**22 February 2016**

# BOVIS HOMES GROUP PLC

## FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015

## GROWTH STRATEGY ON TRACK AND RECORD PROFIT DELIVERED

Bovis Homes Group PLC today announces its final results for the financial year ended 31 December 2015 which have been prepared in accordance with International Financial Reporting Standards as adopted by the EU ('IFRS').

**Financial highlights for 2015**

- Significant revenue growth driven by record legal completions and a strong increase in average sales price
- Record profits delivered
- Return on capital employed achieved in line with 2015 target
- Increased dividend as planned
- Strong balance sheet

| | 2015 | 2014 | Change |
|---|---|---|---|
| Revenue | £946.5m | £809.4m | +17% |
| Profit before tax | £160.1m | £133.5m | +20% |
| Basic earnings per share | 95.4p | 78.6p | +21% |
| Dividend per share | 40.0p | 35.0p | +14% |
| Operating profit margin | 17.3% | 17.0% | +0.3ppts |
| Return on capital employed * | 18.3% | 16.2% | +2.1ppts |
| Net cash | £30.0m | £5.2m | |

**Operational highlights for 2015**

- Land investment aligned with growth strategy
- Achieved planned growth in sites owned at the year end
- Improved forward sales position

| | 2015 | 2014 | Change |
|---|---|---|---|
| **Legal Completions** | | | |
| Number of legal completions | 3,934 | 3,635 | +8% |
| Average sales price | £231,600 | £216,600 | +7% |
| **Reservations** | | | |
| Private reservations in year (excluding PRS) | 2,986 | 2,709 | +10% |
| Net private reservations per site per week (excluding PRS) | 0.56 | 0.54 | +4% |
| Forward sales at year end | 2,003 | 1,752 | +14% |
| **Consented land** | | | |
| Consented plots added | 6,058 | 7,300 | |
| Sites added | 35 | 42 | |
| Sites owned at year end | 142 | 128 | |
| Plots in consented land bank at year end | 19,814 | 18,062 | |

**Long term strategy to deliver strong shareholder returns**

- Growth to continue during current positive housing market conditions
- Business structure and leadership team evolved and strengthened supporting planned growth
- Improving profits and capital efficiency driving higher financial returns
- Significant strategic land holdings with planning agreed
- Strategy of operational flexibility through the cycle

* ROCE is calculated as operating profit divided by average opening and closing capital employed excluding net cash and investment in joint ventures

**Commenting, David Ritchie, the Chief Executive of Bovis Homes Group PLC said:**

"We have delivered record profit driven by another year of record volume. We have invested well during 2015 in new consented land and achieved a strong level of conversion from our strategic land bank. While it has been a time of operational challenge with fast moving market conditions, we are delivering our strategic growth plan and have evolved our management and business structure at the start of 2016 to support further growth. Assuming market conditions remain stable we are confident in our ability to improve return on capital employed further in 2016.

In the current housing market, our plan envisages the business delivering sustainable growth over the next few years to achieve annual volumes of between 5,000 and 6,000 new homes.

I am pleased to reconfirm that, in line with guidance, the Board is recommending a full year dividend of 40 pence, an increase of 14%, reflecting our confidence in the Group's future growth prospects.

I would like to recognise the considerable commitment and hard work of our employees during 2015 and thank them all for their contribution to the Group's success."

| | | | |
|---|---|---|---|
| **Enquiries** | David Ritchie, Chief Executive<br>Earl Sibley, Group Finance Director<br>Bovis Homes Group PLC<br>On 22 February<br>tel: 07921 107717<br>Thereafter – tel: 01474 876200 | **Results issued by** | Reg Hoare / James White / Giles Robinson<br>MHP Communications<br>On 22 February<br>tel: 020 3128 8540 |

*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 a representation that such trends, results or activities will continue in the future. Undue reliance should not be placed on forward looking statements.*

## Chief Executive's statement

Bovis Homes is delivering its growth strategy, achieving a record number of legal completions during 2015 while investing in high quality land assets in its target areas and delivering further increases in shareholder returns. The increase in volume, aligned with higher average sales prices, delivered a strong improvement in operating profit. Our capital turn in 2015 exceeded one times and this along with an increase in operating margin led to a further improvement in return on capital employed. Profit before tax increased by 20% to £160.1 million and return on capital employed was 18.3%, 2.1 percentage points higher than 2014. Our balance sheet remains robust with year end net cash of £30 million.

The strategic plan communicated during 2014 laid out the ambitions for the Group. We aim to deliver market leading performance over the cycle from long term land investment with a focus on building and selling quality family homes.

