Annual report and accounts 2008
Bovis Homes Group PLC

www.bovishomes.co.uk/plc

Annual report and accounts 2008

Contents

Financial highlights

£14.4m

Pre tax profit*

2008 decreased 88% to £14.4m (2007: £123.6m)

9.2p

Earnings per share*

2008 decreased 87% to 9.2p (2007: 72.4p)

7.5%

Operating margin*

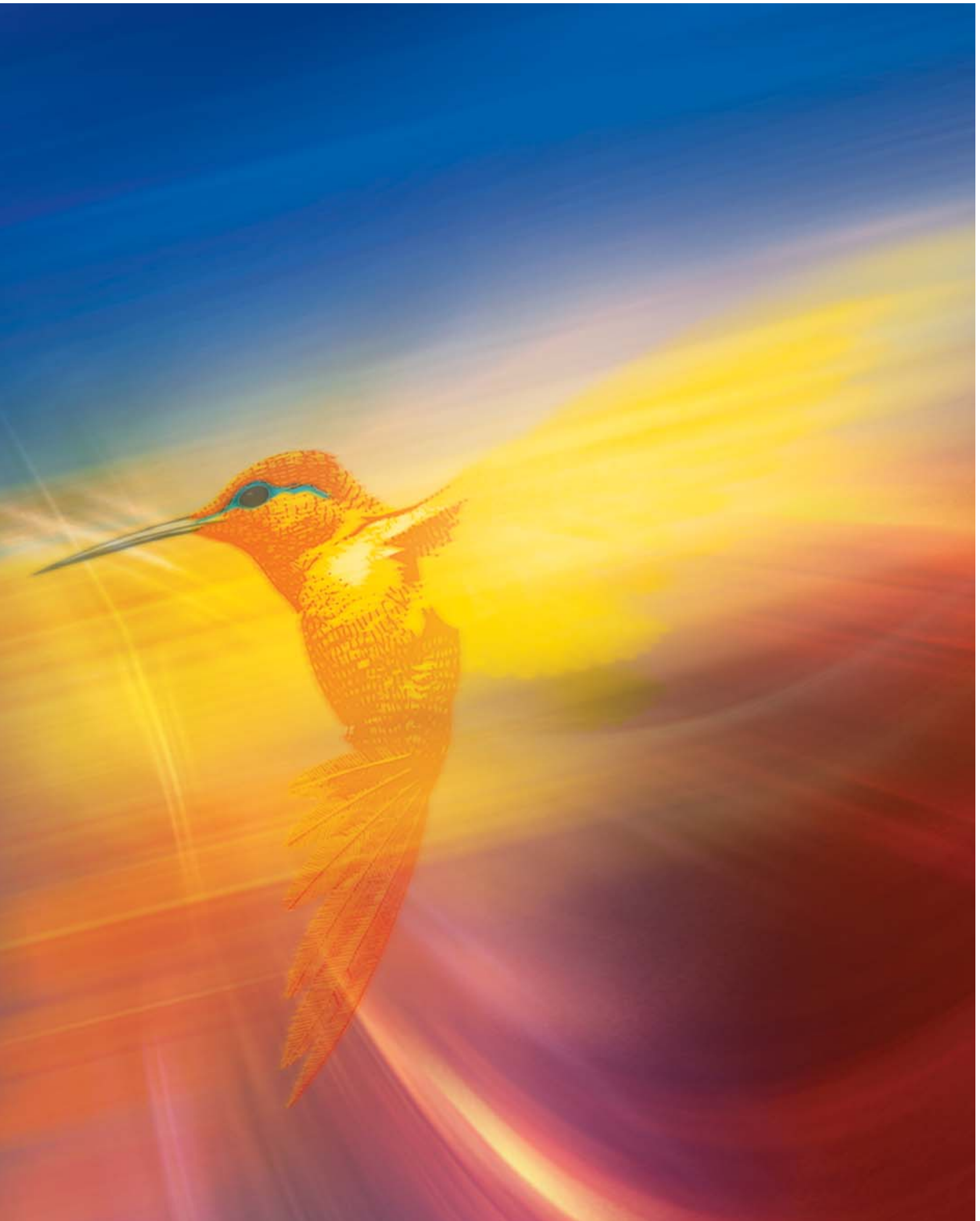
2008 decreased to 7.5% (2007: 22.4%)

5.0p

Dividends per share

2008 decreased to 5.0p (2007: 35.0p)

**2008 pre tax profit, earnings per share and operating margin are stated before pre-tax exceptional charges of £93.1 million.*



Chairman’s statement

With unprecedented market conditions developing, the year has been one of positive action, ensuring the Group is well placed to prosper going forwards

Malcolm Harris

Chairman's statement

2008 was a challenging year for the housebuilding industry. The poor economic conditions encountered, including the lack of mortgage availability, had a negative impact on volumes with first time purchasers in particular being adversely affected by an increased requirement for deposits. This culminated in total mortgage lending for new home purchase falling by 70% towards the end of the year.

Faced with this deteriorating economic background, Bovis Homes acted decisively in substantially reducing its overhead, controlling work in progress and negotiating new banking arrangements. The Group has reviewed the carrying value of its assets and liabilities and has taken a provision against carrying values of inventory as well as fully writing off goodwill arising on acquisition.

Whilst the Group's net assets have fallen during 2008, gearing remains low, at 17%. The business is now well positioned to manage its balance sheet in an effective manner and to be able to take advantage of future investment opportunities.

Results

For the year ended 31 December 2008, the Group achieved a pre-exceptional pre-tax profit of £14.4 million, as against £123.6 million in 2007. Pre-exceptional basic earnings per share was 9.2p in 2008 as compared to 72.4p per share in 2007. After taking into account £93.1 million of exceptional charges, the Group made a pre-tax loss of £78.7 million and basic loss per share of 49.1p in 2008.

Total revenue generated was £282.3 million (2007: £555.7 million), and the Group legally completed 1,817 homes (2007: 2,930 homes).

On a pre-exceptional basis, the Group's operating margin reduced to 7.5% (2007: 22.4%). This reduction reflected a fall in private home sales prices, a shift in the selling mix towards social homes and away from private homes and the de-leveraging impact on cost recovery from the sharp fall in revenues.

Group net assets reduced by £91.4 million, from £723.7 million to £632.3 million, equivalent to £5.23 per share at the year end. This reduction in net assets was driven primarily by the Group's retained loss in the year, inclusive of exceptional items, and an adverse movement in value of the pension scheme of £7.8 million.

Net debt before issue costs was £108 million at the year end, and year end gearing was a modest 17%, with net borrowing utilisation less than half of the Group's committed loan facility.

Dividend

During 2008, the Group paid the 2007 final dividend of 17.5p per share, and the 2008 interim dividend of 5.0p per share. Given the challenging trading conditions and the importance of conserving cash the Group is not recommending payment of a final dividend for 2008.

The Board

Whilst the Group has seen major changes during the year, changes also related to the Boardroom, where I became non-executive Chairman in July 2008 following my retirement as Chief Executive, to be replaced by Mr David Ritchie, who was previously Group Managing Director, this role not being retained.

The Board would like to thank Mr Tim Melville-Ross, my immediate predecessor, for his significant contribution to the Group's development since 1997, first as a non-executive director and then as Chairman of the Group. The Board would also like to welcome Mr Alastair Lyons who joined the Group as Deputy Chairman and Senior Independent Director in October 2008.

Employees

2008 has been a difficult year for the employees, suppliers and sub-contractors of the Group. The Group has seen two restructuring events leading to more than half its employees leaving the business during the year. The Board took these necessary and essential decisions after consideration of alternative courses of action, and recognises the significant impact its decisions have had on many individuals, which is regrettable. The Board would also like to recognise the commitments and contribution of those colleagues who have been made redundant during the year and would like to wish them every success in their future employment.

Whilst distressing for those individuals leaving, it is often also difficult for those employees remaining, who may have to take on additional tasks in a more uncertain environment. In reducing production activity and seeking savings throughout the business, the Group also recognises that this has been very challenging for the many suppliers and sub-contractors who provide services to the business.

The Board would like to thank its employees, suppliers and sub-contractors for their continued hard work and commitment during a year that has been very challenging for a great many individuals connected to the Group in many respects.

The Board would also like to thank Mr Geoff Coleman, the regional Managing Director of South East region, who retired during the year after more than 20 years service.

Market conditions and prospects

As has been well reported, the current market for housebuilders is exceedingly weak, and accordingly, the Group's priorities are to manage through the current downturn in an orderly way. The Group commenced 2009 with a healthy number of unsold finished stock homes which it can sell to generate a strong cash margin, preserving the value in the balance sheet whilst continuing to maintain a relatively low level of indebtedness. Through its efforts to date, as at 6 March 2009, the Group has secured 772 net reservations for legal completion in 2009, as compared to 1,262 net reservations at the same point in 2008. Whilst this represents a decrease year over year of 39%, the 330 private net reservations achieved in the first nine weeks of the year represents a 22% increase on the prior year's comparative of 271 net reservations.

Looking ahead, the Group expects that transaction volumes will begin to improve as lower house prices and lower mortgage interest rates feed through into the marketplace. This pick up in activity does, however, depend on the credit market being capable of funding increased transactional growth.

With improved volume, market pricing will begin to stabilise. However, visibility on the timing of these likely market developments is not good and for the present, the Group is positioning itself assuming a continuation in 2009 of current market conditions.

With low levels of debt and a largely strategically sourced and long consented land bank the Group anticipates being well placed in terms of balance sheet capability for this eventuality.

Malcolm Harris
Chairman

Business review

During 2008, the Group has moved its focus from profit to cash generation; with expenditure reduction, restructuring, refinancing and assertive discounting

The marketplace and Group performance

Bovis Homes Group PLC's (Bovis Homes) business remains designing, building and selling homes for both private and public sector, operating in England and Wales. Mixed use schemes involving retail, commercial and office, in addition to residential, are also undertaken by the Group. The key steps in the value delivery chain for the Group remain the sourcing of land, achievement of an appropriate planning consent, physical construction of property and its subsequent sale.

Marketplace demand during 2008

Longer term demand drivers in the UK housebuilding market include household formation, population growth and societal changes such as increased longevity and higher divorce rates: all of which drive an increased requirement for housing. Based on Government forecasts which allow for the impact of these, the industry should be building 240,000 homes each year to meet the country's housing needs. This said, in the shorter term, it is self evident that demand can be strongly influenced by consumer sentiment, affordability and availability of mortgage financing.

During 2008, marketplace demand has been badly affected by two developments. Firstly, the availability of mortgage finance has reduced following the liquidity crisis affecting the banking sector in late 2007 and into 2008. As well as a sharp reduction in the number of mortgage products available from 15,599 in July 2007 to 1,542 in January 2009, the absolute number of mortgages being approved has fallen, with year over year mortgage approvals falling by 43% in Q1, 61% in Q2, 70% in Q3 and 63% in Q4: 59% overall across the year. Secondly, the onset of the recession together with bleak economic news, a sharp retrenchment in corporate lending and further crises in banking requiring Government bailouts has impacted consumer confidence, such that in the latest consumer confidence survey by the Nationwide, 82% of respondents feel the current economic situation is bad.

The combination of these factors has led to a significant decrease in residential transaction volumes, down 44% in 2008 against the prior year according to the HMRC. Further, the lower number of buyers able to obtain mortgage finance has led to lower levels of demand and a sharp fall in achieved house pricing across the marketplace over the year, with the Nationwide reporting a 15.9% fall during 2008 and the Halifax a 16.2% fall over the same period. This scale of fall over a one year period is unprecedented, and has further dented confidence. The lower activity trend is likely to worsen in the short term as mortgage approval data runs ahead of transactions, and the absolute level of mortgage approvals indicates a further step down in transaction volumes.

The two developments over the year that bear within them the potential for recovery are the movements downwards in base interest rates, currently at 0.5%, and the general improvement in affordability metrics as house prices fall. The timing of this recovery is largely dependent on mortgage availability, which is extremely difficult to forecast.

Business review

Marketplace supply in 2008
As sale volumes across the housebuilding sector have fallen, construction volumes have reduced as individual companies seek to conserve cash. Bovis Homes has not differed in this respect: the Group has limited construction to 1,782 units of production in 2008, a decrease of 39% compared to 2007's 2,923 units of production. New starts have been limited to 1,179 homes compared to 3,406 homes in 2007, a 65% decrease. In the marketplace as a whole, data for England for the year to the end of quarter 3 2008 would suggest a fall in new starts against the prior comparable of some 31% for the year, with quarter 3 in isolation down 48% against the prior comparable and down 33% against the previous quarter. Whilst this is a logical response by individual housebuilders, it is at odds with Government objectives for construction of new homes, and is therefore indicative of a continuation of a longer term supply and demand imbalance. Such an imbalance continues to suggest that demand for new housing will remain robust over the long term.

Competition
In normal markets, the main competitor for Bovis Homes is the second hand market, with over 90% of residential transactions being second hand, and with pricing in the new build sector being set by reference to that market. During 2008, however, the pricing dynamic has changed somewhat, and with thin second hand volumes, the impact of new-build competitors discounting has been to place downwards pressure on achievable pricing for Bovis Homes where the Group trades in close proximity: both directly as customers shop around and indirectly via comparative mortgage valuations.

Group performance in 2008
The Group legally completed 1,817 homes in 2008 compared to 2,930 legal completions in 2007. Of these, 594 were social homes (2007: 637) and 1,223 were private homes (2007: 2,293), a social mix of 33% as compared to 22% in 2007.

The average sales price of legal completions fell over the year, from £179,500 in 2007 to £150,800 in 2008. This fall was driven by a combination of factors. Firstly, the average sales price of private homes fell by 12%, from £206,200 to £181,000 as the Group responded to a weaker market to deliver the Group's volume aspirations and as the average size of private homes legally completed reduced.

Secondly, there was a shift in selling mix towards social housing, from 22% in 2007 to 33% of legal completions in 2008. With an average sales price of £88,500 in 2008 (2007: £83,400), the increase in the mix of this category diluted the overall average sales price achieved.

The average size of the Group's private homes fell by 5% in 2008, to 972 square feet as compared to 1,023 square feet in 2007. Taking this into account, the Group's private sales price per square foot fell by less than the average sales price, an 8% fall from £202 per square foot to £186 per square foot. Overall, the Group's homes legally completed reduced in size from 969 square feet in 2007 to 909 square feet, a fall of 6%.

Strategy and objectives

The Group's long-held strategic objectives are as follows:

- The Group seeks to achieve a minimum return on capital employed (ROCE) of 20% over the cycle, and seeks to maximise operating margin whilst doing so
- The Group seeks to ensure growth in profits and in earnings per share
- The Group seeks to maintain the highest levels of awareness and practical implementation of health, safety and environmental standards

Largely arising as a result of the marketplace conditions during 2008, progress against a number of these strategic objectives has been disappointing during the year.

The table on page 18 outlines the actual performance of the Group in terms of its key financial objectives and performance against the Group's non-financial objectives will be covered in more detail throughout the operating performance section of this review.

The Group remains committed to its ROCE target of 20% over the business cycle, although the impact of current market conditions is likely to mean that the Group will perform well below the target in the short term. During 2008 operational margins suffered from the impact of an increased social mix and a reduction in average sales price for private sales with input costs remaining relatively fixed. Given falling sales, there was also a reduction in overhead recovery as a result of loss of scale.

Pre-exceptional profits have fallen sharply against prior year, as sales revenue has reduced by 49%. This has also impacted earnings per share. Following the completion of carrying value reviews on inventory valuations, the Group has also charged write-downs in carrying values of assets, leading to an overall retained loss for the Group during 2008.

Operating performance

During what has been an untypical year requiring a number of difficult actions, the Group has ensured that its operations continue to be managed and measured in a timely and consistent manner; that key activities occur as planned and that the Group is performing well having regard to the constraints imposed by the economic backdrop. The Group also seeks to manage its operations such that it can assure itself that its activities are ethically based, environmentally sustainable and that it is ensuring the highest practical standards of health and safety for its employees, subcontractors and all visitors.

Further details of the Group's efforts and achievements during 2008 in regards to Corporate Social Responsibility are published in a separate report, available from the Company's website (www.bovishomes.co.uk/plc), but the following brief review highlights the key operational performance matters together with objective data assessing progress achieved.

Employees

Construction is by its nature an activity that carries with it some physical risk, and accordingly, the Group regards the health and safety of its employees, subcontractors and all visitors to its sites of paramount importance. Comprehensive staff training, management processes and regular and comprehensive accident and incident reporting ensure that the Group is aware of all material matters pertaining to health and safety, and it seeks to ensure that this reporting is at the cornerstone of a system which uses high quality information to address risk, preventing injury or recurrence. The Group also seeks to ensure that its site workforce is fully CSCS carded, a goal achieved during 2008.

As well as being a key item on the agenda of all regular senior management meetings, the Group seeks to ensure that its health and safety regime is independently monitored via external advisors, and uses the services of the National House Building Council to effect this.

In absolute terms, the performance of the Group has improved in 2008 as the table on page 18 demonstrates, with reportable accidents under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR) falling by 13% in the year to 27 (2007: 31). Minor injuries have also fallen by 41%, from 246 occurrences in 2007 to 144 in 2008.
The outcome from external monitoring and inspection also confirms this trend, with NHBC priority A scores showing a fall of 79%, and priority B scores a fall of 41%. Despite this absolute fall, the reduction in activity on site means that the Group's accident incidence rate has increased, from 945 in 2007 to 1,024 in 2008. This rate is ahead of the HSE Construction accident incidence rate of 906, and is indicative of the fact that the Group cannot be complacent about the positive trend of falling absolute scores.

Notwithstanding changes in overhead structure and staffing levels during the year, the Group has continued to ensure that staff are being trained and that they are capable of doing their jobs well and in a safe way. Absolute levels of training have remained high as has the proportion of staff being trained.

Customers

The Group's objective is to provide customers with a high quality product and service, something outlined in its customer charter. The Group has focused on this area intensively in 2008, building on work done in 2007 to improve process around its customer satisfaction surveys. Internal scoring, laid out on page 19, demonstrates the success of this with improvements in both 'recommend to a friend' and 'purchase another Bovis Home' responses.

Customer communication has continued to be supported via the web, with ongoing developments to ensure that the Group website is a key selling tool. For instance, floor plans are now available on the Group website to allow potential consumers to better visualise their Bovis home. The Group is also using the power of the internet to directly market its products to consumers, utilising internally generated mailing lists as well as via intermediaries such as 'smart new homes.com' or 'right move.com'.

Given the present level of price competition, the Group remains focused on designing sales packages which provide customers with a strong motivation to transact with Bovis Homes.

Business review

'Jumpstart' remains a strong sales aid, allowing the Group to overcome the issue that many first time buyers are now finding, namely that mortgages for those without substantial deposits are difficult to obtain. 'Home-exchange' also remains an important tool in the context of a second hand market in which transaction levels are very low.

Shareholders

The value chain for Bovis Homes over the long term business cycle remains the sourcing of land, achievement of an appropriate planning consent, physical construction of property and its subsequent sale.

This said, the nature of the current downturn has forced Bovis Homes to take a number of shorter term steps to mitigate the impact the sharp downturn has had on mortgage finance, consumer sentiment and ultimately Group sales revenue. These mitigating actions have been taken to protect the shareholder value represented by the Group's balance sheet.

Actions have been taken to ensure that the Group is able to pass through the current low ebb of the cycle in a controlled and orderly way from a cashflow perspective, as well as ensuring that the impact of current marketplace conditions on its financing arrangements are addressed.

Firstly, and regrettably as regards the impact on its employees, the Group has taken action to reduce its overhead cost base during 2008, as falling volume and prices have reduced the sales revenue generated by the Group. In June 2008, the Group reviewed its structure and closed its Eastern regional office, one of its five regional offices at that time, as well as seeking to make savings in headcount across the Group. In December 2008 the Group acted again, closing its Northern regional office. The Group now trades from three regional office bases - South West based in Cheltenham; South East based in New Ash Green, Kent and Central based in Coleshill, near Birmingham. Northern activity is being managed by the Central region, and Eastern largely by the South East region. This structure replicates the organisation of the Group after flotation and the Group is confident that it will be a suitable regional structure to support volume growth in the short term. Effected through the restructuring, around 60% of the Group's work force in place at the start of the year have left the business.

As a result, the Group expects that overhead costs in 2009 will be between 40-50% below peak levels in late 2007. Secondly, as outlined earlier in this review, production levels have been reduced significantly, reflective of the need to conserve cash and the Group's generally high stock levels.

Thirdly, the Group has cut back its land expenditure, seeking to cancel or delay previous commitments. The impact of this is not immediately evident from the Group's consented land bank position which has benefited from a strong year of pull-through from its strategic land bank. The Group's consented land bank grew from 11,413 plots at 31 December 2007 to 13,545 plots at 31 December 2008. Of the 4,026 plots added, 96% or 3,853 plots were pulled through from the strategic land bank, and 173 plots were added through acquisition of land in the consented market. At current activity levels, this consented land bank represents 7.5 years of supply. Prior to the inventory write-downs taken in 2008, the average consented land plot cost was £40,200 with the equivalent figure for 2007 being £43,400. Adjusting for the carrying value provisions, the average balance sheet plot cost was £35,000.

The strategic land bank reduced over the year primarily because of the transfer of plots into the consented land bank. The potential plots at 31 December 2008 were 18,972 as compared to 24,868 potential plots at 31 December 2007. The 2008 year end potential plots include 2,200 plots at Wellingborough, controlled via an option, which have the benefit of outline planning consent but which have not yet been called down by the Group. The Group added 966 net potential plots to the strategic land bank during 2008 and adjusted 3,032 potential plots out of the strategic land bank reflecting updated views on the likelihood of or quantum of viable residential planning consents achievable given current conditions in the housing market.

Finally, the Group was successful in refinancing its banking arrangements during the second half of 2008, extending its committed facility through to 2011. Whilst the bank pricing margin has increased, underlying LIBOR has reduced, and so the effective interest rate prior to amortisation of the one-off fees and commitment fees, is not anticipated to be materially greater than that paid in 2008.

Environment and sustainability

The Group continues to regard sustainable development as critical to the long term creation of value for its shareholders.

Given the continuing focus on climate change, the role of the housebuilding industry is highly important in terms of both the mitigation of the impact of its near term building developments on the local environment, and in playing its part in the evolution of building techniques and advances which reduce the carbon arising from new housebuilding developments.

Ensuring that its developments take place in a manner which mitigates the impact of its operations on its local environment, balancing the needs of local communities for new housing with the requirement to avoid environmental damage, the Group works with a range of external stakeholders to agree and carry out development in a mutually acceptable manner.

Looking forward, the Group is keen to ensure that its products conform to good environmental standards, including both to Ecohomes standards and to emerging standards under the Code for Sustainable Homes.

Reflecting the existing contribution that the Group makes to the communities and environments in which it operates, the Group is proud to say that it is a member of the FTSE4Good index.

The Group's Corporate Social Responsibility report outlines this key area for the Group in more detail, and is available on the Group's website (www.bovishomes.co.uk/plc).

Main Trends and factors looking forward

The outlook for the housing market, combined with that of the wider economy appears to be challenging at present.

The Government and the Bank of England together have taken a number of actions including a reduction in bank lending base rates to historical lows, money market innovations designed to increase liquidity, recapitalisation of clearing banks, and the nationalisation of a number of former building societies: all actions which it is hoped will begin to reverse the impact of the 'credit crisis'.

Notwithstanding these actions, the Group expects that de-leveraging from corporate and personal balance sheets will continue during 2009, leading to a generally low level of personal confidence as weak economic news prevails in the short term. The key financial trend remains the quantum of mortgage availability. As prices fall, so affordability improves, making the market more attractive to new entrants, but this can only improve if mortgage finance increases in availability.

Accordingly, visibility remains poor, and the Group will remain focused during 2009 on managing in a manner which prioritises cashflow and in preserving the value inherent within the Group's balance sheet.

David Ritchie
Chief Executive

Business review

The Group has seen a fall in pre-exceptional operating profit and a £93.1 million exceptional pre-tax charge, both reflecting market conditions

Financial performance during the year

Revenue

Total revenue for the Group in 2008 was £282.3 million as compared to £555.7 million in 2007.

The main component of revenue for the Group is housing revenue which, at £274.0 million, was well below the prior year (2007: £525.9 million) arising from a combination of a fall in average sales price and a reduction in the volume of homes legally completed. Given the dearth of activity in the consented land market and uncertainty over achievable values, the Group limited disposals of land during 2008 to £4.9 million, as compared to £25.1 million in 2007. Other income at £3.4 million for 2008 was slightly behind that of the prior year.

Pre-exceptional operating profit

The Group achieved £21.3 million of operating profit, before exceptional items, for the year ended 31 December 2008, at an operating margin of 7.5%. This was a sharp reduction on the previous year's operating profit of £124.4 million and operating margin of 22.4%. Gross margins have fallen by around 9 ppts, reflective primarily of an underlying reduction in private home profit margins as prices fell, but also of an increase in the social mix and a loss of scale-benefits on strategic planning fees and other costs charged as incurred against gross profit. Despite a 14% absolute reduction in overhead, from £48.7 million in 2007 to £42.0 million in 2008, excluding exceptional items, the operating margin was further impacted by the lower recovery of overhead as the ratio to revenue grew from 8.7% in 2007 to 14.9% in 2008.

Profit from land sales, less option costs, was £1.3 million in 2008, as compared with £10.0 million in 2007.

Exceptional and non-recurring costs

The Group discloses items as exceptional when the Board deems them material by size or nature, non-recurring and of such significance that they require separate disclosure.

The Group has reviewed the carrying value of its assets and liabilities as at 31 December 2008. Following this review, the Group has charged an exceptional provision against the carrying value of inventory and an impairment charge for available-for-sale financial assets and fixed assets. The Group has also written off the goodwill arising from the acquisition of Elite Homes in 2007.

The Group has reviewed its inventory carrying values on a site by site basis, taking into account local management and the Board's estimates of current achievable pricing in local markets. Where this gave rise to a situation where the current carrying costs of the asset were higher than the estimated net realisable value, a provision has been recognised for the difference. This provision includes allowance for both land and part-exchange assets. In total, £75.2 million has been provided.

Prior to the expiry of the 12 month review period for fair value adjustments relating to the acquisition of Elite Homes in October 2007, the Group revised its fair value estimates downwards by £0.8 million, reflecting finalisation of estimates for liabilities existing at the point of acquisition. This adjustment increased the cost of acquired goodwill by £0.8 million, to £10.0 million in total.

Business review

Subsequently at the year end, the Group has reviewed the goodwill it is carrying and, given the fact that provisions have been recognised relating to the carrying value of land acquired by the Group as part of the Elite acquisition and given that the Group has restructured its Northern regional business, the Group has fully impaired this goodwill reflecting the Board's current view of the value of this intangible asset.

The Group has reviewed the carrying values of its available-for-sale financial assets, revisiting the long term growth assumptions built into its valuation model, and in particular the likelihood of a short-term decline in pricing, with a longer term return to trend. This has given rise to an impairment charge of £1.2 million. An impairment charge of £1.0 million has also been made relating to the Group's freehold offices, given the fall in commercial property values during 2008.

The Group has also charged restructuring costs of £5.7 million reflecting the one-off costs of two restructuring events that took place during the year. These costs include redundancies as well as costs relating to office closures.

