



Half year report 2015

Bovis Homes Group PLC

www.bovishomesgroup.co.uk



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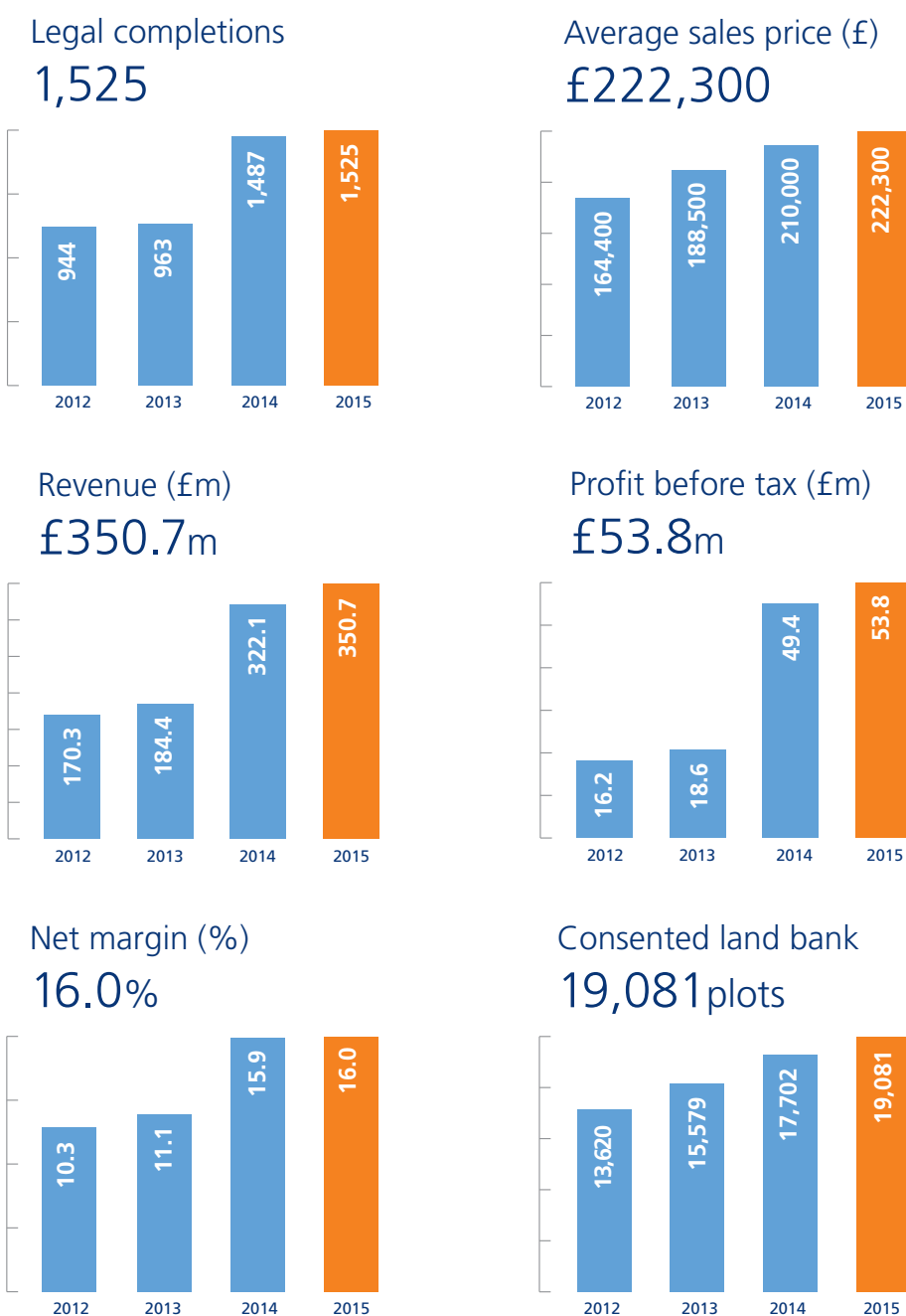
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Financial and operational highlights

▲ ROCE in 12 months to 30 June 2015: **15.6%**
(30 June 2014: 13.4%)

14% ▲ increase in dividend





Ian Tyler
Chairman

Bovis Homes continues to deliver successfully its growth strategy and is on track to deliver increased shareholder returns during the current financial year. The Group's high quality land bank, including conversion from strategic land, is facilitating volume growth at strong sales prices and high profit margins. This, combined with higher capital turn, underpins achievement of the Group's growth objectives.

