and social homes:

Homes sold (number)

	Private		Social		Total	
	2015	2014	**2015**	2014	**2015**	2014
North	**3,070**	2,958	**626**	265	**3,696**	3,223
South	**3,108**	2,851	**948**	777	**4,056**	3,628
Group total	**6,178**	5,809	**1,574**	1,042	**7,752**	6,851

Average selling price (£000)

	Private		Social		Total	
	2015	2014	**2015**	2014	**2015**	2014
North	**212.0**	192.2	**87.2**	81.4	**190.9**	183.0
South	**290.9**	272.3	**132.5**	121.3	**253.8**	240.0
Group average	**251.7**	231.5	**114.5**	111.2	**223.8**	213.2

The Group has been able to increase the number of homes sold by 13.2% to 7,752, thereby exceeding the previous record of 7,638 homes set in 2007. All areas of the country have performed well, with London, in particular, showing a strong performance. The number of legal completions in the London boroughs rose by 19.8% to 1,481 (2014 – 1,236) as a result of high demand and significant land investment in this part of the country in recent years. Similarly, land investment in the north of the country, where demand is also strong, has helped the Group to achieve a 14.7% increase in the number of completions from its seven northern divisions. The Group's divisions in Manchester and the Thames Valley, which opened in the prior financial year, are becoming more established and have both contributed to this performance, delivering 260 and 165 legal completions respectively.

The pricing environment continues to be positive, supported by high demand in London and the south east, where the requirement for affordably priced new homes is most pronounced. The average selling price of private homes sold has risen by 8.7% to £251,680 (2014 – £231,480), with this increase being primarily driven by continued investment in higher value locations, together with some underlying pricing improvements. Within the London boroughs, the average selling price of private homes was £306,949, which is still affordable in the context of the London market.

The overall average selling price for the Group has risen by 5.0% to £223,821 (2014 – £213,182), with this increase being slightly diluted due to a higher number of social housing completions, which represented 20.3% of the total number of homes sold (2014 – 15.2%).

Construction and material costs

The Group has invested significantly in new sites and work in progress in order to help satisfy the strong sales demand.

There remain constraints regarding the availability of certain labour trades, with these pressures continuing to be most pronounced in and around the south east of the country. Notwithstanding this, the rate of increase in sub-contract costs has reached a more modest level. Strong divisional relationships assist the Group in securing continuity of labour and overall, we have managed our construction plans in such a way that there have been only limited delays.

There is still some inevitable, industry-wide upward pressure on material costs, most notably for bricks, blocks and some timber products. These cost increases are beginning to abate and are well controlled, with the vast majority of materials subject to Group procurement arrangements.

We endeavour to adopt a collaborative approach with both sub-contractors and suppliers and as signatories of the Prompt Payment Code, we remain committed to paying in accordance with contractual conditions.

Investing in land

The quality of the Group's land bank is vital to both the future success of the business and also the Group's ability to continue delivering volume growth at attractive rates of return in the short to medium-term.

Our land buyers have continued to identify and acquire attractive opportunities that meet or exceed the Group's minimum acquisition criteria in respect of both gross margin and return on capital employed. The Group has strengthened its divisional land teams, both through new appointments and by adding further divisions, encouraging them to develop strong local contact bases. As a result, Bellway has spent £620 million on land opportunities and this has contributed to the increase in the Group's owned and controlled land holdings to 36,211 plots.

The table below analyses the Group's land holdings at 31 July:

	2015	2014
Owned and controlled plots	**36,211**	35,434
Comprising:		
DPP: plots with implementable detailed planning permission	21,411	19,434
'Pipeline': plots pending an implementable DPP	14,800	16,000
Strategic plots with a positive planning status	**6,000**	4,500

Chief Executive's Operating Review (continued)

These land holdings include 21,411 plots (2014 – 19,434 plots) that have the benefit of an implementable detailed planning permission ('DPP') and on which, subject to sales demand and the availability of materials and labour, construction can commence immediately. The Group acquired, or obtained a DPP on 9,729 plots, having progressed 6,909 of these plots through planning applications, resulting in a successful outcome. All plots included in the current year's sales forecast have the benefit of DPP.

In addition to the Group's investment in land with DPP, Bellway also owns or controls a further 14,800 plots (2014 – 16,000 plots) within the 'pipeline' section of its land bank. Pipeline land comprises land with a variety of different contractual and planning statuses. It is frequently secured conditionally and typically, an implementable DPP is expected to be forthcoming within the next three years. Securing land in this manner provides a degree of certainty of supply, often with a reduced capital outlay, thereby assisting the Group in achieving its targets in respect of return on capital employed.

The Group also has an interest in some 6,000 plots (2014 – 4,500 plots) of strategic land which are often located on greenfield sites at the edge of urban settlements. The plots reported represent only those which currently have a positive planning prognosis, that is, those that are either the subject of a current planning application or those which are identified in emerging local plans. Longer-term strategic land is, by its nature, inherently uncertain, often requiring significant speculative promotion costs to be incurred. It is, however, a useful third tier of the Group's land bank, regularly allowing divisions to deliver attractive margins on sites that eventually secure a planning consent.

Whilst divisions are charged with acquiring land that meets or exceeds minimum financial criteria, we also take into consideration a range of other factors when considering whether to invest, including local market conditions, product type and the planning prognosis of the site. The planning environment remains generally positive and by adopting a collaborative approach with local planning authorities, it is possible to acquire land unconditionally and achieve a successful planning outcome with limited risk to capital. This is particularly the case for brownfield land where it is often easier to secure a favourable planning outcome and where the challenges of re-development often present an attractive opportunity for Bellway to achieve higher returns. For these reasons, Bellway continues to seek brownfield opportunities where it is appropriate to do so and as a result, approximately 66% of our owned and controlled land bank has previously had an alternative use. The government's stated intention to ensure that all local authorities establish a local plan by March 2017 should further assist in improving the planning environment.

Investing in our people

Bellway is a significant local and national employer and aims to be a company that people are proud to work for, where they can enjoy a long, rewarding and fulfilling career.

Bellway has increased investment in training, raising the number of employee training hours by around 20% over the past year. This training has concentrated particularly on health and safety and core skills for customer-facing staff. Bellway also continues to recruit and train more graduates and apprentices, increasing the number in our employment to 73 at 31 July (2014 – 62), with a further 87 apprentices (2014 – 96) employed directly by our sub-contractors.

The Group relies heavily on the ability of its site managers and assistant site managers and therefore continues to develop the breadth of skills required for these key roles, with 34% of these employees now having achieved NVQ Level 6. It is particularly pleasing to note that a record 33 site managers were awarded NHBC Pride in the Job Awards (2014 – 29), a reflection of the dedication to quality and high standards achieved by these valued employees.

The strong market conditions have meant the Group has continued to expand its workforce, employing an average of 2,164 people throughout the year to 31 July 2015 (2014 – 1,959), an increase of 10.5%. There has been an increase in demand for high quality individuals across the industry. Notwithstanding this, employee turnover within the organisation has reduced slightly to 19.1% (2014 – 20.8%). We encourage long-term commitment, with nearly a fifth of our employees having worked for the Group for more than ten years. In addition, during the year, 14 employees were invited to attend our annual long service award ceremony in recognition of those with at least 20 years' service with the Group.

We recognise the importance of our employees in helping the Group to achieve its strategy for growth. We will be further developing our plans over the coming year to help us recruit, develop, reward and retain our employees.

Bellway4Good

Bellway can be relied upon by its customers, employees, suppliers, shareholders and local communities to operate in an ethical manner. Our financial success is reinforced by a responsible approach towards business and our reputation is critical to the creation of long-term value for shareholders.

We manage our corporate responsibility ('CR') activities through our 'Bellway4Good' steering committee, focusing our efforts on the core areas that most concern both the Group and its stakeholders. During the past year, we have made significant progress against a range of measurable commitments in three key areas, i.e. environment, sustainable construction and adding value to communities and the economy. One such commitment was to look for ways to increase the amount of waste diverted from landfill sites and our efforts in this area have resulted in diversion rates increasing to 92.9% this year (2014 – 89.3%).

We also make wide ranging donations to local and national charities, encouraging our employees to become involved in many fundraising activities. This year we are proud to have donated a total of £146,010 (2014 – £97,637) to numerous charities, community groups and good causes, including our two nominated national charities, British Heart Foundation and Construction Youth Trust. In addition, our employees raised a further £37,530 through fundraising activities ranging from dress down days to sponsored challenges, bringing the overall Bellway contribution for the year to £183,540.

Putting the customer first

Ensuring that Bellway's customers enjoy the best possible home purchase experience is very important to what we do. We endeavour to attract high quality employees and we are supportive of their ongoing coaching, training and development needs. This year we have expanded our training programme to cover our entire customer-facing teams.

The Group puts great effort into providing its customers with an excellent service throughout the whole buying process and beyond. Our efforts are reflected in the results of the Home Builders' Federation Customer Satisfaction Survey, in which nine out of ten customers have stated that they 'would recommend Bellway to a friend'. The results of these independent surveys are studied closely and used in internal training programmes to help us to continue to improve in areas where we strive to meet and exceed our customers' expectations.

Bellway retains its ability to construct a wide variety of house types, thereby enabling it to respond to local planning and demographic requirements. Whilst adopting this approach, the Group has also been developing a new standard house type range which has been introduced on an experimental basis. The aim is that these homes will reflect the requirements of modern day living, incorporating the best design features, with continuing evolution in response to ongoing customer feedback. The new range will provide a wide choice of floor plans for customers but with elevations designed to be sympathetic to the local vernacular.

Building new homes safely

The Group strives to maintain high standards of health and safety across its construction sites and adopts safe working practices to ensure the well-being of all site operatives.

We have continued our efforts in encouraging best practice with regards to dust suppression by engaging in site based training and providing relevant literature to our sub-contractors. We have also supported poster campaigns to promote healthy living for site workers, encouraging individuals to take part in a 'Stoptober' campaign to help give up smoking and improve the awareness of the negative effects of alcohol.

All sites are inspected on a regular basis, both by our internal health and safety managers and by externally appointed consultants. We measure health and safety performance by calculating the number of reportable incidents arising from these site inspections. For the year ended 31 July 2015, the Group achieved an improved NHBC Health and Safety score of 0.936 (2014 – 0.986), with a low score reflecting fewer reportable health and safety contraventions. The result is considerably below the NHBC all builder average score of 2.805 (2014 – 1.678) and is indicative of our continued efforts in this important area. It is also pleasing to note that lost time arising from incidents on our sites is continuing to reduce, with the seven day reportable incident rate, measured in accordance with the Health and Safety Executive guidelines, reducing by 3.7% to 430.75 incidents per 100,000 site operatives (2014 – 447.09).

The Group's high standards in health and safety were recognised in the 2015 NHBC Health and Safety Awards where nine site managers were awarded for their performance, one of which went on to become a regional winner.

Current trading and outlook

Continued investment in work in progress and the acquisition of land, together with the favourable market conditions, enabled the Group to start the 2015/16 financial year with a healthy order book, comprising 4,568 homes (2014 – 4,363 homes), with a value of £1,087.9 million (2014 – £924.3 million).

In the nine weeks since 1 August the Group has taken an average of 149 reservations per week (2014 – 128), an increase of 16% compared to the same period last year, with greater availability of product for sale and positive market sentiment contributing to this strong performance. As a result, the value of the order book at 4 October rose to £1,032.9 million (28 September 2014 – £975.4 million), representing 4,432 homes (28 September 2014 – 4,435 homes).

Notwithstanding the ongoing constraints regarding the availability of labour, the strength of this forward order book should give rise to the Group achieving further volume growth of up to 10% in the current financial year.

The Board intends to pursue its strategy of disciplined volume growth and will consider further expanding Bellway's existing network of 17 operating divisions by making further investment in areas of high demand. Whilst adopting this approach, the Group will retain the ability to remain flexible and respond to changes in market conditions which should allow Bellway to continue to deliver sustainable, long-term returns for shareholders.

Ted Ayres
Chief Executive

12 October 2015

Group Finance Director's Review

"THE GROUP HAS CONTINUED TO DELIVER SUBSTANTIAL VALUE FOR SHAREHOLDERS."

Keith Adey
Finance Director

Operating performance

The continued focus on volume growth, together with a rise in the average selling price of 5.0%, has resulted in housing revenue rising by 18.8% to £1,735.1 million (2014 – £1,460.5 million). This together with non-housing revenue of £30.3 million (2014 – £24.3 million[2]), has resulted in total revenue increasing by 18.9% to £1,765.4 million (2014 – £1,484.8 million[2]).

The gross margin has risen by 290 bps to 24.2%[1] (2014 – 21.3%), with this improvement driven by investment in financially attractive land opportunities, set against a backdrop of a positive pricing environment where the use of customer incentives is low.

Despite the significant demand for experienced and skilled employees, the administrative cost base has fallen to just 3.8% of revenue (2014 – 4.1%), as improved operational efficiencies have been achieved throughout the organisation. Overall, the administrative overhead has risen to £67.5 million (2014 – £60.0 million[2]) with this benefiting from a one-off profit of £2.8 million arising in the first half of the year, principally from the sale of a non-core residential estate maintenance business.

The strong operating performance has led to a 41.0% increase in operating profit to just over £360.4 million[1] (2014 – £255.6 million[2]) and a 320 bps improvement in the operating margin to 20.4%[1] (2014 – 17.2%), a record for the Group. The operating margin in the second half of the year was 20.8%[1] and this is a broad indicator as to what might be achieved in the year ahead.

Shared-equity loan disposal

In addition to the strong operating performance, the Group successfully disposed of its entire interest in historic shared-equity assets for cash consideration of £32.5 million. The one-off profit arising on the sale of these assets of £6.9 million has been treated as an exceptional item (note 5 on page 80).

The disposal of these assets will assist Bellway in delivering its disciplined growth strategy, enabling underperforming capital to be reallocated into additional land opportunities. The ensuing construction and sale of extra new homes should deliver higher returns and therefore enhanced value for shareholders.

Finance expense

The net finance expense has risen to £13.1 million (2014 – £9.9 million[2]), principally due to an increase in bank interest, with this having risen to £6.5 million (2014 – £2.9 million). This reflects a higher average drawn debt position, together with additional arrangement fees arising from an increase in the Group's total banking facilities from £300 million to £400 million.

Non-bank interest of £6.6 million (2014 – £7.0 million[2]) mainly includes imputed interest arising on land acquired on deferred terms.

Profitability

Overall, profit before taxation has risen by 44.0% to £354.2 million (2014 – £246.0 million[2]). The Group incurred a tax charge of just under £71.1 million (2014 – £54.6 million[2]), representing an effective tax rate of 20.1% (2014 – 22.2%), compared with the statutory tax rate of 20.7% (2014 – 22.3%), resulting in profit after taxation rising by 47.9% to £283.1 million (2014 – £191.4 million).

This ongoing increase in profitability has resulted in EPS rising by 47.5% to 231.5p (2014 – 157.0p), a record for the Group.

Cash flow and debt

Notwithstanding the significant investment in land, the Group ended the year with very modest net bank debt of £38.5 million (2014 – net cash of £3.6 million[2]), representing gearing of only 2.4% (2014 – nil).

The Group generated cash from operations of £98.1 million (2014 – £128.2 million[2]), whilst increasing the investment in land and work in progress in order to facilitate future growth. Furthermore, this cash generation has been achieved, despite a £55.4 million reduction in the amounts due to land vendors to £192.6 million (2014 – £248.0 million). Bellway continues to assess the cost of land acquired on deferred payment terms on a site-by-site basis and given the available bank facility head room, divisional land teams are often able to secure an attractive discount in return for up-front payments.

In addition, the Group has made dividend payments of £74.6 million (2014 – £45.1 million) and this, together with corporation tax payments of £61.9 million (2014 – £42.7 million) and other cash outflows of £3.7 million (2014 – £28.7 million[2]) has resulted in an overall increase in net bank debt of £42.1 million.

The Group's total longer-term debt, comprising net bank borrowings, together with land creditors, fell to just £231.1 million (2014 – £244.4 million[2]), representing a very modest 14.7% of net asset value (2014 – 17.9%[2]).

Balance sheet

The Group's inventory has risen by £338.7 million to £2,135.3 million (2014 – £1,796.6 million[2]), an increase of 18.9%, reflecting the significant investment made by Bellway in order to deliver its strategy of volume growth. The carrying value of land with a DPP has risen to £1,040.9 million (2014 – £875.3 million) and the carrying value of pipeline and strategic land has risen to £256.0 million (2014 – £241.1 million[2]).

In aggregate the Group's owned and controlled land bank now represents 36,211 plots (2014 – 35,434), a supply of 4.7 years (2014 – 5.2 years) at the current rate of output. Continued focus on capital efficiency has resulted in a further reduction in the number of legacy plots, subject to an exceptional impairment provision, to less than 3% (2014 – 4%) of the total land bank.

Significant investment in site activity has resulted in work in progress rising by 24.0% to £763.7 million (2014 – £615.8 million[2]). The strength of sales demand means that reservations are typically taken early in the construction process. The result is that legal completion takes place almost simultaneously with build completion, thereby leading to efficient management of working capital.

Bellway retains a modest deficit on its defined benefit pension scheme of only £7.5 million (2014 – £7.9 million), having made contributions of £4.0 million (2014 – £2.5 million) during the year.

Delivering enhanced returns

The net assets of the Group increased by 15.4% to £1,575.9 million (2014 – £1,366.1 million), with this rate of growth being achieved after accounting for the cash dividend payment of £74.6 million (2014 – £45.1 million), which reduced the net assets of the Group. The NAV per share has increased by 15.0% to 1,286p (2014 – 1,118p), driven by the rise in profitability of the Group, with this supported by a strong focus on both operational and balance sheet efficiency.

The record operating margin of 20.4%[1] (2014 – 17.2%), together with a capital turn of almost 1.2 times (2014 – 1.1 times) has helped the Group to achieve a pre-tax return on capital employed of 23.9%[1][3] (2014 – 19.6%[3]). Appropriate use of bank debt and land creditors within the capital structure has contributed to these returns, with the Group achieving a post-tax return on equity of 19.4% (2014 – 14.9%).

Whilst managing a strong and conservative balance sheet, the Group has continued to deliver substantial value for shareholders through a combination of further growth in NAV and a regular and progressive dividend policy.

Keith Adey
Finance Director

12 October 2015

GROUP REVENUE (£m)

1,765.4 +18.9%

2015	**1,765.4**
2014	1,484.8[2]
2013	1,110.7
2012	1,004.2
2011	886.1

OPERATING PROFIT (£m)

360.4[1] +41.0%

2015	**360.4[1]**
2014	255.6[2]
2013	151.1
2012	114.6
2011	75.2

OPERATING MARGIN (%)

20.4[1] +320bps

2015	**20.4[1]**
2014	17.2
2013	13.6
2012	11.4
2011	8.5

PROFIT BEFORE TAXATION (£m)

354.2 +44.0%

2015	**354.2**
2014	246.0[2]
2013	140.9
2012	105.3
2011	67.2

EARNINGS PER ORDINARY SHARE (p)

231.5 +47.5%

2015	**231.5**
2014	157.0
2013	89.3
2012	65.5
2011	41.5

PROPOSED TOTAL DIVIDEND PER ORDINARY SHARE (p)

77.0 +48.1%

2015	**77.0**
2014	52.0
2013	30.0
2012	20.0
2011	12.5

Notes:

1. Stated before exceptional item (see note 5 on page 80).
2. Restated following the adoption of IFRS 10 'Consolidated Financial Statements' and IFRS 11 'Joint Arrangements' (see note 28 on page 99).
3. Calculated as pre-exceptional operating profit, divided by the average of opening and closing capital employed. Capital employed is equity, net debt and preference share capital.

Risk Management Process

Bellway has a long-established system for identifying, monitoring and managing risk. It is the responsibility of management to implement the Board's policies on risk and internal control. In fulfilling its responsibility, management identifies and evaluates the risks faced by the Group for consideration by the Board and designs, operates and monitors the system of internal control, which implements the policies adopted by the Board. In addition, all employees have some responsibility for monitoring risk as part of their responsibility for achieving objectives.

Management maintains a comprehensive risk assessment register which details all significant risks pertinent to the Group, including operational, financial, compliance and strategic risks. This register is reviewed on a regular basis as part of the management reporting process by the functional heads within the Group, who each review their own particular area of operation. As a result of these reviews, the assessment of each risk is monitored and where necessary updated using a scoring system which seeks to assess the likelihood, the financial effect and what controls are in place to mitigate the effects of the relevant risks.

Derived from this comprehensive register is a shorter register of principal risks, specifically reserved for review by the Board. This is mainly, but not exclusively, comprised of risks, after mitigation, above a certain threshold. This register is reviewed by the Board throughout the year, with the Board systematically considering the risks, taking into account any changes which may have been recommended by management in relation to the comprehensive register.

Once a year, the Board reviews both registers in full to ensure that the system of risk assessment and the management thereof is operating effectively.

As a result of the regular reviews, changes required in the control environment are implemented by management to ensure, as far as possible, that the Group's risks are either eliminated or mitigated.

More information on risk management and internal control is included within the Audit Committee Report on pages 40 to 43.

1
Royal Park, Nuneaton, Warwickshire

2
Greenleaves, Billingshurst, West Sussex

3
Enfield Mews, Guisborough, North Yorkshire

Risk Statement

THE GROUP HAS IDENTIFIED, EVALUATED AND PUT IN PLACE MEASURES TO MITIGATE THE PRINCIPAL RISKS FACED BY THE BUSINESS, WHICH ARE SHOWN IN THE TABLE BELOW.

