BOVIS HOMES

Half-yearly financial report 2009

Bovis Homes Group PLC

www.bovishomes.co.uk/plc

Half-yearly financial report 2009

Contents

Interim financial highlights

£1.2m

Pre tax profit*

(2008: £11.7m)

0.4p

Earnings per share*

(2008: 7.1p)

5.9%

Operating margin*

(2008: 10.0%)

£14.3m

Net debt before issue costs

(December 2008: £108.4m)

**Pre tax profit, earnings per share and operating margin are stated before pre-tax exceptional charges of £9.8m (2008: £2.2m)*

Malcolm Harris

Interim management report

During the first six months of 2009, the Group has successfully generated significant positive cash flows, sharply increased sales rates and effectively controlled both direct and overhead costs: in line with the priorities set by the Group as it entered the year.

The Group's net debt before issue costs fell from £108 million at 31 December 2008 to £14 million at 30 June 2009: a strong net cash inflow of £94 million. Looking ahead, the Group now anticipates that it will exit 2009 in a net cash position, subject only to the level of new land investments that require cash expenditure. Both production levels and land expenditure in the first half were sharply down on the prior year comparable, overhead cost was reduced by 48% and the Group grew its net private reservations in the first half of 2009 versus 2008 by 92%. Whilst both average sales prices and profit margins have fallen between the first half of 2008 and the first half of 2009, reflecting general market conditions, the Group has been able to increase its private sales rate and deliver profit.

Given the unprecedented market conditions in 2008, the Group took a range of decisive steps to position itself to manage its balance sheet over the mid term in an effective manner, so as to be able to take advantage of future investment opportunities. These actions included substantial reductions in headcount and overhead costs, tight control over work in progress, near-cessation of land acquisition and the renegotiation of the Group's banking arrangements. The Group also sought to improve its selling capability through a revision to its pricing strategies and the restructuring of its sales operations with the introduction of sales 'hubs' running multiple geographically proximate sales outlets. The Group's first half performance has positively reflected the outcomes of these actions.

Market conditions

The housing market has shown signs of stabilisation during the first half of 2009, with external house price indices indicating that the rate of price decline has lessened over this period and the number of mortgage approvals for home purchase has increased, albeit from a low base. Notwithstanding this, transaction volumes remained at historically low levels during this period and pricing remains substantially below the peak levels of late 2007.

Whilst this period of relative improvement has been welcomed, the Group remains cautious in its expectations on pricing in the short term, given the continuing challenges seen both in terms of mortgage availability and in terms of the approach taken by surveyors in arriving at mortgage valuations. There also remains concern about the possible impact on house prices from rising unemployment and from a potential increase in supply of properties for sale in the second hand market.

Income statement

The Group generated £122.6 million of revenue in the first half of 2009, a fall of 18% versus the comparable period (2008: £149.3 million). Within this, housing revenue fell by 16% from £142.6 million in 2008 to £120.4 million in 2009. The Group chose not to sell any development land during the first half of 2009 (2008: Land sales revenue of £4.9 million). Other revenue totalled £2.2 million in 2009 versus £1.8 million in 2008.

The Group legally completed 754 homes in the first half of 2009 (2008: 851 homes). Of these, 738 homes or 98% were private, an 18% increase on the comparable number in 2008 (624 homes or 73%). The Group delivered 16 (2%) social homes in the first half of 2009, as expected a much lower number versus 227 (27%) social homes in the first half of 2008.

For private homes legally completed in the first half, the Group achieved an average net sales price of £160,400, as compared to £196,700 in the first six months of 2008 and £164,700 in the second half of 2008, reflecting house price reductions in the market. Overall, including social and partnership homes, the average sales price achieved by the Group for the six months ended 30 June 2009 was £159,700 compared with £167,600 in the first half of 2008.

The average size of private homes legally completed during the first half was 996 square feet, as compared to 964 square feet in the first half of 2008 and 980 square feet in the second half of 2008. Adjusting for this size difference, the average sales price per square foot for private homes was £161 in the first half of 2009, as compared to £204 in the first half of 2008 and £168 in the second half of 2008. As private pricing in the first half of 2008 was at its peak on a per square foot pricing basis for the Group, the performance in 2009 reflects an approximate 21% fall from this peak. Pricing in the first half of 2009 was 4% below that achieved in the second half of 2008.