The positive housing market conditions in the UK continue with growth in both transaction levels and sales prices. Housing demand continues to run ahead of new housing supply with the availability of development land supported by increasing levels of planning permissions. The Government has an ambition for the country to build over 200,000 new homes a year and is supporting new housebuilding through its commitment to Help to Buy and driving land supply through the planning process.

Strategic plan

The Group's strategic plan remains to deliver growth in shareholder returns from:

- Disciplined land investment, both consented and strategic, to grow the business in a controlled way towards a steady state of between 5,000 and 6,000 new homes per annum
- Investment in people to allow the continuous evolution of the Group's structure to manage this future growth
- Ongoing assessment of housing cycle with flexibility to adapt the plan to changes in the market
- Strong operational execution of the plan which has been further evidenced by the first half performance

Land investment

The Group continues to implement its land investment strategy, including strong levels of conversion from strategic land, to provide growth in volume at strong sales prices and high profit margins. The aim to acquire c40 new sites each year is supported by the rate of land acquisitions during 2014 and H1 2015. As a result the Group remains on track to increase its number of owned consented sites during the next few years. Ongoing investment at this rate each year will enable the Group to operate from the required average number of sales outlets to deliver around 5,000 to 6,000 new homes annually.

The investment is focused in the Group's targeted, primarily Southern, geographies within which the Group believes there is strong market demand for housing and sufficient supply of land to fulfil its growth ambitions in the current market environment.

Evolving Group structure to manage future growth

As planned, in order to effectively manage the increased annual volume and support growth the current structure of six operating regions will be increased to eight regions in 2016. Firstly, the existing Central region will be split into a West Midlands region and an East Midlands region and secondly, the fledgling Thames Valley region will become operational during 2016.

In order to manage this growth, the management team will be strengthened through promotions from within the business. Keith Carnegie (currently Central Division Managing Director) will take up the new role of Chief Operating Officer from 1 January 2016 reporting to David Ritchie. Keith will oversee the key Group wide functions to maintain the required level of support to the more extensive operations. The two operating divisions, each overseeing four regions, will continue to report directly to David Ritchie and will be headed up by existing members of the Group's senior management team.

The evolved structure will ensure the Group continues to operate 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.

Continually assessing the housing cycle

The growth strategy is progressing well during the current positive housing market conditions. The Group continues to assess the housing cycle and has the ability to adapt quickly. Robust discipline in the investment strategy is demonstrated by the acquisitions made at above hurdle rate margins and the improving capital turn. The processes in place enable the Group to stop its land investment quickly when required and adjust the overall land holdings as the cycle evolves.

The Group continues to deliver successfully its growth strategy and is on track to deliver increased shareholder returns

The long term investment strategy, including the ambition to source around 50% of consented land from strategic land, provides greater flexibility of land supply in a changing economic environment as well as contributing sites with strong sales prices and high profit margins.

Strong operational execution

In the current cycle the Group has increased investment in land with strong profit margins and increased capital turn. The record investment in 42 sites during 2014 has been followed by a strong level of investment in the current year to date. This investment in the land bank is delivering additional sales outlets and growth in volume in line with the strategy.

The Group is on track to deliver its expected volume of legal completions in 2015. The average sales price is improving due to further mix improvements and market-wide house price rises. The Group expects its capital turn to be in excess of 1.0 times for 2015. Looking further forward with net profit margins improving towards 20%, a ROCE of at least 20% is expected to be achieved in 2016.

Given the Group's progress in executing its strategy, its confidence in delivering strong growth in returns and having considered the current modest levels of net debt, the Board intends to pay total dividends for 2015 of 40 pence per share.

