

10 September 2019



Continued excellent operational progress delivers record profits

Bovis Homes Group PLC (the 'Group') is today issuing its half year results for the six months ended 30 June 2019.

H1 Highlights

- Record profits with profit before tax increasing by 20% to £72.4m
- Step up in profitability including 140 basis points improvement in operating margin to 16%
- 15% increase in private sales rate to 0.6 per site per week despite an uncertain market backdrop
- Further strong improvement in customer satisfaction with Group trending at 5-star HBF customer satisfaction score for the year to date
- High quality land acquisitions in the year to date totalling 2,007 plots across 12 sites
- Further strengthened balance sheet with increase in net cash as at 30 June 2019 to £102.4m
- Interim dividend up 8% to 20.5p per share reflecting confidence in the business

	H1 2019	H1 2018	Change
Total completions ⁽¹⁾	1,647	1,580	+4%
Total average selling price	£269.2k	£262.7k	+2%
Group revenue	£472.3m	£432.2m	+9%
Operating margin	16.0%	14.6%	140bps
Profit before tax	£72.4m	£60.2m	+20%
Earnings per share	43.7p	36.1p	+21%
Ordinary dividend per share	20.5p	19.0p	+8%
Net cash	£102.4m	£42.8m	+139%
Return on capital employed ⁽²⁾	19.8%	14.5%	530bps

Strong outlook for full year

- Continue to develop strategy of controlled volume growth whilst driving margin and ROCE progression
- Expect to make further good progress against our medium term targets in the year, with a number already achieved
- Strong sales position with 96% of FY19 total completions and c.10% of FY20 private units secured
- Further £60m of capital to be returned to shareholders in second half
- Well positioned to deliver another strong performance in 2019

Notes: (1) Includes JV completions in the period of 3 (2018: nil) (2) Return on capital employed has been calculated as the total operating profit for the 12 month rolling period to 30 June 2019 (£186.9m), divided by the average of opening and closing shareholders' funds, plus net debt or less net cash, excluding investment in JVs for the 12 month rolling period to 30 June 2019 (£942.2m).

Potential combination with Galliford Try's Linden Homes and Partnership & Regeneration divisions (the "Potential Transaction")

We have announced today that we have re-engaged in preliminary discussions with Galliford Try plc regarding a potential combination between Bovis Homes and Galliford Try's Linden Homes and Partnerships & Regeneration divisions, and have agreed high-level terms upon which the Potential Transaction would be implemented. There remains significant work to be completed before definitive transaction documentation can be agreed, including agreement of detailed commercial terms, completion of due diligence and arranging transaction funding. Further details are included in a separate statement issued today by the Group and Galliford Try.

Greg Fitzgerald, Chief Executive commented,

"We delivered an excellent first half performance with a significant step up in our sales rate, record profits and a further strengthening of our balance sheet. The Group has transformed over the past two years and we are consistently delivering high quality new homes with very high levels of customer satisfaction, as demonstrated by the significant improvement in our HBF rating over the past 12 months. The fact that we are now trending at a 5-star level is testament to the continued hard work and dedication of our team.

"We are very well positioned for the second half and expect to deliver another strong performance in the year."

There will be a meeting for analysts and investors at 9:00am today at The London Stock Exchange, The London Stock Exchange Building, 10 Paternoster Square, London, EC4M 7LS. The presentation will be audiocast live on the Bovis Homes corporate website www.bovishomesgroup.co.uk from 9:00am. A playback facility will be available shortly after the presentation has finished.

Certain statements in this press release are forward looking statements. Forward looking statements involve evaluating a number of risks, uncertainties or assumptions that could cause actual results to differ materially from those expressed or implied by those statements. Forward looking statements regarding past trends, results or activities should not be taken as representation that such trends, results or activities will continue in the future. Undue reliance should not be placed on forward looking statements.

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Chief Executive's Review

Half year update

The Group reports a strong first half performance with a significantly improved operating performance and a step up in our financial results.

The Group's private sales rate increased by 15% in the first half, operating margin was up by 140 basis points to 16% (2018: 14.6%) and profit before tax increased by 20% to £72.4m (2018: £60.2m) – a record level for Bovis Homes. The Group's balance sheet strengthened further with a net cash position of £102.4m as at 30 June (2018: £42.8m).

Building high quality new homes that meet our customers' needs and expectations remains at the core of our business and I am delighted the Group's customer satisfaction score continues to reflect this, now trending at a 5-star HBF customer satisfaction rating (above 90%).

Over the last two years, we have transformed our build processes and are proud of the homes we build. Last year we launched our new 'Phoenix' housing range and we saw the first completions from the range in June this year, with excellent feedback from our customers and visitors.

Our new Partnerships business has made strong progress with six of our larger developments now in partnership with Housing Associations, including the joint venture of Stanton Cross, Wellingborough with Riverside.

Our strategy remains focused on controlled volume growth whilst driving profitability and return on capital employed. We are committed to increasing the supply of quality new homes in the UK and with the growth of our Partnerships business, see the opportunity to grow our volumes beyond our 2020 target of 4,000 units p.a.

Operating performance

Strong sales performance

We are pleased to report a 15% increase in our private sales rate in the first half to 0.60 (2018: 0.52) sales per active site per week. This reflects a step change in the Group's performance achieved against a backdrop of ongoing market uncertainty.

Help to Buy remains an important scheme and 25% of total completions utilised it in the first half. We have also seen a controlled increase in our use of part exchange, with 9% of completions on this basis in the period. We maintain very tight controls around our part exchange stock levels and had held no properties for longer than three months as at 30 June.

