NATIONAL HOUSEBUILDER BELLWAY p.l.c. TODAY, TUESDAY 13 OCTOBER, ANNOUNCE THEIR PRELIMINARY RESULTS FOR THE YEAR ENDED 31 JULY 2009.

HIGHLIGHTS

- Completed sales of 4,380 homes (2008 - 6,556)
- Average price achieved £154,005 (2008 - £169,729)
- Total Group turnover of £683.8m (2008 - £1,149.5m)
- Profit before taxation £29.8m * (2008 - £165.7m)
- Exceptional items £66.3m (2008 - £130.9m)
- Earnings per ordinary share of 17.7p * (2008 - 104.2p)
- Final dividend for the year 6.0p (2008 - 6.0p)
- Gearing of 3.8%, having reduced borrowings by £180.9m
- Secured forward order book at 30 September of £349.4m (2008 - £342m)
- £120m of land either contracted or agreed terms since 1 August

* Before exceptional items

Chairman Howard Dawe said ‘In the summer of 2008 the ghosts of the last major recession loomed large’ and that ‘the primary strategy… was simply to repeat the lessons learnt in previous downturns, make cash generation a priority’… and also ‘sell homes at positive margins throughout the financial year.’

He continued ‘I am pleased to report that the Group ended the year with net bank borrowings of £36.8 million’ and ‘the forward order book at 31 July 2009 stood at £368 million…… equivalent to 58% of this year’s planned output.’ Furthermore ‘Since 1 August the Group has contracted or agreed terms in respect of the acquisition of over £120 million of land where there is potential to develop in excess of 3,370 homes.’

He concluded ‘With national coverage, a robust balance sheet and low gearing, the Board believes Bellway is well positioned….’

FOR FURTHER INFORMATION, PLEASE CONTACT JOHN WATSON, CHIEF EXECUTIVE OR ALISTAIR LEITCH, FINANCE DIRECTOR.

TUESDAY 13 OCTOBER – FRIDAY 16 OCTOBER
J WATSON: 07855 337007
A LEITCH: 07855 337001
THEREAFTER: 0191 217 0717

CHAIRMAN'S STATEMENT

Strategy

In the summer of 2008 the ghosts of the last major recession loomed large, with a deteriorating economy, low consumer confidence and poor mortgage availability. The primary strategy of the Board, at that time, was simply to repeat the lessons learnt in previous downturns, make cash generation a priority and a target was set to reduce the opening debt position of £217.7 million (excluding the preference share capital of £20 million) by £100 million by the year end. If achieved, this would generate the necessary headroom in relation to our bank facilities of £370 million, providing the Group with a platform for expansion when the housing market returned to more normal conditions. At the same time the Group was also determined to continue, where possible, to sell homes at positive margins throughout the financial year.

I am pleased to report that the Group ended the year with net bank borrowings of £36.8 million (2008 - £217.7 million), a £180.9 million reduction, significantly exceeding the internal target and resulting in gearing of 3.8% at the year end (2008 – 21.7%). The forward order book at 31 July 2009 stood at £368 million (2008 - £370 million) equivalent to 58% of this year's planned output.

The Results

The Group completed the sale of 4,380 homes, a fall of 33% from last year's 6,556 homes. The average selling price was lower at £154,005 (£169,729 in 2008), consequently housing turnover fell by 39% from £1,112.7 million to £674.5 million. Other revenue was £9.3 million (2008 - £36.8 million), giving total revenue for the Group of £683.8 million. Sales incentives had to be used extensively and this contributed significantly in the operating margin (pre-exceptional) reducing from 16.1% to 6.7%.

When house prices continued to fall throughout August to December 2008, it became necessary to further review the net realisable value of land and work in progress at January 2009. From this arose an exceptional charge of £66.3 million. In the second half, whilst fragile, some stability returned to the market and further exceptional write downs have not been necessary.