Area and description of risk and how it has changed during the year	Relevance of risk to strategy	Mitigation of risk	Change
LAND The possibility that the Group is unable to source suitable land at satisfactory margins and ROCE. The land market remained competitive during the year. The Group has strengthened its divisional land teams, both through new appointments and by adding a further division, encouraging them to develop strong local contact bases.	• Failure to buy land at the right margins would have a detrimental effect on future profitability and ROCE. • Insufficient land would affect the Group's volume growth targets. • Having too much capital concentrated in land can dilute ROCE, especially with larger sites which can take many years to develop.	• The Group prepares thorough pre-purchase due diligence and pre-purchase viabilities on all of its proposed land purchases and keeps these under regular review to ensure capital is invested appropriately. • Authorisation of land purchases is made in accordance with robust Group procedures. • We are careful about our exposure to large sites where there is a risk of having too much capital tied up. Smaller sites tend to generate a better ROCE and there is a lower risk of loss of value if the housing market declines.	
PLANNING Possible delays and the complexity of the planning process. The number of planning permissions granted is increasing.	• If the Group has too much capital tied up in land where obtaining an implementable DPP is time-consuming and problematic, this can hamper and slow the Group's growth prospects and have an adverse effect on profitability and ROCE.	• Centralised and divisional planning specialists provide advice and support to the divisions to assist with securing planning permissions. • The medium-term 'pipeline' and strategic land banks are carefully managed to maintain the appropriate balance in terms of quantity and location.	
CONSTRUCTION Shortages of appropriately skilled personnel, including sub-contractors, and shortages of building materials at competitive prices. This risk is at a similar level as last year as the labour market has remained competitive, particularly in and around the south east of the country. There is still some upward pressure on material costs, albeit they are beginning to abate and the vast majority of materials are subject to Group procurement arrangements.	• Failure to have appropriately skilled personnel and sub-contractors available in the right place, together with sufficient materials when needed, at competitive prices, could cause delays in the construction process and affect the Group's growth aspirations.	• 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 remuneration policies are in place. • Ensuring Group purchasing arrangements are in place to secure materials at competitive prices. • Improving forward planning of the purchasing function to ensure increased lead times do not affect availability of materials.	

Risk Statement (continued)

Area and description of risk and how it has changed during the year	Relevance of risk to strategy	Mitigation of risk	Change
HEALTH AND SAFETY There are significant risks to health and safety inherent in the construction process. This risk has not changed during the year.	• Notwithstanding the moral obligation and the requirement to act in a responsible manner, injuries to employees, sub-contractors and site visitors could delay construction and result in reputational damage, criminal prosecution and civil litigation which could negatively affect the Group's reputation.	• 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.	
ENVIRONMENT Housebuilding can have a negative effect on the environment. This risk has not changed during the year.	• The impacts of our operations on the environment must be managed in a responsible and sustainable manner, ensuring that they do not have a detrimental effect on the Group's reputation and ability to sell homes.	• The Group has a range of procedures in place to address issues around ecology, biodiversity, resource use, waste management and sustainable sourcing, with the objective that a development should create an attractive and sustainable new environment. See our website at www.bellway.co.uk/corporate-responsibility for further information.	
SALES There are a number of risks that could affect the Group's ability to generate sales as follows: • a reduction in the size of the market place; • the ability of prospective purchasers to access credit facilities; • mortgage availability; • interest rate changes; • changes in government housing policy; and • failure to maximise sales in a strong market. This risk has not changed during the year as the government announced the extension of the Help to Buy scheme in England until 2020.	• Building too many homes in one area or of the wrong type could affect the Group's ability to meet its growth aspirations. To generate sales the Group may have to increase the use of incentives, which affects margin and average selling price. • Operating in areas of low demand could impair the Group's ability to generate sales in a rising market. • The number of legal completions may be constrained by the high demand for labour and material resources as a result of the improved housing market.	• In consultation with Head Office and the regional chairmen, local divisional management determine 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. • Use of government-backed schemes to encourage home ownership, where appropriate. • Ensuring that construction rates are managed to ensure stock availability matches sales rates. • Customer care performance is closely monitored at divisional and Group level and appropriate remedial action taken if performance begins to deteriorate. • The Group is a national housebuilder and so the risk associated with over-concentration in one geographic or product area is diluted.	

Area and description of risk and how it has changed during the year	Relevance of risk to strategy	Mitigation of risk	Change
PERSONNEL Inability to attract and retain appropriate personnel. This risk has not changed during the year as the labour market has remained competitive.	• Failure to attract and retain employees will severely affect the Group's ability to perform successfully in a highly competitive market.	• The Group offers competitive salary and benefits packages and keeps these under regular review. • Divisional training plans are in place. • Succession planning is in place for key posts. • Over 93% of site workers (including sub-contractors) are fully accredited under the Construction Skills Certification Scheme ('CSCS'). • Graduate and apprentice training programmes are in place across the Group.	
INFORMATION TECHNOLOGY Failure to have suitable information systems in place, together with system loss mitigation structures and appropriate contingency plans. This risk has not changed during the year.	• Poor performance of the Group's IT systems could affect operational efficiency, the control environment and profitability.	• Group-wide systems are in operation which are centrally controlled with an outsourced support function in place. • The Group is continuing to invest in its IT systems across a broad spectrum of the business.	
TREASURY MANAGEMENT Failure to effectively manage the treasury function at an acceptable cost. There has been no change to this risk during the year.	• Failure to manage the treasury function at an acceptable cost could lead to a loss of opportunities to invest in new sites. This could lead to a reduction in the value of the business, its profitability and investor confidence.	• Central negotiation and control of banking facilities to ensure liquidity and debt levels are appropriate. • Facilities derived from various sources. • Careful management and regular monitoring of cash forecasts.	
LEGAL AND REGULATORY COMPLIANCE Failure to comply with current legislation, regulatory requirements and entering into inappropriately worded contracts. This risk has not changed during the year.	• Breaches of law and regulatory codes and entering into inappropriately worded contracts could lead to fines, possible imprisonment and significant reputational loss or to being disadvantaged by onerous contractual obligations. This could diminish customer and investor confidence leading to losses and a reduction in the value of the business.	• Central secretariat and legal functions advise and support 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.

The risk has not changed during the year.

Corporate Responsibility

As one of the UK's largest housebuilding groups, we have a key role to play in addressing the growing national housing shortage whilst delivering the benefits expected by our shareholders, customers and employees. At Bellway we believe it is possible to meet these aims whilst at the same time managing our business in a way which protects and enhances the environment, the economy and society as a whole.

Our long-term approach to Corporate Responsibility ('CR') is branded as Bellway4Good and focuses on three principal areas, namely Environment; Construction; Society and Economy. In this report we summarise our activities in each area, with more detailed information available on our website: www.bellway.co.uk/corporate-responsibility.

Environment

We understand that housebuilding can sometimes be intrusive and we take steps to protect the biodiversity and ecology of local areas. New sites undergo ecology surveys and, where necessary, detailed environmental impact assessments and habitat surveys are carried out to ensure that we construct our homes with due regard to the local environment.

Our care for the environment does not stop once a site receives detailed planning permission. We continue to look at improving efficiency in our own energy use and new construction compounds are now fitted with energy saving technology to reduce usage. We are also planning further campaigns to encourage employees to be more 'green' in relation to their energy consumption.

Our focus on the environmental performance of our new homes has seen us design all new sites to be, on average, 9% more energy efficient than the relevant building regulations. All lighting in new homes is now energy efficient and 'white goods' (ovens, refrigerators, dishwashers and washing machines) are energy 'A' rated or better. Not only do these steps help to lower the carbon emissions of our homes, they also help to reduce energy bills for our customers.

Carbon Reporting

In line with the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013, we are reporting on our greenhouse gas ('GHG') emissions as part of our annual strategic report. Our GHG reporting year is the same as our financial year, 1 August 2014 to 31 July 2015, and the previous year's figures have been provided as comparators. The 2014/15 emissions have been externally verified by Zeco Energy to a 'reasonable assurance level' as part of a review of our carbon footprint.

Increased construction activity has seen our overall carbon emissions rise while a 13.2% increase in legal completions meant the 'tCO_2e per home sold' remained constant. Employee numbers have increased at a smaller rate of 10.5%, resulting in a slightly increased 'tCO_2e per employee' metric.

The methodology used to calculate the Group's emissions is based on the UK government's Environmental Reporting Guidelines (2013) and emission factors from the 2015 government GHG Conversion Factors for Company Reporting. The reported emission sources include those which Bellway is responsible for, as required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013, with the exception of the following sources of emissions which were excluded from this report:

- Gas and electricity from part-exchange properties and stock plots (prior to handover to customers) due to immateriality and difficulty in accurately reporting and recording this data.
- Gas and electricity from offices where the utilities are provided by the landlord and billed as part of an overall building service charge.
- Emissions from site-based combined heat and power units for which the Group does not have operational control.

Above: Melissa Watson, Assistant Site Manager, Stannington Park, Stannington, Northumberland

Greenhouse Gas Emissions (tonnes of CO_2e[1])	2015	2014
Scope 1 – Combustion of fuel and operation of facilities (including diesel and petrol used on-site and in Company cars on Group business)	**10,634**	9,335
Scope 2 – Electricity purchased for our own use	**4,358**	3,509
Total emissions	**14,992**	12,844
Emissions intensity:		
tCO_2e per Bellway home sold[2]	**1.9**	1.9
tCO_2e per Bellway employee[3]	**6.9**	6.6

Notes:

1. Carbon dioxide equivalent per the meaning given in section 93(2) of the Climate Change Act 2008.
2. Based on number of legal completions.
3. Based on the average number of employees during the year.

Above: Staff at our Wessex division fundraising for the British Heart Foundation

Construction

As a housebuilder, the construction process is the most visible effect we have on local communities, society and the wider environment. From the initial planning and consultation stages of a development, through to the day-to-day management of the construction site, we work responsibly and in partnership with local communities, suppliers and our contractors.

Communities

Our inclusive planning approach ensures that we liaise closely with both local councils and residents, including neighbourhood workshops, exhibitions, newsletters and interactive websites, to arrive at a scheme that is beneficial to the community. Our contribution to local communities, however, extends beyond the provision of new homes and employment opportunities. During the year we committed to spend £79.0 million (2014 – £43.5 million) on supporting education initiatives and providing transport and highway improvements, health facilities and open spaces, helping to create new sustainable developments integrated into the wider existing community.

Waste

We are constantly evolving our house types and construction processes, seeking new systems and products to help improve the efficiency of the construction process. We have again given focus to improving the proportion of our waste which we divert from landfill across our divisions and we have successfully improved our overall diversion rates to 92.9% this year (2014 – 89.3%).

Supply Chain

We believe that the development of long-term relationships with our supply chain partners helps us to maintain our reputation for high standards, and we aim to service sites via local suppliers wherever possible, helping to both reduce carbon emissions from transporting materials and to employ people from local communities. We have also continued to source all our solid timber needs from managed stewardship forests accredited to PEFC or FSC standards, further adding to our sustainability credentials, and we are members of the Prompt Payment Code, recognising our commitment to paying our suppliers within clearly defined terms.

Quality

We believe that good health and safety, customer care, and construction quality are essential in achieving high standards across all aspects of the business and Bellway site managers have been recognised as among the best in the industry. Bellway won 33 NHBC 'Pride in the Job' awards, recognising those site managers who achieve the highest standards in housebuilding (2014 – 29 awards). We are very proud to have been recognised with these prestigious awards, which provide independent recognition of our high standards of construction.

Society and Economy

At Bellway we are committed to being a responsible business. This means looking after and developing those who work for and with us, including employees, contractors and suppliers, whilst delivering a high level of product and service to our customers. It means adding value to local communities through job creation, supporting local businesses and providing high quality, value for money homes for people to live in. It also means supporting local and national charities. In summary it is about ensuring we operate our business sustainably.

Corporate Responsibility (continued)

Above: Heartlands, Whitburn, West Lothian

Employees

The Board is committed to treating its employees and contractors fairly and responsibly. The Group's policies and procedures ensure that equal opportunities are provided to all existing and prospective employees of Bellway, irrespective of age, colour, disability, ethnic origin, gender, marital status, nationality, parental status, race, religion, belief or sexual orientation. In addition all employees, whether part-time, full-time or temporary, are treated equally, with selection for employment, promotion, training or other matters affecting their employment on the basis of aptitude and ability.

In addition, the Group operates policies covering bribery and bullying or harassment, along with a whistle-blowing policy to ensure we operate in accordance with the highest standards of honesty and integrity.

This year saw the Group increase the minimum employer and employee pension contribution rates from 2% to 3%, helping employees provide for their retirement.

As at 31 July 2015 the Group's workforce consisted of the following male and female employees:

	Male no.	Male %	Female no.	Female %	Total no.	workforce %
Board of directors	6	86	1	14	7	<1
Senior managers	94	86	15	14	109	5
Other employees	1,586	73	596	27	2,182	95
Total	**1,686**	**73**	**612**	**27**	**2,298**	**100**

The Group has a balanced workforce in terms of experience with an average age of 43 (2014 – 44).

Safety

We are committed to ensuring that everyone works in a safe manner, taking our responsibilities for the safety of our employees, customers, suppliers, sub-contractors and members of the public very seriously. We are pleased that we have again reduced our RIDDOR accidents and incidents rate to 430.75 accidents per 100,000 site operatives, an improvement of 3.7% on last year (2014 – 447.09).

Bellway's site managers play a vital role in delivering these high standards and they have been recognised as amongst the best and safest in the industry, winning nine awards in the 2015 NHBC Safety Awards (2014 – nine awards). We require all site managers to complete and maintain qualifications in first aid, scaffold appreciation and the nationally recognised Site Management Safety Training Scheme, and this year an additional 71 site-based managers gained their NVQ Level 6 qualification. This brings the total number of site-based managers with NVQ Level 6 to 141, a 33% increase (2014 – 106).

Charitable Engagement

We believe that as a business we have a responsibility to support the communities where we construct our new homes. As such we make wide ranging donations to local and national charities and our main focus this year has been on support for our two nominated national charity partners:

- British Heart Foundation – the UK's national heart charity and the largest independent funder of cardiovascular research.
- Construction Youth Trust – working with disadvantaged young people, helping them to access career opportunities in the construction industry.

In total Bellway and its employees have donated £185,540 to charities, community groups and local good causes, with donations from the Group totalling £146,010 (2014 – £97,637). This includes amounts raised through employee donations, fundraising and Company 'matched funding' as part of dedicated fundraising days for our two national partners, as well as funds raised by our employees for other charities and local good causes.

CR Commitments

This year the Group set a range of commitments to measure ongoing performance against key CR issues. More details can be found on the website at www.bellway.co.uk/corporate-responsibility. Notable successes during the year include:

- Helping customers reduce their energy consumption by ensuring all lighting in new homes is energy efficient, against a target of 90%.
- Designing new homes to achieve an average energy efficiency rate of 9% above that required by the relevant building regulations, against a target of 5%.
- Investing £79.0 million (2014 – £43.5 million) in the infrastructure of local communities where the Group develops.
- Successfully increasing the proportion of waste diverted from landfill compared to 2014 (92.9% this year compared to 89.3% in 2014).
- Assisting an additional 71 site managers gain their NVQ Level 6 construction qualification, representing a 33% increase compared with a targeted increase of 10%.
- Raising almost £34,000 for the Group's two national charity partners, British Heart Foundation and Construction Youth Trust.
- Successfully reducing the RIDDOR Reportable Accidents and Incidents rate by 3.7% compared to 2014.
- Improving the Considerate Constructors Scheme average score to 34.8, against a target of 34.0 (2014 – 33.2).

A new set of targets for the 2015/16 financial year is in place and these will shortly be available at www.bellway.co.uk/corporate-responsibility.

Approval of the Strategic Report

The Strategic Report was approved by the Board of directors and signed on its behalf by:

Ted Ayres
Chief Executive

12 October 2015

Board of Directors and Company Secretary

1 John Watson

Non-executive Chairman

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 Nomination Committee.

2 Ted Ayres

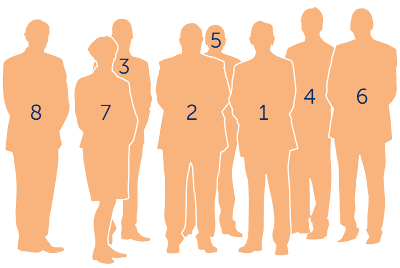
Chief Executive

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

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 John Cuthbert OBE DL

Senior independent non-executive director

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 became senior independent non-executive director on 1 February 2014. He is Chairman of the Nomination Committee and is also a member of the Audit Committee and the Board Committee on Executive Directors' Remuneration.

5 Mike Toms

Non-executive director

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. He has also been a non-executive Chairman of Northern Ireland Electricity plc, a non-executive director of Viridian Group PLC and of UK Coal PLC. He is a member of the Royal Institution of Chartered Surveyors ('MRICS') and a member of the Royal Town Planning Institute ('MRTPI'). He is Chairman of the Board Committee on Executive Directors' Remuneration, and a member of the Audit and Nomination Committees.

6 Paul Hampden Smith

Non-executive director

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, and senior independent non-executive director and Chairman of the Audit Committee of Clipper Logistics plc. He is also a non-executive director of Grafton Group plc. He was previously a non-executive director and Chairman of the Audit Committee of both Redrow plc and DX Services plc. He is Chairman of the Audit Committee and is also a member of the Nomination Committee and the Board Committee on Executive Directors' Remuneration.

7 Denise Jagger

Non-executive director

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 terrorism risk reinsurer, Pool Re, sits on the Council of the University of York and is a Trustee of St Giles Trust. Prior to joining Eversheds she was Company Secretary and General Counsel at ASDA Group plc, later part of Wal-Mart from 1993 to 2004. Denise's previous non-executive directorships include The British Olympic Association, 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.

8 Kevin Wrightson

Group Company Secretary

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 p.l.c.
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

Stockbrokers

Citigroup Global Markets Limited
Numis Securities Limited

Bankers

Barclays Bank PLC
Lloyds Banking Group plc

Auditor

KPMG LLP

Chairman's Statement on Corporate Governance

"THIS YEAR'S BOARD EVALUATION… CONCLUDED THAT THE BOARD WAS WELL RUN AND CONTINUED TO BE OPERATING EFFECTIVELY."

John Watson
Chairman

Introduction

As Chairman, 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 the Chief Executive and myself, 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.

The Board considers strategy, performance, risk, major land acquisitions, potential conflicts of interest and reports from external advisers at each Board meeting. One meeting a year is devoted almost entirely to the consideration of strategy. In addition, the executive directors meet regularly with the regional chairmen and divisional boards, which gives an appropriate level of oversight and direction to the business.

Board Effectiveness

During the year under review, the Board has been particularly focused on the following:

1. Strategy: We have focused on making our Board meetings more forward-looking and strategic in nature.
2. Risk identification and management: We have broadened the scope of our risk register to examine more closely the control structures that mitigate risk.
3. Succession planning: The work carried out this year has focused on matters which are covered in detail in the Nomination Committee Report on page 40.
4. The areas highlighted for improvement in last year's externally facilitated Board evaluation, were:
   i) CR performance and reporting;
   ii) strategy for the management of employees;
   iii) develop KPIs used by the Group to measure performance; and
   iv) improve the quality of Board information.

As a result, we have appointed a Head of Sustainability to assist in the implementation of improvements to our CR performance and reporting, and we have also developed a plan to improve the management of our workforce. A review has taken place of the Group's KPIs and this has resulted, inter alia, in a change to the way we measure the Group's customer care performance, with effect from 1 August 2015. Changes have been made to the information provided to the Board and in addition the directors now receive their Board and interim papers via an online portal which has the benefits of improved security and speed of access. Further progress on these matters is ongoing.

Board Evaluation

This year's Board evaluation, which was internally facilitated, concluded that the Board was well run and continued to be operating effectively. The following areas were highlighted for further development and improvement:

1. more time and resources to be devoted to the consideration of risks at Board meetings; and
2. below Board level succession planning; and
3. further improvements to the quality of Board information.

These matters are already being addressed and progress will be reported on in next year's report.

Board Committees

The roles of the Board Committees and their work during the year are described in greater detail below in the reports of the Committee Chairmen.

During the year the Board Committee on Executive Directors' Remuneration reviewed the Remuneration Policy against current market practice to ensure it remains fit for purpose, approved the award and exercise of awards under the Company's long-term incentive arrangements and approved the bonus payable to the executive directors.

The Nomination Committee has continued to make progress with succession planning at and below Board level, and Committee members consulted with major shareholders on diversity and the proposal to re-appoint the Chairman for a further three year term.

The Audit Committee, aside from its responsibilities in respect of the interim and annual reports also dealt with a review of risks and internal control, considered the need for internal audit, Bribery Act compliance, the Group's disaster recovery procedures and the Group's IT systems upgrade, as well as the introduction of an annual compliance certificate to be completed by all senior management throughout the Group.

Compliance with the UK Corporate Governance Code

I am pleased to confirm that the Board considers that it has complied with the detailed provisions of the UK Corporate Governance Code published in September 2012 throughout the year. The Board considers that it will be able to comply with the requirements of the revised Code which was published in September 2014 and which will first apply to the Group in the financial year to 31 July 2016.

Diversity

The Board is committed to always making appointments on merit, against objective criteria, and the Board strongly supports the principle of boardroom diversity in all its aspects. The Group's female employees make up 27% (2014 – 27%) of the total workforce, while 14% (2014 – 14%) of the Board and 14% (2014 – 15%) of its senior management are women.

Shareholder Engagement

The Board is committed to high standards of corporate governance throughout all areas of the Group's operations for the benefit of its shareholders and other stakeholders.

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 the whole Board is available for questions, 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 and the senior independent non-executive director consulted with a number of major shareholders and shareholder representative bodies on matters concerning diversity, succession planning and remuneration issues.

Further information for shareholders is available under Shareholder Information on page 101 to 104 and also on the Group's website at www.bellwaycorporate.com.

