Half-yearly financial report 2012

Bovis Homes Group PLC

www.bovishomesgroup.co.uk

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Financial and operational highlights

Profit

Revenue £170.3m **+27%** 2011: £133.6m	Operating profit £17.6m **+76%** 2011: £10.0m	Operating margin 10.3% **+2.8ppts** 2011: 7.5%

Earnings

Profit before tax £16.2m **+100%** 2011: £8.1m	Earnings per share 8.9p **+102%** 2011: 4.4p	Dividend per share 3.0p **+100%** 2011: 1.5p

Assets

Net assets per share 547p **+9p** 2011: 538p	Net cash **£22.2m** 2011: £45.7m

Operations

Legal completions 944 **+18%** 2011: 801	Average sales outlets 82 **+21%** 2011: 68	Land bank plots **13,620** 2011: 14,470

Performance

Malcolm Harris
Chairman

During the first half of 2012, Bovis Homes has made significant progress in delivering its strategy to improve returns with a doubling of profit, a strong increase in the number of active sales outlets and the successful continuation of investment in consented and strategic land.

This has been achieved against the backdrop of stable, but challenging, UK housing market conditions, reflecting the continuing restriction of higher loan to value mortgage lending, which particularly constrains first time buyers with limited deposits.

Strategy

The focus of the Group's strategy is to deliver further material improvements in shareholder returns by increasing profitability whilst improving the efficiency of capital employed. The strategy can be successfully delivered during a period of stable market conditions and is flexible enough to operate during short periods of market weakness.

The Group will deliver enhanced profits from the compound positive effect of:

- volume growth from a greater number of sales outlets, delivered through consented land acquisition, primarily in the south of England.
- higher average sales price from traditional homes on better located sales outlets.
- stronger profit margins from an increasing proportion of legal completions from new higher margin sites.

Building the future profit potential in the land bank will be delivered by:

- adding new consented sites to the land bank which will achieve higher profit margins.
- progressively trading through older, lower margin sites.
- continuing investment in strategic land and delivering strategic land conversion through achievement of residential planning consent.

Greater efficiency of capital employed will be delivered by:

- efficient cash utilisation with more sites being acquired on deferred terms.
- maintaining tight control of work in progress.
- managing the land bank through selective sales of consented plots on sites.

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

- circa 8,000 consented plots acquired since the housing market downturn.
- circa 30 new sales outlets expected to launch in 2012, with 33 new sales outlets having opened in 2011.
- six land sales delivered since the housing market downturn with further land sales to be undertaken selectively.

The successful execution of this strategy should enable the Group, assuming stable market conditions, to continue to increase output capacity progressively and further improve margins in 2013 and beyond. The Group considers that the required investment can be managed with its existing capital structure. This should lead to an increase in the Group's return on equity to a level where it exceeds its cost of capital.

Revenue

The Group generated total revenue of £170.3 million during the first half of 2012, compared to total revenue in H1 2011 of £133.6 million, an increase of 27%.

Units	**2012**	**2011**
Private legal completions	806	681
Social legal completions	138	120
Total legal completions	944	801
Revenue (£m)		
Private legal completions	141.1	119.4
Social legal completions	14.1	11.5
Housing revenue	155.2	130.9
Other revenue	1.9	2.7
Land sales revenue	13.2	-
Total revenue	170.3	133.6

Bovis Homes has made significant progress in delivering its strategy to improve returns

Housing revenue in the first six months of 2012 was £155.2 million, 19% ahead of the same period in the prior year. Other revenue was £1.9 million (H1 2011: £2.7 million) and land sales revenue was £13.2 million (H1 2011: Nil).

The Group legally completed 944 homes in the first six months of 2012 (H1 2011: 801). Of these, 806 were private homes (H1 2011: 681 homes), an increase of 18%. Social homes comprised 15% of total legal completions (138 homes), consistent with 15% (120 homes) in the first half of 2011.

In the first six months of 2012 the average sales price of homes legally completed was £164,400 (H1 2011: £163,400) and the average sales price of the Group's private legal completions was £175,000 (H1 2011: £175,300). The increasing benefit of stronger sales prices on new sites was offset in the first half year by an increased proportion of legal completions from midlands / northern sites, trading out lower priced product. Housing market prices are considered to have remained unchanged during the year to date.

