Half-yearly financial report 2011

Bovis Homes Group PLC

www.bovishomesgroup.co.uk

Half-yearly financial report 2011

Contents

Financial highlights

£133.6m
Revenue
(2010: £115.6m)

20.1%
Gross margin
(2010: 16.3%)

£8.1m
Profit before tax
(2010: £3.5m)

7.5%
Operating margin
(2010: 4.2%)

4.4p
Earnings per share
(2010: 1.8p)

1.5p
Interim dividend per share
(Interim 2010: nil)

£45.7m
Net cash
(December 2010: £51.7m)

14,470
Plots in consented land bank
(2010: 13,113)

Malcolm Harris

Interim management report

Introduction

During the first half of 2011, Bovis Homes has delivered a strong performance with significantly improved profitability, an increase in output capacity with the opening of many new active sales outlets and the successful continuation of investment in consented and strategic land. This was achieved against the backdrop of stable, but challenging, UK housing market conditions driven by the continuation of restricted higher loan to value mortgage lending, particularly affecting first time buyers, who tend to have limited deposits.

Strategy

The focus of the Group's strategy is to deliver a material improvement in future shareholder returns by increasing profitability whilst improving the efficiency of capital employed. The success of this strategy does not rely on an improvement in current housing market conditions.

The Group will deliver enhanced profits from:

- Volume growth from improved sales rates and a greater number of sales outlets, delivered through consented land acquisition, primarily in the south of England.
- Higher average sales prices from traditional homes in better located sales outlets.
- Stronger profit margins from new higher margin sites, and significant build cost reductions on sites acquired before the housing market downturn.

Efficiency of capital employed will be delivered by:

- Management of the land bank through sales of consented plots on selective sites.
- Efficient cash utilisation with more sites being acquired on deferred terms.
- Maintained control of work in progress.

Significant progress has been made in the delivery of this growth strategy with:

- circa 6,000 consented plots acquired since the housing market downturn.
- 27 new sales outlets launched in 2011 to date with six further sales outlets to launch this year.
- 19% increase in private reservation volumes in 2011 to date with an 11% increase in sales rate and a 7% increase in sales outlets.
- Land sales on track and work in progress under control.

Assuming a continuation of current market conditions, the ongoing successful execution of this strategy will increase both the Group's return on capital employed and return on equity.

Revenue

The Group generated total revenue of £133.6 million during the first half of 2011, compared to total revenue in H1 2010 of £115.6 million, an increase of 16%.

	2011	2010
Private legal completions	681	762
Social legal completions	120	41
Total legal completions	**801**	**803**
Revenue (£m)		
Private legal completions	119.4	124.6
Less: JV deal revenue deferral *	-	(12.9)
Social legal completions	11.5	2.7
Housing revenue	130.9	114.4
Other revenue	2.7	1.2
Total revenue	**133.6**	**115.6**

* £12.9 million was not recognised in the financial statements in the first half of 2010, due to the fact that the Group holds a 50% equity stake in a private rental joint venture into which the Group has sold a portfolio of 215 new homes. This revenue and associated profit will be recognised as and when the joint venture investment is disposed or the homes in the joint venture are sold.

Housing revenue in the first six months of 2011 was £130.9 million, 14% ahead of £114.4 million in the prior year. In the period, other revenue including land sales was £2.7 million (H1 2010: £1.2 million).

The Group legally completed 801 homes in the first six months of 2011 (H1 2010: 803). Of these, 681 were private homes (2010: 762 homes). The prior year legal completions included the 215 units sold into the joint venture. Excluding this non recurring transaction, legal completions of private homes increased by 24%. With the opening of new sites, social homes increased to 15% of total legal completions (120 homes), compared to only 5% (41 homes) in the first half of 2010.

In the first six months of 2011 the average sales price of homes legally completed increased by 3.2% to £163,400 (H1 2010: £158,400). The average sales price of the Group's private legal completions increased by 7.3% to £175,300 from £163,400 in the comparative period in 2010.

The average size of the Group's private homes increased by 3.0% to 1,017 square feet in H1 2011 (H1 2010: 987 square feet) and the sales price per square foot increased by 4.1%. The Group's social homes increased in average size to 833 square feet in the first half of 2011 (H1 2010: 703 square feet). Overall, the average size of the Group's legally completed homes increased by 1.7% and the sales price per square foot increased by 1.3%.