John Watson
Chairman

12 October 2015

Corporate Governance Report

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 44 to 60, 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, revised in September 2012, throughout the year to 31 July 2015. The UK Corporate Governance Code is publicly available, free of charge, from the Financial Reporting Council, online at www.frc.org.uk or by telephoning 020 7492 2300. From 1 August 2015 the Company will be subject to the requirements of the revised Code which was published in September 2014 and will report on compliance with that Code in next year's annual report.

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 Board

At the date of this report the Board consists of seven directors whose names, responsibilities and other details appear on pages 34 and 35. Two of the directors are executive and five 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, major land acquisition, major projects, personnel, risk, health and safety, strategy, reporting requirements, company secretarial matters, 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 retire from the Board and offer themselves for re-election at the forthcoming AGM. 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 seven Board meetings, three Audit Committee meetings, four meetings of the Board Committee on Executive Directors' Remuneration, one meeting of the Board Committee on Non-Executive Directors' Remuneration and four Nomination Committee meetings. The Board holds a meeting at least once a year dedicated almost entirely to strategy. In addition, the Board visited the Wales and Thames Gateway divisions, as well as receiving presentations at each Board meeting from senior Head Office, regional and divisional management. Presentations this year were given in respect of regional and divisional performance, sales and marketing, HR, IT, corporate responsibility and health and safety. In addition, presentations are also given by external advisers and other third parties, where necessary. In months where there are no Board meetings the directors receive interim papers to keep them informed of the Company's progress. There were no absences from any Board or Board Committee meetings by any director during the year.

The non-executive directors met twice 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. During the year the Board received presentations from external organisations on health and safety and the housing industry.

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 John Cuthbert, who is available for shareholders to raise any queries or concerns they may have. Each of the non-executive directors, excluding the Chairman, has, at all times, acted independently of management and has no relationship which would materially affect the exercise of his 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

This year's evaluation of the performance and effectiveness of the Board, its Committees and individual directors, was conducted internally, following an externally facilitated evaluation last year. The evaluation was conducted using questionnaires and meetings with the Chairman. This process also 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 Chairman, evaluated their own performance.

The evaluation concluded that, overall, the Board and its Committees are performing well. Good progress has been made on action points from last year's evaluation so that improvements have been made to the quality of Board information and following the appointment of a new Head of Sustainability, CR performance and reporting has also improved. KPIs have been reviewed and appropriate changes made, while work on employee management and succession planning continues to develop. The main areas of improvement identified by this year's evaluation were further improvements to the quality of Board information; more time to be devoted at Board meetings to the consideration of risks; and further work on below Board level succession planning.

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

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 one occasion to review the fees and terms of appointment of the non-executive directors.

Corporate Governance Report (continued)

Nomination Committee Report

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

The Committee meets at least twice a year and last year it met on four occasions. During the year, the Committee made recommendations to the Board in relation to succession planning at both Board level and below Board level.

Appointments to the Board are made on merit using 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 appointment of a non-executive director is for a specified term and re-appointment is not automatic and is made on the recommendation of the Committee. During the year the Committee considered and made recommendations to the Board in relation to the re-appointment of Mike Toms as a non-executive director whose term of appointment expired during the year. He was not present when discussions regarding his own re-appointment took place and his re-appointment was subject to particularly rigorous review in light of the fact that he had already served two terms of three years as a non-executive director. The Committee concluded that he continued to be independent of character and judgement and therefore recommended his re-appointment. In addition, John Cuthbert and Mike Toms met with major shareholders to discuss various options, as the appointment of the Chairman, John Watson, approaches its expiry date on 31 January 2016. The major shareholders were supportive of the Board's preferred option, which is to renew John Watson's appointment for a further three year term, to be effective from 1 February 2016 and this was therefore approved by the Board. He was not present when discussions took place regarding his own re-appointment.

Furthermore, the existing letter of appointment of the senior independent director, John Cuthbert, is due to expire on 31 October 2015. He has already served two terms of three years as a non-executive director. Following a particularly rigorous review of his performance and commitment, the Board considered that John Cuthbert remains independent of character and judgement and have, therefore, approved his appointment for a further term of three years, with effect from 1 November 2015. He was not present when discussions took place regarding his own re-appointment.

John Cuthbert
Chairman of the Nomination Committee
12 October 2015

Audit Committee Report

Introduction

I am pleased to present the Audit Committee report setting out both the objectives and work performed by the Committee during the year in relation to financial reporting, internal controls, internal audit and external audit.

Committee membership and meetings

The four members of the Audit Committee are independent non-executive directors. The directors' biographies on pages 34 and 35 detail the Committee members' previous experience. The Board believes that Paul Hampden Smith, as Chair of the Committee, has recent relevant financial experience and is confident that the collective experience of the Committee members enables them to act effectively as an Audit Committee.

The Committee meets at least three times per year and met three times during the year under review.

Detailed papers prepared by management and the external auditor were received by the Committee sufficiently in advance of meetings to allow proper consideration of matters for discussion. The Group Finance Director and Group Finance Manager attend meetings by invitation and were present at all meetings during the year. The Group Company Secretary acts as secretary to the Committee. The external auditor, KPMG LLP, was also in attendance at two meetings.

During the year the Committee met the external auditor without executive management present on two occasions and no matters of concern were raised in these discussions. In addition, the Committee Chairman had regular contact with the Group Finance Director and the external auditor.

Responsibilities and terms of reference

The Committee has three main areas of responsibility as follows:

1. Financial reporting

- To monitor the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance and position.

Responsibilities and terms of reference (continued)

- To review, and challenge where necessary, the actions and judgement of management, in relation to the interim and annual financial statements before submission to the Board.
- Where the Committee is not satisfied with any aspect of the proposed financial reporting by the Group, it shall report its views to the Board.
- Where requested by the Board, the Committee should review the content of the annual report and accounts and advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

2. Internal control and internal audit

- To review the Group's internal financial controls and unless expressly addressed by a separate Board risk committee composed of independent directors or by the Board itself, the Group's internal control and risk management systems.
- 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 ensure that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate remedial action to be taken.
- To review, annually, the Group's policies and procedures to ensure compliance with the Bribery Act 2010.

3. External audit

- To consider the appointment/re-appointment of the external auditor and to assess the independence of the external auditor, ensuring that key partners are rotated at appropriate intervals.
- To make appropriate recommendations, through the Board to the shareholders for their approval in general meeting in relation to the appointment, re-appointment and removal of the external auditor.
- To discuss with the external auditor, before the audit commences, the nature and scope of the audit and to review the auditor's quality control procedures and steps taken by the auditor to respond to changes in regulatory and other requirements.
- To review the external auditor's management letter and management response.
- To consider management's response to any major external audit recommendations.
- To ensure the audit services contract is put out to tender at regular intervals as required by regulation or best practice and in respect of such tender, oversee the selection process and ensure that all tendering firms have such access as is necessary to information and individuals during the duration of the tender process.
- To develop and monitor the Company's policy on the provision of non-audit services by the external auditor and to ensure that the provision of non-audit services does not impair the external auditor's independence or objectivity.
- To oversee the process for selecting the external auditor, including approval of their terms of engagement and remuneration.

The Committee's terms of reference are available on the Group's website at www.bellwaycorporate.com/corporategovernance.

Work during the year

The work of the Committee during the year is described below.

1. Financial reporting

The Committee reviewed the draft Annual Report and Accounts, the interim results announcement and the preliminary results announcement and recommended them to the Board for approval. In addition the Committee reviewed reports from the external auditor setting out their findings from their interim and year-end audit work.

The Committee considered that the key financial reporting judgements during the year continued to be:

- profit recognition; and
- the carrying value of the Group's land and work in progress.

These key financial reporting judgement areas were discussed with the external auditor throughout the audit process and are described in more detail below:

- **Profit recognition:** gross profit for completed housing sales is recognised based on the latest whole site/phase margin, which is derived as part of the site/phase valuation process. These valuations are updated frequently throughout the life of the site/phase and include both actual and forecast selling prices, land costs and construction costs. The forecast costs and revenues are estimates and are inherently uncertain due to potential changes in market conditions.

  The Committee understands the Group's revenue and gross profit recognition policy and the related systems and controls. Management outlined the existing systems and controls surrounding the valuation process. The Committee discussed these controls, challenging management where appropriate.

  The external auditor explained to the Committee the work undertaken in relation to the systems and controls surrounding the valuation process and provided an explanation of the detailed substantive testing performed. The Committee also reviewed a summary, prepared by KPMG explaining their findings from their work testing the design and operational effectiveness of the Group's systems and controls pertaining to the valuation process.

Corporate Governance Report (continued)

Work during the year (continued)

Following enquiry with management and the external auditor, the Committee concluded that there are appropriate systems and internal controls in place to assess and quantify both actual and forecast selling prices and costs, and that the Group's profit recognition policy is appropriate and has been properly applied in these financial statements.

- **Carrying value of the Group's land and work in progress:** inventory is held at the lower of cost and net realisable value, which is determined by the whole site/phase margin as set out above. The risk is that, for any site/phase currently trading or not, the whole site/phase margin may be negative, resulting in a net realisable value that is below cost. Management have reviewed all sites/phases to ensure those with a forecast negative whole site/phase margin have an appropriate provision, and this has been re-assessed at regular intervals during the year.

  The external auditor explained to the Committee the work they performed in relation to the carrying value of the Group's land and work in progress. This included the procedures identified above in relation to profit recognition and a review of the latest site/phase valuation for all sites/phases active during the year and those that are yet to commence production.

  Following enquiry with management and the external auditor, the Committee concluded that there are appropriate systems and internal controls in place to assess the carrying value of the Group's land and work in progress and that the carrying value of these assets in the financial statements is appropriate.

2. Internal control and internal audit

The Board, following guidance from the Committee, has a continuing responsibility to identify and monitor the risks facing the Group, ensuring both appropriate and effective internal controls are in place. There is an ongoing process involving senior management to ensure that risks are appropriately identified and documented on an internal risk register. This register also summarises any internal controls that mitigate the identified risks. Risk is reviewed on a systematic basis throughout the year at each Board meeting, with a full review of the risk register taking place at least annually. This internal control and risk management process only mitigates the risk of material misstatement or loss, and does not eliminate this risk completely.

The principal risks identified by the Board and senior management are set out in the Strategic Report on pages 27 to 29, and cover the main aspects of the business, including land acquisition, planning, construction, health and safety, environment, sales, personnel, information technology, treasury management and legal and regulatory compliance. In addition, there is a responsibility to mitigate risk by the provision of adequate insurance cover and by management reporting on material changes in the business or external environment affecting the risk profile.

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

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

- The Board has agreed a list of key risks which affect the Group, which are reviewed throughout the year, and has considered the extent to which the measures taken by the Group mitigate those risks.
- The acquisition of land and land interests is initiated by divisional management and reviewed by the regional chairmen prior to submission to Head Office for approval. All land acquisitions must achieve minimum financial acquisition criteria and are subject to approval by the executive directors and in certain circumstances, approval by the Board.
- A comprehensive monitoring and reporting system is in place entailing annual budgets, monthly forecasting and management reporting, including variance analysis and commentary. This is produced by divisional management and reviewed by the regional chairmen and function heads at Head Office. Summaries are also provided to the executive directors.
- Monthly divisional board meetings are held to review divisional performance, which are attended by the regional chairmen. The executive directors attend certain divisional board meetings on a regular basis during the year, and this is supplemented with main Board visits to divisions.
- Site/phase valuations are produced periodically throughout the life of a site/phase, with the actual and forecast costs and revenues produced at a divisional level prior to review by the divisional management team and Head Office team.
- Regular visits to sites by in-house health and safety managers and external consultants to monitor health and safety standards and performance.
- A central treasury function operates at Head Office, ensuring the optimum financing is obtained for the Group as a whole.
- A number of the Group's key functions are dealt with centrally. These include taxation, pensions, insurance, information technology, legal, personnel and company secretarial functions. This centralisation ensures a consistent approach and the appropriate range of skills to manage these specialised areas.

Where any control recommendations are made by the external auditor, these are considered and where relevant, are implemented to further strengthen the control environment.

As required by the UK Corporate Governance Code, during the year the Audit Committee considered whether there is a need for an internal audit function and made their recommendation to the Board. The Committee concluded that whilst the Group has robust systems and strong internal controls, further consideration should be given to the possible introduction of an internal risk function, given the rapid growth of the Group in recent years.

Work during the year (continued)

The Group's whistleblowing policy is well publicised at all locations and allows all employees to raise concerns in confidence via either the Group Company Secretary or, alternatively, an independent third party. All reports are investigated by the Group Company Secretary and the outcome reported to the Board. The whistleblowing policy is formally reviewed and approved by the Committee on an annual basis.

The Group's Bribery Act 2010 Policy and Procedures are circulated throughout the Group and are shown on the Group's intranet. The Bribery Act Policy and Procedures are formally reviewed by the Committee on an annual basis.

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

3. External audit

As part of the audit planning process KPMG LLP, the Group's external auditor, presented a detailed audit plan to the Committee in March 2015 including details of what they consider to be the significant risks, materiality, scoping and the audit timetable. The audit plan was considered by the Committee, which concurred with KPMG LLP that the primary risks were the valuation of inventories and margin recognition due to the significant value and inherent judgement required and that the materiality level was appropriate.

As part of the normal annual cycle the Committee reviewed the performance of the Group's external auditor through discussions with management and assessing both the timeliness and quality of reporting against the audit plan. In addition the independence and objectivity of the external auditor was also considered in detail. KPMG LLP provided an independence confirmation, as required by professional ethical standards, setting out the procedures and safeguards they have in place to maintain their independence and objectivity.

The Committee is responsible for reviewing and overseeing the Group's Independent Auditor Policy which seeks to preserve the independence of the external 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 is 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 Group's independent auditor would not be engaged for any of the following non-audit related services:

- book-keeping or other services related to the accounting records or financial statements of the Group;
- 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 personnel/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.

For an analysis of fees paid to KPMG LLP see note 4 on page 80. The non-audit fees are for tax compliance and ad hoc tax advisory work and an audit of the Group's final salary pension scheme, which is closed to future accrual.

The Committee has considered the transitional arrangements issued by the Financial Reporting Council ('FRC') in relation to the requirement to tender the audit at least every ten years, whereby the external audit tender process would take place at the point of the lead audit partner rotation. The current auditor has been in place and the audit has not been tendered since the Company was listed in 1979, with the lead audit partner having been the subject of rotation in accordance with Auditing Practices Board Ethical Standard 3. The lead audit Partner, Nick Plumb, has just completed his second year of a maximum of five years in this role. It is the Company's current intention to put the external audit contract out to tender within the next five years, subject to the annual performance reviews carried out by the Committee.

Following the review of the auditor's independence, objectivity and effectiveness the Committee has recommended to the Board that KPMG LLP should be re-appointed at the forthcoming AGM.

4. Other matters

During the year, the Committee considered the system and controls for Bribery Act compliance, the Group's disaster recovery procedures, the Group's IT systems upgrade and the introduction of an annual compliance certificate to be completed by all senior management.

Paul Hampden Smith
Chairman of the Audit Committee

12 October 2015

Report of the Board on Directors' Remuneration

Annual Statement

This report, which has been prepared pursuant to and in accordance with the Companies Act 2006 Large and Medium-Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, has three sections – this Annual Statement, the Directors' Remuneration Policy and the Annual Report on Remuneration.

The Directors' Remuneration Policy provides details of the remuneration policy for directors for 2014/15 onwards and is included for reference, as this was approved by shareholders at the Company's Annual General Meeting ('AGM') in December 2014. The Annual Report on Remuneration which, together with the Annual Statement will be subject to an annual advisory shareholder vote, describes the remuneration of directors in respect of the financial year under review and how the policy continues to be operated.

Remuneration paid in 2014/15

The Committee considers that the remuneration paid to executive directors fairly reflects both Company and individual performance during the financial year.

The basic salaries of the executive directors in 2014/15 were determined by the Committee in July 2014 after consultation with shareholders. They provided for the second and final tranche of increases to bring salaries up to market levels. Ted Ayres's salary was set at £600,000 and Keith Adey's at £350,000 for the year under review. A significant proportion of total remuneration is comprised of bonuses awarded for performance. As set out on pages 20 to 23 of this report, the Group built on the previous year's progress and continued to perform extremely strongly. Management took full advantage of favourable market conditions to increase sales, average selling price, margin, operating profit, dividend and NAV while maintaining a strong balance sheet.

- the number of homes sold increased by 13.2% from 6,851 to 7,752.
- operating profit increased by 41.0% from £255.6 million to £360.4 million[1].
- NAV per ordinary share increased by 15.0% from 1,118p to 1,286p.
- the Company's annual and three-year TSR performance was in the upper quartile of the FTSE 250 (excluding financial services companies and investment trusts).

Looking forward, the Group concluded the year with a record year-end order book supported by a healthy increase in plots available with detailed planning permission. One additional operating division was opened during the year and an additional division commenced operations with effect from 1 August 2015 to assist the Group's growth strategy.

This performance is reflected in the annual bonus earned by the executive directors. Operating profit grew strongly to a record level and exceeded the expectations of the Board and shareholders at the start of the year. The profit related element of the bonus was therefore achieved in full. In relation to the non-financial elements of the bonus, levels of health and safety showed further improvement and compare very well with other companies in the construction sector. A bonus of 5.5% out of a maximum of 7.5% of salary was awarded. The customer care score came under pressure as a result of the high volume of construction. The score remained high but fell just short of the challenging threshold which had been set and no bonus was earned. The Group's land bank of plots, ready for construction, showed a healthy increase and resulted in a bonus of 11% of salary. As a result the directors earned a total bonus of 106.5% out of a maximum of 120% of salary, which the Committee believes has been fully justified by the progress made by the Company. It will be payable in November 2015.

In 2012 Ted Ayres and Keith Adey were granted awards under the Bellway p.l.c. (2004) Performance Share Plan ('PSP') and Bellway p.l.c. (2008) Share Matching Plan ('SMP'). Of these awards, 50% were subject to a performance condition comparing the Company's TSR to the companies within the FTSE 250 (excluding financial services companies and investment trusts). This condition was tested at the end of 2014/15 with Bellway's TSR of 74.2% ranking it within the upper quartile of the group and therefore these shares will vest on 13 November 2015 and 23 November 2015 respectively. The TSR condition relating to the other 50% which was measured against a group of other listed housebuilders was not met and this part of the award lapsed.

Overall, the Committee believes that the bonus and PSP and SMP vesting results were reflective of an improvement in the performance of the Group for the three-year period ending 31 July 2015.

Note:

1. Stated before exceptional item (see note 5 on page 80).

Implementation of the remuneration policy in 2015/16

For 2015/16, directors' salary increases are consistent with the average general workforce increase of around 3% and, therefore, Ted Ayres's salary has increased to £618,000 and Keith Adey's salary has increased to £361,000 from 1 August 2015. The bonus structure and opportunity remains as before (the maximum annual bonus potential is 120% of salary, with 90% of salary based on operating profit and 30% of salary based on non-financial performance measures) although, as described later in this report, minor changes have been made to the non-financial elements of the bonus.

As disclosed last year and following consultation with major shareholders, the final grant of awards under the SMP was made by the Committee in November 2014. PSP award levels from 2015 onwards will increase from 100% to 130% of basic salary, with the increase reflecting the Committee's estimate of the expected value of SMP awards forgone. The Committee believes that this change will simplify the pay structure and improve the alignment of executive remuneration with the interests of shareholders. In addition, a two-year minimum holding period will apply whereby executive directors will be expected to retain shares which vest under long-term incentive awards (net of any shares required to be sold to settle the relevant taxes), for a period of at least two years from vesting.

Conclusion

The Committee considers that the current policy, which has been approved by shareholders, continues to reward directors appropriately for improvements in Company performance, which are aligned with the Company's strategy of improving shareholder returns. The Committee consulted its major shareholders on the continued application of its remuneration policies during the year.

I am pleased to report that at the Company's last AGM in December 2014, over 97% of our shareholders voted in favour of the Remuneration Policy, which the Committee anticipates will remain in place until the 2017 AGM and over 98% of our shareholders voted in favour of the Report of the Board on Directors' Remuneration (which consists of the Annual Statement and Annual Report on Remuneration).

At this year's AGM on 11 December 2015 there will be a single vote on directors' remuneration. This will be an advisory vote on the Annual Statement and Annual Report on Remuneration and will require a majority vote in favour to pass. Further information on this resolution is set out on page 101 and we look forward to your continued support.

Mike Toms
Chairman of the Board Committee on Executive Directors' Remuneration

12 October 2015

Report of the Board on Directors' Remuneration (continued)

This part of the remuneration report, the Directors' Remuneration Policy, was approved by shareholders at the AGM on 12 December 2014. Although not required by the regulations, the substantive terms of the policy are reproduced here for ease of reference. Any details, however, that were specific to 2014/15 (for example, the application of remuneration policy chart) have been updated, where applicable, to reflect the current position. As no changes are being made, there will be no vote on the remuneration policy at the 2015 AGM.

Directors' Remuneration Policy

The remuneration policy has been developed taking into account the principles of the UK Corporate Governance Code published in 2014, the views of the Company's major shareholders and the Investment Association ('IA') and Institutional Shareholder Services Inc. ('ISS') guidelines on remuneration.

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 Group, 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.

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

Consideration of employment conditions elsewhere in the Group

Whilst 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 general pay increase awarded to the workforce and it is the intention of the Committee to revert to this practice now that the executive directors' salaries have reached mid-market levels. All employees, including the executive directors, can join the Group's savings related share option arrangements, have life assurance benefits and have access to pension arrangements. A significant proportion of employees benefit from health insurance, a company car or car allowance. 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 and representative bodies in advance. In setting the policy, the Committee consulted with major shareholders, the IA and ISS in 2013/14 on the proposed salary increases for the executive directors to bring them in line with their peers, the proposed changes to the non-financial annual bonus performance measures and long-term incentive provision going forward.