The average size of the Group's private home legal completions decreased by 2.0% to 996 square feet in H1 2012 (H1 2011: 1,017 square feet), in part due to the increased contribution of smaller homes where customers took advantage of the FirstBuy scheme. The sales price per square foot increased by 2.0%. The Group's social home legal completions decreased in average size to 805 square feet in the first half of 2012 (H1 2011: 833 square feet). Overall, the average size of the Group's legally completed homes decreased by 2.2% and the sales price per square foot increased by 2.9%.

Operating profit

The Group delivered an operating profit for the six months ended 30 June 2012 of £17.6 million at an operating margin of 10.3% (H1 2011: £10.0 million at an operating margin of 7.5%).

The gross margin achieved in the first half of 2012 was 21.6%, which compared to 20.1% in 2011. The Group delivered a land sales profit of £3.9 million (H1 2011: Nil). Housing gross margin increased to 20.9% (H1 2011: 20.1%), which, with relatively stable market pricing year on year, was generated from the increasing contribution from new higher margin sites acquired since the downturn.

As anticipated, overheads have increased by 14% and constitute 11.3% of revenue in the first half of 2012 (H1 2011: 12.6%). The Group has invested in sales and marketing activity, given the increasing number of active sales outlets, and 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 9.8% in 2011 towards 9% for the 2012 full year.

Profit before tax

The Group achieved profit before tax of £16.2 million, comprising operating profit of £17.6 million, net financing charges of £1.5 million and a profit from the joint venture of £0.1 million. This compares to £10.0 million of operating profit, £2.0 million of net financing charges and a profit from the joint venture of £0.1 million in the first six months of 2011, generating a profit before tax of £8.1 million in that period. There were no exceptional items in the first six months of either 2011 or 2012.

Dividends

With the Group's growth strategy delivering as expected and a strong improvement in the performance and future prospects of the Group, an interim dividend of 3.0p per share has been declared (2011 interim dividend: 1.5p). The Board expects to continue to increase dividends progressively as earnings per share increase.

The interim dividend will be paid on 23 November 2012 to holders of ordinary shares on the register at the close of business on 28 September 2012. The Board has decided to close the Scrip dividend scheme. In its place, a new dividend reinvestment plan (DRIP) will be offered, giving shareholders the opportunity to continue reinvesting their dividends. In contrast to the Scrip dividend scheme, under which new shares were issued, the new DRIP, operated by the Registrar, will buy existing shares for shareholders on the market through a special dealing arrangement. Documentation inviting shareholders to participate will be issued on or around 1 October 2012.

Financing and cash flow

The Group incurred net financing charges of £1.5 million in the first half of 2012 (H1 2011: £2.0 million). The decrease is primarily due to a lower charge for imputed interest on land of £1.4 million (H1 2011: £2.2 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 decrease in average land creditors during the period compared to the same period in 2011 has, therefore, reduced this charge. Net bank interest and fees for H1 2012 were £1.4 million (H1 2011: £1.2 million). The Group benefited from a £0.4 million (H1 2011: £0.3 million) net pension financing credit in the first half of 2012, 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 2011: £0.7 million) arising from unwinding the discount on its available for sale financial assets during the first half of 2012. There was £0.2 million of other financing credit during H1 2012 (H1 2011: £0.4 million).

Having started the year with a net cash balance of £50.8 million, the Group's net cash balance as at 30 June 2012 was £22.2 million with £27.8 million of cash in hand, offset by £5.1 million of loans received from the Government and £0.5 million liability, representing the fair market value of an interest rate swap. The cash outflow during the six months reflected the Group's assertive land investment as part of its strategy, as payments associated with consented land purchases exceeded net cash generated from housing and land sales.

In the first six months of 2012, the Group generated an operating cash inflow before land expenditure of £33.8 million, continuing to demonstrate strong underlying cash generation from the Group's existing assets. Work in progress levels have remained under tight control with the Group constructing approximately the same number of units worth of production as it sold through legal completions in the first half year.

Taxation

The Group has recognised a tax charge of £4.3 million on profit before tax of £16.2 million at an effective tax rate of 26.3% (H1 2011: tax charge of £2.2 million at an effective rate of 27.5%).

Pensions

The Group's pension scheme deficit increased by £5.6 million to £8.0 million as at 30 June 2012, compared to a deficit of £2.4 million at 31 December 2011. Scheme liabilities increased to £86.0 million from £79.1 million, the increase being primarily due to a reduction in the discount rate applied to liabilities, as a result of falling bond yields. Scheme assets grew over the six months to £78.0 million from £76.7 million.

