BOVIS HOMES

Half year report 2014

Bovis Homes Group PLC

www.bovishomesgroup.co.uk

Half year report 2014

Content

Performance

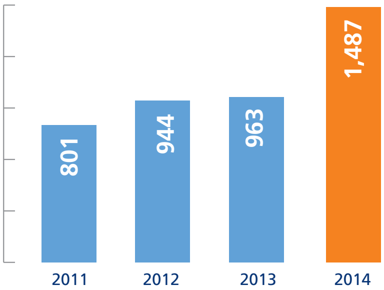
Financial

Financial and operational highlights

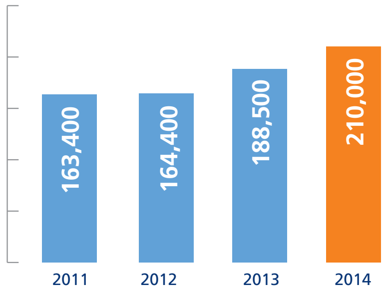
▲ ROCE in 12 months to 30 June 2014: **13.4%**
(30 June 2013: 7.7%)

200% ▲ increase in dividend

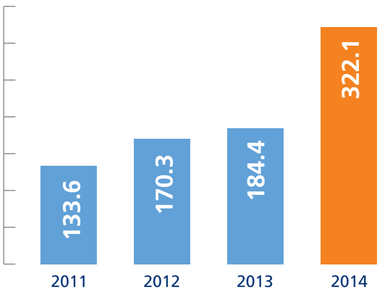
Legal completions
1,487



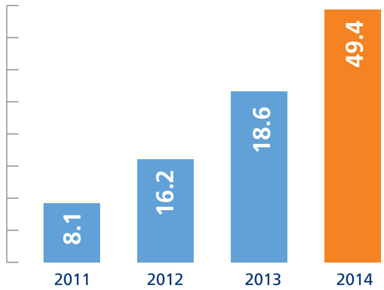
Average sales price (£)
£210,000



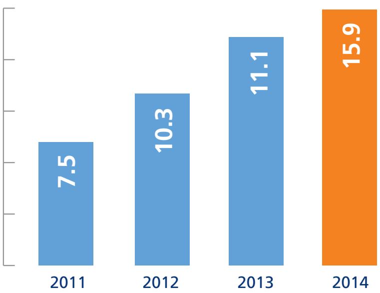
Revenue (£m)
£322.1m



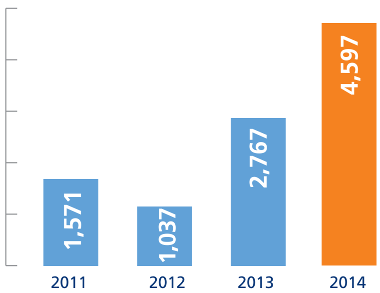
Profit before tax (£m)
£49.4m



Operating margin (%)
15.9%



Consented plots acquired
4,597plots



Ian Tyler
Chairman

During the first half of 2014, Bovis Homes has performed strongly, delivering a material increase in shareholder returns with a strong improvement in housing profit from a record number of first half legal completions. At the same time the Group has achieved a record half year of land investment. This represents a significant positive step towards the achievement of the Group's medium term targets.

The UK economy is recovering positively. In the first half of 2014 the UK housing market has continued to perform robustly with increased housing transaction activity. Home buyers have good access to mortgages and are confident about buying a home. This has been supported by the greater certainty provided by the extension of the Government's Help to Buy shared equity scheme.

Strategic plan

The Group is aiming to deliver market leading performance over the cycle from long term land investment with a focus on building and selling quality family homes. The Group's strategies to achieve this are as follows:

- Acquiring, designing and developing quality traditional housing sites, focusing primarily in the south of England (excluding London)
- Creating aspirational homes using its well specified Portfolio traditional housing range in desirable settings, delivered with excellent customer service
- Growing to an optimal scale to suit the selected geography and product range, which enables ongoing high quality management of risk and reward through short lines of management control
- Managing the business across the housing cycle to maximise returns, while effectively stewarding shareholders' capital
- Enabling motivated and engaged employees and business partners to work ethically within a safe and healthy environment

Growing to an optimal scale

The Group has developed an updated strategic plan and business model with a high quality traditional product range and a clear geographic focus on locations which it believes will perform strongly over the cycle. This plan also reflects the current stage of the Group's development. With a belief that housing market conditions will remain favourable in the medium term given current sales prices, affordability and mortgage availability, the plan is based on our assessment that the housing market is in the early period of its recovery phase, although the plan is capable of being adapted swiftly to cater for any future deterioration in the housing market.

The Group operates a decision making and control environment that aims to make high quality business choices in an agile manner while managing risk effectively through short lines of management control. By running the business in this way, it believes that over the cycle it can make consistently better decisions.

