NATIONAL HOUSEBUILDER BELLWAY p.l.c. TODAY, TUESDAY 18 OCTOBER, ANNOUNCE THEIR PRELIMINARY RESULTS FOR THE YEAR ENDED 31 JULY 2011.

HIGHLIGHTS

- Completed sales of 4,922 homes (2010 - 4,595)
- Average price achieved £175,613 (2010 - £163,175)
- Total Group turnover of £886.1m (2010 - £768.3m)
- Profit before taxation £67.2m (2010 - £44.4m)
- Earnings per ordinary share of 41.5p (2010 – 29.7p)
- Final dividend for the year 8.8p (2010 - 6.7p)
- Forward order book at 30 September of £418.8m (2010 - £396.7m)

Chairman Howard Dawe said “against a backdrop of ongoing economic uncertainty”….the Group…. “has performed very well in the year ended 31 July 2011”.

He continued “with profit before tax rising by just over 50%, the Board has decided to increase the final dividend by just over 30%”. Furthermore “the Group’s average weekly reservation rate rose during the early part of 2011 and did not fall until the summer months”…. “a typical pattern for a normal housing market” and “…..reservations in the first nine weeks of the new financial year are almost 11% ahead of the same period last year”.

He concluded “Bellway aims to continue to increase both volumes and average selling prices, the latter by way of ongoing changes in the product mix. This, combined with the improvement in the operating margin, should ensure that shareholder value continues to be enhanced”.

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

TUESDAY 18 OCTOBER – THURSDAY 20 OCTOBER
J WATSON: 07855 337007
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THEREAFTER: 0191 217 0717

CHAIRMAN'S STATEMENT

Introduction

In my statement last year I referred to the lessons learnt by the Board during previous downturns, and these lessons continue to be applied in what remain testing times for the UK housebuilding industry. Against a backdrop of ongoing economic uncertainty, the housing market has stabilised and the Group, in general, has performed very well in the year ended 31 July 2011. With profit before tax rising by just over 50%, the Board has decided to increase the final dividend by just over 30%. Bellway has an uninterrupted record of paying dividends since 1979, which is unique in the UK housebuilding industry.

Trading and Results

After a relatively slow start to the financial year and poor weather conditions prior to Christmas, the Group's average weekly reservation rate rose during the early part of 2011 and did not fall until the summer months, thereby returning to a typical pattern for a normal housing market. During the year, the Group legally completed the sale of 4,922 homes, an increase of just over 7% compared to the previous year, at an average selling price of £175,613, an increase of almost 8%. These two factors, combined with other revenue of £21.7 million, mean that turnover for the Group has grown in the year from £768.3 million to £886.1 million, an increase of just over 15%. The operating margin has risen from 6.7% to 8.5% for the full year and, in the second half rose to 9.8%, thereby increasing operating profit to £75.2 million from £51.3 million in the previous year. Net finance charges total £8.0 million compared to £6.8 million last year. As a consequence, profit before tax has increased by 51.2% to £67.2 million from £44.4 million in 2010. Basic earnings per share have increased to 41.5p from 29.7p and the net asset value per ordinary share grew by almost 4% from 856p to 888p at 31 July. At the end of the financial year the Group had £3.4 million of net cash and £290 million of facilities with its banking partners.

Dividend

The Board is proposing to increase the final dividend from 6.7p to 8.8p, a rise of 31.3%, producing a total dividend for the year of 12.5p, up 25% from 10p in 2010. This dividend, which is covered over 3.3 times, will be paid on Wednesday 18 January 2012 to all ordinary shareholders on the Register of Members on Friday 16 December 2011. The ex-dividend date is Wednesday 14 December 2011.

Employees, Sub-contractors and Suppliers

I would like to express the Board's gratitude to all its employees, sub-contractors, suppliers and other partners for their efforts in what has been another encouraging but challenging year for the Group.

Board Changes

Peter Stoker retired as Commercial Director on 31 July and was replaced by Ted Ayres in the new role of Operations Director. Ted joined the Group in 2002, firstly as Managing Director of our Thames Gateway division and since 2006 has held the position of Southern Regional Chairman.

Alistair Leitch, our Finance Director since 2002, has decided to retire on 31 January 2012 and he will be replaced by Keith Adey, the Group Chief Accountant.