The positive housing market conditions in the UK continue, with growth in both transaction levels and sales prices. Housing demand continues to run ahead of new housing supply with the availability of development land supported by increasing levels of planning permissions. The Government has an ambition for the industry to build over 200,000 new homes a year and is supporting new housebuilding through its renewed commitment to Help to Buy, Starter Homes and driving land supply through the planning process. The Group is wholly aligned with this strategy to deliver the homes the nation needs as it steadily grows its capacity and output year on year.

### Strategic plan

The Group's strategic plan remains to deliver growth in shareholder returns from:

- Disciplined land investment, both consented and strategic, to grow the business in a controlled way towards a steady state of between 5,000 and 6,000 new homes per annum
- Investment in people to underpin the continuous evolution of the Group's structure to manage the future growth
- Ongoing assessment of the housing cycle ensuring flexibility to adapt the plan to changes in the market
- Execution of the plan which has been further evidenced by the performance during 2015

### *Land investment supporting future growth*

The Group continues to implement its disciplined land investment strategy, including strong levels of conversion from strategic land, to provide growth in volume at strong sales prices and high profit margins. We acquired 35 sites during 2015 following the acquisition of 42 sites in 2014, in line with our ambition to acquire around 40 new sites per year. This growth is further supported by the good progress we have made in the year with many key sites in our strategic land portfolio. As at 31 December 2015, the Group owned 142 consented sites and remains on track to increase further its number of owned consented sites during the next few years. Our strategic ambition of delivering between 5,000 and 6,000 new homes per annum will be achieved by operating around 150 sales outlets at steady state. Average sales outlet numbers will increase towards this level over time with land investment.

This investment is focused in the Group's targeted, primarily Southern, geographies within which the Group believes there is strong market demand for housing and sufficient supply of land to fulfil its strategic ambitions. Our rigorous acquisition criteria are applied to every proposal, reflecting not only the anticipated profit margin and return on capital employed, but also site specific risks and geographic concentration risk.

| | **2015** | **2014** |
|---|---:|---:|
| Consented plots added | 6,058 | 7,300 |
| Sites added | 35 | 42 |
| Sites owned at period end | 142 | 128 |
| Plots in consented land bank at period end | 19,814 | 18,062 |
| Average consented land plot cost | £49,200 | £46,600 |
| Proportion in South of England | 76% | 75% |

In the year the Group added to the land bank 6,058 consented plots on 35 sites at a cost of £343 million. These plots have an estimated future revenue of c£1,700 million and an estimated future gross profit potential of c£440 million based on sales prices and build costs at the point of appraisal, delivering an estimated future gross margin of 26.4%. The average return on capital employed of the land acquired based on investment appraisal at the time of acquisition is c28%.

The estimated gross profit potential of the Group's consented land bank plots as at 31 December 2015, based on prevailing sales prices and build costs, has increased to £1,247 million with a gross margin of 25.5% (31 December 2014: £1,017 million at 25.2%). Written down land in the land bank at 31 December 2015 made up only 2% of plots (31 December 2014: 6%).

The successful conversion of strategic land continues to be a key driver of value for the Group. New strategic land investments added 3,827 plots into the strategic land bank, giving a total of 23,083 strategic plots at the year end across 80 strategic sites. The strategic land bank reflects positively the Group's strategy of land acquisition with 68% of the strategic plots in the South of England. During 2015, the Group converted 2,217 plots from the strategic land bank into the consented land bank.

The Group has either secured or is in the final stages of securing planning consent on eight major strategic sites: Bishop's Stortford (where the first 180 plots have already been added to the consented land bank), North Whiteley, Bexhill, Witney, Edwalton, Gravesend, Taunton and Tavistock. In total, these sites will deliver over 5,000 consented plots with high profit margins and returns above existing hurdle rates. These sites will be acquired once valuation and option exercise processes are complete. The sites generally benefit either from significant deferred terms on purchase or the ability to add the land over a number of years through tranche drawdown. Our site at Wellingborough obtained revised planning consent in December 2015 for 3,650 plots which supports the start of housebuilding on site during 2016 with the expectation of achieving a profit margin in excess of our hurdle rates. Overall, around 8,000 plots of the strategic land bank have planning agreed. In a number of cases, development partners are being identified for these larger sites, in line with the Group's aims for capital efficiency.

An example of working with a development partner is on our strategic site at North Wokingham which was acquired in December and is included within the year end land bank. We sold a parcel of the development to a Registered Social Landlord (RSL) in December and have entered into a contract with the same RSL to develop a mix of private and social dwellings. This development has already commenced construction on the key infrastructure roads in the early weeks of 2016.

