

INTERIM REPORT 2006



Bellway

01 Highlights
Half Year Ended

| | 31 January 2006 | 31 January 2005 |
|--|----------------------------|--------------------|
| TURNOVER | £507.5m | £493.9m |
| OPERATING PROFIT | £96.2m | £96.6m |
| PROFIT BEFORE TAXATION | £87.8m | £89.7m |
| BASIC EARNINGS PER ORDINARY SHARE | 54.1p | 56.1p |
| DIVIDEND PER ORDINARY SHARE | 14.3p | 13.0p |
| NET ASSET VALUE PER ORDINARY SHARE | 722p | 610p |
| HOMES SOLD | 2,958 | 2,930 |
| AVERAGE SELLING PRICE | £166.6k | £167.0k |
| OPERATING MARGIN | 19.0% | 19.6% |
| RETURN ON AVERAGE CAPITAL EMPLOYED | 23.2% | 27.8% |
| LAND BANK - PLOTS WITH PLANNING PERMISSION | 23,000 | 21,200 |
| SHAREHOLDERS' FUNDS | £820.7m | £706.4m |



Chairman's Statement

02

for the half year ended 31 January 2006

Interim Results

The housing market in 2005 was challenging and I am pleased to report that Bellway performed well in these conditions as can be seen from our results for the six months ended 31 January 2006. These results are the first to be reported in accordance with International Financial Reporting Standards ('IFRS').

In the period we increased the number of homes sold for the fifteenth consecutive year to 2,958 with an average sales price of £166,600. Turnover increased by almost 3% and exceeded £0.5 billion for the first time. Operating profit remained broadly similar at £96.2 million despite margins easing to 19.0%, a good performance given market conditions. Increased work in progress as a result of our healthy order book and increased investment in land to fund our growth plans resulted in net interest increasing to £8.4 million. Gearing has increased from 26% to 36%, a level the Board remains comfortable with. A creditable return on average capital employed of 23.2% was achieved. Net profit before tax and earnings per share have dipped only slightly to £87.8 million and 54.1p respectively.

Dividend

The Board is committed to a progressive dividend policy and I am pleased to announce an increase in the interim dividend of 10% to 14.3 pence from 13 pence.

The dividend will be paid on Monday 3 July 2006 to ordinary shareholders on the Company's Register of Members at the close of business on Friday 9 June 2006. The ex-dividend date is Wednesday 7 June 2006.

Trading

Bellway's policy of forward selling in the current market gives both transparency of margin and continuity of work. Our order book remains extremely strong at circa £715 million with over 92% of this year's target secured and more than 1,500 homes of next year's planned production reserved or contracted. We will, in the coming weeks, start to market from 10% more outlets and although these will not contribute to this year's results, they will enable us to lay the foundations for next year's planned growth.

Our Scottish, North East and Thames Gateway divisions have thrived in their local markets and we continue to invest in expanding our divisional network. A South Midlands division will be formed to cater both for the Warwickshire area and our major regeneration scheme which has just commenced at North Solihull. Our City Solutions team continues to procure more regeneration opportunities and I am delighted to



Howard C Dawe MCIQB
Chairman

Trading (continued)

announce that we have been given preferred developer status at East Leeds and South Kilburn in London. These regeneration schemes, and those already secured, will form the backbone of the Group's planned growth in the coming years.

As mentioned already, the Group has further invested in its land bank and our plots with planning permission have increased to 23,000. This, combined with our plots pending planning permission of 16,000, gives the Group a total land bank of 39,000 plots, more than five year's supply at today's volumes. Of particular note in the period is our site at the former RAF Cardington base in Bedfordshire, purchased in 2001, where planning permission was obtained in October for circa 650 homes. Additionally, Bellway controls more than 6,500 plots, primarily held on brownfield land, where we hope to receive planning permissions in the next few years.

People

As ever, Bellway's employees, sub-contractors, suppliers and partners have contributed greatly to these results. The Board is extremely grateful for the efforts and enthusiasm of all involved and would like to place on record its sincere thanks.

Future Prospects

February and March have shown early signs of improvement in the market with sales not being as incentive led as in 2005 and we remain cautiously optimistic at this stage. Bellway has in place the people, the divisional network and the land to continue delivering volume growth in both this and coming years and the Board remains confident of the Group's future prospects.