Pre tax loss and loss per share

Together with £21.3 million of pre-exceptional operating profit (2007: £124.4 million), the Group incurred £6.9 million of net financing charges (2007: £0.8 million) and £93.1 million of exceptional items (2007: £nil), resulting in a pre-tax loss of £78.7 million (2007: pre-tax profit of £123.6 million).

Before exceptional items, the Group delivered basic earnings per share of 9.2p. However, after exceptional items, basic loss per share was 49.1p. This is as compared to basic earnings per share of 72.4p in 2007.

Financing

Net financing charges were £6.9 million in 2008 (2007: £0.8 million). Net bank interest charges for 2008 were £5.6 million, which included the amortisation of arrangement fees and commitment fee charges. This was as compared to £2.4 million of net income in 2007. On average during 2008, the Group had £97 million of net debt, as compared to an average net cash in hand of £49 million in 2007. The Group incurred a £2.5 million finance charge (2007: £4.1 million), reflecting the difference between the cost and nominal price of land bought on deferred terms and which is charged to the income statement over the life of the deferral of the consideration payable.

This year over year reduction was largely driven by a corresponding fall in land creditors.

The Group benefited from a £1.1 million net pension financing credit during 2008. This credit arose as a result of the expected return on scheme assets being in excess of the interest on the scheme obligations. The equivalent credit in 2007 was £0.9 million. The Group also benefited from a finance credit of £0.1 million arising from the unwinding of the discount on its available-for-sale financial assets during 2008.

Taxation

The Group has accounted for a tax credit of £19.7 million in 2008 (2007: tax charge of £36.7 million). Of this, a £3.3 million charge has arisen on pre-exceptional pre-tax profits of £14.4 million, and a £23.0 million tax credit has arisen on pre tax exceptional items of £93.1 million. This equates to an effective tax rate of 25.1% (2007: 29.7%). The major contributor to this lowered effective rate has been the £10.0 million impairment of goodwill arising on acquisition which is a non-deductible charge. The Group has also benefited from a £1.0 million overprovision of tax charge relating to prior years.

As a result of the tax credit arising from the exceptional items taken in 2008, the Group has recognised a tax asset of £23.6 million on its closing balance sheet as at 31 December 2008.

Dividends

During 2008, the Group paid the 2007 final dividend of 17.5p per share and the 2008 interim dividend of 5.0p per share. In total, this equated to £27.0 million (2007: £45.0 million). As previously announced, the Board has decided not to recommend payment of a final dividend for 2008, having regard to trading conditions.

Net assets

The Group's net assets at 31 December 2008 were £632.3 million, £91.4 million lower than the net asset position as at 31 December 2007. This was primarily as a result of an £86.0 million retained loss, together with a movement in the value of the pension scheme reserve by £6.4 million.

Net assets per share as at 31 December 2008 was £5.23 as compared to £5.99 at 31 December 2007.

Pensions

At the start of 2008, the Group enjoyed a surplus on its pension scheme of £1.0 million, but following a roll-forward of the valuation, with latest estimates provided by the Group's actuarial advisors, the Group's pension scheme had a deficit of £6.8 million at 31 December 2008. This adverse movement has arisen from a combination of a reduction in value of the scheme's assets, partially offset by a favourable movement in the discount rate applicable to the scheme's liabilities.

Cash flow

Over the year, the Group managed to limit the net cash outflow from operations to only £4 million, reflecting positively on the actions of the Group in reducing cash outflows, despite sharply falling revenues. The Group's net debt before issue costs increased by £64 million, from £44 million to £108 million, the bulk of this increase arising during the first half of 2008. In addition to the modest cash outflow from operations, the Group paid £17 million of tax largely relating to 2007's profits, £27 million of dividends and £17 million of interest and related charges, including £8.3 million of arrangement fees and related costs linked to its successful bank facility refinancing.

Borrowings

As at 31 December 2008, the Group had £11.6 million of cash in hand, and borrowings of £120 million. The Group has in place a £220 million committed syndicated banking facility, which steps down to £180 million in February 2010 and to £160 million in September 2010 and which matures in March 2011. Looking ahead, the Group anticipates around £50 million of net debt by the end of 2009.

On average the Group had net borrowings of £97 million in 2008 (2007: Net cash in hand £49 million). Average gearing was 14% and year end gearing 17%.

The difference between the average and the year end gearing is largely due to an asset provision made in December 2008 relating to the carrying value of inventories.

Financial risk and liquidity

The Group largely sees three categories of financial risk: interest rate risk, credit risk and liquidity risk. Currency risk is not a consideration as the Group trades exclusively in England and Wales.

In regards to interest rate risk, the Group from time to time will enter into hedge instruments to ensure that the Group's exposure to excessive fluctuations in floating rate borrowings is adequately hedged. The Group allowed its existing hedges to expire in 2007, but with the commencement of a new banking arrangement, the Group has in February 2009 entered into a £50 million collar and floor hedge arrangement, ensuring that variable rates on £50 million of the Group's floating rate debt are held within a pre-determined range. This prevents the Group from suffering material adverse floating rate increases beyond the agreed cap level.

In regard to credit risk, this is largely mitigated by the nature of the Group's business in which the majority of its sales are made on completion of a legal contract at which point completion monies are received in return for transfer of title.

During 2008, the Group successfully refinanced its banking arrangements, putting in place a £220 million syndicated facility which is committed to 2011, and which features covenants more appropriate to the current trading environment. This ensures that the Group has adequate cash facilities in terms of both flexibility and liquidity to cover its medium term cash flow needs.

Financial reporting

There have been no changes to the Group's accounting policies during 2008.

Business review

Principal risks and uncertainties

The Group formally considers risk on a regular basis with the Board annually reviewing the dimensions of risk that exist for the Group as well as the mitigation plans and processes that the Group may have in place to reduce the likelihood of the risk emerging and or to lessen the impact of the risk on the business. The Board has also focused on individual risk areas during 2008, with specific areas being discussed at each meeting.

The risks that the Group face generally fall into a number of categories: these include commercial risks (market, liquidity etc), social risks, environmental risk and ethical risks.

With regard to commercial risk, the trading environment has markedly worsened during 2008, and the Group has formally re-assessed the likelihood and impact of risk occurring in this changed business environment. For example, perhaps not surprisingly, risks that the Group assessed as more remote in earlier years such as the risk of inadequate working capital resources being available have increased greatly both in likelihood and impact. An environment of falling sales prices also has wider ramifications looking forwards, for example in terms of the affordability both of planning gain packages and of the affordability of cost changes driven by primary legislation as well as in terms of the viability of purchased land.

Currently, the Group assesses the following to be the principal commercial risks:

- Market driven risks, such as a risk to revenue levels from an ongoing downturn in trade or falling house prices impacting the commercial assumptions on which key assets are acquired
- Legislative risks, such as the risk of planning/legislative changes driving costs ahead of sales prices and reducing shareholder returns
- Liquidity risks, both in terms of financing availability and in terms of the Group's ability to sell stock at acceptable prices in a tough market
- Organisational risk, with additional stresses placed on key individuals or teams as a result of downsizing

Risks are not limited to these and the Group remains intent on continuing to manage risks across all risk dimensions, notwithstanding a worsening commercial risk environment. The principal social, environmental and ethical risks and uncertainties remain the following:

- Existing land contamination is not identified pre-acquisition
- Wildlife habitats are not identified resulting in planning difficulties
- Sustainable development requirements are not addressed, leading to planning delays and the loss of potential efficiencies
- Failure to design for social inclusion, and for use of appropriate materials
- Environmental pollution occurs on a construction site and is not swiftly controlled
- Health and safety standards are breached, leading to injury
- A significant environmental, health and safety, social or ethical event impacts on the Group's reputation or Brand

The importance of risk assessment is that it allows the Group to reflect on what might happen, and how the adverse impact of events can be mitigated. In all the areas that the Group regards as potential risks, the Group has reviewed the likelihood and impact of a problem occurring and has identified suitable controls and processes to manage, monitor and mitigate these risks. Now, more than ever, it is important to recognise that the trading environment remains highly uncertain, with unprecedented developments in financial markets having a profound impact on the risks that the Group faces.

Neil Cooper
Group Finance Director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Business review

Market sector analysis

Year ended 31 December	2008			2007		
	%	Units	Average sales price £	%	Units	Average sales price £
One and two bedroom	28	506	125,100	31	916	141,100
Three bedroom	27	485	190,200	27	793	210,700
Four bedroom	6	122	255,100	12	340	278,800
Five or more bedroom	4	78	340,300	6	182	351,600
Retirement Living	2	32	262,500	2	62	283,400
Social housing	28	508	89,200	15	430	85,500
Partnership housing (3rd party owned land units)	5	86	84,700	7	207	79,200
Group	100	1,817	150,800	100	2,930	179,500

Product mix analysis

Year ended 31 December	2008			2007		
	%	Units	Average sales price £	%	Units	Average sales price £
Traditional	24	440	148,300	23	664	199,600
Room-in-roof	7	128	299,100	10	295	322,200
Three storey	21	379	202,500	21	632	220,500
Apartments	13	244	134,100	22	640	138,000
Retirement Living	2	32	262,500	2	62	238,400
Social housing	28	508	89,200	15	430	85,500
Partnership housing (3rd party owned land units)	5	86	84,700	7	207	79,200
Group	100	1,817	150,800	100	2,930	179,500

Unit completions and average sales price

Year ended 31 December	2008		2007	
	Units	Average sales price £	Units	Average sales price £
South East	757	151,600	1,106	206,200
South West	494	141,400	819	138,200
Central	566	158,000	1,005	183,900
Group	1,817	150,800	2,930	179,500

Objectives

Year ended 31 December	2008	2007
	%	%
Return on capital employed (1)	3	17
Operating margin (2)	8	22
Year over year basic earnings per share growth (3)	(87)	(7)
Year over year pre-tax profit growth (3)	(88)	(6)

(1) Return on capital employed is calculated as pre-exceptional profit before interest and tax over the average of opening and closing shareholders funds plus borrowings

(2) Operating margin has been calculated as pre-exceptional operating profit over turnover

(3) Before deduction of exceptional items

Staff

Year ended 31 December	2008	2007
Number of training hours completed	13,914	9,948
Number of staff enjoying training intervention	783	850
Percentage of employees trained	97%	91%

Health and safety

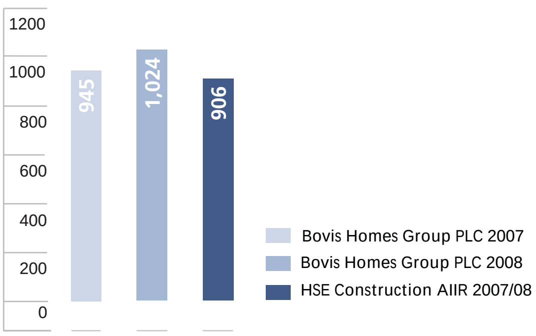
Year ended 31 December	2008	2007
RIDDOR reportables (1)	27	31
Minor injuries	144	246
NHBC Priority A scores (2)	0.11	0.50
NHBC Priority B scores (3)	1.49	2.55

(1) Reporting of Injuries, Diseases and Dangerous Occurences Regulations

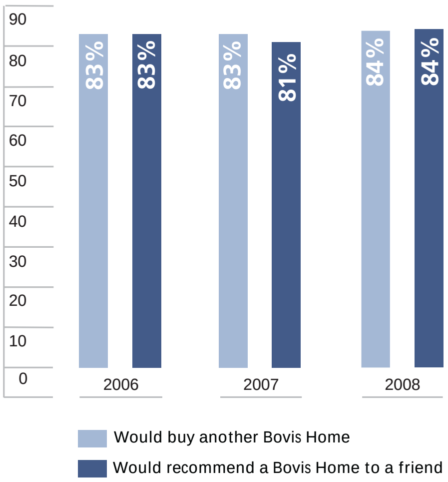
(2) Priority A: immediate risk of injury to persons in the vicinity and/or statutory breach/ possible enforcement action

(3) Priority B: risk of injury but persons segregated from risk and/or failure to follow a safe system of work or failure to monitor/control operations

Annual injury incidence rate (AIIR)



Customer satisfaction



Consented land bank

Total plots as at 31 December	2008	2007
	Plots	Plots
South East	3,556	4,173
South West	4,789	2,565
Central	4,974	4,387
Group (exc. 3rd party owned land plots)	13,319	11,125
Third party owned land plots		
South East	0	93
South West	226	195
Group consented land bank	13,545	11,413
Years' supply based upon legal completions in the year (consented land bank)	7.5	3.9

Strategic land bank

Total potential plots as at 31 December	2008	2007
	Plots	Plots
South East	7,764	9,142
South West	2,635	5,161
Central	8,573	10,565
Group strategic land bank	18,972	24,868
Years' supply based upon legal completions in the year	10.4	8.5

Sustainability

Year ended 31 December	2008	2007
Number of homes built with EcoHomes rating	634	590
Legal completions on brown land	41%	43%
Efficient use of land (1)	19,837	18,974

(1) Square footage of living space per developable acre

Analysis of margin

	Total housing		Group	
Year ended 31 December	2008	2007	2008	2007
	%	%	%	%
Revenue	100.0	100.0	100.0	100.0
Land costs	(18.3)	(19.7)	(18.1)	(20.2)
Construction costs	(60.0)	(50.0)	(59.5)	(48.7)
Gross profit	21.7	30.3	22.4	31.1
Administrative expenses (including sales and marketing costs)			(14.9)	(8.7)
Operating profit			7.5	22.4

Note: 2008 on pre-exceptional basis

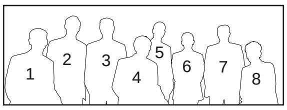
Analysis of net assets

Year ended 31 December	2008	2007
	£m	£m
Net assets at 1 January	723.7	677.8
Profit for the year	(59.0)	86.9
Dividends	(27.0)	(45.0)
Share capital issued	0.5	1.4
Net actuarial (loss)/gain on defined benefits pension scheme	(6.4)	2.4
Current tax recognised directly in equity	0.5	-
Deferred tax on other employee benefits	-	(0.8)
Adjustment to the fair value of cash flow hedges	-	0.1
Adjustment to reserves for share-based payments	-	0.9
Net assets at 31 December	632.3	723.7

Analysis of pension scheme deficit

Year ended 31 December	2008	2007
	£m	£m
Pension (surplus)/deficit at 1 January	(1.0)	5.1
Contributions into the pension scheme	(1.4)	(3.4)
Expense to the income statement	0.4	1.0
Actuarial loss/(gain) on defined benefits pension scheme	8.8	(3.7)
Pension deficit/(surplus) at 31 December	6.8	(1.0)

Directors and officers



1. **David James Ritchie** (39)
BA (Hons) ACA, *Chief Executive*

Appointed Chief Executive in July 2008, David was Group Managing Director from January 2007 to July 2008 and Group Finance Director from 2002 to 2006. He joined Bovis Homes in 1998 as the Group's Financial Controller and was previously employed by KPMG involved in advising clients on acquisitions, disposals and flotations as well as audits.

2. **Alastair David Lyons** (55)
Non-executive Deputy Chairman

Appointed non-executive Deputy Chairman and Senior Independent Director in October 2008, Alastair is non-executive Chairman of the Admiral Group, the FTSE-100 direct motor insurer. Alastair is also non-executive Chairman of Legal Marketing Services Limited, In Retirement Services Limited and Cardsave Limited. Previously Chief Executive of the National Provident Institution and the National and Provincial Building Society, he was also managing director of the Insurance Divison of Abbey National plc and director of corporate projects at National Westminster Bank plc.

3. **John Anthony Warren** (55)
Non-executive Director

Appointed an independent non-executive director in 2006, John is also a non-executive director of BPP Holdings plc, Rank Group plc, Spectris plc and Uniq plc. He was previously group finance director of W H Smith PLC and United Biscuits plc and a non-executive director at Arla Foods plc, RAC plc and Rexam plc.

4. **Malcolm Robert Harris** (60)
Non-executive Chairman

Appointed non-executive Chairman in July 2008 Malcolm had previously been Chief Executive since 1996 and was first appointed to the Board of Bovis Homes in 1978. He is a non-executive director of the House Builders Federation (HBF) and the National House Building Council (NHBC).

5. **Colin Peter Holmes** (43)
Non-executive Director

Appointed an independent non-executive Director in 2006. Colin is the Commercial Director for Fresh Foods at Tesco and an attendee at Tesco PLC Executive Board meetings. Colin's commercial role covers buying, ranging and pricing for fresh food categories. He joined Tesco in 1998 and has wide knowledge of the retail sector and a range of experience within Tesco itself. His previous roles include CEO of Tesco Express, Superstores Operations Director and UK Finance Director.

6. **Martin Trevor Digby Palmer** (50)
FCIS, *Group Company Secretary*

Joined Bovis Homes in 2001, having been group company secretary of London Forfaiting Company PLC from 1997 to 2001 and of London & Edinburgh Trust PLC from 1994 to 1997.

7. **Neil Cooper** (41) BSc (Hons)
FCMA, *Group Finance Director*

Joined Bovis Homes in January 2007 as Group Finance Director. Previously, he was employed by Whitbread plc in both group finance and divisional roles and held positions with Reckitt & Colman plc and Pricewaterhouse Coopers.

8. **Lesley Anne MacDonagh** (56)
Non-executive Director

Appointed an independent non-executive director in 2003, Lesley is a non-executive director of SEGRO plc and BDO Stoy Hayward. She was previously Managing Partner of Lovells, the international law firm for 10 years, a Governor of the London School of Economics, a member of the Court of the Solicitors' Company, a member of the Government's Property Advisory Group and the Law Society Council Member for the City of London.

Report of the directors

The directors have pleasure in submitting the annual report of the Company and its subsidiaries to the shareholders, together with the audited accounts for the year ended 31 December 2008.

Principal activities and business review

The principal activity of the Company and its subsidiary undertakings has remained housebuilding in the UK. The information that fulfils the requirements of the business review can be found in this directors' report, which commences on page 6 and which provides a full review of the Group's performance and prospects.

Information on the risks to which the performance of the business is subject, including key social, environmental and ethical risks, is also provided in the business review on page 16. These risks are regularly reviewed by the Board and controls and mitigation processes put in place as explained in the report on corporate governance.

Key financial performance indicators include pre tax profit, earnings per share, operating margin, return on capital employed, consented and strategic land bank, volume of legal completions and net assets. Other key performance indicators are also monitored including those relating to health and safety, customer satisfaction and corporate social responsibility. These are set out in the business review.

Results and dividends

The Group made a loss after taxation of £59.0 million (2007: £86.9 million profit after tax). An interim dividend of 5.0p (2007: 17.5p) net per share was paid on 21 November 2008. The Board does not propose that a final dividend be paid (2007: 17.5p). On this basis, the total dividend for 2008 is 5.0p (2007: 35.0p).

Directors

Details of the directors are shown on page 20. Mr Timothy Melville-Ross retired as a director on 2 July 2008.

Details of directors' emoluments, pension rights, service contracts and directors' interests in the ordinary shares of the Company are included in the Report on directors' remuneration on pages 30 to 38.

In accordance with the Articles of Association, two directors, Mr John Anthony Warren and Mr Neil Cooper will retire at the Annual General Meeting, to be held on Thursday 7 May 2009, and being eligible, offer themselves for re-appointment. Mr Alastair David Lyons, appointed on 1 October 2008, also offers himself for re-appointment at the Annual General Meeting, in accordance with the Articles of Association.

Powers of the directors

Subject to the Company's Memorandum and Articles of Association, UK legislation and any directions given by special resolution, the business of the Company is managed by the Board, which may exercise all the powers of the Company. The directors have been authorised to allot and issue ordinary shares and to make market purchases of the Company's ordinary shares and these powers may be exercised under authority of resolutions of the Company passed at its Annual General Meeting. The rules in relation to the appointment and replacement of directors are set out in the Company's Articles of Association.

Share capital

At the date of this report the Company's issued share capital comprised a single class of share capital which is divided into ordinary shares of 50 pence. As at 6 March 2009, 120,994,753 ordinary shares of 50 pence each have been issued, are fully paid up and are quoted on the London Stock Exchange.

The rights and obligations attaching to the Company's ordinary shares are set out in the Company's Articles of Association, copies of which can be obtained from Companies House in the UK or by writing to the Group Company Secretary. In particular, subject to applicable statutes, shares may be issued with such rights or restrictions as the Company may by ordinary resolution determine, or (if there is no such resolution or so far as it does not make specific provision) as the Board may determine. Shareholders are entitled to attend, speak and vote at general meetings of the Company, to appoint one or more proxies and, if they are corporations, to appoint corporate representatives. On a show of hands at a general meeting of the Company every shareholder present in person or by proxy and entitled to vote has one vote and on a poll every shareholder present in person or by proxy and entitled to vote has one vote for every ordinary share held. Further details regarding voting, including the deadlines for voting, at the Annual General Meeting can be found in the notes to the Notice of the Annual General Meeting at the back of this annual report and accounts. No shareholder is, unless the Board decides otherwise, entitled to attend or vote either personally or by proxy at a general meeting or to exercise any other shareholder rights if he or any person with an interest in shares has been sent a notice under section 793 of the Companies Act 2006 and has failed to supply the Company with the requisite information within the prescribed period.

Shareholders may receive a dividend and on a liquidation may share in the assets of the Company. None of the ordinary shares of the Company, including those held by the Company's share schemes, carry any special rights with regard to control of the Company. Employees participating in the Bovis Homes Group Share Incentive Plan may direct the trustee to exercise voting rights on their behalf at any general meeting.

The instrument of transfer of a certificated share may be in any usual form or in any other form which the Board may approve. The Board may refuse to register any instrument of transfer of a certificated share which is not fully paid, provided that the refusal does not prevent dealings in shares in the Company from taking place on an open and proper basis. The Board may also refuse to register a transfer of a certificated share unless the instrument of transfer: (i) is lodged, duly stamped (if stampable), at the registered office of the Company or any other place decided by the Board accompanied by the certificate for the share to which it relates and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer; (ii) is in respect of only one class of shares; and (iii) is in favour of not more than four transferees. Transfers of uncertificated shares must be carried out using the relevant system and the Board can refuse to register a transfer of an uncertificated share in accordance with the regulations governing the operation of the relevant system and with UK legislation. There are no other limitations on the holding of ordinary shares in the Company and the Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities or on voting rights.

Substantial shareholdings

At 6 March 2009, the following interests of 3% or more in the Company's issued share capital had been notified to the Company:

Ordinary shares of 50p each	% direct holding	% indirect holding	Total number of shares held	% of voting rights of the issued share capital
Prudential	13.85	0.00	16,767,144	13.85
Schroders	0.00	13.68	16,548,153	13.68
Standard Life Investments	5.89	1.95	9,484,423	7.84
Sanderson Asset Management	6.28	0.00	7,617,000	6.28
Threadneedle	0.09	5.01	6,166,291	5.10
Fidelity	0.00	5.01	6,061,200	5.01
Legal & General Group	3.99	0.00	4,838,014	3.99
Lloyds TSB Group	0.00	3.99	4,828,912	3.99

Directors' indemnities

As at the date of this report, indemnities are in force under which the Company has agreed to indemnify the directors, to the extent permitted by law and the Company's Articles of Association, in respect of all losses arising out of or in connection with, the execution of their powers, duties and responsibilities, as directors of the Company or any of its subsidiaries.

Employees

The Group's employment policies do not discriminate between employees, or potential employees, on the grounds of sex, sexual orientation, age, colour, creed, ethnic origin or religious belief. It is Group policy to give full and fair consideration to the employment needs of disabled persons (and persons who become disabled whilst employed by the Group) where requirements may be adequately covered by these persons and to comply with any current legislation with regard to disabled persons.

It is the policy of the Group to train and develop employees to ensure they are equipped to undertake the tasks for which they are employed, and to provide the opportunity for career development equally and without discrimination. Employees receive regular training in health, safety and environmental matters.

Information about the Group's performance and other matters is provided regularly by a news magazine, electronic and notice board bulletins, by consultations at staff meetings and through elected employee representatives.

The Group operates both a defined benefit pension scheme and a defined contribution pension scheme.

The Company has a Share Incentive Plan, a Save As You Earn Share Option Scheme, a Share Option Plan, an Executive Share Option Scheme (expired) and a Long Term Incentive Plan to motivate employees and encourage strong involvement with the Group. See note 25 to the accounts for details of the option schemes.

Corporate social responsibility

The Group, in carrying out its business activities, is pursuing its commitment to sustainable development and transparent corporate conduct in social and ethical matters, corporate governance, health and safety and the environment. The Group's corporate social responsibility policy commitments focus on sustainable development, the environment, health and safety, research and development, human resources, an ethical code of conduct and stakeholder engagement. The Group Executive Committee co-ordinates developments in this area and an established process of risk identification and management is embedded in all activities, regardless of whether risk is classed as strategic, operational, financial, or compliance-related, legal, environmental, social or connected to reputation. The Health, Safety and Environmental Consultative Committee monitors and maintains the high health and safety and environmental standards expected from offices and sites.

The Board addresses risk in its own decision making and takes regular account of the significance of sustainability, environmental, social and ethical matters through consideration of relevant information and data in Board reports and other documentation provided. Ultimate responsibility rests with the Board and induction and training in this area is supported.

Further details of risks and policies and procedures for their management are included in the Group's Corporate Social Responsibility report dated 6 March 2009, which includes key targets and performance data. A copy of the report is available on the Group's website www.bovishomes.co.uk/plc and on request to the Group Company Secretary.

Donations

The Group made charitable donations in the year amounting to £1,350 (2007: £1,850). No political donations were made in either year by the Group or Company.

Suppliers

The Group's payment policy in respect of all suppliers is to settle agreed outstanding accounts in accordance with terms and conditions agreed with suppliers when placing orders.

Creditor days relating to trade creditors at the year end in respect of goods and services supplied in the normal course of trade amounted to 30 days (2007: 23 days). The calculation excludes land purchase creditors.

The aggregate amount owed to trade creditors by the Company was £nil throughout 2007 and 2008.

Significant agreements

The Group is a party to a syndicated facility agreement with its relationship banking group relating to the provision of a £220 million revolving loan facility, reducing to £160 million over its life. In the event of a change of control, provisions in the agreement would allow lenders to withdraw the facility. At 31 December 2008, the Group had a borrowing position of £120 million under these arrangements.

All of the Group's share schemes contain provisions relating to a change of control. Under these provisions, a change of control would be a vesting event, allowing exercise of outstanding options and awards, subject to satisfaction of performance conditions as required.

There are a number of commercial contracts that could alter in the event of a change of control. None is considered to be material in terms of their potential impact on the Group in this event.

Annual General Meeting

Notice of the 2009 Annual General Meeting to be held on Thursday 7 May 2009 is set out on pages 69 to 71. Members wishing to vote should return forms of proxy to the Company's Registrar not less than 48 hours before the time for holding the meeting. Shareholders with internet access may register their voting instructions via the internet by going to www.computershare.com.

The Companies Act 2006 (the 2006 Act) received Royal Assent in November 2006 and represents a major reform of UK companies' legislation. Many provisions of the 2006 Act are already in force with further provisions scheduled to be implemented in October 2009. The Board therefore proposes that, at this year's Annual General Meeting, the Company amend its Articles of Association (the Articles) to reflect changes in the law which have or will come into force as a result of the 2006 Act relating to the requirement to have an authorised share capital and the length of notice required to convene general meetings. The Board is also proposing to remove the Company's objects clause and all other provisions of its Memorandum of Association which, by virtue of the 2006 Act, would be treated as forming part of the Articles with effect from 1 October 2009. Over the coming year, the Company will continue to review the Articles, in particular in relation to any further changes which are necessary or desirable following the full implementation of the 2006 Act and any additional changes which may be required pursuant to the implementation of the Companies (Shareholders' Rights) Regulations (currently expected in August 2009). Any further proposed amendments will be put to shareholders at the 2010 Annual General Meeting.

