28 February 2019

Excellent operational progress, 47% increase in profits

Bovis Homes Group PLC (the 'Group') is today issuing its full year results for the 12 months ended 31 December 2018.

Highlights

- Significant operational improvements deliver step change in business and financial performance
- Transformation of customer service and 4 star HBF customer satisfaction rating for 2018
- Record year of profits with profit before tax increasing 47.4% to £168.1m, ahead of market expectations
- Another controlled and disciplined period end with completions totalling 3,759 units
- 390 basis points increase in operating margin with further progress expected in 2019
- Strong land acquisition including valuable strategic land conversion
- Excellent visibility on land with all land for 2019 having detailed consent and 97% of 2020 requirement secured
- Progress on balance sheet optimisation initiatives and now aiming for c. £250m additional net cash benefit with £180m achieved to date
- Step up in return on capital employed from 13.7% to 19.3%
- Excellent progress towards achieving all of our medium term targets
- Board recommending a 20% increase in ordinary dividend for FY18 to 57.0 pence per share reflecting the strong performance and its confidence in the outlook for the business

	FY18	FY17	Change
Total completions	3,759	3,645	+3.1%
Average selling price	£273.2k	£272.4k	+0.3%
Group revenue	£1,061.4m	£1,028.2m	+3.2%
Operating margin	16.4%	12.5%	+390bp
Profit before tax	£168.1m	£114.0m	+47.4%
Earnings per share	101.6p	68.0p	+49.4%
Total dividend per share	102.0p	47.5p	+114.7%
Net cash	£126.8m	£144.9m	(12.5)%

Greg Fitzgerald, Chief Executive commented,

"The Group has made substantial progress operationally over the past 18 months delivering record profits and a step change in our operating margin. We have transformed the quality of our product and customer service and are delighted this is reflected in our 4 star housebuilder status for 2018.

"Looking ahead, we are implementing many initiatives which will continue to build a better Bovis Homes including our new Phoenix housing range with its first completions this Spring, and the development of our new Partnership Housing division. We have a strong sales position and excellent land visibility and expect to make further operational and financial progress in 2019."

Current trading and outlook

- Good demand in first eight weeks with average sales per site per week up 15.7% to 0.58 and pricing in-line with expectations
- Strong forward sales position with 48% of consensus FY19 revenues secured
- Group remains focused on controlled volume growth, price optimisation and margin enhancement
- Good progress with new Phoenix housing range and first completions expected in H1 19
- Maximising partnership housing opportunities with creation of a Partnership Housing division in 2019
- On track for completion of Wellingborough JV with c. £68m net cash benefit
- Further operational and financial progress expected in 2019

Medium term targets

The Group set out its medium term targets to be achieved by 2020 and return Bovis Homes to being a leading UK housebuilder whilst also significantly improving returns to our shareholders. We have made very good progress against these targets in 2018 with several already achieved and expect to make further good progress in 2019.

Target	Progress to date	Timing / outlook
4 star HBF customer satisfaction rating	- 4 star HBF customer satisfaction score for 2018	**Achieved** - Maintain 4 star rating
4,000 completions p.a.	- 3% increase in completions in FY18, in-line with expectations	2020 - Further controlled volume growth expected in FY19
3.5 to 4.0 year owned land bank	- Divestment of sites outside of our core operating areas - Sherford JV completed	**Achieved** - Completion of Wellingborough JV in H1 2019 - Maintain 3.5 to 4.0 year owned land bank (ex JVs)
Min 23.5% gross margin	- 380 basis point improvement in Group gross margin in FY18 to 21.8% - Margin initiatives delivering progress in FY18 with further opportunities - New land acquired in FY18 at an average gross margin in excess of 26%	2020 - Margin initiatives underpin and provide upside to 2020 gross margin target - Embedded land gross margin at 24.8% will drive further improvements over time
5% admin expense as % of revenues	- Effective operating structure in place with continued investment in process and systems to deliver efficiency - Improvement in admin expense to revenue ratio to 5.3% in FY18	2019

Target	-	Progress to date	Timing / outlook
Min £180m net cash from balance sheet optimisation	-	In aggregate, balance sheet initiatives aiming for £250m net cash benefit, with £180m achieved to date	**Achieved** - Further c. £68m net cash benefit from completion of Wellingborough JV - On-going active balance sheet optimisation and review of capital returns
25% return on capital employed	-	Increase in Group ROCE to 19.3% in FY18 from 13.7% in FY17	2020

There will be a meeting for analysts and investors at 9:00am today at Deutsche Bank, Winchester House, 1 Great Winchester Street, London EC2N 2DB. 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 Statement

2018 in review

The changes implemented across all areas of the business over the past two years have resulted in a significant step up in the operational and financial performance of the Group in 2018 and I am pleased to report a record year of profits with our profit before tax up 47.4% to £168.1m.

Customer satisfaction has been at the core of all we have done during 2018 and we expect to achieve our target of a 4 star HBF customer satisfaction rating for 2018, a significant improvement from our 2 star HBF customer satisfaction rating in 2017. This shift in quality is reflected across all of our housing delivery and in the feedback we receive from our private customers and housing association partners.

We have improved our production processes to ensure we consistently deliver high quality new homes for our customers whilst also driving operational efficiency. In the year, we delivered a total of 3,759 (2017: 3,645) units in a controlled and disciplined manner.

We launched our new housing range, the Phoenix collection in 2018 and have made excellent progress with site replans. Our first show homes from the new range have been successfully launched and we are looking forward to delivering our first completions in Spring 2019.