With land investment decisions being a key driver, the Group believes that, in a stable housing market and with the benefit of its selected geography and product range, it can identify, assess and invest in around 40 new sites per annum. The Group is projecting to reach 120 sites in the consented land bank at the end of 2014. Given the planned land investment combined with expected site closures during the following three years, the Group anticipates increasing the number of consented sites to between 140 and 160 by the end of 2017. As these assets become active sales outlets over time, the Group in a stable housing market expects to deliver 5,000 to 6,000 new homes annually with premium profit margins benefiting from the effectiveness of the operating model. The Group will continue to evolve its organisational structure to manage effectively this increased annual volume and will augment its resources to support growth as further land investment occurs.

The Group's updated strategic plan sets out to deliver growth to optimal scale and enhance shareholder returns

Managing the cycle

Critical to maintaining premium returns will be the management of the business through the housing market cycle. The key determinant of success is the quantity and source of land acquired at different points in the cycle.

As the housing market emerges from a downturn, the Group aims to invest assertively in land, much of this sourced in the consented land market. As the cycle moves into the growth phase, land investment will continue but with a greater awareness of the potential for a cyclical correction within the lifetime of the land assets acquired. Underpinning land investment through the cycle will be a healthy contribution from strategic land. The Group aims to limit or halt investment in the consented land market well before the housing market peaks and a cyclical correction occurs. When the next downturn occurs, the Group has the experience to deal with the rigours of the downturn, reducing the capacity of its business in the short term and generating surplus cash in the same manner as the last downturn. This will in turn provide the opportunity to recommence land investment as the market stabilises and moves towards a period of recovery.

In the current cycle the Group has successfully executed its growth strategy since 2009 involving assertive but selective investment in high quality housing land mainly in the south of England particularly suited to the Group's high specification traditional family Portfolio housing range. This has enabled the Group to grow rapidly during a period when the new homes market was stable, increasing sales outlets from circa 60 to 100 sales outlets currently. The Group continues to find high quality land opportunities and considers that increased land released through the planning system combined with ongoing constrained capital in some parts of the housebuilding industry present a strong opportunity for ongoing land investment at strong returns.

The land required to operate at the Group's optimal scale will increasingly be sourced through strategic land conversion. After a period of greater consented land market purchases, the Group is reverting to more of a balance between consented land purchase and strategic land conversion.

The Group is currently investing significantly in new strategic land given the greater number of land opportunities which have a strong prospect of achieving residential planning consent in the medium term. In the main, these investments take the form of call options which allow the Group to manage effectively the risk and reward of such investments where the commitment to purchase, with a discount to market value, only arises when planning has been achieved.

The Group continues to promote effectively its existing strategic sites, working with local stakeholders to secure planning consent. A good proportion of the Group's existing strategic land is approaching a point where planning consents will be achieved and the land purchased. This strategic land will allow the Group to continue to be highly selective in the consented land market, especially important as and when this market shows signs of increased competition. Whilst not a fixed target, the Group considers that circa 50% of its land bank in the future should be sourced from strategic land. The combined effect of consented land market investment with strategic land conversion is expected to provide the Group with a strong pipeline of sites with profit margins and returns at the point of investment above its existing hurdle rates.

Short-term financial objectives

With the expectation of having 120 sites in the consented land bank by the end of 2014, the Group is confident of increasing capital turn to in excess of 1.0 times. With operating margins improving towards 20%, a return on capital employed of at least 20% is expected to be achieved by financial year 2016.

Dividends

The Group's existing dividend guidance is for progressive growth at a payout ratio between 25% and 30% of earnings.

In light of its increased confidence in delivering strong growth in returns and having considered both the current modest levels of net debt and the future funds required for investment, the Board intends to pay total dividends for 2014 of 35 pence per share and at least 35 pence in 2015. Thereafter, in this phase of the cycle the Board plans to operate a regular payout ratio of one third of earnings with supplementary dividend payments to shareholders of cash surplus to requirements as we move towards optimal scale.

The Group is in a strong period of growth with the opportunity to continue to invest in land to grow the business whilst at the same time offering materially improved dividend returns for shareholders. As the Group approaches its determined optimal scale, there is likely to be increasing potential for further enhanced shareholder cash returns. The Group can, therefore, foresee a period in the medium term where total shareholder returns will be delivered through both a strong return on capital employed and an attractive dividend.

Operational review

Revenue

The Group generated total revenue of £322.1 million during the first half of 2014, an increase of 75% compared to £184.4 million in H1 2013.