As previously stated, in partnership with our banks, the Group's facilities were re-negotiated in April 2008. Low borrowings, significant reductions in overhead and land and work in progress expenditure have resulted in a 24.6% fall in the net interest charged to £8.9 million compared with £11.8 million in 2008. When the technical financing charges are added the net finance charge has fallen from £19.1 million to £15.8 million. The loss before tax for the year after exceptional items is £36.6 million (£34.8 million profit in 2008), giving a basic loss per share of 23.9p (2008 – 23.6p earnings). The net asset value per ordinary share at 31 July 2009 stands at 839p (2008 – 871p).

Share Placing

Whilst the debt reduction programme has been successful, the industry is, nonetheless, cyclical in nature and future earnings growth is dependent upon many factors, most notably opportunistic land acquisition. In the spring of 2009, notwithstanding the fragile economic climate, some early indications of price and volume stability began returning to the housing market, albeit at lower volume levels. The Board took the view that the time may be right to begin selectively acquiring land again, especially in the south of England.

In order to help finance this strategy, 5.7 million shares were placed with existing and new institutional shareholders on 6 August 2009, raising net proceeds of £43.7 million. This additional capital, combined with current banking facilities, ensures that the Group is in an excellent position to enter the land market, as appropriate opportunities arise.

CHAIRMAN'S STATEMENT (continued)

Dividend

In these testing times for the industry, the Board is delighted that it still feels able to pay dividends and is therefore proposing to maintain the final dividend at last year's level of 6.0p, resulting in a total dividend for the year of 9.0p (2008 – 24.1p) per ordinary share. The payment of the dividend takes into account the favourable current forward order position and the strength of the Group's balance sheet.

The dividend will be paid on Wednesday 20 January 2010, to all ordinary shareholders on the Register of Members on Friday 11 December 2009. The ex-dividend date is Wednesday 9 December 2009.

People

Whilst the human cost of the downturn should not be underestimated, looking forward the Board believes the Group's strategy of maintaining a largely autonomous divisional management structure creates the ideal environment for individual talent to flourish and for the divisional teams to respond to local market conditions. The Board believes it is important to provide appropriate incentives for employees to participate in the recovery that will take place when the market finally shows signs of long term sustainable improvement. The Group will continue to utilise incentive based remuneration structures to reward key personnel at all levels for significant contribution to the expansion of the business. This includes the operation of a Save As You Earn Share Scheme which is open to all employees.

Delivering these objectives in difficult market conditions is not easy and the Board would like to sincerely thank all staff, past and present, together with the Group's suppliers and sub-contractors, for their commitment to the business over the past twelve months.

The Board

On behalf of the Board, I would like to thank David Perry for his invaluable contribution to the Group's progress during his ten years of service with Bellway as a Non-Executive Director. David will be retiring at the AGM in January 2010 and we wish him a long and happy retirement. At the same time we welcome on to the Board, in his place, John Cuthbert, a Chartered Accountant, and current Managing Director of Northumbrian Water Group plc, who will be joining the Group as a Non-Executive Director in November 2009.

Looking Forward

Since the beginning of August the market place has remained incentive led but reservations are 58% ahead compared to the same period twelve months ago. At the end of September Bellway had secured 61% of its target output for the year ending July 2010 and a further 440 reservations for 2010/11.

It is the Group's intention to selectively open new outlets, increase work in progress and acquire land, particularly in the south of England, at attractive margins whilst at the same time carefully monitoring the overall strength of the autumn housing market. Since 1 August the Group has contracted or agreed terms in respect of the acquisition of over £120 million of land where there is potential to develop in excess of 3,370 homes.

The pace of economic recovery is still uncertain with lack of mortgage availability, especially for first time buyers, potential unemployment and political uncertainty all remaining a threat to consumer confidence. However, with national coverage, a robust balance sheet and low gearing, the Board believes Bellway is well positioned should any or all of these uncertainties prove not to be an issue in the coming months.

H C Dawe
Chairman
12 October 2009

CHIEF EXECUTIVE'S OPERATING REVIEW

Introduction

Bellway commenced the financial year with a reduced structure of thirteen trading divisions. At the start of the year, mortgage approvals had dropped to around 33,000 per month, the lowest number since records began in 1993. This receding tide of finance, coupled with low consumer confidence, dictated strategy and meant that the Group was about to enter what can be described as a period of partial hibernation.

