Half-yearly financial report 2008

Bovis Homes Group PLC

www.bovishomes.co.uk/plc

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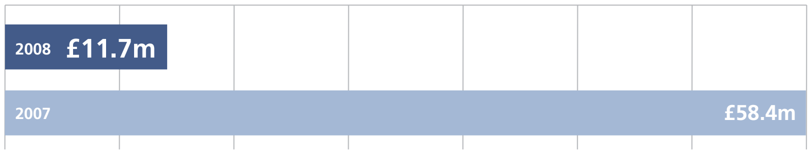
Interim financial highlights

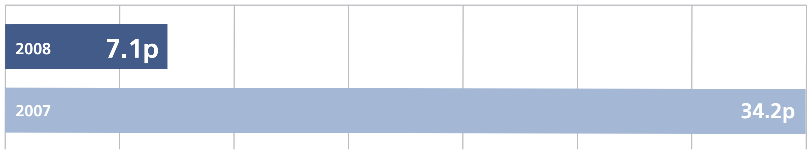
Adjusted pre tax profit* £11.7m

(2007: £58.4m)



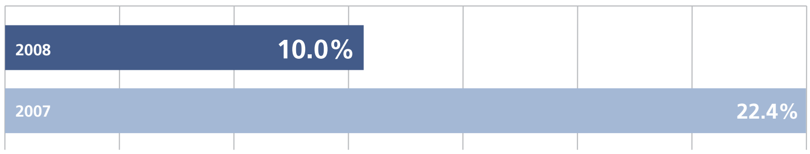
Adjusted earnings per share* 7.1p

(2007: 34.2p)



Adjusted operating margin* 10.0%

(2007: 22.4%)



2008 figures stated before restructuring cost of £2.2 million (2007: £nil)

The Group has sought to deliver a **good quality** of profit on its private homes

Interim management report

These interim results for the six months ended 30 June 2008 have been delivered against the backdrop of the worst market the Group has traded in for many years. The Group has sought to deliver a good quality of profit on the private homes it legally completed during the first half of 2008, however a reduction in the volume of private homes legally completed has led to a much reduced level of absolute profit. The Group gross margin has reduced, reflecting this lower private volume combined with an increase in the proportion of social and partnership homes legally completed. Combined with an overhead base largely fixed in the short term, albeit 7% below the previous year, the operating profit margin of the Group was sharply down on the prior year.

The Group has not only taken steps to reduce its overhead cost base but also to ensure that it conserves cash. It has reduced production levels, is largely avoiding new land commitments and has acted quickly in reducing its cost base. Notwithstanding the fact that gearing, at 13%, remained relatively low at the half year, this level of gearing is likely to increase in the current challenging market, with average net debt for the year as a whole expected to be in the range £110-£120 million. The Group has also announced that it intends to pay an interim dividend for 2008 of 5p net per share, a substantial reduction from the 20p per share previously anticipated to be paid at this stage.

The Group has been cautious in recent years in regard to investing in land with residential planning consent in place, given prevailing costs. This caution has been allied with a focus on delivery of planning consent on strategic land already owned or controlled by the Group. Success in conversion of this strategic land has been significant in recent years, leading to a position where the majority of the Group's current consented land bank, some 58%, has been converted from the Group's strategic land bank. This long term activity has assisted the Group in maintaining a low cost land bank on which it can develop new homes in the future, and it remains a key strategic priority for the Group going forward.

Market conditions

The UK housing market has been badly impacted during 2008 as mortgage availability has reduced, following financial market turmoil in the second half of 2007. As an example, according to the Bank of England, seasonally adjusted house purchase mortgage approvals in June 2008 were down by 68% against the prior year. As the vast majority of potential customers in the market require mortgage finance, this has had a negative impact on the Group's levels of reservations and legal completions. Further exacerbating this impact has been a rise in mortgage interest rates, despite a falling trend in the Bank of England base rate, and a reduction in loan-to-value ratios, both of which impact critically on the ability of first time buyers to proceed, given their general lack of equity. As first time buyers represent the first rung on the ladder for housing chains, this is a particularly damaging development for the market.