With no land sales in the first half of 2009, the Group incurred a net cost from option fee amortisation of £0.5 million in the first half, as compared to land sale profits, less option costs, of £2.1 million in the first half of 2008.

The lower average private sales price achieved led to a fall in the Group's private housing gross margin against the comparable period last year. As the Group has been selling, in the main, advanced build stock, the income statement benefit from reductions in construction costs has to date been limited. Accordingly, the Group saw its pre-exceptional gross profit margin fall by c10 ppts: from 26.3% in H1 2008 to 16.2% in H1 2009.

Actions taken by the Group during 2008 to reduce its overheads are now generating the expected level of saving. Overheads in the first six months of 2009 were £12.6 million, some 48% lower than the overhead in the first half of 2008, representing 10.3% of revenue versus 16.3% in the first half of 2008. This has partially offset the fall in gross profit margin, and provides the Group with a 5.9% pre-exceptional operating margin for the first half of 2009 as compared to 10.0% in 2008 in the same period.

At each period end, the Group is required to assess the carrying value of its inventory. Based on current estimates of achievable prices in the market, there were a small number of specific sites where a write-down was required at the half year, totalling £8.9 million. This represented c2% of the value of the land bank. In total to date the Group has now taken inventory write-downs amounting to c14% of its land bank value. A further £0.9 million was also provided against potentially onerous contracts for land transactions conditional on achieving acceptable planning consents. In total, the Group has taken exceptional charges of £9.8 million in the first half of 2009. In the first half of 2008 the Group incurred an exceptional charge of £2.2 million linked to restructuring.

For the six months ended 30 June 2009 the Group achieved a pre-tax profit before exceptional charges of £1.2 million (pre-tax loss of £8.6 million after exceptional charges) as compared to £11.7 million pre-tax profit before exceptional charges in the first half of 2008. Basic earnings per share before exceptional charges has decreased accordingly, from 7.1p in 2008 to 0.4p in 2009 (loss per share of 5.5p after exceptional charges).

Dividends

Given the importance of retaining the financial capacity to take full advantage of the opportunity to invest in the residential land market at attractive values, and having regard to the likely level of profitability during 2009, the Board does not intend to declare an interim dividend for 2009.

Cash flow and net debt

As at 30 June 2009, the Group had reduced net debt to £14 million following a period of strong net cash inflow which saw net debt reduced by £94 million over the first half of 2009. Through tight control of production levels, and targeting of sales efforts towards finished stock units, the Group successfully released cash from working capital. The Group also generated cash from a range of other sources including the reduction of its part-exchange portfolio and from receivables. It also received c£22 million in tax rebates arising from the Group's taxable losses in 2008. No final dividend for 2008 was paid in 2009. Average net debt for the first half of 2009 was £69 million (2008: £81 million). As a consequence, the Group has substantial financial headroom against committed loan facilities of £220 million negotiated in December 2008, reducing to £160 million in September 2010 and maturing in March 2011.

Malcolm Harris

Interim management report

The Group now anticipates being cash positive at the end of 2009 as the Group continues to reduce work in progress levels. This assumes that the Group does not make significant cash expenditure on new land opportunities during the second half of 2009, beyond its previous guidance. There are an increasing number of land opportunities currently being assessed by the Group which may be acquired during 2009. The Group will, however, seek to manage cash flows associated with such acquisitions such that cash expenditure can be spread over a period of time.

The first half average borrowing position gave rise to total financing charges of £6.0 million, substantially higher than the comparable period at £3.2 million. Of this total financing charge, bank interest expenses were £3.1 million (2008: £2.4 million) reflecting a higher interest rate arising from the 2008 refinancing. The Group amortised £2.0 million of the issue costs relating to the 2008 refinancing and charged £0.9 million (2008: £0.8 million) arising from a number of non-cash technical interest items, including imputed interest expenses arising from land creditors and pension financing interest income.

