Half-yearly financial report 2013

Bovis Homes Group PLC

www.bovishomesgroup.co.uk

Half-yearly financial report 2013

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Financial and operational highlights

Profit

Housing revenue† £183.2m	+17%	2012: £157.1m
Housing operating profit† £20.4m	+50%	2012*: £13.6m
Housing operating margin† 11.1%	+2.4ppts	2012*: 8.7%

Earnings

Profit before tax £18.6m	+19%	2012*: £15.6m
Earnings per share 10.8p	+26%	2012*: 8.6p
Dividend per share 4.0p	+33%	2012: 3.0p

Operations

Average sales price £188,500	+15%	2012: £164,400
Legal completions	963	2012: 944
Consented plots acquired	2,767	2012: 1,037

Sales to week 32

Sales rate per week 0.59	+28%	2012: 0.46
Active sales outlets 91	+11%	2012: 82
Private reservations 1,712	+43%	2012: 1,195

** Restated following the adoption of IAS19R "Employee Benefits"*

† Housing revenue and housing operating profit exclude revenue and profit from land sales

Malcolm Harris
Chairman

During the first half of 2013, Bovis Homes has made significant progress in the ongoing delivery of its strategy to improve shareholder returns with a strong improvement in housing profit, an increase in the number of active sales outlets, a material improvement in the rate of sale per site and the successful continuation of investment in consented and strategic land.

The general UK economy remains weak, but is showing initial signs of a recovery in growth. In the first half of 2013 the UK housing market has been measurably stronger than in 2012. Home buyers have greater access to mortgages and appear more confident about buying a home. This has been supported by the Help to Buy shared equity scheme, launched by the Government in April 2013.

Strategy

The focus of the Group's strategy remains to deliver material improvements in shareholder returns by increasing profitability whilst improving the efficiency of capital employed.

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

- volume growth from a greater number of sales outlets, primarily in the south of England and improving the sales rate per site.
- 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.
- continuing investment in strategic land and delivering strategic land conversion through achievement of residential planning consent.
- progressively trading through older, lower margin sites.

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 acquiring smaller sites on average and selectively selling consented plots on larger sites.

Significant progress has been made in the delivery of this growth strategy with c12,000 consented plots across c80 new sites acquired since the housing market downturn. The majority of these new sites are in the south of England and are expected to deliver stronger sales prices and profit margins. These new sites are contributing to an increase in the number of sales outlets operated by the Group, which reached 92 during the first half of 2013, an increase of over 50% compared to the low point of 60 sales outlets reached during the first half of 2010.

The ongoing successful execution of this strategy will enable the Group, assuming the continuation of current market conditions, to continue to increase output capacity and, therefore increase revenue and further improve profit margins in the full year 2013. As a result, return on capital employed is now expected to increase to at least 10.0% in 2013. In the foreseeable future, with capital turn and margins expected to continue to improve, the Group believes that the return on capital employed can achieve a level within the range of 15% to 18%, assuming current market conditions continue.

Revenue

The Group generated total revenue of £184.4 million during the first half of 2013, compared to total revenue in H1 2012 of £170.3 million.

Units	2013	2012
Private legal completions	839	806
Social legal completions	124	138
Total legal completions	963	944
Revenue (£m)		
Private legal completions	168.0	141.1
Social legal completions	13.6	14.1
Revenue from legal completions	181.6	155.2
Other revenue	1.6	1.9
Housing revenue	183.2	157.1
Land sales revenue	1.2	13.2
Total revenue	184.4	170.3

Bovis Homes has made significant progress in the ongoing delivery of its strategy to improve shareholder returns

Revenue from legal completions in the first six months of 2013 was £181.6 million, 17% ahead of the same period in the prior year. With other revenue of £1.6 million (H1 2012: £1.9 million), housing revenue was £183.2 million (H1 2012: £157.1 million). The land sales revenue during H1 2013 related to the recognition of deferred land sales income, associated with the delivery of services to a parcel of land sold in 2011 (H1 2012: £13.2 million).