We are focused on controlled volume growth whilst optimising prices and costs, and this is reflected in a 390 basis points improvement in our operating margin to 16.4% for 2018. The benefits from our key margin initiatives are coming through and we expect to achieve further benefits in 2019.

We have a high quality land bank which is well positioned to meet today's demand for new homes. We have excellent forward visibility on our land, with all land for 2019 having detailed planning consent, and 97% of our land for 2020 already secured.

On balance sheet optimisation, our specific actions over the past two years have focused on ensuring we have an efficient land bank to match our strategy, the reduction in our working capital, the disposal of non performing assets and the joint venture of our two largest sites. Overall, we are aiming to achieve in excess of £250m additional net cash benefit, including a c. £68m net cash benefit on the completion of our joint venture at Wellingborough in H1 2019, well ahead of our £180m target.

I am delighted that as a result of the very positive improvements across all areas of the business, we have seen a step up in our return on capital to 19.3% in the year from 13.7% in 2017.

Overall, we have made good progress towards all of our medium term targets with a number achieved in 2018, and we expect to build upon this further in 2019.

I would like to thank all the Group's employees for their hard work and commitment over the past 12 months and to recognise that each one of them has played their part in the very positive turnaround in all aspects of the Group's performance in 2018. We have plenty more opportunities in 2019, and I am looking forward to another year of progress and returning Bovis Homes to being one of the UK's leading housebuilders.

Operational update

Customer service

Customer satisfaction has been central to all that we have done this year and we are pleased that this is reflected in our expected 4 star HBF customer satisfaction rating for 2018, a step change from the 2 star rating received in the prior year. This improvement has been seen across all our regions, with each expected to achieve at least a 4 star rating. The new year has started well with our rating tracking ahead of 2018.

We continue to invest in our customer service function and will see the implementation of a new customer relationship management system rolled out across the business in 2019. This will provide a complete end to end Bovis Homes experience for our customers, making it easier for them to engage with us, whilst driving improved efficiency.

We became a member of the Institute of Customer Service in the year, which has supported our company wide customer service training programmes and provided the opportunity to gain a professional qualification within customer service.

The Bovis Home Buyers Panel continues to meet and provides us with very valuable feedback and opinion on all aspects of our customer experience.

Strong sales position

The Group starts the year with a strong sales position with forward sales representing 48% of consensus FY19 revenues. Our focus remains on optimising prices whilst delivering controlled volume growth.

Our new sales specification, launched in 2018, gives our customers the ability to choose extras within their new home and has been well received. We see further opportunity from this in 2019 with our Select range of customer options now well established and available across a greater proportion of our developments.

The Government sponsored Help to Buy scheme remains important, particularly for first time buyers, and was used for 38% (2017: 37%) of our private completions in 2018.

Part exchange is a positive sales proposition for our customers and during 2018 we reviewed our polices and procedures for the scheme to ensure we operate it efficiently and minimise our levels of part exchange stock. In the year, 8.7% of our private completions used part exchange. We see an increase in its use as a sales opportunity for 2019 and are comfortable for part exchange to be at a similar level as the prior year which was 22.2% of private completions.

Our focus remains on building high quality desirable family homes in prime locations on lower risk greenfield sites. We have structured the business to ensure all our developments are well serviced by our regional offices and have seven well balanced regions operating across the southern half of England. We have no developments within the M25 and apartments account for just 4% of our owned land bank plots. Our strategy, in the medium term, is to reduce the proportion of larger homes we build and increase our offering of two and three bedroom homes and this was reflected in our development replans and land buying during 2018. 96% of our land bank plots have an average selling price of less than £600k with 42% at less than £300k, with the average selling price in our land bank at £305k. Only 1% of the 4,164 plots we acquired in 2018 are expected to have a sales price in excess of £600k.

High build quality
Improving our build quality has been a key priority and we have made further progress during the year. We have high calibre construction directors, site managers and site teams across all our regions, and a far greater hands on approach is now entrenched across the business, with best practice promoted and shared.

We are delighted that in 2018, six of our site managers and site teams were awarded NHBC Pride in the Job Quality awards, an increase from two awards in 2017 and in-line with our highest number since 2004.

Our NHBC Construction Quality Review for 2018 highlighted an 18% improvement in our Group score over the past two years bringing it broadly in line with industry average, with the NHBC noting during a review that 'Bovis Homes has made a significant step-up in build quality and customer satisfaction results in a relatively short time frame.' We have also seen a significant reduction in our NHBC reportable items which are in line with the industry average.

We have invested in our health and safety function and have seen very positive results in terms of more frequent and transparent reporting, a more pro-active culture across the business, and an improved overall health and safety record year on year.

People
People satisfaction is a key strategic priority and we are committed to investing in the development and training of our workforce including our subcontractors. We have a dedicated Learning and Development team which supports the business through a full range of training and development programmes, leveraging our in-house Bovis Homes Training Centre. In 2018 we delivered 4,505 delegate training days, up 14% on the prior year.

A key priority has been the development of our leadership teams with the roll out of our bespoke leadership framework programmes to over 140 leaders across the business. We are also very focused on strengthening our talent pipeline through our annual succession planning review.

In 2018 we launched our trainee assistant site manager programme which lasts 18 months and covers all aspects of site management. We are very committed to our apprenticeship scheme and recruited a further 37 apprentices in the year taking our total to 68.

