

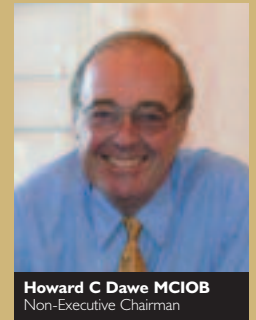


INTERIM REPORT 2005



chairman's statement

Chairman's Statement for the six months to 31 January 2005



Howard C Dawe MCI0B
Non-Executive Chairman

Interim Results

In my first statement as Non-Executive Chairman, I am delighted to announce yet another record set of results for the six months ended 31 January 2005.

Total legal completions rose by over 7% to 2,930 homes, with an increase in both private and housing association sales. Of these total completions, 77% were built on brownfield land. The average sales price increased by more than 6% to £167,000 and total turnover for the Group advanced by over £57 million to £493.9 million from £436.5 million. Operating profit grew by more than £15 million to £96.2 million, with the operating margin advancing to 19.5% from 18.5% as the Group continued to achieve a more balanced trading position between the first and second halves of our financial year. Net interest payable of £4.5 million is covered more than 21 times and gearing of 22.6% compares favourably to 31.3% at this time last year. Profit before tax has increased by 18.5% from £77.4 million to £91.7 million, a new record for the first six months. Earnings per ordinary share of 56.5p rose from 47.9p at the same time last year.

Dividend

As part of the Group's policy to bring the interim dividend in line with the actual trading performance, Bellway is pleased to announce an increase of almost 40% in the interim dividend from 9.3p to 13p per ordinary share. In the absence of unforeseen circumstances, it is the Board's intention to recommend an increase in the total dividend for the year of around 25%. Total dividend, therefore, will have almost doubled in three years.

The dividend will be paid on Friday 1 July 2005 to ordinary shareholders on the Company's Register of Members at the close of business on Friday 10 June 2005. The ex-dividend date is Wednesday 8 June 2005.

Trading and Outlook

The calendar year 2004 was one of contrasting halves. In the first half, the housing market was extremely buoyant, whilst the second half was tempered by consecutive interest rate rises in May and June which resulted in customers prolonging their purchase decisions. Against this backdrop, Bellway continued to sell forward and already has 97% of this year's target secured. The Group has also been able to maintain a healthy order book which currently stands at £627 million compared to £631 million at the same time last year. In order to continue this growth in more difficult markets the Group has been working hard to increase the number of sales outlets which are now some 10% above the level of a year ago. The calling of a General Election to be held on 5 May and the attention and uncertainties that such an event attracts may further prolong buying decisions but with our position for this year close to being secure, we can work towards strengthening the forward order book for the next financial year.

Of particular note at the divisional level, we are pleased with the performance of our East Midlands and West Lancashire divisions where turnover in both cases will have more than doubled in a three year period. The new South West division, which started trading only last financial year, has now secured new office premises south of Bristol, improving the Group's geographical footprint in the south west. Our Thames Gateway North division will start contributing in the next financial year and we intend to open further new divisions as the Group continues to grow organically. This increased operational network should help Bellway attain its previously stated target of selling 10,000 homes per annum by 2010.

The more challenging marketplace has led to an increasingly selective approach to land acquisition, nevertheless the land bank with planning permission on 31 January 2005 stood at 21,200 plots, compared to 20,700 plots at 31 July 2004. It is augmented by land we owned or controlled at 31 January 2005 and is held subject to the receipt of planning permission. These plots have increased to 15,600 from 14,500 at July 2004, giving an overall land bank of 36,800 plots, equivalent to more than five year's supply. In addition, we owned or held under option at 31 January 2005 around 3,000 acres of typically greenfield land, which we continue to progress through the planning system.

Our growth aspirations are, in part, underpinned by our product profile which is firmly focused on the lower to middle market as demonstrated by our average sales price which remains one of the lowest in the industry. Bellway's growing involvement in the Government's pathfinder projects in Birmingham, Liverpool and Newcastle will secure a new source of land which will include a high proportion of housing association and first time buyer sales helping to underpin the Group's growth plans and provide a solid foundation for the future.

People

These results, as ever, would not be possible without the efforts of our employees in tandem with our many suppliers, sub-contractors and partners. The Board wishes to offer its sincere gratitude to everyone concerned.

Future Prospects

Our wide geographical spread and management structure allows us to adapt to local housing needs which should serve us well as the market returns to a more normal, sustainable level. The Board is confident of delivering another record set of results for the year ending 31 July 2005, thereby recording its fourteenth consecutive year of organic growth. For all these reasons, the Board remains optimistic about the Group's future prospects.