The Group legally completed 963 homes in the first six months of 2013 (H1 2012: 944). Of these, 839 were private homes (H1 2012: 806 homes), an increase of 4%. Social homes comprised 13% of total legal completions (124 homes), compared to 15% (138 homes) in the first half of 2012.

In the first six months of 2013 the average sales price of homes legally completed increased by 15% to £188,500 (H1 2012: £164,400), reflecting an improving mix of homes. The average sales price of the Group's private legal completions was 14% higher at £200,200 (H1 2012: £175,000), benefiting from stronger sales prices on new sites. The underlying year to date increase in housing market prices is considered to have been modest at some 1% to 2%.

Operating profit

The Group delivered an operating profit for the six months ended 30 June 2013 of £20.5 million at an operating margin of 11.1% (H1 2012*: £17.5 million at an operating margin of 10.3%). Excluding land sales, the Group increased operating profit by 50% to £20.4 million with an operating margin of 11.1% (H1 2012*: £13.6 million at an operating margin of 8.7%).

The gross margin achieved in the first half of 2013 was 23.0%, which compared to 21.6% in H1 2012. The land sales profit recognised during H1 2013 was £0.1 million, compared to £3.9 million in H1 2012. Housing gross margin increased to 23.1% (H1 2012: 20.9%), which was generated by an increasing contribution from the higher margin sites acquired since the downturn.

As anticipated, overheads increased by 13% and constituted 12.0% of housing revenue in the first half of 2013 (H1 2012*: 12.2%). 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 are written off as incurred. The Group expects that overheads as a percentage of revenue will reduce from 9.5% in 2012* to below 9% for the 2013 full year.

**Restated following the adoption of IAS19R*

Profit before tax

The Group achieved profit before tax of £18.6 million, comprising operating profit of £20.5 million, net financing charges of £2.0 million and a profit from joint ventures of £0.1 million. This compares to £17.5 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 2012, generating a profit before tax of £15.6 million in that period, restated for IAS19R. There were no exceptional items in the first six months of either 2013 or 2012.

Dividends

With the accelerating delivery of the Group's growth strategy and a strong improvement in the performance and future prospects of the Group, an interim dividend of 4.0p per share has been declared (2012 interim dividend: 3.0p). The Board expects to continue to increase dividends progressively as earnings per share increase.

The interim dividend will be paid on 22 November 2013 to holders of ordinary shares on the register at the close of business on 27 September 2013. The dividend reinvestment plan, introduced in 2012, gives shareholders the opportunity to reinvest their dividends.

Financing and cash flow

The Group incurred net financing charges of £2.0 million in the first half of 2013 (H1 2012*: £2.0 million). The effect of IAS19R on the H1 2012 finance charge was an increased charge of £0.5 million.

Having started the year with a net cash balance of £18.8 million, significant land investment has resulted in net debt outstanding as at 30 June 2013 of £48.4 million. This comprised £11.7 million of cash in hand, offset by £55.0 million of bank debt, £4.8 million of loans received from the Government and a £0.3 million liability, representing the fair market value of an interest rate swap.

In the first six months of 2013, the Group generated an operating cash inflow before land expenditure of £51.1 million (H1 2012: £33.8 million), continuing to demonstrate strong underlying cash generation from the Group's existing assets. As a result of the Group's assertive land investments, payments in H1 2013 associated with land purchases less cash recoveries on land sales were £107.7 million (H1 2012: £50.9 million). With a cash outflow from non-trading items of £10.6 million, the overall net cash outflow for the six months ending 30 June 2013 was £67.2 million (H1 2012: £28.6 million).

Taxation

The Group has recognised a tax charge of £4.2 million on profit before tax of £18.6 million at an effective tax rate of 22.6% (H1 2012*: tax charge of £4.1 million at an effective rate of 26.3%).