On behalf of the Board, I would like to thank Peter and Alistair for their significant contributions to the Group over many years and welcome Ted and Keith to the Board, and wish them every success in their new roles.

Outlook

Whilst developments in and around London, where we presently operate from about 35 sites, have been the most resilient, there are many areas throughout the rest of the country where activity has also been encouraging. Reservations in the first nine weeks of the new financial year are almost 11% ahead of the same period last year, and at 30 September the Group had an order book of £418.8 million (2010 -

£396.7 million). We continue to focus on rebuilding the Group's operating margin and anticipate it rising further, primarily from an increased contribution from recently acquired land.

Bellway aims to continue to increase both volumes and average selling prices, the latter by way of ongoing changes in the product mix. This, combined with the improvement in the operating margin, should ensure that shareholder value continues to be enhanced. The Board is confident of delivering these improvements over the next twelve months but, as ever, remains mindful of current economic uncertainties.

H C Dawe
Chairman
17 October 2011

CHIEF EXECUTIVE'S OPERATING REVIEW

Background

At the beginning of the financial year the market place had stabilised but a degree of uncertainty had been created by the looming austerity measures to be proposed in the Government's Comprehensive Spending Review. The number of 'down-valuations' received from mortgage providers was reducing and cancellations from customers who had reserved a new home remained at around 13%, with no change to the level of incentives being offered on new homes. Despite the uncertainty, the challenge faced by the Group was simply to improve profitability and shareholder returns. To do this a three pronged strategy was implemented aimed at increasing volumes, raising average selling prices and lifting operating margins.

Sales Volumes and Pricing

The first six months of the financial year saw an average sales rate of 80 homes per week, a slight reduction compared to the previous year, but severe weather conditions before Christmas slowed visitor and sales rates further. First time buyers, in particular, continued to face major obstacles in gaining access to mortgage products. The strong brought forward sales position on 1 August 2010, however, enabled the Group to complete the sale of 2,332 homes in the first six months of the financial year, compared to 2,247 in the previous year. Furthermore, our order book by 31 January remained healthy at £402.3 million.

With the onset of the new calendar year and improved weather conditions, sales reservation rates began to rise, culminating in an average sales rate in the second half of the year of 106 homes per week. This increased rate was supported by the opening of more selling outlets and, consequently, the number of legal completions in the second half of the year increased by 10%, to 2,590, compared to the previous year. The turnover from 4,922 homes sold in the full year was £864.4 million, producing an average selling price of £175,613, up 7.6% from £163,175 in the previous year. The increase in the average selling price was achieved by a combination of factors, including the completion of several high value developments in and around London where the average selling price was in excess of £250,000 and by a change in the product mix outside London where apartments have been replaced by higher value family homes.

In achieving this increase in volume and pricing, customers were regularly incentivised, which ranged from simple discounting to the use of our part exchange arrangements. The latter was employed in 13%, or 630, of our legal completions, which is 137 more transactions than the previous year. The Group's part exchange stock, however, increased from 115 homes to 175 homes by 31 July with a value of around £23.3 million.

Due largely to the ongoing lack of accessible mortgages for first time buyers, shared equity schemes have become popular in recent years and these arrangements were employed in 10% of legal completions during the year. The use of this selling aid, however, has fallen from 18% in the previous year, as the Government's original HomeBuy Direct initiative came to an end in September 2010. At 31 July, Bellway held £33.5 million of this type of asset on its balance sheet which represents just under 50% of the original deferred sums due from home purchasers.

Operating Margins and the Cost Base

The operating margin also continued to improve and moved up to 8.5%, an increase from 6.7% in the prior year. This improvement is the consequence of several different elements but is being achieved primarily through a combination of a growing output from newly acquired land where gross margins are in excess of 20% and also efficient management of the Group's cost base. In addition, we are gradually trading out of the older sites with lower margins. The new sites contributed some 27% of our legal completions during the course of the financial year and as this percentage increases there should be a continuing improvement in the operating margin.