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 which, having been approved by shareholders, has been in operation since the 2014 AGM:

Component and link to strategy	Operation	Maximum opportunity	Framework to assess performance
SALARY To be market competitive and therefore assist in recruiting, retaining and motivating high quality executives. Reflects individual role and experience.	Salaries are normally reviewed in July each year and changes normally 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. Increases may be below or above this e.g. due to promotion or role change or a significant change in the size and scope of the Company. Salaries for 2015/16 are set out in the Annual Report on Remuneration.	In addition to the reviews by the Chairman, as part of the annual Board evaluation, 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 Group KPIs.	Annual bonuses are normally payable in November following the year end on 31 July, subject to the achievement of performance targets that were set at the start of the year on 1 August. 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. Details of the performance targets for the forthcoming year are set out in the Annual Report on Remuneration.
LONG-TERM INCENTIVES (PERFORMANCE SHARE PLAN ('PSP')) To encourage long-term value creation, aid retention, encourage shareholding and promote alignment of interests with shareholders.	The Company operates a PSP as its primary long-term incentive. Annual awards of nil cost options or conditional awards may be made under the PSP to the executive directors, at the discretion of the Committee. Awards normally vest three years after grant, subject to the achievement of stretching performance targets. Dividend equivalents (in cash or shares) may be payable. The Company operates a clawback mechanism which allows the Company, in exceptional circumstances, to clawback some or all of the payments made. A post-vesting minimum holding period of two years applies to awards granted from 2014 onwards.	150% of basic salary.	PSP awards are subject to stretching three-year targets. The current 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. 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 2015/16 are set out in the Annual Report on Remuneration.

Report of the Board on Directors' Remuneration (continued)

Component and link to strategy	Operation	Maximum opportunity	Framework to assess performance
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. Other benefits may be provided where appropriate. Any expenses incurred in carrying out duties will be fully reimbursed by the Company including any personal taxation associated with such expenses.	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 determined by 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 normally 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 normally 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's outstanding PSP awards which he retained when he left his role as Chief Executive) and they are not entitled to compensation on termination of their arrangements, other than normal notice provisions of three months given by either party. Travel, accommodation and other related expenses incurred in carrying out the role will be paid by the Company including any personal taxation associated with such expenses.	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.

Component and link to strategy	Operation	Maximum opportunity	Framework to assess performance
SHARE OWNERSHIP GUIDELINE FOR EXECUTIVE DIRECTORS To align executive directors' interests with those of shareholders.	Executive directors are required to accumulate a minimum shareholding 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 in respect of awards granted in 2014 or before), 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.	Not applicable.	Not applicable.

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.
2. The executive directors may also participate in any all-employee plan operated by the Company up to prevailing HMRC limits.
3. For the avoidance of doubt, in approving this Directors' Remuneration Policy, authority has been given to the Company to honour any commitments entered into with current or former directors (such as in connection with the unvested SMP awards and the final SMP award which was granted in 2014, notwithstanding that the SMP will not form part of the Company's policy going forward). Details of any payments made to former directors will be set out in the Annual Report on Remuneration as they arise.

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 and the market rate for a candidate of that experience as well as the importance of securing the preferred candidate.

Element	General policy	Detail
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 accordance with Company policies.	Additional benefits in relation to recruitment may be provided where considered appropriate. For example, relocation expenses or allowances, legal fees and other recruitment related costs may be payable.
Bonus	In accordance 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')	In accordance with Company policies and maximum limits in the PSP rules.	An award may be made in the year of joining or, alternatively, the award can be delayed until the following year. Targets would normally be the same as for other directors and grant levels consistent within the permitted individual maximum under the rules of the plan.
Other share awards	The Committee may make an incentive award to replace deferred or incentive pay forfeited by an executive leaving a previous employer (and, if required, by relying on the flexibility provided in the Listing Rules to grant such replacement awards).	Awards would, where possible, be consistent with the awards forfeited in terms of vesting periods, expected value and performance conditions.

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 six-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.

Element	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 alternative income 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 alternative income 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.
PSP (and SMP awards granted to the current executive directors in 2014 or before)	All awards, including those which have vested but are unexercised 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.	The Company may pay for outplacement support and assistance with legal fees.

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 reorganisation, 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.

Report of the Board on Directors' Remuneration (continued)

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

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.

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.

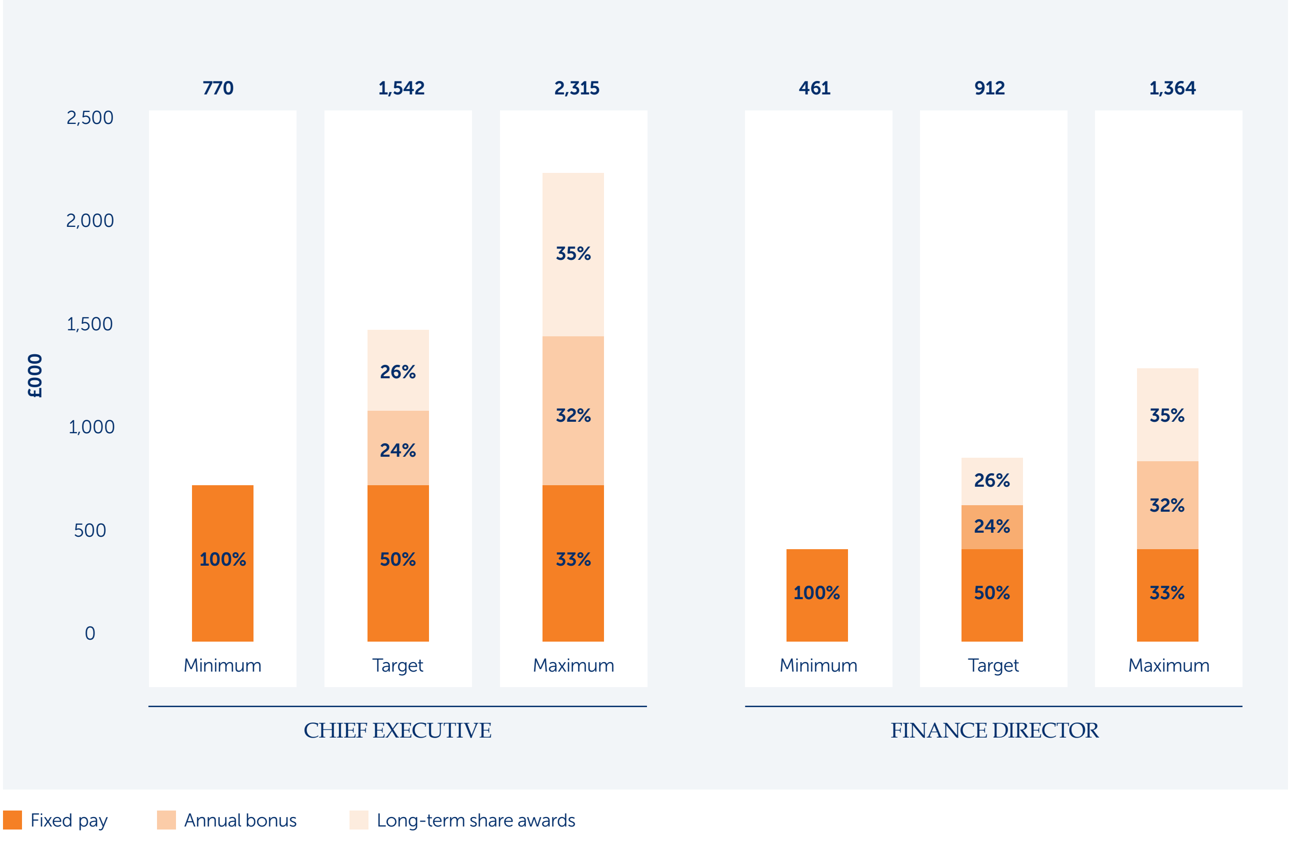
Non-executive director	First appointed as a director	Current letter of appointment commencement date	Current letter of appointment expiry date
J K Watson (1)	1 August 1995	1 February 2013	31 January 2016
M R Toms	1 February 2009	1 February 2015	31 January 2018
J A Cuthbert(2)	1 November 2009	1 November 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

Notes:

1. Subject to Mr Watson's re-appointment by shareholders at the forthcoming AGM, it is the Company's intention to issue him with a new letter of appointment with an effective commencement date of 1 February 2016 for a three-year period, expiring on 31 January 2019.
2. A new letter of appointment will be issued with an effective commencement date of 1 November 2015 for a three-year period, expiring on 31 October 2018.

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, which has been based on the simplified long-term incentive policy applying from 2015 onwards (i.e. PSP awards at 130% of salary with the SMP no longer operated), is indicative, as share price movement and dividend accrual have been excluded.



Note:
1. 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 2015/16, benefits are based on the value of actual benefits received in 2014/15 and pension/pay in lieu of pension is based on policy of 20% of salary applied to the 2015/16 salary.

Target – fixed pay plus 50% of maximum bonus payout plus PSP award of 130% of salary with 50% of the award vesting.

Maximum – fixed pay plus 100% of maximum bonus payout plus PSP award of 130% of salary with 100% of the award vesting.

Report of the Board on Directors' Remuneration (continued)

Annual Report on Remuneration

The Board Committee on Executive Directors' Remuneration

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

The Committee meets at least twice a year and during the year it met on four occasions. Its duties are to review and determine 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:

- recommended the draft rules of the Bellway p.l.c. (2014) Employee Share Option Scheme ('ESOS') for approval by the Board. The ESOS, which is intended to operate below Board level (Board directors are not eligible to participate) was approved by shareholders at the 2014 AGM; and
- reviewed current market practice and future trends in executive remuneration.

The remuneration of the executive directors and the Chairman is determined by the Committee within a framework set by the Board. 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 at www.bellwaycorporate.com/corporateGovernance. 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'), part 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 £27,374.

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.

Implementation of remuneration policy in 2015/16

This section sets out how the Company will implement the remuneration policy for the 2015/16 financial year.

Basic salaries

The Committee has awarded salary increases in line with the increases given to the general workforce of around 3% for 2015/16. Accordingly, from 1 August 2015, the Chief Executive's salary was increased to £618,000 p.a. and the Finance Director's salary was increased to £361,000 p.a.

Annual bonus

For the 2015/16 financial year, the bonus opportunity will continue to be limited to 120% of basic salary. The performance conditions relate to a stretching target of pre-exceptional operating profit (90%) and non-financial performance (30%), with non-financial performance being assessed by reference to land bank management (15%), health and safety (7.5%) and customer care (7.5%). 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 and that the division between financial and non-financial performance targets provides an appropriate balance between long and short-term shareholder returns. The land bank element of the bonus requires a predetermined number of plots with detailed planning permission ('DPP') available for completion in the following financial year to be met. The health and safety performance is measured using the NHBC health and safety score, which is an independent measure based on regular inspections of each site. The customer care element has been updated for this year from a simple net satisfaction score to the average of six key indicators, as measured by the NHBC. This measure has been adopted as a more appropriate reflection of the metrics by which the performance of each division is managed by the executives. For each non-financial element, as was the case last year, sliding scale targets will apply whereby a proportion of the bonus will be payable if a base threshold is achieved, with further bonus paid on a sliding scale for improvements in performance up to the maximum bonus opportunity. In the event that the threshold profit criterion is not met, no bonus will be payable under the non-financial elements.

Long-term incentives

As disclosed last year following consultation with major investors, reflecting the fact that the SMP will no longer be operated, the Company anticipates making a grant under the PSP in November 2015 with a face value equivalent to 130% of salary to the executive directors. Awards will vest to executives after three years, subject to the achievement of performance conditions based around TSR, which measures the total return 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. Consistent with last year, the PSP award granted in 2015/16 will be subject to a relative TSR condition with 50% of awards measured against a group of housebuilders and the other 50% against the constituents of the FTSE 250 (excluding financial services companies and investment trusts).

Long-term incentives (continued)

Awards will also only vest subject to the achievement of an underpin, which requires an improvement in the underlying financial performance of the Company over the performance period.

A two-year minimum holding period for any shares which vest after allowing for tax will apply. This will increase the alignment of directors' interests with the longer-term interests of shareholders.

Chairman and non-executive director fees

For 2015/16, the Chairman's fee and the base fee for non-executive directors increased by around 3%, which is in line with the average pay awards for the workforce generally. The Chairman's fee was increased from £195,000 to £200,000 p.a. with effect from 1 August 2015 and the base fee for the non-executive directors was increased from £53,045 to £54,636. The fees for chairing the Audit Committee and the Board Committee on Executive Directors' Remuneration have also increased by 3% from £5,150 to £5,305 and the additional fee for the senior independent non-executive director has increased from £7,725 to £7,957.

Implementation of remuneration policy in 2014/15

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

Single figure of total remuneration

		Salary and fees £	Taxable benefits[1] £	Pension[2] £	Annual bonus £	Sub-total £	Long-term incentives[3] £	Other items[4] £	Total £
Non-executive Chairman									
	2014	185,000	698	–	–	185,698	–	–	185,698
J K Watson	**2015**	**195,000**	**672**	**–**	**–**	**195,672**	**–**	**–**	**195,672**
Executive directors									
	2014	–	–	–	–	–	661,646	–	661,646
J K Watson[5]	**2015**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	2014	500,000	34,972	100,000	550,000	1,184,972	304,062	–	1,489,034
E F Ayres	**2015**	**600,000**	**28,238**	**120,000**	**639,000**	**1,387,238**	**574,903**	**4,499**	**1,966,640**
	2014	285,000	27,129	57,000	313,500	682,629	–	–	682,629
K D Adey	**2015**	**350,000**	**27,969**	**70,000**	**372,750**	**820,719**	**360,613**	**3,786**	**1,185,118**
Non-executive directors									
	2014	56,500	–	–	–	56,500	–	–	56,500
M R Toms	**2015**	**58,195**	**–**	**–**	**–**	**58,195**	**–**	**–**	**58,195**
	2014	54,000	–	–	–	54,000	–	–	54,000
J A Cuthbert	**2015**	**60,770**	**–**	**–**	**–**	**60,770**	**–**	**–**	**60,770**
	2014	54,000	–	–	–	54,000	–	–	54,000
P N Hampden Smith	**2015**	**58,195**	**–**	**–**	**–**	**58,195**	**–**	**–**	**58,195**
	2014	51,500	–	–	–	51,500	–	–	51,500
D N Jagger	**2015**	**53,045**	**–**	**–**	**–**	**53,045**	**–**	**–**	**53,045**
Former directors									
	2014	30,750	–	–	–	30,750	–	–	30,750
P M Johnson[6]	**2015**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	2014	1,216,750	62,799	157,000	863,500	2,300,049	965,708	–	3,265,757
Totals	**2015**	**1,375,205**	**56,879**	**190,000**	**1,011,750**	**2,633,834**	**935,516**	**8,285**	**3,577,635**

Notes:

1. Taxable benefits include car or car allowance and health insurance.
2. Pension includes both payments in lieu of pension of £98,880 and contributions to a defined contribution scheme of £91,120. None of the directors are members of the Group's defined benefit scheme and both of the executive directors are members of a defined contribution scheme.
3. The value of long-term incentives in 2015, reflects the partial vesting of the 2012 PSP awards, which will be exercisable from 13 November 2015 and the partial vesting of the 2012 SMP awards which will be exercisable from 23 November 2015, including additional shares in lieu of dividends accrued from the date of the 2012 SMP award to vesting, using the share price at 31 July 2015. The 2014 figures have been restated to reflect the actual share price, on vesting, of the partially vested 2011 PSP awards, which took place after the publication of last year's report.
4. Other items refer to the discount on the awards, during the year, under the Group's savings related share option scheme.
5. John Watson held the position of Chief Executive until 31 January 2013. The 2014 long-term incentive value relates to the awards granted to him in 2011 while he was an executive director.
6. Peter Johnson retired from the Board on 31 January 2014. The 2014 fee reflects his annual fee of £61,500 pro-rated for his time in post.

Report of the Board on Directors' Remuneration (continued)

Annual bonus for the year ended 31 July 2015

The annual bonus is payable in November 2015 for performance during the year ended 31 July 2015. The performance conditions for the 2014/15 bonus were operating profit (pre-exceptional items) (90% of salary) and non-financial performance (30% of salary), with non-financial performance being assessed by reference to land bank management (15% of salary), health and safety (7.5% of salary) and customer care (7.5% of salary).

In previous years the payment of any bonus for non-financial performance, depended on the target being met in full. For 2014/15 onwards this was changed to a sliding scale of targets. For land bank, a 10% payment would be triggered for a predetermined percentage increase in plots with DPP, with an additional 1% payment for further improved performance, up to a maximum of 15% of salary. Similarly, for health and safety and customer care there is a minimum payment of 4.5% for no deterioration in scores from the previous year, with additional 1% increments payable up to a maximum of 7.5% for improved performance.

The actual bonus payment against operating profit was determined on the following basis:

Measure	Weighting (% of salary)	Threshold	Target	Maximum value	Actual	Payment (% of maximum)	Payment (% of salary)
Operating profit (pre-exceptional)	90%	£315 million	£331 million	£340 million	£360.4 million	100%	90%

As can be seen from this table, the actual operating profit exceeded the maximum value set by the Committee at the start of the year. This was the result of the success of management in acquiring land and constructing and selling more homes at higher prices, in a favourable business environment, whilst at the same time controlling construction costs.

Details of the three non-financial metrics that applied are set out in the table below:

Non-financial measure	Objectives	Score
Land bank	Increase in the forward land bank of plots with DPP (available for completion in the following financial year) in the year to 31 July 2015 to ensure the Group's revenue aspirations are not frustrated by land shortages in future years.	Maximum – 15% of salary
	The forward land bank of plots with DPP (available for completion in the following financial year) grew by 12.8% during the year resulting in a partial payment.	Partially achieved – 11% of salary awarded
Health and safety	No deterioration of the NHBC safety score from last year as a minimum and additional payments made for improvements in health and safety performance by reference to the NHBC safety score. Improvements in health and safety performance are indicated by a lower NHBC safety score.	Maximum – 7.5% of salary
	The Group's NHBC safety score in 2014 was 0.986. The target for a maximum payment in 2015 was 0.836. The actual score was 0.936, which exceeded the threshold required for a partial payment but did not reach the target for a maximum payment.	Partially achieved – 5.5% of salary awarded
Customer care	No deterioration of previous year's net assessment of customer satisfaction score as a minimum, with additional bonus opportunity for improvement in the Group's customer satisfaction score.	Maximum – 7.5% of salary
	The Group score in 2015 was 55.9 compared with 56.7 in 2014.	Minimum score for payment narrowly missed. No award

Overall, the Committee is satisfied that the resulting bonus payment of 106.5% of salary (out of 120%) is reflective of the Company's record performance during the year.

Long-term incentives vesting in respect of performance period ended 31 July 2015

The PSP and SMP awards granted in November 2012 which will partially vest in November 2015, were based on three-year TSR performance for the period to 31 July 2015. The applicable vesting percentages will be as follows:

Metric	Performance condition	Threshold target	Stretch target	Actual	% Vesting
50% of awards	Relative TSR against a peer Housebuilders' Index: 25% of this part of an award vests at the Index, increasing, pro-rata, to full vesting at Index + 7.5% p.a.	90.1% TSR (Index)	97.6% TSR (Index + 7.5% p.a.)	74.2% Bellway TSR	0%
50% of awards	Relative TSR against the FTSE 250 (excluding financial services companies and investment trusts): 25% of this part of an award vests at median, increasing, pro-rata, to full vesting at the upper quartile.	85 rank (median)	42.75 rank (upper quartile)	16 Bellway rank	50%
Total					**50% (out of 100%)**

Long-term incentives vesting in respect of performance period ended 31 July 2015 (continued)

An underpin also applied to the 2012 PSP and SMP awards. Regardless of TSR performance, no part of an 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, inter alia, operating profit, operating margin, ROCE and NAV. The Committee agreed that this underpin had been met and the following PSP and SMP awards are expected to be exercisable on 13 November 2015 and 23 November 2015 respectively.

		Number of shares at grant	Number of shares lapsed	Number of shares vested	Value at vesting[1] (£000)
E F Ayres	PSP	30,960	(15,480)	15,480	373.2
	SMP	15,504	(7,752)	7,752[2]	186.9
K D Adey	PSP	23,220	(11,610)	11,610	279.9
	SMP	6,204	(3,102)	3,102[2]	74.8

Notes:

1. Based on the closing share price at 31 July 2015.
2. Additional shares (not included above) will be awarded in lieu of dividends accrued from the date of the 2012 SMP award to vesting in respect of each director as follows: Mr Ayres 613 shares and Mr Adey 245 shares.

Directors' interests in the long-term incentive plans

The Chairman and executive directors have the following potential future beneficial interests pursuant to the allocation of shares under the PSP.