This impact is clearly evident in market statistics. Firstly, transaction volumes across the market have declined. The latest government data suggests that completed residential property transactions in England and Wales in June were 45% below the prior year. Secondly, sentiment is now poor, as evidenced by a number of consumer confidence surveys. Accordingly, Nationwide and Halifax house price indices suggest that market pricing is now falling as a result of reducing demand and falling confidence, and it is likely to take some time for these conditions to stabilise or improve.

Malcolm Harris
Chairman

Results

The Group generated £149.3 million of revenue in the first half of 2008, a fall of 43% versus the comparable period (2007: £259.9 million). Housing revenue fell by 40%, contributed to by a 32% reduction in legal completions from 1,256 homes legally completed in 2007 to 851 homes legally completed in 2008. Of the Group's legal completions in 2008, 624 (73%) were of private homes and 227 (27%) were of social and partnership homes.

These proportions are as compared to 87% and 13% respectively over the same period in 2007. Private homes legal completions fell by 43%, and social and partnership homes legal completions grew by 38%, albeit from a much smaller base.

In the first half of 2008, the Group delivered a private home average sales price of £196,700, some 4% lower than the average sales price delivered for private homes in the first half of 2007 of £204,500. With the average size of private homes legally completed falling from 1,021 square feet to 964 square feet as a result of an increase in the selling mix of smaller homes, the underlying average sales price per square foot for private homes increased by around 2%. The social and partnership homes average sales price for the first half of 2008 was £87,800, a 3% decline on the previous year (2007: £90,400). In total, the Group's average sales price for the first half of 2008, at £167,600, was 12% lower than that of the previous year (2007: £189,600), primarily from the impact of social housing increasing in the selling mix from 13% to 27%.

Land sales reduced substantially compared to the prior year, with revenue of £4.9 million, and profits, less option costs, of £2.1 million, as compared to revenue of £19.1 million and profits, less option costs, of £8.6 million in the first half of 2007. Given uncertainties on house pricing, the land market has been subdued in the first half of the year.

The Group's underlying private housing margins fell by approximately 2%. Allied with other factors, including an increase in the proportion of social and partnership homes sold which generate lower profit margins, reduced scale economies in semi-fixed site management charges and cost increases in strategic planning fees and part-exchange provisions, the gross profit margin fell to 26.3% in the first half of 2008 (2007: 32.6%).

Whilst overhead costs fell by 7% to £24.4 million, the impact of lower revenues, taken together with the gross margin decline, has been to sharply reduce the operating margin, which was 10.0% for the half year before taking into account a £2.2 million one-off restructuring charge incurred as a result of the cost reduction program undertaken by the Group during the half (8.5% including this charge). This is as compared to 22.5% in 2007 for the comparable period.

Following this cost reduction programme, the Group's Eastern regional office has been closed and a number of key functions of its Northern region have been amalgamated with its Central region. Total staff numbers, both office and site-based, have been reduced by around 40% compared to those employed at the start of the year. The Group anticipates the annualised saving in respect of general overheads from these actions to be around 20% of its general overhead cost base (circa £10 million). Savings have also been made to direct site based costs and the Group has reduced the level of subcontract labour working on its sites.

For the six months ended 30 June 2008 the Group achieved a pre-tax profit of £11.7 million before restructuring costs (£9.5 million after restructuring costs) as compared to £58.4 million in the same period in 2007. Basic earnings per share has decreased in the half year from 34.2p in 2007 to 7.1p in 2008 before restructuring charges (5.7p after restructuring charges).

Dividends

The interim dividend of the Company will amount to 5p net per share, compared to the 17.5p interim dividend declared and paid for 2007. This dividend will be paid on 21 November 2008 to holders of ordinary shares on the register at the close of business on 26 September 2008. The Group recognises that it had previously indicated an intention to pay 20p per share at this time, dependent on the prevailing business environment. In light of current difficult trading conditions, the Board considers this reduction to be a prudent action to take. The Board intends to offer a scrip dividend alternative, pursuant to which the shareholders may elect to receive the whole or part of their dividend in new ordinary shares credited as fully paid instead of cash, for the 2008 interim dividend.