The Housing Market

The weekly sales rates and the market in general had started to deteriorate in spring 2008 and continued through to December 2008. During this time visitor levels across all outlets were extremely low with some sites seeing as few as five visitors per week and this, combined with cancellation rates running at an all time high of 26%, resulted in the level of reservations being around 50% below the prior year at an average of just 56 sales per week at that time. However, the beginning of 2009 brought a welcome change for most of our divisions. Visitor levels increased and, more importantly, the weekly reservation rate effectively doubled. This improved market continued through to 31 July as tentative signs of stabilisation emerged.

Against this background the Group legally completed the sale of 4,380 homes compared with 6,556 in 2008. The average selling price reduced to £154,005 from £169,729 in 2008.

To achieve this, our sales teams used a variety of incentives on virtually every home to attract buyers. For example, first time buyers require increased deposits as a result of lenders tightening mortgage criteria and as a consequence the Group's shared equity scheme 'Opening Doors' became attractive to this type of buyer. Whilst typically we receive only 75% of the selling price on legal completion, the balance is owed to the Company and is repaid when the client ultimately sells or re-mortgages. The 25% stake is viewed as a deposit by lenders. This scheme was used in almost 14% of sales and a similar scheme 'HomeBuy Direct' has now been initiated by the government through the Homes & Communities Agency.

Whilst private investors found access to the mortgage market increasingly difficult the Group found an appetite, especially from southern housing associations to acquire properties over and above the Section 106 planning requirement. The Thames Gateway division has been particularly active in this area and on several occasions during the year sold 100% of a development to a housing association.

When combined with normal Section 106 planning obligations, sales to housing associations represented some 34% of total output or 1,484 homes. Part exchange conversely was used to a lesser extent by the sales teams in only 7% of transactions as buyers found the lenders' lower valuations more difficult to overcome. Consequently our part exchange stock of £40.6 million at 1 August 2008 had reduced to £8.0 million by the year end.

Divisional Performance

The six northern divisions sold 1,833 homes, a decrease of 45% from the previous year's 3,348 homes, with the average selling price falling by 14.7% to £134,200 (2008 - £157,300). As the economy in this region receded more quickly especially in Scotland, Yorkshire and the North West, consumer demand eroded rapidly in these locations. In the East and West Midlands divisions we have been able to access the funding provided by the various government initiatives and as a consequence some 30% of completions in these two divisions were sold to housing associations.

The seven southern divisions sold 2,547 homes (2008 – 3,208), a stronger performance than the North and only 21% below the previous year's volumes. The average selling price in the region fell by only

7.9% to £168,300 (2008 - £182,700). The Essex and South East divisions actually increased output compared to 2008, the only divisions to do so. Generally developments in and around London, whether they be apartments or more traditional housing, have proved more resilient compared to other parts of the country. This factor is strongly influencing the Group's land buying policy at the present time.

Business Focus
With uncertainty in both the housing market and the wider economy generally, the Board decided to attempt to place the Group in a sound financial position to protect shareholder value in the downturn and create an opportunity for growth in the long term. A target was set at the beginning of the financial year to further reduce borrowings by £100 million to pursue the following objectives:-

Restricting work in progress and site openings
The carry forward position at the beginning of the year stood at £370 million and the majority of these homes had to be legally completed in the financial year. However, work in progress on existing outlets, wherever possible, was restricted and on new sites only those with forward sales and low infrastructure costs were opened. During the course of the year new construction was restricted to 2,900 homes (2008 - 6,600) and by the end of July 2009, 27 sites remained mothballed. With regard to the latter, layouts are being re-drawn to accelerate the development of the housing association element and, where possible, we are also looking to introduce a larger percentage of two storey housing.

As a result of the foregoing, the number of sales outlets fell during the year from last year's average of 210 down to 170 and the number of stock units reduced from 1380 at the beginning of the year to 650 at the year end. We feel that a certain level of stock in this market has advantages and therefore further reductions are not envisaged.