Units	H1 2014	H1 2013
Private legal completions	1,107	839
Private rental sector legal completions	106	-
Social legal completions	274	124
Total legal completions	1,487	963
Revenue (£m)		
Private legal completions (including PRS)	282.9	168.0
Social legal completions	29.3	13.6
Revenue from legal completions	312.2	181.6
Other revenue	2.9	1.6
Housing revenue	315.1	183.2
Land sales revenue	7.0	1.2
Total revenue	322.1	184.4

Revenue from legal completions in H1 2014 was £312.2 million, 72% ahead of the same period in the prior year. With other revenue of £2.9 million (H1 2013: £1.6 million), housing revenue was £315.1 million (H1 2013: £183.2 million). One land sale was undertaken during H1 2014 with revenue of £7.0 million (H1 2013: £1.2 million).

The Group legally completed 1,487 homes in H1 2014, a 54% increase on the first half of 2013 (963 homes). Of these, 1,107 were private homes (H1 2013: 839 homes) and 106 homes were the first legally completed under the Private Rental Sector transactions. Social homes comprised 18% of total legal completions (274 homes), compared to 13% (124 homes) in H1 2013.

In the first six months of 2014 the average sales price of homes legally completed increased by 11% to £210,000 (H1 2013: £188,500). The average sales price of private legal completions, excluding PRS, was 20% higher at £239,500 (H1 2013: £200,200), benefiting from the mix effect of higher sales prices on new sites and modest market pricing improvements. Sales prices on H1 legal completions were on average circa 2% ahead of the Group expectations set in Q4 2013. The average sales price for PRS homes was £167,500, reflecting their location and the smaller product delivered under these deals.

Operating profit

The Group increased operating profit for the six months ended 30 June 2014 by 150% to £51.2 million at an operating margin of 15.9% (H1 2013: £20.5 million at an operating margin of 11.1%).

The gross margin achieved in H1 2014 was 24.8% (H1 2013: 23.0%). Housing gross margin increased to 25.0% (H1 2013: 23.1%), which was generated by an increasing contribution from the higher margin sites acquired since the downturn and the initial effects of improving market house prices offset by increased build costs. Build costs for legal completions in the first half of 2014 increased to £106,700 per unit, circa 5% higher than H2 2013, reflecting the ongoing change in product and geography mix, increases in standard product specification and regulatory costs, as well as the inflationary impacts of labour and materials. This inflationary impact is estimated to be circa 3%. The average gross profit contribution per home increased to £53,000 (H1 2013: £43,900). The land sales profit recognised during H1 2014 was £1.0 million, compared to £0.1 million in H1 2013.

Overhead efficiency increased significantly with overheads constituting 9.1% of housing revenue in the first half of 2014 (H1 2013: 12.0%). The absolute growth in overheads of 31% resulted from increased staff costs to support the larger business, increased sales and marketing activity, given the increasing number of active sales outlets, and from progressing newly acquired sites through the detailed planning and design phases to start work on site. All such costs are written off as incurred.

Profit before tax

Profit before tax of £49.4 million comprised operating profit of £51.2 million, net financing charges of £1.9 million and a profit from joint ventures of £0.1 million. This compares to a profit before tax in H1 2013 of £18.6 million, resulting from £20.5 million of operating profit, £2.0 million of net financing charges and a profit from joint ventures of £0.1 million. There were no exceptional items in the first six months of either 2014 or 2013.

Interim dividend

In accordance with the Group's stated intentions in respect of dividends, an interim dividend of 12.0 pence per share has been declared (2013 interim dividend: 4.0 pence). This represents slightly over one third of the intended total dividend for 2014 of 35.0 pence per share.

The interim dividend will be paid on 21 November 2014 to holders of ordinary shares on the register at the close of business on 26 September 2014. The dividend reinvestment plan, introduced in 2012, gives shareholders the opportunity to reinvest their dividends.

The Group's updated strategic plan sets out to deliver growth to optimal scale and enhance shareholder returns

Financing and cash flow

The Group incurred net financing charges of £1.9 million in the first half of 2014 (H1 2013: £2.0 million).

Having started the year with net debt of £18.0 million, significant land investment has resulted in net debt as at 30 June 2014 of £45.3 million (30 June 2013: £48.4 million). This comprised £56.7 million of cash in hand, offset by £98.0 million of bank debt, £3.9 million of Government loans and a £0.1 million liability representing the fair market value of an interest rate swap.

In the first six months of 2014, the Group generated an operating cash inflow before land expenditure of £107.9 million (H1 2013: £51.1 million), demonstrating growing underlying cash generation from the Group's existing assets. As a result of the Group's assertive land investments, payments in H1 2014 associated with land purchases less cash recoveries on land sales were £106.8 million (H1 2013: £107.7 million). With a cash outflow from non-trading items of £28.4 million, the overall net cash outflow for the six months ending 30 June 2014 was £27.3 million (H1 2013: £67.2 million).

Taxation

The Group has recognised a tax charge of £10.8 million on profit before tax of £49.4 million at an effective tax rate of 21.9% (H1 2013: tax charge of £4.2 million at an effective rate of 22.6%).