As part of our commitment to the HBF's Home Building Skills Partnership we continue to offer training opportunities to our subcontractors including the Site Supervisor Safety Training scheme to over 150 people in 2018, as well as mental health training to raise the awareness and importance of personal well-being across the industry.

We are pleased to report an ongoing steady improvement in our employee engagement level as measured by our monthly employee engagement survey.

Phoenix housing range
We launched our new housing range of 28 new house types for both private and affordable housing in April 2018. It is designed to meet our customers' needs today including more open plan living, larger bedrooms and better storage. The range also reflects a complete construction specification review to ensure time, material and labour efficient designs. With our first completions due in

Spring 2019, the new range will deliver exciting, high quality new homes as well as drive further price optimisation and a reduction in production costs.

We have made good progress implementing the new range with 34 sites replanned with the new house types and a further 19 developments in the planning process. Our first new show homes launched in January at our Hampton Meadows development in Stadhampton and at our Priory Fields development in Wells with excellent customer feedback, and our first completions will be in H1 19. Overall, we expect up to 15% of our private completions in 2019 to be Phoenix house types and this will increase quickly in future periods.

We expect to replan c. 3,500 plots from our land bank and all new sites are being acquired and designed with the Phoenix product. We anticipate the new range will facilitate an improvement to the embedded gross margin in our land bank of 1% as the positive impact of replanning comes through improving our layouts, optimising pricing and reducing build costs. The range provides significant opportunities and will ensure we remain competitive for the prime sites we are seeking to secure for the future.

Building a better Bovis Homes

The investment in efficient systems and processes and the development of our operational teams is a key priority for the Group and we are now 18 months into a 3.5 year plan of implementing a series of major business change projects, system improvements and upgrading equipment across the Group.

We successfully implemented COINS as our primary business system in Spring 2018 and it is already providing significant improvements in process, reporting and cost control. The second phase will be implemented during 2019 delivering further improvement across our commercial, construction and land activities. A key focus is also to support mobile working, allowing our commercial and technical teams in particular to be active on our development sites and support the site teams as much as possible.

Further process changes are being coordinated across the business including a consistent automated document management system to support our teams as well as our supply chain, and in time, provide information directly to our customers. A new financial planning and modelling tool is being rolled out during 2019, and we are implementing a new integrated HR, payroll and learning management solution. In addition, we continue to invest in our sales website to ensure we build a better Bovis Homes.

These changes alongside the new customer relationships management system, revised customer journey and the new Phoenix housing range represent a significant investment as well as considerable ongoing business development to enable the group to drive further operational improvements and our financial performance forward in the medium term.

Partnership housing
The housing shortage and in particular the need for greater delivery of affordable homes in the UK remains very significant. Housing Associations are seeking new ways to support their traditional affordable housing delivery and following the Letwin review, the Government is focused on facilitating the quicker delivery of larger schemes.

Bovis Homes is exceptionally well placed to play its part and we are delighted to be developing our new Partnership Housing Division during 2019. It is a land led strategy reflecting our valuable and deliverable strategic land bank with a number of sites of significant scale. The Group has significantly improved its relationships with Housing Associations over the last couple of years, and often under resourced the Housing Associations are seeking partnerships with Bovis Homes a partner of choice. The new division will be led by Keith Carnegie as CEO of Partnership Housing who has much experience in this area.

The Group already has successful partnerships with Housing Associations on its sites at Wokingham and Boorley Green, and with Live West for the development of our site at Tavistock. Most recently we have entered into a 50:50 joint venture with Clarion Housing Group for the development of our site at Sherford and we expect to complete the joint venture of our site at Wellingborough with a housing association this year.

There is a strong pipeline of pull-through from our strategic land bank with six sites including North Whitely, Alphington, near Exeter, and Taunton all identified as being suitable for partnership development.

This partnership approach is expected to drive the best returns from our land opportunities, enable good working capital management on key schemes and deliver incremental volume from our sites in future periods.

Land
The Group has a high quality owned land bank with strong fundamentals and excellent forward visibility. All our land for 2019 has detailed planning consent and 97% of our land for 2020 is secured.

We continue to see good opportunities in the land market and increased our land activity in 2018 to ensure we maintain this strong supply, in line with our target of a 3.5 to 4.0 years land bank. In the year we secured a total of 4,164 plots (2017: 2,550) across 19 (2017: 11) sites.

As at 31 December 2018, we had a total of 15,832 (2017: 17,096) owned plots in our land bank representing a 4.0 year owned land supply assuming our target 4,000 completions. We also had 1,496 plots at our development at Sherford which was put into a 50:50 joint venture during H2 2018.

As at 31 December	**2017**	**2018**
Total consented land	**17,096**	**17,328**
Joint venture plots	-	1,496
Owned land bank plots	**17,096**	**15,832**
Land bank years[(1)]	*4.3 yrs*	*4.0 yrs*

(1) Land bank years calculated assuming 4,000 completions p.a.

Our strategic landbank remains a very valuable source of high quality land for the Group. We saw a step up in the strategic land pull-through in the year as we made progress on a number of major projects which will form a key part of delivering new homes for years to come. These are exciting high quality developments including North Whitely in the highly desirable borough of Winchester, Alphington, an excellent location on the edge of Exeter, Staplehurst in Kent, and a development at Tavistock, Devon where we have entered into a partnership with Live West, a leading developer of affordable housing in the South West.