Operational review

Revenue

The Group generated total revenue of £350.7 million during the first half of 2015, an increase of 9% compared to £322.1 million in H1 2014.

Units	H1 2015	H1 2014
Private legal completions	1,079	1,107
Private Rental Sector legal completions	101	106
Social legal completions	345	274
Total legal completions	1,525	1,487
Revenue (£m)		
Private legal completions (including PRS)	299.1	282.9
Social legal completions	39.9	29.3
Revenue from legal completions	339.0	312.2
Other revenue	3.5	2.9
Housing revenue	342.5	315.1
Land sales revenue	8.2	7.0
Total revenue	350.7	322.1

Revenue from legal completions in H1 2015 was £339.0 million, 9% ahead of the same period in the prior year. With other revenue of £3.5 million (H1 2014: £2.9 million), housing revenue was £342.5 million (H1 2014: £315.1 million). Two land sales were achieved during H1 2015 with revenue of £8.2 million (H1 2014: £7.0 million).

The Group achieved a record number of 1,525 legal completions in H1 2015, a 3% increase on the first half of 2014 (1,487 homes). As previously guided, the Group's legal completion profile in 2015 is expected to be more weighted to the second half of the year than was the case in the prior year (H1 2014: 41%). Of total legal completions, 1,079 were private homes (H1 2014: 1,107 homes) and a further 101 homes were completed under Private Rental Sector (PRS) transactions. Social homes comprised 23% of total legal completions (345 homes), compared to 18% (274 homes) in H1 2014, reflecting the prevailing mix of social units in the land bank.

In the first half of 2015 the average sales price of homes legally completed increased by 6% to £222,300 (H1 2014: £210,000). The average sales price of private legal completions, excluding PRS, was 10% higher at £264,200 (H1 2014: £239,500), benefiting from the mix effect of higher sales prices on new sites and market house price improvements. The average private sales price per square foot increased by 5% in H1 2015 compared to that achieved in H1 2014. The average sales price for PRS homes was £138,300 (H1 2014: £167,500), reflecting their location and the smaller product delivered under these deals.

Net profit

The Group increased net profit for the six months ended 30 June 2015 by 9% to £56.0 million at a net profit margin of 16.0% (H1 2014: £51.3 million at a net profit margin of 15.9%). Net profit included £1.7 million related to profits from the Group's interest in joint ventures (H1 2014: £0.1 million).

The gross margin achieved in H1 2015 was 25.1% (H1 2014: 24.8%) and included the contribution from two land sales. Housing gross margin was 24.6% (H1 2014: 25.0%) which was generated by an increasing contribution from sites acquired since the downturn, offset by the increased proportion of lower margin social units in the mix in the first half year. The effects of house price inflation across the market offset the impact of increased build costs, enabling profit margins on sites to be maintained. Construction costs for legal completions in the first half of 2015 increased to £117,300 per unit, circa 10% higher than H1 2014, reflecting the ongoing increase in average size of product and geographic mix, as well as the inflationary impacts of labour and materials. The average construction cost per square foot increased by 6% in H1 2015 compared to H1 2014 reflecting market cost movements. The land sales profit recognised during H1 2015 was £4.0 million, compared to £1.0 million in H1 2014.

Overheads constituted 9.6% of revenue in the first half of 2015 (H1 2014: 8.9%) with the Group investing to support volume growth. The planned growth in overhead costs of 18% resulted from increased staff costs to support the larger business, increased sales and marketing activity, supporting the increasing number of active sales outlets, and the cost of 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's share of interest in joint ventures includes the benefit from the revaluation of both the Bovis Peer LLP and IIH Oak Investors LLP PRS property portfolios in the period ended 30 June 2015.

Profit before tax

Profit before tax of £53.8 million comprised net profit of £56.0 million and net financing charges of £2.2 million. This compares to a profit before tax in H1 2014 of £49.4 million, resulting from £51.3 million of net profit and £1.9 million of net financing charges. There were no exceptional items in the first six months of either 2015 or 2014.