Borrowings and financing

As at 30 June 2008, the Group had net debt of £93 million, representing gearing of 13%. The Group's average net borrowings for the first half year were £81 million, and the Group now anticipates that average net debt for the year as a whole will be in the range £110-£120 million. The Group has bilateral committed facilities of £220 million in place which do not mature until early 2010 and it will be discussing its longer term banking arrangements with its bankers well ahead of that maturity.

This first half average borrowing position gave rise to total financing charges of £3.2 million, substantially higher than the comparable period at £0.1 million. Of this total financing charge, cash interest expenses were £2.4 million (2007: £1.9 million income) and £1.3 million (2007: £2.4 million) related to non-cash imputed interest expenses arising from land creditors, a reduction on the prior year as the Group has seen a decline in the level of land creditors held on the balance sheet as at 30 June 2008 versus June 2007. The Group also generated £0.5 million of non-cash pension financing interest income in the first half of 2008, as compared to £0.4 million income in the first half of 2007.

Land

The Group has been successful in the first half of 2008 in converting strategic land, having obtained outline planning consent for both Wellingborough and Filton. As a result, the Group's controlled and consented landbank has risen from 11,413 plots at the end of 2007 to 14,294 plots at the end of June 2008, of which approximately 58% was converted from the strategic land bank, and only 11% has been acquired in the consented market since the start of 2007.

Within this total are 2,200 plots at Filton and 900 plots at Wellingborough, both owned and paid for. The balance of the plots with consent at Wellingborough remain controlled under a call option which can be exercised by the Group in the future. The pace of material investment in these major and important projects remains under the control of the Group and is being adjusted in light of market conditions.

The strategic land bank at 30 June 2008 stood at 20,982 potential plots as compared to 24,868 potential plots held at the start of the year. This reduction is primarily due to the successful conversion of 3,735 plots into the consented land bank. The Group continues to maintain a suitable organisational infrastructure to enable it to replenish this strategic land bank, which represents a key source of value for the Group.

Having regard both to its carrying costs of land, and to reliable estimates at the balance sheet date of sales prices given prevailing market conditions, no land provisions or write-downs have been necessary in this half year.

Pensions

As at 30 June 2008, the Group's actuary estimated that the Group's defined benefits pension scheme had moved from a surplus of £1.0m at the end of 2007 to a deficit of £1.5 million. The main driver of this adverse movement has been the impact of poor investment conditions in the equity markets reducing the value of the scheme's assets. This was partially offset by favourable changes in actuarial assumptions applied to estimates of the Group's liabilities arising principally from increases in bond yields.

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 this in full in its 2007 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 housebuilding and are principally commercial in nature, such as the risk of trading worsening as a result of fast moving developments in credit markets.

Notwithstanding the tougher trading environment at present, the Board has continued to ensure that operational risks remain a key focus of management throughout the business: in particular in regard to risks that may result in injury or harm to individuals or to the environment. It continues to manage these risks robustly and in a proactive manner.

More widely, the present trading environment gives rise to a number of material uncertainties which necessarily carry risk with them, and which may have a material impact on the Group's performance over the next six months of the year. The more significant of these include the volume of mortgage finance being made available, the direction and speed of national house price changes and the relative levels of consumer confidence. The Group has outlined above a number of the activities it has taken, such as its overhead reduction programme, a reduction in discretional purchasing and a reduction in dividend, which it regards as prudent given historically high levels of uncertainty in the marketplace at present. It continues to monitor marketplace developments very carefully, to enable it to react accordingly, in particular in terms of its cashflow.

Cumulative reservations

Cumulative sales achieved to 30 June 2008 for 2008 legal completion stood at 1,482 homes as compared to 2,282 homes at the same point in 2007 which represented a 35% decline in volume. Within this, the Group held 687 reservations for social and partnership homes (2007: 661 reservations) and 795 reservations for private homes (2007: 1,621 reservations).

Prospects

Looking forward to the full year, the Group's reservation levels since 30 June 2008 have continued to be notably lower than the previous year. Cumulative sales achieved to 22 August 2008 for 2008 legal completion stood at 1,574 homes as compared to 2,592 homes at the same point last year, a 39% decline year over year.