Our strategic pipeline is strong with our developments in Taunton (832 plots), Camborne (863 plots) and Collingtree (349 plots) all having received outline planning and ideal for development within our newly formed Partnership Housing division. We continue to pursue new strategic land opportunities that are within our core operating area and in the year optioned 1,415 strategic land plots (2017: 2,338).

As at 31 December 2018, we had a total of 19,278 plots (2017: 20,756) in our strategic land bank across 53 sites (2017: 52).

Balance sheet optimisation

As part of our strategic review in 2017 we set out a clear plan to optimise our balance sheet with a target of realising an additional net cash benefit of £180m from this. Since mid 2017 our focus has been on working capital management, the disposal of non performing assets and optimising the structure of our balance sheet. I am pleased to report that we have delivered £180m of additional net cash benefit to date and are now aiming to realise a total of c. £250m with the completion of our joint venture at Wellingborough. There remain some further opportunities including the disposal of PRS joint ventures, and we will maintain a strong focus on active balance sheet optimisation going forward.

On land optimisation we have realised a total of £81m of net cash benefit to date including £15m from the joint venture of our development at Sherford with Clarion Housing Group. We have disposed of parcels of land on some of our larger sites and also disposed of several sites outside of our operating area. We expect to deliver c. £68m net cash benefit from the completion of our JV of Wellingborough in H1 19 and c. £4m from the disposal of an out of operating area site.

Our initiatives on work in progress have totalled £43m net cash benefit of which the reduction of our part exchange properties contributed £26m. The balance reflects optimisation of our site-by-site WIP and other initiatives such as the sale and leaseback of our show homes.

We have disposed of other non-returning assets to release total net cash of £56m, the largest of which was the sale of our shared equity portfolio in 2017, realising total cash receipts of £30m.

Delivering our medium term targets

The Group set out its medium term targets to be achieved by 2020 and return Bovis Homes to being a leading UK housebuilder whilst significantly improving returns to our shareholders. We have made very good progress against these targets in 2018 with several already achieved.

We expect to make further progress in 2019 with the first completions from our new Phoenix housing range and our on-going specification review. We also expect to further the opportunity from our customer extras Select range, and will continue to drive revenue and cost management, all supported by more effective systems and ways of working.

Target	Progress to date	Timing / outlook
4 star HBF customer satisfaction rating	- 4 star HBF customer satisfaction score for 2018	**Achieved** - Maintain 4 star rating
4,000 completions p.a.	- 3% increase in completions in FY18, in-line with expectations	2020 - Further controlled volume growth expected in FY19
3.5 to 4.0 year owned land bank	- Divestment of sites outside of our core operating areas - Sherford JV completed	**Achieved** - Completion of Wellingborough JV in H1 2019 - Maintain 3.5 to 4.0 year owned land bank (ex JVs)
Min 23.5% gross margin	- 380 basis point improvement in Group gross margin in FY18 to 21.8% - Margin initiatives delivering progress in FY18 with further opportunities - New land acquired in FY18 at an average gross margin in excess of 26%	2020 - Margin initiatives underpin and provide upside to 2020 gross margin target - Embedded land gross margin at 24.8% will drive further improvements over time
5% admin expense as % of revenues	- Effective operating structure in place with continued investment in process and systems to deliver efficiency - Improvement in admin expense to revenue ratio to 5.3% in FY18	2019
Min £180m net cash from balance sheet optimisation	- In aggregate, balance sheet initiatives aiming for £250m net cash benefit, with £180m achieved to date	**Achieved** - Further c. £68m net cash benefit from completion of Wellingborough JV - On-going active balance sheet optimisation and review of capital returns
25% return on capital employed	- Increase in Group ROCE to 19.3% in FY18 from 13.7% in FY17	2020

Ordinary dividend and capital return plan

The Board intends to pursue a strategy of maximising sustainable dividends to shareholders. In setting the level of dividend the Board will consider a range of factors including the extent to which the dividend is covered by underlying earnings and free cash flow, the prevailing strength of the balance sheet and general economic circumstances, with particular regard to the cyclicality of the industry.

The Board is recommending a final ordinary dividend of 38.0p per share (FY17: 32.5p) bringing the total ordinary dividend for FY18 to 57.0p per share (47.5p), representing a 20% increase on the prior year.

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. We are pleased to report that the first payment of £60m was made via a special dividend of 45p per share in November 2018. The Group will continue to be strongly cash generative and given the balance sheet position the Board is committed to reviewing capacity for further returns to shareholders over time.

	FY18	**FY19**	**FY20**
Ordinary dividend	57p per share	Trend to 2 x cover	
Surplus cash return	45p per share	Total c. 90p per share	

Outlook

We have seen strong sales in the first eight weeks of the year with a rate of 0.58 sales per site per week, an increase of 15.7% on the prior year. Given the current increased level of uncertainty surrounding the broader UK economy, we are encouraged by the positive start to the year and are pleased to report our forward sales represent 48% of consensus total 2019 revenues for the Group.

We remain focused on delivering controlled volume growth whilst maintaining our absolute focus on high quality build and customer service.

During 2019 we are implementing a number of initiatives across all areas of the business to build a better Bovis Homes. In particular, we are looking forward to the first completions from our new Phoenix housing range this Spring, with our new house types designed to best meet our customers' needs whilst driving forward Group profitability.

We have excellent visibility on our land with all of our developments for 2019 delivery launched and 97% of our land for 2020 secured.

We are launching our new Partnership Housing division, a land led strategy which will see Bovis Homes helping to address the severe housing shortage in the UK whilst maximising our output and returns.