Land

The Group's controlled and consented land bank reduced from 13,545 plots at the end of 2008 to 12,851 plots at the end of June 2009. This represented 7.5 years of supply at current levels of legal completions. The strategic land bank at 30 June 2009 stood at 18,588 potential plots as compared to 18,972 potential plots held at the start of the year. The reductions in both strategic and consented land banks reflect a lower level of acquisition activity by the Group.

Pensions

As at 30 June 2009, the Group's actuary estimated that the Group's defined benefits pension scheme had moved from a deficit of £6.8 million at the end of 2008 to a deficit of £11.1 million. Whilst the value of the scheme's assets has fallen by £1.1 million over this period (1.7% of asset values at year end 2008), the main driver of this adverse movement has been the impact of assumption changes on the value of the scheme's liabilities, in particular assumptions relating to inflation.

Principal risks and uncertainties

In a manner consistent with the Disclosure and Transparency Rules, the Board has formally identified a number of principal risks and uncertainties that may impact the business, reporting on these in full in its 2008 Annual report and accounts. The purpose of doing so is to ensure that the Group is able to arrange its affairs such that it can avoid the risk or mitigate the impact of the risk occurring. A number of these risks relate to the Group's day to day operations, such as the risk of accidents occurring as a result of breaches of health and safety standards or of environmental damage arising.

Other risks and uncertainties are inherent in the activity of speculative house building and are principally commercial in nature. During the worsening trading environment during 2008, the Group reviewed and reassessed the likelihood and impact of risk occurring in this changing business environment. Having done so, the Group identified that the principal commercial risks of the business fell into a number of categories, principally market driven risks around the ability to deliver sales pricing and sales volume, legislative risks posed by planning and legislative changes, liquidity risks given the difficulties in financial markets and finally organisational risks given the stresses of operating in tough markets with downsized teams.

Given the actual cash flow performance of the Group over the last six months, together with the Group's expectations of performance in the next six months, the risks to the Group from tight liquidity in the short term have lessened. This said, there is little sign that credit availability has eased in general and the Group's current banking agreement expires in March 2011, hence this remains an area of focus for the Group.

From the perspective of marketplace risk, mortgage availability has improved during the first half of 2009, and pricing declines appear to have stabilised but substantial uncertainties remain over the direction and scale of price movements as well as in regard to the ability of the current mortgage market to fund transactions at levels previously regarded as the 'norm'.

Whilst risks around liquidity and the marketplace have reduced in the recent past, the Group remains vigilant in terms of its organisational effectiveness, as workloads remain high, with additional activities such as re-planning consuming management time.

Current clarification by Government in regards to the Code for Sustainable Homes and more generally the sustainability agenda has been helpful in reducing uncertainty relating to legislative risks. However, the possibility of a change in Government at the next election, with differing views at present on future planning processes, does continue to pose potential risks and opportunities that will need to be assessed and, where possible, managed.

Cumulative reservations

The Group achieved 901 net private reservations in the six months since 1 January 2009; an increase of 92% over that achieved in the first six months of 2008, reflecting the Group's plan to drive volume more assertively during 2009. The lower volume of social housing available for delivery in 2009 led to a combined net reservation total in the first six months of 939 homes as compared to 666 homes in the comparable period in 2008.

Cumulative sales achieved to 30 June 2009 for 2009 legal completion stood at 1,364 homes as compared to 1,482 homes at the same point last year. Within these totals, private sales stood at 1,086 homes in 2009 compared to 888 homes in 2008, reflecting the improved private sales performance. The total cumulative sales also reflect the significantly lower volume of social homes sold for 2009 at 278 homes versus 594 homes in the prior period. This cumulative position included the reservations held at 1 January 2009 which stood at 425 homes compared to 816 homes at 1 January 2008.

Prospects

Cumulative sales achieved to 21 August 2009 for 2009 legal completion stood at 1,530 homes as compared to 1,574 homes at the same point last year, a 3% decline year over year. Within this total, private sales reservations taken within the year now stand at 1,076, up 93% on the 558 reservations achieved to the same point last year. Net cash in hand as at 21 August was £7 million.