H C Dawe

Chairman

3 April 2006

Consolidated Income Statement (unaudited)

| | Half year ended 31 January 2006 | Half year ended 31 January 2005 (restated) | Year ended 31 July 2005 (restated) |
|--|--|--|--|
| | £m | £m | £m |
| Revenue | 507.5 | 493.9 | 1,178.1 |
| Cost of sales | (384.1) | (372.5) | (896.2) |
| Gross profit | 123.4 | 121.4 | 281.9 |
| Administrative expenses | (27.2) | (24.8) | (51.6) |
| Operating profit | 96.2 | 96.6 | 230.3 |
| Finance income | 1.2 | 1.4 | 2.2 |
| Finance expenses | (9.6) | (8.3) | (18.6) |
| Profit before taxation | 87.8 | 89.7 | 213.9 |
| Income tax expense | (26.6) | (27.0) | (64.7) |
| Profit for the period | 61.2 | 62.7 | 149.2 |
| | | | |
| Earnings per ordinary share - basic | 54.1p | 56.1p | 133.1p |
| Earnings per ordinary share - diluted | 53.6p | 55.6p | 131.8p |

Consolidated Statement of Recognised Income and Expense (unaudited)

| | Half year ended 31 January 2006 | Half year ended 31 January 2005 (restated) | Year ended 31 July 2005 (restated) |
|--|--|--|--|
| | £m | £m | £m |
| Actuarial losses on defined benefit pension scheme | (4.8) | (3.0) | (5.0) |
| Tax on items taken directly to equity | 1.4 | 0.9 | 1.5 |
| Net expense recognised directly in equity | (3.4) | (2.1) | (3.5) |
| Profit for the period | 61.2 | 62.7 | 149.2 |
| Total recognised income for the period | 57.8 | 60.6 | 145.7 |



Consolidated Balance Sheet (unaudited)

| | At 31 January 2006 £m | At 31 January 2005 (restated) £m | At 31 July 2005 (restated) £m |
|--|--|--|---|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 18.5 | 16.2 | 17.6 |
| Investment property | 3.0 | - | - |
| Investments in associates | - | - | 0.1 |
| Other receivables | 7.9 | 1.3 | 7.5 |
| Deferred tax assets | 14.6 | 11.3 | 11.5 |
| | 44.0 | 28.8 | 36.7 |
| Current assets | | | |
| Inventories | 1,358.9 | 1,098.9 | 1,238.4 |
| Trade and other receivables | 54.8 | 28.7 | 31.6 |
| Cash and cash equivalents | 9.0 | 57.9 | 66.4 |
| | 1,422.7 | 1,185.5 | 1,336.4 |
| Total assets | 1,466.7 | 1,214.3 | 1,373.1 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Interest bearing loans and borrowings | (256.0) | (193.0) | (256.0) |
| Retirement benefit obligations | (17.2) | (10.1) | (12.1) |
| Other payables | (28.4) | (18.2) | (19.3) |
| | (301.6) | (221.3) | (287.4) |
| Current liabilities | | | |
| Interest bearing loans and borrowings | (48.9) | (49.0) | (2.0) |
| Trade and other payables | (268.1) | (210.0) | (271.6) |
| Current tax liabilities | (27.4) | (27.6) | (32.3) |
| | (344.4) | (286.6) | (305.9) |
| Total liabilities | (646.0) | (507.9) | (593.3) |
| Net assets | 820.7 | 706.4 | 779.8 |
| EQUITY | | | |
| Issued capital | 14.2 | 14.1 | 14.2 |
| Share premium | 110.5 | 106.3 | 108.9 |
| Other reserves | 1.5 | 1.5 | 1.5 |
| Retained earnings | 694.6 | 584.6 | 655.3 |
| Total equity attributable to equity holders of the parent | 820.8 | 706.5 | 779.9 |
| Minority interest | (0.1) | (0.1) | (0.1) |
| Total equity | 820.7 | 706.4 | 779.8 |

Consolidated Cash Flow Statement (unaudited)