With regard to the cost base, as the production of new homes, nationally, remains low, competition for work remains high amongst our sub-contractors and suppliers. Whilst there are many inflationary and regulatory pressures at all levels in the house building process, our costs overall have not seen any substantial increases during the course of the year and this has helped to support the increase in the operating margin. The majority of materials used in building a new home are negotiated with national suppliers on a fixed price basis, typically for 12 months or more, and this helps to smooth out short term fluctuations in material prices. Whilst labour rates vary from region to region, our strong order book provides visibility of workload for sub-contractors, providing the Group with a strong negotiating platform. As a result, the cost of labour intensive activities such as road, sewer and foundation works have remained relatively stable throughout the year.

Looking back over the last two to three years we estimate the cost of building an average sized home has fallen by around 8%. Challenges in future to the cost base will come in the shape of higher planning fees and the costs involved in reducing CO_2 emissions. During the course of the year, approximately 1,000 homes had either solar or photovoltaic panels installed and three blocks of apartments were built with a heating plant installed in the basement, fuelled by wood chip as its main heating source. Such new technology does put pressure on costs and one of our main challenges is to manage this process whilst maintaining product efficiency and without negatively affecting operating margins.

Divisional Performance
Many commentators talk about a current north/south divide in the housing market but our six northern divisions legally completed 2,345 homes, an increase of 18% compared to the previous year. Almost half of this volume increase was delivered by the West Midlands division which achieved 500 legal completions in the year, a similar volume to the North East division which consistently achieves this level of output.

The average selling price of the homes legally completed in the north remained broadly static compared to 2010, with the North East division having the highest average selling price of £167,592. Conversely, the southern divisions' average selling price increased by 13.1% to £203,973 but sales volumes remained broadly static at 2,577. The Thames Gateway division, following the completion of some high rise apartment blocks in the east end of London and Greenwich Peninsula, has seen average selling prices increase since last year by almost 40% to £212,694. Developments such as these benefit from a more diverse marketing strategy with buyers from the Far East, in particular, being prepared to buy off-plan at an early stage in the construction process.

Out of the total number of new homes legally completed, only 339 were acquired by housing associations in the north compared with 740 in the south. Housing associations are prepared to acquire homes in London and its suburbs over and above the normal planning obligations, creating a more diverse market place, which does influence our thinking when it comes to land buying.

Buying off-plan is unusual in these current market conditions and the Group has not only increased its work in progress levels on a number of sites to create "street scenes", it has also increased the number of show homes by 13% to enable potential customers to view our finished product.

Targeting Land Buying
Bellway ended the financial year in a net cash position of £3.4 million having expended £250 million on land and land creditors during the year. The majority of this expenditure was in the south, most notably sites at Stepney in east London for 350 homes and a redundant hospital in Carshalton, Surrey for 180 homes. Further investment in the north has also taken place, for example, a site only five miles north of Newcastle city centre gained planning permission, on appeal, for 330 homes. A premier league football club's former training ground was acquired in the North West and planning permission has been granted for 80 detached homes. The average selling price of £400,000 will bring a welcome boost to that

division's current average selling price of £133,863. Land previously held under option near Leicester was eventually granted planning approval for 200 homes. All the aforementioned sites will contribute towards the 2011/12 financial year output. Land acquisitions during the year continue to be subject to approval by our head office team, in conjunction with the Regional Chairmen, and this process ensures that our margin disciplines are not compromised.

At 31 July 2011, as a result of adding 5,406 plots, the land owned with planning permission has increased to 18,086 plots. In addition, land owned or controlled pending a planning permission represents a further 13,000 plots. Long term land, typically held under option, amounts to over 3,000 acres, where we now have some 1,600 plots with planning applications submitted, awaiting the outcome of the planning process.

This land bank provides the Group with new sales outlets but it is unrealistic, given current market conditions, to assume that the sales rate per outlet will increase. To fulfil our growth aspirations, therefore, the focus has been, and will continue to be, whilst current market conditions persist, the opening of more selling outlets. The Group ended the year operating from 205 outlets, having started with 185 and, with the benefit of a strong balance sheet, we are in a good position to increase our land bank and sales outlets in the future.