Pensions

The Group had a pension scheme surplus of £1.8 million as at 30 June 2013, compared to a deficit of £3.2 million at 31 December 2012. Scheme assets grew over the six months to £87.3 million from £85.2 million. Scheme liabilities decreased to £85.5 million from £88.4 million, primarily due to an increase in the discount rate applied to liabilities, as a result of rising bond yields.

Net assets

Net assets per share as at 30 June 2013 was 577p as compared to 547p at 30 June 2012.

Analysis of net assets	2013 £m	2012* £m
Net assets at 1 January	**758.8**	728.6
Profit after tax for the six months	**14.4**	11.5
Share capital issued	**0.9**	0.3
Net actuarial movement on pension scheme through reserves	**3.8**	(4.1)
Adjustment to reserves for share based payments	**0.3**	0.2
Dividends settled	**(8.0)**	(4.7)
Net assets at 30 June	**770.2**	731.8

As at 30 June 2013 net assets were £11.4 million higher than at the start of the year. Inventories increased during the six months by £142.6 million to £1,006.2 million. As a result of the strong investment in consented land, the land bank increased by £119.2 million. Work in progress increased from the start of 2013 by £27.7 million, as the Group built a larger number of homes on a greater number of sites for legal completion in H2 2013. Other movements in inventories relate to a decrease in part exchange properties of £4.3 million. Trade and other receivables reduced by £21.2 million, as a result of a reduction in debtors related to land sales of £8.9 million and recovery of amounts due from housing associations at the 2012 year end. Available for sale financial assets held as current assets at the 2012 year end of £7.2 million have reduced to Nil, with the full recovery of cash on units held in an investment fund into which the Group had sold show home properties. Trade and other payables totalling £291.3 million (31 December 2012: £249.3 million) comprised land creditors of £169.8 million (31 December 2012: £123.8 million) and trade and other creditors of £121.5 million (31 December 2012: £125.5 million). Net cash reduced by £67.2 million.

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 2013, the Group added 2,767 consented plots on 18 sites to the land bank at a cost of £166 million. These plots have an estimated future revenue of £629 million and an estimated future gross profit potential of £163.3 million based on prevailing sales prices and build costs, delivering an estimated future gross margin of 26.0%. Of these, 866 plots were delivered through conversion of strategic land.

As at 30 June 2013, the Group held contracts to acquire 1,018 plots on 11 sites, the majority of which are expected to be added to the consented land bank in H2 2013.

Land bank

The Group held 15,579 consented plots in its land bank at 30 June 2013 (31 December 2012: 13,776). 73% of the plots within the land bank were located in the south of England, where the housing market continues to show greater strength, and 61% of the consented land bank (9,522 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 2013, based on prevailing sales prices and build costs, has increased to £733 million with a gross margin of 23.5% (31 December 2012: gross profit of £600 million at a gross margin of 22.7%).

The average consented land plot cost at the start of 2013 was £45,800. This has increased to £48,200 at 30 June 2013 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 (11% of land plots versus 13% at the start of the year). The remaining provision on written down plots as at 30 June 2013 was £25.3 million.

The Group continues to recognise the importance of strategic land. During the first half of 2013, the Group has continued to invest in strategic land and also to convert strategic land into the consented land bank. Good progress is being made in the promotion of a number of major strategic sites with potential to obtain planning in the near term. As at 30 June 2013, the Group's strategic land bank stood at 19,341 potential plots, compared to 19,318 potential plots at 31 December 2012.

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 directors consider that the principal risks and uncertainties facing the Group are those which were outlined on page 22 of the Annual report and accounts 2012, which is available from www.bovishomesgroup.co.uk, and additionally risks relating to the supply chain in respect of the availability and cost of labour and materials, which have heightened in recent months. The Group has in place processes to monitor and mitigate these risks.

Market conditions

In the first half of 2013, the UK housing market has demonstrated signs of improvement with evidence of increased mortgage availability and stronger home buyer confidence. Monthly mortgage approvals which were previously steady at circa 50,000 approvals per month have increased to circa 58,000 approvals in both May and June 2013, representing a significant increase in the rate of approvals. Given the long standing constraint on activity in the housing market arising from low levels of mortgage finance, this recent increase is a positive indicator for the market.