Cost Base
The lower activity levels were an opportunity not only to re-design layouts, if possible, but more importantly to reduce the cost base. With the workload drying up many sub-contract orders were re-tendered and with material and labour prices softening it is estimated that around £5,000 to £6,000 was saved on a typical family home of say 1,000 square feet over the course of the year. Of course there are cost pressures in the shape of higher planning fees, home information packs and the delivery of the new Code Levels 3 and 4 of the government's Code for Sustainable Homes. However, notwithstanding these pressures it is hoped that lower costs will persist for some time thereby offsetting in part any further sales incentives that may need to be offered to conclude reservations.

Land
The control of land expenditure was also a key component in reducing debt levels and therefore another cautious approach throughout the year was maintained. Land owners and their advisers are adjusting to lower land values and the operating divisions were instructed wherever possible to withdraw from conditional contracts and options that were considered to be no longer viable. Consequently, our land expenditure fell to only £93.3 million compared with £275 million in the previous year.

During the period only 1,580 plots were acquired, and, as a result land held with planning permission has reduced to some 19,260 plots. Land owned, contracted or held under option currently awaiting planning permission has stabilised and stands at 14,000 plots. Combined, therefore, the Group has around 33,260 plots at its disposal within its short and medium term land holdings. This is equivalent to over seven years supply at current output and excludes long term or strategic land which amounts to around 3,900 plots, typically made up of greenfield land held under option and brownfield regeneration opportunities.

The holding cost of land and work in progress was reviewed throughout the year. During the first half house prices continued to fall and an exercise was carried out in January 2009 which resulted in a land and work in progress write-down of £58.9 million. Together with a further write-down in relation to part exchange stock and land without planning consent of £7.4 million this produced a total exceptional charge of £66.3 million. In the second half, whilst fragile, some stability returned to the market and further exceptional write-downs were considered unnecessary.

Environmental Issues

The efficient management of construction waste benefits the environment whilst at the same time improves cost control. Site waste management plans on all sites have contributed to almost 14,000 tonnes of demolition material being re-used and all plasterboard off-cuts being recycled. Furthermore, around 1,025 homes were completed during the year using timber frame construction techniques. Using timber from accredited managed sources not only reduces waste going to land fill but, because there are approximately 50 to 60 cubic feet of additional timber in a typical 1,000 square feet home, reduces the amount of masonry used. This produces savings of around four tonnes of CO_2 for every home constructed (Source - UK Timber Frame Association).

The government's Code for Sustainable Homes will require all new private homes to achieve the new Code Level 3 Energy Efficiency Standards from October 2010. In moving towards these new requirements the Group has delivered 428 homes to these new standards in the financial year (2008 – 48). In a Code Level 3 home, for example, we calculate that water saving devices such as flow restrictors, mixer taps and dual flushing WCs will result in water consumption savings of around 103 litres per person per day.

Whilst the Group has concluded significantly fewer planning agreements during the course of the year, we calculate, nevertheless, that they will contribute over £2 million in total towards community benefits in areas such as new education facilities and healthcare.

Putting the Customer First

The Group has continued to improve the quality and standard of finish of its new homes. In an independent survey of 300 respondents returned at the end of March 2009, 89% (2008 – 80%) would recommend a friend to purchase a Bellway home. However, conversely 50% of respondents found between one to five problems with their new home after moving in. This is an area where we will be specifically concentrating in the coming months.

The quality of construction and presentation of a new home is a reflection of the way a site is organised and run. During the year 56 sites were registered under the Considerate Constructors Scheme whereby additional site inspections are undertaken by third parties. In addition, despite having fewer outlets we have retained an in-house team of four health and safety professionals who on a systematic basis carry out regular detailed audits on all the Group's developments. It is anticipated that this, together with constant training of site management, will lead to a long term improvement in construction standards and therefore greater levels of customer satisfaction.

Looking Forward

The cash generated as a result of the partial hibernation policy greatly exceeded our expectations and the Group ended the year with only £36.8 million of net bank debt, a reduction of £180.9 million during the year. Mortgage valuations are beginning to stabilise and indeed the Council of Mortgage Lenders has recently announced a further monthly rise in gross lending in July, albeit some 42% below the previous year. This stability, whilst still fragile, is extremely welcome and, consequently, the Group is now looking to selectively increase both work in progress expenditure and the number of outlets.