Pensions

The Group had a pension scheme surplus of £1.0 million as at 30 June 2014 (31 December 2013: surplus of £3.2 million). Scheme assets grew over the six months to £96.7 million from £94.7 million. Scheme liabilities increased to £95.7 million from £91.5 million, primarily due to a decrease in the discount rate applied to liabilities, as a result of falling bond yields.

Net assets

Net assets per share as at 30 June 2014 were 624p as compared to 577p at 30 June 2013.

Analysis of net assets	2014 £m	2013 £m
Net assets at 1 January	**810.3**	758.8
Profit after tax for the six months	**38.6**	14.4
Share capital issued	**0.2**	0.9
Net actuarial movement on pension scheme through reserves	**(1.7)**	3.8
Adjustment to reserves for share based payments	**0.7**	0.3
Dividends paid	**(12.7)**	(8.0)
Net assets at 30 June	**835.4**	770.2

As at 30 June 2014 net assets were £25.1 million higher than at the start of the year. Inventories increased during the six months by £126.3 million to £1,097.3 million. As a result of the strong investment in consented land, the land bank increased by £95.2 million to £845.6 million. Work in progress increased from the start of 2014 by £34.2 million to £236.5 million, as the Group built a larger number of homes on a greater number of sites for legal completion in H2 2014, as well as investing in infrastructure for these greater site numbers. Trade and other receivables increased by £31.4 million to £74.7 million, as a result of increased receivables due from Housing Associations on a higher number of social legal completions, a substantial VAT debtor related to land acquisitions at the half year and an increased receivable in respect of Help to Buy.

Trade and other payables totalled £346.4 million (31 December 2013: £242.6 million). Of these, land creditors increased to £184.3 million (31 December 2013: £123.8 million), benefiting from greater levels of deferral on land acquisitions and trade and other creditors were £162.1 million (31 December 2013: £118.8 million), increasing with higher levels of build activity. Net cash reduced by £27.3 million.

Land

Land investments

With the strength of the consented landbank, the Group has strong visibility on delivering its planned housing volumes for the foreseeable future and hence has continued to be highly selective in the land that it acquires. Land investment continues to be the main value differentiator and is the key decision made by the business. The Group remains focused on investing in prime traditional housing sites mainly in the south of England (excluding London where the Group has no exposure), adjacent to thriving communities which are highly sought after by homebuyers. Encouragingly, the consented land market has remained disciplined through 2014 to date with land values reacting in a rational manner to house price and build cost movements. This has allowed the Group to acquire land at strong margins and returns.

In the six months ended 30 June 2014, the Group delivered a record period of investment, adding 4,597 consented plots on 23 sites to the land bank at a cost of £184 million. These plots have an estimated future revenue of £1,027 million and an estimated future gross profit potential of £262 million based on appraisal point sales prices and build costs, delivering an estimated future gross margin of 25.5%. The average return on capital employed of the land acquired based on investment appraisal at the time of acquisition is between 25% and 30%, well above the Group's hurdle rate of 20%.

As at 30 June 2014, the Group held conditional contracts to acquire 1,091 plots on 11 sites, the majority of which are expected to be added to the consented land bank in H2 2014.

Land bank

The Group held 17,702 consented plots in its land bank at 30 June 2014 (31 December 2013: 14,638). 75% of the plots within the land bank were located in the south of England and 71% of the plots (12,672 plots) have been added since the low point of house prices in the market downturn. The estimated gross profit potential on the consented land bank plots as at 30 June 2014, based on prevailing sales prices and build costs, has increased to £957 million with a gross margin of 25.2% (31 December 2013: £727 million at 24.2%).

The average consented land plot cost at the start of 2014 was £48,900. This has decreased to £45,900 at 30 June 2014. While the majority of the new traditional housing sites are in higher value locations, where the average plot cost is higher, the plot cost on Sherford (1,658 plots) is low due to the high infrastructure expenditure, which is spread over the life of the site. Written down land in the land bank at 30 June 2014 made up only 7% of plots (10% at 31 December 2013) and 4% of the estimated future revenues. The remaining provision on written down plots as at 30 June 2014 was £16.3 million.

Strategic land

The successful conversion of strategic land continues to be a key driver of value for the Group. During the first half of 2014, the Group converted around 2,400 plots from the strategic land bank into the consented land bank, representing 52% of the total consented land bank additions in the period. New strategic land investments added circa 1,900 plots into the strategic land bank, giving a total of 19,608 strategic plots at the half year controlled across 73 strategic sites. The strategic land bank reflects positively the Group's strategy of investment in the south of England with 63% of the strategic plots being in the south.