Looking to the full year, the Group's sales performance to date supports the Group's existing guidance on anticipated 2009 volumes of circa 1,800 legal completions. The Group continues to anticipate legally completing only circa 300 social homes in 2009 compared to 594 social homes in 2008.

This suggests a private legal completion volume of circa 1,500 homes, circa 25% ahead of the 1,223 private legal completions achieved in 2008. This guidance assumes sales rates will continue at or around current levels for the remaining sales weeks of 2009, after the Group's experience of a modestly slower summer sales period.

The Group has positioned itself well to trade through the current downturn and continues to benefit from its longstanding prudence in the consented land market and the relatively high proportion of its land supply sourced strategically. 2009 will be a year of delivering strong positive cash flow, repositioning the Group's balance sheet with lower work in progress and anticipated net cash in hand at the year end. The Group is also now operating with a sustainable reduced overhead base which allows the achievement of trading profits despite relatively low levels of revenue. These positive attributes make Bovis Homes an attractive potential buyer when considering relative capabilities to invest in cost effective consented residential land opportunities and in doing so to generate attractive returns.

The short term outlook for the housing market is a continuation of relatively low levels of activity constrained by ongoing illiquidity in the mortgage market. House prices appear to be demonstrating a degree of stability at present, aided by the current low level of second hand homes being offered for sale across the housing market. With improved home affordability and growing consumer confidence, home buyer activity will in time increase creating an improvement in demand for the Group's homes.

Malcolm Harris
Chairman

Group income statement

For the six months ended 30 June 2009 (unaudited)	Six months ended 30 June 2009			Six months ended 30 June 2008			Year ended ended 31 Dec 2008		
	Before exceptional items £000	Exceptional items £000	Total £000	Before exceptional items £000	Exceptional items £000	Total £000	Before exceptional items £000	Exceptional items £000	Total £000
Revenue	**122,611**	**-**	**122,611**	149,288	-	149,288	282,326	-	282,326
Cost of sales	**(102,849)**	**(9,843)**	**(112,692)**	(109,965)	-	(109,965)	(219,011)	(76,487)	(295,498)
Gross profit/(loss)	**19,762**	**(9,843)**	**9,919**	39,323	-	39,323	63,315	(76,487)	(13,172)
Administrative expenses	**(12,582)**	**-**	**(12,582)**	(24,356)	(2,248)	(26,604)	(42,018)	(16,641)	(58,659)
Operating profit/(loss) before financing costs	**7,180**	**(9,843)**	**(2,663)**	14,967	(2,248)	12,719	21,297	(93,128)	(71,831)
Financial income	**764**	**-**	**764**	608	-	608	1,389	-	1,389
Financial expenses	**(6,708)**	**-**	**(6,708)**	(3,823)	-	(3,823)	(8,292)	-	(8,292)
Net financing costs	**(5,944)**	**-**	**(5,944)**	(3,215)	-	(3,215)	(6,903)	-	(6,903)
Profit/(loss) before tax	**1,236**	**(9,843)**	**(8,607)**	11,752	(2,248)	9,504	14,394	(93,128)	(78,734)
Income tax (expense)/credit	**(725)**	**2,756**	**2,031**	(3,245)	629	(2,616)	(3,319)	23,058	19,739
Profit/(loss) for the period attributable to equity holders of the parent	**511**	**(7,087)**	**(6,576)**	8,507	(1,619)	6,888	11,075	(70,070)	(58,995)
Earnings/(loss) per share									
Basic	**0.4p**	**(5.9p)**	**(5.5p)**	7.1p	(1.4p)	5.7p	9.2p	(58.3p)	(49.1p)
Diluted	**0.4p**	**(5.9p)**	**(5.5p)**	7.1p	(1.4p)	5.7p	9.2p	(58.3p)	(49.1p)
Dividend per share charged in period									
2008 interim paid November 2008			-			-			5.0p
2007 final paid May 2008			-			17.5p			17.5p
			-			17.5p			22.5p