In addition, the Group intends to selectively increase its land bank predominantly focusing on the southern divisions provided current market and general economic conditions prevail and, since the year end, Bellway has contracted new land at attractive margins. On 6 August we announced a placement of 5.7 million new ordinary shares with new and existing shareholders, realising £43.7 million net of expenses. This enhances the Group's balance sheet and puts Bellway in an even stronger position to expand as and when the market shows tangible signs of recovery.

J K Watson
Chief Executive
12 October 2009

GROUP INCOME STATEMENT
For the year ended 31 July 2009

	Notes	2009 Pre-exceptional item £000	2009 Exceptional item Note 4 £000	**2009 Total £000**	2008 Pre-exceptional item £000	2008 Exceptional item Note 4 £000	2008 Total £000
Revenue	2	683,813	-	**683,813**	1,149,541	-	1,149,541
Cost of sales	4	(596,680)	(66,312)	**(662,992)**	(905,745)	(130,905)	(1,036,650)
Gross profit		87,133	(66,312)	**20,821**	243,796	(130,905)	112,891
Administrative expenses		(41,554)	-	**(41,554)**	(58,761)	-	(58,761)
Operating (loss) / profit		45,579	(66,312)	**(20,733)**	185,035	(130,905)	54,130
Finance income		4,894	-	**4,894**	3,631	-	3,631
Finance expenses		(20,712)	-	**(20,712)**	(22,683)	-	(22,683)
Share of losses of equity accounted entities		-	-	**-**	(315)	-	(315)
(Loss) / profit before taxation		29,761	(66,312)	**(36,551)**	165,668	(130,905)	34,763
Income tax credit / (expense)	3	(9,460)	18,567	**9,107**	(46,159)	38,399	(7,760)
(Loss) / profit for the year*		20,301	(47,745)	**(27,444)**	119,509	(92,506)	27,003

* all attributable to equity holders of the parent

	Notes	2009 Pre-exceptional item	2009 Exceptional item	2009 Total	2008 Pre-exceptional item	2008 Exceptional item	2008 Total
(Loss) / earnings per ordinary share – Basic	6	17.7p	(41.6)p	(23.9)p	104.2p	(80.6)p	23.6p
(Loss) / earnings per ordinary share – Diluted	6	17.6p	(41.5)p	(23.9)p	104.1p	(80.6)p	23.5p
Dividend per ordinary share	5	9.0p	-	9.0p	24.1p	-	24.1p

GROUP STATEMENT OF RECOGNISED INCOME AND EXPENSE
For the year ended 31 July 2009

	2009 £000	2008 £000
Actuarial gains / (losses) on defined benefit pension scheme	**353**	(14,351)
Tax on items taken directly to equity	**(99)**	4,018
Net income / (expense) recognised directly in equity	**254**	(10,333)
(Loss) / profit for the year	**(27,444)**	27,003
Total recognised (expense) / income*	**(27,190)**	16,670

* all attributable to equity holders of the parent

GROUP BALANCE SHEET
At 31 July 2009

	Notes	2009 £000	2008 £000
ASSETS			
Non-current assets			
Property, plant and equipment		**8,250**	11,559
Investment property		**7,377**	4,092
Investments in subsidiaries and equity accounted entities		**-**	126
Other financial assets		**20,826**	5,607
Deferred tax assets		**7,328**	7,871
		43,781	29,255
Current assets			
Inventories	4	**1,211,351**	1,503,936
Corporation tax receivable		**9,847**	23,900
Trade and other receivables		**41,749**	30,596
Cash and cash equivalents	7	**43,210**	109,313
		1,306,157	1,667,745
Total assets		**1,349,938**	1,697,000
LIABILITIES			
Non-current liabilities			
Interest bearing loans and borrowings		**100,000**	295,000
Retirement benefit obligations		**11,925**	12,709
Land and other payables		**26,854**	51,306
		138,779	359,015
Current liabilities			
Interest bearing loans and borrowings		**-**	52,000
Trade and other payables		**246,147**	284,901
		246,147	336,901
Total liabilities		**384,926**	695,916
Net assets		**965,012**	1,001,084
EQUITY			
Issued capital	8	**14,375**	14,372
Share premium	8	**117,198**	116,928
Other reserves	8	**1,492**	1,492
Share-based payment reserve	8	**-**	-
Retained earnings	8	**832,013**	868,358
Total equity attributable to equity holders of the parent		**965,078**	1,001,150
Minority interest	8	**(66)**	(66)
Total equity		**965,012**	1,001,084