The Group set out its medium term targets to be achieved by 2020 and return Bovis Homes to being a leading UK housebuilder whilst significantly improving returns to our shareholders. We have made very good progress against these targets in 2018 with several already achieved, and we expect to make additional progress on the Group's operational and financial performance in 2019.

The Board is pleased to recommend a final ordinary dividend of 38.0p per share (FY17: 32.5p) bringing the total ordinary dividend for FY18 to 57.0p per share (47.5p), representing a 20% increase on the prior year. Including the special dividend of 45.0p per share paid in November 2018, dividends for FY18 more than doubled to 102.0p per share (2017: 47.5p).

Financial Review

Trading Performance

In line with our strategy, the Group delivered controlled growth during 2018 resulting in a 3% increase to 3,759 legal completions (2017: 3,645). The completions included 1,192 affordable homes representing 32% of our completions (2017: 29%). Total revenue was £1,061.4m, an increase of 3% on the previous year (2017: £1,028.2m).

Housing revenue was £1,026.9m, 3% ahead of the prior year (2017: £992.9m). The average sales price for our private homes increased 1% to £337,400 (2017: £334,500) with our overall average sales price remaining broadly flat at £273,200 (2017: £272,400). The Group's revenue includes sales of private homes to Heylo Housing Association including the impact of the bulk transaction of 275 homes which exchanged in December 2017 with all homes under the deal completing during 2018.

Other revenue was £20.4m (2017: £3.3m) driven by the release of deferred revenue from disposals within our PRS joint ventures and land sales revenue, associated with three land sales, was £14.1m in 2018, compared to five land sales achieved in 2017 with total revenue of £32.0m.

Total gross profit was £230.9m (gross margin: 21.8%), compared with £184.6m (gross margin: 18.0%) in 2017. Housing gross margin was 21.9% in 2018, strongly ahead of the 18.3% achieved in 2017 driven by the increasing embedded margin in our land bank, reduced customer care costs and our ongoing operational improvements including the initial impacts from our margin initiatives.

During 2018, our construction costs increased by 3% per square foot, reflecting the inflationary impact of labour and materials that we estimate to be around 3 – 4% during the year offset by reductions in our cost base as we delivered production in a controlled manner, changes in specification and the under-utilisation of contingency in line with our margin initiative.

The profit on land sales in 2018 was £1.2m (2017: £2.4m) as we continue the strategy of managing our capital base through the disposal of parcels of land on several of our larger sites although these disposals will not impact our delivery in the next 2 to 3 years. The Group also entered into its first major joint venture in December 2018 at Sherford, near Plymouth, with Clarion Housing Group.

Operating profit increased to £174.2m (2017: £128.0m) at an operating profit margin of 16.4% (2017: 12.5%). Overheads were broadly flat in 2018 at £56.7m (2017: £56.6m) reflecting the efficient Group structure put in place during 2017, offset by higher employee costs and the ongoing investment in new processes, systems and training.

The Group delivered a record profit before tax for the year ended 31 December 2018 £168.1m, comprising operating profit of £174.2m and net financing charges of £6.1m. This compares to £114.0m of profit before tax in 2017, which comprised £128.0m of operating profit, exceptional costs of £6.8m and £7.2m of net financing charges.

Financing and Taxation

Net financing charges during 2018 were £6.1m (2017: £7.2m). Net bank charges were £2.7m (2017: £3.0m), because of lower net debt during 2018 than 2017 offset by a higher level of commitment fees and issue costs amortised in 2018. We incurred a £3.6m finance charge (2017: £5.1m charge), reflecting the imputed interest on land bought on deferred terms. The Group had no finance credit during the period (2017: £1.1m) arising from the unwinding of the discount on its available for sale financial assets as the portfolio was sold during 2017. There were also other credits of £0.2m (2017: expenses of £0.2m).

The Group has recognised a tax charge of £31.5m at an effective tax rate of 18.7% (2017: tax charge of £22.7m at an effective rate of 19.9%). The reduced tax rate is driven by the reduced level of corporation tax to 19%. The Group has a current tax liability of £18.1m in its balance sheet as at 31 December 2018 (2017: £16.9m).

Earnings per share and Dividends

Basic earnings per share for the year were 101.6p compared to 68.0p in 2017. This has resulted in a return on equity of 13% (2017: 9%).

As previously communicated, the Board will propose a 2018 final dividend of 38.0p per share. This dividend will be paid on 24 May 2019 to holders of ordinary shares on the register at the close of business on 29 March 2019. Combined with the interim dividend paid of 19.0p and the special dividend of 45.0p, the dividend for the full year totals 102.0p and compares to a total of 47.5p for 2017, an increase of 115%. The dividend reinvestment plan gives shareholders the opportunity to reinvest their dividends in ordinary shares.

Net Assets and Cash flow

As at 31 December 2018 net assets of £1,061.1m were £4.5m higher than at the start of the year. Net assets per share as at 31 December 2018 were 790p (2017: 787p).

Inventories decreased during the year by £1.7m to £1,320.2m. The value of residential land, the key component of inventories, decreased by £54.7m, as we reduced our land investment in line with our medium term strategy. Other movements in inventories included an increase in work in progress of £56.3m driven by the infrastructure investment at our key Wellingborough site in the year. We have also increased the level of housing work in progress which will support controlled delivery in the first half of 2019 as we seek to improve our phasing profile over a period of time. There was also a further reduction in part exchange properties of £3.4m.