Interim dividend

In accordance with the Group's stated intention in respect of dividends, an interim dividend of 13.7 pence per share has been declared (2014 interim dividend: 12.0 pence). This represents slightly over one third of the intended total dividend for 2015 of 40.0 pence per share.

The interim dividend will be paid on 20 November 2015 to holders of ordinary shares on the register at the close of business on 25 September 2015. 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 £2.2 million in the first half of 2015 (H1 2014: £1.9 million).

Having started the year with net cash of £5.0 million, significant land investment and additional work in progress has resulted in net debt as at 30 June 2015 of £58.8 million (30 June 2014: £45.3 million). This comprised £28.2 million of cash in hand, offset by £85.0 million of bank debt and £2.0 million of Government loans.

In the first six months of 2015, the Group generated an operating cash inflow before land expenditure of £79.0 million (H1 2014: £107.9 million), demonstrating strong underlying cash generation from the Group's asset base and investment in work in progress to support growth. As a result of the Group's land investments, payments in H1 2015 associated with land purchases less cash recoveries on land sales were £95.3 million (H1 2014: £106.8 million). With a cash outflow from non-trading items of £47.7 million including the dividend payment of £30.8 million (H1 2014: £12.7m), the overall net cash outflow for the six months ended 30 June 2015 was £64.0 million (H1 2014: £27.3 million).

Taxation

The tax charge was £10.8 million on profit before tax of £53.8 million, representing an effective tax rate of 20.1% (H1 2014: tax charge of £10.8 million at an effective rate of 21.9%).

Land

	H1 2015	H1 2014
Consented plots added	2,687	4,597
Sites added	15	23
Sites owned at period end	135	121
Plots in consented land bank at period end	19,081	17,702
Average consented land plot cost	£48,600	£45,900
Proportion in South of England	77%	71%

The Group has continued to follow its long term investment strategy with acquisitions made in prime locations focused in the South of England. These acquisitions further strengthen the consented land bank and the Group has strong visibility on delivering its planned growth for the foreseeable future.

In the six months ended 30 June 2015 the Group added 2,687 consented plots on 15 sites to the land bank at a cost of £154 million. These plots have an estimated future revenue of £704 million and an estimated future gross profit potential of £183 million based on appraisal point sales prices and build costs, delivering an estimated future gross margin of 25.9%. The average return on capital employed of the land acquired based on investment appraisal at the time of acquisition is c29%.

As at 30 June 2015, the Group held conditional contracts to acquire 1,692 plots on 13 sites, the majority of which are expected to be added to the consented land bank in the near term. Since 30 June 2015, the Group has added a further 573 consented plots across five sites, taking the year to date additions to 3,260 consented plots across 20 sites.

The estimated gross profit potential on the consented land bank plots as at 30 June 2015, based on prevailing sales prices and build costs, has increased to £1,134 million with a gross margin of 25.5% (31 December 2014: £1,017 million at 25.2%).

Written down land in the land bank at 30 June 2015 made up 5% of plots (31 December 2014: 6%) and only 3% of the estimated future revenue from the land bank. The remaining provision on written down plots as at 30 June 2015 was £9.8 million (31 December 2014: £12.9 million).

The Group continues to deliver successfully its growth strategy and is on track to deliver increased shareholder returns



Strategic land

The successful conversion of strategic land continues to be a key driver of value for the Group. New strategic land investments added 2,299 plots into the strategic land bank, giving a total of 23,287 strategic plots at the half year controlled across 86 strategic sites. During the first half of 2015, by virtue of the timing of delivery of planning consents, the Group converted a modest 229 plots from the strategic land bank into the consented land bank.