The Group delivered a total of 1,647 (2018: 1,580) new homes in the half year, a 4% increase, and a total average selling price up 2% to £269,200 (2018: £262,700). The increase in pricing reflects an improved geographical spread of sales outlets with overall underlying pricing broadly flat.

We opened 10 new developments in the first half and expect to open a total of 24 new developments this year. We are currently operating from 87 sites and expect this to remain relatively stable.

High levels of customer satisfaction

Customer satisfaction is a key priority and we are delighted to report continued improvement in our customer satisfaction rating, with our HBF score since 1 October 2018 trending at above 90%, the equivalent of a 5-star housebuilder.

We continue to invest in our customer service and in May launched our new customer relationship management system 'Keys'. It is designed to enhance further our customers' 'Bovis Homes' journey, giving them greater access and transparency throughout the build, sales and after sales process. As an industry first, our customers are able to self-report snags and track progress with 24/7 contact.

We were delighted to have recently received the Ministry of Defence's Gold Award in their Employer Recognition Scheme. Bovis Homes first signed the Armed Forces Covenant in 2016 and has since worked to ensure that past and present members of the Forces along with their families receive outstanding support, from mentoring placements and trainee programmes to assist military personnel looking to get on to the property ladder. We are proud to be the only housebuilder to have achieved the Gold Award status.

Transformation of our build processes

The Group delivered another controlled period end and this is reflected in the high standard of build quality of our new homes. We have seen further improvement in our build quality metrics which are tracking in-line or ahead of industry benchmarks. We have a high quality team of construction directors and site managers and have seen a further reduction in site manager headcount turnover to below 15%. A special congratulations to our six site managers who were winners of NHBC Pride in the Job Quality Awards this year.

We have launched a programme of initiatives targeting savings across all areas of build. In particular, we are working closely with our supply chain to counter build cost inflation and are introducing group wide specification changes where appropriate. We have seen build cost inflation running at around 3% to 4% in the year to date, with some reduction in inflationary pressure seen recently.

Phoenix housing range

Following the launch of our new housing range, the Phoenix Collection, in April last year, we have successfully replanned our owned land bank and implemented build of the new range, with 880 Phoenix designed units currently under construction. We completed the first new 'Phoenix' homes in June with excellent feedback from customers. The modern design and open plan living meet today's customer needs, while the design and specification allow us to drive efficiency and cost reductions. We expect the Phoenix Collection to account for c. 15% of our total completions in 2019, with this percentage increasing rapidly in future years.

Ongoing investment in our business

We continue to invest in our systems and processes to drive efficiency and best practice across all business areas and to position the Group successfully for the future. We are in the process of re-launching the Bovis Homes brand and modernising our sales and commercial websites, alongside the launch of our CRM, Keys. We continue to invest in our management reporting system with COINS, and through Access Systems are investing in our HR platform.

People

People remain a key priority for the Group and we are delighted that our investment is reflected in consistently high levels of engagement and a much reduced level of headcount turn. We have a full range of training and development programmes, and the first half saw the roll-out of the final module of our bespoke Leadership Development Programme.

We continue to support the development of skilled labour within our industry, in particular with our apprenticeship and assistant site manager programmes.

High quality land supply

We have excellent visibility on our land supply and have all of our units for 2020 secured and 79% for 2021. We continue to see good opportunities in the land market that meet our minimum hurdle rates and strategy of increasing our proportion of smaller properties, reducing our average selling price. We expect to maintain a 3.5 to 4.0 year owned land bank and in the year to date have acquired 2,007 plots across 12 sites.

We have good momentum on our strategic land and in the year to date have pulled through 372 plots on three sites from our strategic land bank. We have also entered into four new option agreements for a total of 865 plots, with a strong pipeline for the rest of this year and going into 2020.

Partnerships

We launched our Partnerships business in February this year to work alongside our operating regions. It brings a less cyclical and more resilient revenue and profit stream, and reflects our significantly improved relationships with Housing Associations. This is a land led strategy allowing us to optimise returns from our land investment, in particular our larger sites pulled through from our strategic land bank, and will facilitate better working capital management.

We have made good progress in the year to date with six partnership developments now established including our joint ventures with Riverside Housing Association at Stanton Cross, Wellingborough completed in April, and with LiveWest at Alphington, Exeter completed in July.

The partnerships are typically structured such that we transfer all or part of the land for development, often arising from our strategic land bank, to a partner or into a joint arrangement. In the first half, revenue of £15.4m (2018: nil) was recognised from partnership land transactions. Bovis Homes will then develop out the site for our partner or on behalf of the joint venture. The partnership land transactions were recognised using the site wide development margin, in the same way as our standard housing business.

Strategy update

The Group strategy remains focused on delivering controlled volume growth while driving margin progression. With the development of our Partnerships business, we believe the Group has the ability to drive volumes beyond our medium term target of 4,000 units p.a.

The increased investment in our Partnerships business results in us now expecting to achieve our ROCE target of 25% by 2022.

On margin, our specific margin initiatives include the roll-out of our new Phoenix housing range and increasing the use of our Select extras range. We have also implemented a programme of cost saving initiatives across all areas of build including working with our supply chain to counter build cost inflation and Group wide specification changes where appropriate.