The Group is well advanced on a significant proportion of its strategic land bank assets. In addition to the long term consented site at Wellingborough (3,400 plots in the strategic land bank), the Group holds circa 3,000 strategic plots across 15 sites where residential planning consent has been agreed and a further circa 3,000 strategic plots across 11 sites are at advanced stages of the planning process with a high likelihood of achieving planning consent. Over 5,000 additional strategic plots are of high priority to the local planning authority and the Group is being encouraged to submit planning applications in the near term. The balance of the strategic land bank reflects either new strategic investments or longer term opportunities to achieve planning consent.

A number of the Group's larger strategic investments provide the opportunity to acquire the land across a number of tranches which assists the management of invested capital. Whilst the exact timing of conversion will be determined by the planning system, the Group expects its strategic land assets to provide a healthy pipeline of consented land over the next three years as it deploys its strategic plan.

Market conditions

In the first half of 2014, the UK housing market has continued to be robust, with a solid level of mortgage availability and positive home buyer confidence. The extension of the Government's Help to Buy shared equity scheme has also assisted in maintaining a level of consumer confidence in the housing market and this shared equity product continues to have a positive effect on transactional activity in the new homes market.

The Group strongly supports actions that encourage a sustainable housing market, such as the recent Mortgage Market Review and other measures initiated by the Bank of England, which in aggregate have begun to have the desired impact.

2014 has also seen a return to more normal seasonal patterns with a moderation of sales activity in late Q2 and into early Q3. The Group expects to experience the usual improvement in sales in September with a robust period of trading for the balance of 2014 thereafter.

The solid level of transactional activity is leading to overall market pricing improvements with the Group having experienced pricing ahead of expectations across its portfolio of sites. The pricing improvements are most pronounced in the south east of England and particularly areas with a proximity to London. These gains become less material further from the south east.

Current trading

The Group experienced strong trading in the first half year with an increase in private reservations of 31%. The sales rate achieved, excluding PRS reservations, was 0.65 net reservations per site per week which was a 10% increase on the first half of the prior year. In the weeks since the half year, the housing market has demonstrated a more traditional summer period with lower sales activity. This was not experienced in 2013 when the launch of the Help to Buy scheme fuelled demand throughout the summer. However the housing market remains positive with good levels of interest from homebuyers and the Group remains confident that sales rates post the summer period will enable delivery of targeted reservations for this year.

The Group's updated strategic plan sets out to deliver growth to optimal scale and enhance shareholder returns

The Group is currently operating 100 sales outlets having averaged 94 sales outlets to date this year. The Group aims to launch new sites for sale at the earliest possible time thus enabling early delivery of sales and contribution to the business' growth plans.

As at week 32, the Group had achieved 3,530 net sales for legal completion in 2014, as compared to 2,505 net sales at the same point in 2013, an increase of 1,025 homes. Sales prices achieved to date have been circa 4% ahead of the Group's expectations as set in Q4 2013.

As the housing market has progressed through its recovery, new build activity levels have increased. This has created a short term excess of demand in the supply chain with resultant increases in cost. The Group's longstanding national agreements with key material suppliers are allowing a steady supply of the required materials at the agreed prices for this year. Subcontract labour rates have increased ahead of house price increases to date, although this is considered a short term effect which can be controlled. The increasing use of the Group's Portfolio housing range and robust methods of procurement are assisting in controlling these supply chain pressures. Build cost inflation impacting the current pipeline of units for 2014 delivery amounts to around 5%.

Outlook

The Group is now almost completely sold for the current financial year and is, therefore, confident that it will deliver the targeted volume of circa 3,650 new homes for 2014. Additionally, the Group is focused on building a significantly enhanced forward order book for 2015, providing a strong base on which volume growth for the first half of 2015 can be achieved.

For 2014, the combination of the expected legal completion volume and an expected increase in average sales price to between £210,000 and £215,000 will deliver strong year on year revenue growth. The Group expects that the housing gross margin for the full year will be at least 25%.

With overheads as a percentage of revenue expected to reduce to below 8% for 2014 (2013: 8.5%), the Group expects to deliver an operating margin of between 17% and 18% (2013: 14.9%). Return on capital employed for 2014 is now expected to be circa 16.0% (2013: 10.4%), representing a further significant improvement in shareholder returns.

Given the strong land acquisitions achieved during 2014 to date, many of which were added early in the year, and our strong pipeline, the Group is confident that it can deliver strong sales outlet growth through 2015 and into 2016.

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 2015. This is expected to deliver another strong increase in return on capital employed. The Group considers that it has the resources and opportunities to continue its strong growth beyond 2015 and, subject to current market conditions continuing, the Group is targeting a return on capital of at least 20% in 2016.

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 outlined on pages 30 and 31 of the Annual Report and Accounts 2013, which is available from www.bovishomesgroup.co.uk. The Group has in place processes to monitor and mitigate these risks.

Going Concern

As stated in note 1 to the condensed consolidated interim financial statements, the directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly they continue to adopt the going concern basis in preparing the condensed consolidated interim financial statements.