Net assets

Net assets per share as at 30 June 2012 was 547p as compared to 538p at 30 June 2011.

Analysis of net assets	2012 £m	2011 £m
Net assets at 1 January	728.6	710.8
Profit after tax for the six months	11.9	5.9
Share capital issued	0.3	0.6
Net actuarial movement on pension scheme through reserves	(4.5)	3.4
Adjustment to reserves for share based payments	0.2	0.3
Dividends settled	(4.7)	(4.0)
Net assets at 30 June	731.8	717.0

Land

Land investments

The Group has continued to take advantage of opportunities to acquire high quality consented land. In the six months ended 30 June 2012, the Group added 1,037 consented plots on eight sites to the land bank at a cost of £64 million. These plots, 76% of which are located in the south of England, have an estimated future revenue of £239 million and an estimated future gross profit potential of £61 million based on prevailing sales prices and build costs, delivering an estimated future gross margin of 25.4%. Of these plots, 147 plots were delivered through conversion of strategic land, reflecting an unusually quiet period of conversion for the Group.

Since 30 June 2012, the Group has added to the land bank a further 419 consented plots on two sites. As at 20 August 2012, the Group held contracts to acquire circa 1,200 plots on ten sites, the majority of which are expected to be added to the consented land bank in H2 2012. Additionally, the Group had agreed terms in principle on a further 20 sites, representing in excess of 3,000 plots.

During the first half of the year the Group sold two parcels of consented residential land. The Group will continue to undertake land sales selectively.

Land bank

The Group held 13,620 consented plots in its land bank at 30 June 2012 compared to 13,723 consented plots held at the start of the year. 72% of the plots within the land bank were located in the south of England, where the housing market continues to show greater robustness, and 48% of the consented land bank (6,557 plots) has been added 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 2012, based on prevailing sales prices and build costs, has increased to £574 million with a gross margin of 22.6% (31 December 2011: gross profit of £524 million at a gross margin of 21.4%).

The average consented land plot cost at the start of 2012 was £42,100. This has increased to £43,900 at 30 June 2012 as a result of the addition of new traditional housing sites in higher value locations, 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 (15% of land plots versus 17% at the start of the year).

The Group has for a long time recognised the importance of strategic land. During the first half of 2012, the Group has continued to invest in strategic land and also to convert strategic land into the consented land bank. As a result, the Group's strategic land bank increased by over 1,000 plots to 19,829 potential plots, compared to 18,749 potential plots at 31 December 2011.

Bovis Homes has made significant progress in delivering its strategy to improve returns

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 22 of the Annual report and accounts 2011, 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

The key constraint for the UK housing market remains the continued restricted mortgage availability at higher loan to value ratios. Monthly mortgage approval data has been generally stable for the last two years, averaging between 45,000 and 55,000 approvals per month. The Group strongly supported the Government's FirstBuy initiative, which provided a good incentive to bring first time buyers into the housing market. The Group's existing FirstBuy allocation is expected to be utilised in the third quarter of this year. In addition, the Group expects NewBuy to provide further support to the new homes market, while banks remain cautious with lending.

Trading during the summer period this year has been noted across the housebuilding sector as being less strong than earlier in the year, with a more marked summer seasonality effect than was seen in either 2010 or 2011. This, combined with macroeconomic issues impacting consumer sentiment, has created a more challenging trading environment since June.

Consistent with 2011, overall market pricing has remained stable during 2012 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 experienced robust trading in the year to date with an increase in private reservations over 33 trading weeks of 19% to 1,253 homes (2011: 1,049 homes). In this period, the average private sales rate has been 0.46 net reservations per site per week, slightly ahead of the sales rate of 0.45 achieved in the same period of the prior year. The growth in reservations has been driven from the 17% increase in active sales outlets, which have averaged 82 to date, compared to an average of 70 in the prior period.

Encouragingly, the Group has achieved a private sales rate in the last seven weeks of 0.46 net private reservations per site per week, slightly ahead of the comparable prior year period. As at 17 August 2012, the Group has achieved 1,968 net sales for legal completion in 2012, as compared to 1,607 net sales at the same point in 2011, an increase of circa 360 homes.

Outlook

The Group expects to be active on an average of 83 sales outlets for H2 2012, an increase of 6% on the 78 achieved in H2 2011. Subject to stable market conditions, this increase in sales outlets will further support reservation levels and underpin the expected growth in total legal completions for 2012 over 2011.