Medium term targets

We have made further good progress against our medium term targets in the period with a number already achieved

Target	Progress to date	Timing / outlook
4-star HBF customer satisfaction rating	<ul style="list-style-type: none"> - Trending at 5-star rating - 4 star HBF customer satisfaction score for 2018 	Achieved <ul style="list-style-type: none"> - Maintain 4-star rating
4,000 completions p.a.	<ul style="list-style-type: none"> - 3,759 completions in FY18 - 4% increase in completions in H1 19 - Launch of Partnerships business 	Targeted for 2020 <ul style="list-style-type: none"> - Controlled volume growth from existing structure - Delivery of more than 4,000 new homes p.a. beyond 2020 through investment in Partnerships business
3.5 to 4.0 year owned land bank	<ul style="list-style-type: none"> - Divestment of sites outside of our core operating areas - Wellingborough and Sherford JVs completed 	Achieved <ul style="list-style-type: none"> - Maintain 3.5 to 4.0 year owned land bank
Min. 23.5% gross margin	<ul style="list-style-type: none"> - 70 basis point improvement in gross margin in H1 19 to 21.6% 	Targeted for 2020 <ul style="list-style-type: none"> - Margin initiatives underpin 2020 gross margin target - Programme of cost saving initiatives - Embedded land gross margin at 24.9% will drive further improvements over time
5% admin expense as % of revenues	<ul style="list-style-type: none"> - Effective operating structure in place with continued investment in process and systems to deliver efficiency 	Targeted for 2019
Min. £180m net cash from balance sheet optimisation	<ul style="list-style-type: none"> - Balance sheet initiatives delivered in excess of £250m net cash benefit 	Achieved <ul style="list-style-type: none"> - Ongoing active balance sheet optimisation and review of capital returns
25% return on capital employed	<ul style="list-style-type: none"> - Increase in Group ROCE to 19.8% in H1 19 	Targeted for 2022 <ul style="list-style-type: none"> - Targeting 25% for 2022 reflecting increased investment in Partnership business

Potential combination with Galliford Try's Linden Homes and Partnership & Regeneration divisions

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Enhanced returns to shareholders

The Board is committed to maximising ordinary dividends to shareholders and for the first half year the interim dividend, payable on 22 November, will be 20.5 pence per share, an increase of 8% on H1 2018.

In 2017, the Board stated that it intended that surplus capital totalling £180m or c.134p per share will be returned to shareholders in the three years to 2020. If the Potential Transaction proceeds, the £60 million of capital return expected to be paid in 2019 would, subject to shareholder approval, be returned by way of a bonus issue (the "Bonus Issue") settled at completion of the Potential Transaction through the issue of fully paid Bovis Homes shares to Bovis Homes shareholders. The Bonus Issue would equate to 5,665,723 shares (in aggregate) valued at £60 million based on a Bovis Homes share price of 1059p, being the closing share price on 9 September 2019.

If the Potential Transaction does not complete, the second capital return of £60m equating to c.45p per share is expected to be paid to shareholders as a cash dividend.

Market

Despite wider market uncertainty around Brexit, the market fundamentals remain supportive with high employment levels, interest rates at historic lows, and good competition in the mortgage lending market place. Both of the two key political parties remain committed to increasing the supply of new homes in the UK and supportive of the housing industry. We are pleased to have clarity on Help to Buy with the scheme confirmed to 2023.

Outlook

We are very pleased with the significant progress the Group has made over the past two years and see the operational turnaround as nearly complete. We continue to invest in the business and are fully committed to improving further the way we operate, to adopting modern methods of construction where appropriate, and ensuring we are best positioned to deliver high quality new homes to the market in the years ahead.

We have a strong sales position with 96% of total sales for 2019 secured, and c. 10% of private sales for 2020 already secured. While we are having to work hard in the current market, we are confident of delivering completions in-line with our expectations for the year and deliver another strong performance.

Financial Review

Trading Performance

In line with our strategy, the Group delivered controlled volume growth during the first half of 2019 resulting in a 4% increase in legal completions¹ to 1,647 (H1 2018: 1,580). This included 616 affordable homes representing 37% of total completions (H1 2018: 35%). Total revenue was £472.3m, an increase of 9% on the previous year (H1 2018: £432.2m).

Volume	H1 2019	H1 2018
Private legal completions	1,028	1,030
Affordable legal completions	616	550
Total legal completions	1,644	1,580
JV legal completions	3	-
Total legal completions including JVs	1,647	1,580
Revenue (£m)		
Private legal completions	352.3	344.7
Affordable legal completions	90.2	70.3
Revenue from legal completions	442.5	415.0
Other revenue	7.9	10.9
Partnership land transactions revenue	15.4	-
Total development revenue	465.8	425.9
Land sales revenue	6.5	6.3
Total revenue	472.3	432.2

Housing revenue from legal completions was £442.5m (H1 2018: £415.0m), 7% ahead of the prior year. The average sales price for our private homes increased 2% to £342,800 (H1 2018: £334,700) and our overall average sales price increased by 2% to £269,200 (H1 2018: £262,700).

Other revenue was £7.9m (H1 2018: £10.9m) and includes the release of £4.1m (H1 2018: £7.9m) in deferred revenue from PRS joint ventures as we dispose of properties as part of our strategy to exit these joint ventures.

In February this year we announced the launch of our new Partnerships Housing Division which is pursuing a land led strategy, working alongside housing associations to increase output and deliver best returns from our development land, in particular our larger, strategic land sites.

Partnership land transactions revenue of £15.4m was from three land sales in the period to housing associations, where Bovis Homes will develop the land in partnership with the housing associations. The partnership land transactions were recognised using the site wide development margin, in the same way as our standard housing business.

¹ Inclusive of joint venture completions

Land sales revenue of £6.5m in H1 2019 primarily relates to the disposal of the final out-of-operating area site in the period at Penwortham near Preston, realising £6.4m of cash and contributing £0.1m in profit.