Bovis Homes has made significant progress in the ongoing delivery of its strategy to improve shareholder returns

The launch of the Government's Help to Buy shared equity scheme on 1 April 2013 added to what was already a more confident housing market backdrop and early signs are that this shared equity product is having a positive effect on transactional activity in the new homes market.

As a result of these market positives, trading across the new build sector has been strong during the first half of 2013 and in the early weeks of the third quarter, with good sales rates and a less pronounced summer lull in reservations than in previous years. As such, the trading environment appears robust at this time and is creating a growing sense of confidence in the market.

With the increase in home buyer confidence and a greater ability to transact, overall market pricing is showing an increased level of resilience with marginal market sales price increases becoming evident in certain locations, particularly in the south of England.

Current trading

The Group has experienced strong trading in the year to date with an increase in private reservations over the 32 trading weeks to 9 August 2013 of 43% to 1,712 homes (2012: 1,195 homes). In this period, the average private sales rate has been 0.59 net reservations per site per week, 28% ahead of the sales rate of 0.46 achieved in the same period of the prior year. The growth in reservations has also been delivered through an 11% increase in active sales outlets, which have averaged 91 to date, compared to an average of 82 in the prior period. Sales prices achieved to date have been modestly ahead of the Group's expectations. Circa 500 customers have reserved using the Government's Help to Buy shared equity scheme since its launch.

As at 9 August 2013, the Group had achieved 2,505 net sales for legal completion in 2013, as compared to 1,844 net sales at the same point in 2012, an increase of 661 homes.

Outlook

The Group is now around 90% sold for the current financial year. Given stable market conditions, reservations achieved over the next few weeks will deliver the targeted volume for 2013. This will enable the Group to build a significantly enhanced forward order book for 2014 from an earlier date than in prior years. The delivery of an enhanced forward order book will provide a strong base on which volume growth for the first half of 2014 can be achieved. This is also expected to enable the Group to deliver a more even balance of legal completions between the first and second half years in 2014.

For 2013, the combination of the expected legal completion volume and an expected increase of at least 10% in average sales price will deliver strong year on year revenue growth.

The Group has achieved a strong profit margin improvement in the first half of 2013 over H1 2012 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 between 23% and 24%.

With overheads as a percentage of total revenue expected to reduce to below 9% for 2013 (2012*: 9.5%), the Group expects to deliver an operating margin approaching 15% (2012*: 13.3%). Return on capital employed for 2013 is now expected to be at least 10.0% (2012*: 7.7%), representing a further significant improvement arising from the Group's growth strategy.

Looking ahead to 2014, given the strong land acquisitions achieved during 2013 to date, many of which were added early in the year, the Group is confident that it can deliver another strong year of sales outlet growth. Furthermore the strength of the pipeline of further land acquisition opportunities gives the Group confidence that sales outlet growth can continue through 2014 and into 2015.

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 2014. This is expected to deliver another strong increase in return on capital employed and enable the Group to achieve a shareholder return in excess of the Group's WACC. The Group considers that it has the resources and opportunities to continue its strong growth beyond 2014 and, subject to current market conditions continuing, the Group is well positioned to further enhance shareholder returns.