The differences between the current and the amended Articles are summarised in the explanatory notes to the Notice of the Annual General Meeting at the back of this annual report and accounts. The Articles may only be amended by a special resolution of shareholders at a general meeting, unless expressly specified to the contrary therein.

In addition, it is proposed that a general meeting that is not an Annual General Meeting can be called on not less than 14 clear days' notice. This resolution is required to reflect the proposed implementation in August 2009 of the Shareholder Rights Directive, which will increase the notice period for general meetings of the Company to 21 days unless shareholders have approved the calling of meetings on 14 days' notice.

Given current trading conditions within the UK housing market, the Board considers it inappropriate to operate the existing cash bonus scheme during 2009. Following a review of senior management incentivisation, the Board proposes to introduce a bonus replacement share plan to operate only in 2009 as a replacement for the cash bonus scheme, providing incentive for outperformance by senior management against defined performance conditions based around share price increases clearly aligned with the creation of shareholder value. The Remuneration Committee will retain discretion over the vesting of awards, having regard to the circumstances in which performance conditions are achieved. As executive directors will participate and it is proposed that any vesting of awards be satisfied through the issue of new shares, approval to the Board's proposal will be sought at the forthcoming Annual General Meeting. A consultation with major shareholders provided helpful and positive feedback and had a supportive outcome.

At a meeting on 6 March 2009, the Board resolved that a resolution be submitted to shareholders at the Annual General Meeting proposing the renewal of the authority to enable the Company to purchase up to 10% of its own shares. At the present time, the directors have no wish to exercise the authority to purchase any of the shares of the Company, but consider that it is appropriate to have the flexibility to do so. Any shares so purchased would be cancelled.

The directors believe that all the resolutions proposed to be considered at the Annual General Meeting are in the best interests of the Company and its shareholders as a whole and, accordingly, unanimously recommend all shareholders to vote in favour of the resolutions, as the directors intend to do in respect of their own shares in the Company.

Auditors

Each person who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 234ZA of the Companies Act 1985.

The auditors, KPMG Audit Plc, have indicated their willingness to continue in office and, in accordance with the provisions of the Companies Act 1985, resolutions concerning their re-appointment and remuneration will be placed before the Annual General Meeting.

By Order of the Board
M T D Palmer
Company Secretary

6 March 2009

Corporate governance policy guidelines

Introduction

These guidelines have been adopted by the Board. They provide guidance on how the principles of good corporate governance are applied to the Company. The Report on corporate governance is set out on pages 25 to 27. The Board represents the interests of shareholders and other stakeholders through directing the business of the Group successfully; setting strategy and short, medium and long term objectives. The Board is responsible for ensuring that, through effective monitoring, senior management organised in an established regional management structure operate in accordance with the Group's policies and procedures, implement and execute the determined business strategies and achieve set objectives.

Guidelines on important corporate governance issues

1 Board membership and balance

The composition of the Board is reviewed on a regular basis to ensure that it remains appropriate for successfully directing the business activities of the Group. Consideration is given to the breadth of knowledge, diversity of skills and experience of executive and non-executive directors by the Nomination Committee. The Nomination Committee and the Board give adequate consideration to planning for succession to Board and senior management positions, ensuring that appropriate management development measures are in place. The Board currently comprises the Chairman, the Deputy Chairman (also the Senior Independent Director), three further independent non-executive directors and two executive directors.

2 Board selection

The Board receives recommendations on the appointment of directors from a Board committee, the Nomination Committee, following an evaluation of the balance of knowledge, skills and experience available on the Board. This Board committee comprises the independent non-executive directors, the Chairman and the Chief Executive and meets as required to consider proposed changes to Board membership.

3 Non-executive director independence

The non-executive directors are independent in character and judgement and free from any business or other relationship which could affect or appear to affect the exercise of their independent judgement on matters under consideration by the Board. The receipt of fair remuneration and being a shareholder is not considered to prejudice independence or prevent a non-executive director from acting independently.

4 Chairman and Chief Executive

The roles of Chairman and Chief Executive are separate and there is a clear division of responsibilities between the two roles which has been set out in writing and approved by the Board. It is normal practice for the role of Chairman to be a non-executive position. The role of the Deputy Chairman has also been set out in writing and approved by the Board.

5 Number of directors

An appropriate balance between executive and non-executive directors is maintained and the size of the Board is set as necessary to achieve this. The number of non-executive directors is decided so as to provide the diversity of knowledge, skills and experience necessary for a sound independent contribution to the Board and the successful management of the Group's business. By way of guidance, at least half the Board, excluding the Chairman, should comprise independent non-executive directors.

6 Length of appointment

Executive directors are employed on service contracts with notice periods which do not exceed one year. Non-executive directors' service agreements establish the length of their appointments at periods of up to three years and their notice periods up to twelve months. All directors are subject to retirement by rotation at least once in every three years at the Annual General Meeting. New directors appointed by the Board must be re-appointed by shareholders at the following Annual General Meeting.

7 Director training

On appointment, new directors are given a comprehensive induction to the Group's business activities, its policies and procedures and its management structure. As necessary, directors receive training to complement their roles on the Board and Board Committees.

8 Director remuneration

The Remuneration Committee, in accordance with its terms of reference, determines on behalf of the Board the broad policy for executive remuneration and the entire remuneration package for each of the executive directors and senior management. The Remuneration Committee comprises the independent non-executive directors and meets as required. External advice is sought where appropriate, including to benchmark remuneration levels against comparable companies. Non-executive director remuneration, excluding that of the Chairman, is determined by the Board.

9 Financial information and internal control

The review of submissions for Board approval in respect of the Group's annual report and accounts, half-yearly financial report, preliminary statement, interim management statements and other public financial information is the responsibility of a Board committee, the Audit Committee. The Audit Committee reviews the Group's system of internal control and oversees compliance therewith. The Audit Committee comprises the independent non-executive directors.

10 Supply of information

Senior management are responsible for providing the Board with appropriate, complete and timely information relevant to the Board's discharge of its responsibilities, the monitoring of the performance of business activities, including significant variances, and progress with the implementation of strategies. Directors have reasonable access to senior management to enable them to make further enquiries as they consider in their judgement appropriate.

11 Board procedures and authorities

The Chairman and Chief Executive determine the agenda for each Board meeting and the necessary papers are distributed in advance so that the matters contained therein can be properly considered by the directors. There is in place a schedule of matters reserved to the Board for decision, and detailed authorities, together with associated procedures, have been established for individual directors in the performance of their duties. The Board undertakes formal annual performance evaluations.

12 Relations with shareholders

The Board as a whole accepts responsibility for ensuring that a satisfactory dialogue is maintained with shareholders. The aim is to ensure that this dialogue is based on a mutual understanding of objectives. Investors are encouraged to attend the Annual General Meeting and to vote and participate.

13 Corporate policies

The Board ensures that corporate policies and procedures on ethical and corporate social responsibility matters, including sustainability, health and safety and the environment are maintained, monitored and reviewed on a regular basis.

Report on corporate governance

The Company continues its commitment to high standards of corporate governance. The Board, acknowledging its responsibility to shareholders in this area, has put in place an appropriate framework as described in the corporate governance policy guidelines on page 24 of this Annual Report and Accounts.

This report sets out how the framework is applied and the Company's compliance with the 2006 Combined Code issued by the Financial Reporting Council (available at www.frc.org.uk). The Combined Code is supplemented by a publication entitled "Internal Control: Revised Guidance for Directors on the Combined Code" (the Revised Turnbull Guidance) to enable listed companies to comply with Listing Rule 9.8.6 (5) and (6).

The Company has throughout 2008 applied the provisions of Section 1 of the Combined Code and complied therewith, as detailed below, with the exception that on appointment as non-executive Chairman in July 2008 Mr Malcolm Harris did not meet the independence criteria set out in Code provision A.3.1 (Code provision A.2.2).

Information on share capital is contained in the Report of the directors on page 21.

The Board

The Board comprises Mr Malcolm Harris, non-executive Chairman; Mr Alastair Lyons, non-executive Deputy Chairman and Senior Independent Director; two executive directors, Mr David Ritchie, Chief Executive, and Mr Neil Cooper, Group Finance Director; and three further independent non-executive directors, Mr John Warren, Mrs Lesley MacDonagh and Mr Colin Holmes. Following a consultation with major shareholders which had a positive and supportive outcome, Mr Malcolm Harris was re-appointed at the 2008 Annual General Meeting and took over the role of non-executive Chairman following the retirement from the Board of Mr Tim Melville-Ross on 2 July 2008. This appointment was made after careful consideration by the Board of the depth of knowledge and experience held by Mr Malcolm Harris, recognised in the shareholder consultation, with the conclusion that shareholders would benefit from his continued contribution and involvement with the Company. Mr David Ritchie became Chief Executive at the same time and the position of Group Managing Director previously held by Mr David Ritchie ceased to exist. Mr Alastair Lyons was appointed to the Board on 1 October 2008 following a recommendation from the Nomination Committee and an evaluation of the knowledge, skills and experience that the appointment would bring to the Board in support of the Chairman and in light of the balance already available. A comprehensive, tailored and formal induction to the Company was provided shortly after appointment.

There is a clear division of responsibilities between the non-executive Chairman and the Chief Executive, set out in writing and agreed by the Board and the responsibilities of the non-executive Deputy Chairman have been treated similarly. The Chairman provides leadership to and runs the Board, takes a leading role in determining its composition and structure, and sets its agenda. He ensures that it receives accurate, timely and clear information, facilitates the contribution of the non-executive directors and ensures constructive relations on the Board. The Chairman also ensures that effective communications are maintained with shareholders. The Chief Executive is responsible for the overall performance of the Group as dictated by the Board's strategy and developing strategic operating plans that reflect the objectives and priorities established by the Board. The Deputy Chairman's role is to support the Chairman in ensuring that the Board is effective, to deputise as necessary, to support the building and maintaining of constructive relations on the Board and to act as the Senior Independent Director. The responsibilities of the Senior Independent Director are to lead the annual performance evaluation of the Chairman carried out by the non-executive directors, to meet with the non-executive directors without the Chairman present when appropriate and to provide an additional point of contact for shareholders. Mr John Warren was the Senior Independent Director until the appointment of Mr Alastair Lyons on 1 October 2008.

The Board has determined that non-executive directors Mr Alastair Lyons, Mrs Lesley MacDonagh, Mr John Warren and Mr Colin Holmes are independent. This includes an assessment of their independence in character and judgement and confirmation of their being free from any business or other relationship or circumstances which could affect, or appear to affect, the exercise of their independent judgement on matters under consideration by the Board.

The Board met nine times during 2008 and all the directors, then current, attended all meetings, with the exception of Mrs Lesley MacDonagh who attended eight out of nine meetings, missing one by prior arrangement. The Board receives timely, clear and comprehensive board papers a week in advance of each meeting and other information appropriate to enable it to discharge its duties. Meetings are conducted in a way which allows open discussion and enables the non-executive directors to challenge and test the strategy, policy and proposals put forward by the executive directors. The Chairman and the non-executive directors also met during the year under review without the executive directors present.

There is a formal schedule of matters reserved for the Board's decision which includes:

- responsibility for the overall leadership of the Group;
- approval of long term objectives, commercial strategy and annual budgets;
- oversight of the Group's operations and review of performance;
- changes to the Group's capital structure;
- financial reporting, approval of results, dividend policy and treasury policy;
- maintenance and review of the system of internal control and risk management;
- approval of major expenditure and transactions;
- changes to the structure, size and composition of the Board, including new appointments;
- determining the remuneration of the non-executive directors;
- the introduction of new employee share plans and major changes to existing plans for shareholder approval;
- approval of the division of responsibilities between the Chairman and Chief Executive;
- approval of the terms of reference of Board committees;
- annual review of its own performance and that of its Board committees;
- determining the independence of directors;
- review of the Group's overall corporate governance arrangements.

A management paper, subject to regular review, includes the authorities and decision making delegated by the Board to management and includes appropriate controls, authorities and procedures across the range of the Group's activities.

All directors have the right both individually and collectively to consult the Company's professional advisers and, if they are not satisfied with the advice so received, to seek independent professional advice at the Company's reasonable expense. No such advice was sought during the year. The advice and services of the Group Company Secretary are also available to all directors.

Training is made available to directors as and when required and the Chairman ensures that directors continually update and refresh their knowledge and skills appropriate to both their role on the Board and on Board Committees. During the year under review the directors received regulatory and technical updates.

Executive and non-executive directors are subject to retirement by rotation every three years. Subject to continued satisfactory performance, re-election is proposed where appropriate by the Nomination Committee and is voted on by shareholders at the Annual General Meeting. Mr John Anthony Warren and Mr Neil Cooper will stand for re-election at the forthcoming Annual General Meeting. The Board strongly supports and recommends the re-election of Mr John Anthony Warren and Mr Neil Cooper to shareholders. A brief summary of their biographical details is set out on page 20.

All executive directors have notice periods of twelve months after the end of their first year's service. Non-executive directors are appointed for periods up to three years duration during which they have notice periods of up to twelve months, and their terms and conditions of appointment are available for inspection.

Following amendment of the Articles of Association with effect from 1 October 2008 at the 2008 Annual General Meeting, the Board authorised potential conflicts of interest in accordance with Article 115 on 1 October 2008 in respect of Mr Malcolm Harris and his positions as a non-executive director of the National House Building Council and the House Builders Federation and Mr David Ritchie and his position as Chairman of the corporate trustee of the Company's defined benefit pension scheme. The Board has procedures in place for ensuring that powers of authorisation of conflicts are operated effectively and it confirms compliance with those procedures.

The Company has in place an appropriate policy which insures directors against certain liabilities, including legal costs, that they may incur in carrying out their duties.

Board performance evaluation

During 2008, the Board completed a formal internal annual performance evaluation, using a discussion and interview process designed to produce an objective assessment, which covered areas of board composition, board objectives, content and quality of discussion and focus of board meetings, risk capture, outcomes, board support and corporate governance. The results were collated by the Chairman, audited by the Company Secretary, and discussed by the Board. It was concluded that the Board was effective, recognises the right objectives and adds value to both shareholders and management. Outputs included the further development of strategy, business environment and risk management discussions, and positive focused reviews of various areas impacting the business.

Individual director performance evaluations were undertaken by the Chairman using a discussion and interview process which covered each director's commitment, contribution, development, decision making, and interpersonal skills, with the link being made to training and development. All directors were shown as continuing to contribute effectively and to demonstrate the necessary commitment and time to their respective roles. The Senior Independent Director, with support from the other non-executive directors and following discussion with the executive directors, conducted a forward looking performance evaluation of the incoming Chairman.

Board committees

The Board is assisted by a Remuneration Committee, a Nomination Committee, and an Audit Committee.

Membership of the three Committees comprised three independent directors until the appointment of Mr Alastair Lyons on 1 October 2008 and since that date membership has been made up of four independent directors, plus the Chairman and Chief Executive in the case of the Nomination Committee. The Audit Committee is chaired by Mr John Warren and the Remuneration Committee is chaired by Mr Colin Holmes. The Nomination Committee is chaired by Mr Malcolm Harris. Each committee has written terms of reference from the Board.

The duties of the Remuneration Committee are set out in the Report on directors' remuneration on pages 30 to 38; the activities of the Audit Committee are set out in the Report of the Audit Committee on pages 28 and 29; and the activities of the Nomination Committee are set out in the Report of the Nomination Committee on page 29.

The Board completed a performance evaluation of its committees during 2008, and concluded that the committees were working and contributing effectively and achieving their respective remits.

Relations with shareholders

All shareholders are invited to attend the Company's Annual General Meeting, which the full Board including all committee chairmen attend, and they are encouraged to exercise their right to vote and appoint proxies, including by way of an electronic voting facility. The Notice of meeting is provided to shareholders at least 20 working days before the meeting, separate resolutions are proposed on each substantially separate issue and proxy voting is disclosed, including votes withheld. Shareholders are encouraged to participate with questions and have the opportunity to talk informally with the directors and senior management following the meeting.

The Board maintains regular contact and dialogue with shareholders through a series of presentations and meetings conducted by the Chief Executive and Group Finance Director, particularly in the period post announcement of final and half-yearly results. Feedback received during the year under review was positive and helpful and the presentations made to financial analysts in respect of half-yearly and final results are made available on the Group's website www.bovishomes.co.uk/plc. The Annual Report and Accounts, Preliminary Results, Half-yearly financial report, AGM voting, Corporate Social Responsibility report and other information are also available on the website.

The Chairman and the Deputy Chairman (also the Senior Independent Director) are accessible to shareholders and maintain sufficient contact with major shareholders to understand their concerns. The Chairman, the Deputy Chairman and other non-executive directors attended an investor presentation and analysts' briefing held in December 2008. Major shareholders attending had an opportunity to put their views and hold discussions with them.

Internal control

The Board has overall responsibility for the system of internal control and has during the year reviewed the effectiveness thereof. It is able to report that the Company has complied with provision C.2.1 of the Combined Code throughout 2008 in accordance with the Revised Turnbull Guidance.

A key part of the system of internal control is the maintenance of a risk analysis. At the end of 2006 a new risk analysis document was prepared and was reviewed by the Audit Committee and during 2007 this risk analysis was systematically considered and discussed by the Board, with the ongoing objective of keeping key risks and topical areas of concern under review. The risk analysis was kept under review during 2008 and in this way the Board is able to ensure that it properly identifies and grades the risks specific to the activities and operating environment of the business and reviews the response to operational, financial, compliance and other risks and reconsiders its policies of risk tolerance. In setting these policies the Board aims to ensure that the Company is neither prevented from taking opportunities nor exposed to unreasonable risk. The system of internal control is designed to manage risk rather than eliminate it and consequently it can only provide reasonable but not absolute assurance against material misstatement or loss.

The Audit Committee reviews the system of internal control and reports to the Board thereon. It receives reports from the internal and external auditors and management which assess the efficiency of internal control and make recommendations for any improvements. The Chairman of the Audit Committee reports the outcome of committee meetings to the Board and provides minutes of the meetings.

The Group has maintained throughout the year and up to the date of approval of these Annual Report and Accounts a control environment, with policies, procedures, processes and codes of conduct which are designed to identify, evaluate, manage and mitigate risk over the range of business activities and improve business efficiency. This control environment is regularly reviewed by the Board and accords with the Revised Turnbull Guidance. As new procedures and working practices are adopted, risk factors are considered and internal controls embedded into the systems wherever possible.

The principal elements of the control environment are as follows:

- regular main Board meetings;
- regular Audit Committee meetings;
- regular Group Executive Committee meetings;
- an established management structure of operating regions with short lines of communication to the executive directors;
- regular regional board meetings, with comprehensive agendas dealing with all aspects of the business;
- defined operating controls and procedures with authorisation limits at appropriate levels across the Group;
- an internal audit department reporting regularly on compliance with controls, procedures and authority limits;
- a regular self certification process in respect of internal control through the management structure;
- a comprehensive financial reporting system with actual performance compared with budgets and forecasts on a regular basis, each region reporting through its regional board; and
- a regular comparison of the Group's performance against industry statistics and competitors.

Going concern

After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. These enquiries consist of the production and review of up to date detailed financial forecasts covering the period January 2009 - June 2010, taking into account current market trends, and applying reasonable judgements and estimates to generate future cashflow estimates. Using these estimates the Group has also reviewed the outcome of forecast covenant tests linked to its banking facility and has identified the headroom evident between these forecast outcomes and the performance required to achieve compliance with its covenant tests. The Group's facility is a committed syndicated facility for £220 million, which steps down to £180 million in February 2010 and to £160 million in September 2010 and which matures in March 2011. As at 31 December, the Group had £108 million of net debt before issue costs, as against this facility of £220 million plus a £5 million overdraft facility. Further details are laid out in note 21 together with the quantum of drawings as at 31 December 2008 and details of the Group's approach to financial management risk more widely is laid out in note 26. The Group regards these facilities as adequate in terms of flexibility and liquidity for its needs, particularly as its syndicated facility was entered into on the 29th December 2008, and its terms are reflective of the requirements posed by current trading conditions. For these reasons, the directors continue to adopt the going concern basis in preparing the accounts.

Report on the activities of the Audit Committee

The Audit Committee reviews the policies and processes for financial reporting, internal control, the identification, assessment and management of risk, audit effectiveness and compliance, the independence of the external and internal auditors and maintaining an effective relationship with them. The Audit Committee reports its activities and makes recommendations to the Board.

Composition and meetings

During 2008 the Audit Committee comprised Mr John Warren as Chairman, Mrs Lesley MacDonagh, Mr Colin Holmes and, from 1 October 2008, Mr Alastair Lyons, all of whom are independent non-executive directors. The Audit Committee met three times during the year and all members then current attended each meeting, with the exception of Mrs Lesley MacDonagh who missed one meeting by prior arrangement. The former Chairman of the Company attended one meeting by invitation, the current Chairman of the Company attended two meetings by invitation and one meeting as Chief Executive, the former Group Managing Director and current Chief Executive attended three meetings and the Group Finance Director attended three meetings. The external auditors, KPMG Audit Plc, attended three meetings and the Head of Internal Audit attended two meetings. The Committee also met privately with the external and internal auditors following Committee meetings and the Committee Chairman met privately with both the audit director of KPMG Audit Plc and the Head of Internal Audit when appropriate.

Committee members bring considerable financial and accounting experience to the work of the Committee which includes past experience in finance or as members of audit committees or other comparable experience in corporate activities. Further to this collective capability to discharge the Committee's responsibilities, the Board is of the opinion that Mr John Warren as a former Group Finance Director satisfies the requirement for recent and relevant financial experience.

The Group Company Secretary, Mr Martin Palmer, acts as Secretary to the Audit Committee and appointments to the Committee are made on the recommendation of the Nomination Committee.

Terms of reference

The Audit Committee is authorised to investigate any activity within its terms of reference. It has access to the internal and external auditors and their reports, who in turn have unrestricted access to the Committee. If required, the Committee can obtain, at the Company's expense, outside legal or other independent professional advice. None was obtained during the year. The Audit Committee's terms of reference are available on the Group's website www.bovishomes.co.uk/plc and on request to the Group Company Secretary.

Overview of activities

During the year under review the Audit Committee followed a programme structured around the annual financial reporting cycle and reports from the internal and external auditors and management. Activities in discharging its duties included:

- Review of the Preliminary results, the Annual Report and Accounts, the Half-yearly results and the Half-yearly financial report, all published under IFRS, proposed dividends and presentations to analysts prior to submission to the Board.
- Review and challenge of reports, conclusions and results prepared by the internal audit function and presented to the Audit Committee by the Head of Internal Audit, including reports on the integrity of the system of internal control and risk management systems.
- Examination and assessment of submissions presented by the external auditors in relation to the 2007 final audit, the 2008 interim review and the audit planning and strategy for the 2008 final audit.
- Review of the results and effectiveness of the final audit including reporting by the external auditors and review of the independence and objectivity of the external auditors.
- Review and approval of the fee proposals for the final audit and the interim review.
- Private discussion with the external and internal auditors with no executive management present.
- Review of the system of internal control.
- Review of the internal audit programme and the resourcing of internal audit.
- Review of the effectiveness of the internal audit function by performance evaluation.
- Completion of a performance evaluation of its own performance.
- Review of the Committee's terms of reference.
- Review of the Group's whistleblowing policy and reports on the effectiveness of the arrangements.

Internal audit function

The activities, effectiveness and workload of the internal audit department and the adequacy of available resources were monitored using a detailed reporting process and planning and review regime. The freedom, scope and access allowed to the internal auditors in performing their duties during the year was confirmed by management as being unrestricted. The Head of Internal Audit continues to have direct access to the Chairman of the Audit Committee.

External auditors

During the year under review the Audit Committee reviewed the independence and objectivity of the external auditors. This included information about the policies and processes for maintaining independence, monitoring compliance with relevant requirements and ethical guidance and consideration of all relationships between the Company and the external auditors and their staff.

A policy continues in place which requires the Audit Committee to approve all non-audit services proposed to be undertaken by the external auditors, with the exception of tax advisory and compliance work undertaken in the ordinary course of business and pension scheme audit work. When a request for approval is made, the Audit Committee would have due regard to the nature of the non-audit service, whether the external auditors were a suitable supplier, whether there was likely to be any threat to objectivity and independence in the conduct of the audit and the related fee level both separately and relative to the audit fee.

For details of fees paid to the external auditors, see note 6 on page 49.

Performance evaluation

During 2008, the Committee commenced an internal performance evaluation, using a discussion and interview process designed to produce an objective assessment of the Committee's performance and audit effectiveness. It was concluded that the Committee and the audit process continued to be effective, and that the Committee had appropriate terms of reference and achieved its remit.

Briefings are provided where appropriate to ensure that the Committee remains informed of all material developments in best practice and regulation concerning its remit.

John Warren
Chairman of the Audit Committee

6 March 2009

Report on the activities of the Nomination Committee

The Nomination Committee reviews the structure, size and composition of the Board and succession planning arrangements, and leads the process for Board appointments and makes recommendations to the Board.

Composition and meetings

During 2008, the Nomination Committee comprised Mr Tim Melville-Ross as Chairman until his retirement from the Board on 2 July 2008, Mrs Lesley MacDonagh, Mr John Warren, Mr Colin Holmes, Mr Alastair Lyons from 1 October 2008 and Mr Malcolm Harris who took over as Chairman from 3 July 2008, whereupon Mr David Ritchie joined the Committee as Chief Executive. The Nomination Committee met four times during the year and all members, then current, attended each meeting, with the exception of Mrs Lesley MacDonagh who missed one meeting by prior arrangement.

The Group Company Secretary, Mr Martin Palmer, acts as Secretary to the Nomination Committee and appointments to the Committee are made on the recommendation of the Board.

Terms of reference

The Nomination Committee is authorised to seek any information it requires from any employee of the Group in order to perform its duties. If required, the Committee can obtain, at the Company's expense, outside legal or other independent professional advice on any matters within its terms of reference. None was obtained during the year. The Nomination Committee's terms of reference are available on the Group's website www.bovishomes.co.uk/plc and on request to the Group Company Secretary.

Overview of activities

During 2008 the Nomination Committee made recommendations to the Board concerning directors to retire by rotation and seek reappointment at the 2008 Annual General Meeting and the appointment of an independent non-executive Deputy Chairman, the recruitment process for which was conducted and concluded on merit and against objective criteria using the services of appropriate external search consultants. The appointment of two divisional chairmen and one new director of Bovis Homes Limited were approved and general succession planning arrangements were kept under review during 2008.

Malcolm Harris
Chairman of the Nomination Committee

6 March 2009

Report on directors' remuneration

Introduction

This report has been prepared in accordance with the Directors' Remuneration Report Regulations 2002 and meets the relevant requirements of the Listing Rules of the Financial Services Authority and the Combined Code.

A resolution will be put to shareholders at the Company's Annual General Meeting on 7 May 2009 inviting them to consider and approve this report.

The auditors are required to report to the Company's members on that part of this remuneration report which is subject to audit and to state whether, in their opinion, that part of the report has been properly prepared in accordance with the Companies Act 1985.