Trade and other receivables decreased by £12.4m, including a reduced level of land sales debtors. Trade and other payables totalled £462.5m (2017: £478.2m). Land creditors increased to £293.3m (2017: £246.7m) reflecting increased land investment during the year and the settlement of existing creditors. The second half of 2018 was our strongest period of land acquisition since the start of 2017, including significant strategic land conversion at Whiteley, Hampshire and Exeter which contributed to the year end land creditors. Trade and other creditors decreased to £169.2m (2017: £231.5m), driven by the timing of payments, a reduction in deferred income from our housing association partners and controlled build delivery around our year end.

As at 31 December 2018 the Group's net cash balance was £126.8m. Having started the year with net cash of £144.9m, the Group generated an operating cash inflow before land expenditure of £291.2m (2017: £350.6m). Net cash payments for land investment were reduced at £145.4m (2017: £188.9m), reflecting the deferred payment terms achieved, the timing of acquisitions towards the end of the year and reduction in land sales debtors. Non-trading cash outflow, excluding the fixed asset disposals, increased to £163.9m (2017: £55.4m) with significantly increased dividends and higher corporation tax payments.

Cashflow	2018 £m	2017 £m
Net cash at 1 January	144.9	38.6
Profit in the year	136.6	91.3
Dividends and taxes paid	(158.8)	(79.5)
(Increase)/Decrease in inventories	(1.9)	122.1
Other	6.0	(27.6)
Net cash at 31 December	126.8	144.9

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

Land Bank	2018	2017
Consented plots added	4,164	2,550
Sites added	19	11
Sites owned at period end	117	117
Total plots in land bank at period end including joint ventures	17,328	17,096
Average consented land plot ASP	£305,000	£293,000
Average consented land plot cost	£54,900	£53,300

The Group's total land bank including joint ventures of 17,328 plots as at 31 December 2018 represents 4.6 years of supply based on the 2018 completions volume. If the land bank is adjusted to reflect the joint venture at Sherford, the land bank reflects our strategy to deliver c. 4,000 completions per annum from 2019 onwards and maintain an optimal land bank at 3.5 to 4.0 times. The 3,759 plots that legally completed in the year were replaced by a combination of site acquisitions and conversions from our strategic land pipeline. Based on our appraisal at the time of acquisition, the new additions, on average, are expected to deliver a future gross margin over 26% and a ROCE in excess of 25%.

The average selling price of all units within the consented land bank increased over the year to £305,000, 4% higher than the £293,000 at 31 December 2017. The estimated embedded gross margin in the consented land bank as at 31 December 2018, based on prevailing sales prices and build costs is 24.8% and reflects the initial impact of our margin initiatives.

Strategic land continues to be an important source of supply and during the year 1,958 plots have been converted from the strategic land pipeline into the consented landbank.

Group income statement

For the year ended 31 December	2018 £000	2017 £000
Revenue	1,061,396	1,028,223
Cost of sales	(830,505)	(843,572)
Gross profit	230,891	184,651
Administrative expenses before exceptional items	(56,723)	(56,619)
Exceptional administrative expenses	-	(6,812)
Administrative expenses	(56,723)	(63,431)
Operating profit before exceptional items	174,168	128,032
Exceptional items	-	(6,812)
Operating profit	174,168	121,220
Financial income	481	1,337
Financial expenses	(6,585)	(8,536)
Net financing costs	(6,104)	(7,199)
Share of profit/(loss) of Joint Ventures	5	(20)
Profit before tax	168,069	114,001
Income tax expense	(31,499)	(22,706)
Profit for the year attributable to ordinary shareholders	136,570	91,295

Earnings per share (pence)		
Basic	101.6p	68.0p
Diluted	101.5p	67.8p

Group statement of comprehensive income

For the year ended 31 December	2018 £000	2017 £000
Profit for the year	136,570	91,295
Other comprehensive (expense) / income		
Items that will not be reclassified to the income statement		
Remeasurements on defined benefit pension scheme	(5,781)	9,286
Deferred tax on remeasurements on defined benefit pension scheme	1,083	(1,630)
Items reclassified to the income statement		
Available for sale reserve reclassified on disposal	-	1,696
Deferred tax on available for sale reserve movement	-	(288)
Total other comprehensive (expense) / income	(4,698)	9,064
Total comprehensive income for the year attributable to ordinary shareholders	131,872	100,359

Balance sheets

As at 31 December	2018 £000	2017 £000
Assets		
Intangible fixed assets	1,079	-
Property, plant and equipment	2,181	2,603
Investments	28,992	8,717
Restricted cash	1,381	1,414
Trade and other receivables	611	832
Available for sale financial assets	-	-
Retirement benefit asset	1,381	2,111
Total non-current assets	35,625	15,677
Inventories	1,320,229	1,321,952
Trade and other receivables	64,505	76,686
Cash and cash equivalents	163,217	170,062
Total current assets	1,547,951	1,568,700
Total assets	1,583,576	1,584,377
Equity		
Issued capital	67,398	67,330
Share premium	216,907	215,991
Retained earnings	776,762	773,255
Total equity attributable to equity holders of the parent	1,061,067	1,056,576
Liabilities		
Bank and other loans	36,401	25,209
Deferred tax liability	730	570
Trade and other payables	183,769	93,089
Provisions	-	812
Total non-current liabilities	220,900	119,680
Trade and other payables	278,706	385,079
Provisions	4,843	6,187
Current tax liabilities	18,060	16,855
Total current liabilities	301,609	408,121
Total liabilities	522,509	527,801
Total equity and liabilities	1,583,576	1,584,377