Given that the average sales price of private homes, either legally completed to date or sold for 2012 delivery, as at 30 June 2012 stood at £189,300, the Group expects the overall average sales price for 2012 legal completions to be circa 6% greater than that achieved in 2011.

The Group has achieved a strong profit margin improvement in the first half of 2012 over H1 2011 and expects that, on the basis of current reservations and subject to stable market conditions, the housing gross margin for the full year will be in the range of 21% to 22%. For full year 2012, overheads as a percentage of total revenue are expected to reduce towards 9% from the 9.8% achieved in 2011. As a result, the Group expects to deliver an operating margin of between 12% and 13% (2011: 10.0%). Return on capital employed for the 2012 full year is expected to approach 7.5% (2011: 5.0%), representing a further significant improvement arising from the Group's growth strategy.

Looking ahead to 2013, the Group owns, controls or is currently acquiring a total of around 105 sales outlets which will be operational during 2013 and are expected to contribute circa 90 to the 2013 sales outlet average. The strength of the pipeline of further land acquisition opportunities gives the Group confidence that this average will increase further.

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, based on stable market conditions, volumes, average sales price and profit margins will continue to increase in 2013 delivering another strong increase in return on capital employed, which should rise towards 10%. The Group considers that it has the resources and opportunities to continue its strong growth beyond 2013 with the existing financial resources in the Group.

Malcolm Harris
Chairman

Group income statement

For the six months ended 30 June 2012 (unaudited)	Six months ended 30 June 2012 £000	Six months ended 30 June 2011 £000	Year ended 31 Dec 2011 £000
Revenue	**170,275**	133,565	364,782
Cost of sales	**(133,516)**	(106,715)	(292,546)
Gross profit	**36,759**	26,850	72,236
Administrative expenses	**(19,197)**	(16,831)	(35,876)
Operating profit before financing costs	**17,562**	10,019	36,360
Financial income	**1,375**	1,353	2,843
Financial expenses	**(2,869)**	(3,376)	(7,349)
Net financing costs	**(1,494)**	(2,023)	(4,506)
Share of profit of Joint Venture	**127**	125	243
Profit before tax	**16,195**	8,121	32,097
Income tax expense	**(4,262)**	(2,234)	(8,831)
Profit for the period attributable to equity holders of the parent	**11,933**	5,887	23,266
Earnings per share			
Basic	**8.9p**	4.4p	17.5p
Diluted	**8.9p**	4.4p	17.5p

Group statement of comprehensive income

For the six months ended 30 June 2012 (unaudited)	Six months ended 30 June 2012 £000	Six months ended 30 June 2011 £000	Year ended 31 Dec 2011 £000
Profit for the period	**11,933**	5,887	23,266
Actuarial (losses)/gains on defined benefit pension scheme	**(5,980)**	4,570	(3,390)
Deferred tax on actuarial movements on defined benefit pension scheme	**1,415**	(1,219)	851
Total comprehensive income for the period attributable to equity holders of the parent	**7,368**	9,238	20,727

Group balance sheet

As at 30 June 2012 (unaudited)	30 June 2012 £000	30 June 2011 £000	31 Dec 2011 £000
Assets			
Property, plant and equipment	**11,521**	11,328	11,614
Investments	**5,236**	4,995	5,327
Restricted cash	**770**	250	659
Deferred tax assets	**4,435**	2,595	3,498
Trade and other receivables	**2,146**	17,164	2,017
Available for sale financial assets	**41,098**	34,101	38,653
Retirement benefit assets	**-**	2,080	-
Total non-current assets	**65,206**	72,513	61,768
Inventories	**820,460**	816,588	797,756
Trade and other receivables	**79,446**	47,038	77,422
Cash and cash equivalents	**27,794**	61,001	56,177
Total current assets	**927,700**	924,627	931,355
Total assets	**992,906**	997,140	993,123
Equity			
Issued capital	**66,871**	66,679	66,836
Share premium	**212,318**	210,946	212,064
Retained earnings	**452,620**	439,366	449,671
Total equity attributable to equity holders of the parent	**731,809**	716,991	728,571
Liabilities			
Bank and other loans	**5,606**	15,299	5,402
Other financial liabilities	**1,102**	2,236	1,243
Trade and other payables	**65,888**	88,230	45,451
Retirement benefit obligations	**7,980**	-	2,444
Provisions	**1,859**	1,971	1,776
Total non-current liabilities	**82,435**	107,736	56,316
Trade and other payables	**173,090**	167,898	202,665
Provisions	**1,535**	1,571	1,535
Current tax liabilities	**4,037**	2,944	4,036
Total current liabilities	**178,662**	172,413	208,236
Total liabilities	**261,097**	280,149	264,552
Total equity and liabilities	**992,906**	997,140	993,123

These condensed consolidated interim financial statements were approved by the Board of directors on 17 August 2012.