Malcolm Harris
Chairman

Group income statement

For the six months ended 30 June 2013 (unaudited)	Six months ended 30 June 2013 £000	Six months ended 30 June 2012 restated-note1 £000	Year ended 31 Dec 2012 restated-note1 £000
Revenue	184,412	170,275	425,533
Cost of sales	(141,999)	(133,516)	(328,634)
Gross profit	42,413	36,759	96,899
Administrative expenses	(21,896)	(19,307)	(40,186)
Operating profit before financing costs	20,517	17,452	56,713
Financial income	1,175	1,375	2,933
Financial expenses	(3,110)	(3,319)	(6,656)
Net financing costs	(1,935)	(1,944)	(3,723)
Share of profit of Joint Venture	59	127	254
Profit before tax	18,641	15,635	53,244
Income tax expense	(4,238)	(4,125)	(13,051)
Profit for the period attributable to equity holders of the parent	14,403	11,510	40,193
Earnings per share			
Basic	10.8p	8.6p	30.2p
Diluted	10.8p	8.6p	30.1p

Group statement of comprehensive income

For the six months ended 30 June 2013 (unaudited)	Six months ended 30 June 2013 £000	Six months ended 30 June 2012 restated-note1 £000	Year ended 31 Dec 2012 restated-note1 £000
Profit for the period	14,403	11,510	40,193
Actuarial gains/(losses) on defined benefit pension scheme	4,930	(5,420)	(3,500)
Deferred tax on actuarial movements on defined benefit pension scheme	(1,134)	1,278	797
Total comprehensive income for the period attributable to equity holders of the parent	18,199	7,368	37,490

Group balance sheet

As at 30 June 2013 (unaudited)	30 June 2013 £000	30 June 2012 £000	31 Dec 2012 £000
Assets			
Property, plant and equipment	**12,155**	11,521	11,910
Investments	**5,126**	5,236	5,387
Restricted cash	**1,567**	770	1,152
Deferred tax assets	**2,411**	4,435	3,097
Trade and other receivables	**1,833**	2,146	1,930
Available for sale financial assets	**45,113**	41,098	43,869
Retirement benefit assets	**1,760**	-	-
Total non-current assets	**69,965**	65,206	67,345
Inventories	**1,006,208**	820,460	863,597
Trade and other receivables	**42,538**	79,446	64,844
Available for sale financial assets	**-**	-	7,119
Cash and cash equivalents	**11,706**	27,794	24,396
Total current assets	**1,060,452**	927,700	959,956
Total assets	**1,130,417**	992,906	1,027,301
Equity			
Issued capital	**67,024**	66,871	66,908
Share premium	**213,287**	212,318	212,550
Retained earnings	**489,912**	452,620	479,391
Total equity attributable to equity holders of the parent	**770,223**	731,809	758,849
Liabilities			
Bank and other loans	**60,096**	5,606	5,606
Other financial liabilities	**599**	1,102	706
Trade and other payables	**81,006**	65,888	50,681
Retirement benefit obligations	**-**	7,980	3,171
Provisions	**1,863**	1,859	1,668
Total non-current liabilities	**143,564**	82,435	61,832
Trade and other payables	**210,282**	173,090	198,620
Provisions	**1,413**	1,535	2,065
Current tax liabilities	**4,935**	4,037	5,935
Total current liabilities	**216,630**	178,662	206,620
Total liabilities	**360,194**	261,097	268,452
Total equity and liabilities	**1,130,417**	992,906	1,027,301

These condensed consolidated interim financial statements were approved by the Board of directors on 16 August 2013.

Group statement of changes in equity

For the six months ended 30 June 2013 (unaudited)	Total retained earnings £000	Issued capital £000	Share premium £000	Total £000
Balance at 1 January 2013	479,391	66,908	212,550	758,849
Total comprehensive income and expense	18,199	-	-	18,199
Deferred tax on other employee benefits	51	-	-	51
Issue of share capital	-	116	737	853
Share based payments	281	-	-	281
Dividends to shareholders	(8,010)	-	-	(8,010)
Balance at 30 June 2013	489,912	67,024	213,287	770,223
Balance at 1 January 2012	449,671	66,836	212,064	728,571
Total comprehensive income and expense	37,490	-	-	37,490
Deferred tax on other employee benefits	33	-	-	33
Issue of share capital	-	72	486	558
Share based payments	861	-	-	861
Dividends paid to shareholders	(8,664)	-	-	(8,664)
Balance at 31 December 2012	479,391	66,908	212,550	758,849
Balance at 1 January 2012	449,671	66,836	212,064	728,571
Total comprehensive income and expense	7,368	-	-	7,368
Deferred tax on other employee benefits	14	-	-	14
Issue of share capital	-	35	254	289
Share based payments	230	-	-	230
Dividends to shareholders	(4,663)	-	-	(4,663)
Balance at 30 June 2012	452,620	66,871	212,318	731,809