This report is therefore presented in two sections: unaudited information and audited information.

Section 1: Unaudited information

The Remuneration Committee

The Remuneration Committee is made up solely of non-executive directors with no personal financial interest other than as shareholders in the matters to be decided. Those non-executive directors serving on the Remuneration Committee during 2008 were Mr Colin Holmes as Chairman, Mr John Warren, Mrs Lesley MacDonagh and, since 1 October 2008, Mr Alastair Lyons. Meetings of the Remuneration Committee are held as and when appropriate and at least annually. During 2008, the Remuneration Committee met on six occasions and all members, then current, attended each meeting with the exception of Mrs Lesley MacDonagh who missed two meetings by prior arrangement.

Advisers to the Remuneration Committee

The Remuneration Committee, from time to time, calls upon Mr Malcolm Harris (Chairman) and Mr David Ritchie (Chief Executive) to assist in discussions and deliberations of the Remuneration Committee on remuneration matters not pertaining to the remuneration or terms and conditions of his own employment. The Remuneration Committee has, on occasion, appointed the services of external advisers to advise on director remuneration. The Hay Group has been appointed as adviser to the Remuneration Committee on an ongoing basis, has no other connection with the Company and provides reports and advice as required. ExcellerateHRO Share Plan Services (formerly Towers Perrin) act as Trustee of the Bovis Homes Group Long Term Incentive Plan. The Group Company Secretary, Mr Martin Palmer, acts as Secretary to the Remuneration Committee.

Duties of the Remuneration Committee

The Remuneration Committee is responsible for the following duties:

- Determine on behalf of the Board the framework or broad policy for the remuneration of the Chairman of the Company, the Chief Executive, the executive directors and such other members of the executive management as it is designated to consider.
- Ensure that executive directors and senior management are provided with appropriate incentives to encourage enhanced performance and are rewarded for their individual contributions to the success of the Company.
- Determine targets for any performance related pay schemes and ask the Board, when appropriate, to seek shareholder approval for any long term incentive arrangements.
- Consider and determine the terms, scope, implementation and performance criteria of all share based remuneration schemes.
- Ensure that contractual terms on termination and any payments made avoid rewarding poor performance and approve any severance payments.
- Determine the total individual remuneration package of the Chairman, Chief Executive, each executive director and other designated senior executives, including, where appropriate, bonuses, incentive payments and share awards.
- Determine the policy for and scope of service agreements for executive directors and pensions arrangements, termination payments and compensation commitments.
- Consider and determine the terms, scope, implementation and performance conditions of the annual bonus scheme and approve annual bonuses.
- In determining remuneration packages and arrangements, give due regard to the requirements and recommendations of the Combined Code as well as the UK Listing Authority's Listing Rules and associated guidance.
- Review competitor companies but ensure that automatic increases are not implemented.
- Oversee any major changes in employee benefit structures throughout the Company.
- Ensure that the provisions regarding disclosure of remuneration, including pensions, as set out in the Directors' Remuneration Report Regulations 2002, are fulfilled and produce an annual report of the Committee's remuneration policy to be included in the Company's Annual Report and Accounts.

The terms of reference of the Remuneration Committee are available on the Group's website www.bovishomes.co.uk/plc and on request to the Group Company Secretary.

Remuneration policy

The Remuneration Committee determines the Company's policy for the remuneration of executive directors, having regard to the Directors' Remuneration Report Regulations 2002 (Schedule 7A of the Companies Act 1985) and the Combined Code and its provisions on directors' remuneration, including Schedule A.

Report on directors' remuneration continued

The Remuneration Committee sets and implements remuneration policy for the Chairman, executive directors and designated senior management. The Remuneration Committee determines the need for independent professional advice where appropriate and has regard to information on compensation and salary levels in companies in the housebuilding sector and in other companies of comparable size, for executives with similar skills, qualifications and experience. The objectives of the remuneration policy are to:

- ensure that the individual rewards and incentives fairly relate to the performance of the individual, the Company and the interests of shareholders;
- maintain a remuneration package which enables the Company to attract, retain, and motivate executives of the appropriate calibre and experience to further the success of the Company and maximise long term shareholder value; and
- take into account pay and employment conditions throughout the Group.

The remuneration policy was reviewed by the Remuneration Committee during 2008.

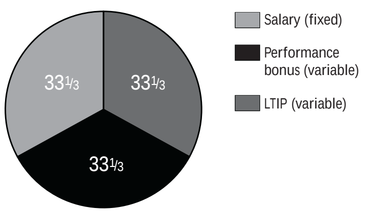
Remuneration package

The remuneration package of the executive directors consists of basic salary, performance bonus, health insurance, membership of the Bovis Homes Regulated Independent Car Scheme for Employees (BRICS), pension, death in service assurance, and participation in employee share schemes and the Bovis Homes Group Long Term Incentive Plan.

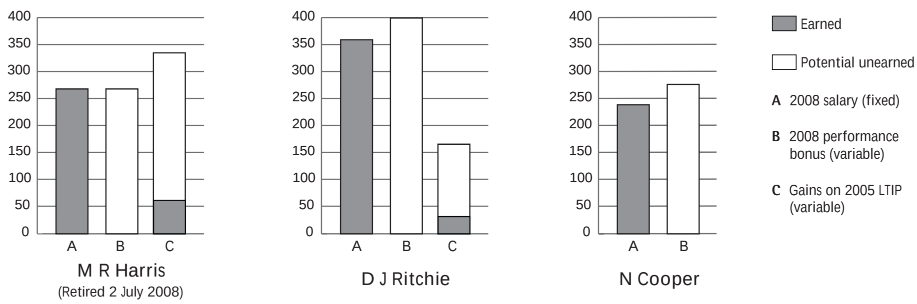
In prior years, participation in the Bovis Homes Group PLC Executive Share Option Scheme and Bovis Homes Group Share Incentive Plan has also formed part of the executive directors' remuneration package. The Group suspended use of the Executive Share Option Scheme during 2004 and this scheme expired in 2007, although options previously granted to executive directors are still current. During 2004, the Group also suspended use of the share incentive plan in respect of the awarding of free shares in the Company.

The Remuneration Committee aims to balance appropriately those elements of an executive director's remuneration which are subject to explicit performance conditions, accepting that all remuneration is linked with ongoing appraisal of individual performance. By virtue of the various elements of directors' remuneration subject to performance conditions, a significant part is variable and is not guaranteed. The potential remuneration package, dependent on performance, reflects one-third fixed and two-thirds variable elements. Whilst the Remuneration Committee aims to achieve this balance, it recognises that the payout in any year will vary from this. The chart below to the left shows this graphically.

Potential fixed and variable elements (%)



Potential and earned remuneration during 2008 (£000)



For remuneration earned during 2008 the fixed element, being salary, and variable elements, which include bonus in respect of the 2008 financial year and gains on the exercise of LTIP awards granted in 2005, are shown, by director, in the three charts immediately above and to the right. No bonus awards were made to the executive directors in respect of the 2008 financial year. As Mr Neil Cooper commenced with the Company on 2 January 2007 he had no entitlement to exercise awards under the LTIP during 2008. Mr Cooper's remuneration therefore comprised solely salary.

Salary

Executive director salaries are reviewed annually on 1 January with effect from 1 January 2009 taking into account the total remuneration package at the time of the review. No rises were awarded to the executive directors in the 2009 review. Salaries were previously reviewed in July each year.

External directorships

Executive directors may, if so authorised by the Board, accept appointments as non-executive directors of suitable companies and organisations outside the Group. Earnings arising from such external directorships are payable directly to the Company. Neither of the executive directors currently has any such appointments.

Performance bonus 2008

During 2008, executive directors were able to earn a performance cash bonus up to a maximum of 100% of basic annual salary prevailing at the date of the Remuneration Committee meeting to determine bonuses. It is considered that such maximum performance bonus levels create an appropriate level of short term incentive, and align suitably with the performance bonus entitlements of other companies in the housebuilding sector as well as other publicly listed companies of a similar size to the Company.

Bonuses for executive directors have been determined by the Remuneration Committee by reference to challenging performance criteria including exceeding the previous year's profit before taxation by a specified percentage and the achievement of other strategic targets. To the end of 2008, the bonuses of the executive directors have been assessed and paid from a bonus pool which is generated from increases in profits over the previous year. All office based employees share in any bonus pool. The rules governing the generation of the bonus pool remained consistent with prior years. Site employees are incentivised through direct site bonus schemes based on measurable site performance.

The bonus pool has been designed to remain at zero until profits before taxation and bonus charge increase over the prior year by 2% above the increase in the Retail Price Index ('RPI'). Thereafter, for every 1% increase in profits before taxation and bonus charge over the prior year, a value equal to 0.5% of the Group's profit before taxation and bonus charge is allocated to the bonus pool. This applies until the increase in profits before taxation and bonus charge reaches 12% over the increase in RPI at which point the total value allocated to the bonus pool is capped. At this maximum value the bonus pool will equal 5% of the Group's profit before taxation and bonus charge. Bonus payments in aggregate are restricted to a maximum equal to the value allocated to the bonus pool.

Report on directors' remuneration continued

Any bonus pool is applied in settling individual employee bonuses subject to individual performance, corporate performance and set bonus caps. Any surplus bonus pool remaining after settling employee bonuses reverts to the Group and is included in the profits for that financial year.

Executive directors have a bonus cap equal to 100% of basic salary. In addition to the requirement for the bonus pool to have sufficient value to pay employee bonuses, the Remuneration Committee established challenging performance criteria for executive directors to determine bonus levels. For bonuses equal to 100% of basic salary to be considered for payment, specific financial criteria had to be met, including:

- achievement of an increase in Group profits before taxation and bonus of 10%; and
- achievement of return on capital employed in excess of 20% for the year; and
- achievement of the Group's budgeted profit before taxation for the year.

No bonuses were paid to executive directors in 2008 in respect of the 2007 financial year after considering the achievement or otherwise of the performance criteria set for the financial year 2007. Following the consideration of performance criteria set for the financial year 2008 the Remuneration Committee has resolved not to award bonuses to the executive directors serving during 2008.

Performance bonus 2009

Given the current trading conditions within the UK housing market and the Group's current focus on cash flow generation, the Remuneration Committee considers it inappropriate to operate the cash bonus scheme during 2009. The Remuneration Committee is proposing that entitlement to be considered for cash bonus in 2009 is forfeited by the executive directors and other senior executives, to be replaced by awards in a Bonus Replacement Share Plan aimed at providing incentives for outperformance by senior management against defined performance measures which the Remuneration Committee considers will be clearly aligned with the creation of shareholder value. The Remuneration Committee has consulted widely with shareholders on the proposal to form the Bonus Replacement Share Plan and has met with shareholders holding in excess of 50% of the Company's share capital. Comments from shareholders have been considered and the plan has been adapted following the consultation. The Remuneration Committee intends only using this share plan for 2009. Challenging performance conditions focused on improvements to the Company's share price over three years will be used to assess the levels of any vesting of such awards. The Plan rules will include an over-riding discretion for the Remuneration Committee to determine the level of awards which vest if it considers that vesting has been significantly influenced by external improvements in market conditions rather than through strong performance from management, thus ensuring the rewards of vesting are justified by performance. Vesting awards will be satisfied through the issue of new shares. Accordingly, shareholder approval to the share bonus performance plan will be sought at the forthcoming Annual General Meeting.

Pension

Two of the executive directors who served during 2008 were senior executive members of the Bovis Homes Pension Scheme. This is a contributory funded, defined benefit scheme approved by HMRC. Pensionable earnings were equal to basic pay prior to 6 April 2006. From 6 April 2006, increases in pensionable earnings are restricted each year to the lesser of the percentage increase in basic pay and 2.5%. Prior to retirement on 2 July 2008, Mr Malcolm Harris was not subject to the earnings cap. Mr David Ritchie is subject to the statutory earnings cap for service until 5 April 2006 and, following the introduction of the lifetime allowance pension rules on 6 April 2006, is not subject to an earnings cap for service from 6 April 2006. Normal retirement age for senior executive members under the scheme is 60, and the accrual rate is 1/45th of final pensionable earnings for each year of service as a senior executive.

Mr Neil Cooper was a member of the Bovis Homes Group Personal Pension Plan during 2008, a contracted-in defined contribution arrangement, to which the Company contributes 7% of basic annual salary per annum. Normal retirement age for joiners after 1 October 2006 is age 65.

Share schemes

The Company employs a standard set of performance conditions for all executive directors in respect of outstanding options under the Bovis Homes Group PLC Executive Share Option Scheme and awards under the Bovis Homes Group Long Term Incentive Plan. These performance conditions are described under specific headings in this report. The granting of awards under the Long Term Incentive Plan is at the discretion of the Remuneration Committee. The performance conditions are designed to challenge and motivate executive directors to improve profitability and enhance shareholder return. The conditions are also designed to require strong collective and individual performance from the executive directors before options and awards vest, whilst at the same time offering a credible opportunity for success.

For share options and awards under the Long Term Incentive Plan to vest an independent report is provided by the Company's auditors, as independent experts, to the Company confirming achievement of the relevant performance conditions. The performance conditions attaching to share options and awards under the Long Term Incentive Plan are selected intentionally to be derived from readily available information which is straightforward and transparent. This ensures that the auditors can make objective assessments of achievement against the performance conditions.

Bovis Homes Group PLC Executive Share Option Scheme

The Bovis Homes Group PLC Executive Share Option Scheme was established in 1997. The Remuneration Committee suspended the issuing of new share options on 5 May 2004. It is an HMRC approved scheme which expired in 2007 and historically granted share options on an approved basis within HMRC limits and on an unapproved basis outside HMRC limits. The rules of the scheme relating to vesting and exercising outstanding share options remained unaltered at the scheme's expiry.

For outstanding share options, the performance criteria require that any share option held under the Bovis Homes Group PLC Executive Share Option Scheme can only normally be exercised if the auditors have certified that the cumulative increase in annualised earnings per share exceeds the percentage increase in RPI by at least 4% per annum over three consecutive years.

The exercise price of a share option has been determined by the Board at the date of grant and has not been less than the higher of the market value and nominal value of an ordinary share in the Company at the date of grant.

Assuming the performance criteria are satisfied, share options may, under normal circumstances, be exercised between the third and tenth anniversary from the date of grant.

Report on directors' remuneration continued

Bovis Homes Group Long Term Incentive Plan

A Long Term Incentive Plan for executive directors and senior executives was approved by shareholders at the 2000 Annual General Meeting. An amendment to the rules of the Long Term Incentive Plan was approved by shareholders at the 2004 Annual General Meeting and under the amended rules of the plan at the date of this report a participant may receive in respect of any financial year a maximum award of shares with a market value, when the award is made, not exceeding 100% of basic salary. Each award is made subject to the achievement of certain performance criteria and awards may only be exercised at the end of three years. There is no cost to the participants in the plan to exercise the awards.

The extent to which the awards may be exercised is determined by two measures of performance; total shareholder return ('TSR') and earnings per share ('EPS') growth, each measured over a three year performance period and each relating to half of the shares awarded.

The TSR measure requires the comparison of the growth in the Company's TSR over a three year period to that of a group of comparator companies in the housebuilding industry specified by the Remuneration Committee at the start of the performance period. TSR is the aggregate of share price growth and dividends paid during the three year period (assuming that such dividends are reinvested in ordinary shares). For awards granted in 2006 the Company's ranking amongst the comparator companies will be used to determine the percentage of the shares under the award which will vest, as follows:

TSR ranking	% of total award which can be realised
1st position	50% of the shares in the award
2nd position	45% of the shares in the award
3rd position	37.5% of the shares in the award
4th position	30% of the shares in the award
5th position	20% of the shares in the award
6th position	15% of the shares in the award

Recognising the reduction in comparator companies and the lack of suitable replacements, the Remuneration Committee has determined that the performance of companies acquired during the three year performance period applicable to the 2006 awards will from the date of acquisition be notionally reinvested in the company which has the median TSR performance from the date of acquisition to the end of the performance period (excluding other acquired companies), maintaining the number of comparator companies and the vesting schedule based on ranking for these awards.

The group of comparator companies to be used for the 2006 awards is as follows:

Comparator companies				
Barratt Developments PLC	The Berkeley Group plc	George Wimpey PLC	Redrow Group plc	Westbury plc
Bellway p.l.c.	Crest Nicholson PLC	Persimmon plc	Taylor Woodrow plc	Wilson Bowden plc

During 2007 the Remuneration Committee carried out a review of the TSR measure and for awards granted from 2007 onwards it was revised from one based on ranking to one operating on the basis of performance relative to the median over the three year performance period, as derived from the TSR performance of the comparator companies. Measuring performance against the median was adopted in the context of a reducing comparator group, to ensure a robust approach and one less prone to distortions and as being viable for smaller comparator groups. Vesting was revised as follows:

TSR performance	% of total award which can be realised
Maximum TSR performance	50% of the shares in the award
Threshold TSR performance	15% of the shares in the award

Threshold TSR performance is set at the median compound growth in TSR of the comparator group and maximum TSR performance is set at median plus 15% per annum compound growth in TSR. Where TSR performance falls between the threshold and the maximum TSR performance, the percentage of shares which can be realised will be calculated on a straight line sliding scale. Where TSR falls below median, none of the shares in the award judged by reference to TSR can be realised.

The group of comparator companies for 2007 awards onwards is comprised as follows:

Comparator companies		
Barratt Developments PLC	The Berkeley Group plc	Taylor Woodrow plc
Bellway p.l.c.	Persimmon plc	Redrow Group plc

The EPS growth measure was unaltered for awards granted in 2008, and is based on the extent to which the Company's average annual EPS growth over the three year performance period falls between minimum and maximum EPS growth targets set by the Remuneration Committee as follows:

EPS growth	% of total award which can be realised
Maximum EPS growth	50% of the shares in the award
Threshold EPS growth	20% of the shares in the award

For 2008 and prior awards, the minimum and maximum EPS growth targets are 4% and 10% per annum above RPI respectively. Where EPS growth falls between the minimum and maximum EPS growth targets, the number of shares which can be realised will be determined on a straight line sliding scale. Where EPS growth falls below 4% above RPI, none of the shares in the award judged by reference to EPS growth can be realised.

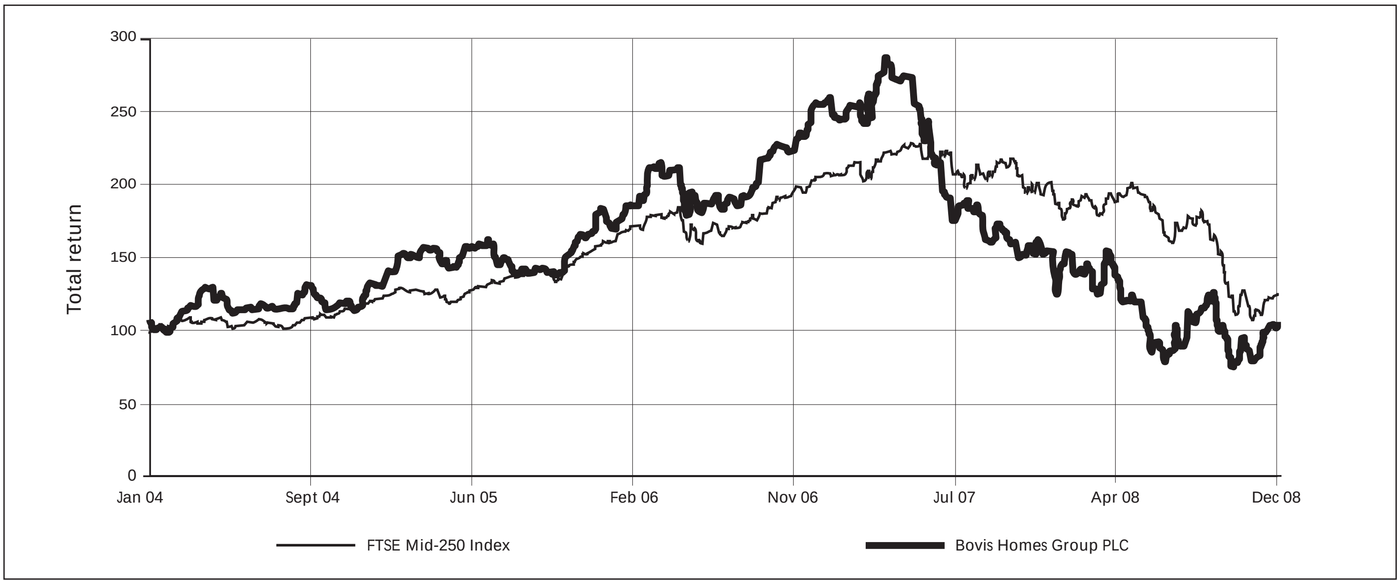
Report on directors' remuneration continued

Following a wide consultation with major shareholders, the Remuneration Committee has considered what performance measure is appropriate in regards to EPS growth for awards granted in 2009, and has set absolute levels of EPS to be achieved during the performance period. The minimum and maximum EPS growth targets are 20p and 50p per share respectively, measured in the third year of the performance period. Again following consultation, awards granted to executive directors in 2009 did not exceed 80% of basic salary.

The shares required to satisfy the awards have been purchased by the Bovis Homes Group Employee Trust. The grant price of the awards is set as the market value of the shares at the date of grant. The market value of the shares attributable to each director will be included in remuneration in the year in which the awards are exercised. An award may only be exercised within six months of the realisation date, the realisation date being the date of notification from the Trustee of the Bovis Homes Group Employee Trust that the award is realisable in whole or in part.

Performance graph

As required by the Directors' Remuneration Report Regulations 2002, the following performance graph compares, over the last five financial years, the Total Shareholder Return of an ordinary share held in Bovis Homes Group PLC against the Total Shareholder Return of the FTSE mid-250 index of which Bovis Homes Group PLC is a constituent.



Service agreements and terms of appointment

In respect of each of the executive directors, the service agreements are rolling twelve month contracts with a twelve month notice period due from either employer or employee.

In addition to their salaries, the executive directors are entitled to participate in the Bovis Homes' employee share schemes and the Long Term Incentive Plan, and to be considered for a performance bonus, dependent on the achievement of targets set down annually by the Remuneration Committee. They are also entitled to membership of the Bovis Homes Pension Scheme as a senior executive where service began on or before 2001, membership of the defined contribution pension plan where service began after 2001 and between 24 and 27 working days holiday per annum determined by length of service. The directors hold membership of the Bovis Homes Regulated Independent Car Scheme for Employees (BRICS). There are no specific provisions for compensation on early termination.

The non-executive directors have entered into service agreements for their services which are established for periods up to three years duration based upon the frequency of re-election to the Board with notice periods up to twelve months. The service agreements for the non-executive directors are available for inspection on request to the Group Company Secretary. The fees for their services were last reviewed as follows:

	Fees reviewed	Annual fees £000
Non-executive directors		
M R Harris	3 July 2008	125
A D Lyons	1 October 2008	60
C P Holmes	1 July 2008	45
L A MacDonagh	1 July 2008	40
J A Warren	1 October 2008	47

Fees payable to Mr John Warren were increased to £52,000 on 1 July 2008 and reverted to £47,000 on 1 October 2008 with the appointment of Mr Alastair Lyons as the Senior Independent Director. Mr Malcolm Harris was appointed non-executive Chairman on 3 July 2008 with an annual fee of £125,000 and Mr Alastair Lyons was appointed non-executive deputy Chairman on 1 October 2008 on an annual fee of £60,000. In both cases, appropriate external independent advice was received in respect of fee levels.

There are no specific provisions for compensation on early termination.

Report on directors' remuneration continued

Directors' interests

The directors' interests in the share capital of the Company are shown below. All interests are beneficial.

Ordinary shares of 50p each	At 31 December 2008 or earlier date of ceasing to be a director				At 31 December 2007 or subsequent date of appointment			
	Number of ordinary shares held	Number of shares under Executive Share Options	Number of shares under the Long Term Incentive Plan	Number of shares under Save As You Earn Options	Number of ordinary shares held	Number of shares under Executive Share Options	Number of shares under the Long Term Incentive Plan	Number of shares under Save As You Earn Options
Executive directors								
D J Ritchie	56,584	34,867	139,742	2,672	49,752	34,867	90,652	2,672
N Cooper	1,245	-	73,582	2,085	930	-	16,940	-
Non-executive directors								
T D Melville-Ross	5,447	-	-	-	5,447	-	-	-
M R Harris	355,076	104,602	206,594	-	341,357	104,602	170,142	5,732
A D Lyons	15,000	-	-	-	15,000	-	-	-
L A MacDonagh	1,000	-	-	-	1,000	-	-	-
J A Warren	2,500	-	-	-	2,500	-	-	-
C P Holmes	20,000	-	-	-	20,000	-	-	-

Changes in the number of ordinary shares held arose from the exercise of share options and Long Term Incentive Plan awards, and investment during the year in partnership shares through the HMRC approved Bovis Homes Group Share Incentive Plan. There were no changes in the holdings of ordinary shares of any of the directors between 31 December 2008 and 6 March 2009, other than the normal monthly investment in partnership shares through the Bovis Homes Group Share Incentive Plan.

The directors' interests in share options and awards under the Long Term Incentive Plan are detailed on pages 37 to 38. There were no changes in the holdings of share options and awards under the Long Term Incentive Plan between 31 December 2008 and 6 March 2009. LTIP awards granted to Mr Malcolm Harris whilst an executive director continue in force until the third anniversary of the award date and, should either of the two measures of performance be met, the number of shares which can be realised will be reduced according to the proportion of the three year performance period following cessation of employment, measured in complete months, relative to the three year performance period. Options outstanding for Mr Malcolm Harris as at his date of retirement remain in place for a period of 12 months, during which time they are capable of exercise if performance criteria are met, or otherwise lapse.

Share ownership guidelines

There exist guidelines for executive directors in respect of share ownership of Bovis Homes' shares. The Board expects executive directors benefiting from the exercise of Long Term Incentive Plan awards or exercise of share options to retain at least 50% of the net value derived from the exercise, after settling all costs and income tax due, as shares. This guideline is expected to be applied until such time as the executive director holds shares with a market value equal to current basic annual salary.

Report on directors' remuneration continued

Section 2: Audited information

Directors' remuneration

Year ended 31 December	Salary/ fees 2008 £000	Performance bonus 2008 £000	Benefits in kind 2008 £000	Total 2008 £000	Total 2007 £000
Executive directors					
M R Harris (retired 2 July 2008)	267	-	-	267	513
D J Ritchie	358	-	-	358	308
N Cooper (appointed 2 January 2007)	238	-	-	238	188
Non-executive directors					
T D Melville-Ross (retired 2 July 2008)	48	-	-	48	95
M R Harris (appointed non-executive Chairman 3 July 2008)	62	-	-	62	-
A D Lyons (appointed 1 October 2008)	15	-	-	15	-
L A MacDonagh	38	-	-	38	35
J A Warren	47	-	-	47	44
C P Holmes	43	-	-	43	38
Directors' remuneration	1,116	-	-	1,116	1,238
Pension charge				138	170
				1,254	1,408

Executive director salaries were reviewed by the Remuneration Committee during the first half of 2008 ahead of the retirement of Mr Malcolm Harris, the promotion of Mr David Ritchie and the reduction in executive directors from three to two. Appropriate external independent advice was received as part of this review and changes were approved as follows:

	Effective date	Salary on 30 June 2008 £000	Promotional review £000	Experience review £000	Inflationary review £000	Salary on 1 July 2008 £000	Change £000	Percentage change %
Executive directors								
D J Ritchie	1 July 2008	315	85	-	-	400	85	27.0
N Cooper	1 July 2008	200	-	75	-	275	75	37.5

The salary of Mr Malcolm Harris was not reviewed as a result of his retirement and appointment as non-executive Chairman with effect from 3 July 2008.