Construction costs per square foot have increased by 6% over the last 12 months, reflecting the inflationary impact of labour and materials that we estimate to be around 3 to 4% during the year, as well as the geographical mix of product delivered during the period. This has been partially offset by reductions in our cost base as we delivered production in a controlled manner, changes in specification and the under-utilisation of contingency.

Development gross margin was 21.9% in the first half of 2019, ahead of the 21.2% achieved in the same period in 2018 driven by the increasing embedded gross margin in our land bank, broadly flat market pricing and our ongoing operational improvements including the initial impacts from our margin initiatives.

Total gross profit was £101.8m (gross margin: 21.6%), compared with £90.4m (gross margin: 20.9%) in H1 2018.

Operating profit increased to £75.8m (H1 2018: £63.1m) at an operating profit margin of 16.0% (H1 2018: 14.6%). Administrative expenses decreased in 2019 to £26.0m (H1 2018: £27.3m) reflecting the Group's efficient operating structure, offset by higher employee costs and the ongoing investment in new processes, systems and training. This investment is beginning to deliver further benefits to our operations which will have a greater impact in future periods. We note that first half margins are impacted by the completion profile, and therefore revenue profile, being more heavily weighted into the second half of the financial year, with certain costs being equally phased across the year.

The Group delivered a record profit before tax for the six months ended 30 June 2019 of £72.4m, comprising operating profit of £75.8m, net financing charges of £2.8m and £0.6m of share in JV losses. This compares to £60.2m of profit before tax in H1 2018, which comprised £63.1m of operating profit and £2.9m of net financing costs.

Financing and Taxation

Net financing charges during the first half of 2019 were £2.8m (H1 2018: £2.9m) reflecting the marginally lower net debt in the period, a consistent level of commitment fees, and issue costs amortised, as well as the impact of implementing IFRS 16 in the period, disclosed in note 9 to the financial statements.

The Group has recognised a tax charge of £13.7m at an effective tax rate of 18.9% (H1 2018: tax charge of £11.5m at an effective rate of 19.1%). The Group has a current tax liability of £14.3m on its balance sheet as at 30 June 2019 (H1 2018: £14.0m).

Dividends

An interim dividend of 20.5 pence per share (H1 2018: 19.0 pence) has been declared and will be paid on 22 November 2019 to holders of ordinary shares on the register at the close of business on 27 September 2019. The dividend reinvestment plan, introduced in 2012, gives shareholders the opportunity to reinvest their dividend.

Net Assets and Cash flow

As at 30 June 2019 net assets of £1,073.8m were £12.7m higher than at the start of the year. Net assets per share as at 30 June 2019 were 796 pence (H1 2018: 787 pence).

Investments increased by £32.4m since the start of the year, primarily driven by the investment made into the joint venture with Riverside Housing Limited for the development of Stanton Cross, Wellingborough.

Retirement benefit assets increased by £9.8m primarily as a result of higher than expected returns on the scheme's assets and contributions to the fund in the period. This has resulted in a pension surplus of £11.1m at 30 June 2019 (H1 2018: £4.8m).

Inventories decreased during the half year by £50.0m to £1,270.0m. The value of residential land, the key component of inventories, decreased by £88.9m. This reflects a relatively lower level of investment in the first half of the year and the sale of our Stanton Cross development at Wellingborough into a joint venture. Other movements in inventories included an increase in work in progress of £38.3m driven by the infrastructure investment on a number of our new or significant strategically sourced developments in the first half, including Wokingham, North Whiteley, and Bishops Stortford. We have also increased the level of housing work in progress to support our expected higher delivery volume in the second half of 2019. Our part exchange properties balance has increased by £1.2m, as we make greater use of this as a sales tool, in a controlled and disciplined manner, with no properties held for more than three months unsold at the end of the period.

Trade and other receivables increased by £26.8m, driven by increased balances receivable from housing associations from 31 December 2018. Trade and other payables increased by £13.7m, predominantly reflecting increased accruals and trade creditors from production offset by £43.9m net settlement of land creditors. Land creditors decreased to £249.4m (31 December 2018: £293.3m) representing 32% of our gross land investment and includes significant balances in respect of longer-term schemes at North Whiteley and Alphington, Exeter purchased in 2018.

As at 30 June 2019 the Group's net cash balance, which reflects cash and cash equivalents less bank and other loans, was £102.4m (H1 18: £42.8m). Net cash is quoted excluding the lease liabilities arising on adoption of IFRS 16, the impact of which is clearly disclosed in note 9 to the financial statements. The Group started the year with net cash of £126.8m and generated an operating cash inflow before land expenditure of £64.7m (H1 2018: £41.5m) and recognised a reduction of £36.4m in loans. The loan reduction arose as a result of the movement of funding from Homes England into the newly formed joint venture with Riverside at Stanton Cross, Wellingborough. Net cash payments for land investment increased to £95.9m (H1 2018: £81.2m), reflecting the timing of land acquisitions and reduction in land creditors. Cash inflows from joint ventures were £37.2m (H1 2018: nil), primarily generated on the sale of land and inventory into the Stanton Cross, Wellingborough joint venture, and non-trading cash outflow increased to £21.9m (H1 2018: £19.3m) with increased corporation tax payments; payments relating to dividends were £51.1m (H1 2018: £43.6m).

We have a committed revolving credit facility of £250m in place which expires in December 2022.

Land Bank

	H1 2019	H1 2018
Consented plots added	1,004	505
Sites added	8	4
Sites owned at period end	115	107
Total consented land bank	16,215	16,107
Joint venture plots	3,054	-
Owned land bank plots	13,161	16,107
Average consented land plot ASP	£316,000	£294,000
Average consented land plot cost	£58,000	£51,000

The Group's total consented land bank including joint ventures was 16,215 plots as at 30 June 2019. Including our share of joint venture plots (1,527) and assuming our target of 4,000 total completions p.a., the Group's land bank has reduced to 3.7 years as at the 30 June 2019, in line with our strategy of maintaining a 3.5 to 4.0 years owned land bank.