In pursuit of capital efficiency the Group completed in 2015 the sale of 4 parcels of land on strategically sourced sites, and further land sales are planned in 2016.

The successful execution of our plan in respect of our key strategic sites has the potential to deliver a significant long term benefit to the business. The Group's strategic land assets represent one of its key differentiators. We expect these assets will provide strong replenishment for the consented land bank over the coming years. The size of this opportunity supports the Group's aim for 50% of its consented land bank to be sourced through strategic means in the future.

***Evolving Group structure to better manage a bigger business***

As planned, in order to manage effectively the increased annual volume and support growth the Group has been operating as eight regional businesses since 1 January 2016. The changes have seen the formation both of our West Midlands and East Midlands regions from splitting our existing Central region and of the fledgling Thames Valley region, which is planning to deliver its first new homes during 2016. The evolved structure ensures greater management focus in our regional geographies and maintains our ability to make the right business choices in an agile manner, whilst managing risk effectively through short lines of management control. The eight regions are structured in two operating divisions, each overseeing four regions. In line with our strategy this operating structure provides the platform to deliver between 5,000 and 6,000 homes per annum.

In order to manage this growth, the management team has been strengthened through promotions from within the business. Keith Carnegie, previously Central Division Managing Director and with over 15 years' experience with the Group, has taken up the new role of Chief Operating Officer from 1 January 2016. Keith is responsible for how the business operates across all its regional businesses and also oversees the key Group wide support functions. The Group is clear on its operating priorities going forward and in particular is focused on how we safely build quality homes, ensuring each of our developments is set up to deliver our production plans and that we follow consistently our robust processes and procedures from site acquisition through planning and construction onto sales. Keith is also leading a review of the Group support functions to assess how these need to evolve to support our future growth.

The Group recognises the critical role that our people play in the delivery of the strategic plan. In particular, we are investing in our leadership team through formal development programmes accompanying more informal mentoring across all our business operations. Overall, our employee base continues to grow with the scale of the business. We closed the year with 1,062 employees having increased from 928 at the start of 2015. This growth has been supported by higher levels of investment to support recruitment, training and development.

Given the current labour constraints impacting the sector, staff turnover remains most pronounced in our build department. During the year, we recruited 192 new employees into our construction teams including 37 new apprentices. Our Build Academy programme first developed in 2014 has been a key part of our approach to supporting new members of our construction team.

***Continually assessing the housing cycle***

The Group continues to view the housing market as being supportive of growth during the current upswing in the cycle. There continue to be constraints on capital available to smaller housebuilders and discipline is being demonstrated in the consented land market. Demand for new housing remains strong with increasing housing transaction levels and higher sales prices (the Halifax house price index rose over 9% in 2015). Demand is supported by an active mortgage market and low interest rates. The planning system is delivering an increased level of planning consents underpinning our investment in strategic land and providing a good supply of consented land into the market. However, the level of new build homes being supplied continues to be below Government targets. As a result, we believe a good opportunity remains for well capitalised housebuilders to invest in land to increase housing supply.

Robust discipline in our investment strategy is demonstrated by our record of land acquisitions made at above hurdle rate margins and our improving capital turn. We continue to assess the housing cycle and have the ability to adapt quickly. We have processes in place that enable the Group to stop its land investment quickly when required and adjust the length of its overall land holdings as the cycle evolves. Our long term investment strategy, including our ambition to source around 50% of consented land from strategic land, provides greater flexibility of land supply in a changing economic environment whilst contributing sites with strong sales prices and high profit margins.

***Execution of the plan***

In 2015, the Group has taken another step forward in scale, delivering an 8% increase in legal completions to 3,934 homes (2014: 3,635). Private legal completions (excluding PRS) increased by 10% to 2,901 (2014: 2,645). Legal completions of social homes were 848 (2014: 704), representing 22% of total legal completions (2014: 19%) more in line with the proportion of social housing plots in our land bank.

Average active sales outlets of 102 were 6% higher than the 97 in 2014, although this increase reflects delays to sales launches of some new higher margin sites. The combination of active sales outlet growth in 2015 and a greater southern focus enabled the Group to achieve 2,986 private reservations (excluding PRS), a 10% increase on the 2,709 achieved in 2014. Net private reservations (excluding PRS) per site per week was 0.56 compared to 0.54 in 2014. Whilst this represents a robust sales rate it also reflects the Group's ambition to match sales rates more closely with production rates and the availability of finished homes.