Good progress has been made on a number of significant strategic land holdings. These are expected to provide a valuable source of development land, primarily in the South of England, as planning consents are achieved. In particular, the Group has either secured or is in the final stages of securing planning consent on six major strategic sites at Bishops Stortford (where the first 180 plots have already been added to the consented land bank), North Wokingham, Witney, Edwalton, Gravesend and Tavistock. In total these sites will deliver c3,000 future consented plots to the land bank with high profit margins and returns above existing hurdle rates. These sites will be added to the consented land bank once price notice/option exercise processes are complete and generally benefit either from significant deferred terms on purchase or the ability to add the land over a number of years through tranche drawdown. The strategic land bank reflects positively the Group's strategy of investment with 68% of the strategic plots being in the South of England.

The Group has made good progress with its major strategic asset at Wellingborough. Work has commenced on the initial stages of the infrastructure project related to the delivery of over 3,000 homes on the site. The Group owns c1,000 plots within its consented land bank and controls the balance of in excess of 2,000 plots of land with planning consent in its strategic land bank. Improvements to the site's planning consent, combined with amendments to the relationship with landowners, has enabled the Group to take positive steps towards a housing start expected in late 2015. The nature of the Wellingborough development allows the capital for the project to be deployed progressively through the project. This investment profile combined with plans by the Group to invite development partners on to the site are expected to deliver strong returns for the Group.

The Group expects its strategic land assets will provide strong replenishment for the consented land bank over the coming years. The size of this opportunity supports the Group's aim for 50% of its consented land bank to be sourced through strategic means over time.

Pensions

The Group had a pension scheme surplus of £9.8 million as at 30 June 2015 (31 December 2014: deficit of £0.7 million).

Scheme assets grew over the six months to £111.8 million from £103.4 million. Scheme liabilities decreased to £102.0 million from £104.0 million. The movement on the scheme in the six months primarily relates to a special contribution from the Group into the scheme of £7.8 million and an increase in the discount rate applied to liabilities, as a result of changes in bond yields.

Net assets

Net assets per share as at 30 June 2015 were 666p as compared to 624p at 30 June 2014

Analysis of net assets	2015 £m	2014 £m
Net assets at 1 January	879.1	810.3
Profit after tax for the six months	43.0	38.6
Share capital issued	0.4	0.2
Purchase of own shares	(0.1)	-
Net actuarial movement on pension scheme through reserves	2.3	(1.7)
Adjustment to reserves for share based payments	0.7	0.7
Dividends paid	(30.8)	(12.7)
Net assets at 30 June	894.6	835.4

As at 30 June 2015, net assets were £15.5 million higher than at the start of the year. Inventories increased during the six months by £156.9 million to £1,282.4 million. As a result of the investment in consented land, the land bank increased by £91.0 million to £965.7 million. Work in progress increased from the start of 2015 by £62.2 million to £287.7 million, as the Group built a larger number of homes on a greater number of sites for legal completion in H2 2015, as well as investing in infrastructure for this greater number of sites. Trade and other receivables increased by £11.8 million to £73.2 million, as a result of increased receivables due from Housing Associations on a higher number of social legal completions, and a substantial VAT debtor related to land acquisitions at the half year.

Trade and other payables totalled £462.7 million (31 December 2014: £360.5 million). Of these, land creditors increased to £264.4 million (31 December 2014: £198.2 million), reflecting the investment in new land benefiting from greater levels of deferral, and trade and other creditors were £198.3 million (31 December 2014: £162.3 million), increasing with higher levels of build activity. Net cash reduced by £64.0 million.

Market conditions

In the first half of 2015, 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 scheme has also assisted in maintaining a level of consumer confidence in the housing

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market and this shared equity product continues to have a positive effect on transactional activity in the new homes market. Mortgage lending is also supporting activity with monthly approvals reaching a level which supports over one million housing transactions per year.

The Group supports the recent focus from the Government on housebuilding, including the continued push to drive the required level of planning permissions through the system, recognising that this in turn helps the market for new land to remain disciplined. The land market continues to be active and the Group continues to purchase land at, or above, required hurdle rate profit margins and returns. The recent changes announced by the Government to control future movements in social affordable rental values are being reviewed to assess the potential effect on future values available for affordable rented tenure social housing.