The 1,644 plots that legally completed, excluding JVs, in the year were replaced by a combination of site acquisitions and conversions from our strategic land pipeline. In the year to date, we have acquired 2,007 plots across 12 developments. Based on our appraisal at the time of acquisition, the new additions, on average, are expected to deliver a future gross margin and ROCE of at least 25%.

Strategic land continues to be an important source of supply and the Group had a total of 19,745 plots (31 December 2018: 19,278) at 30 June 2019. During the year to date 372 plots have been converted from the strategic land pipeline into the consented landbank.

The average selling price of all units within the consented land bank decreased over the year to £316,000, 1% lower than the £319,000 at 31 December 2018, reflecting our strategy of acquiring land with lower average selling price. The estimated embedded gross margin in the consented land bank as at 30 June 2019, based on prevailing sales prices and build costs is 24.9%.

Impact of new accounting standards

The Group implemented IFRS 16 'Leases' for the first time from 1 January 2019, applying the modified retrospective approach, resulting in the recognition of £21.8m in right-of-use assets at 30 June 2019, and £22.4m in lease liabilities.

The application of IFRS 16 had an immaterial impact on key metrics for the 6 months ended 30 June 2019.

Principal risks and uncertainties

The Group is subject to a number of risks and uncertainties as part of its activities. The Board regularly considers these and seeks to ensure that appropriate processes are in place to manage, monitor and mitigate these risks. The directors consider that the principal risks and uncertainties facing the Group remain those that are outlined on pages 32 to 35 of the Annual Report and Accounts 2018, which is available from www.bovishomesgroup.co.uk.

The Group has reconsidered the risks and uncertainties posed by Brexit, in light of the continued uncertainty in UK politics and note that we have not experienced any significant change in customer behaviour, and we do not expect the political situation to have a material impact on our expected results for 2019. The mortgage market remains competitive, with the Help to Buy scheme continuing to assist many first-time buyers to purchase a new build property as supported by both Labour and Conservative political parties. A significant proportion of our building materials are UK sourced and we are in regular contact with our suppliers regarding material availability, with no significant issues anticipated on exit from the EU. The vast majority of our workforce, which comprises both Bovis employees and sub-contractors, is UK domiciled providing further protection from the impact of Brexit. The Group has in place processes to monitor and mitigate these risks.

Group income statement

	Six months ended 30 June 2019 £'000 (unaudited)	Six months ended 30 June 2018 £'000 (unaudited)	Year ended 31 Dec 2018 £'000 (audited)
Revenue	472,343	432,223	1,061,396
Cost of sales	(370,553)	(341,826)	(830,505)
Gross profit	101,790	90,397	230,891
Administrative expenses	(25,993)	(27,276)	(56,723)
Operating profit	75,797	63,121	174,168
Financial income	466	301	481
Financial expenses	(3,218)	(3,225)	(6,585)
Net financing costs	(2,752)	(2,924)	(6,104)
Share of (loss)/ profit of Joint Ventures	(569)	-	5
Profit before tax	72,476	60,197	168,069
Income tax expense	(13,727)	(11,523)	(31,499)
Profit for the year attributable to ordinary shareholders	58,749	48,674	136,570
Earnings per share (pence)			
Basic	43.7p	36.1p	101.6p
Diluted	43.7p	36.0p	101.5p

Group statement of comprehensive income

	Six months ended 30 June 2019 £'000 (unaudited)	Six months ended 30 June 2018 £'000 (unaudited)	Year ended 31 Dec 2018 £'000 (audited)
Profit for the year	58,749	48,674	136,570
Other comprehensive (expense) / income			
<i>Items that will not be reclassified to the income statement</i>			
Remeasurements on defined benefit pension scheme	4,418	(2,358)	(5,781)
Deferred tax on remeasurements on defined benefit pension scheme	(644)	456	1,083
Total other comprehensive income / (expense)	3,774	(1,902)	(4,698)
Total comprehensive income for the year attributable to ordinary shareholders	62,523	46,772	131,872

Group balance sheet

	30 June 2019 £'000 (unaudited)	30 June 2018 £'000 (unaudited)	31 December 2018 £'000 (audited)
Assets			
Intangible fixed assets	2,104	-	1,079
Property, plant and equipment	3,064	4,758	2,181
Right-of-use assets	21,848	-	-
Investments	61,408	7,135	28,992
Restricted cash	1,747	1,412	1,381
Trade and other receivables	563	1,426	611
Retirement benefit asset	11,134	4,783	1,381
Total non-current assets	101,868	19,514	35,625
Inventories	1,269,646	1,305,014	1,320,229
Trade and other receivables	91,351	97,420	64,505
Cash and cash equivalents	102,397	78,598	163,217
Total current assets	1,463,394	1,481,032	1,547,951
Total assets	1,565,262	1,500,546	1,583,576
Equity			
Issued capital	67,424	67,388	67,398
Share premium	217,227	216,769	216,907
Retained earnings	789,140	777,114	776,762
Total equity attributable to equity holders of the parent	1,073,791	1,061,271	1,061,067
Liabilities			
Bank and other loans	-	35,807	36,401
Lease liabilities	17,272	-	-
Deferred tax liability	2,214	1,023	730
Trade and other payables	97,457	105,233	183,769
Total non-current liabilities	116,943	142,063	220,900
Trade and other payables	351,332	277,618	278,706
Lease Liabilities	5,107	-	-
Provisions	3,825	5,563	4,843
Current tax liabilities	14,264	14,031	18,060
Total current liabilities	374,528	297,212	301,609
Total liabilities	491,471	439,275	522,509
Total equity and liabilities	1,565,262	1,500,546	1,583,576

These condensed consolidated financial statements were approved by the Board of Directors on 10 September 2019.