Group statement of changes in equity

For the six months ended 30 June 2012 (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 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**
Balance at 1 January 2011	(2,222)	(14,951)	450,972	**433,799**	66,609	210,409	**710,817**
Total comprehensive income and expense	-	(2,539)	23,266	**20,727**	-	-	**20,727**
Issue of share capital	-	-	-	-	227	1,655	**1,882**
Own shares disposed	281	-	(281)	-	-	-	-
Share based payments	-	-	1,121	**1,121**	-	-	**1,121**
Dividends paid to shareholders	-	-	(5,976)	**(5,976)**	-	-	**(5,976)**
Balance at 31 December 2011	**(1,941)**	**(17,490)**	**469,102**	**449,671**	**66,836**	**212,064**	**728,571**
Balance at 1 January 2012	(1,941)	(17,490)	469,102	**449,671**	66,836	212,064	**728,571**
Total comprehensive income and expense	-	(4,565)	11,933	**7,368**	-	-	**7,368**
Deferred tax on other employee benefits	-	-	14	**14**	-	-	**14**
Issue of share capital	-	-	-	-	35	254	**289**
Share based payments	-	-	230	**230**	-	-	**230**
Dividends to shareholders	-	-	(4,663)	**(4,663)**	-	-	**(4,663)**
Balance at 30 June 2012	**(1,941)**	**(22,055)**	**476,616**	**452,620**	**66,871**	**212,318**	**731,809**

Group statement of cash flows

For the six months ended 30 June 2012 (unaudited)	Six months ended 30 June 2012 £000	Six months ended 30 June 2011 £000	Year ended 31 Dec 2011 £000
Cash flows from operating activities			
Profit for the period	11,933	5,887	23,266
Depreciation	435	334	747
Adjustment for sale of assets to Joint Venture	-	-	234
Impairment of available for sale assets	490	577	1,274
Financial income	(1,375)	(1,353)	(2,843)
Financial expense	2,869	3,376	7,349
Profit on sale of property, plant and equipment	(7)	(22)	(33)
Equity-settled share-based payment expense	230	299	1,121
Income tax expense	4,262	2,234	8,831
Share of results of Joint Venture	(127)	(125)	(243)
Increase in trade and other receivables	(5,243)	(17,996)	(37,951)
Increase in inventories	(22,701)	(52,231)	(33,396)
(Decrease)/increase in trade and other payables	(10,781)	59,128	47,517
Increase/(decrease) in provisions and employee benefits	29	(187)	(3,484)
Cash generated from operating activities	(19,986)	(79)	12,389
Interest paid	(863)	(1,702)	(2,311)
Income taxes paid	(3,770)	(732)	(5,085)
Net cash generated from operating activities	(24,619)	(2,513)	4,993
Cash flows from investing activities			
Interest received	813	332	420
Acquisition of property, plant and equipment	(350)	(367)	(1,073)
Proceeds from sale of plant and equipment	15	34	52
Investment in Joint Venture	-	-	(500)
Movement in loans with Joint Venture	-	-	(125)
Dividends received from Joint Venture	243	-	200
Investment in restricted cash	(111)	(112)	(522)
Net cash generated from investing activities	610	(113)	(1,548)
Cash flows from financing activities			
Dividends paid	(4,574)	(3,426)	(4,146)
Proceeds from the issue of share capital	200	50	52
Drawdown of borrowings	-	-	(10,177)
Net cash generated from financing activities	(4,374)	(3,376)	(14,271)
Net decrease in cash and cash equivalents	(28,383)	(6,002)	(10,826)
Cash and cash equivalents at start of period	56,177	67,003	67,003
Cash and cash equivalents at end of period	27,794	61,001	56,177

Notes to the condensed consolidated interim financial statements

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 2012 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 17 August 2012. 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 2012 and 30 June 2011 are unaudited. The comparative figures for the financial year ended 31 December 2011 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 2011.