Strong housing demand is leading to overall market pricing improvements, with the Group having experienced pricing ahead of expectations across its portfolio of sites. This is most pronounced in the South East of England and particularly areas with a proximity to London. Offsetting these pricing improvements is the impact of rising construction costs. The combination of pricing gains and cost increases imply relatively stable land values and sustainable site profit margins.

Current trading

The Group traded from an average of 100 sales outlets during the first half of 2015 which represented an 8% increase on the comparative period last year. Weekly private sales rates in the period remained robust at an average of 0.63 net private reservations per site against the strong comparative in 2014 of 0.65. The total forward sales position for 2015 delivery, including legal completions to date, stood at 3,505 homes at 30 June 2015 (30 June 2014: 3,297). At 30 June 2015 the Group was operating from 102 sales outlets as compared to 98 at the same date in 2014.

As at 14 August 2015, the Group had achieved 3,768 sales for legal completion in 2015. In recent weeks, the Group has also commenced the building of its private forward order book for 2016. Sales rates in the summer since the half year have been robust at 0.58 net reservations per site per week compared to 0.45 in the comparative period of 2014. The average private sales price of private homes sold for 2015 delivery currently stands at c£260,000 which represents an increase of 8% over the comparable price at this point in 2014.

Housing production to 14 August 2015 was 11% ahead of the prior year which provides a strong base for the delivery of the planned volume for 2015 and a higher level of work in progress for 2016. Levels of build activity continue to increase and as a result there is short term excess of demand in the supply chain with resultant increases in cost. The Group's national agreements with key material suppliers ensure a steady supply of the required materials at the agreed prices for this year. Subcontract labour rates

have been increasing ahead of house price increases to date, although this is considered a short term effect which can be controlled. The Group is pro-actively addressing the demand for labour through its apprentice programmes and targeted recruitment, for example personnel leaving the military. Overall (materials and labour combined) the annual build cost inflation impacting the current pipeline of homes for 2015 delivery is estimated at around 7%.

Outlook

The Group remains confident that 2015 will be another successful year of growth and strong returns. Given the current sales position and prevailing sales rates, the Group is on track to deliver its expected volume of legal completions for 2015. The Group expects to deliver an increase in average sales price and an improvement in net profit margin in 2015 compared to the prior year. Capital turn in 2015 is expected to be in excess of 1.0 times.

Looking out to 2016, further growth in profit with an improvement in net profit margin towards 20%, combined with capital turn over 1.0 times, is expected to generate a ROCE of at least 20%.

Strong dividends will complement growing ROCE, highlighted by the Board's intention to pay a dividend of 40 pence per share for 2015. Thereafter, the Board intends to pay approximately one third of earnings as a dividend with any cash surplus to requirements contributing to additional dividend payments.

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 28 to 31 of the Annual Report and Accounts 2014, 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





Group income statement

For the six months ended 30 June 2014 (unaudited)	Six months ended 30 June 2015 £000	Six months ended 30 June 2014 £000	Year ended 31 Dec 2014 £000
Revenue	350,702	322,060	809,365
Cost of sales	(262,596)	(242,272)	(612,129)
Gross profit	88,106	79,788	197,236
Administrative expenses	(33,800)	(28,637)	(59,672)
Operating profit before financing costs	54,306	51,151	137,564
Financial income	2,205	1,778	3,360
Financial expenses	(4,372)	(3,706)	(7,727)
Net financing costs	(2,167)	(1,928)	(4,367)
Share of profit of Joint Ventures	1,687	145	287
Profit before tax	53,826	49,368	133,484
Income tax expense	(10,809)	(10,757)	(28,276)
Profit for the period attributable to equity holders of the parent	43,017	38,611	105,208
<i>Earnings per share</i>			
Basic	32.1	28.8	78.6p
Diluted	32.0	28.7	78.2p