Operating profit

The Group delivered an operating profit for the six months ended 30 June 2011 of £10.0 million at an operating margin of 7.5%, as compared to £4.8 million in the first half of 2010 at an operating margin of 4.2%.

Gross margin delivered in the first half of 2011 was 20.1%, which compared to 16.3% in 2010. With relatively stable market pricing year on year, the gross margin improvement was generated from significant year on year reductions in construction costs on existing sites, due to lower subcontract labour rates, and the initial contribution from new higher margin sites acquired since the downturn. The average profit per private home improved by 25%, after adding back the discount on the JV deal in the prior year.

As anticipated, overheads have increased by 20% and constitute 12.6% of revenue in the first half of 2011 (H1 2010: 12.1%). The Group has invested in sales and marketing activity, particularly set up costs on the 19 new active sales outlets opened in the first half of 2011. Incremental costs have also been incurred in progressing newly acquired sites through the detailed planning and design phases to start work on site, all such costs being written off as incurred. The Group expects that overheads as a percentage of revenue will reduce from the 10.6% achieved in 2010 towards 10% for the 2011 full year.

Profit before tax

The Group achieved profit before tax of £8.1 million, comprising operating profit of £10.0 million, net financing charges of £2.0 million and a profit from the joint venture of £0.1 million. This compares to £4.8 million of operating profit and £1.3 million of net financing charges in the first six months of 2010, generating a profit before tax of £3.5m in the period. There were no exceptional items in the first six months of either 2010 or 2011.

Dividends

With the Group's growth strategy delivering as expected and a strong improvement in the underlying performance of the Group, an interim dividend of 1.5p per share has been declared (2010 interim dividend: nil). This dividend will be paid on 25 November 2011 to holders of ordinary shares on the register at the close of business on 30 September 2011.

The Board intends to offer a scrip dividend alternative, pursuant to which the shareholders may elect to receive the whole or part of their 2011 interim dividend in new ordinary shares credited as fully paid instead of cash.

Subject to current market conditions continuing and the successful delivery of the Group's future plans, the Board expects to grow dividends progressively as earnings per share increase.

Financing and cash flow

The Group incurred net financing charges of £2.0 million in the first half of 2011 (H1 2010: £1.3 million). The increase is primarily due to a higher charge for imputed interest on land of £2.2 million (H1 2010: £1.0 million). This charge reflects the difference between the cost and nominal price of land bought on deferred terms which is charged to the income statement over the life of the deferral of the consideration payable. The increase in land purchased on deferred terms has, therefore, increased this charge. Net bank interest and fees for H1 2011 were £1.2 million (H1 2010: £1.1 million), which included the amortisation of arrangement fees (£0.3 million) and commitment fee charges (£0.7 million). The Group benefited from a £0.3 million (H1 2010: £0.1 million) net pension financing credit during the first six months of 2011, the expected return on scheme assets being in excess of interest on scheme obligations. The Group also benefited from a finance credit of £0.7 million (H1 2010: £0.6 million) arising from unwinding discount on its available for sale financial assets during the first half of 2011. There was £0.4 million of other financing credit during the first six months of 2011 (H1 2010: £0.1 million).

Having started the year with a net cash balance of £51.7 million, the Group's net cash balance as at 30 June 2011 was £45.7 million with £61.0 million of cash in hand, offset by £15.3 million of loans received primarily as part of the Government's Kickstart programme.

Malcolm Harris

Interim management report

In the first six months of 2011, the Group generated an operating cash inflow before land expenditure of £46.7 million, continuing to demonstrate strong underlying cash generation from the Group's existing assets. Work in progress levels have remained under tight control such that the Group constructed roughly the same number of units worth of production as legal completions in the first half. Net cash payments for land investment were £45.9 million during the first half of 2011.

Taxation

The Group has recognised a tax charge of £2.2 million on profit before tax of £8.1 million at an effective tax rate of 27.5% (H1 2010: tax charge of £1.1 million).