PSP		Fully paid ordinary 12.5p shares				
Potential future beneficial interests	Award date	Awards held at 1 August 2014	Awarded during the year	Awards lapsed during the year	Awards vested during the year	**Awards held at 31 July 2015**
J K Watson	24.10.2011[1] [5]	77,659	–	(38,830)	(38,829)	**–**
Totals		77,659	–	(38,830)	(38,829)	**–**
E F Ayres	24.10.2011[1] [5]	35,689	–	(17,845)	(17,844)	**–**
	13.11.2012[2] [5]	30,960	–	–	–	**30,960**
	18.12.2013[3] [5]	34,506	–	–	–	**34,506**
	10.11.2014[4]	–	35,842	–	–	**35,842**
Totals		101,155	35,842	(17,845)	(17,844)	**101,308**
K D Adey	13.11.2012[2] [5]	23,220	–	–	–	**23,220**
	18.12.2013[3] [5]	19,668	–	–	–	**19,668**
	10.11.2014[4]	–	20,908	–	–	**20,908**
Totals		42,888	20,908	–	–	**63,796**

Notes:

1. Market value on award 700.5p. The performance period was 1 August 2011 – 31 July 2014.
2. Market value on award 976.5p. The performance period was 1 August 2012 – 31 July 2015.
3. Market value on award 1,449.0p. The performance period is 1 August 2013 – 31 July 2016.
4. On 10 November 2014 awards of performance shares under the 2013 PSP were 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 prevailing grant policy. Ted Ayres was granted an award over 35,842 shares with a face value, on grant, of £600,000 and Keith Adey's award was over 20,908 shares with a face value, on grant, of £350,000. The market value of a Bellway share on award was 1,674.0p,and the performance period is 1 August 2014 – 31 July 2017. The awards are subject to a TSR performance condition, which is in two parts. Half is measured by reference to Bellway's TSR against the TSR of UK housebuilders. If Bellway's TSR matches the median of the housebuilder group, 25% of this part of an award vests. Full vesting for this part of an award would be achieved for 22.5% outperformance of the median. The housebuilder group is comprised of Barratt Developments PLC, The Berkeley Group plc, Bovis Homes Group PLC, Crest Nicholson Holdings 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 financial services companies and investment trusts). Awards start to vest at 25% for this part of an award 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. These awards are also subject to clawback provisions.
5. The performance conditions for previous awards are summarised below:
   (a) For the awards made on 24 October 2011 and 13 November 2012, the TSR performance condition was in two parts. Half was measured by reference to the Housebuilders' Index as above (excluding Crest Nicholson Holdings plc which was re-listed in February 2013). If Bellway's TSR matches that of the Housebuilders' Index (excluding Crest Nicholson Holdings plc), 25% of the award vests. Full vesting would be achieved for 7.5% per annum outperformance of the Housebuilders' Index. The other half was measured by reference to the companies in the FTSE 250 Index (excluding financial services companies and investment trusts) 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.
   (b) For the awards made on 18 December 2013 the awards are subject to a TSR performance condition, which is in two parts. Half is measured by reference to Bellway's TSR against the TSR of UK housebuilders. If Bellway's TSR matches the median of the housebuilder group, 25% of this part of an award vests. Full vesting for this part of an award would be achieved for 22.5% outperformance of the median. The housebuilder group is comprised of Barratt Developments PLC, The Berkeley Group plc, Bovis Homes Group PLC, Crest Nicholson Holdings 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 financial services companies and investment trusts). Awards start to vest at 25% for this part of an award 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. These awards are also subject to clawback provisions.

   Regardless of TSR performance, no part of an 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, inter alia, operating profit, operating margin, ROCE and NAV.
6. The market price of the ordinary shares at 31 July 2015 was 2,411p and the range during the year was 1,466p to 2,447p.

Report of the Board on Directors' Remuneration (continued)

Directors' interests in the long-term incentive plans (continued)

The executive directors have the following potential future beneficial interests pursuant to the allocation of shares under the SMP.

SMP		Fully paid ordinary 12.5p shares					
Potential future beneficial interests	Award date	Awards held at 1 August 2014	Matching Shares awarded during the year	Matching Shares lapsed during the year	Matching Shares vested during the year	**Matching Shares held at 31 July 2015**	Investment Shares purchased during the year
E F Ayres	23.11.2012[1]	15,504	–	–	–	**15,504**	–
	28.11.2013[2]	14,501	–	–	–	**14,501**	–
	4.12.2014[3]	–	14,562	–	–	**14,562**	3,859
Totals		30,005	14,562	–	–	**44,567**	3,859
K D Adey	23.11.2012[1]	6,204	–	–	–	**6,204**	–
	28.11.2013[2]	9,320	–	–	–	**9,320**	–
	4.12.2014[3]	–	8,298	–	–	**8,298**	2,199
Totals		15,524	8,298	–	–	**23,822**	2,199

Notes:

1. Market value on award 967.5p. 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.
2. Market value on award 1,448.0p. The performance period is 1 August 2013 – 31 July 2016. The vesting of the Matching Shares is subject to the same performance conditions as the PSP award made on 18 December 2013.
3. Market value on award 1,918.0p. The performance period is 1 August 2014 – 31 July 2017. The vesting of the Matching Shares is subject to the same performance conditions as the PSP award made on 10 November 2014.

Directors' share options

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

	Scheme	1 August 2014	Granted during the year	Exercised during the year	**31 July 2015**	Exercise price (p)	Exercisable from	Expiry date
J K Watson	2003 SRSOS[d]	1,618	–	(1,618)	**–**	556.00	1 Feb 2015	31 July 2015
Totals		1,618	–	(1,618)	**–**			
E F Ayres	2005 ESOS[b]	3,500	–	(3,500)	**–**	844.00	31 Oct 2008	31 Oct 2015
	2003 SRSOS[d]	2,350	–	(2,350)	**–**	661.60	1 Feb 2015	31 July 2015
	2013 SRSOS[e]	–	1,306	–	**1,306**	1,378.00	1 Feb 2018	31 July 2018
Totals		5,850	1,306	(5,850)	**1,306**			
K D Adey	2003 SRSOS[d]	3,463	–	–	**3,463**	439.60	1 Feb 2016	31 July 2016
	2013 SRSOS[e]	–	1,099	–	**1,099**	1,378.00	1 Feb 2020	31 July 2020
Totals		3,463	1,099	–	**4,562**			

Notes:

1. All of the above options were granted for nil consideration.
2. Aggregate gross gains made by the directors on the exercise of the above options in the year were £106,402.44 (2014 – £132,379.50).
3. References to (b), (d) and (e) correspond with the summary of outstanding share options in note 19 on page 90.
4. The 2005 ESOS awards, exercisable from 31 October 2008, were 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 was met in only one year and two-thirds vesting if the target was 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

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

Director	**Beneficially owned at 31 July 2015**	Beneficially owned at 31 July 2014	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	**425,535**	403,384	–	–	–	–	–
E F Ayres	**41,920**	24,359	101,308	44,567	1,306	–	5,850
K D Adey	**7,158**	4,959	63,796	23,822	4,562	–	–
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
P N Hampden Smith	**8,196**	8,196	N/A	N/A	N/A	N/A	N/A
D N Jagger	**1,000**	500	N/A	N/A	N/A	N/A	N/A

Notes:

1. There has been no change in any of the above interests between 31 July 2015 and the date of this report.
2. A share ownership guideline is in place requiring executive directors to build up a holding of 100% of their basic salary. Ted Ayres now meets this guideline, and Keith Adey's holding is now in excess of 50% of this guideline. Further details on the guideline are set out in the Remuneration Policy above.

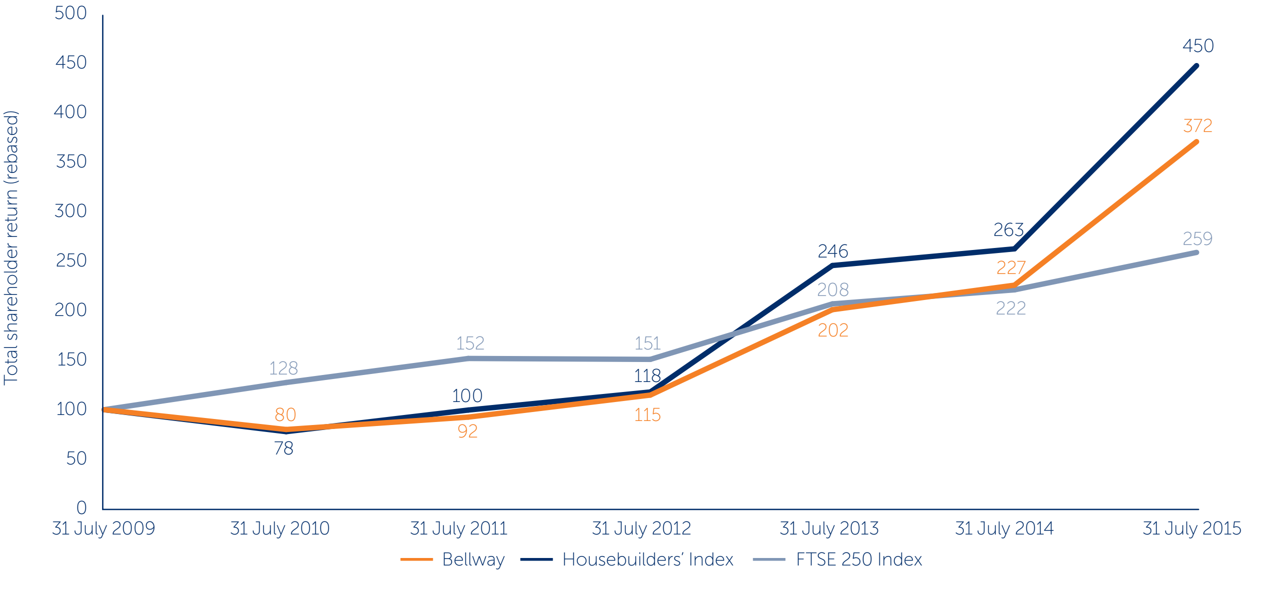
The following section of this report is not required to be audited.

Performance graph and table

The graph below shows the TSR performance over the past six years of the Company, the FTSE 250 Index and the bespoke Housebuilders' Index (as defined in note 4 on page 57). 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.

Total shareholder return

Source: Datastream (Thomson Reuters)



This graph shows the value, by 31 July 2015, of £100 invested in Bellway p.l.c. on 31 July 2009 compared with the value of £100 invested in the FTSE 250 Index and £100 invested equally in each of the housebuilders currently contained in the FTSE 350 Index (excluding Bellway). The other points plotted are the values at intervening financial year ends.

Report of the Board on Directors' Remuneration (continued)

Chief Executive total remuneration

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

	2010	2011	2012	2013	2014	**2015**
Total remuneration (£000)	1,532	1,899	1,396	1,243[1]	1,450	**1,966**
Annual bonus paid (as % of maximum)	76.9%	100.0%	99.3%	100.0%	91.6%	**88.8%**
PSP vesting (as % of maximum)	48.3%	99.6%	0.0%	0.0%	50.0%	**50.0%**

Note:

1. John Watson held the role of Chief Executive up until 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 base salary, benefits and annual bonus compared to the average increase across all employees.

		% change
Salary	Chief Executive	+20
	All other employees	+3
Benefits	Chief Executive	-19
	All other employees	+4
Annual bonus	Chief Executive	+16
	All other employees	+9

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 2014 and 31 July 2015.

	2015 £000	2014 £000	% change
Employee costs	**103,423**	84,619	+22
Dividends	**94,330**	63,525	+48
Corporation tax	**71,042[1]**	54,578[2]	+30

Notes:

1. Post exceptional item (see note 5 on page 80).
2. Restated following the adoption of IFRS 10 'Consolidated Financial Statements' and IFRS 11 'Joint Arrangements' (see note 28 on page 99).

Statement of voting at AGM

At last year's AGM held on 12 December 2014, the two resolutions on remuneration received the following votes from shareholders:

	Directors' Remuneration Policy		**Report of the Board on Directors' Remuneration**	
	Votes	**% of votes cast**	**Votes**	**% of votes cast**
Votes cast in favour	89,575,994	97.67	88,603,870	98.49
Votes cast against	2,136,039	2.33	1,360,321	1.51
Total votes cast	91,712,033	100.00	89,964,191	100.00
Votes withheld	1,132,868	N/A	2,880,710	N/A

This report will be put to an advisory vote of the Company's shareholders at the AGM on 11 December 2015.

On behalf of the Board

Mike Toms

Chairman of the Board Committee on Executive Directors' Remuneration

12 October 2015

Report of the Directors

Bellway p.l.c. is the holding company of the Bellway Group of companies and is a UK publicly listed company whose shares are traded on the London Stock Exchange. The main trading company is Bellway Homes Limited and this and all other subsidiaries and joint ventures of the Group are listed at note 27 to the accounts.

Results and dividends

The profit for the year attributable to equity holders of the parent company amounts to £283.1 million (2014 – £191.4 million).

The directors have proposed a final ordinary dividend for the year ended 31 July 2015 of 52.0p per share. This has not been included within creditors as it was not approved by shareholders before the end of the financial year. Dividends paid during the year comprise a final dividend of 36.0p per share in respect of the year ended 31 July 2014, together with an interim dividend in respect of the year ended 31 July 2015 of 25.0p per share.

The directors recommend payment of the final dividend on Wednesday 13 January 2016 to shareholders on the Register of Members at the close of business on Friday 4 December 2015.

Directors

All the directors of the Company, who are shown on pages 34 and 35, served throughout the year.

Directors' contracts

Details of the terms of appointment of all the directors are given in the Report of the Board on Directors' Remuneration on page 52.

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 57 to 59.

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 102 and 103.

Listing rules

There are no disclosures required by LR9.8.4 which apply to the Company.

Notifiable shareholders' interests

As at 31 July 2015 and as at the date of this report, the Company had been notified under DTR 5 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 2015		As at 12 October 2015	
	Number of shares with voting rights	**% total voting rights**	Number of shares with voting rights	% total voting rights
Standard Life Investment Limited	**11,066,318**	**9.03**	12,323,067	10.06
Fidelity International Ltd/FMR Corp	**9,300,000**	**7.59**	9,300,000	7.59
MFS Investment Management	**5,996,308**	**4.89**	5,996,308	4.89
JP Morgan Chase & Co	**5,715,902**	**4.67**	5,715,902	4.67
AXA Framlington Investment Management	**5,603,638**	**4.89**	5,603,638	4.89
Credit Suisse Securities (Europe) Limited	**3,890,282**	**3.18**	3,890,282	3.18

Report of the Directors (continued)

Accountability and audit

The Statement on Going Concern and the Statement of Directors' Responsibilities in respect of the Annual Report and Accounts are shown on pages 63 and 65 respectively.

The Audit Committee, whose role is detailed on pages 40 to 43, has meetings at least twice a year with the Company's auditor, KPMG LLP.

Capital management

The Group is financed through the proceeds of issued ordinary shares, re-invested profits and bank borrowings less cash in hand. The following table analyses the Group's capital structure:

	2015 £million	2014 £million
Equity	**1,575.9**	1,366.1
Net bank debt	**38.5**	–
Capital employed	**1,614.4**	1,366.1

The Group has a strong balance sheet and with bank facilities of £400 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 2016	80
By 31 July 2017	70
By 31 July 2018	50
By 31 July 2019	25
By 31 July 2020	175
Total	**400**

The Group is in advanced negotiations to renew that element of the facilities which expire by 31 July 2016.

Financial risk management

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 mitigated 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.

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.

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 material 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. Furthermore the Group is a signatory to the Prompt Payment Code.

Whistleblowing arrangements

Throughout the year, the Group has operated a 'whistleblowing' arrangement whereby all employees of the Group are able, via either the Group Company Secretary or, alternatively, an independent external third party, to report, confidentially, 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.

Going concern

After conducting a full review, the directors have a reasonable expectation that the Group has adequate resources to fund its operations for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts as discussed further on page 74.

Employees

Bellway 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 Bellway, 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 supported 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.

All new employees, when eligible, are automatically entered into the Group's pension arrangements. In addition, the Group operates a savings related share option scheme. The Group also provides life assurance cover to all staff and 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, which is available on the Group's website, along with the Group's other corporate responsibility policies. Environmental issues are addressed in the Corporate Responsibility section of the Strategic Report on page 30 and on the Group's website at www.bellway.co.uk/corporate-responsibility.

Carbon reporting

The Group's carbon reporting is set out in the Strategic Report on page 30.

Report of the Directors
(continued)

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 Strategic Report and on the Group's website at www.bellway.co.uk/corporate-responsibility.

Information on those third parties with which the Company has contracts or arrangements essential to its business

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. There are no other arrangements which the Group considers to be critical to the performance of the business.

Purchase of the Company's own shares

The Company was given authority at the AGM on 12 December 2014 to purchase its own ordinary shares. As at the date of this report, no market purchases of ordinary shares have been made by the Company. This authority will expire at the end of the forthcoming AGM when shareholders will be asked to renew this authority in relation to its ordinary shares 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. 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 the 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 that each director has taken all the steps that he or she ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

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.

AGM – special business

Four resolutions will be proposed as special business at the AGM to be held on Friday 11 December 2015. Explanatory notes on these resolutions are set out in Shareholder Information on pages 101 and 102.

Directors' responsibility

The directors are responsible for preparing the Annual Report and Accounts in accordance with applicable law and regulations. The directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and that it provides the information necessary for shareholders to assess the Company's performance, business model and strategy. Further details are provided on page 65.

By order of the Board

Kevin Wrightson
Group Company Secretary

12 October 2015

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 Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

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

Responsibility statement of the directors in respect of the Annual Report and Accounts

We confirm that to the best of our knowledge:

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

We consider the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

Keith Adey
Finance Director
12 October 2015

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

Opinions and conclusions arising from our audit

1 Our opinion on the financial statements is unmodified

We have audited the financial statements of Bellway p.l.c. for the year ended 31 July 2015, set out on pages 69 to 99.

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 2015 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards, as adopted by the European Union (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.

2 Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements, the risk of material misstatement that had the greatest effect on our audit was as follows:

Profit recognition on current sites and the carrying amount of land held for development and work in progress (gross profit £434.8 million; land held for development and work in progress £2,108.9 million)

Refer to pages 40 to 43 (Audit Committee Report), pages 75 and 78 (Accounting Policies) and note 13 on page 85 (financial disclosures).

The risk – Profit recognition on current sites and the net realisable value of land held for development and work in progress are both reliant on the Group's forecast of future selling prices and construction costs, both of which are uncertain. Forecast selling prices are inherently uncertain due to challenges in assessing market conditions. Construction costs and in particular, sub-contractor costs, can vary with market conditions and may also be incorrectly forecast due to unforeseen events during construction.

Gross profit is recognised on house sales based on the latest whole site gross margin, which is an output of the site valuations prepared by the Group's divisional technical teams. These valuations use actual and forecast selling prices and construction costs and are sensitive to inaccuracies in recording actual costs incurred, forecast costs to complete and expected selling prices.

Land held for development and work in progress are held at the lower of cost and net realisable value (i.e. the forecast selling price less the remaining costs to construct and sell). An assessment of the net realisable value of land held for development and work in progress is carried out at each balance sheet date and is dependent on the Group's estimates of future selling prices and construction costs, together with the likelihood of receiving planning permission for land held for development. Planning permission is dependent on local and national policies, and without planning permission sites cannot be developed.

A change in the Group's estimate of sales price and build cost could have a material effect on the carrying value of land held for development and work in progress and the level of profit recognition in the Group's financial statements.

Our response – Our audit procedures included:

- Inspecting a sample of land additions to evaluate the terms of the transaction and checking to the amounts recorded in the financial statements, including re-performing the calculation of fair value for a sample of land acquired on deferred payment terms;
- Testing the Group's controls over the authorisation and recording of costs, including agreeing a sample of costs incurred to date from job cost reports to invoice and/or payment, including checking that they relate to the site against which they have been allocated;
- Testing the performance of the Group's controls over the production of site valuations, including the reconciliation of actual costs to date to job costs reports;
- We attended a selection of site valuation meetings, where incurred costs and revenues were reviewed against budgets and estimates of future cost and selling prices were discussed, challenged and updated, to check that senior operational, commercial and financial management were effectively challenging the forecast margins utilised to recognise profit;

2 Our assessment of risks of material misstatement (continued)

- We used a variety of quantitative and qualitative factors to select those sites with a higher risk of material misstatement and conducted detailed site reviews for these sites to understand the associated risks and ascertain whether these risks had been factored into the site valuations. The site reviews included the following procedures, among others, where relevant: i) making inquiries of senior operational, commercial and financial management, about their assessment of risks for these sites; ii) reviewing site plans to gain an understanding of progress made and problems arising on the site; iii) comparing actual and budgeted unit sales and average selling prices to date to identify potential construction or sale issues; and iv) for a sample of costs, agreeing total estimated costs to purchase orders/sub-contractor agreements (including variations);
- For all active sites and sites completed in the year we performed a comparison of budgeted and latest forecast margin, at July 2015, in order to assess the Group's ability to forecast accurately;
- On a site-by-site basis, we compared the gross margin recognised in the financial statements, with the latest site valuations to determine whether the margin recognised was appropriate;
- We developed an expectation, based on our attendance at site valuation meetings, our detailed site reviews, and other procedures, including inquiries and reviews of divisional board reports, of sites to be included in the Group's net realisable value provision. We obtained the Group's net realisable value provision and compared land held for development and work in progress sites included to our expectations and with reference to site valuations, determined whether amounts included had been calculated appropriately for these sites;
- For a sample of developments completed in the year, we determined whether the cost to complete accrual created was supported by the latest site valuation;
- Assessing the adequacy of the Group's disclosures in relation to areas of judgement and estimation in relation to these balances.

3 Our application of materiality and an overview of the scope of our audit

The materiality for the Group financial statements, as a whole was set at £21 million determined with reference to a benchmark of profit before tax, of which it represents 5.9%. In the prior year materiality was set at £15 million, determined with reference to a benchmark of revenue, of which it represented 1.0%. The benchmark has changed from revenue to profit before tax as we believe this is a more relevant measure for users of the financial statements.

We report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.6 million, in addition to other identified misstatements that warranted reporting on qualitative grounds.

The Group audit team performed the audits of the Group's principal components which covered 100% of total Group revenue, 99% of total Group profit before taxation, and 99% of total Group assets.

The audits undertaken for Group reporting purposes on the Group's principle components were performed to materiality levels that ranged from £8.6 million to £12.0 million, as set by the Group audit team.

4 Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- information given in the Corporate Governance Statement set out on pages 38 to 40 and in the Audit Committee Report, set out on pages 40 to 43, with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures, is consistent with the financial statements.