The Environment and Health and Safety

Increasing site activity needs to be combined with minimising the environmental effects, with waste management continuing to be one of our priorities. Divisions work in conjunction with their sub-contractors to minimise waste and maximise recycling and this year we used 16,936 waste skips compared to 17,375 last year, which represents a reduction in skips per home sold of 9%. Wherever possible we attempt to re-use demolition waste on our sites, typically under hard standing or landscaping areas. All timber products such as roof trusses and floor beams are procured from sustainable sources, and underground drainage systems are now being procured where the pipe work is manufactured using 50% recycled UPVC materials, thereby reducing the use of crude oil in the manufacturing process. The introduction of new building regulations has resulted in more homes being tested for air retention which, in turn, helps reduce CO_2 emissions by 25%, compared to homes constructed under previous regulations.

Whilst the grant of planning permission can be controversial within a local community, there are often significant benefits which follow as a result of signing planning agreements. This year we estimate more than £30 million will be spent on local improvements in terms of transport, education and health care facilities in relevant local authority areas. For example, at Barking Riverside in east London, in conjunction with our partner, the Homes and Communities Agency, a multi-million pound contribution was made to facilitate the construction of a new primary school and community facilities, which opened in September 2011.

A safe working environment for our employees, sub-contractors and suppliers is of prime concern. In this financial year I am pleased to report a 19% reduction in the over three day absence accident ratio on Bellway's building sites.

Putting the Customer First

Revised customer care procedures were implemented at the start of the financial year to improve practice, process and work methods and increase the level of supervision in relation to quality control. As a result of these changes, greater communication now takes place with customers after they have moved into their new home. A new benchmark has been introduced whereby we are striving to resolve customer complaints within 7 days of notification. Furthermore in an effort to improve our out of hours, seven days a week emergency service, a new national helpline for our customers has been introduced.

We continue to employ an independent consultant to survey our client base and in our latest survey to the end of June 2011, reported that 91% of clients “Would Recommend a Friend” to buy a Bellway home compared with 86% the previous year. Hopefully, the new measures introduced at the start of the financial year will prove beneficial, resulting in a higher percentage of satisfied customers in years to come.

Outlook

At the beginning of the new financial year the Group held 2,497 reservations. In the first nine weeks of the new financial year, which includes a typically quiet August period, reservations are almost 11% ahead of the same period last year. Whilst global economic conditions remain uncertain the Group continues to focus on the delivery of the same three pronged strategy of increasing volume, average selling price and operating margin. Bellway has started the year with 205 sales outlets and, subject to necessary planning consents, we are targeting to increase this, and consequently volumes, by up to 5% during the course of the current financial year. The combination of product mix between houses and apartments is unlikely to change drastically, but as new outlets come on to the market we anticipate that average selling prices and operating margins will improve further. Delivery of these improvements, combined with a strong balance sheet and healthy forward order book, will place Bellway in a position to further enhance shareholder return in the future.

J K Watson
Chief Executive
17 October 2011

GROUP INCOME STATEMENT
For the year ended 31 July 2011

	Notes	2011 £000	2010 £000
Revenue	2	**886,095**	768,341
Cost of sales	4	**(766,717)**	(678,547)
Gross profit		**119,378**	89,794
Administrative expenses		**(44,168)**	(38,539)
Operating profit		**75,210**	51,255
Finance income		**1,774**	2,281
Finance expenses		**(9,822)**	(9,103)
Profit before taxation		**67,162**	44,433
Income tax expense	3	**(17,018)**	(8,620)
Profit for the year *		**50,144**	35,813

* all attributable to equity holders of the parent

	Notes	2011	2010
Earnings per ordinary share - Basic	6	**41.5p**	29.7p
Earnings per ordinary share - Diluted	6	**41.4p**	29.6p

GROUP STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 July 2011

	2011 £000	2010 £000
Profit for the period	**50,144**	35,813
Other comprehensive income		
Actuarial gains on defined benefit pension plans	**761**	1,891
Income tax on other comprehensive income	**(587)**	(582)
Other comprehensive income for the period, net of income tax	**174**	1,309
Total comprehensive income for the period *	**50,318**	37,122