Group statement of changes in equity

	Total retained earnings £000	Issued capital £000	Share premium £000	Total £000
Balance at 1 January 2017	733,609	67,261	215,057	1,015,927
Total comprehensive income	100,359	-	-	100,359
Issue of share capital	-	69	934	1,003
Own shares disposed	-	-	-	-
Purchase of own shares	(2,575)	-	-	(2,575)
Deferred tax on other employee benefits	49	-	-	49
Share based payments	2,243	-	-	2,243
Dividends paid to shareholders	(60,430)	-	-	(60,430)
Total transactions with owners recognised directly in equity	(60,713)	69	934	(59,710)
Balance at 31 December 2017	773,255	67,330	215,991	1,056,576
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
Own shares disposed	-	-	-	-
Deferred tax on other employee benefits	(113)	-	-	(113)
Share based payments	1,413	-	-	1,413
Dividends paid to shareholders	(129,665)	-	-	(129,665)
Total transactions with owners recognised directly in equity	(128,365)	68	916	(127,381)
Balance at 31 December 2018	776,762	67,398	216,907	1,061,067

Statements of cash flows

For the year ended 31 December	2018 £000	2017 £000
Cash flows from operating activities		
Profit for the year	136,570	91,295
Depreciation and amortisation	905	1,514
Revaluation of available for sale financial assets	-	1,355
Available for sale reserve reclassified on disposal	-	1,696
Financial income	(481)	(1,337)
Financial expense	6,585	8,536
Profit on sale of property, plant and equipment	(450)	(4,117)
Equity-settled share-based payment expense	1,413	2,243
Income tax expense	31,499	22,706
Share of results of Joint Ventures	(5)	20
Profit on sale of assets to joint ventures	(1,197)	-
Decrease/(increase) in trade and other receivables	12,402	13,232
Decrease in available for sale financial assets	-	27,577
(Increase)/decrease in inventories	(1,891)	122,097
Decrease in trade and other payables	(15,692)	(104,664)
Decrease in provisions and retirement benefit obligations	(7,042)	(3,685)
Cash generated from operations	162,616	178,468
Interest paid	(2,773)	(3,250)
Income taxes paid	(29,165)	(19,074)
Net cash inflow from operating activities	130,678	156,144
Cash flows from investing activities		
Interest received	278	142
Acquisition of intangible fixed assets	(1,213)	-
Acquisition of property, plant and equipment	(1,876)	(1,371)
Proceeds from sale of property, plant and equipment	1,977	13,237
Movement of investment in Joint Ventures	(20,300)	32
Dividends received from Joint Ventures	1,067	119
Reduction in restricted cash	33	-
Net cash (outflow)/generated from investing activities	(20,034)	12,159
Cash flows from financing activities		
Dividends paid	(129,665)	(60,430)
Proceeds from the issue of share capital	984	1,003
Purchase of own shares	-	(2,575)
Drawdown of bank and other loans	11,192	25,209
Net cash used in financing activities	(117,489)	(36,793)
Net (decrease) / increase in cash and cash equivalents	(6,845)	131,510
Cash and cash equivalents at 1 January	170,062	38,552
Cash and cash equivalents at 31 December	163,217	170,062

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 year ended 31 December 2018 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in Joint Ventures. The financial statements were authorised for issue by the directors on [28 February 2019]. The financial statements were audited by PriceWaterhouseCoopers LLP.

The financial information set out above does not constitute the Company's statutory financial statements for the years ended 31 December 2018 or 2017 but is derived from those financial statements. Statutory financial statements for 2017 have been delivered to the registrar of companies, and those for 2018 will be delivered in due course. The auditors have reported on those financial statements; 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 498 (2) or (3) of the Companies Act 2006.

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and IFRS interpretations Committee (IFRS IC) interpretations as adopted by the European Union and Companies Act 2006 applicable to companies reporting under IFRS. The Group has applied the following standards for the first time for its annual reporting period commencing 1 January 2018:

- IFRS9 'Financial instruments'
- IFRS15 'Revenue from Contracts with Customers'

The preparation of financial statements in conformity with adopted IFRSs requires management to make estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. No individual judgements have been made that have a significant impact on the financial statements, other than those involving estimates.

2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Joint ventures are those entities in which the Group has joint control over the financial and operating policies and rights to the net assets of the arrangement. The consolidated financial statements include the Group's share of the comprehensive income and expense of its joint ventures on an equity accounted basis, from the date that joint control commenced.

Joint operations are arrangements whereby the Group has rights to the assets and obligations for the liabilities relating to the arrangement. The consolidated financial statements include the Group's share of income and expenses of its joint operation within the corresponding lines of the income statement, from the date that joint control commenced.