Our average sales price increased by 7% to £231,600 (2014: £216,600) with the average sales price of private legal completions (excluding PRS) 8% higher at £272,100 (2014: £250,800). These average prices benefit both from the improved geographical and product mix on new sites driving higher sales prices and estimated annual market pricing improvements of circa 4-5%.

During 2015, 55% of the private homes legally completed were from the "Portfolio" range, up from 38% in 2014. This percentage is expected to grow further in 2016. The "Portfolio" range of homes continues to be excellently received by customers and they are also highly efficient to build. In addition, as planned, the proportion of traditional private homes sold increased to 70% in 2015 from 66% in 2014. Three storey homes reduced to 18% of legal completions (2014: 21%) and apartments have decreased to 12% (2014: 13%).

The Group achieved production levels 12% ahead of 2014. Work in progress turn remained high at 3.5 times (2014: 3.6). Housing work in progress ended 2015 at 929 units worth of production (2014: 923), equivalent to less than one quarter's worth of our 2015 volume. Looking forward through 2016 we aim to align our production rates further with our sales rates and target a more even flow of production.

Activity levels continue to increase across the sector and in the near term the availability of skilled labour remains a constraint. This labour shortage has driven higher than expected levels of construction cost inflation. In addition, we have seen additional cost pressure in the business as we drive increased activity levels on site from higher prelim costs and the impact of replacing underperforming sub-contractors. The Group's average construction cost per square foot in 2015 was 8% higher than in 2014. Whilst we continue to see signs of these cost increases moderating, managing our construction cost base remains a key priority for the business. We are seeking to develop further our strategic partnerships with our key sub-contractors, manage our materials costs through Group-wide agreements, in addition to driving continuous review and improvements across all sites and all areas of spend.

**Market conditions**

The housing market in 2015 represented a positive trading environment. Customer demand was strong throughout the year with weekly prospect levels running ahead of 2014. Monthly mortgage approvals, according to the Bank of England, were 18% higher in the year supported by unchanged interest rates.

The Government's support for the housebuilding sector has continued during the year through driving the UK planning system to deliver consented land, the extension of Help to Buy through to 2021, and the initiatives announced in respect of Starter Homes. Whilst we welcome the news on Help to Buy which provides greater certainty and confidence in the market, the proposals in respect of Starter Homes are still developing and their effect will become clearer in time.

House prices continue to rise across many regional markets with stronger growth in the south of England. Whilst there are signs that cost pressure is moderating in 2016, continuing rising activity levels in the sector may drive ongoing constraints in labour supply. As a result, the cost of building new homes is expected to increase further.

**Current trading**

The Group entered 2016 with a strong forward sales position with 2,003 total reservations, a 14% improvement on 2015.

| | **2015** | **2014** | **Change** |
|---|---|---|---|
| Private | 841 | 756 | +11% |
| PRS | 38 | 223 | -83% |
| Social | 1,124 | 773 | +45% |
| Total forward sales at 31 December | 2,003 | 1,752 | +14% |

The Group is currently trading on 102 sales outlets (2015: 99). The pipeline of new sites controlled by the Group currently being managed through the planning, procurement and early phases of construction is expected to increase this level further through 2016.

The Group has delivered 429 private reservations in the first seven weeks of 2016, this equates to a sales rate per site per week of 0.60 compared to 0.68 in 2015 which benefited from some bulk investor reservations. Sales prices achieved on these private reservations to date have been ahead of the Group's expectations set prior to the start of 2016.

**Outlook**

In the current cycle the Group has increased its investment in land with strong profit margins and increased capital turn whilst maintaining a robust balance sheet position.

The strong sales position brought forward from 2015 combined with the strong pipeline of new sites expected to commence trading in the next few months provides a solid platform from which to expect further growth in 2016. The profile of our anticipated sales outlet launches means that legal completions in 2016 will be weighted to the second half year in a similar manner to 2015. In contrast, the increased overhead costs being incurred to manage the enlarged Group will be evenly spread over the year.

The average sales price continues to improve due to further product and site mix improvements and market-wide house price rises.  As a result, the Group expects a further improvement in capital turn for 2016.  We expect to see growth in gross profit margin in 2016 driven by a greater proportion of new higher profit margin sites in the mix.  We expect further modest improvements in overhead efficiency, despite investing in the Group's evolving structure, which together with higher gross profit margins are expected to underpin our operating profit margin progression.  Given the increased capital turn and the improving profit margin, we maintain our ambition to drive continued growth in return on capital employed.  The Group has seen strong forward sales and robust trading in early 2016 in line with our expectations and anticipates 2016 being another successful year of growth and strong returns.