| | Half year ended 31 January 2006 £m | Half year ended 31 January 2005 (restated) £m | Year ended 31 July 2005 (restated) £m |
|---|---|--|--|
| Cash flows from operating activities | | | |
| Profit for the period | 61.2 | 62.7 | 149.2 |
| Depreciation charge | 1.5 | 1.6 | 3.3 |
| Profit on sale of property, plant and equipment | - | (0.1) | (0.2) |
| Finance income | (1.2) | (1.4) | (2.2) |
| Finance expenses | 9.6 | 8.3 | 18.6 |
| Share based payment charge | 1.1 | 0.7 | 1.6 |
| Income tax expense | 26.6 | 27.0 | 64.7 |
| Increase in inventories | (120.5) | (79.5) | (219.1) |
| Increase in trade and other receivables | (23.6) | (2.8) | (11.9) |
| Increase / (decrease) in trade and other payables | 4.4 | (60.2) | 0.7 |
| Cash from operations | (40.9) | (43.7) | 4.7 |
| Interest paid | (8.1) | (6.5) | (15.4) |
| Income tax paid | (32.1) | (35.2) | (68.1) |
| Net cash outflow from operating activities | (81.1) | (85.4) | (78.8) |
| Cash flows from investing activities | | | |
| Acquisition of property, plant and equipment | (2.9) | (1.6) | (5.1) |
| Acquisition of investment property | (3.0) | - | - |
| Proceeds from sale of property, plant and equipment | 0.5 | 0.5 | 1.1 |
| Interest received | 1.2 | 1.4 | 2.3 |
| Net cash (outflow) / inflow from investing activities | (4.2) | 0.3 | (1.7) |
| Cash flows from financing activities | | | |
| Increase in bank borrowings | 45.0 | - | 63.0 |
| Proceeds from the issue of share capital on exercise of share options | 1.6 | 1.8 | 4.5 |
| Purchase of own shares by employee share option plans | (0.1) | (0.1) | (0.3) |
| Dividends paid | (20.5) | (17.6) | (32.2) |
| Net cash inflow / (outflow) from financing activities | 26.0 | (15.9) | 35.0 |
| Net decrease in cash and cash equivalents | (59.3) | (101.0) | (45.5) |
| Cash and cash equivalents at beginning of period | 66.4 | 111.9 | 111.9 |
| Cash and cash equivalents at end of period | 7.1 | 10.9 | 66.4 |



Notes

1 Consolidated statement of changes in equity (unaudited) Half year ended 31 January 2006

| | Attributable to equity holders of the parent | | | | Total | Minority interest | Total equity |
|---|--|---------------|----------------|-------------------|--------------|-------------------|--------------|
| | Ordinary share capital | Share premium | Other reserves | Retained earnings | | | |
| | £m | £m | £m | £m | | | |
| At 1 August 2005 | 14.2 | 108.9 | 1.5 | 655.3 | 779.9 | (0.1) | 779.8 |
| Total recognised income and expense | - | - | - | 57.8 | 57.8 | - | 57.8 |
| Dividends on equity shares | - | - | - | (20.7) | (20.7) | - | (20.7) |
| Shares issued | - | 1.6 | - | - | 1.6 | - | 1.6 |
| Charge in relation to share options and tax thereon | - | - | - | 2.3 | 2.3 | - | 2.3 |
| Exercise of share options / share awards | - | - | - | (0.1) | (0.1) | - | (0.1) |
| At 31 January 2006 | 14.2 | 110.5 | 1.5 | 694.6 | 820.8 | (0.1) | 820.7 |

2 Basis of preparation

EU law (IAS Regulation EC 1606 / 2002) requires that the next annual consolidated financial statements of the Group, for the year ending 31 July 2006, be prepared in accordance with International Financial Reporting Standards ('IFRS') adopted for use in the EU ('Adopted IFRS').

This interim financial information has been prepared on the basis of the recognition and measurement requirements of Adopted IFRS that are effective (or available for early adoption) at 31 July 2006, the Group's first annual reporting date at which it is required to use Adopted IFRS. Based on these Adopted IFRS, the Directors have applied the accounting policies, as set out in the restatement document published to the London Stock Exchange on 31 March 2006, which they expect to apply when the first annual IFRS financial statements are prepared for the year ending 31 July 2006. In selecting accounting policies from the Adopted IFRS available at 31 July 2006, the Group has chosen to apply early the amendments made to IAS 19 in respect of actuarial gains and losses published by the IASB in December 2004 ahead of their effective date.

However, the Adopted IFRS that will be effective (or available for early adoption) in the financial statements for the year ending 31 July 2006 are still subject to change and to additional interpretations and therefore cannot be determined with certainty. Accordingly, the accounting policies for that annual period will be determined finally only when the financial statements are prepared for the year ending 31 July 2006.

The preparation of this financial information resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under previous Generally Accepted Accounting Practice (GAAP). The revised accounting policies have been applied consistently to all periods presented in this financial information.

IFRS 1 – 'First Time Adoption of International Financial Reporting Standards' mandates that most IFRS are applied fully retrospectively, meaning that the opening balance sheet at 1 August 2004 is restated as if those accounting policies had always been applied. IFRS 1 permits companies to apply certain exemptions from the full requirements of IFRS during transition.

Details of the exemptions applied by the Group are set out in the restatement document referred to above.

A detailed review of the changes in our accounting policies and reconciliations of our financial statements from UK GAAP to IFRS at key dates was published to the London Stock Exchange on 31 March 2006 and can also be found on our website at www.bellway.co.uk

3 Accounting policies

The accounting policies that the Group intends to apply for the year ending 31 July 2006 are set out in the restatement document referred to in note 2.

4 Status of financial information

The comparative figures for the year ended 31 July 2005 are not the Group's statutory financial statements for that year. Those financial statements, which were prepared under UK GAAP, have been reported on by the Group's auditors and delivered to the Registrar of Companies. The report of the auditors was unqualified and did not contain statements under section 237(2) or (3) of the Companies Act 1985.