Independent Auditor's Report to the Members of Bellway p.l.c. (continued)

5 We have nothing to report in respect of the matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the directors' statement that they consider that the annual report and financial statements, taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy; or
- the Audit Committee's Report does not appropriately address matters communicated by us to the Audit Committee.

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 Directors' Remuneration Report 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; or
- a Corporate Governance Statement has not been prepared by the Company.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 63, in relation to going concern; and
- the part of the Corporate Governance Statement, on pages 38 to 39, relating to the Company's compliance with the ten provisions of the 2012 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

Scope of report and responsibilities

As explained more fully in the Directors' Responsibilities Statement, set out on page 65, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. 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. This report is made solely to the Company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2014a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions

Nick Plumb (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Quayside House, 110 Quayside, Newcastle upon Tyne NE1 3DX

12 October 2015

Group Income Statement

for the year ended 31 July 2015

	Notes	2015 Pre-exceptional item £000	2015 Exceptional item (note 5) £000	2015 Total £000	2014 Total Restated (note 28) £000
Revenue	1	**1,765,405**	**–**	**1,765,405**	1,484,817
Cost of sales	5	**(1,337,464)**	**6,865**	**(1,330,599)**	(1,169,202)
Gross profit		**427,941**	**6,865**	**434,806**	315,615
Administrative expenses		**(67,489)**	**–**	**(67,489)**	(60,000)
Operating profit	4	**360,452**	**6,865**	**367,317**	255,615
Finance income	2	**643**	**–**	**643**	807
Finance expenses	2	**(13,719)**	**–**	**(13,719)**	(10,724)
Share of result of joint ventures		**(50)**	**–**	**(50)**	304
Profit before taxation		**347,326**	**6,865**	**354,191**	246,002
Income tax expense	6	**(69,621)**	**(1,421)**	**(71,042)**	(54,578)
Profit for the year*		**277,705**	**5,444**	**283,149**	191,424

* All attributable to equity holders of the parent.

	Notes				
Earnings per ordinary share – Basic	8			**231.5p**	157.0p
Earnings per ordinary share – Diluted	8			**230.8p**	156.3p

Statements of Comprehensive Income

for the year ended 31 July 2015

	Notes	Group 2015 £000	Group 2014 £000	Company 2015 £000	Company 2014 £000
Profit/(loss) for the period		**283,149**	191,424	**300**	(1,310)
Other comprehensive expense					
Items that will not be recycled to the income statement:					
Remeasurement losses on defined benefit pension plans	25	**(3,239)**	(1,052)	**–**	–
Income tax on other comprehensive expense	6	**648**	210	**–**	–
Other comprehensive expense for the period, net of income tax		**(2,591)**	(842)	**–**	–
Total comprehensive income/(expense) for the period*		**280,558**	190,582	**300**	(1,310)

* All attributable to equity holders of the parent.

Statements of Changes in Equity

at 31 July 2015

Group	Notes	Issued capital £000	Share premium £000	Capital redemption reserve £000	Other reserves £000	Retained earnings £000	Total £000	Non-controlling interest £000	Total equity £000
Balance at 1 August 2013		15,221	165,132	–	1,492	1,037,059	1,218,904	(66)	1,218,838
Total comprehensive income for the period									
Profit for the period		–	–	–	–	191,424	191,424	–	191,424
Other comprehensive expense*		–	–	–	–	(842)	(842)	–	(842)
Total comprehensive income for the period		–	–	–	–	190,582	190,582	–	190,582
Transactions with shareholders recorded directly in equity:									
Dividends on equity shares	7	–	–	–	–	(45,102)	(45,102)	–	(45,102)
Shares issued	19	52	1,813	–	–	–	1,865	–	1,865
Purchase of own shares	20	–	–	–	–	(764)	(764)	–	(764)
Redemption of preference shares	20	–	–	20,000	–	(20,000)	–	–	–
Credit in relation to share options and tax thereon	6, 25	–	–	–	–	645	645	–	645
Total contributions by and distributions to shareholders		52	1,813	20,000	–	(65,221)	(43,356)	–	(43,356)
Balance at 31 July 2014		15,273	166,945	20,000	1,492	1,162,420	1,366,130	(66)	1,366,064
Total comprehensive income for the period									
Profit for the period		–	–	–	–	283,149	283,149	–	283,149
Other comprehensive expense*		–	–	–	–	(2,591)	(2,591)	–	(2,591)
Total comprehensive income for the period		–	–	–	–	280,558	280,558	–	280,558
Transactions with shareholders recorded directly in equity:									
Dividends on equity shares	7	–	–	–	–	(74,614)	(74,614)	–	(74,614)
Shares issued	19	41	2,067	–	–	–	2,108	–	2,108
Credit in relation to share options and tax thereon	6, 25	–	–	–	–	1,796	1,796	–	1,796
Total contributions by and distributions to shareholders		41	2,067	–	–	(72,818)	(70,710)	–	(70,710)
Balance at 31 July 2015		**15,314**	**169,012**	**20,000**	**1,492**	**1,370,160**	**1,575,978**	**(66)**	**1,575,912**

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

Statements of Changes in Equity (continued)

at 31 July 2015

Company	Notes	Issued capital £000	Share premium £000	Capital redemption reserve £000	Other reserves £000	Retained earnings £000	Total equity £000
Balance at 1 August 2013		15,221	165,132	–	2,145	498,601	681,099
Total comprehensive expense for the period							
Loss for the period		–	–	–	–	(1,310)	(1,310)
Other comprehensive income*		–	–	–	–	–	–
Total comprehensive expense for the period		–	–	–	–	(1,310)	(1,310)
Transactions with shareholders recorded directly in equity:							
Dividends on equity shares	7	–	–	–	–	(45,102)	(45,102)
Shares issued	19	52	1,813	–	–	–	1,865
Purchase of own shares	20	–	–	–	–	(764)	(764)
Redemption of preference shares	20	–	–	20,000	–	(20,000)	–
Credit in relation to share options	25	–	–	–	–	923	923
Total contributions by and distributions to shareholders		52	1,813	20,000	–	(64,943)	(43,078)
Balance at 31 July 2014		15,273	166,945	20,000	2,145	432,348	636,711
Total comprehensive income for the period							
Profit for the period		–	–	–	–	300	300
Other comprehensive income*		–	–	–	–	–	–
Total comprehensive income for the period		–	–	–	–	300	300
Transactions with shareholders recorded directly in equity:							
Dividends on equity shares	7	–	–	–	–	(74,614)	(74,614)
Shares issued	19	41	2,067	–	–	–	2,108
Credit in relation to share options	25	–	–	–	–	1,544	1,544
Total contributions by and distributions to shareholders		41	2,067	–	–	(73,070)	(70,962)
Balance at 31 July 2015		**15,314**	**169,012**	**20,000**	**2,145**	**359,578**	**566,049**

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

Balance Sheets

at 31 July 2015

	Notes	Group 2015 £000	Group 2014 Restated (note 28) £000	Company 2015 £000	Company 2014 £000
ASSETS					
Non-current assets					
Property, plant and equipment	9	**14,774**	12,304	**–**	–
Investment property	10	**1,609**	6,371	**–**	–
Investments in joint ventures and subsidiaries	11	**28,997**	26,794	**33,651**	32,107
Other financial assets	14	**–**	32,186	**–**	–
Deferred tax assets	12	**2,761**	2,697	**–**	–
		48,141	80,352	**33,651**	32,107
Current assets					
Inventories	13	**2,135,298**	1,796,607	**–**	–
Trade and other receivables	15	**64,454**	51,762	**483,935**	556,142
Cash and cash equivalents	22	**41,491**	33,603	**48,761**	48,748
		2,241,243	1,881,972	**532,696**	604,890
Total assets		**2,289,384**	1,962,324	**566,347**	636,997
LIABILITIES					
Non-current liabilities					
Retirement benefit obligations	25	**7,452**	7,932	**–**	–
Trade and other payables	17	**52,561**	66,346	**–**	–
Deferred tax liabilities	12	**333**	–	**–**	–
		60,346	74,278	**–**	–
Current liabilities					
Interest-bearing loans and borrowings	16	**80,000**	30,000	**–**	–
Corporation tax payable		**37,730**	29,752	**–**	–
Trade and other payables	17	**535,396**	462,230	**298**	286
		653,126	521,982	**298**	286
Total liabilities		**713,472**	596,260	**298**	286
Net assets		**1,575,912**	1,366,064	**566,049**	636,711
EQUITY					
Issued capital	19	**15,314**	15,273	**15,314**	15,273
Share premium		**169,012**	166,945	**169,012**	166,945
Capital redemption reserve	20	**20,000**	20,000	**20,000**	20,000
Other reserves		**1,492**	1,492	**2,145**	2,145
Retained earnings		**1,370,160**	1,162,420	**359,578**	432,348
Total equity attributable to equity holders of the parent		**1,575,978**	1,366,130	**566,049**	636,711
Non-controlling interest		**(66)**	(66)	**–**	–
Total equity		**1,575,912**	1,366,064	**566,049**	636,711

Approved by the Board of Directors on 12 October 2015 and signed on its behalf by:

John Watson
Director

Keith Adey
Director

Registered number 1372603

Cash Flow Statements

for the year ended 31 July 2015

	Notes	Group 2015 £000	Group 2014 Restated (note 28) £000	Company 2015 £000	Company 2014 £000
Cash flows from operating activities					
Profit/(loss) for the year		**283,149**	191,424	**300**	(1,310)
Depreciation charge	9, 10	**2,776**	2,976	**–**	–
Exceptional profit	5	**(6,865)**	–	**–**	–
Profit on sale of property, plant and equipment	4	**(247)**	(154)	**–**	–
Profit on sale of investment properties		**(1,980)**	(95)	**–**	–
Finance income	2	**(643)**	(807)	**–**	–
Finance expenses	2	**13,719**	10,724	**–**	1,305
Share-based payment expense	25	**1,544**	923	**–**	–
Share of post tax result of joint ventures		**50**	(304)	**–**	–
Income tax expense	6	**71,042**	54,578	**–**	–
Increase in inventories		**(338,691)**	(305,590)	**–**	–
(Increase)/decrease in trade and other receivables		**(6,141)**	(11,938)	**72,207**	65,912
Increase in trade and other payables		**47,940**	186,500	**12**	19
Proceeds from sale of available for sale portfolio – exceptional item	5	**32,462**	–	**–**	–
Cash from operations		**98,115**	128,237	**72,519**	65,926
Interest paid		**(6,783)**	(5,354)	**–**	(1,904)
Income tax paid		**(61,895)**	(42,683)	**–**	–
Net cash inflow from operating activities		**29,437**	80,200	**72,519**	64,022
Cash flows from investing activities					
Acquisition of property, plant and equipment		**(5,402)**	(3,846)	**–**	–
Proceeds from sale of property, plant and equipment		**403**	296	**–**	–
Proceeds from sale of investment properties		**6,742**	904	**–**	–
Increase in loans to joint ventures		**(1,190)**	(2,480)	**–**	–
Interest received		**404**	633	**–**	–
Net cash inflow/(outflow) from investing activities		**957**	(4,493)	**–**	–
Cash flows from financing activities					
Increase in bank borrowings		**50,000**	–	**–**	–
Redemption of preference shares		**–**	(20,000)	**–**	(20,000)
Proceeds from the issue of share capital on exercise of share options		**2,108**	1,865	**2,108**	1,865
Purchase of own shares by employee share option plans		**–**	(764)	**–**	(764)
Dividends paid	7	**(74,614)**	(45,102)	**(74,614)**	(45,102)
Net cash outflow from financing activities		**(22,506)**	(64,001)	**(72,506)**	(64,001)
Net increase in cash and cash equivalents		**7,888**	11,706	**13**	21
Cash and cash equivalents at beginning of year		**33,603**	21,897	**48,748**	48,727
Cash and cash equivalents at end of year	22	**41,491**	33,603	**48,761**	48,748

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 12 October 2015, 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 20 to 23. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Group Finance Directors' Review on pages 24 to 25 and the Directors' Report on page 61. 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, liquidity, interest rate and housing market risk.

The Group's activities are financed principally by a combination of ordinary shares and bank borrowings less cash in hand. At 31 July 2015, net debt was £38.5 million having consumed cash of £42.1 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 £400.0 million, expiring in tranches up to March 2020, with £320.0 million available for drawdown under such facilities at 31 July 2015.

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 adopted the following standards during the current financial year:

- IFRS 10 'Consolidated Financial Statements'. This standard provides a single control model for the inclusion of entities in consolidated financial statements.
- IFRS 11 'Joint Arrangements'. This standard removes the choice of consolidation method and prescribes that the equity method must be used for joint ventures, and that the Group's share of the assets, liabilities and transactions of joint operations are consolidated as if they were assets, liabilities and transactions of the Group.
- IFRS 12 'Disclosure of Interests in Other Entities'. This standard requires additional disclosures in relation to subsidiaries, joint arrangements, associates and unconsolidated entities.

Following the adoption of these standards the 'Basis of consolidation' accounting policy has been amended as set out below.

The adoption of IFRS 10 and IFRS 11 has resulted solely in presentational changes to the financial statements, with the comparative information contained within these financial statements restated to reflect these presentational changes (note 28). There has been no change to profit or equity for the comparative period as a result of adopting these new standards, although there have been some immaterial changes in other performance measures including gross profit and margin, operating profit and margin, and ROCE.

The adoption of IFRS 12 has resulted in additional disclosures in relation to subsidiaries and joint arrangements.

The other standards and interpretations that are applicable for the first time in the Group's financial statements for the year ended 31 July 2015 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. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. 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.

Joint arrangements are those entities over whose activities the Group has joint control, established by contractual agreement. A joint arrangement can take two forms:

(i) Joint venture – These entities are consolidated using the equity method of accounting.

(ii) Joint operation – The Group's share of the assets, liabilities and transactions of such entities are consolidated as if they were assets, liabilities and transactions of the Group.

Property, plant and equipment

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

Plant, fixtures and fittings – 3 to 10 years.

Freehold buildings – 40 years.

Freehold land is not depreciated.

Investment property

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

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

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

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.

Accounting Policies
(continued)

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 86.

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.

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 was redeemed on 7 April 2014.

II. Dividends

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

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

Classification of equity instruments and financial liabilities issued by the Group

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

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

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

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

Grants

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

Revenue recognition

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

Incentives

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

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

Rental income

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

Part-exchange properties

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

Contingent liabilities

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

Taxation

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

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

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

Employee benefits – retirement benefit costs

The defined benefit scheme liability is the present value of the defined benefit obligation at the balance sheet date less the fair value of scheme assets. The calculation is performed by a qualified actuary using the projected unit credit method. All remeasurement gains and losses are recognised immediately in the Statement of Comprehensive Income ('SOCI'). Net interest cost is calculated on the defined benefit liability for the period by applying the discount rate used to measure the defined benefit liability at the start of the year. Return on plan assets in excess of the amounts included in the net interest cost are recognised in the SOCI. Further details of the scheme and the valuation methods applied may be found in note 25 on page 92.

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

Employee benefits – 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 SOCI 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.

Accounting Policies
(continued)

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. 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/phase work in progress are carried out at regular intervals and estimates of the cost to complete a site/phase 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/phase and in assessing any impairment provisions which may be required.

For both the years ended 31 July 2015 and 31 July 2014, 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/phase by phase basis and have been amended based on local management and the Board's assessment of current market conditions. For the years ended 31 July 2015 and 31 July 2014 no exceptional charge has resulted from the review.

Gross profit recognition

Gross profit is recognised for completed house sales based on the latest whole site/phase gross margin which is an output of the site/phase valuation. These valuations, which are updated at frequent intervals throughout the life of the site/phase, use actual and forecast selling prices, land costs and construction costs and are sensitive to future movements in both the estimated cost to complete and expected selling prices. Forecast selling prices are inherently uncertain due to changes in market conditions.

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

- IAS 19 'Defined Benefit Plans: Employee Contributions'. The amendment simplifies the accounting for contributions that are independent of the number of years of employee service. This is effective for the period beginning on 1 August 2015.

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

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

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 Chief Executive's Operating Review on pages 20 to 23. The Board does not, however, consider these categories to be separate reportable segments as they review the entire operations as a whole when assessing performance and making decisions about the allocation of resources.

2 Finance income and expenses

	2015 £000	2014 Restated (note 28) £000
Interest receivable on bank deposits	**340**	502
Other interest income	**303**	305
Finance income	**643**	807
Interest payable on bank loans and overdrafts	**6,888**	3,361
Interest on deferred term land payables	**6,580**	5,700
Interest element of movement in pension scheme deficit	**251**	358
Preference dividends	**–**	1,305
Finance expenses	**13,719**	10,724

3 Employee information

Group employment costs, including directors, comprised:

	2015 £000	2014 £000
Wages and salaries	**101,954**	83,208
Social security	**9,584**	8,718
Pension costs (note 25)	**3,889**	2,858
Share-based payments (note 25)	**1,544**	923
	116,971	95,707

The average number of persons employed by the Group during the year was 2,164 (2014 – 1,959) comprising 708 (2014 – 628) administrative and 1,456 (2014 – 1,331) 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 44 to 60.

Key management personnel remuneration, including directors, comprised:

	2015 £000	2014 £000
Salaries and fees	**2,392**	2,054
Taxable benefits	**129**	130
Annual bonus – cash	**1,899**	1,641
Pension costs	**158**	183
Share-based payments	**803**	449
	5,381	4,457

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

Notes to the Accounts (continued)

4 Operating profit

	2015 £000	2014 Restated (note 28) £000
Operating profit is stated after charging/(crediting):		
Staff costs (note 3)	**116,971**	95,707
Profit on sale of property, plant and equipment	**(247)**	(154)
Exceptional item (note 5)	**(6,865)**	–
Depreciation of property, plant and equipment	**2,776**	2,459
Depreciation of investment property	**–**	517
Hire of plant and machinery	**12,755**	10,495
Operating lease charges for land and buildings	**1,171**	1,182
Auditor's remuneration:		
Audit of these financial statements	**30**	30
Amounts receivable by the auditor and its associates in respect of:		
Audit of financial statements of subsidiaries pursuant to legislation	**152**	150
Other services relating to taxation	**42**	39
Pension scheme audit	**4**	4

Amounts paid to the Company's auditor and their associates in respect of services to the Company, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis. The relevant proportion of amounts paid to the auditor for the audit of financial statements of joint ventures is £0.007 million (2014 – £0.003 million).

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.

On 22 May 2015 the Group sold its remaining shared interest assets (note 14) for cash consideration of £32.462 million. This resulted in a profit on disposal of £6.865 million. This has been treated as an exceptional item.

There were no exceptional items in the year ended 31 July 2014.

6 Income tax expense

	2015 £000	2014 Restated (note 28) £000
Current tax expense:		
UK corporation tax	**70,435**	54,152
Adjustments in respect of prior years	**(562)**	(47)
	69,873	54,105
Deferred tax expense:		
Origination and reversal of temporary differences	**1,090**	465
Adjustments in respect of prior years	**79**	8
	1,169	473
Total income tax expense in income statement	**71,042**	54,578

	2015 %	2015 £000	2014 %	2014 Restated (note 28) £000
Reconciliation of effective tax rate:				
Profit before taxation		**354,191**		246,002
Tax calculated at UK corporation tax rate	**20.7**	**73,318**	22.3	54,858
Enhanced deductions and non-taxable income	**(0.5)**	**(1,793)**	(0.1)	(241)
Adjustments in respect of prior years – current tax	**(0.1)**	**(562)**	–	(47)
– deferred tax	**–**	**79**	–	8
Effective tax rate and tax expense for the year	**20.1**	**71,042**	22.2	54,578

The corporation tax rate reduced to 23% with effect from 1 April 2013 and to 21% with effect from 1 April 2014. A further reduction to 20%, effective from 1 April 2015, has further reduced the Group's current tax charge.

The deferred tax assets held by the Group at the start of the comparative year that were expected to be realised after 31 March 2015 were valued at the substantively enacted tax rate that will be effective when they are expected to be realised, 20%. A further reduction in the UK corporation tax rate to 19% from April 2017 and to 18% from April 2020 has been announced, but neither were substantively enacted at the balance sheet date, so these changes are not reflected in these financial statements.

The effective income tax expense is 20.1% of profit before taxation (2014 – 22.2%) and compares favourably to the Group's standard tax rate for the year of 20.7% (2014 – 22.3%). The lower effective tax rate in the current year is principally due to enhanced tax deductions received by the Group in relation to land remediation relief and employers pension contributions made during the year.

	2015 £000	2014 £000
Deferred tax recognised directly in equity:		
Credit/(charge) relating to equity-settled transactions	**252**	(278)
Credit relating to remeasurements on the defined benefit pension scheme	**648**	210

7 Dividends on equity shares

	2015 £000	2014 £000
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 July 2014 of 36.0p per share (2013 – 21.0p)	**43,996**	25,566
Interim dividend for the year ended 31 July 2015 of 25.0p per share (2014 – 16.0p)	**30,625**	19,543
Dividends forfeited	**(7)**	(7)
	74,614	45,102
Proposed final dividend for the year ended 31 July 2015 of 52.0p per share (2014 – 36.0p)	**63,712**	43,989

The 2015 proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 11 December 2015 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 2014 shares were held by the Trust (note 20) on which dividends had been waived.

Notes to the Accounts (continued)

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 Bellway Employee Share Trust (1992) which are treated as cancelled).