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 2011, which were prepared in accordance with IFRSs as adopted by the EU.

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 2012 Pence	Six months ended 30 June 2011 Pence	Year ended 31 Dec 2011 Pence
Basic and diluted earnings per share	**8.9**	4.4	17.5

Basic earnings per share

Basic earnings per ordinary share for the six months ended 30 June 2012 is calculated on a profit after tax of £11,933,000 (six months ended 30 June 2011: profit after tax of £5,887,000; year ended 31 December 2011: profit after tax of £23,266,000) over the weighted average of 133,248,378 (six months ended 30 June 2011: 132,755,559; year ended 31 December 2011: 132,860,480) ordinary shares in issue during the period.

Diluted earnings per share

The calculation of diluted earnings per share at 30 June 2012 was based on the profit attributable to ordinary shareholders of £11,933,000 (six months ended 30 June 2011: profit after tax of £5,887,000; year ended 31 December 2011: profit after tax of £23,266,000).

The Group's diluted weighted average ordinary shares potentially in issue during the six months ended 30 June 2012 was 133,372,229 (six months ended 30 June 2011: 132,839,762; year ended 31 December 2011: 132,944,264).

5 Dividends

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

(Unaudited)	Six months ended 30 June 2012 £000	Six months ended 30 June 2011 £000	Year ended 31 Dec 2011 £000
May 2012: 3.5p (May 2011: 3.0p)	4,663	3,983	3,983
November 2011: 1.5p	-	-	1,993
	4,663	3,983	5,976

The Board determined on 17 August 2012 that an interim dividend of 3.0p for 2012 be paid. The dividend will be settled on 23 November 2012 to shareholders on the register at the close of business on 28 September 2012. This dividend has not been recognised as a liability at the balance sheet date.

Notes to the condensed consolidated interim financial statements continued

6 Related party transactions

Transactions between fellow subsidiaries, which are related parties, during the first half of 2012 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 2011.

Transactions between the Group and key management personnel in the first half of 2012 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 2011. No material change has occurred in these arrangements in the first half of 2012.

Mr Malcolm Harris, a Group Director, is a non-executive director of the Home Builders Federation (HBF), to whom the Group pays subscription fees and fees for research as required. Net amounts payable for each period were as follows:

(Unaudited)	Six months ended 30 June 2012 £000	Six months ended 30 June 2011 £000	Year ended 31 Dec 2011 £000
HBF	47	36	85

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 Limited is contracted to provide property and letting management services to Bovis Peer LLP. Fees charged in the period, inclusive of VAT, were £72,000 (six months ended 30 June 2011: £66,600; year ended 31 December 2011: £133,200).

During the year ended 31 December 2011, inventory was transferred to Bovis Peer LLP for a cash consideration of £2,156,438. In addition to the existing loan of £1,450,355, a further loan of £125,000 was provided, also at an annual interest rate of LIBOR plus 2.4%. No other loans or sales of inventory have taken place.

Interest charges made in respect of the loans were £26,000 (six months ended 30 June 2011: £22,000; year ended 31 December 2011: £46,000).

7 Reconciliation of net cash flow to net cash

(Unaudited)	Six months ended 30 June 2012 £000	Six months ended 30 June 2011 £000	Year ended 31 Dec 2011 £000
Net decrease in cash and cash equivalents	(28,383)	(6,002)	(10,826)
Repayment of borrowings	-	-	10,177
Fair value adjustments to interest rate swaps	(76)	92	(315)
Fair value adjustments to interest free loan	(128)	(66)	61
Net cash at start of period	50,775	51,678	51,678
Net cash at end of period	**22,188**	**45,702**	**50,775**
Analysis of net cash:			
Cash	27,794	61,001	56,177
Bank and other loans	(5,123)	(15,299)	(4,995)
Fair value of interest rate swaps	(483)	-	(407)
Net cash	**22,188**	**45,702**	**50,775**

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.bovishomesgroup.co.uk including the analyst presentation document which will be presented at the Group's results meeting on 20 August 2012.

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	Jonathan Hill
Chief Executive	Group Finance Director

17 August 2012

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 2012 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 2012 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FSA.

Stephen Wardell for and on behalf of KPMG Audit Plc
Chartered Accountants
London

17 August 2012

Directors and 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

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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.bovishomesgroup.co.uk

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