Group statement of changes in equity

	Total retained earnings £'000	Issued capital £'000	Share premium £'000	Total £'000
Balance at 1 January 2019	776,762	67,398	216,907	1,061,067
IFRS 16 application adjustment at 1 January 2019	63	-	-	63
Total comprehensive income	62,523	-	-	62,523
Issue of share capital	-	26	320	346
Share based payments	833	-	-	833
Deferred tax on share based payments	37	-	-	37
Dividends paid to shareholders	(51,078)	-	-	(51,078)
Balance at 30 June 2019 (unaudited)	789,140	67,424	217,227	1,073,791
Balance at 1 January 2018	773,255	67,330	215,991	1,056,576
Total comprehensive income	46,772	-	-	46,772
Issue of share capital	-	58	778	836
Share based payments	707	-	-	707
Deferred tax on share based payments	25	-	-	25
Dividends paid to shareholders	(43,645)	-	-	(43,645)
Balance at 30 June 2018 (unaudited)	777,114	67,388	216,769	1,061,271
Balance at 1 January 2018	773,255	67,330	215,991	1,056,576
Total comprehensive income	131,872	-	-	131,872
Issue of share capital	-	68	916	984
Deferred tax on other employee benefits	(113)	-	-	(113)
Share based payments	1,413	-	-	1,413
Dividends paid to shareholders	(129,665)	-	-	(129,665)
Balance at 31 December 2018 (audited)	776,762	67,398	216,907	1,061,067

Group statement of cash flows

	Six months ended 30 June 2019 £'000 (unaudited)	Six months ended 30 June 2018 £'000 (unaudited)	Year ended 31 Dec 2018 £'000 (audited)
Cash flows from operating activities			
Profit for the year	58,748	48,674	136,570
Depreciation and amortisation	3,045	241	905
Financial income	(466)	(301)	(481)
Financial expense	3,218	3,225	6,585
Profit/(loss) on sale of property, plant and equipment	-	68	(450)
Equity-settled share-based payment expense	833	685	1,413
Income tax expense	13,727	11,523	31,499
Share of results of Joint Ventures	569	-	(5)
Profit on sale of assets from Joint Ventures	(401)	-	(1,197)
(Increase)/decrease in trade and other receivables	(39,697)	(21,638)	12,402
Decrease/(increase) in inventories	50,847	15,197	(1,891)
(Decrease)/increase in trade and other payables	(2,311)	(95,989)	(15,692)
Decrease in provisions and increase in retirement benefit obligations	(8,886)	(6,410)	(7,042)
Net cash generated from/(used in) operations	79,226	(44,725)	162,616
Interest paid	(896)	(1,306)	(2,773)
Income taxes paid	(16,645)	(13,437)	(29,165)
Net cash inflow/(outflow) from operating activities	61,685	(59,468)	130,678
Cash flows from investing activities			
Interest received	105	221	278
Acquisition of intangible fixed assets	-	-	(1,213)
Acquisition of property, plant and equipment	(2,527)	(2,452)	(1,876)
Proceeds from sale of property, plant and equipment	-	-	1,977
Movement of investment in Joint Ventures	(36,693)	2,423	(20,300)
Dividends received from Joint Ventures	4,110	-	1,067
(Increase)/decrease in restricted cash	(366)	-	33
Net cash (outflow)/generated from investing activities	(35,371)	192	(20,034)
Cash flows from financing activities			
Dividends paid	(51,078)	(43,645)	(129,665)
Proceeds from the issue of share capital	345	859	984
(Repayment)/drawdown of bank and other loans	(36,401)	10,598	11,192
Net cash used in financing activities	(87,134)	(32,188)	(117,489)
Net decrease in cash and cash equivalents	(60,820)	(91,464)	(6,845)
Cash and cash equivalents at 1 January	163,217	170,062	170,062
Cash and cash equivalents at the end of the period	102,397	78,598	163,217

1 Basis of preparation

Bovis Homes Group PLC (the “Company”) is a company domiciled in the United Kingdom. The consolidated financial statements of the Company for the six months ended 30 June 2019 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interest in Joint Ventures.

The condensed consolidated interim financial statements were authorised for issue by the directors on 10 September 2019. The financial statements are unaudited but have been reviewed by PricewaterhouseCoopers LLP, the Company’s auditors.

The condensed consolidated interim financial statements do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006.

The figures for the half years ended 30 June 2019 and 30 June 2018 are unaudited. The comparative figures for the financial year ended 31 December 2018 are an extract from the Group’s statutory accounts for that financial year. Those accounts have been reported on by the Company’s auditors and delivered to the Registrar of Companies. The report of the auditors was (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 498 (2) or (3) of the Companies Act 2006.

The preparation of a condensed set of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Judgements and estimates made by management in the application of adopted International Financial Reporting Standards (IFRSs) that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in following years have been reviewed by the directors and, other than the estimated half year income tax expense and application of IFRS16, remain those published in the Company’s consolidated financial statements for the year ended 31 December 2018.