Approved by the Board of Directors on 12 October 2009 and signed on its behalf by

Howard C Dawe
Director

Alistair M Leitch
Director

GROUP CASH FLOW STATEMENT
For the year ended 31 July 2009

	Notes	**2009 £000**	2008 £000
Cash flows from operating activities			
(Loss) / profit for the year		**(27,444)**	27,003
Depreciation charge		**2,190**	2,858
Loss on sale of property, plant and equipment		**4**	140
Loss / (profit) on sale of investment properties		**55**	(151)
Finance income		**(4,894)**	(3,631)
Finance expenses		**20,712**	22,683
Share based payment charge		**1,318**	1,685
Income tax (credit) / expense		**(9,107)**	7,760
Decrease in inventories		**293,155**	33,938
(Increase) / decrease in trade and other receivables		**(22,744)**	13,322
Decrease in trade and other payables		**(69,282)**	(101,688)
Cash from operations		**183,963**	3,919
Interest paid		**(14,590)**	(17,418)
Income tax received / (paid)		**23,591**	(62,875)
Net cash inflow / (outflow) from operating activities		**192,964**	(76,374)
Cash flows from investing activities			
Acquisition of property, plant and equipment		**(139)**	(2,096)
Acquisition of investment properties		**(3,383)**	(1,858)
Proceeds from sale of property, plant and equipment		**684**	376
Proceeds from sale of investment properties		**43**	334
Interest received		**1,265**	4,557
Net cash (outflow) / inflow from investing activities		**(1,530)**	1,313
Cash flows from financing activities			
(Decrease) / increase in bank borrowings		**(247,000)**	253,000
Proceeds from the issue of share capital on exercise of share options		**273**	1,479
Purchase of own shares by employee share option plans		**(113)**	(568)
Dividends paid		**(10,697)**	(51,364)
Net cash (outflow) / inflow from financing activities		**(257,537)**	202,547
Net (decrease) / increase in cash and cash equivalents		**(66,103)**	127,486
Cash and cash equivalents at beginning of year		**109,313**	(18,173)
Cash and cash equivalents at end of year	7	**43,210**	109,313

NOTES

1. Basis of preparation

The financial information set out above has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRSs) as adopted by the EU (Adopted IFRSs).

The financial information set out above does not constitute the Group's statutory accounts for the years ended 31 July 2009 or 2008. Statutory accounts for 2008 have been delivered to the registrar of companies, and those for 2009 will be delivered in due course. The auditors have reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 237 (2) or (3) of the Companies Act 1985 in respect of the accounts for 2008 nor a statement under section 498 (2) or (3) of the Companies Act 2006 in respect of the accounts for 2009.

2. Revenue / segmental analysis

The Group uses business as the basis for primary segmentation. Operations are carried out within one business segment which is housebuilding. No additional business segment information is required to be provided. The Group's secondary segment is geography. It operates in one geographical segment, the United Kingdom, therefore no additional geographical segment information is required to be provided.

3. Taxation

The effective rate of taxation for the year is 24.9% (2008 – 22.3%). The taxation credit / (charge) for the years ended 31 July 2009 and 31 July 2008 is calculated by applying the Directors' best estimate of the annual effective tax rate to the (loss) / profit for the period.

4. Exceptional items / inventories

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

A full review of inventories has been performed and land write downs have been made where cost exceeds 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. Estimated selling prices have been reviewed on a site by site basis and selling prices have been reduced based on local management and the Board's assessment of current market conditions. Following this review a material write down in both size (see below), and nature, given the economic conditions in the UK, has taken place.

These site reviews have resulted in land write downs totalling £58.881m (2008 - £112.534m).

In addition, option costs and related fees have been written down by £6.338m (2008 - £15.395m) to their net realisable value.

The Board has also reassessed the net realisable value of part exchange properties and has written down stock by £1.093m (2008 - £2.976m).