Mr David Ritchie became Chief Executive on 3 July 2008, having previously been Group Managing Director. As a result of this promotion, the Remuneration Committee considered the level of salary appropriate to the position, which was determined by assessment of equivalent salaries of Chief Executives working for other housebuilders and publicly listed companies, taking into account the relative level of experience and the Company's interest in supporting retention. Aside from the promotional salary increase, no inflationary increase was awarded during 2008.

Mr Neil Cooper commenced as Group Finance Director on 2 January 2007 on a salary reflective of his relative experience in comparison to benchmark salaries at other housebuilders and at other listed companies of a comparable size. At 1 July 2008 it was considered that Mr Cooper's experience had grown and his capabilities in the role had developed and in the view of the Remuneration Committee, his performance had been strong. Against this background, the Remuneration Committee formed the view that his salary stood a substantial way below a full market rate, which was not in the Company's interests in regard to supporting retention. Accordingly, Mr Cooper's salary was reviewed and increased following analysis of equivalent positions in the UK listed housebuilding sector, as well as by reference to similarly sized companies in the FTSE-250. His relative experience continued to be taken into account when assessing his new salary level. The Remuneration Committee continues to view Mr Cooper's performance as strong. Versus FTSE-250 constituents, Mr Cooper's new base salary is in line with the average for the lower quartile and 15% below the median salary for FTSE-250 constituents. Aside from this review, reflecting developments in the role, no inflationary increase was awarded during 2008.

Subsequent to the 1 July 2008 review, the Company's annual salary review date was changed to 1 January each year. Salaries were reviewed on 1 January 2009 and a standard "no rise" principle was adopted, with the result that there was no proposal requiring consideration by the Remuneration Committee in respect of the executive directors. The next review will take place on 1 January 2010.

During 2008, the Company reviewed the level of fees paid to its non-executive directors, supported both by appropriate external independent advice and a benchmarking exercise assessing the fees payable to non-executive directors in similar companies, comparable both in terms of sector and in terms of size.

As a result, fees payable to Mr Colin Holmes have been increased from £40,000 to £45,000, fees payable to Mrs Lesley MacDonagh have been increased from £35,000 to £40,000 and fees payable to Mr John Warren were increased from £45,000 to £52,000 before reverting to £47,000 with the appointment of Mr Alastair Lyons as the Senior Independent Director.

The gains for directors on the exercise of Long Term Incentive Plan awards are shown on page 38.

Report on directors' remuneration continued

Directors' pension accruals under the UKLA Listing Rules

	Age at 31 December 2008	Employer contributions to pension scheme during the year £	Director contributions to pension scheme during the year £	Accumulated total accrued pension at 31 December 2008 £ p.a.	Accumulated total accrued pension at 31 December 2007 £ p.a.	Increase in accrued pension during the year (net of inflation) £	Transfer value of increase (less Director contributions) £
Executive directors							
M R Harris	60	58,786	14,995	358,414	348,557	3,126	48,341
D J Ritchie	39	62,826	15,539	34,226	26,692	6,494	34,140

Note 1: The accumulated total accrued pension as at 31 December 2007 has been adjusted for inflation in arriving at the increase in the accrued pension at 31 December 2008. The increase in accrued pension during the year excludes any increase due to inflation.

Note 2: The transfer value has been calculated using the amended transfer basis introduced in October 2008 following a review by the trustee of all pension scheme member benefits. There have been no changes to, or discretion applied to, transfer values arising from special individual arrangements. The values are shown net of directors' contributions.

Note 3: Mr Ritchie's pensionable earnings are restricted to an earnings cap (2008/09: £113,800) for pension accruals up to 5 April 2006. Pension benefits accrued after this date are not subject to an earnings cap, but are subject to a cap on annual increases in pensionable earnings of 2.5%.

Note 4: Mr Harris began receiving his pension from 3 July 2008 upon his retirement from active service. The accumulated total accrued pension as at 31 December 2008 reflects his pre commutation pension as at 3 July 2008. Mr Harris retired approximately 6 months into the year, however, the increase in accrued pension during the year (net of inflation) is based on a full year of inflation. The transfer value of the increase (less director contributions) is based on his pension at 3 July 2008 but uses market conditions as at 31 December 2008.

Directors' pension accruals under Directors' Remuneration Report Regulations 2002

	Employer contributions to pension scheme during the year £	Director contributions to pension scheme during the year £	Accumulated total accrued pension at 31 December 2008 £ p.a.	Increase in accrued pension during the year £	Transfer value of accrued pension at 31 December 2008 £	Transfer value of accrued pension at 31 December 2007 £	Increase in transfer value of increase (less Director contributions) £
Executive directors							
M R Harris	58,786	14,995	358,414	9,858	7,887,031	6,732,689	1,139,346
D J Ritchie	62,826	15,539	34,226	7,335	282,813	146,903	120,371

Note 1: The transfer value has been calculated using the amended transfer basis introduced in October 2008 following a review. The values are shown net of directors' contributions.

Note 2: The transfer value has been calculated using the amended transfer basis introduced in October 2008 following a review by the trustee of all pension scheme member benefits. There have been no changes to, or discretion applied to, transfer values arising from special individual arrangements. The values are shown net of directors' contributions.

Note 3: Mr Harris began receiving his pension from 3 July 2008 upon his retirement from active service. The accumulated total accrued pension as at 31 December 2008 reflects his pre commutation pension as at 3 July 2008. The transfer value at 31 December 2008 is based on his pension at 3 July 2008 but uses market conditions as at 31 December 2008.

Directors' interests in share options

	Date of grant	Scheme	At 1 January 2008	Granted/ (lapsed) in year	Exercised in year	At 31 December 2008	Exercise price per share	0ption exercise period
Executive directors								
M R Harris	18 March 2003	Exec	104,602	-	-	104,602	358.3p	3/06-7/09
(retired 2 July 2008)	9 April 2003	SAYE	5,732	-	5,732	-	286.5p	6/08-12/08
D J Ritchie	18 March 2003	Exec	34,867	-	-	34,867	358.3p	3/06-3/13
	11 April 2005	SAYE	2,672	-	-	2,672	618.3p	6/10-12/10
N Cooper	8 April 2008	SAYE	-	2,085	-	2,085	460.4p	6/11-12/11

All of the share options granted by the Company were granted at the market price prevailing on the date of grant, with the exception of Save As You Earn options which were granted at a 20% (10% post 1 January 2004) discount to the market price prevailing on the date of grant. There was no payment required to secure the grant of any share options. There was no change in the terms and conditions of any outstanding options granted under either the Executive Share Option Scheme ('Exec') or the Save As You Earn Share Option Scheme ('SAYE') during the financial year.

Report on directors' remuneration continued

Share options held in the Save As You Earn Share Option Scheme, which are not subject to performance conditions, may under normal circumstances be exercised during the six months after maturity of the savings contract.

In respect of the executive director serving at 31 December 2008 holding Executive Share Options, no share options were held under an HMRC approved scheme.

Directors' interest in Long Term Incentive Plan shares

Director	Award date	Vesting date	Interest in number of shares at beginning of year	Interest in number of shares at end of year	Value of shares at date of award £000	Percentage of award subject to each performance criteria EPS	Percentage of award subject to each performance criteria TSR	LTIP awards vesting and exercised in 2008	Value of shares at vesting date £000	Gain on exercise £000	Shares retained on exercise
M R Harris	15.3.05	15.3.08	66,186	-	460	50%	50%	13,237	65	68	7,795
	14.3.06	14.3.09	55,554	55,554	475	50%	50%	-	-	-	-
	14.3.07	14.3.10	48,402	48,402	500	50%	50%	-	-	-	-
	11.3.08	11.3.11	-	102,638	525	50%	50%	-	-	-	-
D J Ritchie	15.3.05	15.3.08	32,374	-	225	50%	50%	6,474	32	33	6,474
	14.3.06	14.3.09	29,238	29,238	250	50%	50%	-	-	-	-
	14.3.07	14.3.10	29,040	29,040	300	50%	50%	-	-	-	-
	11.3.08	11.3.11	-	61,582	315	50%	50%	-	-	-	-
	27.8.08	27.8.11	-	19,882	85	50%	50%	-	-	-	-
N Cooper	14.3.07	14.3.10	16,940	16,940	175	50%	50%	-	-	-	-
	11.3.08	11.3.11	-	39,100	200	50%	50%	-	-	-	-
	27.8.08	27.8.11	-	17,542	75	50%	50%	-	-	-	-

During the year awards of 240,744 shares were granted to executive directors at up to 100% of basic salary, exercisable in 2011. The awards granted to executive directors were as follows:

Director	Grant date	Grant price	Number of shares awarded
M R Harris (retired 2 July 2008)	11 March 2008	511.50p	102,638
D J Ritchie	11 March 2008	511.50p	61,582
	27 August 2008	427.50p	19,882
N Cooper	11 March 2008	511.50p	39,100
	27 August 2008	427.50p	17,542

The charge for the year under the requirements of IFRS 2: "Share based payments" in respect of these directors was £89,000 (2007: £252,000).

The awards made under the Long Term Incentive Plan in August 2008 were based on the increase in salaries of Mr David Ritchie and Mr Neil Cooper effective from 1 July 2008. These increases in salary are explained on page 36 and given their nature, the Remuneration Committee considered the additional awards appropriate.

Awards granted to Mr Malcolm Harris whilst an executive director continue in force until the third anniversary of the award date and, should either of the two measures of performance be met, the number of shares which can be realised will be reduced according to the proportion of the three year performance period following cessation of employment, measured in complete months, relative to the three year performance period.

Share price

The middle market price of the Company's shares at 31 December 2008 was £4.00 (2007: £6.16). During the year ended 31 December 2008 the share price recorded a middle market low of £2.71 and a high of £6.58.

By order of the Board
Colin Holmes
Chairman of the Remuneration Committee

6 March 2009

Statement of directors' responsibilities in respect of the annual report and the financial statements

The directors are responsible for preparing the annual report and the Group and Parent Company financial statements, in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and Parent Company financial statements for each financial year. Under that law the directors are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the Parent Company financial statements on the same basis.

The Group and Parent Company financial statements are required by law and IFRSs as adopted by the EU to present fairly the financial position of the Group and the Parent Company and the performance for that period; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

In preparing each of the Group and Parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- for the Group and Parent Company financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a directors' report, report on directors' remuneration and report on corporate governance that comply with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

We confirm that to the best of our knowledge:

a) the Group and Parent Company financial statements in this report, which have been prepared in accordance with IFRS as adopted by the EU, IFRIC interpretation and those parts of the Companies Act 1985 applicable to companies reporting under IFRS, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and of the Group taken as a whole; and

b) the management report contained in this report includes a fair review of the development and performance of the business and the position of the Company and the Group taken as a whole, together with a description of the principal risks and uncertainties they face.

For and on behalf of the Board

David Ritchie
Chief Executive

Neil Cooper
Finance Director

6 March 2009

Independent auditors' report to the members of Bovis Homes Group PLC

We have audited the Group and Parent Company financial statements (the ''financial statements'') of Bovis Homes Group PLC for the year ended 31 December 2008 which comprise the Group Income Statement, the Group and Parent Company Statements of Recognised Income and Expense, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Report on directors' remuneration that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report, the Report on directors' remuneration and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU are set out in the Statement of Directors' Responsibilities on page 39.

Our responsibility is to audit the financial statements and the part of the Report on directors' remuneration to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Report on directors' remuneration to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Annual Report that is cross referred from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the report on corporate governance reflects the Company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Report on directors' remuneration to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Report on directors' remuneration to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Report on directors' remuneration to be audited.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the Group's affairs as at 31 December 2008 and of the loss for the year then ended;
- the Parent Company financial statements give a true and fair view in accordance with IFRSs as adopted by the EU as applied in accordance with the provisions of the Companies Act 1985, of the state of the Parent Company's affairs as at 31 December 2008.
- the financial statements and the part of the Report on directors' remuneration to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG Audit Plc
Chartered Accountants
London

6 March 2009

Group income statement

For the year ended 31 December 2008	Note	2008 before exceptional items	2008 exceptional items	Continuing operations 2008 £000	2007 £000
Revenue		282,326	-	282,326	555,702
Cost of sales		(219,011)	(76,487)	(295,498)	(382,659)
Gross profit/(loss)		63,315	(76,487)	(13,172)	173,043
Administrative expenses		(42,018)	(16,641)	(58,659)	(48,653)
Operating profit/(loss) before financing costs	6, 8	21,297	(93,128)	(71,831)	124,390
Financial income	9	1,389	-	1,389	6,158
Financial expenses	9	(8,292)	-	(8,292)	(6,962)
Net financing costs		(6,903)	-	(6,903)	(804)
Profit/(loss) before tax		14,394	(93,128)	(78,734)	123,586
Income tax (expense)/credit	10	(3,319)	23,058	19,739	(36,727)
Profit/(loss) for the period attributable to equity holders of the parent		11,075	(70,070)	(58,995)	86,859
Basic earnings/(loss) per share	24	9.2p	(58.3p)	(49.1p)	72.4p
Diluted earnings/(loss) per share	24	9.2p	(58.3p)	(49.1p)	72.2p

Group statement of recognised income and expense

For the year ended 31 December 2008	2008 £000	2007 £000
Effective portion of changes in fair value of interest rate cash flow hedges	-	160
Deferred tax on changes in fair value of interest rate cash flow hedges	-	(48)
Actuarial (losses)/gains on defined benefit pension scheme	(8,820)	3,750
Deferred tax on actuarial movements on defined benefit pension scheme	2,470	(1,325)
Current tax on share based payments recognised directly in equity	498	-
Deferred tax on other employee benefits	(22)	(790)
Net (expense)/income recognised directly in equity	(5,874)	1,747
(Loss)/profit for the period	(58,995)	86,859
Total recognised income and expense for the period attributable to equity holders of the parent	(64,869)	88,606

There is no difference between the profit after tax for the period for the Company of £107,922,225 (2007: £45,000,000) and its total recognised income and expense for the period.

Balance sheets

As at 31 December 2008	Note	Group 2008 £000	Group 2007 restated £000	Company 2008 £000	Company 2007 £000
Assets					
Goodwill	13	-	10,036	-	-
Property, plant and equipment	12	12,347	14,451	-	-
Available for sale financial assets	18	6,030	1,085	-	-
Investments	14	22	22	850	872
Deferred tax assets	15	5,548	3,568	-	-
Trade and other receivables	17	2,418	2,589	-	-
Retirement benefit asset	25	-	1,010	-	-
Total non-current assets		26,365	32,761	850	872
Inventories	16	780,808	869,355	-	-
Trade and other receivables	17	37,947	52,725	310,813	225,307
Cash	19	11,634	346	344	344
Current tax asset	11	23,550	-	-	-
Total current assets		853,939	922,426	311,157	225,651
Total assets		880,304	955,187	312,007	226,523
Equity					
Issued capital	20	60,497	60,415	60,497	60,415
Share premium	20	157,127	156,734	157,127	156,734
Retained earnings	20	414,654	506,594	89,745	8,894
Total equity attributable to equity holders of the parent		632,278	723,743	307,369	226,043
Liabilities					
Bank loans	21	111,730	25,000	-	-
Trade and other payables	23	24,907	28,816	459	459
Retirement benefit obligations	25	6,790	-	-	-
Provisions	22	1,623	1,463	-	-
Total non-current liabilities		145,050	55,279	459	459
Bank overdraft	21	-	3,588	-	-
Bank loans	21	-	16,000	-	-
Trade and other payables	23	101,964	142,291	28	21
Provisions	22	1,012	500	-	-
Current tax liabilities	11	-	13,786	4,151	-
Total current liabilities		102,976	176,165	4,179	21
Total liabilities		248,026	231,444	4,638	480
Total equity and liabilities		880,304	955,187	312,007	226,523

These accounts were approved by the board of directors on 6 March 2009 and were signed on its behalf: D Ritchie and N Cooper, Directors.

Statement of cash flows

For the year ended 31 December 2008	Note	Group 2008 £000	Group 2007 restated £000	Company 2008 £000	Company 2007 £000
Cash flows from operating activities					
(Loss)/profit for the year		(58,995)	86,859	107,922	45,000
Depreciation	6,12	1,168	1,421	-	-
Impairment of goodwill	7	10,036	-	-	-
Impairment of assets	7	2,241	-	-	-
Financial income	9	(1,389)	(6,158)	(112,073)	(45,000)
Financial expense	9	8,292	6,962	-	-
Profit on sale of property, plant and equipment	6	(146)	(43)	-	-
Equity-settled share-based payment (credit)/expense	8	(22)	133	-	-
Income tax (credit)/expense	10	(19,739)	36,727	4,151	-
Write-down of inventories	7	75,202	-	-	-
Other non cash items		-	996	-	-
Operating profit before changes in working capital and provisions		16,648	126,897	-	-
Decrease/(increase) in trade and other receivables		8,924	(29,821)	(85,506)	(1,376)
Decrease/(increase) in inventories		13,345	(42,195)	-	-
(Decrease)/increase in trade and other payables		(43,444)	(44,149)	7	(1)
Increase/(decrease) in provisions and employee benefits		702	(1,671)	-	-
Cash generated from operations		(3,825)	9,061	(85,499)	(1,377)
Interest paid		(8,769)	(4,812)	-	-
Income taxes paid		(16,924)	(39,052)	-	-
Net cash from operating activities		(29,518)	(34,803)	(85,499)	(1,377)
Cash flows from investing activities					
Interest received		187	5,420	14,824	-
Dividends received		-	-	97,249	45,000
Acquisition of property, plant and equipment	12	(143)	(879)	-	-
Proceeds from sale of plant and equipment		214	106	-	-
Acquisition of subsidiary net of cash acquired		-	(73,304)	-	-
Net cash from investing activities		258	(68,657)	112,073	45,000
Cash flows from financing activities					
Dividends paid	20	(27,049)	(44,990)	(27,049)	(44,990)
Proceeds from the issue of share capital	20	475	1,367	475	1,367
Drawdown of borrowings	21	79,000	1,000	-	-
Costs associated with refinancing		(8,290)	-	-	-
Net cash from financing activities		44,136	(42,623)	(26,574)	(43,623)
Net increase/(decrease) in cash and cash equivalents		14,876	(146,083)	-	-
Cash and cash equivalents at 1 January	19	(3,242)	142,841	344	344
Cash and cash equivalents at 31 December	19	11,634	(3,242)	344	344

Notes to the financial statements

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 2008 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates.

The financial statements were authorised for issue by the directors on 6 March 2009.

1. Statement of compliance

The consolidated financial statements of the Company and the Group have been prepared in accordance with International Financial Reporting Standards as adopted by the EU (adopted IFRS) and its interpretations as adopted by the International Accounting Standards Board (IASB). On publishing the Company financial statements here together with the Group financial statements, the Company is taking advantage of the exemption in s230 of the Companies Act 1985 not to present its individual income statement and related notes that form a part of these approved financial statements.

2. Basis of preparation

The financial statements are prepared on the historical cost basis except for derivative financial instruments, available for sale assets and certain items of inventory which are stated at their fair value.

The preparation of financial statements in conformity with adopted IFRSs 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 the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of adopted IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 31.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements. The accounting policies have been applied consistently to the Company and the Group where relevant.

3. 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.

4. Accounting policies

Business combinations

The purchase method of accounting is used to account for the acquisition of subsidiary undertakings by the Group. The cost of or consideration for an acquisition is measured as the fair value of the assets given and liabilities taken on or assumed in return for the acquisition plus costs directly attributable to the acquisition. On acquisition, identifiable assets and liabilities are measured initially at fair value, with any excess of consideration being recognised as goodwill. Accounting policies of subsidiary undertakings have been changed where necessary to ensure consistency with those adopted by the Group.

Revenue

Revenue is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the purchaser. Revenue comprises the fair value of the consideration received or receivable, net of value-added tax, rebates and discounts. Revenue in respect of the sale of residential properties and land is recognised at the fair value of the consideration received or receivable on legal completion of the sale transaction. Revenue does not include the value of the onward legal completion of properties accepted in part exchange against a new property. The net gain or loss arising from the legal completion of these part exchange properties is recognised in cost of sales.

Rental income is recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income.

Operating leases

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease. Lease incentives received are recognised as an integral part of the total lease expenditure.

Net financing costs

Net finance costs comprise:

- interest payable on borrowings, including any premiums payable on settlement or redemption and direct issue costs, accounted for on an accrual basis to the income statement using the effective interest method;
- interest receivable on funds invested accounted for on an accrual basis to the income statement using the effective interest method;
- dividend income recognised on the date the right to receive payments is established;
- imputed interest on available-for-sale financial assets and on deferred terms land payables;
- pension finance costs or benefits being the net of interest costs on liabilities and expected return on assets linked to the Defined Benefit Scheme; and
- gains and losses on hedging instruments that are recognised in the income statement.

Finance costs are included in the measurement of borrowings at their amortised cost to the extent that they are not settled in the period in which they arise.

Taxation

Income tax comprises the sum of the tax currently payable or receivable and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

The tax currently payable or receivable is based on taxable profit or loss for the year and any adjustment to tax payable or receivable in respect of previous years. Taxable profit or loss differs from net profit or loss as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability or asset for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from non-tax deductible goodwill, from the initial recognition of assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit, and from differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to reserves, in which case the deferred tax is also dealt with in reserves.

Derivative financial instruments and hedge accounting

The Group's activities expose it primarily to the financial risks of changes in interest rates. The Group uses interest rate swap contracts where deemed appropriate to hedge these exposures. The Group does not use derivative financial instruments for speculative purposes. The use of financial derivatives is governed by the Group's policies approved by the Board of directors, which provide written principles on the use of financial derivatives.

Derivative financial instruments are recognised at fair value. The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date, taking into account interest rates and the current creditworthiness of the swap counterparties.

Where the derivative instrument, typically an interest rate swap, is deemed an effective hedge over the exposure being hedged, the derivative instrument is treated as a cash flow hedge and hedge accounting applied. Under a cash flow hedge, gains and losses on the effective portion of the change in the fair value of the derivative instrument are recognised directly in equity.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting and any ineffectiveness in the hedge relationship are recognised in the income statement as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in reserves is retained in reserves until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in reserves is transferred to net profit or loss for the period.

Goodwill

Where the fair value of consideration paid for an acquisition exceeds the fair value of the net assets acquired, the excess is recognised as goodwill arising on consolidation and is capitalised as an asset. Once capitalised, this asset is reviewed for impairment on an annual basis with any impairment arising requiring immediate recognition in the income statement.

For the purpose of impairment testing, goodwill is allocated to each of the cash-generating units of the Group at acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then, where appropriate, to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Certain property that had been revalued to fair value on or prior to 1 January 2004, the date of transition to adopted IFRS, are measured on the basis of deemed cost, this being the revalued amount at the date of that revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Regular reviews of the carrying values of property are completed to assess any impairment in value. When impairment is identified, the asset's recoverable amount is assessed and any shortfall is written off through the income statement.

Depreciation is charged so as to write off the cost less residual value (which is reassessed annually) of assets over their estimated useful lives. Depreciation is charged on property in respect of the value of the building. Land is not depreciated. The basis of depreciation for each class of asset is as follows:

• Buildings	straight line over 50 years
• Plant and machinery	33.3% reducing balance
• Computer equipment	straight line over 3 years
• Office equipment	25% reducing balance

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Fixed asset investments
Investments in subsidiaries are carried at cost less impairment. Following the issue of IFRIC11 in 2007, the Parent Company accounts for the share-based payments granted to subsidiary employees as an increase in the cost of its investment in subsidiaries.

Trade receivables
Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Inventories
Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads, not including any general administrative overheads, that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated net selling price less estimated total costs of completion of the finished goods.

Land held for development, including land in the course of development until legal completion of the sale of the asset, is initially recorded at cost. Where, through deferred purchase credit terms, cost differs from the nominal amount which will actually be paid in settling the deferred purchase terms liability, no adjustment is made to the cost of the land, the difference being charged as a finance cost.

Options purchased in respect of land are capitalised initially at cost. Regular reviews are completed for impairment in the value of these options, and provisions made accordingly to reflect loss of value. The impairment reviews consider the period elapsed since the date of purchase of the option given that the option contract has not been exercised at the review date. Further, the impairment reviews consider the remaining life of the option, taking account of any concerns over whether the remaining time available will allow successful exercise of the option. The carrying cost of the option at the date of exercise is included within the cost of land purchased as a result of the option exercise.

Investments in land without the benefit of planning consent, either through purchase of freehold land or non refundable deposits paid on land purchase contracts subject to residential planning consent, are capitalised initially at cost. Regular reviews are completed for impairment in the value of these investments, and provision made to reflect any irrecoverable element. The impairment reviews consider the existing use value of the land and assesses the likelihood of achieving residential planning consent and the value thereof.

Ground rents are held at an estimate of cost based on a multiple of ground rent income, with a corresponding credit created against cost of sales, in the year in which the ground rent first becomes payable by the leasehold purchaser.

Cash and cash equivalents
Cash and cash equivalents comprises cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Bank borrowings
Interest-bearing bank loans and overdrafts are initially recorded at fair value, net of direct issue costs, and subsequently at amortised cost. Finance charges are accounted for on an accrual basis to the income statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Trade payables
Trade payables on normal terms are not interest bearing and are stated at their nominal value.

Trade payables on extended terms, particularly in respect of land, are recorded at their fair value at the date of acquisition of the asset to which they relate. The discount to nominal value which will be paid in settling the deferred purchase terms liability is amortised over the period of the credit term and charged to finance costs using the effective interest rate method.

Available for sale financial assets
Gains and losses arising from changes in fair value are recognised directly in equity in retained earnings, with the exceptions of impairment losses and interest calculated using the 'effective interest rate' method, which are recognised directly in the income statement. Where the investment is disposed of, or is determined to be impaired, the cumulative gain or loss previously recognised in equity is included in the income statement for the period.

Provisions
A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Equity instruments
Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Notes to the financial statements continued

Own shares held by ESOP trust

Transactions of the Group-sponsored ESOP trust are included in the Group financial statements. In particular, the trust's purchases of shares in the Company are debited directly to equity through an own shares held reserve.

Employee benefits

The Group accounts for pensions and similar benefits under IAS 19 (Revised): "Employee benefits". In respect of defined benefit schemes, the net obligation is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods, such benefits measured at discounted present value, less the fair value of the scheme assets. The discount rate used to discount the benefits accrued is the yield at the balance sheet date on AA credit rated bonds that have maturity dates approximating to the terms of the Group's obligations. The calculation is performed by a qualified actuary using the projected unit method. The operating and financing costs of such plans are recognised separately in the income statement; service costs are spread systematically over the lives of employees and financing costs are recognised in the periods in which they arise. All actuarial gains and losses are recognised immediately in the statement of recognised income and expense.

Payments to defined contribution schemes are charged as an expense as they fall due.

Share-based payments

The Group has applied the requirements of IFRS2: "Share-based payments". In accordance with the transitional provisions of IFRS1, IFRS2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 January 2005.