Pensions

The Group's pension scheme moved into a surplus of £2.1 million as at 30 June 2011, compared to a deficit of £2.9 million at 31 December 2010. Scheme liabilities decreased significantly to £72.5 million from £76.4 million, as the Group's actuarial valuation assumptions were rebased to the 30 June 2010 Trustees' valuation, particularly with respect to movement of members from active to pensioner status and an increase in retirees taking cash lump sums. Scheme assets grew over the six months to £74.6 million from £73.5 million.

Net assets

Net assets per share as at 30 June 2011 was 538p as compared to 520p at 30 June 2010.

Analysis of net assets	2011 £m	2010 £m
Net assets at 1 January	710.8	692.6
Profit after tax for the six months	5.9	2.4
Share capital issued	0.6	0.3
Net actuarial movement on pension scheme through reserves	3.4	(2.4)
Adjustment to reserves for share based payments	0.3	(0.1)
Dividends settled	(4.0)	-
Net assets at 30 June	**717.0**	**692.8**

Land

During the first six months of 2011, the Group has continued its successful land investment with the addition of 1,571 consented plots to the land bank at a cost of £95 million. These plots, 85% of which are located in the south of England, have an estimated future revenue of £339 million and an estimated future gross profit potential of £86 million based on current sales prices and current build costs, delivering an estimated future gross margin of 25.4%. Of the plots added to the consented land bank, 417 plots were delivered through conversion of strategic land.

The Group's consented land bank has increased to 14,470 plots at 30 June 2011 from 13,766 plots held at the start of the year. 71% of the plots within the land bank are located in the south of England, where the housing market continues to show greater robustness, and 37% of the consented land bank (5,390 plots) has been acquired since the low point of house prices in the market downturn. The Group estimates that the gross profit potential on the plots within the consented land bank at 30 June 2011, based on current sales prices and current build costs, has increased to £523 million with a gross margin of 21.0% (31 December 2010: gross profit of £461 million at a gross margin of 20.0%).

The average consented land plot cost at the start of 2011 was £41,000. This has increased to £41,800 at 30 June 2011 as a result of the addition of new prime traditional housing sites, where the average plot cost is higher, and a lower number of written down plots held in the land bank at the end of the half year (23% of land plots versus 26% at the start of the year).

As at 30 June 2011, the Group had agreed terms for the acquisition of an additional circa 2,500 plots, of which circa 450 plots have since been added to the consented land bank.

In order to assist in the funding of new land acquisitions and to enhance capital turn and increase return on capital employed in the future, the Group has committed to selling some of its consented land, particularly on those sites which have a longer trade out period by virtue of their size. During the first six months of the year the Group sold a parcel of consented residential land by way of a swap. A further two land sales were contracted at 30 June 2011 and two further land sales, which are also expected to complete in 2011, had terms agreed.

The Group has for a long time recognised the importance of strategic land. During 2011, the Group has continued to invest in strategic land and also to convert strategic land into the consented land bank. With 750 potential plots added to the strategic land bank in the first six months of 2011 and the successful conversion of 417 plots into the consented land bank, the strategic land bank at 30 June 2011 increased to 17,703 potential plots as compared to 17,325 potential plots at 31 December 2010. Since 30 June 2011, the Group has added a further circa 1,100 plots to its strategic land bank.

Principal risks and uncertainties

The Group is subject to a number of risks and uncertainties as part of its activities. The Board regularly considers these and seeks to ensure that appropriate processes are in place to manage, monitor and mitigate these risks. The principal risks and uncertainties facing the Group are outlined on page 27 of the Annual report and accounts 2010, which is available from www.bovishomesgroup.co.uk. The directors consider that the principal risks and uncertainties, which could have a material impact on the Group's performance in the remaining six months of financial year, remain unchanged.

Market conditions
Housing market conditions remain significantly constrained by continued restricted mortgage availability at higher loan to value ratios. Monthly mortgage approval data has been stable for over 12 months at between 45,000 and 50,000 approvals per month. The Group welcomes the Government's Firstbuy initiative as a strong incentive to bring first time buyers back into the housing market. The Group received an allocation of support for 446 homes and has achieved early reservations using Firstbuy in August 2011.

Consistent with the second half of 2010, overall market pricing has remained stable during 2011 to date, although with some regional differences. Pricing in prime southern locations has been more robust than in locations further north. In the short term, the Group expects market pricing to remain relatively stable at the current levels, as the Group foresees few significant changes in either housing market supply or overall customer demand.