The interim information for the half years ended 31 January 2006 and 31 January 2005 is unaudited. This information does not constitute statutory accounts within the meaning of the Companies Act 1985. In relation to the financial statements for the year ended 31 July 2005, this has been extracted from a restatement of the financial information taken from the Group's statutory financial statements for that year.

5 Taxation

The taxation charge for the half years ended 31 January 2006 and 31 January 2005 is calculated by applying the Directors' best estimate of the annual effective tax rate to the profit for the period.

6 Interim report

The interim accounts were approved by the Board of Directors on 3 April 2006 and copies are being posted to all shareholders. Further copies are available on application to the Company Secretary, Bellway plc, Seaton Burn House, Dudley Lane, Seaton Burn, Newcastle upon Tyne, NE13 6BE and are also available on our website at www.bellway.co.uk

Bellway p.l.c.

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

Bellway Homes Limited

NORTHERN REGION

East Midlands

3 Romulus Court
Meridian East
Meridian Business Park
Braunstone Town
Leicester LE19 1YG

Tel: **(0116) 282 0400**
Fax: **(0116) 282 0401**

East Scotland

Unit 4
Fairways Business Park
Deer Park Avenue
Livingston EH54 8AF

Tel: **(01506) 835 310**
Fax: **(01506) 835 311**

Manchester

Bellway House
The Beacons
Warrington Road
Birchwood, Warrington
Cheshire WA3 6GQ

Tel: **(01925) 430 100**
Fax: **(01925) 430 120**
DX **701654 Birchwood,**
Warrington

North East

Peel House
Main Street, Ponteland
Newcastle upon Tyne NE20 9NN

Tel: **(01661) 820 200**
Fax: **(01661) 821 010**
DX **68924 Ponteland 2**

West Lancashire

Bellway House
2 Alderman Road
Liverpool L24 9LR

Tel: **(0151) 486 2900**
Fax: **(0151) 336 9393**

West Midlands

Bellway House
Relay Point
Relay Drive, Tamworth
Staffordshire B77 5PA

Tel: **(01827) 255 755**
Fax: **(01827) 255 766**
DX **717023 Tamworth**

West Scotland

Bothwell House
Hamilton Business Park
Caird Street
Hamilton ML3 0QA

Tel: **(01698) 477 440**
Fax: **(01698) 477 441**
DX **HAI3 Hamilton**

Yorkshire

2 Deighton Close
Wetherby
West Yorkshire LS22 7GZ

Tel: **(01937) 583 533**
Fax: **(01937) 586 147**
DX **I6815 Wetherby**

SOUTHERN REGION

Essex

Bellway House
1 Rainsford Road
Chelmsford
Essex CM1 2PZ

Tel: **(01245) 259 989**
Fax: **(01245) 259 996**
DX **I21935 Chelmsford 6**

Northern Home Counties

Oak House
Woodlands Business Park
Breckland
Linford Wood
Milton Keynes MK14 6EY

Tel: **(01908) 328 800**
Fax: **(01908) 328 801**
DX **31436 Milton Keynes**

North London

Bellway House
Bury Street
Ruislip
Middlesex HA4 7SD

Tel: **(01895) 671 100**
Fax: **(01895) 671 111**

South East

Bellway House
London Road North
Merstham
Surrey RH1 3YU

Tel: **(01737) 644 911**
Fax: **(01737) 646 319**

South West

Griffin House
Windmill Road
Kenn Business Park
Clevedon BS21 6UJ

Tel: **(01275) 345 000**
Fax: **(01275) 349 501**

Thames Gateway North

Suite 5.02
Exchange Tower
2 Harbour Exchange Square
London E14 9GE

Tel: **(020) 7531 2340**
Fax: **(020) 7987 3410**

Thames Gateway South

Osprey House
Crayfields Business Park
New Mill Road
Orpington
Kent BR5 3QJ

Tel: **(01689) 886 400**
Fax: **(01689) 886 410**

Wales

Alexander House
Excelsior Road
Western Avenue
Cardiff CF14 3AT

Tel: **(029) 205 44700**
Fax: **(029) 205 44701**

Wessex

Bellway House
Embankment Way
Castleman Business Centre
Ringwood
Hampshire BH24 1EU

Tel: **(01425) 477 666**
Fax: **(01425) 476 774**
DX **45710 Ringwood**

OTHER

Planning & Development

Seaton Burn House
Dudley Lane
Seaton Burn
Newcastle upon Tyne NE13 6BE

Tel: **(0191) 217 0717**
Fax: **(0191) 236 6230**
DX **711760 Seaton Burn**