The Group issues equity-settled share-based payments to certain employees in the form of share options over shares in the Parent Company. Equity-settled share-based payments are measured at fair value at the date of grant calculated using an independent option valuation model, taking into account the terms and conditions upon which the options were granted. The fair value is expensed on a straight line basis over the vesting period, based on the Group's estimate of shares that will eventually vest, with a corresponding credit to equity.

Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products and services (business segment), or in providing products and services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

As the Group's main operation is that of a housebuilder and it operates entirely within the United Kingdom, there are no separate segments, either business or geographic, to disclose.

Exceptional items

Items that are both material in size and unusual or infrequent in nature are presented as exceptional items in the income statement. The Directors are of the opinion that the separate recording of exceptional items provides helpful information about the Group's underlying business performance. Examples of events that, inter alia, may give rise to the classification of items as exceptional are the restructuring of existing and newly-acquired businesses, gains or losses on the disposal of businesses or individual assets and asset impairments, including currently developable land, work in progress and goodwill.

Restructuring costs

Restructuring costs are recognised in the income statement when the Group has a detailed plan that has been communicated to the affected parties. A liability is accrued for unpaid restructuring costs.

Impact of standards and interpretations in issue but not yet effective

At the date of authorisation of these financial statements there are a number of standards, amendments and interpretations that have been published. All of these have been endorsed by the EU with the exception of the revisions to IAS27, IAS39 and IFRS3, IFRIC12, IFRIC15 and IFRIC16, and are therefore mandatory for the Group's accounting periods beginning on or after 1 January 2009. The Group has not early-adopted any standard, amendment or interpretation.

The standards, amendments and interpretations that are expected to impact upon the Group are:

- IFRS8 'Operating Segments'. IFRS8 amends the current segmental reporting requirements of IAS14 and requires a 'management approach' to be adopted so that segment information is presented on the same basis as that used for internal reporting purposes. This standard will apply to the Group from the accounting period commencing 1 January 2009 and is not expected to impact upon the Group's current segmental reporting approach.
- Amendment to IAS23 'Borrowing Costs'. This amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of the asset. The option of immediately expensing these borrowing costs is removed. This amendment will apply to the Group from the accounting period commencing 1 January 2009 and the Group is assessing whether the amendment is applicable to the Group, and if so, its likely effect.
- IFRIC14 – IAS19 – 'The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction'. IFRIC14 states when refunds or reductions in future contributions can be treated as available under IAS19 and how a minimum funding requirement affects future contributions or may give rise to a liability. This interpretation applies to the Group from the accounting period commencing on 1 January 2009, however the Group anticipates that no additional liabilities will be recognised upon the adoption of IFRIC14.
- IFRS2 'Share-based Payments (amendment)'. Non-vesting conditions are to be taken into account in the estimate of the fair value of the equity instruments; vesting conditions that are not market conditions are not taken into account. This amendment will apply to the Group from 1 January 2009; its impact is currently being assessed.
- Revision of IAS1 'presentation of financial statements'. This revision to IAS1 is applicable from 1 January 2009, and is expected to affect the presentation and classification of certain items within the Group's financial statements.
- Revision of IFRS3 'Business Combinations'. Following this revision, transaction costs must be expensed, rather than included as costs of acquisition, and contingent consideration will require to be fair valued. In addition, there will be a choice of two goodwill measurement methods where less than 100% of the entity is acquired. This revision will apply to the Group from 1 January 2010, and although it will have no impact on implementation, it will have an impact on any future acquisitions.
- An amendment to IAS39 'Eligible hedged items'. The amendment makes two significant changes. It prohibits designating inflation as a hedgeable component of a fixed rate debt. It also prohibits including time value in the one-sided hedged risk when designating options as hedges. The amendment will apply to the Group from 1 January 2010, and its impact is expected to be minimal until the Group enters into any cash flow hedges.
- Part 1 of the improvements to IFRS project has a number of smaller amendments to existing IAS and IFRS, which have implementation dates at various points during 2009. The impact of these amendments is currently being assessed.
- IFRIC15 'Agreements for the construction of real estate'. IFRIC15 provides guidance on whether the construction of real estate should be accounted for under IAS11 or IAS18. The Group already accounts for the construction of real estate in accordance with IFRIC15 and accordingly this interpretation, which is effective from 1 January 2009, will have no impact upon the Group.

The adoption of the following standards, amendments and interpretations are not expected to have any material impact on the financial statements of the Group:

- IFRIC13 'Customer Loyalty Programmes'. IFRIC13 requires the credits given as part of customer loyalty schemes to be recognised at their fair value as a separate component of revenue. The revenue related to these schemes should only be recognised when the entity's obligations are fulfilled. This interpretation applies to the Group from 1 January 2009.
- IFRIC16 'Hedges of a net investment in a foreign operation'. IFRIC 16 guides an investing company on the designation of, and accounting for, hedges in foreign operations. This interpretation will apply to the Group from 1 January 2009.
- Amendments to IAS32 'Financial Instruments: Presentation' and IAS1 'Presentation of financial statements for certain puttable financial instruments and obligations arising on liquidation' require some financial instruments that meet the definition of a financial liability to be classified as equity, where certain strict criteria are met. These amendments will apply to the Group from 1 January 2009.
- IAS27 (revised) 'Consolidated and separate financial statements'. The amendments relate, primarily, to accounting for non-controlling interests and the loss of control of a subsidiary, and will apply to the Group from 1 January 2010.

5. Prior year restatement

In 2007, the cashflow statement movement in trade and other payables was understated by £4,630,000 and the movement in provisions and employee benefits was overstated by an equal and opposite amount. In the 2008 Report and Accounts, in the prior year cashflow statement comparatives, the movement in trade and other payables is now £44,149,000 (previously £39,519,000) and the movement in provisions and other employee benefits is now £1,671,000 (previously £6,301,000).

Finalisation of the fair valuation exercise arising on acquisition of Elite Homes Group Ltd in 2007 has now taken place. This has had the effect of increasing goodwill arising on acquisition as at 31 December 2007 from the previously reported £9,176,000 to £10,036,000, reducing inventories to £869,355,000 (previously reported £870,550,000) and increasing deferred tax to £3,568,000 (previously £3,233,000).

6. Operating loss before financing costs

Operating loss before financing costs is stated after charging/(crediting):

	2008 £000	2007 £000
Depreciation of tangible fixed assets	1,168	1,421
Net profit on disposal of property, plant and equipment	(146)	(43)
Hire of plant and machinery	1,294	1,306
Rental income (included in revenue)	(441)	(680)

Auditors' remuneration	2008 £000	2007 £000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	32	32
Non Audit Fees		
The audit of the Company's subsidiaries, pursuant to legislation	108	141
Interim review work	17	16
Tax services	54	47
Other services	7	30
Fees charged to operating profit before financing costs	218	266
Fees charged to balance sheet		
Corporate finance services	259	-
Total fees	477	266

7. Exceptional items

Write-down of inventories

The Group has reviewed the carrying costs of its inventory items, comparing the carrying costs of the asset against estimates of net realisable value. Net realisable value has been arrived at using the Board's estimates of achievable selling prices taking into account current market conditions, and after deduction of an appropriate amount for selling costs. This has given rise to a land write-down totalling £69.9 million and a write-down of £5.3 million on unsold part-exchange properties: a provision of £75.2 million in total.

Impairment of goodwill

At 31 December 2008 the Group conducted an impairment review of its goodwill as explained in note 13. This resulted in a £10.0 million write-down, reflecting the write-off of all goodwill held at the balance sheet date.

Restructuring costs

During the year ended 31 December 2008 the Group incurred £5.7 million (2007: £nil) of costs in relation to reorganising and restructuring the Group. Of this total, £4.6 million related to staff redundancies.

Other exceptional items

The Group has reviewed the carrying value of its fixed assets, and has made a £1.0 million provision to reflect the impairment to carrying values of its freehold offices following a fall in commercial property values during 2008. The Group has also taken an impairment charge to income relating to the impairment of its available-for-sale financial assets, totalling £1.2 million.

8. Directors and employees

Information relating to directors' remuneration, compensation for loss of office, long term incentive plan, share options and pension entitlements appears in the Report on directors' remuneration on pages 30 to 38. The directors are considered to be the only key management personnel.

The Company bears the costs of non-executive director fees and these fees are recharged to subsidiary companies within the Group. The Company has no other staff. The weekly average number of employees of the Group, all of whom were engaged in the United Kingdom on the Group's principal activity, together with personnel expenses, are set out below.

Average staff numbers	2008	2007
Average staff numbers	805	930

Personnel expenses	2008 £000	2007 £000
Wages and salaries	29,462	33,364
Compulsory social security contributions	2,962	3,373
Contributions to defined contribution plans	547	430
Increase in expenses related to defined benefit plans	400	980
Equity-settled share-based payments	(22)	133
Personnel expenses	33,349	38,280

9. Net financing costs

Recognised in income statement

	2008 £000	2007 £000
Interest income	(217)	(5,278)
Imputed interest on deferred terms land payables	2,461	4,112
Interest expense	5,831	2,850
Net pension finance credit	(1,050)	(880)
Imputed interest on available for sale financial assets	(122)	-
Net financing costs	6,903	804

Recognised directly in equity

	2008 £000	2007 £000
Effective portion of changes in fair value of cash flow hedge	-	(160)

10. Income tax

Recognised in the income statement

	Note	2008 £000	2007 £000
Current tax			
Current year		(19,565)	37,235
Adjustments for prior years		(642)	(636)
		(20,207)	36,599
Deferred tax			
Origination and reversal of temporary differences	15	787	128
Adjustments for prior year	15	(319)	-
Total income tax in income statement		(19,739)	36,727

Reconciliation of effective tax rate

	2008 %	2008 £000	2007 %	2007 £000
(Loss)/profit before tax		(78,734)		123,586
Income tax using the domestic corporation tax rate	28.5	(22,439)	30.0	37,076
Non-deductible expenses	(4.5)	3,617	0.1	171
Other	(0.1)	44	0.1	116
Over provided in prior years	1.2	(961)	(0.5)	(636)
Total tax (credit)/expense	25.1	(19,739)	29.7	36,727

Recognised directly in equity

	Note	2008 £000	2007 £000
Relating to Share-based payments		498	-
Current tax recognised directly in equity		498	-
Relating to actuarial movements on pension scheme	15	2,470	(1,325)
Relating to share-based payments	15	(78)	(795)
Relating to property, plant and equipment	15	56	5
Relating to fair value adjustments on interest rate swaps	15	-	(48)
Deferred tax recognised directly in equity		2,448	(2,163)

11. Current tax assets and liabilities

The current tax asset of £23,550,000 (2007 current tax liability: £13,786,000) represents the amount of income taxes receivable in respect of current and prior periods.

12. Property, plant and equipment

Group	Land and buildings £000	Plant and equipment £000	Fixtures and fittings £000	Total £000
Cost				
Balance at 1 January 2007	12,617	7,770	2,402	22,789
Additions	1	645	233	879
Recognised on acquisition	-	255	23	278
Disposals	-	(757)	(184)	(941)
Balance at 31 December 2007	12,618	7,913	2,474	23,005
Balance at 1 January 2008	12,618	7,913	2,474	23,005
Additions	-	133	10	143
Disposals	-	(836)	(91)	(927)
Balance at 31 December 2008	12,618	7,210	2,393	22,221
Depreciation and impairment losses				
Balance at 1 January 2007	619	5,423	1,969	8,011
Depreciation charge for the year	202	1,013	206	1,421
Disposals	-	(725)	(153)	(878)
Balance at 31 December 2007	821	5,711	2,022	8,554
Balance at 1 January 2008	821	5,711	2,022	8,554
Depreciation charge for the year	201	809	158	1,168
Impairment charge for the year	1,011	-	-	1,011
Disposals	-	(772)	(87)	(859)
Balance at 31 December 2008	2,033	5,748	2,093	9,874
Carrying amounts				
At 1 January 2007	11,998	2,347	433	14,778
At 31 December 2007	11,797	2,202	452	14,451
At 1 January 2008	11,797	2,202	452	14,451
At 31 December 2008	10,585	1,462	300	12,347

The directors have undertaken an impairment review on the properties as at December 2008, such review giving rise to a £1,011,000 impairment of its freehold land and buildings.

Notes to the financial statements continued

13. Goodwill

The Group recognised £9,176,000 of goodwill on acquisition of Elite Homes Group Ltd in 2007, following the provisional completion of the fair valuation exercise. The Group finalised this fair valuation exercise in 2008, prior to the expiry of 12 months from the date of acquisition of Elite Homes Group Ltd. Following finalisation of the fair value review of the assets and liabilities acquired, the Group reduced the fair value of the assets acquired by £860,000, adjusting goodwill upwards accordingly. As these adjustments were made to the provisional fair value of assets and goodwill as at 31 December 2007, finalisation of this exercise has required restatement of the previously disclosed fair value of inventory, deferred tax and goodwill arising on acquisition. Accordingly, as at 31 December 2007 goodwill is now reported as £10,036,000 (previously £9,176,000), deferred tax is now reported as £3,568,000 (peviously £3,233,000) and inventory is now reported as £869,355,000 (previously £870,550,000). The outcome of the completed fair valuation exercise can be presented as follows:

	Pre acquisition £000	Fair value adjustment £000	Fair value £000
Property, plant and equipment	278	-	278
Inventory	69,175	904	70,079
Trade and other receivables	1,428	-	1,428
Cash and cash equivalents	(1,051)	-	(1,051)
Trade and other payables	(10,269)	-	(10,269)
Current tax	2,025	-	2,025
Deferred tax	-	(273)	(273)
Total	61,586	631	62,217
Goodwill			10,036
Consideration			72,253

Following the full integration of Elite Homes Group Ltd with the Bovis Homes Northern region in 2008, the Group determined that the income generating unit carrying the goodwill is the combined Bovis Homes Northern region, reflecting the Group's view that goodwill on acquisition arose from the synergy cost benefits available from the combination, and secondly that the acquisition would give rise to additional expertise in land buying in the northern geography.

At the end of December 2008, the Group reviewed the carrying value of the goodwill arising on acquisition of Elite Homes Group Ltd, given indications of impairment such as falling house prices, and the restructuring of the Northern business of Bovis Homes. Using a pre-tax discount rate of 10.7% and assuming the existing land bank is built and sold over a four year period, at current prices, and no further land is acquired in the region, the value-in-use of the income generating unit was lower than the carrying value of the assets. Accordingly, the Group has fully impaired the goodwill it was carrying.

	£000
Cost	
Balance at 1 January 2008 as restated	10,036
Acquisition during the year	-
Balance at 31 December 2008	10,036
Impairment	
Balance at 1 January 2008	-
Impairment losses during the year	10,036
Balance at 31 December 2008	10,036
Carrying amounts	
At 1 January 2008 as restated	10,036
At 31 December 2008	-

14. Investments

	Group 2008 £000	Group 2007 £000	Company 2008 £000	Company 2007 £000
Subsidiary undertakings				
Interest in subsidiary undertakings' shares at cost (100% ownership of ordinary shares)	-	-	850	872
Associated undertakings - share of net assets				
Bishops Park Limited (50% ownership of ordinary shares)	4	4	-	-
CCB Stevenage Limited (33% ownership of ordinary shares)	13	13	-	-
Haydon Development Company Limited (39% ownership of ordinary shares)	4	4	-	-
Other investments				
Listed investments	1	1	-	-
	22	22	850	872

The subsidiary and associated undertakings in which the Group has interests are incorporated in Great Britain. In each case their principal activity is related to housebuilding and estate development. The Group has not earned any significant profit or loss from its investment in associates during either financial year.

The Group has twenty eight subsidiaries, of which there is one principal subsidiary undertaking. A full list of the Group's subsidiaries will be filed with the Company's next annual return.

	Country of incorporation	Ownership interest in ordinary shares 2008	Ownership interest in ordinary shares 2007
Bovis Homes Limited	Great Britain	100%	100%

15. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Group	Assets 2008 £000	Assets 2007 £000	Liabilities 2008 £000	Liabilities 2007 £000	Net 2008 £000	Net 2007 £000
Property, plant and equipment	289	259	-	(56)	289	203
Non current trade payables	3,233	3,098	-	-	3,233	3,098
Available-for-sale financial assets	42	-	-	-	42	-
Employee benefits - pensions	1,901	-	-	(282)	1,901	(282)
Employee benefits - share-based payments	99	364	-	-	99	364
Provisions	354	159	-	-	354	159
Fair value adjustment	-	26	(370)	-	(370)	26
Tax assets/(liabilities)	5,918	3,906	(370)	(338)	5,548	3,568

The Group has no material unrecognised deferred tax assets.

Movement in temporary differences during the year

Group	Balance 1 Jan 2008 £000	Recognised on acquisition	Recognised in income £000	Recognised in equity £000	Balance 31 Dec 2008 £000
Property, plant and equipment	203	-	30	56	289
Non current trade payables	3,098	-	135	-	3,233
Available-for-sale financial assets	-	-	42	-	42
Employee benefits - pensions	(282)	-	(287)	2,470	1,901
Employee benefits - share-based payments	364	-	(187)	(78)	99
Provisions	159	-	195	-	354
Fair value adjustment	26	-	(396)	-	(370)
Movement in temporary differences during 2008	3,568	-	(468)	2,448	5,548

Group	Balance 1 Jan 2007 £000	Recognised on acquisition	Recognised in income £000	Recognised in equity £000	Balance 31 Dec 2007 £000
Property, plant and equipment	249	-	(51)	5	203
Non current trade payables	2,974	-	124	-	3,098
Interest rate swaps	48	-	-	(48)	-
Employee benefits - pensions	1,542	-	(499)	(1,325)	(282)
Employee benefits - share-based payments	1,137	-	22	(795)	364
Provisions	139	43	(23)	-	159
Fair value adjustment - restated	-	(273)	299	-	26
Movement in temporary differences during 2007 - restated	6,089	(230)	(128)	(2,163)	3,568

Non current trade payables

The Group recognises differences between the fair value and nominal value of long term creditors relating to purchases of land for development and charges these differences as finance costs using the effective interest method. The Group does not receive a tax deduction for this difference between fair value and nominal value when it is charged to the income statement, a tax deduction being obtained at a later date when the associated land cost is charged on legal completion of the house sale. As at 31 December 2008, £11,546,000 (2007: £11,066,000) of finance costs had not received a tax deduction. The Group anticipates obtaining a current tax deduction in respect of this in the future and has therefore created a deferred tax asset to reflect this future tax deduction.

Employee benefits

The Group recognises the deficit or surplus on its defined benefits pension scheme under the requirements of IAS19 (Revised): “Employee benefits”. This has generated a deficit of £6.8 million (2007: surplus of £1.0 million). As at 31 December 2008 a deferred tax asset of £1,901,000 (2007: liability £282,000) was recognised.

16. Inventories

Group	2008 £000	2007 £000
Raw materials and consumables	721	2,866
Work in progress	259,922	235,731
Part exchange properties	20,525	34,913
Land held for development	499,484	595,689
Development properties	156	156
	780,808	869,355

Inventories to the value of £162,147,000 were recognised as expenses in the year (2007: £381,262,000).

As outlined in note 7, there has been a £75.2 million exceptional write-down of inventories during 2008 (2007: £nil). Following this review, £268.0 million (2007: £nil) of inventories were valued at fair value less costs to sell rather than at historic cost.

The Group charged £1,299,000 of loss on disposal of part exchange properties to cost of sales during the year (2007: £27,000).

The Company has no inventories.

17. Trade and other receivables

	Group		Company	
	2008 £000	2007 £000	2008 £000	2007 £000
Non-current assets				
Other debtors	2,418	2,589	-	-
	2,418	2,589	-	-
Current assets				
Trade receivables	33,085	47,688	-	-
Amount due from subsidiary undertakings	-	-	310,813	225,307
Other debtors	2,428	4,147	-	-
Prepayments and accrued income	2,434	890	-	-
	37,947	52,725	310,813	225,307
Total trade and other receivables	40,365	55,314	310,813	225,307

The carrying value of trade receivables and other debtors represents the Group's maximum exposure to credit risk. As at 31 December 2008, the Group had £1.5 million of receivables past due. The Group has reviewed the items which comprise this balance, and believes that these amounts will be recovered. As part of this exercise the Group has provided for receivables it regards as doubtful. The total of this provision is £0.9 million (2007: £0.1 million). The carrying value of amounts due from subsidary undertakings represents the Company's maximum credit risk. The directors consider these amounts to be fully receivable at year end.

Ageing of past due but not impaired receivables

	2008 £m	2007 £m
Less than three months	0.2	0.5
Greater than three months	1.3	1.4

The directors consider that the carrying amount of trade receivables approximates to their fair value.

Further disclosures relating to financial assets are set out in note 27.

18. Available-for-sale financial assets

Available-for-sale financial assets relate to legal completions where the Group has retained an equity interest through agreement to defer recovery of a percentage of the market value of the property, together with a legal charge to protect the Group's position. Typically, amounts are receivable ten years after recognition, during which time no interest is charged over the first five years, and 3% per annum is charged during the next five years. These loans are held at the present value of expected future cash flows taking into account the estimated market value of the property at the estimated date of recovery. An impairment has arisen due to the impact on the fair value of these assets as a result of the decline in UK house prices.

	2008 £000	2007 £000
Balance at 1 January	1,085	-
Additions	6,053	1,085
Impairment taken through the income statement	(1,230)	-
Imputed interest	122	-
Balance at 31 December	6,030	1,085

19. Cash and cash equivalents

	Group		Company	
	2008 £000	2007 £000	2008 £000	2007 £000
Bank balances	327	346	344	344
Call deposits	11,307	-	-	-
Cash and cash equivalents in the balance sheet	11,634	346	344	344
Bank overdrafts	-	(3,588)	-	-
Cash and cash equivalents in the statement of cash flows	11,634	(3,242)	344	344

20. Capital and reserves

Reconciliation of movement in capital and reserves - Group

	Attributable to equity holders of the parent								
For the year ended 31 December 2008	Own shares held* £000	Retirement benefit obligations £000	Other reserves £000	Other retained earnings £000	Total retained earnings £000	Issued capital £000	Share premium £000	Hedge reserve £000	Total £000
Balance at 1 January 2007	(3,380)	(11,060)	1,290	475,312	462,162	60,288	155,494	(112)	677,832
Total recognised income and expense	-	2,425	(790)	86,859	88,494	-	-	112	88,606
Issue of share capital	-	-	-	-	-	127	1,240	-	1,367
Own shares disposed	422	-	-	(422)	-	-	-	-	-
Share-based payments	-	-	-	928	928	-	-	-	928
Dividends paid to shareholders	-	-	-	(44,990)	(44,990)	-	-	-	(44,990)
Balance at 31 December 2007	(2,958)	(8,635)	500	517,687	506,594	60,415	156,734	-	723,743
Balance at 1 January 2008	(2,958)	(8,635)	500	517,687	506,594	60,415	156,734	-	723,743
Total recognised income and expense	-	(6,350)	476	(58,995)	(64,869)	-	-	-	(64,869)
Issue of share capital	-	-	-	-	-	82	393	-	475
Own shares disposed	154	-	-	(154)	-	-	-	-	-
Revaluation reserve movement	-	-	(202)	202	-	-	-	-	-
Share-based payments	-	-	-	(22)	(22)	-	-	-	(22)
Dividends paid to shareholders	-	-	-	(27,049)	(27,049)	-	-	-	(27,049)
Balance at 31 December 2008	(2,804)	(14,985)	774	431,669	414,654	60,497	157,127	-	632,278

**Own shares held totalled 643,176 at 31 December 2008 (2007: 678,571).*

Notes to the financial statements continued

Reconciliation of movement in capital and reserves - Company

For the year ended 31 December 2008	Total retained earnings £000	Attributable to equity holders of the parent Issued capital £000	Share premium £000	Total £000
Balance at 1 January 2007	8,296	60,288	155,494	224,078
Total recognised income and expense	45,000	-	-	45,000
Issue of share capital	-	127	1,240	1,367
Dividends paid to shareholders	(44,990)	-	-	(44,990)
Share based payments	588	-	-	588
Balance at 31 December 2007	8,894	60,415	156,734	226,043
Balance at 1 January 2008	8,894	60,415	156,734	226,043
Total recognised income and expense	107,922	-	-	107,922
Issue of share capital	-	82	393	475
Dividends paid to shareholders	(27,049)	-	-	(27,049)
Share based payments	(22)	-	-	(22)
Balance at 31 December 2008	89,745	60,497	157,127	307,369

Share capital and share premium

	Ordinary shares 2008	2007
In issue at 1 January	120,830,148	120,576,542
Issued for cash	164,605	162,861
Scrip dividend	-	90,745
In issue at 31 December – fully paid	120,994,753	120,830,148

At 31 December 2008, the authorised share capital comprised 150,000,000 ordinary shares (2007: 150,000,000). The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred. As the Group's outstanding instruments expired within 2007 and no further hedges were entered into in 2008, there is no balance at the end of 2008.

Reserve for own shares held

The cost of the Company's shares held in the ESOP trust by the Group is recorded as a reserve in equity. During the year ended 31 December 2008, there were no share purchases. 35,395 shares awarded under the Group's long term incentive plan vested during 2008, and accordingly the balance of the own shares held reserve fell by £154,322 during the year. The Group has suspended all rights on shares held by the Group in the Company.

Dividends

The following dividends were paid by the Group:

	2008 £000	2007 £000
November 2008: 5.0p per qualifying ordinary share (November 2007: 17.5p)	6,018	21,014
May 2008: 17.5p per qualifying ordinary share (May 2007: 20.0p)	21,031	23,976
	27,049	44,990

No scrip dividends were issued during 2008 (2007: £781,000).

The Board has proposed that no final dividend payment be paid. No dividend has been provided for and there are no income tax consequences.

21. Interest-bearing loans and borrowings

	2008 £000	2007 £000
Non-current liabilities		
Unsecured bank loans	120,000	25,000
Issue costs	(8,270)	-
	111,730	25,000
Current liabilities		
Bank overdraft	-	3,588
Unsecured bank loans	-	16,000
	-	19,588
Interest-bearing loans and borrowings	111,730	44,588

Interest rate profile of interest-bearing financial instruments

	Rate	Facility maturity	Carrying value 2008	Carrying value 2007
Overdraft	LIBOR +100 bps	on demand	-	3,588
Loans	LIBOR +350 bps	2011	120,000	-
Loans	LIBOR + 45 bps	2010	-	41,000

Details of facilities

The Group entered into a new banking facility on 29 December 2008. This facility is a syndicated revolving credit facility with £220 million committed funds. The facility steps down in size to £180 million in February 2010, and to £160 million in September 2010. The facility expires in March 2011. The syndicate comprise the six existing relationship banks of the Group, of which details can be found on page 76.

22. Provisions

Group	Site remedial works £000	Other £000	Total £000
Balance at 1 January 2008	652	1,311	1,963
Provisions made during the year	499	1,775	2,274
Provisions released during the year	-	-	-
Provisions used during the year	-	(1,602)	(1,602)
Balance at 31 December 2008	1,151	1,484	2,635
Non-current	1,062	561	1,623
Current	89	923	1,012

Provisions relate to known claims, remedial works on site and a provision in respect of the lease on an office building in Cheltenham, previously occupied by the Group, liability for which has returned to the Group following the entering into of administration of the existing tenant. There remains uncertainty as to the outcome, but the provisions represent management's best estimate of the amount that will be settled. A number of these provisions relate to historical issues where outstanding decisions have delayed their resolution whilst the remainder relate to current issues which are being resolved and on which expenditure will be incurred over the course of the next financial year.