Current trading
The Group has traded strongly in the year to date with an increase in private reservations over 34 trading weeks of 19% at 1,087 homes (2010: 912 homes). In the eight weeks since the half year reservations have been 29% ahead of the comparable period in 2010. In this period, the average private sales rate has been 0.47 net reservations per site per week, an improvement of 16% on the sales rate of 0.40 achieved in the same weeks in the prior year. Reservations have also benefited from an increase of 10% in active sales outlets, which have averaged 76 in these weeks, compared to an average of 69 in the comparative period in the prior year. Pricing in this period has been consistent with prices on reservations achieved in the first six months of the year.

The improved sales rate experienced by the Group has been supported by robust visitor numbers, which have increased for the year to date by 37% over the comparative period of 2010. Performance in the eight weeks since the half year has been better with an encouraging increase of 69% against the same period in 2010.

As at 26 August 2011, the Group has achieved 1,645 net sales for legal completion in 2011, as compared to 1,695 at the same point in 2010. With the improved level of weekly reservations, the Group has significantly narrowed the opening shortfall in forward reservations at 1 January 2011 (218 homes) and is now in a period where weekly reservations are anticipated to materially exceed the prior year.

Outlook
With 19 new active sales outlets opened in the first six months of 2011 and a further eight opened since 30 June 2011, the Group remains on course to open 33 new active sales outlets in 2011. This is expected to result in an average of 78 active sale outlets in the second half of 2011, a 15% increase on H2 2010. Subject to current market conditions continuing, this increase in outlets will support greater sales, which will lead to growth of between 5% and 10% in total legal completions for 2011 compared to 2010. Private sales pricing for 2011 legal completions is expected to be in line with that achieved in H2 2010 at circa £180,000.

The Group has achieved a strong margin improvement in the first half of 2011 and expects, on the basis of current reservations and subject to current market conditions continuing, the full year housing gross margin will approach 20%. Additionally, for full year 2011, overheads as a percentage of revenue are expected to reduce towards 10% from the 10.6% achieved in 2010, delivering an operating margin approaching 10%.

With the land investments made to date and the strength of the pipeline of further land acquisition opportunities, the Group is confident that it can achieve an average active sales outlet total of circa 85 during 2012. The Group currently owns or controls sites representing an average of 78 active sales outlets for 2012 and has good visibility on the remaining sites required. With an increasing proportion of legal completions expected from sites acquired since the housing market downturn and with a greater number of active sales outlets, the Group expects that volumes, sales prices and gross margin will continue to increase in 2012, delivering an operating margin of greater than 10.0% and a return on capital employed of more than 7.0%, based on current market conditions continuing. Additionally, the Group believes that it has the resources and opportunities to maintain its ambition of operating from an average of 100 active sales outlets during 2013.

The Group has demonstrated its ability both to acquire new land and to progress these assets into active build and sales phases. Additionally, the Group has shown that it can dispose of parcels of consented land where appropriate to rebalance capital employed. With strong financial capability to continue to grow the business, the Group is confident that, assuming current market conditions continue, it can increase its output capacity in order to grow volumes and profit margins, whilst controlling capital employed and thus deliver further material improvements in returns to shareholders.

Malcolm Harris
Chairman

Group income statement

For the six months ended 30 June 2011 (unaudited)

	Six months ended 30 June 2011 £000	Six months ended 30 June 2010 £000	Year ended 31 Dec 2010 £000
Revenue	**133,565**	115,623	298,635
Cost of sales	**(106,715)**	(96,806)	(245,218)
Gross profit	**26,850**	18,817	53,417
Administrative expenses	**(16,831)**	(13,997)	(31,784)
Operating profit before financing costs	**10,019**	4,820	21,633
Financial income	**1,353**	1,363	2,406
Financial expenses	**(3,376)**	(2,634)	(5,614)
Net financing costs	**(2,023)**	(1,271)	(3,208)
Share of profit/(loss) of Joint Venture	**125**	(30)	76
Profit before tax	**8,121**	3,519	18,501
Income tax expense	**(2,234)**	(1,126)	(4,463)
Profit for the period attributable to equity holders of the parent	**5,887**	2,393	14,038
Earnings per share			
Basic	**4.4p**	1.8p	10.6p
Diluted	**4.4p**	1.8p	10.6p