H C Dawe
Chairman

18 April 2005

Group Profit and Loss Account

	Half year ended 31 January 2005 £m	Half year ended 31 January 2004 £m	Year ended 31 July 2004 £m
Turnover	493.9	436.5	1,092.6
Operating profit	96.2	81.0	213.3
Net interest payable (including associated undertakings)	(4.5)	(3.6)	(7.8)
Profit on ordinary activities before taxation	91.7	77.4	205.5
Taxation	(27.5)	(23.2)	(61.7)
Profit on ordinary activities after taxation	64.2	54.2	143.8
Dividends on equity and non-equity shares	(15.6)	(11.4)	(29.8)
Retained profit	48.6	42.8	114.0
Dividend per preference share	4.75p	4.75p	9.5p
Dividend per ordinary share	13.0p	9.3p	25.0p
Earnings per ordinary share - basic	56.5p	47.9p	127.5p
Earnings per ordinary share - diluted	56.0p	47.3p	126.1p

The interim accounts were approved by the Board of Directors on 18 April 2005.

The financial information for the two half year periods is unaudited and does not constitute statutory accounts within the meaning of the Companies Act 1985. The figures relating to the year ended 31 July 2004 are an extract from statutory accounts within the meaning of section 240 of the Companies Act 1985 which have been delivered to the Registrar of Companies and on which the auditors gave an unqualified audit report.

The taxation charge is calculated by applying the directors' best estimate of the annual effective tax rate to the profit for the period.

The interim accounts have been prepared on the basis of the accounting policies adopted for the year ended 31 July 2004 in all material respects. These policies are detailed in the Company's Annual Report and Accounts for that year.

Group Balance Sheet

	At 31 January 2005	£m	At 31 January 2004	£m	At 31 July 2004	£m
Fixed assets						
Tangible assets	16.2		16.0		16.6	
Investments	0.0		0.1		0.1	
	16.2		16.1		16.7	
Current assets						
Stocks	1,105.7	1,020.8	1,025.8			
Debtors	40.8	36.3	38.2			
Cash at bank and in hand	57.9	11.9	111.9			
	1,204.4	1,069.0	1,175.9			
Creditors due within one year						
Bank borrowings	(49.0)	(40.7)	(15.0)			
Other creditors	(252.8)	(255.1)	(321.8)			
	902.6	773.2	839.1			
Net current assets						
Total assets less current liabilities	918.8	789.3	855.8			
Creditors due after more than one year						
Bank borrowings	(173.0)	(160.0)	(160.0)			
Other creditors (including provisions for liabilities and charges)	(19.9)	(26.5)	(20.7)			
	(192.9)	(186.5)	(180.7)			
NET ASSETS	725.9	602.8	675.1			
Capital and reserves						
Called up share capital	34.1	34.0	34.0			
Reserves and share premium	691.8	568.8	641.1			
SHAREHOLDERS' FUNDS	725.9	602.8	675.1			

Group Cash Flow Statement

	Half year ended 31 January 2005		Half year ended 31 January 2004		Year ended 31 July 2004	
	£m	£m	£m	£m	£m	£m
Net cash (outflow) / inflow from operating activities						
Group operating profit	96.2		81.0		213.3	
Depreciation charge	1.6		1.8		3.6	
Profit on sale of fixed assets	(0.1)		(0.1)		(0.3)	
(Increase) / decrease in stocks - Land	(15.0)		(94.0)		(170.6)	
- Work in Progress	(64.9)		(68.8)		2.8	
Increase in debtors	(2.8)		(2.8)		(2.3)	
(Decrease) / increase in creditors	(58.7)		(18.4)		26.5	
		(43.7)		(101.3)		73.0
Net cash outflow from returns on investments and servicing of finance						
Interest paid	(5.6)		(3.5)		(10.5)	
Interest received	1.4		0.6		1.4	
Dividends paid - non-equity	(0.9)		(0.9)		(1.9)	
		(5.1)		(3.8)		(11.0)
Taxation		(35.2)		(25.5)		(54.8)
Net cash outflow from capital expenditure and financial investment						
Purchase of tangible fixed assets	(1.6)		(2.0)		(5.9)	
Sale of tangible fixed assets	0.5		0.7		2.3	
		(1.1)		(1.3)		(3.6)
Equity dividends paid		(17.6)		(15.4)		(25.7)
Net cash outflow before financing		(102.7)		(147.3)		(22.1)
Net cash inflow from financing						
Issue of ordinary share capital on exercise of share options	1.8		0.1		1.8	
Purchase of own shares by employee share option plans	(0.1)		0.0		(1.1)	
(Decrease) / increase in bank loans due within one year	(13.0)		15.0		15.0	
Increase in bank loans due after more than one year	13.0		30.0		30.0	
		1.7		45.1		45.7
(Decrease) / increase in cash in period		(101.0)		(102.2)		23.6

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