## Financial Review

### Revenue

The Group generated total revenue of £946.5 million, an increase of 17% on the previous year (2014: £809.4 million). Housing revenue was £910.1 million, 16% ahead of the prior year (2014: £783.6 million) and other revenue was £6.4 million (2014: £4.2 million). Land sales revenue, associated with four land sales, was £30.0 million in 2015, compared to three land sales achieved in 2014 with a total revenue of £21.6 million.

### Operating profit

The Group delivered a 19% increase in operating profit for the year ended 31 December 2015 to £163.5 million (2014: £137.6 million) at an operating profit margin of 17.3% (2014: 17.0%).

Total gross profit was £232.3 million (gross margin: 24.5%), compared with £197.2 million (gross margin: 24.4%) in 2014. The profit on land sales in 2015 was £8.8 million (2014: £3.9 million) as the Group continues its strategy of managing its capital base through the disposal of parcels of land on large sites, often strategically sourced.

Housing gross margin was 24.4% in 2015, broadly in line with 24.5% in 2014. During 2015, the Group's construction costs increased by 8% per square foot, ahead of sales price gains of 4% per square foot, although these gains largely ensured the housing gross margin was maintained. In addition, the housing gross margin in the year was impacted by delays in completions of new higher margin sites resulting in the overall mix of homes being more weighted to existing sites.

Overheads, including sales and marketing costs, increased by 15% in 2015, as the Group invested early to advance the delivery of the large number of land assets under its control and to support the enlarged structure of the Group. The overheads to revenue ratio improved to 7.3% in 2015 from 7.4% in 2014.

### Profit before tax and earnings per share

Profit before tax increased by 20% to £160.1 million, comprising operating profit of £163.5 million, net financing charges of £5.2 million and a profit from joint ventures of £1.8 million. This compares to £133.5 million of profit before tax in 2014, which comprised £137.6 million of operating profit, £4.4 million of net financing charges and a profit from joint ventures of £0.3 million. The profit from joint ventures in 2015 included the benefits of revaluing both the Bovis Peer LLP and IIH Oak Investors LLP PRS property portfolios in the period.

Basic earnings per share for the year improved by 21% to 95.4p compared to 78.6p in 2014. This improvement has resulted in a return on equity of 15% (2014: 13%).

### Financing

Net financing charges during 2015 were £5.2 million (2014: £4.4 million). Net bank charges were £3.3 million (2014: £4.5 million), as a result of modestly higher net debt during 2015 than 2014 outweighed by a lower level of commitment fees and issue costs amortised in 2015. The Group incurred a £4.9 million finance charge (2014: £3.0 million charge), reflecting the imputed interest on land bought on deferred terms. The Group also benefited from a finance credit of £2.9 million (2014: £3.0 million) arising from the unwinding of the discount on its available for sale financial assets during 2015 as well as other credits of £0.1 million.

### Taxation

The Group has recognised a tax charge of £32.1 million at an effective tax rate of 20.0% (2014: tax charge of £28.3 million at an effective rate of 21.2%). The Group has a current tax liability of £16.9 million in its balance sheet as at 31 December 2015 (2014: current tax liability of £14.0 million).

### Dividends

As previously communicated the Board will propose a 2015 final dividend of 26.3p per share. This dividend will be paid on 20 May 2016 to holders of ordinary shares on the register at the close of business on 29 March 2016. The dividend reinvestment plan gives shareholders the opportunity to reinvest their dividends in ordinary shares. Combined with the interim dividend paid of 13.7p, the dividend for the full year totals 40p and compares to a total of 35p for 2014, an increase of 14%. Maintaining a level of dividend ahead of our base policy of onethird of retained earnings is a sign of the Board's continued confidence in the Group's strategic plan.

**Net assets**

| | 2015<br>£m | 2014<br>£m |
|---|---|---|
| Net assets at 1 January | 879.1 | 810.3 |
| Profit after tax for the year | 128.0 | 105.2 |
| Share capital issued | 0.6 | 0.5 |
| Purchase of own shares | (2.4) | - |
| Net actuarial movement on pension scheme through reserves | 0.2 | (5.7) |
| Deferred tax on other employee benefits | - | 0.3 |
| Adjustment to reserves for share based payments | 1.5 | 0.8 |
| Net movement in shared equity | - | (3.5) |
| Dividends paid to shareholders | (49.2) | (28.8) |
| **Net assets at 31 December** | **957.8** | **879.1** |

As at 31 December 2015 net assets of £957.8 million were £78.7 million higher than at the start of the year. Net assets per share as at 31 December 2015 were 714p (2014: 655p).