Group statement of comprehensive income

For the six months ended 30 June 2011 (unaudited)

	Six months ended 30 June 2011 £000	Six months ended 30 June 2010 £000	Year ended 31 Dec 2010 £000
Profit for the period	**5,887**	2,393	14,038
Actuarial gains/(losses) on defined benefit pension scheme	**4,570**	(3,340)	4,320
Deferred tax on actuarial movements on defined benefit pension scheme	**(1,219)**	935	(1,255)
Total comprehensive income/(expense) for the period attributable to equity holders of the parent	**9,238**	(12)	17,103

Group balance sheet

As at 30 June 2011 (unaudited)	30 June 2011 £000	30 June 2010 £000	31 Dec 2010 £000
Assets			
Property, plant and equipment	11,328	11,500	11,307
Investments	4,995	4,708	4,847
Restricted cash	250	-	138
Deferred tax assets	2,595	6,680	3,899
Trade and other receivables	17,164	2,162	12,087
Available for sale financial assets	34,101	25,766	31,147
Retirement benefit assets	2,080	-	-
Total non-current assets	72,513	50,816	63,425
Inventories	816,588	700,859	764,360
Trade and other receivables	47,038	42,682	37,271
Cash and cash equivalents	61,001	89,314	67,003
Total current assets	924,627	832,855	868,634
Total assets	997,140	883,671	932,059
Equity			
Issued capital	66,679	66,607	66,609
Share premium	210,946	210,398	210,409
Retained earnings	439,366	415,791	433,799
Total equity attributable to equity holders of the parent	716,991	692,796	710,817
Liabilities			
Bank and other loans	15,299	10,562	15,233
Other financial liabilities	2,236	-	2,686
Trade and other payables	88,230	42,050	56,004
Retirement benefit obligations	-	12,170	2,870
Provisions	1,971	2,146	1,995
Total non-current liabilities	107,736	66,928	78,788
Bank and other loans	-	-	92
Trade and other payables	167,898	120,800	139,215
Provisions	1,571	1,647	1,604
Current tax liabilities	2,944	1,500	1,543
Total current liabilities	172,413	123,947	142,454
Total liabilities	280,149	190,875	221,242
Total equity and liabilities	997,140	883,671	932,059

These condensed consolidated interim financial statements were approved by the Board of directors on 26 August 2011.

Group statement of changes in equity

For the six months ended 30 June 2011 (unaudited)	Own shares held £000	Retirement benefit obligations £000	Other retained earnings £000	Total retained earnings £000	Issued capital £000	Share premium £000	Total £000
Balance at 1 January 2010	(2,666)	(18,016)	436,497	415,815	66,570	210,181	692,566
Total comprehensive income and expense	-	(2,405)	2,393	(12)	-	-	(12)
Deferred tax on other employee benefits	-	-	(2)	(2)	-	-	(2)
Issue of share capital	-	-	-	-	37	217	254
Own shares disposed	113	-	(113)	-	-	-	-
Share based payments	331	-	(341)	(10)	-	-	(10)
Balance at 30 June 2010	**(2,222)**	**(20,421)**	**438,434**	**415,791**	**66,607**	**210,398**	**692,796**
Balance at 1 January 2010	(2,666)	(18,016)	436,497	415,815	66,570	210,181	692,566
Total comprehensive income and expense	-	3,065	14,038	17,103	-	-	17,103
Deferred tax on other employee benefits	-	-	36	36	-	-	36
Issue of share capital	-	-	-	-	39	228	267
Own shares disposed	113	-	(113)	-	-	-	-
Share based payments	331	-	514	845	-	-	845
Deferred tax on share based payments	-	-	(160)	(160)	-	-	(160)
Current tax on share based payments	-	-	160	160	-	-	160
Balance at 31 December 2010	**(2,222)**	**(14,951)**	**450,972**	**433,799**	**66,609**	**210,409**	**710,817**
Balance at 1 January 2011	(2,222)	(14,951)	450,972	433,799	66,609	210,409	710,817
Total comprehensive income and expense	-	3,351	5,887	9,238	-	-	9,238
Deferred tax on other employee benefits	-	-	13	13	-	-	13
Issue of share capital	-	-	-	-	70	537	607
Own shares disposed	144	-	(144)	-	-	-	-
Share based payments	-	-	299	299	-	-	299
Dividends to shareholders	-	-	(3,983)	(3,983)	-	-	(3,983)
Balance at 30 June 2011	**(2,078)**	**(11,600)**	**453,044**	**439,366**	**66,679**	**210,946**	**716,991**