Diluted earnings per ordinary share uses the same earnings figure as the basic calculation. 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. 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 2015 £000	Weighted average number of ordinary shares 2015 Number	Earnings per share 2015 p	Earnings 2014 £000	Weighted average number of ordinary shares 2014 Number	Earnings per share 2014 p
For basic earnings per ordinary share	**283,149**	**122,315,198**	**231.5**	191,424	121,919,049	157.0
Dilutive effect of options and awards		**380,546**	**(0.7)**		535,130	(0.7)
For diluted earnings per ordinary share	**283,149**	**122,695,744**	**230.8**	191,424	122,454,179	156.3

9 Property, plant and equipment

Group	Land and property £000	Plant, fixtures and fittings Restated (note 28) £000	Total Restated (note 28) £000
Cost			
At 1 August 2013	7,200	16,170	23,370
Additions	793	2,986	3,779
Disposals	–	(2,344)	(2,344)
At 1 August 2014	7,993	16,812	24,805
Additions	1,296	4,106	5,402
Disposals	(30)	(3,009)	(3,039)
At 31 July 2015	**9,259**	**17,909**	**27,168**
Depreciation			
At 1 August 2013	1,391	10,853	12,244
Charge for year	166	2,293	2,459
On disposals	–	(2,202)	(2,202)
At 1 August 2014	1,557	10,944	12,501
Charge for year	191	2,585	2,776
On disposals	–	(2,883)	(2,883)
At 31 July 2015	**1,748**	**10,646**	**12,394**
Net book value			
At 31 July 2015	**7,511**	**7,263**	**14,774**
At 31 July 2014	6,436	5,868	12,304
At 31 July 2013	5,809	5,317	11,126

The Company has no property, plant and equipment.

10 Investment property

Group	Total £000
Cost	
At 1 August 2013	8,106
Disposals	(809)
At 1 August 2014	7,297
Disposals	(5,040)
At 31 July 2015	**2,257**
Depreciation	
At 1 August 2013	409
Charge for year	517
At 1 August 2014	926
On disposals	(278)
At 31 July 2015	**648**
Net book value	
At 31 July 2015	**1,609**
At 31 July 2014	6,371
At 31 July 2013	7,697

Investment properties mainly represent homes which have been sold under a shared ownership scheme and where Bellway has retained an equity stake. 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 £1.991 million (2014 – £7.450 million).

Investment properties are held at cost and categorised as level 3 within the hierarchical classification of IFRS 7 Revised (as defined within the standard). The fair value is calculated on the same basis as other financial assets (see notes 14 and 18).

The Company has no investment properties.

11 Investments in subsidiaries and joint ventures

The Group and Company have the following investments in subsidiaries and joint ventures:

Subsidiary undertakings	Group 2015 £000	Group 2014 Restated (note 28) £000	Company 2015 £000	Company 2014 £000
Interest in subsidiary undertakings' shares at cost	**–**	–	**33,651**	32,107
Investments accounted for using equity method				
Interest in joint ventures – loan	**31,060**	29,814	**–**	–
Interest in joint ventures – equity	**(2,063)**	(3,020)	**–**	–
	28,997	26,794	**–**	–
	28,997	26,794	**33,651**	32,107

The subsidiary undertakings and joint arrangements in which the Group has interests are incorporated in England and Wales. In each case their principal activity is related to housebuilding. The Group is made up of 57 subsidiaries and 7 joint arrangements. Further details are included in note 27.

Where Bellway owns 100% of the voting rights of a business, the company is considered to be controlled by Bellway and is treated as a subsidiary.

North Solihull Partnership LP, Cramlington Developments Limited and Leebell Developments Limited are classified as joint operations as the shareholders have substantially all of the economic benefit of the assets and fund the liabilities of the entities.

Barking Riverside Limited and Ponton Road LLP are classified as joint ventures as the Group has rights to the net assets of the arrangements rather than the individual assets and liabilities.

Notes to the Accounts (continued)

11 Investments in subsidiaries and joint ventures (continued)

The movement on the investment in the joint ventures during the year is as follows:

	2015 £000	2014 £000
At the start of the year	**26,794**	23,926
Net increase in loans	**1,246**	2,564
Disposal of joint venture	**1,007**	–
Share of results	**(50)**	304
At the end of the year	**28,997**	26,794

The Group's share of the joint venture's net assets, income and expenses is made up as follows:

	2015 £000	2014 £000
Non-current assets	**156**	189
Current assets	**43,052**	36,083
Current liabilities	**(42,836)**	(37,913)
Non-current liabilities	**(2,435)**	(1,379)
Share of net assets of joint venture	**(2,063)**	(3,020)
Revenue	**1,498**	1,577
Costs	**(1,201)**	(1,040)
Operating profit	**297**	537
Interest	**(347)**	(233)
Share of results of joint venture	**(50)**	304

Guarantees relating to the overdrafts of the joint ventures have been given by the Company (note 23).

12 Deferred taxation

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

Group	Capital allowances Restated (note 28) £000	Retirement benefit obligations £000	Share-based payments £000	Other temporary differences Restated (note 28) £000	**Total Restated (note 28) £000**
At 1 August 2013	49	1,809	1,288	92	**3,238**
Income statement credit/(charge)	10	(432)	(40)	(11)	**(473)**
Credit to statement of comprehensive income	–	210	–	–	**210**
Charge to equity	–	–	(278)	–	**(278)**
At 31 July 2014	59	1,587	970	81	**2,697**
Income statement (charge)/credit	(203)	(743)	47	(270)	**(1,169)**
Credit to statement of comprehensive income	–	648	–	–	**648**
Credit to equity	–	–	252	–	**252**
At 31 July 2015	**(144)**	**1,492**	**1,269**	**(189)**	**2,428**

12 Deferred taxation (continued)

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

	2015 £000	2014 Restated (note 28) £000
Capital allowances	**–**	59
Retirement benefit obligations	**1,492**	1,587
Share-based payments	**1,269**	970
Other temporary differences	**–**	81
Deferred tax assets	**2,761**	2,697
Capital allowances	**(144)**	–
Other temporary differences	**(189)**	–
Deferred tax liabilities	**(333)**	–
Net deferred tax asset	**2,428**	2,697

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

13 Inventories

Group	2015 £000	2014 Restated (note 28) £000
Land	**1,296,976**	1,116,439
Work in progress	**763,664**	615,753
Showhomes	**57,491**	52,850
Part-exchange properties	**17,167**	11,565
	2,135,298	1,796,607

Inventories of £1,305.8 million were expensed in the year (2014 restated – £1,140.7 million).

In the ordinary course of business inventories have been written back by a net £11.2 million (2014 – £11.8 million) in the year. Land with a carrying value of £83.2 million (2014 – £66.4 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.

Notes to the Accounts (continued)

14 Other financial assets

Group	2015 £000	2014 £000
At 1 August	**32,186**	34,484
Additions	**–**	72
Redemptions	**(32,317)**	(2,526)
Imputed interest	**131**	156
At 31 July	**–**	32,186

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). On 22 May 2015 the Group sold its remaining interest in shared equity assets (note 5).

Other financial assets previously comprised 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 were 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 significant unobservable inputs including future house price movements, the expected timing of receipts and the likelihood that a purchaser defaults on a repayment. The directors revisited the future anticipated cash receipts from the assets at the end of each reporting period. At 31 July 2014 the estimated fair value of these assets included an allowance for low single-digit price inflation.

The difference between the anticipated future receipt and the initial fair value was 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 to cost of sales for the year ended 31 July 2015 was £0.131 million (2014 – £0.156 million).

Credit risk, which the directors considered to be largely mitigated through holding a second legal charge over the assets, was used 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 2014, and at the same date none of the other financial assets were past their due dates.

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 considered at the end of each reporting period whether the initial market discount rate still reflects up to date market conditions. If a revision is required, the fair value of the asset is re-measured at the present value of the revised future cash flows using this revised discount rate; the difference between this value and the carrying value of the asset is recorded against the carrying value of the asset and recognised directly in the Statement of Comprehensive Income.

The directors considered that there was no material difference between the initial market discount rate and the market discount rate at 31 July 2014 and the market discount rate at 22 May 2015, the date of disposal, and accordingly have not recognised any movements directly within the Statement of Comprehensive Income.

The Company has no other financial assets.

15 Trade and other receivables

Current receivables

	Group 2015 £000	Group 2014 Restated (note 28) £000	Company 2015 £000	Company 2014 £000
Trade receivables	**26,743**	20,783	**–**	–
Other receivables	**30,629**	28,407	**6**	35
Amounts owed by Group undertakings	**–**	–	**483,929**	556,107
Prepayments and accrued income	**7,082**	2,572	**–**	–
	64,454	51,762	**483,935**	556,142

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 (2014 – nil).

Other receivables due within one year include £18.699 million (2014 restated – £16.207 million) in relation to VAT recoverable.

16 Interest-bearing loans and borrowings

Current liabilities

	Group 2015 £000	Group 2014 £000	Company 2015 £000	Company 2014 £000
Bank loans	**80,000**	30,000	**–**	–
	80,000	30,000	**–**	–

17 Trade and other payables

Non-current liabilities

	Group 2015 £000	Group 2014 Restated (note 28) £000	Company 2015 £000	Company 2014 £000
Land payables	**47,897**	61,546	**–**	–
Other payables	**4,664**	4,800	**–**	–
	52,561	66,346	**–**	–

Land payables of £26.798 million (2014 – £8.053 million) are secured on the land to which they relate. The carrying value of the land used for security is £24.462 million (2014 – £7.023 million).

Current liabilities

	Group 2015 £000	Group 2014 Restated (note 28) £000	Company 2015 £000	Company 2014 £000
Trade payables	**209,868**	105,279	**–**	–
Land payables	**144,745**	186,441	**–**	–
Social security and other taxes	**3,836**	3,404	**–**	–
Other payables	**4,157**	11,844	**298**	286
Accrued expenses and deferred income	**74,028**	62,232	**–**	–
Payments on account	**98,762**	93,030	**–**	–
	535,396	462,230	**298**	286

Land payables of £60.465 million (2014 – £61.067 million) are secured on the land to which they relate. The carrying value of the land used for security is £58.745 million (2014 – £59.377 million).

Notes to the Accounts (continued)

18 Financial risk management

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

The Company's only financial instruments are cash, other receivables and amounts owed by Group undertakings.

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 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 certain employee share options.

Management of financial risk

The main risks associated with the Group's financial instruments held during the year have been identified as credit risk, liquidity risk, interest rate risk and housing market 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.

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

Liquidity risk

The Group finances its operations through a mixture of equity (comprising share capital, reserves and reinvested profit) 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 in the Report of the Directors 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.

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.

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 2015 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 £1.399 million (2014 restated – increase profit before taxation by £0.109 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 creditor is initially recorded at fair value, being the price paid for the land discounted to present day, and subsequently at amortised cost. The difference between the nominal value and the initial fair value is amortised over the deferred term to finance expense, increasing the land creditor to its full cash settlement value on the payment date.

18 Financial risk management (continued)

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 2015	**192,642**	**196,693**	**146,220**	**43,644**	**6,829**	**–**
At 31 July 2014	247,987	253,826	188,114	41,973	23,739	–

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

	Balance at 31 July £000	Total contracted cash payment £000	Within one year or on demand £000	1 – 2 years £000	2 – 5 years £000	More than 5 years £000
Bank loans – floating rates	80,000	80,163	80,163	–	–	–
Trade and other payables	222,525	222,525	217,861	–	–	4,664
At 31 July 2015	**302,525**	**302,688**	**298,024**	**–**	**–**	**4,664**
Bank loans – floating rates	30,000	30,087	30,087	–	–	–
Trade and other payables (restated)	125,327	125,327	120,527	–	–	4,800
At 31 July 2014 (restated)	155,327	155,414	150,614	–	–	4,800

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 £320.0 million (2014 – £270.0 million) of undrawn bank facilities available.

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 2015 and 31 July 2014 for both the Group and the Company are shown in note 22.

At 31 July 2015 the average interest rate earned on the temporary closing cash balance, excluding joint ventures, was 0.50% (2014 restated – 0.52%).

Fair values

The carrying values of financial assets and liabilities reasonably approximate their fair values.

Financial assets and liabilities by category

	Group 2015 £000	Group 2014 Restated (note 28) £000	**Company 2015 £000**	Company 2014 £000
Available-for-sale financial assets	**–**	32,186	**–**	–
Loans and receivables	**57,372**	49,190	**483,935**	556,142
Cash and cash equivalents	**41,491**	33,603	**48,761**	48,748
Financial liabilities at amortised cost	**(491,331)**	(399,910)	**(298)**	(286)
	(392,468)	(284,931)	**532,398**	604,604

Notes to the Accounts (continued)

19 Issued capital

Group and Company	2015 Number 000	2015 £000	2014 Number 000	2014 £000
Allotted, called up and fully paid ordinary shares				
At start of year	**122,191**	**15,273**	121,772	15,221
Issued on exercise of options	**331**	**41**	419	52
At end of year	**122,522**	**15,314**	122,191	15,273

Share options

At 31 July 2015 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. (1996) Employee Share Option Scheme					
31 October 2005	5,000	844.00	31 October 2008	to	30 October 2015
	5,000				
(b) Bellway p.l.c. (2005) Employee Share Option Scheme					
31 October 2005	6,000	844.00	31 October 2008	to	30 October 2015
07 February 2007	1,400	1,470.00	7 February 2010	to	6 February 2017
	7,400				
(c) Bellway p.l.c. (2007) Employee Share Option Scheme					
07 February 2007	1,600	1,470.00	7 February 2010	to	6 February 2017
	1,600				
(d) Bellway p.l.c. (2003) Savings Related Share Option Scheme					
12 November 2010	53,319	439.60	1 February 2016	to	31 July 2016
14 November 2011	2,103	556.00	1 February 2015	to	31 July 2015
14 November 2011	41,529	556.00	1 February 2017	to	31 July 2017
16 November 2012	97,539	805.60	1 February 2016	to	31 July 2016
16 November 2012	15,366	805.60	1 February 2018	to	31 July 2018
15 November 2013	75,806	1,218.40	1 February 2017	to	31 July 2017
15 November 2013	26,825	1,218.40	1 February 2019	to	31 July 2019
	312,487				
(e) Bellway p.l.c. (2013) Saving Related Share Option Scheme					
17 November 2014	194,806	1,378.00	1 February 2018	to	31 July 2018
17 November 2014	40,094	1,378.00	1 February 2020	to	31 July 2020
	234,900				
Total	**561,387**				

Details of directors' share options are contained within the Report of the Board on Directors' Remuneration on pages 44 to 60.

20 Reserves

Own shares held

The Group and Company holds shares within the Bellway Employee Share Trust (1992) (the 'Trust') for participants of certain share-based payment schemes as outlined in note 25. During the period the Trust made a market purchase of nil shares (2014 – 50,000 shares at an average price of 1,529.7p) and transferred 70,627 (2014 – nil) shares to employees and directors. The number of shares held within the Trust, and on which dividends have been waived, at 31 July 2015 was 17,816 (2014 – 88,443). These shares are held within the financial statements at a cost of £0.273 million (2014 – £1.033 million). The market value of these shares at 31 July 2015 was £0.430 million (2014 – £1.336 million).

Redemption of preference shares

On 7 April 2014 the Company redeemed 20,000,000 £1 preference shares, being all of the preference shares in issue. An amount of £20 million, equivalent to the nominal value of the shares redeemed, was transferred to a capital redemption reserve on the same date.

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 profit for the financial year was £0.300 million (2014 – loss of £1.310 million).

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

Group	**2015 £000**	2014 Restated (note 28) £000
Increase in net cash and cash equivalents	**7,888**	11,706
Increase in bank borrowings	**(50,000)**	–
Decrease in preference shares	**–**	20,000
Decrease in net (cash)/debt from cash flows	**(42,112)**	31,706
Net cash/(debt) at 1 August	**3,603**	(28,103)
Net (debt)/cash at 31 July	**(38,509)**	3,603

Company	**2015 £000**	2014 £000
Increase in net cash and cash equivalents	**13**	21
Decrease in preference shares	**–**	20,000
Increase in net cash from cash flows	**13**	20,021
Net cash at 1 August	**48,748**	28,727
Net cash at 31 July	**48,761**	48,748

22 Analysis of net cash/(debt)

Group	At 1 August 2014 Restated (note 28) £000	Cash flows £000	**At 31 July 2015 £000**
Cash and cash equivalents	33,603	7,888	**41,491**
Bank loans	(30,000)	(50,000)	**(80,000)**
Net cash/(debt)	3,603	(42,112)	**(38,509)**

Company	At 1 August 2014 £000	Cash flows £000	**At 31 July 2015 £000**
Cash and cash equivalents	48,748	13	**48,761**
Net cash	48,748	13	**48,761**

Notes to the Accounts (continued)

23 Contingent liabilities

The Company is liable, jointly and severally with other members of the Group, under guarantees given to the Group's bankers in respect of overdrawn balances on certain Group bank accounts and in respect of other overdrafts, loans and guarantees given by the banks to or on behalf of other Group undertakings. At 31 July 2015 there were bank overdrafts of £nil (2014 – £nil) and loans of £80.0 million (2014 – £30.0 million). The Company has given performance and other trade guarantees on behalf of subsidiary undertakings. The Company has guaranteed the overdrafts of joint arrangements up to a maximum of £0.3 million (2014 – £7.1 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 Capital commitments	2015 £000	2014 £000
Contracted not provided	**67**	372
Authorised not contracted	**–**	–

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:

	2015 £000	2014 £000
Expiring within one year	**31**	–
Expiring within the second to fifth years	**2,586**	2,397
Expiring in more than five years	**909**	1,031
	3,526	3,428

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 (2014 - £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 Group also sponsors the Bellway plc 2008 Group Self Invested Personal Pension Plan ('GSIPP') which is a defined contribution contract-based arrangement.

Contributions of £3.889 million (2014 – £2.858 million) were charged to the income statement for the GSIPP.

Defined contributions have been excluded from the assets and liabilities.

Role of Trustees

The Scheme is managed by the Trustees, who are appointed by either the Company or the members. The role of the Trustees is to manage the Scheme in line with the Scheme trust deed and rules, to act prudently, responsibly and honestly, impartially and in the interests of all beneficiaries. The main responsibilities of the Trustees are to agree with the employer the level of contributions to the Scheme and to make sure these are paid, to decide how the Scheme's assets are invested so the Scheme is able to meet its liabilities, and to oversee that the payment of benefits, record keeping and administration of the Scheme complies with the Scheme trust deed and rules and legislation.

Funding

UK legislation requires that pension schemes are funded prudently (i.e. to a level in excess of the current expected cost of providing benefits). The last full actuarial valuation of the Scheme was carried out by a qualified independent actuary as at 31 July 2014 and updated on an approximate basis to 31 July 2015.

With regard to the Scheme, regular contributions made by the employer over the financial year were £0.77 million (2014 – £1.20 million). The employer also paid special contributions amounting to £3.20 million (2014 – £1.32 million). Expenses were paid in addition.

The Group is expected to make regular contributions of £1.21 million during the year ending 31 July 2016.

25 Employee benefits (continued)

Regulation

The UK pensions market is regulated by the Pensions Regulator whose key statutory objectives in relation to UK defined benefit plans are:

- to protect the benefits of members of occupational pension schemes;
- to promote, and to improve understanding of the good administration of work-based pension schemes;
- to reduce the risk of situations arising which may lead to compensation being payable from the Pension Protection Fund, and
- to maximise employer compliance with employer duties and the employment safeguards introduced by the Pensions Act 2008.

Risk

The Scheme exposes the Group to a number of risks, the most significant are:

Risk	Description
Asset volatility	The Scheme's defined benefit obligation is calculated using a discount rate set with reference to corporate bond yields. However, a significant proportion of the Scheme's assets are invested in growth assets, such as equities, that would be expected to outperform corporate bonds in the long-term but create volatility and risk in the short-term.
Inflation risk	A significant proportion of the Scheme's defined benefit obligation is linked to inflation, with higher inflation increasing the liabilities. However, there are caps of either a 3% p.a. or 5% p.a. increase in place to limit the effect of higher inflation.
Life expectancy	The majority of the Scheme's liabilities are to provide a pension for the life of the member, with any increase in life expectancy also increasing the Scheme's defined benefit obligation.

Movements in net defined benefit obligations

	Defined benefit obligation		Fair value of Scheme assets		Net defined benefit liability	
	2015 £000	2014 £000	**2015 £000**	2014 £000	**2015 £000**	2014 £000
Balance at 1 August	**(50,364)**	(48,549)	**42,432**	39,507	**(7,932)**	(9,042)
Included in the income statement						
Interest (cost)/income	**(2,080)**	(2,191)	**1,829**	1,833	**(251)**	(358)
	(2,080)	(2,191)	**1,829**	1,833	**(251)**	(358)
Included in other comprehensive expense						
Remeasurement (loss)/gain arising from:						
– Change in demographic and financial assumptions	**(4,461)**	(1,558)	**–**	–	**(4,461)**	(1,558)
– Experience adjustments	**478**	90	**–**	–	**478**	90
Return on plan assets excluding interest income	**–**	–	**744**	416	**744**	416
	(3,983)	(1,468)	**744**	416	**(3,239)**	(1,052)
Other						
Contributions paid by the employer	**–**	–	**3,970**	2,520	**3,970**	2,520
Benefits paid	**1,706**	1,844	**(1,706)**	(1,844)	**–**	–
	1,706	1,844	**2,264**	676	**3,970**	2,520
Balance at 31 July	**(54,721)**	(50,364)	**47,269**	42,432	**(7,452)**	(7,932)

The weighted average duration of the defined benefit obligation at the end of the reporting period is 17 years (2014 – 17 years).

Notes to the Accounts (continued)

25 Employee benefits (continued)

(a) Retirement benefit obligations (continued)

Scheme assets

The fair value of the Scheme assets is:

	2015 £000	2014 £000
Equity instruments – quoted	**28,007**	24,166
Corporate bonds	**16,431**	12,703
Government bonds	**2,432**	1,786
Cash and cash equivalents	**399**	3,777
Total	**47,269**	42,432

Equity instruments and government bonds have quoted prices in active markets. Other plan assets are not quoted in active markets. All government bonds are issued by the UK government and are AAA minus rated.