Group statement of comprehensive income

For the six months ended 30 June 2009 (unaudited)	Six months ended 30 June 2009 £000	Six months ended 30 June 2008 £000	Year ended 31 Dec 2008 £000
Revaluation of available for sale financial assets	**-**	(17)	-
Deferred tax on revaluation of available for sale financial assets	**-**	5	-
Actuarial losses on defined benefit pension scheme	**(4,400)**	(3,100)	(8,820)
Deferred tax on actuarial movements on defined benefit pension scheme	**1,232**	868	2,470
Current tax on share based payments recognised directly in equity	**-**	-	498
Deferred tax on other employee benefits	**(19)**	(402)	(22)
Other comprehensive expenses for the period net of tax	**(3,187)**	(2,646)	(5,874)
(Loss)/profit for the period	**(6,576)**	6,888	(58,995)
Total comprehensive (expenses) / income for the period attributable to equity holders of the parent	**(9,763)**	4,242	(64,869)

Group balance sheet

As at 30 June 2009 (unaudited)	30 June 2009 £000	30 June 2008 £000	31 Dec 2008 £000
Assets			
Goodwill	-	9,176	-
Property, plant and equipment	**11,895**	13,915	12,347
Available for sale financial assets	**13,989**	3,789	6,030
Investments	**22**	22	22
Deferred tax assets	**9,028**	3,761	5,548
Trade and other receivables	**2,343**	6,222	2,418
Total non-current assets	**37,277**	36,885	26,365
Inventories	**689,490**	887,893	780,808
Trade and other receivables	**25,808**	34,082	37,947
Cash	**4,791**	4,006	11,634
Current tax asset	**859**	-	23,550
Total current assets	**720,948**	925,981	853,939
Total assets	**758,225**	962,866	880,304
Equity			
Issued capital	**60,514**	60,482	60,497
Share premium	**157,228**	157,054	157,127
Retained earnings	**404,988**	489,403	414,654
Total equity attributable to equity holders of the parent	**622,730**	706,939	632,278
Liabilities			
Bank loans	**12,797**	25,000	111,730
Trade and other payables	**28,490**	28,891	24,907
Retirement benefit obligations	**11,050**	1,530	6,790
Provisions	**1,950**	562	1,623
Total non-current liabilities	**54,287**	55,983	145,050
Bank overdraft	-	1,015	-
Bank loans	-	71,383	-
Trade and other payables	**79,661**	125,353	101,964
Provisions	**1,547**	728	1,012
Current tax liabilities	-	1,465	-
Total current liabilities	**81,208**	199,944	102,976
Total liabilities	**135,495**	255,927	248,026
Total equity and liabilities	**758,225**	962,866	880,304

These condensed consolidated interim financial statements were approved by the Board of directors on 21 August 2009.

Group statement of changes in equity

For the six months ended 30 June (unaudited)	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	Total £000
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	-	(2,232)	(414)	6,888	**4,242**	-	-	**4,242**
Issue of share capital	-	-	-	-	-	67	320	**387**
Own shares disposed	154	-	-	(154)	-	-	-	-
Share based payments	-	-	-	(402)	**(402)**	-	-	**(402)**
Dividends paid to shareholders	-	-	-	(21,031)	**(21,031)**	-	-	**(21,031)**
Balance at 30 June 2008	**(2,804)**	**(10,867)**	**86**	**502,988**	**489,403**	**60,482**	**157,054**	**706,939**
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**
Balance at 1 January 2009	(2,804)	(14,985)	774	431,669	**414,654**	60,497	157,127	**632,278**
Total recognised income and expense	-	(3,168)	(19)	(6,576)	**(9,763)**	-	-	**(9,763)**
Issue of share capital	-	-	-	-	-	17	101	**118**
Own shares disposed	138	-	-	(138)	-	-	-	-
Share based payments	-	-	-	97	**97**	-	-	**97**
Balance at 30 June 2009	**(2,666)**	**(18,153)**	**755**	**425,052**	**404,988**	**60,514**	**157,228**	**622,730**