Ian Tyler
Chairman

Financial

Group income statement

For the six months ended 30 June 2013 (unaudited)	Six months ended 30 June 2014 £000	Six months ended 30 June 2013 £000	Year ended 31 Dec 2013 £000
Revenue	322,060	184,412	556,000
Cost of sales	(242,272)	(141,999)	(425,693)
Gross profit	79,788	42,413	130,307
Administrative expenses	(28,637)	(21,896)	(47,476)
Operating profit before financing costs	51,151	20,517	82,831
Financial income	1,778	1,175	2,815
Financial expenses	(3,706)	(3,110)	(7,134)
Net financing costs	(1,928)	(1,935)	(4,319)
Share of profit of Joint Ventures	145	59	283
Profit before tax	49,368	18,641	78,795
Income tax expense	(10,757)	(4,238)	(18,727)
Profit for the period attributable to equity holders of the parent	38,611	14,403	60,068
Earnings per share			
Basic	28.8	10.8p	44.9p
Diluted	28.7	10.8p	44.8p

Group statement of comprehensive income

For the six months ended 30 June 2014 (unaudited)	Six months ended 30 June 2014 £000	Six months ended 30 June 2013 £000	Year ended 31 Dec 2013 £000
Profit for the period	38,611	14,403	60,068
Other comprehensive income			
Items that will not be reclassified to profit and loss			
Actuarial (losses)/gains on defined benefit pension scheme	(2,254)	4,930	3,693
Deferred tax on actuarial movements on defined benefit pension scheme	575	(1,134)	(748)
Total comprehensive income for the period attributable to equity holders of the parent	36,932	18,199	63,013

Group balance sheet

As at 30 June 2014 (unaudited)	30 June 2014 £000	30 June 2013 £000	31 Dec 2013 £000
Assets			
Property, plant and equipment	**13,594**	12,155	13,526
Investments	**6,983**	5,126	5,089
Restricted cash	**1,995**	1,567	1,823
Deferred tax assets	**2,100**	2,411	1,451
Trade and other receivables	**2,158**	1,833	1,560
Available for sale financial assets	**43,445**	45,113	44,844
Retirement benefit assets	**1,030**	1,760	3,237
Total non-current assets	**71,305**	69,965	71,530
Inventories	**1,097,311**	1,006,208	971,016
Trade and other receivables	**72,520**	42,538	41,713
Cash and cash equivalents	**56,710**	11,706	12,025
Total current assets	**1,226,541**	1,060,452	1,024,754
Total assets	**1,297,846**	1,130,417	1,096,284
Equity			
Issued capital	**67,076**	67,024	67,048
Share premium	**213,610**	213,287	213,428
Retained earnings	**554,713**	489,912	529,786
Total equity attributable to equity holders of the parent	**835,399**	770,223	810,262
Liabilities			
Bank and other loans	**102,034**	60,096	30,064
Other financial liabilities	**-**	599	-
Trade and other payables	**93,328**	81,006	29,631
Provisions	**2,084**	1,863	2,052
Total non-current liabilities	**197,446**	143,564	61,747
Trade and other payables	**253,052**	210,282	212,926
Other financial liabilities	**-**	-	784
Provisions	**1,413**	1,413	1,411
Current tax liabilities	**10,536**	4,935	9,154
Total current liabilities	**265,001**	216,630	224,275
Total liabilities	**462,447**	360,194	286,022
Total equity and liabilities	**1,297,846**	1,130,417	1,096,284

These condensed consolidated interim financial statements were approved by the Board of directors on 15 August 2014.

Group statement of changes in equity

For the six months ended 30 June 2014 (unaudited)	Total retained earnings £000	Issued capital £000	Share premium £000	Total £000
Balance at 1 January 2014	529,786	67,048	213,428	810,262
Total comprehensive income and expense	36,932	-	-	36,932
Issue of share capital	-	28	182	210
Share based payments	710	-	-	710
Dividends paid to shareholders	(12,715)	-	-	(12,715)
Balance at 30 June 2014	554,713	67,076	213,610	835,399
Balance at 1 January 2013	479,391	66,908	212,550	758,849
Total comprehensive income and expense	63,013	-	-	63,013
Deferred tax on other employee benefits	(23)	-	-	(23)
Issue of share capital	-	140	878	1,018
Share based payments	766	-	-	766
Dividends paid to shareholders	(13,361)	-	-	(13,361)
Balance at 31 December 2013	529,786	67,048	213,428	810,262
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 paid to shareholders	(8,010)	-	-	(8,010)
Balance at 30 June 2013	489,912	67,024	213,287	770,223