3 Accounting policies

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2018:

• IFRS9 'Financial instruments' replaced IAS39 'Financial Instruments: Recognition and Measurement' and was effective from 1 January 2018. Consistent with the disclosure made in the Group's 2017 Annual Report and Accounts, the implementation of the standard has not had a material impact on the Group's or the Company's 2018 financial statements for the following reasons:

i. The Group disposed of its shared equity available for sale assets during 2017

ii. The Group does not presently hold any complex financial instruments

iii. Any investments in equities for outside of the Bovis Homes Group are immaterial

iv. Any trade debtors are held under standard terms agreed with the customer

v. The Group has experienced a low level of default events on its debtors historically and currently has no reason to expect this to change significantly in future

vi. The Group has no reason to expect any impairment or losses on the intercompany balance held between Bovis Homes Group and Bovis Homes Limited

• IFRS 15, 'Revenue from contracts with customers' replaced IAS 18 'Revenue' and IAS 11 'Construction contracts', setting out new revenue recognition criteria particularly with regard to performance obligations. Consistent with the disclosure made in the Group's 2017 Annual Report and Accounts, the implementation of the standard has not had a material impact on the revenue and cash flows reported by the Group for the year ended 31 December 2018. The reasons for this are outlined by each of the Group's main revenue types below:

i. Private housing: the impact is immaterial as housing revenue is recognised on completion of the single performance obligation of supplying a house

ii. Affordable housing: no or minimal impact as the significant majority of the Group's contracts give the Housing Association control over houses as they are built and the Group the right to payment for work done, and therefore revenue will continue to be recognised over time by reference to the stage of completion of the building works. Contracts continue to be assessed individually as they are entered into to confirm that these criteria are met. Where land sales to Housing Associations are de-linked from housebuilding contracts, land sale revenue will be recognised separately, as was the case prior to the implementation of the new standard

iii. Land Sales: the Group will continue to separate land sales revenue from any significant infrastructure-related performance obligations that may exist within contracts

Properties taken in part exchange as consideration for private house sales and then subsequently sold on by the Group will continue to be recognised through cost of sales within the income statement based on the profit or loss made on the resale as they are seen to be incidental to the operations of the business and not a part of its core activities.

4 Reconciliation of net cash flow to net cash

	2018 £000	2017 £000
Net (decrease) / increase in cash and cash equivalents	(6,845)	131,510
(Increase) / decrease in borrowings	(11,192)	(25,209)
Net cash at start of period	144,853	38,552
Net cash at end of period	126,816	144,853

Analysis of net cash:

Cash and cash equivalents	163,217	170,062
Bank and other loans	(36,401)	(25,209)
Net cash at end of period	126,816	144,853

5 Income taxes

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, calculated using a corporation tax rate of 19% applied to the pre-tax income or loss, adjusted to take account of deferred taxation movements and any adjustments to tax payable for previous years.

6 Dividends

The following dividends were paid by the Group:

	2018 £000	2017 £000
Prior year final dividend per share of 32.5p (2017:30.0p)	43,645	40,300
Special dividend per share of 45.0p (2017: nil)	60,483	-
Current year interim dividend per share of 19.0p (2017:15.0p)	25,537	20,130
	129,665	60,430

The Board decided to propose a final dividend of [38.0p] per share in respect of 2018.

7 Earnings per share

The calculation of basic earnings per share for the year ended 31 December 2018 was based on the profit for the year attributable to ordinary shareholders of £136,570,000 (2017: £91,295,000) and a weighted average number of ordinary shares outstanding during the year ended 31 December 2018 of 134,355,573 (2017: 134,246,134).

Profit attributable to ordinary shareholders

	2018 £000	2017 £000
Profit for the year attributable to equity holders of the parent	136,570	91,295

Weighted average number of ordinary shares

	2018	2017
Weighted average number of ordinary shares at 31 December	134,355,573	134,246,134

Diluted earnings per share

The calculation of diluted earnings per share for the year ended 31 December 2018 was based on the profit for the year attributable to ordinary shareholders of £136,570,000 (2017: £91,295,000) and a weighted average number of ordinary shares outstanding during the year ended 31 December 2018 of 134,557,450 (2017: 134,566,722).

The average number of shares is increased by reference to the average number of potential ordinary shares held under option during the year. This reflects the number of ordinary shares which would be purchased using the aggregate difference in value between the market value of shares and the share option exercise price and fair value of future employee services. The market value of shares has been calculated using the average ordinary share price during the year. Only share options which are expected to meet their cumulative performance criteria have been included in the dilution calculation.

Weighted average number of ordinary shares (diluted)

	2018	2017
Basic weighted average number of ordinary shares at 31 December	134,355,573	134,246,134
Effect of share options in issue which have a dilutive effect	201,877	320,588
Diluted weighted average number of ordinary shares at 31 December	134,557,450	134,566,722

8 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 year ended 31 December 2018 were limited to those relating to remuneration, which are disclosed in the directors remuneration report.

Mr Greg Fitzgerald, appointed Group Chief Executive on 18 April 2017, is non-executive Chairman of Ardent Hire Solutions ("Ardent"). The Group hires forklift trucks from Ardent and has also undertaken a sale of forklift trucks to Ardent as part of its capital optimisation initiatives. The total net value of transactions with Ardent were as follows:

	2018 £000	2017 £000
Rental expenses paid to Ardent	2,059	1,413
Income received from Ardent for the sale of forklift trucks	-	2,287

The balance of rental expenses payable to Ardent at 31 December 2018 was £155,000 (2017: £160,000) and no income was receivable (2017:
£nil). There have been no other related party transactions in the financial year which have materially affected the financial performance or position of the Group, and which have not been disclosed.

9 Circulation to shareholders

The consolidated financial statements will be sent to shareholders on 8 April 2019. Further copies will be available on request from the Company Secretary, Bovis Homes Group PLC, 11 Tower View, Kings Hill, West Malling, Kent ME19 4UY.
Further information on Bovis Homes Group PLC can be found on the Group's corporate website www.bovishomesgroup.co.uk, including the slide presentation document which will be presented at the Group's results meeting on 1 March 2019.