Group statement of cash flows

For the six months ended 30 June 2009 (unaudited)	Six months ended 30 June 2009 £000	Six months ended 30 June 2008 restated £000	Year ended 31 Dec 2008 £000
Cash flows from operating activities			
(Loss)/profit for the period	(6,576)	6,888	(58,995)
Depreciation	420	644	1,168
Impairment of goodwill	-	-	10,036
Impairment of assets	-	-	2,241
Financial income	(764)	(608)	(1,389)
Financial expense	6,708	3,823	8,292
Profit on sale of property, plant and equipment	(10)	(33)	(146)
Equity-settled share-based payment expense/(credit)	97	(402)	(22)
Income tax (credit)/expense	(2,031)	2,616	(19,739)
write-down of inventories	8,895	-	75,202
Operating profit before changes in working capital and provisions	6,739	12,928	16,648
Decrease in trade and other receivables	4,366	12,289	8,924
Decrease/(increase) in inventories	82,422	(17,341)	13,345
Decrease in trade and other payables	(19,210)	(18,206)	(43,444)
Increase/(decrease) in provisions and employee benefits	852	(673)	702
Cash generated from operations	75,169	(11,003)	(3,825)
Interest paid	(4,154)	(2,564)	(8,769)
Income taxes received/(paid)	22,460	(14,942)	(16,924)
Net cash from operating activities	93,475	(28,509)	(29,518)
Cash flows from investing activities			
Interest received	522	78	187
Acquisition of property, plant and equipment	(15)	(143)	(143)
Proceeds from sale of plant and equipment	57	68	214
Net cash from investing activities	564	3	258
Cash flows from financing activities			
Dividends paid	-	(21,031)	(27,049)
Proceeds from the issue of share capital	118	387	475
(Repayment)/drawdown of borrowings	(101,000)	55,383	79,000
Costs associated with refinancing	-	-	(8,290)
Net cash from financing activities	(100,882)	34,739	44,136
Net (decrease)/increase in cash and cash equivalents	(6,843)	6,233	14,876
Cash and cash equivalents at start of period	11,634	(3,242)	(3,242)
Cash and cash equivalents at end of period	4,791	2,991	11,634

Notes to the accounts

1 Basis of preparation

Bovis Homes Group PLC ('the Company') is a company domiciled in the United Kingdom. The condensed consolidated interim financial statements of the Company for the six months ended 30 June 2009 comprise the Company and its subsidiaries (together referred to as 'the Group') and the Group's interest in associates.

The condensed consolidated interim financial statements were authorised for issue by the directors on 21 August 2009. The financial statements are unaudited but have been reviewed by KPMG Audit Plc.

The condensed interim financial statements do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The figures for the half years ended 30 June 2009 and 30 June 2008 are unaudited. The comparative figures for the financial year ended 31 December 2008 are not the Company's statutory accounts for that financial year. Those accounts have been reported on by the Company's auditors and delivered to the Registrar of Companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under Section 237 (2) or (3) of the Companies Act 1985.

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

Judgements 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 following years remain those published in the Company's consolidated financial statements for the year ended 31 December 2008.

The condensed interim financial statements have been prepared in accordance with IAS34 'Interim Financial Reporting' as endorsed by the EU. As required by the Disclosure and Transparency Rules of the Financial Services Authority, the condensed consolidated interim financial statements have been prepared applying the accounting policies and presentation that were applied in the preparation of the Company's published consolidated financial statements for the year ended 31 December 2008, which were prepared in accordance with IFRSs as adopted by the EU.

The following new standards, amendments to standards or interpretations are mandatory for the first time for the Company's year ending 31 December 2009. They are not expected to have a material impact on the Group's financial statements.

IAS1 (2007) - Presentation of financial statements. This relates to the presentation of financial statements and in particular the presentation of a statement of changes in equity as a primary statement. Previously this statement was disclosed as a note to the accounts.

IFRS8 - Operating segments. This relates to the degree to which financial information is disaggregated in published financial information to aid the reader in a better understanding of the performance of the Group. The Group's main operation remains that of a housebuilder operating entirely within England and Wales. Following a review of the Group's internal management reporting, and having regard to the aggregation testing provisions of the standard, there are no separate segments, either business or geographic, to disclose.