Group statement of cash flows

For the six months ended 30 June 2013 (unaudited)	Six months ended 30 June 2013 £000	Six months ended 30 June 2012 restated-note1 £000	Year ended 31 Dec 2012 restated-note1 £000
Cash flows from operating activities			
Profit for the period	**14,403**	11,510	40,193
Depreciation	**491**	435	906
Impairment of available for sale assets	**87**	490	889
Financial income	**(1,175)**	(1,375)	(2,933)
Financial expense	**3,110**	3,319	6,656
Profit on sale of property, plant and equipment	**(19)**	(7)	(14)
Equity-settled share-based payment expense	**281**	230	861
Income tax expense	**4,238**	4,125	13,051
Share of results of Joint Venture	**(59)**	(127)	(254)
Decrease/(increase) in trade and other receivables	**30,809**	(5,243)	(3,587)
Increase in inventories	**(142,611)**	(22,701)	(65,841)
Increase/(decrease) in trade and other payables	**40,599**	(10,781)	1,093
Decrease/(increase) in provisions and employee benefits	**(457)**	139	(2,401)
Cash generated from operating activities	**(50,303)**	(19,986)	(11,381)
Interest paid	**(3,519)**	(863)	(1,707)
Income taxes paid	**(5,635)**	(3,770)	(9,922)
Net cash generated from operating activities	**(59,457)**	(24,619)	(23,010)
Cash flows from investing activities			
Interest received	**95**	813	773
Acquisition of property, plant and equipment	**(744)**	(350)	(1,213)
Proceeds from sale of plant and equipment	**27**	15	25
Dividends received from Joint Venture	**417**	243	243
Investment in restricted cash	**(415)**	(111)	(493)
Net cash generated from investing activities	**(620)**	610	(665)
Cash flows from financing activities			
Dividends paid	**(8,010)**	(4,574)	(8,664)
Proceeds from the issue of share capital	**853**	200	558
Drawdown of borrowings	**54,544**	-	-
Net cash generated from financing activities	**47,387**	(4,374)	(8,106)
Net decrease in cash and cash equivalents	**(12,690)**	(28,383)	(31,781)
Cash and cash equivalents at start of period	**24,396**	56,177	56,177
Cash and cash equivalents at end of period	**11,706**	27,794	24,396

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 2013 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 16 August 2013. The financial statements are unaudited but have been reviewed by KPMG LLP.

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 2013 and 30 June 2012 are unaudited. The comparative figures for the financial year ended 31 December 2012 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 have been reviewed by the directors and remain those published in the Company's consolidated financial statements for the year ended 31 December 2012, with the exception of the application of new accounting standards.

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2013:

IFRS13 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other IFRSs. In particular, it unifies the definition of fair value as the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date. In accordance with the transitional provisions of IFRS13, the Group has applied the new fair value measurement guidance prospectively, and has not provided any comparative information for new disclosures.

IAS19 (Revised 2011) "Employee Benefits" outlines the accounting requirements for employee benefits. The Standard establishes the principle that the cost of providing employee benefits should be recognised in the period in which the benefit is earned by the employee, rather than when it is paid or payable, and outlines how each category of employee benefits are measured, providing detailed guidance in particular about post-employment benefits. This impacts the measurement of various components representing movements in the defined benefit pension obligation and associated disclosures, but not the Group's total obligation.

The application of IAS19 (Revised 2011) has resulted in the interest cost and expected return on assets being replaced by a net interest charge/credit on the net defined benefit pension liability/surplus. Certain costs previously recorded as part of finance costs or other comprehensive income have now been presented within administrative expenses.