Group statement of cash flows

For the six months ended 30 June 2014 (unaudited)	Six months ended 30 June 2014 £000	Six months ended 30 June 2013 £000	Year ended 31 Dec 2013 £000
Cash flows from operating activities			
Profit for the period	**38,611**	14,403	60,068
Depreciation	**899**	491	1,180
(Revaluation)/Impairment of available for sale assets	**(172)**	87	(47)
Financial income	**(1,778)**	(1,175)	(2,815)
Financial expense	**3,706**	3,110	7,134
Profit on sale of property, plant and equipment	**(115)**	(19)	(24)
Equity-settled share-based payment expense	**710**	281	766
Income tax expense	**10,757**	4,238	18,727
Share of results of Joint Ventures	**(145)**	(59)	(283)
(Increase)/decrease in trade and other receivables	**(26,913)**	30,809	28,737
Increase in inventories	**(126,295)**	(142,611)	(107,419)
Increase/(decrease) in trade and other payables	**99,687**	40,599	(4,911)
Decrease/(increase) in provisions and employee benefits	**57**	(457)	(2,845)
Cash generated from operating activities	**(991)**	(50,303)	(1,732)
Interest paid	**(1,530)**	(3,519)	(5,781)
Income taxes paid	**(9,595)**	(5,635)	(14,634)
Net cash generated from operating activities	**(12,116)**	(59,457)	(22,147)
Cash flows from investing activities			
Interest received	**13**	95	269
Acquisition of property, plant and equipment	**(1,090)**	(744)	(2,802)
Proceeds from sale of plant and equipment	**238**	27	30
Movement in loans with Joint Ventures	**(1,295)**	-	360
Dividends received from Joint Ventures	**283**	417	267
Investment in restricted cash	**(172)**	(415)	(671)
Investment in Joint Ventures	**(718)**	-	-
Net cash generated from investing activities	**(2,741)**	(620)	(2,547)
Cash flows from financing activities			
Dividends paid	**(12,715)**	(8,010)	(13,361)
Proceeds from the issue of share capital	**210**	853	1,018
Drawdown of borrowings	**72,047**	54,544	24,666
Net cash generated from financing activities	**59,542**	47,387	12,323
Net decrease in cash and cash equivalents	**44,685**	(12,690)	(12,371)
Cash and cash equivalents at start of period	**12,025**	24,396	24,396
Cash and cash equivalents at end of period	**56,710**	11,706	12,025

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 2014 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 15 August 2014. The financial statements are unaudited but have been reviewed by KPMG LLP.

The condensed consolidated 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 2014 and 30 June 2013 are unaudited. The comparative figures for the financial year ended 31 December 2013 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 2013, 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 2014:

IFRS10 'Consolidated Financial Statements', IFRS11 'Joint Arrangements', IFRS12 'Disclosure of interest in Other Entities' all cover various aspects of Group Financial Statements but have not had a significant impact on the Group.

The condensed consolidated 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 by 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 2013, which were prepared in accordance with IFRSs as adopted by the EU.

The directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly they continue to adopt the going concern basis in preparing the condensed consolidated interim financial statements.

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 2014 Pence	Six months ended 30 June 2013 Pence	Year ended 31 Dec 2013 Pence
Basic earnings per share	**28.8**	10.8	44.9
Diluted earnings per share	**28.7**	10.8	44.8

Basic earnings per share

Basic earnings per ordinary share for the six months ended 30 June 2014 is calculated on a profit after tax of £38,611,000 (six months ended 30 June 2013: profit after tax of £14,403,000; year ended 31 December 2013: profit after tax of £60,068,000) over the weighted average of 133,845,797 (six months ended 30 June 2013: 133,464,080; year ended 31 December 2013: 133,643,311) ordinary shares in issue during the period.

Diluted earnings per share

The calculation of diluted earnings per share at 30 June 2014 was based on the profit attributable to ordinary shareholders of £38,611,000 (six months ended 30 June 2013: profit after tax of £14,403,000; year ended 31 December 2013: profit after tax of £60,068,000).

The Group's diluted weighted average ordinary shares potentially in issue during the six months ended 30 June 2014 was 134,489,646 (six months ended 30 June 2013: 133,719,575; year ended 31 December 2013: 133,933,279).

5 Dividends

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

(Unaudited)	Six months ended 30 June 2014 £000	Six months ended 30 June 2013 £000	Year ended 31 Dec 2013 £000
May 2014: 9.5p (May 2013: 6.0p)	**12,715**	8,010	8,010
November 2013: 4.0p	**-**	-	5,351
	12,715	8,010	13,361

The Board determined on 15 August 2014 that an interim dividend of 12.0p for 2014 be paid. The dividend will be settled on 21 November 2014 to shareholders on the register at the close of business on 26 September 2014. This dividend has not been recognised as a liability at the balance sheet date.