23. Trade and other payables

	Group 2008 £000	Group 2007 £000	Company 2008 £000	Company 2007 £000
Non current liabilities				
Other trade creditors	24,448	28,357	-	-
Other creditors	459	459	459	459
	24,907	28,816	459	459
Current liabilities				
Trade creditors secured by bond or guarantee	1,573	12,968	-	-
Other trade creditors	90,409	117,451	-	-
Taxation and social security	856	1,366	-	-
Other creditors	1,788	1,934	28	21
Accruals and deferred income	7,338	8,572	-	-
	101,964	142,291	28	21
Total trade and other payables	126,871	171,107	487	480

The Group's non-current liabilities largely relate to land purchased on extended payment terms. An ageing of land creditor repayments is provided in note 27.

24. Loss per share

Basic loss per share

The calculation of basic loss per share at 31 December 2008 was based on the loss attributable to ordinary shareholders of £58,995,000. (2007: profit of £86,859,000) and a weighted average number of ordinary shares outstanding during the year ended 31 December 2008 of 120,268,986 (2007: 119,984,811), calculated as follows:

(Loss)/profit attributable to ordinary shareholders

	2008 £000	2007 £000
(Loss)/profit for the period attributable to ordinary shareholders	(58,995)	86,859

Weighted average number of ordinary shares

	2008	2007
Issued ordinary shares at 1 January	120,830,148	120,576,542
Effect of own shares held	(650,969)	(712,139)
Effect of shares issued in year	89,807	120,408
Weighted average number of ordinary shares at 31 December	120,268,986	119,984,811

Basic earnings per ordinary share before exceptional items for the year ended 31 December 2008 is calculated on the pre-exceptional profit after tax of £11,075,000 for 2008 (2007: £86,859,000). Basic loss per share on exceptional items for the year ended 31 December 2008 is calculated on the exceptional loss after tax of £70,070,000 for 2008 (2007: £nil). In both cases this is expressed on a per share basis using the weighted average share information disclosed above.

Diluted loss per share

Under normal circumstances, the average number of shares is diluted in reference to the average number of potential ordinary shares held under option during the period. This dilutive effect amounts to 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.

However, as a loss per share cannot be reduced through dilution, this dilution adjustment has been applied to the calculation of diluted earnings per share before exceptional items, but not to the calculation of diluted loss per share or diluted loss on exceptional items per share.

The calculation of diluted loss per share at 31 December 2008 was based on the loss attributable to ordinary shareholders of £58,995,000 (2007: profit of £86,859,000) and a weighted average number of ordinary shares outstanding during the year ended 31 December 2008 of 120,268,986 (2007: 120,244,911).

The calculation of diluted loss on exceptional items per share at 31 December 2008 was based on the exceptional loss attributable to ordinary shareholders of £70,070,000 (2007: £nil) and a weighted average number of ordinary shares outstanding during the year ended 31 December 2008 of 120,268,986 (2007: 120,244,911).

Weighted average number of ordinary shares (diluted)

	2008	2007
Weighted average number of ordinary shares at 31 December	120,268,986	119,984,811
Effect of share options in issue which have a dilutive effect	45,465	260,100
Weighted average number of ordinary shares (diluted) at 31 December	120,314,451	120,244,911

Diluted earnings before exceptional items

Diluted earnings per ordinary share before exceptional items for the year ended 31 December 2008 is calculated on the pre-exceptional profit after tax of £11,075,000 for 2008 (2007: £86,859,000). This is expressed on a per share basis using the weighted average share information disclosed above.

25. Employee benefits

Retirement benefit obligations

The Group makes contributions to one defined benefit scheme that provides pension benefits for employees upon retirement.

	2008 £000	2007 £000
Present value of funded obligations	65,510	70,810
Fair value of plan scheme assets	(58,720)	(71,820)
Recognised liability/(asset) for defined benefit obligations	6,790	(1,010)

Movements in the net liability for defined benefit obligations recognised in the balance sheet

	2008 £000	2007 £000
Net (asset)/liability for defined benefit obligations at 1 January	(1,010)	5,140
Contributions received	(1,420)	(3,380)
Expense recognised in the income statement	400	980
Loss/(gain) recognised in equity	8,820	(3,750)
Net liability/(asset) for defined benefit obligations at 31 December	6,790	(1,010)

The cumulative loss/(gain) recognised in equity to date is £1.14 million.

Change in defined benefit obligation over the year

	2008 £000	2007 £000
Defined benefit obligation at beginning of year	70,810	70,090
Interest cost	4,040	3,540
Current service cost	1,500	1,860
Actual member contributions	320	390
Actual benefit payments by the scheme	(2,560)	(2,310)
Curtailments	(50)	-
Gain on change of assumptions	(7,250)	(2,260)
Experience gain	(1,300)	(500)
Defined benefit obligation at end of year	65,510	70,810

Change in scheme assets over the year

	2008 £000	2007 £000
Fair value of scheme assets at beginning of year	71,820	64,950
Actual benefit payments by the scheme	(2,560)	(2,310)
Actual Group contributions	1,420	3,380
Actual member contributions	320	390
Expected return on plan assets	5,090	4,420
Actuarial (loss)/gain	(17,370)	990
Fair value of scheme assets at end of year	58,720	71,820

The actual return on scheme assets in 2008 was a loss of £12.3 million (2007: £5.4 million gain).

Notes to the financial statements continued

History of experience gains and losses

For the year ended 31 December	2008	2007	2006	2005
Experience (loss)/gain on scheme assets				
Amount (£000)	(17,370)	990	2,290	6,340
Percentage of scheme assets at year end (%)	29.6	1.38	3.50	12.06
Experience (gain)/loss on scheme liabilities				
Amount (£000)	(1,300)	(500)	(2,950)	410
Percentage of scheme liabilities at year end (%)	1.98	0.70	4.20	0.55

Scheme assets and expected rate of return

	At 31 December 2008		At 31 December 2007	
	Expected rate of return % pa	Market value £000	Expected rate of return % pa	Market value £000
Equities	8.3	37,040	8.0	46,270
Bonds (fixed interest)	6.2	14,230	5.8	16,570
Bonds (index linked)	4.2	7,530	4.6	9,030
Other	4.0	(80)	5.0	(50)
Total	7.3	58,720	7.1	71,820

To develop the overall expected rate of return on the scheme's assets, the Group considered the current market redemption yields on index-linked Government bonds, the overall redemption yield on corporate AA fixed interest bonds and the median expected rate of return on equities and cash as provided by the Group's actuarial advisors where these are to be used for asset liability modelling, all as at the reporting date. These have then been weighted in proportion to the underlying actual current asset allocation to derive an overall expected rate of return.

Expense recognised in the income statement

	2008 £000	2007 £000
Current service costs	1,500	1,860
Gain on curtailment	(50)	-
Interest on obligation	4,040	3,540
Expected return on plan assets	(5,090)	(4,420)
Expense recognised in the income statement	400	980

This is recognised in the following line items in the income statement:

	2008 £000	2007 £000
Cost of sales	135	110
Administrative expenses	1,315	1,750
Financial income	(1,050)	(880)
Expense recognised in the income statement	400	980

Assumptions

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	2008 %	2007 %	2006 %
Discount rate at 31 December	6.2	5.8	5.1
Expected return on plan assets at 31 December	7.3	7.1	6.8
Future salary increases	2.5	2.5	2.5
Inflation	3.2	3.5	3.1
Future pension increases	3.2	3.5	3.1

	2008 £000	2007 £000	2006 £000	2005 £000
Present value of defined benefit obligations	65,510	70,810	70,090	74,950
Fair value of scheme assets	58,720	71,820	64,950	52,580
(Deficit)/surplus in the scheme	(6,790)	1,010	(5,140)	(22,370)

Following the triennial revaluation of the scheme as at 30 June 2007, the year-end position reflects the roll-forward of this valuation. As part of this valuation exercise, the mortality assumptions for the scheme are now based on the 92-series tables with an uplift for future improvements in mortality in line with the medium cohort. These tables imply the following remaining life expectancy at age 65.

Remaining years of life at 65	Current age 40	Current age 65
Men	23	22
Women	26	25

The Group estimates that the contribution in 2009 by the Group to the scheme will be in the region of £1 million.

Share-based payments

The Bovis Homes Group PLC Executive Share Option Scheme was established in 1997. The Remuneration Committee suspended the issuing of new share options on 5 May 2004. In accordance with scheme rules, options are exercisable at the market price of the shares at the date of grant. The last grant of executive share options took place on 18 March 2003 and the scheme expired in 2007.

Under the Executive Share Option Scheme, options were granted on a discretionary basis relative to executives' seniority within the Group. The options can be exercised where the cumulative increase in annualised basic earnings per share exceeds the percentage increase in RPI by at least 4% per annum (2% per annum for share options granted before 2001) over three consecutive financial years. Assuming this condition is satisfied, options may, under normal circumstances, be exercised between the third and tenth anniversary of the date of grant.

There are four historical grants of executive share options prior to 7 November 2002 where there remain exercisable share options unexercised at 31 December 2008. In accordance with the provisions of IFRS1, the recognition and measurement principles in IFRS2 have not been applied to these grants.

The Bovis Homes Group PLC Save as You Earn Share Option Scheme was established in 1997. Share options held in the Save As You Earn Share Option Scheme are not subject to performance conditions and may under normal circumstances be exercised during the six months after maturity of the agreement. Save As You Earn share options are generally exercisable at an exercise price which includes either a 10% or 20% discount to the market price of the shares at the date of grant.

Save as You Earn Share Option Scheme

	2008	2007
Options granted during the period	261,661	77,543
Date of grant	8 April 2008	11 April 2007
Fair value at measurement date (Black-Scholes methodology) .	£1.89 / £1.80	£3.72 / £4.12
Share price	£5.64	£12.03
Exercise price	£4.60	£9.30
Expected volatility	41.3% / 37.6%	25.1%
Option life (contract length)	3 / 5.5 yrs	3 / 5.5 yrs
Expected dividend	3.00%	2.54%
Risk free interest rate	4.05% / 4.19%	5.30% / 5.45%

There is one historical grant of Save As You Earn share options prior to 7 November 2002 where there remain exercisable share options unexercised at 31 December 2008. In accordance with the provisions of IFRS1, the recognition and measurement principles in IFRS2 have not been applied to these grants.

A Long Term Incentive Plan for executive directors and senior executives was approved by shareholders at the 2000 Annual General Meeting and established on 10 May 2000. An amendment to the rules of the Long Term Incentive Plan was approved by shareholders at the 2004 Annual General Meeting on 5 May 2004. Two awards under this plan were made during 2008. Details of the vesting conditions of these awards are laid out in the Report on directors' remuneration which can be found on pages 30 to 38.

Notes to the financial statements continued

Long Term Incentive Plan

	2008	2008	2007
Options granted during the period	228,514	118,363	112,028
Date of grant	11 March 2008	27 Aug 2008	14 March 2007
Fair value at measurement date (Monte Carlo methodology)	£1.41	£1.59	£4.75
Share price	£5.12	£4.28	£10.33
Exercise price	-	-	-
Expected volatility	38.3%	43.6%	25.5%
Option life	3 yrs	3 yrs	3 yrs
Expected dividend	3.00%	2.00%	2.54%
Risk free interest rate	3.87%	4.50%	5.24%

The expected volatility is based on the historic volatility calculated as the annualised average of the standard deviations of the daily historical continuously compounded returns one, two and three years back from the date of grant where applicable.

The Group introduced a Share Option Plan in 2007 designed to provide middle management with effective incentivisation. Executive directors of the Company do not participate. This plan was approved by shareholders at the 2007 Annual General Meeting.

Share Option Plan

	2008	2007
Options granted during the period	111,000	58,000
Date of grant	27 Aug 2008	11 Sept 2007
Fair value at measurement date (Black-Scholes methodology)	£1.60	£1.96
Share price	£4.28	£7.53
Exercise price	£4.28	£7.36
Expected volatility	43.6%	27.4%
Option life (contract length)	3 yrs	3 yrs
Expected dividend	2.00%	2.54%
Risk free interest rate	4.50%	4.90%

Details of the Executive share options and Save As You Earn share options outstanding are as follows:

Executive Share Option Scheme

Date of grant	Options issued	Vesting conditions	Exercise price	Options outstanding	Contractual life
17 March 1999	1,108,051	3 years service / 2% cumulative increase in earnings per share above RPI over three consecutive years.	278.5p	8,797	3/02 - 3/09
16 March 2000	495,167		295.5p	507	3/03 - 3/10
19 March 2001	384,709	3 years service / 4% cumulative increase in earnings per share above RPI over three consecutive years.	384.5p	19,220	3/04 - 3/11
19 March 2002	690,919		407.5p	17,613	3/05 - 3/12
18 March 2003	879,481		358.5p	428,305	3/06 - 3/13

Share Option Plan

Date of grant	Options issued	Vesting conditions	Exercise price	Options outstanding	Contractual life
11 September 2007	58,000	3 years service / 4% cumulative increase in earnings per share above RPI over three consecutive years.	736.0p	55,500	9/07 - 8/10
27 August 2008	111,000		427.5p	108,000	9/08 - 8/11

Notes to the financial statements continued

Save As You Earn Share Option Scheme

	Options issued	Vesting conditions	Exercise price	Options outstanding
Date of grant				
10 April 2002	129,803	3, 5 and 7 years service depending on type of Save As You Earn contract	348.5p	8,043
9 April 2003	342,628		286.5p	24,033
7 April 2004	121,900		480.6p	32,155
11 April 2005	92,383		618.3p	18,946
10 April 2006	68,935		769.5p	26,718
11 April 2007	77,543		929.7p	25,087
8 April 2008	261,661		460.4p	201,962

The number and weighted average exercise prices of share options is as follows:

	Weighted average exercise price 2008	Number of options 000's 2008	Weighted average exercise price 2007	Number of options 000's 2007
Outstanding at the beginning of the period	443.3p	1,005	386.7p	1,156
Forfeited during the period	564.7p	(238)	466.4p	(124)
Exercised during the period	288.6p	(165)	360.1p	(163)
Granted during the period	450.5p	373	846.8p	136
Outstanding at the end of the period	442.5p	975	443.3p	1,005
Exercisable at the end of the period	372.1p	46	372.1p	46

The weighted average share price at the date of exercise of share options exercised during the period was 412.8p (2007: 994.4p).

The options outstanding at 31 December 2008 have an exercise price in the range of 278.5p to 929.7p and a weighted average contractual life of 3.2 years.

Share-based payments expense in the income statement

	2008 £000	2007 £000
Long Term Incentive Plan	(63)	32
Executive and other share options	13	(45)
Save As You Earn share options	28	146
Total expense recognised as personnel expenses	(22)	133

26. Financial risk management

The Group seeks to manage its capital in such a manner that the Group safeguards its ability to continue as a going concern and to fund its future development. In continuing as a going concern, it seeks to provide for returns for shareholders as well as enabling repayment of its liabilities as a trading business.

The Group's capital comprises its shareholders equity, added together with its net borrowings stated before issue costs. A five year record of its capital employed is displayed on page 68 together with a return on capital employed, which indicates that the Group has historically delivered both absolute growth in capital and a return on capital employed of over 20%, although not in 2008.

Whilst the blended cost of capital is a factor in the Group's decision making in assessing the right blend of shareholders equity and debt financing, the Group has typically preferred to operate within a framework that features relatively low gearing. This is because the Group recognises that housebuilding can be cyclical, and higher levels of gearing can create profound liquidity risks. The Group would seek to manage its capital base through control over expenditure, maintenance of adequate banking facilities, control over dividend payments and in the longer term through adjustments to its capital structure.

Following the sharp market movements in 2008, the Group has seen a fall in its capital employed in 2008, as inventory provisions have reduced the asset base of the Group, leading to a reduction in retained earnings and thus shareholders equity.

An important part of capital management for the Group is its financial instruments, which comprise cash, bank loans and overdrafts, and various items such as trade receivables and trade payables that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations.

The use of these carries risk: interest rate risk, credit risk and liquidity risk. Given that the Group trades exclusively in the UK, there is no material currency risk.

Notes to the financial statements continued

a. Interest rate risk

Exposure to interest rate risk arises in the normal course of the Group's business and interest rate swaps are used where appropriate to hedge exposure to fluctuations in interest rates. The Group has no exposure to currency risk as all its financial assets and liabilities are denominated in sterling.

Throughout the year, the Group's policy has been that no trading in financial instruments shall be undertaken.

Hedging

The Group mitigates its exposure to changes in interest rates on a core level of borrowings where appropriate through procuring interest rate swaps, denominated in sterling. The decision whether to enter into a swap, and the timing of procurement of swaps depends on a number of key variables, on which management form judgements. These matters include management's view of likely cashflows and indebtedness, interest rate movements and other macro-economic factors looking ahead. These assumptions are reviewed with the Group Finance Director on a periodic basis prior to any decision being made. Decisions made by management in this area are discussed with the Board to ensure transparency of decision making. At 31 December 2008, the Group held no interest rate swaps.

Effective interest rates and repricing analysis

The interest rate profile of the Group's interest bearing financial instrument is set out in note 21.

Sensitivity analysis

In managing interest rates, the Group aims to reduce the impact of short-term fluctuations in the Group's earnings, given that Group borrowings are variable in terms of interest rate. Over the longer-term, however, permanent changes in interest rates would have an impact on consolidated earnings.

For the year ended 31 December 2008, it is estimated that a general increase of one percentage point in interest rates applying for the full year would increase the Group's loss before tax by approximately £970,000 (year ended 31 December 2007: increase of profit by £491,000).

b. Credit risk

The Group's exposure to credit risk is limited by the fact that the Group generally receives cash at the point of legal completion of its sales. There are certain categories of revenue where this is not the case: for instance, housing association revenues or land sales. The largest single amount outstanding at the year end was £11.3 million, which was paid in January 2009 (2007: £7.3 million). The Group retains these outstanding balances as trade receivables, the carrying value of which equates to the Group's exposure to credit risk. This is set out in note 17.

In managing risk the Group assesses the credit risk of its counter parties before entering into a transaction. This assessment is based upon management knowledge and experience. In the event that land is disposed of the Group seeks to mitigate any credit risk by retaining a charge over the asset disposed of, so that in the event of default, the Group is able to seek to recover its outstanding asset.

c. Liquidity risk

The Group's banking arrangements outlined in note 21 are considered to be adequate in terms of flexibility and liquidity for its medium term cash flow needs, thus mitigating its liquidity risk. The Group's approach to assessment of liquidity risk is outlined in the section on the report on corporate governance relating to Going Concern which can be found on page 27.

27. Financial instruments

Fair values

There is no material difference between the carrying value of financial instruments shown in the balance sheet and their fair value.

Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments:

Land purchased on extended payment terms

When land is purchased on extended payment terms, the Group initially records it at its fair value with a land creditor recorded for any outstanding monies based on this fair value assessment. Fair value is determined as the outstanding element of the price paid for the land discounted to present day. The difference between the nominal value and the initial fair value is amortised over the period of the extended credit term and charged to finance costs using the 'effective interest' rate method, increasing the value of the land creditor such that at the date of maturity the land creditor equals the payment required.

Land creditor (estimated ageing)	Balance at 31 December £000	Total contracted cash payment £000	Due within 1 year £000	Between 1-2 years £000	Between 2-3 years £000	Between 3-4 years £000	Between 4-5 years £000	Between 5-6 years £000
2008	37,457	42,003	14,856	9,369	9,150	6,929	864	835
2007	62,684	67,561	36,573	11,414	8,340	6,184	5,050	-

Interest bearing loans and borrowings

Fair value is calculated based on discounted expected future principal and interest flows.

Interest rate swaps

At each period end, an external valuation of the fair value of each interest rate swap is obtained from the relevant swap providers.

Trade and other receivables / payables

Other than land creditors, the nominal value of trade receivables and payables is deemed to reflect the fair value. This is due to the fact that transactions which give rise to these trade receivables and payables arise in the normal course of trade with industry standard payment terms.

Interest rates used for determining fair value

The Group uses an instrument-specific market-assessed interest rate to determine the fair value of financial instruments. For the year ended 31 December 2008 the interest rate used to discount was 6.5% (year ended 31 December 2007: 6.5%).

28. Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

Group	2008 £000	2007 £000
Less than one year	155	52
Between one and five years	435	117
More than five years	-	-
Operating leases	590	169

With regard to the operating leases held by the Group as lessor, the Group recognised £441,000 of rental income in the income statement in 2008 (2007: £680,000). £262,000 related to the temporary rental of surplus office space by the Group (2007: £245,000). The remainder primarily related to the ground rents collected on the freehold of leasehold apartments sold by the Group prior to the freehold disposal.

29. Capital commitments

The Group is committed to incur capital expenditure of £nil (2007: £65,000). This relates to plant and equipment.

30. Contingencies

The Group has contingent liabilities in respect of bonds and other agreements entered into in the normal course of business and the Company has guaranteed the performance of certain of these agreements entered into by its subsidiary companies. The Company had guaranteed the repayment of bank loans made to one of its subsidiaries under a syndicated loan facility agreement which amounted to £120 million at 31 December 2008 (31 December 2007: £41 million).

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its Group, the Company considers these to be insurance arrangements, and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

31. Accounting estimates and judgements

Management discussed with the Audit Committee the development, selection and disclosure of the Group's critical accounting policies and estimates and the application of these policies and estimates.

Key sources of estimation uncertainty

Land held for development and housing work in progress

The Group holds inventories which are stated at the lower of cost and net realisable value. To assess the net realisable value of land held for development and housing work in progress, the Group completes a financial appraisal of the likely revenue which will be generated when these inventories are combined as residential properties for sale and sold. Where the financial appraisal demonstrates that the revenue will exceed the costs of the inventories and other associated costs of constructing the residential properties, the inventories are stated at cost. Where the assessed revenue is lower, the extent to which there is a shortfall is written off through the income statement leaving the inventories stated at a recoverable value. To the extent that the revenues which can be generated change, or the final cost to complete the site varies from estimates, the net realisable value of the inventories may be different. A review taking into account estimated achievable net revenues, actual inventory and costs to complete as at 6 March 2009 has been carried out, which has identified the requirement for a carrying value provision of £69.9 million as at 31 December 2008. These estimates were made by local management having regard to actual selling prices, together with competitor and marketplace evidence, and were further reviewed by Group management. Should there be a further significant decline in UK house pricing, then further write-downs of land and work in progress may be necessary.

Part exchange properties

The carrying values of part exchange properties are assessed based on external valuations completed on the properties. These valuations are based on the prevailing market conditions in the second hand housing market and to the extent that housing market pricing levels change, the achievable values of the part exchange properties may vary. Part exchange property values at the end of the financial year were based on up to date valuations and were based on realistic market expectations.

Financial instruments

The Group mitigates its exposure to interest rates through using interest rate swaps where appropriate. These interest rate swaps are held at their fair value. This fair value is based on the likely income or cost associated with terminating the swap at the balance sheet date. Where interest rates are volatile, the fair value of the interest rate swaps may vary as interest rates change. The Group held no interest rate swaps at the end of 2008, or at the end of 2007.

Pension assumptions

The Group has utilised a range of assumptions including a rate of return on assets, a discount rate and mortality assumptions having been advised by its actuary. To the extent that such assumed rates are different from what actually transpires, the pension liability of the Group would change.

Goodwill

At least annually, the Group assesses its goodwill to understand whether impairment is indicated. This assessment requires judgement in estimating future cash flows and in selecting an appropriate discount rate by which to perform a value-in-use calculation and so to determine the present value of cash flows and thus recoverable amounts.

Available-for-sale financial assets

The estimation of the current value of available-for-sale financial assets requires judgement and estimation as to the quantum, timing and value of repayment of the Group's asset.

32. 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 period.

Transactions between the Group and key management personnel in the year ending 31 December 2008 were limited to those relating to remuneration, which are disclosed in the Report on director's remuneration which can be found on pages 30 to 38.

Mr Malcolm Harris, a Group Director, is a non-executive Director of the National House Building Council (NHBC), and the Home Builders Federation (HBF). The Group trades in the normal course of business, on an arms-length basis, with the NHBC for provision of a number of building-related services, most materially for provision of warranties on new homes sold and for performance bonding on infrastructure obligations, The Group pays subscription fees and fees for research as required to the HBF.

Total net payments were as follows:

	2008 £000	2007 £000
NHBC	1,258	2,346
HBF	92	119

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

Five year record

Years ended 31 December	2008 IFRS £m	2007 IFRS £m	2006 IFRS £m	2005 IFRS £m	2004 IFRS £m
Revenue and profit					
Revenue	282.3	555.7	597.3	521.2	559.5
Operating (loss)/profit before financing costs	(71.8)	124.4	141.3	125.1	151.5
Net financing costs	(6.9)	(0.8)	(5.8)	(9.0)	(6.7)
(Loss)/profit before tax	(78.7)	123.6	135.5	116.1	144.8
Tax	19.7	(36.7)	(40.5)	(34.6)	(43.1)
(Loss)/profit after tax	(59.0)	86.9	95.0	81.5	101.7
Balance sheet					
Equity shareholders' funds	632.3	723.7	677.8	598.1	538.2
Add borrowings stated before issue costs	120.0	44.6	40.2	62.2	76.3
Capital employed	752.3	768.3	718.0	660.3	614.5
Returns					
Operating margin (note 1)	8%	22%	24%	24%	27%
Return on shareholders' funds (note 2)	2%	12%	14%	14%	19%
Return on capital employed (note 3)	3%	17%	21%	20%	26%
Homes (including units sold on third party owned land)					
Number of unit completions	1,817	2,930	3,123	2,702	2,700
Average sales price (£'000)	150.8	179.5	183.7	175.5	197.9
Ordinary shares					
Earnings per share (p) (note 4)	9.2	72.4	79.8	69.0	86.8
Dividends per share					
Paid (p)	22.5	37.5	26.7	21.9	17.5
Interim paid and final proposed (p)	5.0	35.0	30.0	25.0	20.0

Note 1: Operating margin has been calculated as operating profit over turnover, stated before exceptional charges.

Note 2: Return on shareholders' funds has been calculated as pre-exceptional profit after interest and tax over closing shareholders' funds.

Note 3: Return on capital employed has been calculated as pre-exceptional profit before interest and tax over the average of opening and closing shareholders' funds plus debt.

Note 4: Earnings per share is calculated on a pre-exceptional basis.

Notice of meeting

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to any aspect of the proposals referred to in this document or as to the action you should take, you should seek your own advice from a stockbroker, solicitor, accountant, or other professional adviser.

If you have sold or otherwise transferred all of your shares, please pass this document together with the accompanying documents to the purchaser or transferee, or to the person who arranged the sale or transfer so they can pass these documents to the person who now holds the shares.

Notice of meeting

NOTICE IS HEREBY GIVEN that the 2009 Annual General Meeting of Bovis Homes Group PLC will be held at the New Connaught Rooms, 61-65 Great Queen Street, London WC2B 5DA on Thursday 7 May 2009 at 11.30am for the following purposes:

Ordinary resolutions

1 To receive and adopt the audited accounts of the Company for the year ended 31 December 2008 and the reports of the directors and auditors.