The condensed consolidated interim financial statements have been prepared in accordance with IAS34 ‘Interim Financial Reporting’ as endorsed by the EU. As required by the Disclosure and Transparency Rules of the Financial Conduct Authority, and with the exception of the changes in accounting policies outlined below, the condensed consolidated interim financial statements have been prepared by applying the accounting policies and presentation that were applied in the preparation of the Company’s published consolidated financial statements for the year ended 31 December 2018, which were prepared in accordance with IFRSs as adopted by the EU.

As set out on page 124 in the Group’s 2018 Annual Report and Accounts, the following standards became effective for the first time for the period beginning 1 January 2019 without material impact on the Group’s reported results:

- Amendment to IAS28 ‘Investments in Associates and joint ventures’, which has not had a significant impact on reported results or position.
- IFRIC23 Uncertainty over income tax treatments, which has not had a significant impact on reported results or position.

Also effective for the first time for the period beginning 1 January 2019 is IFRS16 ‘Leases’ which replaces IAS17 ‘Leases’, requiring all assets held by the Group under lease agreements of greater than 12 months in duration to be recognised as assets within the Balance Sheet, unless they are considered to be of low value (less than £3,000 in total payments). Similarly, the present value of future payments to be made under those lease agreements must be recognised as a liability. The Group has reviewed its leasing arrangements and the impact on reported results are disclosed in note 9.

The directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly they continue to adopt the going concern basis in preparing the condensed consolidated interim financial statements.

2 Seasonality

In common with the rest of the UK housebuilding industry, activity occurs year round, but there are two principal selling seasons: spring and autumn. As these fall into two separate half years, the seasonality of the business is not pronounced, although it is biased towards the second half of the year under normal trading conditions.

3 Segmental reporting

All revenue and profits disclosed relate to continuing activities of the Group and are derived from activities performed in the United Kingdom.

The Chief Operating Decision Maker, which is the Board, notes that the Group's main operation is that of a housebuilder and it operates entirely within the United Kingdom. There are no separate segments, either business or geographic to disclose, having taken into account the aggregation criteria of IFRS8.

4 Earnings per share

Profit attributable to ordinary shareholders

	Six months ended 30 June 2019 Pence (unaudited)	Six months ended 30 June 2018 Pence (unaudited)	Year ended 31 Dec 2018 Pence (audited)
Basic earnings per share	43.7	36.1	101.6
Diluted earnings per share	43.7	36.0	101.5

Basic earnings per share

Basic earnings per ordinary share for the six months ended 30 June 2019 is calculated on a profit after tax of £58,749,000 (six months ended 30 June 2018: profit after tax of £48,674,000; year ended 31 December 2018: profit after tax of £136,570,000) over the weighted average of 134,423,488 (six months ended 30 June 2018: 134,856,833; year ended 31 December 2018: 134,555,573) ordinary shares in issue during the period.

Diluted earnings per share

The calculation of diluted earnings per share at 30 June 2019 was based on the profit attributable to ordinary shareholders of £58,749,000 (six months ended 30 June 2018: profit after tax of £48,674,000; year ended 31 December 2018: profit after tax of £136,570,000).

The Group's diluted weighted average ordinary shares potentially in issue during the six months ended 30 June 2019 was 134,571,685 (six months ended 30 June 2018: 135,102,116, year ended 31 December 2018: 134,557,450).

5 Dividends

The following dividends per qualifying ordinary share were settled by the Group:

	Six months ended 30 June 2019 £'000	Six months ended 30 June 2018 £'000	Year ended 31 Dec 2018 £'000
May 2019: 38.0p (May 2018: 32.5p)	51,078	43,645	43,645
November 2018: 64.0p	-	-	86,020
Total	51,078	43,645	129,665

The Board determined on 10 September 2019 that an interim dividend of 20.5p for the first half of 2019 be paid. The dividend will be settled on 22 November 2019 to shareholders on the register at the close of business on 27 September 2019. The dividend has not been recognised as a liability at the balance sheet date.

6 Interest in associates and joint ventures

In April 2019, Bovis Homes Limited entered into a joint venture at Wellingborough, near Northampton, with Riverside Housing Limited. As part of the initial transaction, land owned by the Group was sold into the joint venture, Stanton Cross Developments LLP. As disclosed in the full year annual report, the Group also entered into another joint venture at Sherford, near Plymouth, in December 2018 with Clarion Housing Group. Both Sherford and Wellingborough developments are in their infancy and are undergoing significant investment with limited trading; this is reflected in the share of loss for the period which is primarily driven by interest costs incurred.

Dividends received relate to the Group's investments in PRS joint ventures which are in the process of disposing of their property portfolios.

The carrying amount of equity-accounted investments has changed as follows in the six months to 30 June 2019:

	Six months ended 30 June 2019 £'000	Six months ended 30 June 2018 £'000	Year ended 31 Dec 2018 £'000
Beginning of the period	28,992	8,717	8,717
Additions	35,821	-	-
Loans made/(repaid)	1,274	(2,113)	20,300
(Loss)/profit for the period	(569)	1,060	1,321
Dividends paid	(4,110)	(528)	(1,346)
End of the period	61,408	7,136	28,992

7 Related party transactions

Transactions between fellow subsidiaries, which are related parties, have been eliminated on consolidation, as have transactions between the Company and its subsidiaries during this year.

Transactions between the Group, Company and key management personnel in the first half of 2019 were limited to those relating to remuneration, previously disclosed as part of the Group's Report on directors' remuneration published with the Group's Annual Report and Accounts 2018.

Mr Greg Fitzgerald, Group Chief Executive, is non-executive Chairman of Ardent Hire Solutions ("Ardent"). The Group hires forklift trucks from Ardent and the total net value of transactions with this related party were as follows:

	Six months ended 30 June 2019 £'000	Six months ended 30 June 2018 £'000	Year ended 31 Dec 2018 £'000
Rental expenses paid to Ardent	1,302	875	2,059

The balance of rental expenses payable to Ardent at 30 June 2019 was £202,148 (30 June 2018: £4,000; 31 December 2018: £155,000).