* all attributable to equity holders of the parent

GROUP STATEMENT OF CHANGES IN EQUITY
At 31 July 2011

	Notes	Issued capital £000	Share premium £000	Other reserves £000	Retained earnings £000	Total £000	Non-controlling interest £000	Total equity £000
Balance at 1 August 2009		14,375	117,198	1,492	832,013	965,078	(66)	965,012
Total comprehensive income for the period								
Profit for the period		-	-	-	35,813	35,813	-	35,813
Other comprehensive income *		-	-	-	1,309	1,309	-	1,309
Total comprehensive income for the period		-	-	-	37,122	37,122	-	37,122
Transactions with shareholders recorded directly in equity:								
Dividends on equity shares	5	-	-	-	(11,221)	(11,221)	-	(11,221)
Shares issued		728	43,365	-	-	44,093	-	44,093
Credit in relation to share options and tax thereon		-	-	-	1,569	1,569	-	1,569
Purchase of own shares		-	-	-	(1,777)	(1,777)	-	(1,777)
Total contributions by and distributions to shareholders		728	43,365	-	(11,429)	32,664	-	32,664
Balance at 31 July 2010		15,103	160,563	1,492	857,706	1,034,864	(66)	1,034,798
Total comprehensive income for the period								
Profit for the period		-	-	-	50,144	50,144	-	50,144
Other comprehensive income *		-	-	-	174	174	-	174
Total comprehensive income for the period		-	-	-	50,318	50,318	-	50,318
Transactions with shareholders recorded directly in equity:								
Dividends on equity shares	5	-	-	-	(12,543)	(12,543)	-	(12,543)
Shares issued		2	79	-	-	81	-	81
Credit in relation to share options and tax thereon		-	-	-	1,213	1,213	-	1,213
Purchase of own shares		-	-	-	(559)	(559)	-	(559)
Total contributions by and distributions to shareholders		2	79	-	(11,889)	(11,808)	-	(11,808)
Balance at 31 July 2011		**15,105**	**160,642**	**1,492**	**896,135**	**1,073,374**	**(66)**	**1,073,308**

* additional breakdown is provided in the Group Statement of Comprehensive Income.

GROUP BALANCE SHEET
At 31 July 2011

	Notes	2011 £000	2010 £000
ASSETS			
Non-current assets			
Property, plant and equipment		**9,023**	8,216
Investment property		**8,880**	7,716
Other financial assets		**33,491**	32,664
Deferred tax assets		**3,683**	3,694
		55,077	52,290
Current assets			
Inventories	4	**1,270,292**	1,148,713
Trade and other receivables		**62,176**	45,801
Cash and cash equivalents	7	**83,412**	145,689
		1,415,880	1,340,203
Total assets		**1,470,957**	1,392,493
LIABILITIES			
Non-current liabilities			
Interest bearing loans and borrowings		**85,000**	100,000
Retirement benefit obligations		**8,401**	8,736
Trade and other payables		**31,218**	20,299
Deferred tax liabilities		**66**	166
		124,685	129,201
Current liabilities			
Interest bearing loans and borrowings		**15,000**	-
Corporation tax payable		**11,836**	2,842
Trade and other payables		**246,128**	225,652
		272,964	228,494
Total liabilities		**397,649**	357,695
Net assets		**1,073,308**	1,034,798
EQUITY			
Issued capital		**15,105**	15,103
Share premium		**160,642**	160,563
Other reserves		**1,492**	1,492
Retained earnings	8	**896,135**	857,706
Total equity attributable to equity holders of the parent		**1,073,374**	1,034,864
Non-controlling interest		**(66)**	(66)
Total equity		**1,073,308**	1,034,798

Approved by the Board of Directors on 17 October 2011 and signed on its behalf by