IAS23 - (Amended) Borrowing costs. This amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction and production of a qualifying asset, as part of the cost of that asset. A qualifying asset is one that takes a substantial period of time to get ready for use or sale. Inventories which are produced in large quantities on a repetitive basis over a short period of time are not qualifying assets. This amendment is not expected to have any material impact on the Group's financial statements as the activities performed by the Group do not generally produce qualifying assets.

The cash flow statement for the first six months to 30 June 2008 has been re-presented to be consistent with the presentational format adopted for the year ended 31 December 2008, and used subsequently. £2,704,000 previously disclosed as Available for sale financial assets has been reclassified as movement in Trade and other receivables, and £147,000 previously disclosed as Other non cash items has been reclassified as movement in Inventories. Operating profit before changes in working capital and provisions is now £12,928,000 (previously £10,371,000), decrease in Trade and other receivables is now £12,289,000 (previously £14,993,000) and increase in Inventories is now £17,341,000 (previously £17,488,000). Cash generated from operations has not changed.

2 Seasonality

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

3 Exceptional items

The Group has reviewed the carrying costs of its inventory items, comparing the carrying cost 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 of £8.9 million. The Group has made a further £0.9 million provision for potential onerous land contracts. In total, this represents £9.8 million of exceptional charges (six months ended 30 June 2008: £2.2 million; year ended 31 December 2008: £93.1 million).

4 Loss per share

Basic loss per share

Basic loss per ordinary share for the six months ended 30 June 2009 is calculated on a loss after tax of £6,576,000 (six months ended 30 June 2008: profit after tax of £6,888,000; year ended 31 December 2008: loss after tax of £58,995,000) over the weighted average of 120,376,631 (six months ended 30 June 2008: 120,194,838; year ended 31 December 2008: 120,268,986) ordinary shares in issue during the period.

Basic earnings per ordinary share before exceptional items for the six months ended 30 June 2009 is calculated on the pre-exceptional profit after tax of £511,000 (six months ended 30 June 2008: profit after tax of £8,507,000; year ended 31 December 2008: profit after tax of £11,075,000). Basic loss per share on exceptional items for the six months ended 30 June 2009 is calculated on the exceptional loss after tax of £7,087,000 (six months ended 30 June 2008: exceptional loss after tax of £1,619,000; year ended 31 December 2008: exceptional loss after tax of £70,070,000). In all 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 by 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. The Group's diluted weighted average ordinary shares potentially in issue during the six months ended 30 June 2009 was 120,392,032 (six months ended 30 June 2008: 120,298,768; year ended 31 December 2008: 120,314,451).

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 for the six months ended 30 June 2009, the six months ended 30 June 2008 and the year ended 31 December 2008 and to the calculation of diluted earnings per share for the six months ended 30 June 2008. It has not been applied to the calculation of diluted loss per share for the six months ended 30 June 2009 and the year ended 31 December 2008, or to the calculation of diluted loss on exceptional items per share. In all cases this diluted per share metric is calculated using the respective profit or loss information disclosed above.

5 Dividends

The following dividends per qualifying ordinary share were paid by the Group.

(Unaudited)	Six months ended 30 June 2009	Six months ended 30 June 2008	Year ended 31 Dec 2008
May 2009: nil (May 2008: 17.5p)	-	21,031	21,031
November 2008: 5.0p	-	-	6,018
	-	21,031	27,049

The Board determined on 21 August 2009 that no interim dividend for 2009 be paid (2008: 5.0p per share).

6 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 and 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 was calculated using a rate of 30% to 5 April 2008 and 28% thereafter.

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 differences arise from non-tax deductible goodwill, from the initial recognition of assets and liabilities in a transaction that affects neither the tax profit or 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.

7 Related party transactions

Transactions between fellow subsidiaries, which are related parties, during the first half of 2009 have been eliminated on consolidation, as have transactions between the Company and its subsidiaries during this period. The Group's associates are disclosed in the Group's Annual report and accounts 2008.

Transactions between the Group and key management personnel in the first half of 2009 were limited to those relating to remuneration, previously disclosed as part of the Group's Report on directors remuneration published with the Group's Annual report and accounts 2008. No material change has occurred in these arrangements in the first half of 2009.