The Group anticipates private home sales volumes continuing at the current absolute level for the remainder of 2008. In response to current market uncertainties, the Group is committed to competitive net pricing such that it can achieve volume delivery. Given current sentiment, this is likely to further reduce private sales prices and profit margins achievable on incremental reservations over the remainder of 2008.

The Group has consistently invested on a long term basis enabling it to purchase a large proportion of its residential land through conversion of its strategic land investments. Allied to this, the Group has a well designed product range focused towards low-rise, mid-market housing, and has developed good expertise in the social and partnership housing sector. Having restructured the business to help mitigate the impact from current housing market conditions, the Group will be able to exploit its strong asset base as and when the market returns to more normal conditions.

Malcolm Robert Harris
Chairman

Group income statement

For the six months ended 30 June 2008 (unaudited)

	Six months ended 30 June 2008 £000	Six months ended 30 June 2007 £000	Year ended 31 Dec 2007 £000
Revenue	**149,288**	259,931	555,702
Cost of sales	**(109,965)**	(175,301)	(382,659)
Gross profit	**39,323**	84,630	173,043
Administrative expenses before restructuring costs	**(24,356)**	(26,116)	(48,653)
Restructuring costs	**(2,248)**	-	-
Operating profit before financing costs	**12,719**	58,514	124,390
Financial income	**608**	3,258	6,158
Financial expenses	**(3,823)**	(3,363)	(6,962)
Net financing costs	**(3,215)**	(105)	(804)
Profit before tax	**9,504**	58,409	123,586
Income tax expense	**(2,616)**	(17,361)	(36,727)
Profit for the period attributable to equity holders of the parent	**6,888**	41,048	86,859
Earnings per share			
Basic earnings per share	**5.7p**	34.2p	72.4p
Diluted earnings per share	**5.7p**	34.1p	72.2p
Dividend per share charged in period			
2007 final paid May 2008	**17.5p**	-	-
2007 interim paid November 2007	**-**	-	17.5p
2006 final paid May 2007	**-**	20.0p	20.0p
	17.5p	20.0p	37.5p

Group statement of recognised income and expense

For the six months ended 30 June 2008 (unaudited)

	Six months ended 30 June 2008 £000	Six months ended 30 June 2007 £000	Year ended 31 Dec 2007 £000
Revaluation of available for sale financial assets	**(17)**	-	-
Deferred tax on revaluation of available for sale financial assets	**5**	-	-
Effective portion of changes in fair value of interest rate cash flow hedges	**-**	165	160
Deferred tax on changes in fair value of interest rate cash flow hedges	**-**	(49)	(48)
Actuarial (loss)/gain on defined benefit pension scheme	**(3,100)**	5,770	3,750
Deferred tax on actuarial movements on defined benefit pension scheme	**868**	(1,886)	(1,325)
Deferred tax on other employee benefits	**(402)**	(471)	(790)
Net income recognised directly in equity	**(2,646)**	3,529	1,747
Profit for the period	**6,888**	41,048	86,859
Total recognised income and expense for the period attributable to equity holders of the parent	**4,242**	44,577	88,606

Group Balance sheet

As at 30 June 2008 (unaudited)	30 June 2008 £000	30 June 2007 £000	31 Dec 2007 £000
Assets			
Goodwill	**9,176**	–	9,176
Property, plant and equipment	**13,915**	14,581	14,451
Available for sale financial assets	**3,789**	–	1,085
Investments	**22**	22	22
Deferred tax assets	**3,761**	3,187	3,233
Trade and other receivables	**6,222**	2,734	2,589
Retirement benefit asset	**–**	2,830	1,010
Total non-current assets	**36,885**	23,354	31,566
Inventories	**887,893**	745,898	870,550
Trade and other receivables	**34,082**	42,378	52,725
Cash	**4,006**	132,829	346
Total current assets	**925,981**	921,105	923,621
Total assets	**962,866**	944,459	955,187
Equity			
Issued capital	**60,482**	60,376	60,415
Share premium	**157,054**	156,290	156,734
Hedge reserve	**–**	4	–
Retained earnings	**489,403**	483,121	506,594
Total equity attributable to equity holders of the parent	**706,939**	699,791	723,743
Liabilities			
Bank loans	**25,000**	24,995	25,000
Trade and other payables	**28,891**	35,358	28,816
Retirement benefit obligations	**1,530**	–	–
Provisions	**562**	2,004	1,463
Total non-current liabilities	**55,983**	62,357	55,279
Bank overdraft	**1,015**	–	3,588
Bank loans	**71,383**	–	16,000
Trade and other payables	**125,353**	165,480	142,291
Provisions	**728**	–	500
Tax liabilities	**1,465**	16,831	13,786
Total current liabilities	**199,944**	182,311	176,165
Total liabilities	**255,927**	244,668	231,444
Total equity and liabilities	**962,866**	944,459	955,187