Inventories increased during the year by £193.0 million to £1,318.5 million. The value of residential land, the key component of inventories, increased by £139.0 million, as the Group invested ahead of usage. At the end of 2015, the remaining provision held against land carried at net realisable value was £6.7 million, after utilisation of £5.5 million during the year. Other movements in inventories were an increase in work in progress of £49.8 million and an increase in part exchange properties of £4.2 million.

Trade and other receivables increased by £34.6 million, primarily due to higher amounts owing from housing associations and amounts receivable relating to land sales completed in 2015. Trade and other payables totalled £535.2 million (2014: £360.5 million). Land creditors increased to £322.9 million (2014: £198.2 million) with the Group taking advantage of the opportunity to negotiate deferred payments to land vendors. Trade and other creditors increased to £212.3 million (2014: £162.3 million), with a 12% increase in build activity leading to increased amounts owed to subcontractors and materials suppliers.

**Pensions**

Taking into account the latest estimates provided by the Group's actuarial advisors, the Group's pension scheme on an IAS19R basis had a surplus of £7.1 million at 31 December 2015 (2014: deficit of £0.7 million). Scheme assets grew over the year to £109.3 million from £103.4 million and the scheme liabilities decreased to £102.2 million from £104.0 million. The movements on the scheme in the period include a special contribution from the Group into the scheme of £7.8 million and an increase in the discount rate applied to liabilities as a result of changes in bond yields.

**Net cash and cashflow**

Having started the year with net cash of £5.2 million, the Group generated an operating cash inflow before land expenditure of £329.1 million (2014: £336.1 million), reflecting higher profitability and increased land cost attributable to legal completions outweighed by increased construction expenditure. Net cash payments for land investment reduced to £230.6 million (2014: £265.8 million), reflecting the increase in land investment being more than offset by higher land creditors. Non-trading cash outflow increased to £98.4 million (2014: £66.7 million) with greater dividends, higher corporation tax payments and a special contribution to the pension scheme. As at 31 December 2015 the Group's net cash balance was £30.0 million with £32.0 million cash in hand, offset by £2.0 million loans received from the Government.

At 31 December 2015, the Group had in place a committed revolving credit facility of £250 million which expires in December 2020.

## Group income statement

| For the year ended 31 December | 2015 £000 | 2014 £000 |
|---|---|---|
| **Revenue** | 946,504 | 809,365 |
| Cost of sales | (714,196) | (612,129) |
| **Gross profit** | 232,308 | 197,236 |
| Administrative expenses | (68,778) | (59,672) |
| **Operating profit before financing costs** | 163,530 | 137,564 |
| Financial income | 3,348 | 3,360 |
| Financial expenses | (8,583) | (7,727) |
| **Net financing costs** | (5,235) | (4,367) |
| Share of profit of Joint Ventures | 1,770 | 287 |
| **Profit before tax** | 160,065 | 133,484 |
| Income tax expense | (32,057) | (28,276) |
| **Profit for the year attributable to equity holders of the parent** | **128,008** | **105,208** |

| **Earnings per share** | | |
|---|---|---|
| Basic | 95.4p | 78.6p |
| Diluted | 95.2p | 78.2p |

## Group statement of comprehensive income

| For the year ended 31 December | 2015 £000 | 2014 £000 |
|---|---|---|
| Profit for the year | 128,008 | 105,208 |
| **Other comprehensive income/(expense)** | | |
| Items that may be subsequently reclassified to profit and loss: | | |
| Shared equity movement | - | (2,887) |
| Deferred tax on shared equity movement | - | (621) |
| Items that will not be reclassified to profit and loss: | | |
| Remeasurements on defined benefit pension scheme | 182 | (7,166) |
| Deferred tax on remeasurements on defined benefit pension scheme | (17) | 1,481 |
| **Total comprehensive income for the year attributable to equity holders of the parent** | **128,173** | **96,015** |