The above has resulted in an exceptional charge totalling £66.312m (2008 - £130.905m).

NOTES (continued)

5. Dividends on equity shares

	2009 £000	2008 £000
Amounts recognised as distributions to equity holders in the year :		
Final dividend for the year ended 31 July 2008 of 6.0p per share (2007 - 26.675p)	**6,897**	30,541
Interim dividend for the year ended 31 July 2009 of 3.0p per share (2008 - 18.1p)	**3,450**	20,765
	10,347	51,306
Proposed final dividend for the year ended 31 July 2009 of 6.0p per share (2008 - 6.0p)	**7,245**	6,912

The 2009 proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 15 January 2010 and, in accordance with IAS 10, has not been included as a liability in these financial statements.

6. Earnings per ordinary share

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

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

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

Pre-exceptional item [i]	**Earnings / (loss) 2009 £000**	**Weighted average number of ordinary shares 2009 no.**	**Earnings / (loss) per share 2009 p**	Earnings 2008 £000	Weighted average number of ordinary shares 2008 no.	Earnings per share 2008 p
For basic earnings per ordinary share	**20,301**	**114,949,883**	**17.7**	119,509	114,615,661	104.2
Dilutive effect of options and awards		**339,658**	**(0.1)**		245,743	(0.1)
For diluted earnings per ordinary share	**20,301**	**115,289,541**	**17.6**	119,509	114,861,404	104.1
Post-exceptional item						
For basic earnings per ordinary share	**(27,444)**	**114,949,883**	**(23.9)**	27,003	114,615,661	23.6
Dilutive effect of options and awards [ii]		**-**	**-**		245,743	(0.1)
For diluted earnings per ordinary share	**(27,444)**	**114,949,883**	**(23.9)**	27,003	114,861,404	23.5

[i] Exceptional charge of £66.3m (2008 - £130.9m) in the current year (note 4) less associated tax credit of £18.6m (2008 - £38.4m).

[ii] In accordance with IAS 33 potential ordinary shares are only treated as dilutive when their conversion to ordinary shares would increase the loss per share.

NOTES (continued)

7. Analysis of net debt

	At 1 August 2008 £000	Cash flows £000	At 31 July 2009 £000
Cash and cash equivalents	109,313	(66,103)	**43,210**
Bank loans	(327,000)	247,000	**(80,000)**
Preference shares redeemable after more than one year	(20,000)	-	**(20,000)**
Net debt	(237,687)	180,897	**(56,790)**

8. Reconciliation of movements in capital and reserves

	Attributable to equity holders of the parent						
	Ordinary share capital £000	**Share premium £000**	**Other reserves £000**	**Retained earnings £000**	**Total £000**	**Minority interest £000**	**Total equity £000**
At 1 August 2007	14,337	115,484	1,492	904,567	1,035,880	(66)	1,035,814
Total recognised income and expense	-	-	-	16,670	16,670	-	16,670
Dividends on equity shares	-	-	-	(51,306)	(51,306)	-	(51,306)
Shares issued	35	1,444	-	-	1,479	-	1,479
Charge in relation to share options and tax thereon	-	-	-	(1,005)	(1,005)	-	(1,005)
Purchase of own shares	-	-	-	(568)	(568)	-	(568)
At 31 July 2008	14,372	116,928	1,492	868,358	1,001,150	(66)	1,001,084
Total recognised income and expense	-	-	-	(27,190)	(27,190)	-	(27,190)
Dividends on equity shares	-	-	-	(10,347)	(10,347)	-	(10,347)
Shares issued	3	270	-	-	273	-	273
Credit in relation to share options and tax thereon	-	-	-	1,305	1,305	-	1,305
Purchase of own shares	-	-	-	(113)	(113)	-	(113)
At 31 July 2009	**14,375**	**117,198**	**1,492**	**832,013**	**965,078**	**(66)**	**965,012**

Within retained earnings are amounts relating to ordinary shares held by the employee share ownership plans. The number of shares held within these plans at 31 July 2009 was nil (2008 - 197,858) which are held within the financial statements at a value of £nil (2008 - £1.872m).