Group statement of cash flows

For the six months ended 30 June 2011 (unaudited)	Six months ended 30 June 2011 £000	Six months ended 30 June 2010 £000	Year ended 31 Dec 2010 £000
Cash flows from operating activities			
Profit for the period	5,887	2,393	14,038
Depreciation	334	328	636
Adjustment for sale of assets to Joint Venture	-	963	963
Impairment of available for sale assets	577	247	713
Financial income	(1,353)	(1,363)	(2,406)
Financial expense	3,376	2,634	5,614
(Profit)/loss on sale of property, plant and equipment	(22)	4	8
Equity-settled share-based payment expense/(credit)	299	(10)	845
Income tax expense	2,234	1,126	4,463
Share of results of Joint Venture	(125)	30	(76)
Increase in trade and other receivables	(17,996)	(14,039)	(23,951)
Increase in inventories	(52,231)	(70,150)	(133,650)
Increase in trade and other payables	59,128	51,016	84,335
Decrease in provisions and employee benefits	(187)	(51)	(1,731)
Cash generated from operating activities	(79)	(26,872)	(50,199)
Interest paid	(1,702)	(1,363)	(3,028)
Income taxes (paid)/received	(732)	1,906	(762)
Net cash generated from operating activities	(2,513)	(26,329)	(53,989)
Cash flows from investing activities			
Interest received	332	448	660
Acquisition of property, plant and equipment	(367)	(270)	(402)
Proceeds from sale of plant and equipment	34	12	24
Investment in Joint Venture	-	(4,210)	(4,228)
Movement in loans with Joint Venture	-	(1,450)	(1,451)
Investment in restricted cash	(112)	-	(138)
Net cash generated from investing activities	(113)	(5,470)	(5,535)
Cash flows from financing activities			
Dividends paid	(3,426)	-	-
Proceeds from the issue of share capital	50	254	267
Drawdown of borrowings	-	8,305	13,706
Costs associated with refinancing	-	(2,041)	(2,041)
Net cash generated from financing activities	(3,376)	6,518	11,932
Net decrease in cash and cash equivalents	(6,002)	(25,281)	(47,592)
Cash and cash equivalents at start of period	67,003	114,595	114,595
Cash and cash equivalents at end of period	61,001	89,314	67,003

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 2011 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 26 August 2011. 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 2011 and 30 June 2010 are unaudited. The comparative figures for the financial year ended 31 December 2010 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 498 (2) or (3) of the Companies Act 2006.

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

Judgements 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 2010.

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 2010, 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 2011. They are not expected to have a material impact on the Group's financial statements:

IFRIC 14 'IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction' (Amendment). This interpretation outlines when refunds or reductions in future contributions can be treated as available under IAS 19 "Employee Benefits" and how a minimum funding requirement affects future contributions or may give rise to a liability.

IFRS 7 'Financial Instruments: Disclosure' (Amendment). The amendment provides clarification of the standard and requires additional disclosures in relation to financial instruments.

2 Seasonality

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

3 Segmental reporting

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

4 Earnings per share

(Unaudited)	Six months ended 30 June 2011 Pence	Six months ended 30 June 2010 Pence	Year ended 31 Dec 2010 Pence
Basic and diluted earnings per share	4.4	1.8	10.6

Basic earnings per share

Basic earnings per ordinary share for the six months ended 30 June 2011 is calculated on a profit after tax of £5,887,000 (six months ended 30 June 2010: profit after tax of £2,393,000; year ended 31 December 2010: profit after tax of £14,038,000) over the weighted average of 132,755,559 (six months ended 30 June 2010: 132,619,336; year ended 31 December 2010: 132,664,656) ordinary shares in issue during the period.

Diluted earnings per share

The calculation of diluted earnings per share at 30 June 2011 was based on the profit attributable to ordinary shareholders of £5,887,000 (six months ended 30 June 2010: profit after tax of £2,393,000; year ended 31 December 2010: profit after tax of £14,038,000).