2 To approve the report on directors' remuneration for the year ended 31 December 2008.

3 To re-appoint John Anthony Warren as a director of the Company, who retires by rotation.

4 To re-appoint Neil Cooper as a director of the Company, who retires by rotation.

5 To re-appoint Alastair David Lyons as a director of the Company, appointed by the Board of directors since the last Annual General Meeting.

6 To re-appoint KPMG Audit Plc as auditors of the Company.

7 To authorise the directors to determine the remuneration of the auditors.

8 That the Board be authorised to allot relevant securities (as defined in the Companies Act 1985 ("the Act")):

(A) up to a nominal amount of £20,145,626; and

(B) comprising equity securities (as defined in the Act) up to a nominal amount of £40,291,252.50 (including within such limit any shares issued under (A) above) in connection with an offer by way of a rights issue to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings and so that the Board may impose any limits or restrictions and make any arrangements which it considers necessary or appropriate to deal with fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter,

such authorities to expire at the conclusion of the Annual General Meeting of the Company in 2010 or fifteen months from the date of this resolution, whichever is the earlier, but in each case so that the Company may make offers and enter into agreements during the relevant period which would, or might, require relevant securities to be allotted after the authority ends and the Board may allot relevant securities under any such offer or agreement as if the authority had not ended.

9 That the Bovis Homes Group PLC 2009 Bonus Replacement Share Plan, the main features of which are summarised in item 9 in the explanatory notes to this Notice and the rules of which are produced to the Meeting and initialled by the Chairman for the purpose of identification, be and is hereby approved and that the directors be and are hereby authorised to do all acts and things which they may consider necessary and expedient to carry the same into effect.

Special resolutions

10 That with effect from 00.01 am on 1 October 2009, the Company's Articles of Association be amended by deleting all the provisions in the Company's Memorandum of Association which, by virtue of section 28 of the Companies Act 2006, are to be treated as provisions of the Company's Articles of Association.

11 That the Articles of Association of the Company be amended with effect from the conclusion of the meeting by making the alterations marked on the print of the Articles of Association produced to the meeting marked 'A' and initialled by the Chairman for the purposes of identification.

12 That a general meeting other than an Annual General Meeting may be called on not less than 14 clear days' notice.

13 That if resolution 8 is passed, the Board be given power to allot equity securities (as defined in the Act) for cash under the authority given by that resolution and/or where the allotment constitutes an allotment of equity securities by virtue of section 94(3A) of the Act, free of the restriction in section 89(1) of the Act, such power to be limited:

(A) to the allotment of equity securities in connection with an offer of equity securities (but in the case of the authority granted under resolution 8(B), by way of a rights issue only) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings and so that the Board may impose any limits or restrictions and make any arrangements which it considers necessary or appropriate to deal with fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter; and

(B) in the case of the authority granted under resolution 8(A), to the allotment (otherwise than under (A) above) of equity securities up to a nominal amount of £3,024,868.50,

such power to expire at the conclusion of the Annual General Meeting of the Company in 2010 or fifteen months from the date of this resolution, whichever is the earlier, but during this period the Company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted after the power ends and the Board may allot equity securities under any such offer or agreement as if the power had not ended.

Notice of meeting continued

14 That the Company be and is hereby granted general and unconditional authority, for the purposes of Section 166 of the Companies Act 1985 ("the Act"), to make market purchases (within the meaning of section 163(3) of the Act) of the ordinary shares of 50 pence each in its capital PROVIDED THAT:

(i) this authority shall be limited so that the number of ordinary shares of 50 pence each which may be acquired pursuant to this authority does not exceed an aggregate of 12,099,475 ordinary shares and shall expire at the conclusion of the next Annual General Meeting of the Company in 2010 (except in relation to the purchase of ordinary shares the contract for which was concluded before such time and which is executed wholly or partly after such time);

(ii) the maximum price which may be paid for each ordinary share shall be the higher of: (a) an amount equal to 105% of the average of the middle market quotations for an ordinary share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the Company agrees to buy the ordinary shares; and (b) the amount stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation 2003 (in each case exclusive of expenses); and

(iii) the minimum price which may be paid for an ordinary share shall be 50 pence in each case exclusive of expenses.

Bovis Homes Group PLC
The Manor House, North Ash Road
New Ash Green, Longfield
Kent DA3 8HQ

By Order of the Board
M T D Palmer
Company Secretary

2 April 2009

Notes:

(i) Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company gives notice that only holders of ordinary shares entered on the register no later than 6.00pm on 5 May 2009 will be entitled to attend or vote at the meeting or any adjournment thereof. Changes to entries on the register after 6.00pm on 5 May 2009 shall be disregarded in determining the rights of any person to attend or vote at the meeting.

(ii) A registered member of the Company may appoint one or more proxies in respect of some or all of their ordinary shares to exercise the member's rights to attend, speak and vote at a meeting of the Company instead of the member. A registered member appointing multiple proxies must ensure that each proxy is appointed to exercise rights attaching to different shares and must specify on the form of proxy the number of shares in relation to which that proxy is appointed. Members or their duly appointed proxies are requested to bring proof of identity with them to the meeting in order to confirm their identity for security reasons.

(iii) The form of proxy must be executed by or on behalf of the member making the appointment. A corporation may execute the form(s) of proxy either under its common seal or under the hand of a duly authorised officer, attorney or other authorised person. A member may appoint more than one proxy to attend and vote on the same occasion.

(iv) A proxy need not be a member of the Company.

(v) In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (1) if a corporate shareholder has appointed the Chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (2) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the Chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives (www.icsa.org.uk) for further details of this procedure. The guidance includes a sample form of representation letter if the Chairman is being appointed as described in (1) above. Corporate representatives who have been appointed to attend the meeting are asked to register with the staff of the Company's Registrar, Computershare, present at the meeting as early as possible prior to the beginning of the meeting in order to assist them with administration of the voting process set out above.

(vi) Participants of the Bovis Homes Group Share Incentive Plan may instruct the trustee to vote on their behalf on a poll.

(vii) The proxy form and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority must be received at the office of the Company's Registrar, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY or received via the Computershare website, (www-uk.computershare.com) (full details of the procedures are given on the website) not less than 48 hours before the time for holding the meeting. Completion of the proxy form will not preclude a member from attending and voting in person instead of his proxy or proxies. The Company will announce the level of proxy votes for and against each resolution and the number of abstentions once the resolution has been voted on by a show of hands, except where a poll is called. When announcing a decision on a poll, the Company will disclose the total number of votes in favour and against and the number of abstentions. If a member returns paper and electronic proxy instructions, those received last by the Registrar before the latest time for receipt of proxies will take precedence. Members are advised to read the website terms and conditions of use carefully.

Notice of meeting continued

(viii) To appoint one or more proxies or to give an instruction to a proxy (whether previously appointed or otherwise) via the CREST system, CREST messages must be received by the issuer's agent (ID number 3RA50) not later than 48 hours before the time appointed for holding the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp generated by the CREST system) from which the issuer's agent is able to retrieve the message. After this time any change of instructions to a proxy appointed through CREST should be communicated to the proxy by other means. CREST Personal Members or other CREST sponsored members, and those CREST Members who have appointed voting service provider(s) should contact their CREST sponsor or voting service provider(s) for assistance with appointing proxies via CREST. For further information on CREST procedures, limitations and system timings please refer to the CREST manual. The Company may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

(ix) CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST proxy instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST manual concerning practical limitations of the CREST system and timings.

(x) Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may have a right, under an agreement between him and the member by whom he was nominated, to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he may, under any such agreement, have a right to give instructions to the member as to the exercise of voting rights. The statement of the rights of members in relation to the appointment of proxies in paragraph (ii) above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by members of the Company.

(xi) As at 13 March 2009 (being the last practicable date prior to the publication of this Notice) the Company's issued share capital consists of 120,994,753 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 13 March 2009 are 120,994,753.

(xii) Except as provided above, members who wish to communicate with the Company in relation to the AGM should do so using the following means: (1) by writing to the Company Secretary at the registered office address; or (2) by writing to the Company's Registrar, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY. No other methods of communication will be accepted. In particular you may not use any electronic address provided either in this Notice of meeting or in any related documents (including the Chairman's Statement, the Annual Report 2008 and the Proxy Form) to communicate with the Company for any purposes other than those expressly stated.

(xiii) The following documents will be available for inspection at the Company's registered office, during normal business hours, on any weekday (excluding public holidays) from the date of this notice until the date of the Annual General Meeting and on that date they will be available for inspection at the place of the meeting from 11.00am until the conclusion of the meeting:

(a) copies of the directors' service contracts;

(b) copies of the terms and conditions of appointment for each non-executive director;

(c) the register of directors' interests;

(d) a copy of the Company's Memorandum and Articles of Association, together with a comparison document showing the changes proposed to be made to the Articles of Association pursuant to Resolution 11; and

(e) The rules of the Bovis Homes Group PLC 2009 Bonus Replacement Share Plan.

(xiv) Data protection statement: Your personal data includes all data provided by you, or on your behalf, which relates to you as a shareholder, including your name and contact details, the votes you cast and your Reference Number (attributed to you by the Company). The Company determines the purposes for which and the manner in which your personal data is to be processed. The Company and any third party to which it discloses the data (including the Company's Registrar) may process your personal data for the purposes of compiling and updating the Company's records, fulfilling its legal obligations and processing the shareholder rights you exercise.

Explanatory notes to the notice of meeting

Item 1: Report and accounts

The directors must present to shareholders at the Annual General Meeting the report of the directors and the accounts of the Company for the year ended 31 December 2008. The report of the directors, the accounts and the report of the Company's auditors on the accounts are contained within the annual report and accounts.

Item 2: Directors' remuneration

The directors are required to present the Report on directors' remuneration, which sets out remuneration policy, to shareholders for approval under the Directors' Remuneration Report Regulations 2002.

The Report on directors' remuneration can be found on pages 30 to 38 of the report and accounts.

Items 3, 4 and 5: Re-appointment of directors

The Company's Articles of Association require that at every Annual General Meeting one third of the directors who are subject to retirement by rotation shall retire from office. Anthony John Warren and Neil Cooper will retire by rotation and offer themselves for re-appointment.

The Company's Articles of Association also require that any director appointed by the Board since the last Annual General Meeting shall hold office only until the next following Annual General Meeting. Accordingly, Alastair David Lyons will offer himself for re-appointment.

The 2006 Combined Code on Corporate Governance contains provisions dealing with the re-appointment of non-executive directors. In relation to the re-appointment of John Anthony Warren as a non-executive director, the Chairman has confirmed following the formal performance evaluation conducted during 2008 that he continues to be effective in and demonstrate commitment to his role, including commitment of time for Board and committee meetings. The Chairman has also confirmed that Alastair David Lyons has been effective in and demonstrated commitment to his role, including commitment of time for Board and Committee meetings, since his appointment on 1 October 2008.

Brief details of all the directors are to be found on page 20 of the report and accounts.

Items 6 and 7: Re-appointment of auditors and auditors' remuneration

The auditors of a company must be re-appointed at each general meeting at which accounts are presented. Resolution 6 proposes the re-appointment of the Company's existing auditors, KPMG Audit Plc, for a further year. Resolution 7 gives authority to the directors to determine the auditors' remuneration.

Item 8: Authority to allot shares

Resolution 8 renews the authority given to your directors at the last Annual General Meeting to allot relevant securities in accordance with Section 80 of the Companies Act 1985 up to an aggregate nominal amount of £20,145,626 and also gives the directors authority to allot ordinary shares up to an aggregate nominal amount of £40,291,252.50 by way of a rights issue, such authority to expire at the conclusion of the next Annual General Meeting (or, if earlier, 15 months from the date of the resolution). The directors intend to seek renewal of this authority at subsequent Annual General Meetings.

The amount of £20,145,626 represents less than 33.3% of the Company's total ordinary share capital in issue as at 13 March 2009. The amount of £40,291,252.50 represents less than 66.6% of the Company's total ordinary share capital in issue (excluding treasury shares) as at 13 March 2009. The Company did not hold any shares in treasury as at 13 March 2009.

The Board has no specific plans to exercise this authority other than in connection with employee share schemes, and the operation of any scrip dividend offer and any scrip dividend mandate scheme. It wishes to obtain the necessary authority from shareholders so that allotments can be made (should it be desirable and should suitable market conditions arise) at short notice and without the need to convene a general meeting of the Company which would be both costly and time consuming.

If the Board takes advantage of the additional authority to issue shares representing more than 33.3% of the Company's total ordinary share capital in issue or for a rights issue where the monetary proceeds exceed 33.3% of the Company's pre-issue market capitalisation, all members of the Board wishing to remain in office will stand for re-election at the next Annual General Meeting following the decision to make the relevant share issue.

Item 9: The Bovis Homes Group PLC 2009 Bonus Replacement Share Plan

Introduction

The Company proposes to establish the Bovis Homes Group PLC 2009 Bonus Replacement Share Plan ("the Plan"). The Plan is a bonus replacement share plan that is designed to encourage and reward participants for delivering business recovery that results in the creation of shareholder value. To maintain fairness, the Remuneration Committee retains discretion over the vesting of awards, should the performance condition be met, to ensure that the contribution from management is properly reflected in the award, and that vesting is not influenced by favourable stock market movement and would have regard to such metrics as net assets per share, profitability and dividend affordability, in addition to the overall circumstances in which the performance condition is achieved. The Plan is intended to be operated only in 2009 as a replacement for the existing cash bonus scheme and to include approximately 35 members of the senior management team (including executive directors). The Plan will be operated by the Remuneration Committee and will terminate on the conclusion of the Annual General Meeting in 2010. A consultation with major shareholders has been undertaken, which had a supportive outcome and provided helpful and positive feedback.

Eligibility and award procedure

Any employee or executive director of a member of the Group will be eligible to participate in the Plan at the discretion of the Remuneration Committee.

A participant will be granted an award which will take the form of an option to acquire ordinary shares in the Company ("Shares") for no payment. Awards may be granted within 42 days after the date of the AGM at which the Plan is approved by shareholders; the announcement of the Company's results for any period; or the occurrence of any exceptional circumstances which the Remuneration Committee considers justifies the grant of awards. No payment is required for the grant of awards. No awards may be granted after the date of the Annual General Meeting in 2010. As a pre-condition to being granted an award, participants will forfeit entitlement to be considered for a cash bonus for the year in which the award is made at least equal to the value of the award.

Explanatory notes to the notice of meeting continued

Value of awards

Award levels will be determined by the Remuneration Committee. The maximum number of Shares over which an award may be granted to an employee in any financial year may not have a market value at the date of grant (calculated by reference to the average middle market quotation of a Share derived from the Daily Official List of the London Stock Exchange over a period of three consecutive months immediately preceding the date of grant) exceeding 100% of the eligible employee's basic salary.

Benefits received under the Plan are not pensionable and may not be transferred or assigned except on a participant's death.

Performance conditions and vesting

Awards are subject to a performance condition determined by the Remuneration Committee at the date of grant which will normally be tested over the three years starting with the date of grant (the "Performance Period"). Awards will normally be exercisable for a period of 6 months after the third anniversary of grant to the extent that the performance condition has been satisfied.

Awards granted in 2009 will be subject to a performance condition linked to an average share price target to be measured at the end of the Performance Period. The average market value of a Share achieved over the 3 months immediately preceding the end of the Performance Period will determine the number of Shares which will vest and to which a participant will be entitled on exercise of his award. The percentage of Shares over which awards granted in 2009 will vest will be calculated in accordance with the following table:

Average Share Price Achieved	Percentage of Shares in Award that Vest
£7.00	100%
£6.00	50%
£5.50	25%
Less than £5.50	nil

The number of Shares that will vest will be calculated on a straight–line basis for average share prices achieved between £5.50 and £7.00.

The Remuneration Committee retains discretion as to the number of shares that may vest should performance conditions be met to ensure that the contribution from management is properly reflected.

On exercise a participant will be entitled to additional Shares equal to the value of dividends (net of any tax credit) that would have been paid on the vested Shares that can be acquired on exercise in the period from the date of grant to the third anniversary of grant assuming that those dividends had been reinvested in the Shares at the dividend payment date.

Cessation of Employment

A participant will not generally be entitled to exercise an award if he leaves employment with the Group before the third anniversary of grant. If he ceases employment by reason of death, injury, disability or ill health, redundancy, his or her employing company or business ceasing to be part of the Group or for any other reason at the Remuneration Committee's discretion, he may retain his award which he may exercise after the third anniversary of the grant date to the extent that the performance condition (as measured at the end of the normal performance period) is satisfied as determined by the Remuneration Committee. The number of Shares that may be acquired will be scaled back on a time pro rated basis to reflect the time that has elapsed between the grant of the award and the date of leaving.

If a participant ceases to be an employee of the Group before the third anniversary of the grant of an award for any other reason, the award shall automatically lapse on such cessation.

Change of control

In the event of a change of control of the Company, subject to the paragraph below, awards will vest and be exercisable to the extent that the performance condition (as measured over the three months up to the change of control) is satisfied. The number of Shares that a participant may acquire will be reduced on a time pro rated basis to reflect the early vesting although the Remuneration Committee will retain the discretion to allow a greater number of Shares (not exceeding the total number of Shares under an award) to vest. Alternatively participants may, with the agreement of an acquiring company, release their awards in consideration of the grant of an equivalent award relating to shares in the acquiring company or another company in the acquiring company's group.

The Remuneration Committee may at its discretion, in appropriate circumstances, determine that awards may not be exercised by virtue of a change of control but will automatically be exchanged for equivalent awards over shares in an acquiring company

Awards will not be exercisable without the consent of the Remuneration Committee in the event of any internal reorganisation, the purpose and effect of which is to create a new holding company.

Equity dilution

To the extent that new Shares are issued to satisfy awards under the Plan, the institutional investors' guidelines on dilution of equity in connection with share schemes will apply. The number of Shares which in any ten year period may be issued or become issuable pursuant to all of the Company's share schemes (including the Plan) is limited to 10% of the issued share capital of the Company from time to time; and the number that may be issued or become issuable pursuant to all of the discretionary share schemes operated by the Company (including the Plan) is limited to 5% of such issued share capital.

Adjustment of awards

The Remuneration Committee may adjust the number of Shares subject to awards in the event of a variation in the share capital of the Company (for example a rights or capitalisation issue, a sub-division, consolidation or reduction of share capital) or the Company implements a transaction (such as a demerger or payment of a special dividend) that would affect the value of an award.

Rights attaching to Shares

A participant will not have any voting or dividend rights in relation to Shares prior to the exercise of an award. Any Shares allotted or transferred when an award is exercised will rank equally with all other ordinary shares in issue (except for rights arising by reference to a record date before their allotment). Application will be made for the Shares to be listed by the UK Listing Authority and traded on the London Stock Exchange.

Amendments

The Committee may amend the Plan provided that the prior approval of shareholders is obtained for any amendments to key features of the Plan which would be to the advantage of participants or eligible employees. Key features of the Plan include eligibility, the limits on the number of Shares that may be issued under the Plan, the basis for determining a participant's entitlement to Shares, the terms on which they can be acquired and the provisions relating to adjustments in the event of a variation in the Company's share capital. Such approval will not be required for any minor alteration which is made to benefit the administration of the Plan, to take account of new or existing legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for the Company or eligible employees or participants.

Item 10: Memorandum of Association

The provisions regulating the operations of the Company are currently set out in the Company's Memorandum and Articles of Association. The Company's Memorandum of Association contains, among other things, the objects clause which sets out the scope of the activities the Company is authorised to undertake. This is drafted to give a wide scope.

The Companies Act 2006 ("the 2006 Act") significantly reduces the constitutional significance of a company's Memorandum of Association. The 2006 Act provides that a Memorandum of Association will record only the names of subscribers and the number of shares each subscriber has agreed to take in the company. Under the 2006 Act the objects clause and all other provisions which are currently contained in a company's Memorandum of Association, such as the authorised share capital of the Company, for existing companies at 1 October 2009, will be deemed to be contained in a company's Articles of Association but the company can remove these provisions by special resolution.

Further the 2006 Act states that unless a company's Articles of Association provide otherwise, a company's objects are unrestricted. This abolishes the need for companies to have objects clauses. For this reason the Company is proposing to remove its objects clause together with all other provisions of its Memorandum of Association which, by virtue of the 2006 Act, are to be treated as forming part of the Company's Articles of Association as of 1 October 2009. This resolution confirms the removal of these provisions for the Company.

Item 11: Amendments to the Articles of Association of the Company

These notes explain the differences between the current and the amended Articles of Association of the Company.

Following the Company's Annual General Meeting in 2008, the Company (in conjunction with its legal advisers) is continuing its review of the Articles of Association, in particular in relation to any further changes which are necessary or desirable following the full implementation of the 2006 Act and any additional changes which may be required pursuant to the implementation of the Companies (Shareholders' Rights) Regulations (currently expected in August 2009). Any further proposed amendments will be put to shareholders at the next Annual General Meeting.

Authorised Share Capital

The 2006 Act abolishes the requirement for a company to have an authorised share capital and the amended Articles of Association reflect this. The Company will still be limited as to the number of shares which it can at any time allot because allotment authority continues to be required under the 2006 Act, save in respect of employee share schemes.

Notice of General Meetings

Certain provisions in the current Articles of Association dealing with the convening of general meetings and the length of notice required to convene general meetings are being removed in the amended Articles of Association because the relevant matters are provided for in the 2006 Act. In particular, a general meeting to consider a special resolution can be convened on 14 days' notice whereas previously 21 days' notice was required.

Item 12: Notice of general meetings

This resolution is required to reflect the proposed implementation in August 2009 of the Shareholder Rights Directive. The regulation implementing this Directive will increase the notice period for general meetings of the Company to 21 days. If resolution 11 is passed, the Company will be able to call general meetings (other than an Annual General Meeting) on 14 clear days' notice and would like to preserve this ability. In order to be able to do so after August 2009, shareholders must have approved the calling of meetings on 14 days' notice. Resolution 12 seeks such approval. The approval will be effective until the Company's next Annual General Meeting, when it is intended that a similar resolution will be proposed. The Company will also need to meet the requirements for electronic voting under the Directive before it can call a general meeting on 14 days' notice.

Explanatory notes to the notice of meeting continued

Item 13: Disapplication of pre-emption rights

Resolution 13 seeks to renew the authority given to your directors at the last Annual General Meeting to make limited allotments of ordinary shares for cash without application of the statutory pre-emption rights (which require a company to offer all allotments of ordinary shares for cash proportionately to existing shareholders first) pursuant to Section 89 of the Companies Act 1985. This power would provide the directors with the flexibility to act in the best interests of shareholders when opportunities arise, so that:

(i) the Company can follow normal practices in the event of a rights issue; and

(ii) ordinary shares may be issued wholly for cash other than proportionately to existing ordinary shareholders up to a maximum of £3,024,868.50 which represents 5% of the Company's total ordinary share capital in issue as at 13 March 2009. In accordance with the recommendations of the Pre-Emption Group, the directors confirm their intention that no more than 7.5% of the issued share capital of the Company will be issued for cash on a non pre-emptive basis during any three year period.

There are presently no plans to allot ordinary shares wholly for cash other than in connection with employee share schemes. Shares allotted under an employee share scheme are not subject to statutory pre-emption rights.

The authority sought by Resolution 13 will last until the conclusion of the next Annual General Meeting (or, if earlier, 15 months from the date of the resolution). The directors intend to seek renewal of this power at subsequent Annual General Meetings.

Item 14: Authority to purchase own shares

In accordance with Article 45 the directors are seeking renewal of the authority granted at last year's Annual General Meeting to enable the Company to make market purchases of up to 12,099,475 of its own shares representing approximately 10% of the Company's total ordinary share capital in issue as at 13 March 2009. Before exercising such authority, the directors would ensure that the Company was complying with the current relevant UK Listing Authority and ABI guidelines. No purchases would be made unless the directors believe that the effect would be to increase the earnings per share of the remaining shareholders and the directors consider the purchases to be in the best interests of shareholders generally. Any shares so purchased would be cancelled. The directors have no present intention of making such purchases but would like to have the flexibility to consider such purchases in the future.

Any purchase of ordinary shares would be by means of market purchases through the London Stock Exchange. The maximum price which may be paid for each ordinary share shall be the higher of: (a) an amount equal to 105% of the average of the middle market quotations for an ordinary share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the Company agrees to buy the ordinary shares; and (b) an amount equal to the higher of the price of the last independent trade of an ordinary share and the highest current independent bid for an ordinary share as derived from the London Stock Exchange Trading System (SETS). The minimum price would be 50 pence being the nominal value of each ordinary share. The authority will only be valid until the conclusion of the next Annual General Meeting in 2010.

As at 13 March 2009 there were options over 913,758 ordinary shares in the capital of the Company which represent 0.76% of the Company's issued ordinary share capital. If the authority to purchase the Company's ordinary shares was exercised in full, these options would represent 0.84% of the Company's issued ordinary share capital.

The directors consider that all the resolutions to be put to the meeting are in the best interests of the Company and its shareholders as a whole. Your Board will be voting in favour of them and unanimously recommends that you do so as well.

Shareholders' information

Registered office

The Manor House
North Ash Road
New Ash Green
Longfield
Kent
DA3 8HQ

Registered number 306718 registered in England

Financial calendar

Annual report posted	3 April 2009
Annual General Meeting	7 May 2009
Announcement of 2009 interim results	August 2009
Announcement of 2009 final results	March 2010

Analysis of shareholdings - at 31 December 2008

Size of shareholding	Number of shareholders	%	Number of ordinary shares	%
1 - 5,000	2,150	82.92	2,190,530	1.81
5,001 - 50,000	273	10.53	4,563,264	3.77
50,001 - 250,000	107	4.13	12,340,684	10.20
250,001 - 500,000	25	0.96	9,419,170	7.78
500,001 - 1,000,000	13	0.50	9,713,681	8.03
1,000,001 - and over	25	0.96	82,767,424	68.41
Total	2,593	100.0	120,994,753	100.0

Share price (middle market) - year to 31 December 2008

At end of year: 400.2p Lowest: 270.7p Highest: 657.5p

Advisers

Auditors
KPMG Audit Plc

Financial advisers
Hawkpoint Partners Limited

Solicitors
Freshfields Bruckhaus Deringer

Principal bankers
Intesa San Paolo S.p.A.

Bank of Ireland

Barclays Bank PLC

HSBC Bank plc

Royal Bank of Scotland plc

WestLB AG

Joint stockbrokers
RBS Hoare Govett
250 Bishopsgate
London
EC2M 4AA

Deutsche Bank AG London
Winchester House
1 Gt Winchester Street
London
EC2N 2DB

Insurance brokers
Heath Lambert Limited

Registrars
Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol
BS99 7NH

Share dealing service

A telephone share dealing service has been established with our Registrar, Computershare which provides shareholders with a simple low cost way of selling shares or adding to their holding. Detailed terms and conditions are available on request by telephoning 0870 889 3236. An internet share dealing service has also been established with our Registrar (www-uk.computershare.com).

The provision of these services is not a recommendation to buy, sell or hold shares in Bovis Homes Group PLC.

Electronic communications

Instead of receiving printed documents through the post, shareholders can now receive the annual report and accounts and other shareholder documents electronically, as soon as they are published. Shareholders who would like to sign up for electronic communications should go to www.computershare.com/investor where they can register for Investor Centre and manage their shareholding online.

Principal offices

1 Bovis Homes Group PLC

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Kent DA3 8HQ

Tel: (01474) 876200
Fax: (01474) 876201
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2 South East region

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3 South West region

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4 Central region

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