Howard C Dawe
Director

Alistair M Leitch
Director

GROUP CASH FLOW STATEMENT
For the year ended 31 July 2011

	Notes	2011 £000	2010 £000
Cash flows from operating activities			
Profit for the year		**50,144**	35,813
Depreciation charge		**1,695**	1,659
Profit on sale of property, plant and equipment		**(262)**	(184)
Profit on sale of investment properties		**(27)**	(39)
Finance income		**(1,774)**	(2,281)
Finance expenses		**9,822**	9,103
Share-based payment charge		**957**	1,372
Income tax expense		**17,018**	8,620
(Increase) / decrease in inventories		**(121,579)**	62,638
Increase in trade and other receivables		**(19,175)**	(15,869)
Increase / (decrease) in trade and other payables		**29,879**	(33,602)
Cash from operations		**(33,302)**	67,230
Interest paid		**(5,553)**	(2,534)
Income tax (paid) / received		**(8,444)**	7,484
Net cash (outflow) / inflow from operating activities		**(47,299)**	72,180
Cash flows from investing activities			
Acquisition of property, plant and equipment		**(2,588)**	(1,763)
Acquisition of investment properties		**(1,230)**	(657)
Proceeds from sale of property, plant and equipment		**351**	322
Proceeds from sale of investment properties		**185**	262
Interest received		**1,322**	1,049
Net cash outflow from investing activities		**(1,960)**	(787)
Cash flows from financing activities			
Proceeds from issue of share capital on share placing		**-**	43,658
Proceeds from the issue of share capital on exercise of share options		**81**	435
Purchase of own shares by employee share option plans		**(559)**	(1,777)
Dividends paid		**(12,540)**	(11,230)
Net cash (outflow) / inflow from financing activities		**(13,018)**	31,086
Net (decrease) / increase in cash and cash equivalents		**(62,277)**	102,479
Cash and cash equivalents at beginning of year		**145,689**	43,210
Cash and cash equivalents at end of year	7	**83,412**	145,689

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 2011 or 2010. Statutory accounts for 2010 have been delivered to the registrar of companies, and those for 2011 will be delivered in due course. The auditor has reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

2. Segmental analysis

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

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.

3. Taxation

The effective rate of taxation for the year is 25.3% (2010 – 19.4%). The taxation charge for the years ended 31 July 2011 and 31 July 2010 is calculated by applying the Directors' best estimate of the annual effective tax rate to the profit for the period. The lower effective tax rate in the current year is principally due to finalisation of prior year land remediation claims.

4. Exceptional items

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

A full review of inventories was performed at 31 July 2011 and the carrying value of land was compared to the net realisable value. Net realisable value represents the estimated selling price (in the ordinary course of business) less all estimated costs of completion and attributable overheads. Estimated selling prices were reviewed on a site by site basis and selling prices were amended based on local management and the Board's assessment of current market conditions. No exceptional land write downs or land write backs were required as a result of this review.

There were no exceptional items in the year ended 31 July 2010.

NOTES (continued)

5. Dividends on equity shares

	2011 £000	2010 £000
Amounts recognised as distributions to equity holders in the year :		
Final dividend for the year ended 31 July 2010 of 6.7p per share (2009 - 6.0p)	**8,096**	7,238
Interim dividend for the year ended 31 July 2011 of 3.7p per share (2010 - 3.3p)	**4,471**	3,987
Dividends forfeited	**(24)**	(4)
	12,543	11,221
Proposed final dividend for the year ended 31 July 2011 of 8.8p per share (2010 - 6.7p)	**10,635**	8,096

The 2011 proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 13 January 2012 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:

	Earnings 2011 £000	**Weighted average number of ordinary shares 2011 no.**	**Earnings per share 2011 p**	Earnings 2010 £000	Weighted average number of ordinary shares 2010 no.	Earnings per share 2010 p
For basic earnings per ordinary share	**50,144**	**120,705,397**	**41.5**	35,813	120,619,800	29.7
Dilutive effect of options and awards		**462,722**	**(0.1)**		549,620	(0.1)
For diluted earnings per ordinary share	**50,144**	**121,168,119**	**41.4**	35,813	121,169,420	29.6

NOTES (continued)

7. Analysis of net cash / (debt)

	At 1 August 2010 £000	Cash flows £000	At 31 July 2011 £000
Cash and cash equivalents	145,689	(62,277)	**83,412**
Bank loans	(80,000)	-	**(80,000)**
Preference shares redeemable after more than one year	(20,000)	-	**(20,000)**
Net cash / (debt)	45,689	(62,277)	**(16,588)**

8. Reserves

Own shares held

The Group holds shares within the Bellway Employee Share Trust (1992) (the "Trust") for participants of certain share-based payment schemes. During the period the Trust made a market purchase of 100,000 (2010 – 248,955) shares at an average price of 559p (2010 – 714p) and transferred 95,473 (2010 – 148,955) shares to employees. The number of shares held within the Trust, and on which dividends have been waived, at 31 July 2011 was 104,527 (2010 – 100,000). These shares are held within the financial statements at a cost of £0.584 million (2010 - £0.601 million). The market value of these shares at 31 July 2011 was £0.690 million (2010 - £0.580 million).