Mr Malcolm Harris, a Group Director, is a non-executive Director of the National House Builders Council (NHBC) and the House Builders Federation. 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 House Builders Federation.

Total net payments were as follows:

(Unaudited)	Six months ended 30 June 2009 £000	Six months ended 30 June 2008 £000	Year ended 31 Dec 2008 £000
NHBC	291	813	1,258
HBF	73	57	92

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

8 Reconciliation of net cash flow to net debt

(Unaudited)	Six months ended 30 June 2009 £000	Six months ended 30 June 2008 £000	Year ended 31 Dec 2008 £000
Net (decrease)/increase in cash and cash equivalents	(6,843)	6,233	14,876
Repayment/(drawdown) of borrowings	101,000	(55,383)	(79,000)
Fair value adjustments to interest rate swaps	(103)	-	-
Movement in refinancing prepayment	(1,964)	-	8,270
Net debt at start of period	(100,096)	(44,242)	(44,242)
Net debt at end of period	(8,006)	(93,392)	(100,096)
Analysis of net debt:			
Cash	4,791	4,006	11,634
Bank overdraft	-	(1,015)	-
Bank loans	(19,000)	(96,383)	(120,000)
Issue costs	6,306	-	8,270
Fair value of interest rate swaps	(103)	-	-
Net debt	(8,006)	(93,392)	(100,096)

9 Circulation to shareholders

This interim report is sent to shareholders. Further copies are available on request from the Company Secretary, Bovis Homes Group PLC, The Manor House, North Ash Road, New Ash Green, Longfield, Kent DA3 8HQ. Further information on Bovis Homes Group PLC can be found on the Group's corporate website www.bovishomes.co.uk/plc including the analyst presentation document which will be presented at the Group's results meeting on 24 August 2009.

Statement of directors' responsibility

We confirm to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS34 Interim Financial Reporting as adopted by the EU;
- the interim management report includes a fair review of the information required by:

(a) DTR 4.2.7.R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

(b) DTR 4.2.8.R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

For and on behalf of the Board,

David Ritchie	**Neil Cooper**
Chief Executive	Finance Director

21 August 2009

Independent review report by KPMG Audit Plc to Bovis Homes Group PLC

Introduction

We have been instructed by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2009 which comprises the Group income statement, Group statement of comprehensive income, Group balance sheet, Group statement of changes in equity, Group statement of cash flows and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Services Authority ("the UK FSA"). Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this 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 for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FSA.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, principally of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2009 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FSA.

William Meredith for and on behalf of KPMG Audit Plc
Chartered Accountants
London

21 August 2009

Principal offices

Bovis Homes Group PLC Board of Directors

Malcolm Robert Harris
Chairman (non-executive)

Alastair David Lyons
Non-executive Deputy Chairman

Lesley Anne MacDonagh
Non-executive Director

John Anthony Warren
Non-executive Director

Colin Peter Holmes
Non-executive Director

David James Ritchie
Chief Executive

Neil Cooper
Group Finance Director

Group Company Secretary

Martin Trevor Digby Palmer, FCIS
Group Company Secretary

1 Bovis Homes Group PLC

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

Tel: (01474) 876200
Fax: (01474) 876201
DX: 41950 New Ash Green 2

2 South East region

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

Tel: (01474) 876200
Fax: (01474) 876201
DX: 41950 New Ash Green 2

3 South West region

Cleeve Hall
Cheltenham Road
Bishops Cleeve
Cheltenham
Gloucestershire GL52 8GD

Tel: (01242) 662400
Fax: (01242) 662488
DX: 137901 Bishops Cleeve 2

4 Central region

Bromwich Court
Highway Point
Gorsey Lane
Coleshill
Birmingham B46 1JU

Tel: (01675) 437000
Fax: (01675) 437030
DX: 728340 Coleshill 2

Information in respect of the Group's press releases, interim reports, annual report and accounts and other investor relations information is available at **www.bovishomes.co.uk/plc**

BOVIS HOMES

Bovis Homes Group PLC, The Manor House, North Ash Road, New Ash Green, Longfield, Kent DA3 8HQ.
www.bovishomes.co.uk/plc

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