## Group balance sheet

| At 31 December | 2015<br>£000 | 2014<br>£000 |
|---|---|---|
| **Assets** | | |
| Property, plant and equipment | 13,982 | 13,634 |
| Investments | 8,987 | 8,107 |
| Restricted cash | 1,451 | 1,426 |
| Deferred tax assets | 2,160 | 2,645 |
| Trade and other receivables | 1,166 | 2,534 |
| Available for sale financial assets | 35,303 | 39,433 |
| Retirement benefit asset | 7,117 | - |
| **Total non-current assets** | **70,166** | **67,779** |
| Inventories | 1,318,520 | 1,125,518 |
| Trade and other receivables | 94,843 | 58,862 |
| Cash and cash equivalents | 31,990 | 52,257 |
| **Total current assets** | **1,445,353** | **1,236,637** |
| **Total assets** | **1,515,519** | **1,304,416** |
| **Equity** | | |
| Issued capital | 67,190 | 67,114 |
| Share premium | 214,368 | 213,850 |
| Retained earnings | 676,201 | 598,154 |
| **Total equity attributable to equity holders of the parent** | **957,759** | **879,118** |
| **Liabilities** | | |
| Bank and other loans | - | 47,010 |
| Trade and other payables | 171,306 | 99,092 |
| Retirement benefit obligations | - | 668 |
| Provisions | 1,327 | 1,840 |
| **Total non-current liabilities** | **172,633** | **148,610** |
| Bank and other loans | 1,999 | - |
| Trade and other payables | 363,936 | 261,436 |
| Provisions | 2,245 | 1,236 |
| Current tax liabilities | 16,947 | 14,016 |
| **Total current liabilities** | **385,127** | **276,688** |
| **Total liabilities** | **557,760** | **425,298** |
| **Total equity and liabilities** | **1,515,519** | **1,304,416** |

These financial statements were approved by the Board of directors on 19 February 2016.

**Group statement of changes in equity**

| For the year ended 31 December | Total retained earnings £000 | Issued capital £000 | Share premium £000 | Total £000 |
|---|---|---|---|---|
| Balance at 1 January 2014 | **529,786** | 67,048 | 213,428 | **810,262** |
| Total comprehensive income | 96,015 | - | - | **96,015** |
| Issue of share capital | - | 66 | 422 | **488** |
| Deferred tax on other employee benefits | 304 | - | - | **304** |
| Share based payments | 838 | - | - | **838** |
| Dividends paid to shareholders | (28,789) | - | - | **(28,789)** |
| **Balance at 31 December 2014** | **598,154** | **67,114** | **213,850** | **879,118** |
| Balance at 1 January 2015 | **598,154** | 67,114 | 213,850 | **879,118** |
| Total comprehensive income | 128,173 | - | - | **128,173** |
| Issue of share capital | - | 76 | 518 | **594** |
| Deferred tax on other employee benefits | (31) | - | - | **(31)** |
| Purchase of own shares | (2,386) | - | - | **(2,386)** |
| Share based payments | 1,531 | - | - | **1,531** |
| Dividends paid to shareholders | (49,240) | - | - | **(49,240)** |
| **Balance at 31 December 2015** | **676,201** | **67,190** | **214,368** | **957,759** |

## Group statement of cash flows

| For the year ended 31 December | 2015 £000 | 2014 £000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit for the year | 128,008 | 105,208 |
| Depreciation | 2,065 | 1,853 |
| Revaluation of available for sale financial assets | 67 | (1,288) |
| Financial income | (3,348) | (3,360) |
| Financial expense | 8,583 | 7,727 |
| Profit on sale of property, plant and equipment | (43) | (115) |
| Equity-settled share-based payment expense | 1,531 | 838 |
| Income tax expense | 32,057 | 28,276 |
| Share of result of Joint Ventures | (1,770) | (287) |
| Increase in trade and other receivables | (28,031) | (13,956) |
| Increase in inventories | (193,000) | (154,501) |
| Increase in trade and other payables | 168,773 | 116,475 |
| Decrease in provisions and retirement benefit obligations | (7,003) | (3,795) |
| **Cash generated from operations** | **107,889** | **83,075** |
| Interest paid | (2,470) | (3,746) |
| Income taxes paid | (28,515) | (23,708) |
| **Net cash from operating activities** | **76,904** | **55,621** |
| **Cash flows from investing activities** | | |
| Interest received | 75 | 107 |
| Acquisition of property, plant and equipment | (2,424) | (2,084) |
| Proceeds from sale of plant and equipment | 55 | 238 |
| Movement in loans with Joint Ventures | 358 | (2,751) |
| Movement in investment in Joint Ventures | 397 | (373) |
| Dividends received from Joint Ventures | 377 | 283 |
| (Investment) / reduction in restricted cash | (25) | 397 |
| **Net cash used in investing activities** | **(1,187)** | **(4,183)** |
| **Cash flows from financing activities** | | |
| Dividends paid | (49,240) | (28,789) |
| Proceeds from the issue of share capital | 594 | 488 |
| Purchase of own shares | (2,386) | - |
| Drawdown of bank and other loans | - | 17,095 |
| Repayment of bank and other loans | (44,952) | - |
| **Net cash from financing activities** | **(95,984)** | **(11,206)** |
| **Net (decrease) / increase in cash and cash equivalents** | **(20,267)** | **40,232** |
| Cash and cash equivalents at 1 January | 52,257 | 12,025 |
| **Cash and cash equivalents at 31 December** | **31,990** | **52,257** |

**Notes to the financial statements**

**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 2015 comprise the Company and its subsidiaries (together referred to as 'the Group') and the Group's interest in associates and joint ventures.