Actuarial assumptions

The following are the principal actuarial assumptions at the reporting date:

	2015 % per annum	2014 % per annum
Discount rate	**3.60**	4.20
Future salary increases	**3.90**	3.90
Allowance for pension in payment increases of RPI or 5% p.a. if less	**3.40**	3.40
Allowance for deferred pension increases of CPI or 5% p.a. if less	**2.40**	2.40
Allowance for commutation of pension for cash at retirement	**50% of maximum**	50% of maximum

The mortality assumptions adopted at 31 July 2015 are based on the S2PxA 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 2015	23.5 years
Female retiring at age 65 in 2015	25.6 years
Male retiring at age 65 in 2035	25.6 years
Female retiring at age 65 in 2035	27.9 years

Sensitivities

The calculation of the defined benefit obligation is sensitive to the assumptions set out above. The following table summarises the effect on the defined benefit obligation at the end of the reporting period if different assumptions were used:

Assumption	Change in assumption	Change in liabilities (%)
Discount rate	-0.25% p.a.	Increase by 4.2%
Future salary increases	+0.25% p.a.	Increase by 0.3%
Inflation – RPI	+0.25% p.a.	Increase by 3.7%
Mortality	+1 year life expectancy	Increase by 2.8%

The calculations for the sensitivity analysis are not as accurate as a full valuation carried out using these assumptions. Each assumption change is considered in isolation, which in practice is unlikely to occur, as changes in some of the assumptions are correlated.

25 Employee benefits (continued)

(b) Share-based payments

The Group operates a long-term incentive plan 'LTIP' a share matching plan ('SMP'), a deferred bonus plan ('DBP'), 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, the Group Company Secretary, and senior employees, with awards under the DBP 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 54 to 57 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 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 below, based on publicly available market data at the time of the grant, which the directors consider to be the most appropriate method of determining their fair value.

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

LTIP, SMP and DBP

	2015 Number of options	2014 Number of options
Outstanding at the beginning of the year	**294,402**	251,219
Granted during the year	**117,458**	114,812
Lapsed during the year	**(37,489)**	(71,629)
Exercised during the year	**(70,627)**	–
Outstanding at the end of the year	**303,744**	294,402
Exercisable at the end of the year	**–**	–

The options outstanding at 31 July 2015 have a weighted average contractual life of 1.5 years (2014 – 1.5 years).

1995, 1996, 2005 and 2007 ESOS, and SRSOS

	2015 Number of options	2014 Number of options
Outstanding at the beginning of the year	**731,582**	1,067,871
Granted during the year	**250,405**	123,050
Lapsed during the year	**(44,302)**	(39,019)
Forfeited during the year	**(45,761)**	(1,000)
Exercised during the year	**(330,537)**	(419,320)
Outstanding at the end of the year	**561,387**	731,582
Exercisable at the end of the year	**14,000**	118,400

The options outstanding at 31 July 2015 have an exercise price in the range of 439.6p to 1,470.0p (2014 – 439.6p to 1,470.0p) and have a weighted average contractual life of 2.4 years (2014 – 1.9 years). The weighted average share price at the date of exercise for share options exercised during the year was 1,842.2p (2014 – 1,570.2p).

Notes to the Accounts (continued)

25 Employee benefits (continued)

(b) Share-based payments (continued)

Valuation methodology

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.

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

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

	2015					2014			
	November 2014	November 2014	November 2014	December 2014	December 2014	November 2013	November 2013	November 2013	December 2013
Scheme description	LTIP	3 Year SRSOS	5 Year SRSOS	SMP	DBP	SMP	3 Year SRSOS	5 Year SRSOS	LTIP
Grant date	10 Nov 14	17 Nov 14	17 Nov 14	4 Dec 14	22 Dec 14	28 Nov 13	15 Nov 13	15 Nov 13	17 Dec 13
Risk free interest rate	0.0%	1.0%	1.5%	0.0%	0.0%	0.9%	0.9%	1.7%	0.0%
Exercise price	–	1,378.0p	1,378.0p	–	–	–	1,218.4p	1,218.4p	–
Share price at date of grant	1,674.0p	1,783.0p	1,783.0p	1,919.0p	1,935.0p	1,446.0p	1,406.0p	1,406.0p	1,472.0p
Expected dividend yield	3.00%	3.00%	3.00%	n/a	n/a	n/a	3.00%	3.00%	3.00%
Expected life	3 years	3 years 2 months	5 years 2 months	3 years	3 years	3 years	3 years 2 months	5 years 2 months	3 years
Vesting date	10 Nov 17	1 Feb 18	1 Feb 20	4 Dec 17	22 Dec 17	28 Nov 16	1 Feb 17	1 Feb 19	17 Dec 16
Expected volatility	30%	30%	30%	30%	n/a	30%	30%	35%	30%
Fair value of option	950p	480p	517p	1,296p	1,935p	735p	315p	409p	708p

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 £1.544 million (2014 – £0.923 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 44 to 60.

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 joint arrangements:

	2015 £000	2014 £000
Invoiced to joint arrangements in respect of accounting, management fees, interest on loans, land purchases and infrastructure works	**1,312**	1,529
Invoiced from joint arrangements in respect of fees, land purchases and infrastructure works	**(6,723)**	(5,234)
Amounts owed to joint arrangements in respect of land purchases and management fees at the year end	**(5,417)**	(5,291)
Amounts owed by joint arrangements in respect of accounting, management fees, interest, land purchases and infrastructure works	**45,496**	44,194

Company

During the year the Company entered into the following related party transactions with its subsidiaries and joint arrangements:

	2015 £000	2014 £000
Amounts received in the year from subsidiaries for share options exercised by subsidiary company employees	**2,136**	1,831
Amounts paid in the year by subsidiaries on behalf of the Company in respect of dividends, finance expenses, preference share redemption and share purchases, and receivable from subsidiaries on disposal of investments	**(74,314)**	(67,778)
Amounts owed by subsidiaries in respect of dividends and shares issued net of amounts paid on behalf of the Company	**483,929**	556,107
Investments in subsidiaries and joint ventures	**33,651**	32,107

The Company has suffered no expense in respect of bad or doubtful debts of subsidiary undertakings in the year (2014 – £nil).

Notes to the Accounts (continued)

27 Group undertakings

The directors set out below information relating to the Group undertakings as at 31 July 2015. 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).

Subsidiaries – trading

Bellway Financial Services Limited
Bellway Homes (North Solihull G P) Limited
Bellway Homes Limited
Bellway Housing Trust Limited
Bellway Properties Limited
Bellway (Services) Limited
Litrose Investments Limited
The Victoria Dock Company Limited (60% owned)^^

Subsidiaries – dormant^

Ashberry Homes Limited
B.C.P. (Transport) Limited
Bellway (Builders) Limited
Bellway (North East) Limited
Bellway (Scotland) Limited
Bellway City Solutions Limited
Bellway Conversions Limited
Bellway Homes (Anglia) Limited
Bellway Homes (Barking Reach) Limited
Bellway Homes (Cupernham Lane) Limited
Bellway Homes (Hertfordshire) Limited
Bellway Homes (North Solihull) Limited
Bellway Homes (Social Housing) Limited
Bellway Homes (Wales) Limited
Bellway Homes (West Midlands) Limited
Bellway Housebuilders Limited
Bellway I Limited
Bellway Marine Limited
Bellway Residential Limited
Bellway Trustee Company Limited
Bellway Urban Renewals (Contracts) Limited
Bellway Urban Renewals Limited
Bulldog Premium Growth I Limited
Bulldog Premium Growth II Limited
Commercials Limited
D. F. W. Golding (Southern) Limited
D. F. W. Golding Limited
George Blackett Limited
Heron Electrical Contractors Limited
Homes2Let Limited
J. T. B. (Chapel Farm) Estates Limited
J. T. B. Estates Limited
John T Bell & Sons (1976) Limited
Mansions Limited
Metier Properties Limited
Moorfield Investments Limited
Nixons Kitchens Limited
Seaton GR SPV 4 Limited
Seaton GR SPV 5 Limited
Seaton GR SPV 6 Limited
Seaton GR SPV 7 Limited
Seaton GR SPV 8 Limited
Seaton GR SPV 9 Limited
Seaton GR SPV 10 Limited
Seaton GR SPV 11 Limited
Telvec Investments Limited
Terraces Limited
The Barking Reach Company Limited
Tyneside Land & Property Company Limited

Joint arrangements

Angst Limited (50% owned)^
Barking Riverside Limited (51% owned)^^
Cramlington Developments Limited (50% owned, year end of 30 June)^^
Easel Leeds Limited (50% owned)^
Leebell Developments Limited (50% owned, year end of 30 June)^^
North Solihull Partnership LP (49.8% owned, year end of 31 March)^^
Ponton Road LLP (50% owned)^^

Other entities

HBF Insurance PCC Limited
MI New Home Insurance PCC Limited

^ Dormant.
^^ These shares are held indirectly.

28 Restatement of comparative figures

Following the adoption of IFRS 10 and IFRS 11, as set out in the Accounting Policies, certain joint arrangements that were previously proportionally consolidated are now equity accounted. The resulting presentational changes made to the income statement and balance sheet are set out below.

Income statement	31 July 2014 As previously reported £000	Adjustments £000	**31 July 2014 Restated £000**
Revenue	1,486,394	(1,577)	**1,484,817**
Cost of sales	(1,170,027)	825	**(1,169,202)**
Gross profit	316,367	(752)	**315,615**
Administrative expenses	(60,241)	241	**(60,000)**
Operating profit	256,126	(511)	**255,615**
Finance income	807	–	**807**
Finance expenses	(10,996)	272	**(10,724)**
Share of results of joint ventures	–	304	**304**
Profit before taxation	245,937	65	**246,002**
Income tax expense	(54,513)	(65)	**(54,578)**
Profit for the year	191,424	–	**191,424**
Balance sheet			
ASSETS			
Non-current assets			
Property, plant and equipment	12,493	(189)	**12,304**
Investment property	6,371	–	**6,371**
Investments in joint ventures	–	26,794	**26,794**
Other financial assets	32,186	–	**32,186**
Deferred tax assets	2,762	(65)	**2,697**
	53,812	26,540	**80,352**
Current assets			
Inventories	1,822,682	(26,075)	**1,796,607**
Trade and other receivables	72,876	(21,114)	**51,762**
Cash and cash equivalents	35,136	(1,533)	**33,603**
	1,930,694	(48,722)	**1,881,972**
Total assets	1,984,506	(22,182)	**1,962,324**
LIABILITIES			
Non-current liabilities			
Retirement benefit obligations	(7,932)	–	**(7,932)**
Trade and other payables	(67,725)	1,379	**(66,346)**
	(75,657)	1,379	**(74,278)**
Current liabilities			
Interest-bearing loans and borrowings	(30,000)	–	**(30,000)**
Corporation tax payable	(29,752)	–	**(29,752)**
Trade and other payables	(483,033)	20,803	**(462,230)**
	(542,785)	20,803	**(521,982)**
Total liabilities	(618,442)	22,182	**(596,260)**
Net assets	1,366,064	–	**1,366,064**

Five Year Record

	2011 £m	2012 £m	2013 £m	2014 Restated £m	**2015** **£m**
Income statement					
Revenue	886.1	1,004.2	1,110.7	1,484.8	**1,7653.4**
Operating profit	75.2	114.6	151.1	255.6	**360.5**[1]
Net finance expenses	(8.0)	(9.3)	(10.2)	(9.9)	**(13.1)**
Share of results of joint ventures	–	–	–	0.3	**(0.1)**
Profit before taxation	67.2	105.3	140.9	246.0	**347.3**[1]
Income tax expense	(17.0)	(26.0)	(32.3)	(54.6)	**(69.6)**[1]
Profit for the year (all attributable to equity holders of the parent)	50.2	79.3	108.6	191.4	**277.7**[1]
Balance sheet					
ASSETS					
Non-current assets	55.1	59.4	56.7	80.4	**48.1**
Current assets	1,415.9	1,492.4	1,594.9	1,882.0	**2,241.2**
LIABILITIES					
Non-current liabilities	(124.7)	(69.4)	(54.1)	(74.3)	**(60.3)**
Current liabilities	(273.0)	(349.3)	(378.7)	(522.0)	**(653.1)**
EQUITY					
Total equity	1,073.3	1,133.1	1,218.8	1,366.1	**1,575.9**

Statistics					
Number of homes sold	4,922	5,226	5,652	6,851	**7,752**
Average price of new homes	£175.6k	£186.6k	£193.0k	£213.2k	**£223.8k**
Gross margin	13.5%	16.1%	18.3%	21.3%	**24.2%**[1]
Operating margin	8.5%	11.4%	13.6%	17.2%	**20.4%**[1]
Basic earnings per ordinary share	41.5p	65.5p	89.3p	157.0p	**231.5p**
Dividend per ordinary share	12.5p	20.0p	30.0p	52.0p	**77.0p**
Return on capital employed	7.0%	10.1%	12.3%	19.6%	**23.9%**[1]
Gearing (including preference shares)	1.5%	5.3%	2.1%	–	**2.4%**
Net assets per ordinary share	888p	933p	1,001p	1,118p	**1,286p**
Land portfolio – plots with planning permission	18,086	17,636	18,991	19,434	**21,411**
Weighted average no. of ordinary shares	120,705,397	121,036,846	121,572,688	121,919,049	**122,315,198**
No. of ordinary shares in issue at end of year	120,848,131	121,450,797	121,772,058	122,191,378	**122,521,915**

Note:

1. Stated before exceptional item (note 5).

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.

Resolution 2 – To approve the Report of the Board on Directors' Remuneration

This is an ordinary resolution, which is advisory only and seeks shareholder approval to the Report of the Board on Directors' Remuneration, excluding the Directors' Remuneration Policy which was approved by shareholders at the AGM held in December 2014.

Special Business

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

Resolution 13 – 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 £10,210,700, which is equivalent to approximately two-thirds of the Company's issued ordinary share capital, as at 12 October 2015, of which half (being ordinary shares up to a nominal value of £5,105,350), representing approximately one-third of the Company's issued share capital, as at 12 October 2015, may only be allotted in connection with a rights issue. Such authority, if granted, will expire at the conclusion of the next AGM of the Company. As at 12 October 2015, 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 14 – 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 12 December 2014, 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 £1,531,604, being approximately 10% of the issued ordinary share capital of the Company as at 12 October 2015.

This disapplication authority is in line with institutional shareholder guidance and in particular with the Pre-Emption Group's Statement of Principles (the 'Pre-emption Principles'). The Pre-emption Principles were revised in 2015 to allow the authority for an issue of shares for cash otherwise than in connection with a pre-emptive offer to be increased from 5% (which is the limit in the directors' existing authority) to 10% of the Company's issued share capital, provided that the Company confirms that it intends to use the additional 5% authority only in connection with an acquisition or specified capital investment. The Board therefore confirms, in accordance with the Pre-emption Principles, that to the extent the authority in paragraph (a)(ii) of Resolution 14 is used for an issue of ordinary shares with a nominal value in excess of £765,803 (being approximately 5% of the Company's issued share capital as at 12 October 2015), it intends that this will only be used in connection with an acquisition or specified capital investment, which is announced contemporaneously with the issue, or which has taken place in the preceding six-month period and is disclosed in the announcement of the issue.

The renewed authority will expire at the conclusion of the 2016 AGM.

The directors have no present intention of exercising the authority in paragraph (a)(ii) of Resolution 14, but consider it prudent to obtain the flexibility that this authority provides.

In accordance with the Pre-emption Principles, the directors confirm their intention not to issue more than 7.5% of the Company's issued share capital for cash, on a non pre-emptive basis, in any rolling three-year period without prior consultation with shareholders, save for shares issued in respect of an acquisition or specified capital investment, as described above.

Resolution 15 – Company's purchase of its own shares

The Company's authority to purchase its own ordinary shares, given at the last AGM, expires at the conclusion of the forthcoming AGM. The directors propose, as a special resolution, that it should be renewed for a further year to expire on the date of the 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 12 October 2015 there were options outstanding over 554,902 ordinary shares, representing 0.45% of the Company's issued ordinary share capital. If the authority given by this resolution were to be fully used, these would represent 0.50% 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 61.

Shareholder Information (continued)

Resolution 16 – Length of notice of meeting

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

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.

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 share capital, as at 31 July 2015, consisted of 122,521,915 ordinary shares of 12.5p each. Further details of the issued capital of the Company can be found in note 19 to the accounts. The rights and obligations attaching to the ordinary 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 FCA 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 concerning the appointment and replacement of directors are set out in the Articles and are summarised in the Corporate Governance Report on page 38. In accordance with the UK Corporate Governance Code, all the directors are seeking annual re-election by shareholders.

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, 330,537 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 101, and Resolutions 13 and 14 in the Notice of Meeting of the AGM, to be held on Friday 11 December 2015, on pages 105 and 106 seek to renew this authority.

Purchase of own shares

The Company has not purchased any of its own ordinary 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 101 and Resolution 15 in the Notice of Meeting of the AGM, to be held on 11 December 2015, on page 106 seeks to renew this authority.

Significant agreements – change of control provisions

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

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

The service agreement between the Company and the Group Company Secretary contains 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	3 December 2015
Final ordinary dividend – record date	4 December 2015
AGM	11 December 2015
Final ordinary dividend – payment date	13 January 2016

Ordinary shareholders by size of holding at 31 July 2015

	Holdings		Shares	
	Number	%	Holding	%
0 – 2,000	1,888	68.46	1,124,880	0.92
2,001 – 10,000	428	15.52	1,897,203	1.55
10,001 – 50,000	188	6.82	4,661,557	3.80
50,001 and over	254	9.20	114,838,275	93.73
Total	**2,758**	**100.00**	**122,521,915**	**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 on 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 register 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 on 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.

Shareholder Information (continued)

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 the relevant site when reserving your property, that you are claiming shareholder discount.

This 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 by providing proof of ownership.

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

Beneficial owners of shares with 'Information Rights'

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

Corporate responsibility reporting

Further reporting on the Company's corporate responsibility activities is available to view on the Group's website at www.bellway.co.uk/corporate-responsibility.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at Jesmond Dene House Hotel, Jesmond Dene Road, Newcastle upon Tyne, NE2 2EY on Friday 11 December 2015 at 2.00 pm 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 2015 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 the Report of the Board on Directors' Remuneration, except for the Directors' Remuneration Policy, shown on pages 44 to 45 and pages 54 to 60 of the Annual Report and Accounts for the year ended 31 July 2015, be approved.
3. THAT a final dividend for the year ended 31 July 2015 of 52.0p per ordinary 12.5p share, as recommended by the directors, be declared.
4. THAT Mr J K Watson be re-elected as a director of the Company.
5. THAT Mr E F Ayres be re-elected as a director of the Company.
6. THAT Mr K D Adey be re-elected as a director of the Company.
7. THAT Mr M R Toms be re-elected as a director of the Company.
8. THAT Mr J A Cuthbert be re-elected as a director of the Company.
9. THAT Mr P N Hampden Smith be re-elected as a director of the Company.
10. THAT Mrs D N Jagger be re-elected as a director of the Company.
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.

Special Business

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

13. 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 £5,105,350; and
    (b) allot equity securities (within the meaning of section 560 of the Act) up to a maximum nominal amount of £10,210,700 (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.

Notice of Annual General Meeting (continued)

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

14. THAT:
    (a) Subject to Resolution 13 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 13 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 £1,531,604;
    (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).
15. 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 in the capital of the Company by way of one or more market purchases (within the meaning of section 693 of the Act) on such terms and in such manner as the directors may determine subject to the following conditions:
    (a) the maximum number of ordinary shares hereby authorised to be purchased is 12,252,840, being approximately 10% of the ordinary shares in issue;
    (b) 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 Daily 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;
    (c) 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.
16. THAT a general meeting of the Company, other than an Annual General Meeting of the Company, may be called on not less than 14 clear days' notice.

Notes:

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

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

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

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

(v) To be entitled to attend and vote at the meeting (and for the purposes of determination by the Company of the number of votes cast), shareholders must be entered on the Company's Register of Members by no later than 5.30 pm on Wednesday 9 December 2015 (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 Asset Services, 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.bellwaycorporate.com.

(xii) As at the date of this notice there are 122,528,400 ordinary shares in issue and the total voting rights of the Company are therefore 122,528,400.

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

12 October 2015

Glossary

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

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

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

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

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.

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.

FSC
The Forest Stewardship Council ('FSC') is an international not-for-profit, multi-stakeholder organisation, established in 1993 to promote responsible management of the world's forests.

HBF
Home Builders Federation 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 new homes.

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 newly constructed homes worth up to £600,000 in England. 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 to buy a home worth up to £600,000 in the UK with a 5% deposit to obtain a 95% mortgage. The government gives a guarantee to the lender of up to 15% of the value of the property.

Land Bank
The land bank is comprised of three components: i) land with an implementable detailed planning permission ('DPP'); ii) medium-term 'pipeline' land, pending an implementable DPP; iii) strategic long-term land which we have an interest in, which may often have the benefit of a positive planning status in approved or emerging local plans.

National Planning Policy Framework ('NPPF')
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.

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 ('PEFC') is an international non-profit, non-governmental organisation, dedicated to promoting Sustainable Forest Management through independent third-party certification.

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

Planning 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. Permission is either 'outline' when detailed plans are still to be approved, or 'detailed' when detailed plans have been approved.

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.

RIDDOR
RIDDOR refers to the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013. The regulations require an employer to report any absence by an employee of seven days or more caused by an accident at work to the Health and Safety Executive.

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.

Site/phase
A site is a concise area of land on which homes are being constructed. Larger sites may be divided into a number of phases which are developed at different times.

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.

Notes

Notes
(continued)

BELLWAY P.L.C.

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