6 Available for sale assets

Available for sale financial assets - shared equity

Receivables on extended terms granted as part of a sales transaction are secured by way of a legal charge on the relevant property, categorised as an available for sale financial asset, and are stated at fair value. Gains and losses arising from changes in fair value are recognised directly in equity in retained earnings, with the exceptions of impairment losses, the impact of changes in future cash flows and interest calculated using the 'effective interest rate' method, which are recognised directly in the income statement. Where the investment is disposed of, or is determined to be impaired, the cumulative gain or loss previously recognised in equity is included in the income statement for the period. Given its materiality, this item is being disclosed separately on the face of the balance sheet.

Available for sale financial assets relate to legal completions where the Group has retained an interest through agreement to defer recovery of a percentage of the market value of the property, together with a legal charge to protect the Group's position. The Group participates in three schemes. 'Jumpstart' schemes are receivable 10 years after recognition with 3% interest charged between years 6 to 10. The 'HomeBuy Direct' and 'FirstBuy' schemes are operated together with the Government. Receivables are due 25 years after recognition with interest charged from year 6 onwards at a base value of 1.75% plus annual RPI increments. These assets are held at fair value being the present value of expected future cash flows taking into account the estimated market value of the property at the estimated date of recovery.

	30 June 2014 £000	30 June 2013 £000	31 Dec 2013 £000
Non-current asset - available for sale assets	**43,445**	45,113	44,844

Key assumptions

	2014
Discount rate, incorporating default rate	7.9%
Average house price inflation per annum for the next three years	3.2%

Reconciliation of shared equity asset

	2014 £000
Balance at 1 January	44,844
Redemptions	(3,201)
Revaluation taken through the income statement	172
Imputed interest	1,630
Balance at 30 June	**43,445**

Sensitivity - available for sale financial assets	2014 increase assumptions by 1%	2014 decrease assumptions by 1%
Discount rate, incorporating default rate	(2,844)	3,236
House price inflation	1,458	(1,257)

7 Related party transactions

Transactions between fellow subsidiaries, which are related parties, during the first half of 2014 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 2013.

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 2013. No material change has occurred in these arrangements in the first half of 2014.

Transactions with Joint Ventures

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 2013: £73,000; year ended 31 December 2013: £147,000).

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 £19,000 (six months ended 30 June 2013: £24,000; year ended 31 December 2013: £46,000).

In the period, Bovis Homes Limited entered into a Joint Venture arrangement with IIH Oak Investors LLP to hold 190 homes under a private rental scheme. During the period 46 homes were sold to the Joint Venture for cash consideration of £11,136,143 and 13% of the revenue and profit in respect of this sale has been eliminated from the Group results in accordance with IFRS11. A loan of £1,445,141 was provided to IIH Oak Investors at an interest rate of 6%.

8 Reconciliation of net cash flow to net cash

(Unaudited)	Six months ended 30 June 2014 £000	Six months ended 30 June 2013 £000	Year ended 31 Dec 2013 £000
Net increase/(decrease) in cash and cash equivalents	**44,685**	(12,690)	(12,371)
Drawdown of borrowings	**(71,999)**	(54,544)	(24,546)
Fair value adjustments to interest rate swaps	**77**	115	209
Fair value adjustments to interest free loan	**(48)**	(61)	(121)
Net cash at start of period	**(18,039)**	18,790	18,790
Net cash at end of period	**(45,324)**	(48,390)	(18,039)
Analysis of net cash:			
Cash	**56,710**	11,706	12,025
Bank and other loans	**(101,903)**	(59,795)	(29,856)
Fair value of interest rate swaps	**(131)**	(301)	(208)
Net cash	**(45,324)**	(48,390)	(18,039)

9 Circulation to shareholders

This interim report is sent to shareholders. Further copies are available on request from the Company Secretary, Bovis Homes Group PLC, The Manor House, North Ash Road, New Ash Green, Longfield, Kent DA3 8HQ. Further information on Bovis Homes Group PLC can be found on the Group's corporate website www.bovishomesgroup.co.uk, including the analyst presentation document which will be presented at the Group's results meeting on 18 August 2014.

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

15 August 2014

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 2014 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 2014 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

15 August 2014

Directors

Bovis Homes Group PLC Board of Directors

Ian Paul Tyler
Non-executive Chairman

Alastair David Lyons
Non-executive Deputy Chairman

John Anthony Warren
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

Principal offices

1 Bovis Homes Group PLC

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

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

2 South division

Cleeve Hall
Cheltenham Road
Bishops Cleeve
Cheltenham
Gloucestershire GL52 8GD

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

3 Central division

Bromwich Court
Highway Point
Gorsey Lane
Coleshill
Birmingham B46 1JU

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

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

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

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Printed using bio inks formulated from sustainable raw materials.

Printed on Revive 50:50 silk a recycled paper containing 50% recycled waste and 50% virgin fibre and manufactured at a mill certified with ISO 14001 environmental management standard. The pulp used in this product is bleached using an Elemental Chlorine Free process (ECF).

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