The Group's diluted weighted average ordinary shares potentially in issue during the six months ended 30 June 2011 was 132,839,762 (six months ended 30 June 2010: 132,658,181; year ended 31 December 2010: 132,685,679).

Notes to the accounts continued

5 Dividends

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

(Unaudited)	Six months ended 30 June 2011 £000	Six months ended 30 June 2010 £000	Year ended 31 Dec 2010 £000
May 2011: 3p	3,983	-	-

The Board determined on 26 August 2011 that an interim dividend of 1.5p for 2011 be paid. The dividend will be settled on 25 November 2011 to shareholders on the register at the close of business on 30 September 2011. This dividend has not been recognised as a liability at the balance sheet date.

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 27%.

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 assets 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 2011 have been eliminated on consolidation, as have transactions between the Company and its subsidiaries during this period. The Group's associates and joint ventures are disclosed in the Group's Annual report and accounts 2010.

Transactions between the Group and key management personnel in the first half of 2011 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 2010. No material change has occurred in these arrangements in the first half of 2011.

Mr Malcolm Harris, a Group Director, is a non-executive director of the Home Builders Federation (HBF) and was a non-executive director of the National House Building Council (NHBC) until 26 June 2010. Given this change no transactions in 2011 with NHBC have been deemed with a related party. 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. Net amounts payable for each period where as follows:

(Unaudited)	Six months ended 30 June 2011 £000	Six months ended 30 June 2010 £000	Year ended 31 Dec 2010 £000
NHBC	n/a	834	1,454
HBF	36	34	68

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.

Transactions with Joint Venture

Bovis Homes Limted is contracted to provide property and letting management services to Bovis Peer LLP. Fees charged in the period, inclusive of VAT, were £66,600 (six months ended 30 June 2010: £29,575; year ended 31 December 2010: £99,964). Bovis Homes Limited also provided a loan of £1,450,355 at the set up of the partnership. Interest charges made in respect of the loan were £22,200 (six months ended 30 June 2010: £11,674; year ended 31 December 2010: £33,733).

In the six months ended 30 June 2010, inventory was sold to Bovis Peer LLP for a cash consideration of £25,859,250. No other sales of inventory have taken place.

Notes to the accounts continued

8 Reconciliation of net cash flow to net cash

(Unaudited)	Six months ended 30 June 2011 £000	Six months ended 30 June 2010 £000	Year ended 31 Dec 2010 £000
Net decrease in cash and cash equivalents	(6,002)	(25,281)	(47,592)
Drawdown of borrowings	-	(8,305)	(13,706)
Fair value adjustments to interest rate swaps	92	80	245
Fair value adjustments to interest free loan	(66)	-	473
Net cash at start of period	51,678	112,258	112,258
Net cash at end of period	45,702	78,752	51,678
Analysis of net cash:			
Cash	61,001	89,314	67,003
Bank and other loans	(15,299)	(10,305)	(15,233)
Fair value of interest rate swaps	-	(257)	(92)
Net cash	45,702	78,752	51,678

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 including the analyst presentation document which will be presented at the Group's results meeting on 30 August 2011.

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 — Chief Executive

Jonathan Hill — Group Finance Director

26 August 2011

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 2011 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 2011 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

26 August 2011

Principal offices

Bovis Homes Group PLC Board of Directors

Malcolm Robert Harris
Chairman (non-executive)

Alastair David Lyons
Non-executive Deputy Chairman

John Anthony Warren
Non-executive Director

Colin Peter Holmes
Non-executive Director

David James Ritchie
Chief Executive

Jonathan Stanley Hill
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.bovishomesgroup.co.uk

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

Designed and produced by the Bovis Homes Graphic Design Department. Printed by Tewkesbury Printing Company Limited accredited with ISO 14001 Environmental Certification.
Printed using bio inks formulated from sustainable raw materials.

The paper used for this report is from a mixed source product, it is produced using 60% FSC certified recycled fibre derived from post consumer waste, 20% FSC certified virgin fibre and 20% pre-consumer waste.

The manufacturers of the paper are accredited with the ISO 14001 Environmental Management System.

Mixed Sources
Product group from well-managed forests, controlled sources and recycled wood or fiber
www.fsc.org Cert?no.?TT-COC-002496
© 1996 Forest Stewardship Council
FSC

recycle