Transactions with Joint Ventures

Bovis Homes Limited is contracted to provide property and letting management services to Bovis Peer LLP. Fees charged in the period, inclusive of VAT, were £15,120 (six months ended 30 June 2018: £65,771; year ended 31 December 2018: £109,000). £6,720 of these fees are outstanding at 30 June 2019 (30 June 2018: nil; 31 December 2018: nil).

Bovis Homes Limited is part of a Joint Venture, IIH Oak Investors LLP, to invest in private rental homes. As at 30 June 2019 loans of £1,616,089 (30 June 2018: £1,668,414; 31 December 2018: £1,598,319) were in place with IIH Oak Investors LLP at an interest rate of 6%. Interest charges made in respect of the loans were £47,281 (six months ended 30 June 2018: £67,000; year ended 31 December 2018: £118,000).

Bovis Homes Limited is part of a Joint Venture, Bovis Latimer (Sherford) LLP, to build houses in Sherford. As at 30 June 2019 loans of £23,566,947 (30 June 2018: £nil, 31 December 2018: £22,256,000) were in place with an interest rate of 5%. Interest charges made in respect of the loans were £242,117 (six months ended 30 June 2018: £nil, year ended 31 December 2018: £nil). Bovis Homes Limited also provides ongoing services to the LLP for construction, management, accounting, company secretariat, sales and marketing services; charges made in respect of these services were £99,558 inclusive of VAT (six months ended 30 June 2018: £nil, year ended 31 December 2018: £nil).

In April 2019, Bovis Homes Limited entered into a Joint Venture, Stanton Cross Developments LLP, with Riverside Housing Limited, with the LLP purchasing the Group's interest in its land and infrastructure at Wellingborough, near Northampton. Bovis Homes Limited provides ongoing services to the LLP for construction, sales and company secretariat support; charges made in respect of these services were £575,809 inclusive of VAT (six months ended 30 June 2018: £nil, year ended 31 December 2018: £nil).

There have been no other related party transactions in the first six months of the current financial year which have materially affected the financial performance or position of the Group, and which have not been disclosed.

8 Reconciliation of net cash flow to net cash

	Six months ended 30 June 2019 £'000	Six months ended 30 June 2018 £'000	Year ended 31 Dec 2018 £'000
Net decrease in cash and cash equivalents	(60,820)	(91,464)	(6,845)
Decrease/(increase) in borrowings	36,401	(10,598)	(11,192)
Net cash at start of period	126,816	144,853	144,853
Net cash at end of period	102,397	42,791	126,816

Analysis of net cash:

Cash and cash equivalents	102,397	78,598	163,217
Bank and other loans	-	(35,807)	(36,401)
Net cash at end of period	102,397	42,791	126,816

9 Change in accounting policies

This note explains the impact of the adoption of IFRS 16 'Leases' on the Group's financial statements and discloses the new accounting policies that have been applied from 1 January 2019.

The Group has adopted IFRS 16 prospectively from 1 January 2019 and has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

9a. Adjustments recognised on adoption of IFRS 16

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 2.5%.

	2019 £000
Operating lease commitments disclosed as at 31 December 2018	25,103
Discounted using the lessee's incremental borrowing rate of at the date of initial application	(1,287)
(Less): short-term leases recognised on a straight-line basis as expense	(156)
(Less): low-value leases recognised on a straight-line basis as expense	(1,281)
Lease liability recognised as at 30 June 2019	22,379
Of which are:	
Current lease liabilities	5,107
Non-current lease liabilities	17,272

The associated right-of-use assets for the Group's leases were measured on a prospective basis, applying the new rules from 1 January 2019. Where relevant, right-of-use assets have been adjusted for onerous lease contracts at the date of initial application.

Change in accounting policies (cont)

The recognised right-of-use assets relate to the following types of assets:

	30 June 2019 £'000	1 January 2019 £'000
Office properties	13,296	14,165
Show home properties	1,643	1,831
Site cabins	4,928	5,632
Office equipment	162	205
Motor vehicles	1,819	2,150
Total right-of-use assets	21,848	23,983

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- Right-of-use assets – increase by £24.0m
- Lease liabilities – increase by £24.6m
- Provisions – decrease by £0.6m
- Creditors – decrease by £0.1m

The net impact on retained earnings on 1 January 2019 was an increase of £0.1m.

Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

9b. The Group's leasing activities and how these are accounted for

The Group leases various offices, site cabins, office equipment, cars and show homes. Rental contracts are typically made for fixed periods of 1 to 4 years but may be for longer or include extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2019 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a fixed annual rate increase

The lease payments are discounted using lessee's incremental borrowing rate, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise site equipment and other items less than £3,000 in total lease costs.

10 Further information

Further information on Bovis Homes Group PLC can be found on the Group's corporate website www.bovishomesgroup.co.uk, including the analyst presentation document which will be presented at the Group's results meeting on 10 September 2019.

Statement of directors' responsibilities

The directors' confirm that these condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related-party transactions in the first six months and any material changes in the related-party transactions described in the last annual report.

The directors of Bovis Homes Group PLC are listed in the Bovis Homes Group PLC Annual Report for 31 December 2018. A list of current directors is maintained on the Bovis Homes Group PLC website: www.bovishomesgroup.co.uk.

For and on behalf of the Board,

Greg Fitzgerald
Chief Executive

Earl Sibley
Group Finance Director

10 September 2019