The consolidated financial statements were authorised for issue by the directors on 19 February 2016. 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 2015 or 2014 but is derived from those financial statements. Statutory financial statements for 2014 have been delivered to the registrar of companies, and those for 2015 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 IFRS as adopted by the EU, and the accounting policies have been applied consistently for all periods presented in the consolidated financial statements.

The preparation of financial statements in conformity with IFRS requires management to make judgements, 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 making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these 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.

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases.

Joint ventures are those entities in which the Group has joint control over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognised gains and losses of joint ventures on an equity accounted basis, from the date that joint control commenced until joint control ceases.

**3 Accounting policies**

There have been no changes to the Group's accounting policies. These accounting policies will be disclosed in full within the Group's forthcoming financial statements.

## 4 Reconciliation of net cash flow to net cash

| | 2015 £000 | 2014 £000 |
|---|---|---|
| Net (decrease) / increase in net cash and cash equivalents | (20,267) | 40,232 |
| Decrease / (Increase) in borrowings | 44,952 | (17,095) |
| Fair value adjustments to interest rate swaps | 59 | 149 |
| Net cash / (debt) at start of period | 5,247 | (18,039) |
| **Net cash at end of period** | **29,991** | **5,247** |

| | | |
|---|---|---|
| **Analysis of net cash:** | | |
| Cash and cash equivalents | 31,990 | 52,257 |
| Unsecured loans | (1,999) | (46,951) |
| Fair value of interest rate swaps | - | (59) |
| **Net cash** | **29,991** | **5,247** |

## 5 Income taxes

**Current tax**

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 20% 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 declared by the Group:

| | 2015 £000 | 2014 £000 |
|---|---|---|
| Prior year final dividend per share of 23.0p (2014: 9.5p) | 30,838 | 12,715 |
| Current year interim dividend per share of 13.7p (2014: 12.0p) | 18,402 | 16,074 |
| **Dividends declared** | **49,240** | **28,789** |

The Board has decided to propose a final dividend of 26.3p per share in respect of 2015.

## 7 Earnings per share

*Basic earnings per share*

The calculation of basic earnings per share at 31 December 2015 was based on the profit attributable to ordinary shareholders of £128,008,000 (2014: £105,208,000) and a weighted average number of ordinary shares outstanding during the year ended 31 December 2015 of 134,194,203 (2014: 133,902,247).

*Profit attributable to ordinary shareholders*

| | 2015 £000 | 2014 £000 |
|---|---|---|
| **Profit for the period attributable to ordinary shareholders** | **128,008** | **105,208** |

*Weighted average number of ordinary shares*

| | 2015 | 2014 |
|---|---|---|
| **Weighted average number of ordinary shares at 31 December** | **134,194,203** | **133,902,247** |

*Diluted earnings per share*

The calculation of diluted earnings per share at 31 December 2015 was based on the profit attributable to ordinary shareholders of £128,008,000 (2014: £105,208,000) and a weighted average number of ordinary shares outstanding during the year ended 31 December 2015 of 134,428,802 (2014: 134,573,167).

The average number of shares is increased by reference to the average number of potential ordinary shares held under option during the period. 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. The market value of shares has been calculated using the average ordinary share price during the period. Only share options which have met their cumulative performance criteria have been included in the dilution calculation.

*Weighted average number of ordinary shares (diluted)*

| | 2015 | 2014 |
|---|---|---|
| Weighted average number of ordinary shares at 31 December | 134,194,203 | 133,902,247 |
| Effect of share options in issue which have a dilutive effect | 234,599 | 670,920 |
| **Weighted average number of ordinary shares (diluted) at 31 December** | **134,428,802** | **134,573,167** |

## 8 Circulation to shareholders

The consolidated financial statements will be sent to shareholders on or about 21 March 2016. Further copies will be available on request from the Company Secretary, Bovis Homes Group PLC, The Manor House, North Ash Road, New Ash Green, Longfield, Kent, DA3 8HQ.

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 22 February 2016.