These condensed consolidated interim financial statements were approved by the Board of directors on 22 August 2008.

Group statement of cash flows

For the six months ended 30 June 2008 (unaudited)	Six months ended 30 June 2008 £000	Six months ended 30 June 2007 £000	Year ended 31 Dec 2007 £000
Cash flows from operating activities			
Profit for the period	**6,888**	41,048	86,859
Depreciation	**644**	698	1,421
Financial income	**(608)**	(3,258)	(6,158)
Financial expenses	**3,823**	3,363	6,962
Profit on sale of property, plant and equipment	**(33)**	(1)	(43)
Equity-settled share-based payment expenses	**(402)**	(319)	133
Income tax expense	**2,616**	17,361	36,727
Available for sale financial assets	**(2,704)**	-	(1,085)*
Other non cash items	**147**	-	996
Operating profit before changes in working capital and provisions	**10,371**	58,892	125,812
Decrease/(increase) in trade and other receivables	**14,993**	(19,962)	(28,736)
(Increase)/decrease in inventories	**(17,488)**	12,180	(42,195)
Decrease in trade and other payables	**(18,206)**	(2,998)	(39,519)
Decrease in provisions and employee benefits	**(673)**	(1,760)	(6,301)
Cash generated from operations	**(11,003)**	46,352	9,061
Interest paid	**(2,564)**	(2,475)	(4,812)
Income taxes paid	**(14,942)**	(18,257)	(39,052)
Net cash from operating activities	**(28,509)**	25,620	(34,803)
Cash flows from investing activities			
Interest received	**78**	2,960	5,420
Acquisition of property, plant and equipment	**(143)**	(520)	(879)
Proceeds from sale of plant and equipment	**68**	20	106
Acquisition of subsidiary net of cash acquired	**–**	-	(73,304)
Net cash from investing activities	**3**	2,460	(68,657)
Cash flows from financing activities			
Dividends paid	**(21,031)**	(23,976)	(44,990)
Proceeds from the issue of share capital	**387**	884	1,367
Drawdown/(repayment) of borrowings	**55,383**	(15,000)	1,000
Net cash from financing activities	**34,739**	(38,092)	(42,623)
Net increase/(decrease) in cash and cash equivalents	**6,233**	(10,012)	(146,083)
Cash and cash equivalents at start of period	**(3,242)**	142,841	142,841
Cash and cash equivalents at end of period	**2,991**	132,829	(3,242)

*Previously reported as a component of trade and other receivable movement.

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 2008 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 22 August 2008. The financial statements are unaudited but have been reviewed by KPMG Audit Plc.

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 2007, which were prepared in accordance with IFRSs as adopted by the EU.

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.

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.

The condensed interim financial statements do not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. The figures for the half years ended 30 June 2008 and 30 June 2007 are unaudited. The comparative figures for the financial year ended 31 December 2007 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.

2 Earnings per share

Basic earnings per ordinary share for the six months ended 30 June 2008 is calculated on profit after tax of £6,888,000 (six months ended 30 June 2007: £41,048,000; year ended 31 December 2007: £86,859,000) over the weighted average of 120,194,838 (six months ended 30 June 2007: 119,880,594; year ended 31 December 2007: 119,984,811) ordinary shares in issue during the period. For presentation purposes, an earnings per share statistic has been disclosed in the interim management report after adjusting for restructuring costs incurred in the year. This adjustment was made by adding an additional £1,619,000 to the Group's profit after tax, being the Group's 2008 restructuring charge of £2,248,000 tax-effected at 28%.