The comparative period and full year have been restated with profit being £0.4 million lower and £0.7 million lower respectively, and other comprehensive income is £0.4 million higher and £0.7 million higher including the tax impact of the changes. The Group records actuarial adjustments immediately so there has been no affect on the prior year pension deficit.

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 Conduct 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 2012, 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 2013 Pence	Six months ended 30 June 2012 restated-note1 Pence	Year ended 31 Dec 2012 restated-note1 Pence
Basic earnings per share	**10.8**	8.6	30.2
Diluted earnings per share	**10.8**	8.6	30.1

Basic earnings per share

Basic earnings per ordinary share for the six months ended 30 June 2013 is calculated on a profit after tax of £14,403,000 (six months ended 30 June 2012 restated: profit after tax of £11,510,000; year ended 31 December 2012 restated: profit after tax of £40,193,000) over the weighted average of 133,464,080 (six months ended 30 June 2012: 133,248,378; year ended 31 December 2012: 133,294,726) ordinary shares in issue during the period.

Diluted earnings per share

The calculation of diluted earnings per share at 30 June 2013 was based on the profit attributable to ordinary shareholders of £14,403,000 (six months ended 30 June 2012 restated: profit after tax of £11,510,000; year ended 31 December 2012 restated: profit after tax of £40,193,000).

The Group's diluted weighted average ordinary shares potentially in issue during the six months ended 30 June 2013 was 133,719,575 (six months ended 30 June 2012: 133,372,229; year ended 31 December 2012: 133,432,911).

5 Dividends

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

(Unaudited)	Six months ended 30 June 2013 £000	Six months ended 30 June 2012 £000	Year ended 31 Dec 2012 £000
May 2013: 6.0p (May 2012: 3.5p)	8,010	4,663	4,663
November 2012: 3.0p	-	-	4,001
	8,010	4,663	8,664

The Board determined on 16 August 2013 that an interim dividend of 4.0p for 2013 be paid. The dividend will be settled on 22 November 2013 to shareholders on the register at the close of business on 27 September 2013. This dividend has not been recognised as a liability at the balance sheet date.

6 Related party transactions

Transactions between fellow subsidiaries, which are related parties, during the first half of 2013 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 2012.

Transactions between the Group and key management personnel in the first half of 2013 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 2012. No material change has occurred in these arrangements in the first half of 2013.

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 2013 £000	Six months ended 30 June 2012 £000	Year ended 31 Dec 2012 £000
HBF	**59**	47	93

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 £73,000 (six months ended 30 June 2012: £72,000; year ended 31 December 2012: £144,000).

Loans totalling £1,575,355 were provided in prior years 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 £24,000 (six months ended 30 June 2012: £26,000; year ended 31 December 2012: £49,000).

Notes to the condensed consolidated interim financial statements continued

7 Reconciliation of net cash flow to net cash

(Unaudited)	Six months ended 30 June 2013 £000	Six months ended 30 June 2012 £000	Year ended 31 Dec 2012 £000
Net decrease in cash and cash equivalents	(12,690)	(28,383)	(31,781)
Drawdown of borrowings	(54,544)	-	-
Fair value adjustments to interest rate swaps	115	(76)	(9)
Fair value adjustments to interest free loan	(61)	(128)	(195)
Net cash at start of period	18,790	50,775	50,775
Net cash at end of period	**(48,390)**	**22,188**	**18,790**
Analysis of net cash:			
Cash	11,706	27,794	24,396
Bank and other loans	(59,795)	(5,123)	(5,190)
Fair value of interest rate swaps	(301)	(483)	(416)
Net cash	**(48,390)**	**22,188**	**18,790**

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 19 August 2013.

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

16 August 2013

Independent review report by KPMG LLP 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 2013 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 Conduct Authority ("the UK FCA"). 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 FCA.

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 2013 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

Stephen Wardell for and on behalf of KPMG LLP
Chartered Accountants
London

16 August 2013

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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