Diluted earnings per ordinary share is calculated on profit after tax of £6,888,000 (six months ended 30 June 2007: £41,048,000; year ended 31 December 2007: £86,859,000) over the diluted weighted average of 120,298,768 (six months ended 30 June 2007: 120,229,838; year ended 31 December 2007: 120,244,911) ordinary shares potentially in issue during the period. 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.

3 Dividends

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

(Unaudited)	Six months ended 30 June 2008	Six months ended 30 June 2007	Year ended 31 Dec 2007
May 2008: 17.5p (May 2007: 20.0p)	**21,031**	23,976	23,976
November 2007: 17.5p	**-**	-	21,014
	21,031	23,976	44,990

An interim dividend in respect of 2008 of 5.0p per share, amounting to a total dividend of £6,048,000 based on the shares in issue as at 30 June 2008, was declared by the Board on 22 August 2008. This interim dividend will be paid on 21 November 2008 to shareholders on the register at the close of business on 26 September 2008. This dividend has not been recognised as a liability at the balance sheet date.

Notes to the accounts continued

4 Income taxes

Current tax

Current tax expense for the interim periods presented is the expected tax payable on the taxable income for the period, calculated using a corporation tax rate of 30% up to 5 April 2008, and 28% thereafter, adjusted to take account of deferred taxation movements.

Current tax for current and prior periods is classified as a current liability to the extent that it is unpaid. Amounts paid in excess of amounts owed are classified as a current asset.

Deferred tax

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the balance sheet date.

5 Related party transactions

Transactions between fellow subsidiaries, which are related parties, during the first half of 2008 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 2007.

Transactions between the Group and key management personnel in the first half of 2008 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 2007. No material change has occurred in these arrangements in the first half of 2008.

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 2008 £000	Six months ended 30 June 2007 £000
NHBC	**813**	1,298
HBF	**57**	58

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.

6 Reconciliation of net cash flow to net (debt)/cash

(Unaudited)	Six months ended 30 June 2008 £000	Six months ended 30 June 2007 £000	Year ended 31 Dec 2007 £000
Net increase/(decrease) in cash and cash equivalents	**6,233**	(10,012)	(146,083)
(Drawdown)/repayment of borrowings	**(55,383)**	15,000	(1,000)
Fair value adjustments to interest rate swaps	**–**	165	160
Net (debt)/cash at start of period	**(44,242)**	102,681	102,681
Net (debt)/cash at end of period	**(93,392)**	107,834	(44,242)
Analysis of net (debt)/cash:			
Cash	**4,006**	132,829	346
Bank overdraft	**(1,015)**	-	(3,588)
Bank loans	**(96,383)**	(25,000)	(41,000)
Fair value of interest rate swaps	**–**	5	-
Net (debt)/cash	**(93,392)**	107,834	(44,242)

Notes to the accounts continued

7 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	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	–	3,884	(471)	41,048	**44,461**	–	–	116	**44,577**
Issue of share capital	–	–	–	–	**–**	88	796	–	**884**
Own shares disposed	307	–	–	(307)	**–**	–	–	–	**–**
Share based payments	–	–	–	474	**474**	–	–	–	**474**
Dividends paid to shareholders	–	–	–	(23,976)	**(23,976)**	–	–	–	**(23,976)**
Balance at 30 June 2007	**(3,073)**	**(7,176)**	**819**	**492,551**	**483,121**	**60,376**	**156,290**	**4**	**699,791**
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	–	(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**

8 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 26 August 2008.

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	Neil Cooper Finance Director

22 August 2008

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 2008 which comprises the Group income statement, Group balance sheet, Group statement of cash flows, Group statement of recognised income and expense 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 2008 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FSA.

KPMG Audit Plc
Chartered Accountants
London
22 August 2008

Bovis Homes Group PLC
Board of Directors

Malcolm Robert Harris
Chairman (non-executive)

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

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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**

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