Group statement of comprehensive income

For the six months ended 30 June 2015 (unaudited)	Six months ended 30 June 2015 £000	Six months ended 30 June 2014 £000	Year ended 31 Dec 2014 £000
Profit for the period	43,017	38,611	105,208
Other comprehensive income			
<i>Items that will be reclassified to profit and loss</i>			
Shared equity movement	-	-	(2,887)
Deferred tax on shared equity movement	-	-	(621)
<i>Items that will not be reclassified to profit and loss</i>			
Remeasurements on defined benefit pension scheme	2,847	(2,254)	(7,166)
Deferred tax on remeasurements on defined benefit pension scheme	(550)	575	1,481
Total comprehensive income for the period attributable to equity holders of the parent	45,314	36,932	96,015

Group balance sheet

As at 30 June 2015 (unaudited)	30 June 2015 £000	30 June 2014 £000	31 Dec 2014 £000
Assets			
Property, plant and equipment	14,024	13,594	13,634
Investments	8,721	6,983	8,107
Restricted cash	1,426	1,995	1,426
Deferred tax assets	1,200	2,100	2,645
Trade and other receivables	1,166	2,158	2,534
Available for sale financial assets	38,559	43,445	39,433
Retirement benefit assets	9,812	1,030	-
Total non-current assets	74,908	71,305	67,779
Inventories	1,282,363	1,097,311	1,125,518
Trade and other receivables	72,067	72,520	58,862
Cash and cash equivalents	28,176	56,710	52,257
Total current assets	1,382,606	1,226,541	1,236,637
Total assets	1,457,514	1,297,846	1,304,416
Equity			
Issued capital	67,174	67,076	67,114
Share premium	214,238	213,610	213,850
Retained earnings	613,202	554,713	598,154
Total equity attributable to equity holders of the parent	894,614	835,399	879,118
Liabilities			
Bank and other loans	60,000	102,034	47,010
Trade and other payables	127,119	93,328	99,092
Retirement benefit obligations	-	-	668
Provisions	1,840	2,084	1,840
Total non-current liabilities	188,959	197,446	148,610
Bank and other loans	26,975	-	-
Trade and other payables	335,576	253,052	261,436
Provisions	1,237	1,413	1,236
Current tax liabilities	10,153	10,536	14,016
Total current liabilities	373,941	265,001	276,688
Total liabilities	562,900	462,447	425,298
Total equity and liabilities	1,457,514	1,297,846	1,304,416

These condensed consolidated interim financial statements were approved by the Board of directors on 14 August 2015.

Group statement of changes in equity

For the six months ended 30 June 2015 (unaudited)	Total retained earnings £000	Issued capital £000	Share premium £000	Total £000
Balance at 1 January 2015	598,154	67,114	213,850	879,118
Total comprehensive income and expense	45,314	-	-	45,314
Issue of share capital	-	60	388	448
Purchase of own shares	(173)	-	-	(173)
Share based payments	745	-	-	745
Dividends paid to shareholders	(30,838)	-	-	(30,838)
Balance at 30 June 2015	613,202	67,174	214,238	894,614
Balance at 1 January 2014	529,786	67,048	213,428	810,262
Total comprehensive income and expense	96,015	-	-	96,015
Issue of share capital	-	66	422	488
Deferred tax on other employee benefits	304	-	-	304
Share based payments	838	-	-	838
Dividends paid to shareholders	(28,789)	-	-	(28,789)
Balance at 31 December 2014	598,154	67,114	213,850	879,118
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

Group statement of cash flows

For the six months ended 30 June 2015 (unaudited)	Six months ended 30 June 2015 £000	Six months ended 30 June 2014 £000	Year ended 31 Dec 2014 £000
<i>Cash flows from operating activities</i>			
Profit for the period	43,017	38,611	105,208
Depreciation	996	899	1,853
Revaluation of available for sale assets	(224)	(172)	(1,288)
Financial income	(2,205)	(1,778)	(3,360)
Financial expense	4,372	3,706	7,727
Profit on sale of property, plant and equipment	(43)	(115)	(115)
Equity-settled share-based payment expense	573	710	838
Income tax expense	10,809	10,757	28,276
Share of results of Joint Ventures	(1,687)	(145)	(287)
Increase in trade and other receivables	(9,036)	(26,913)	(13,956)
Increase in inventories	(156,844)	(126,295)	(154,501)
Increase in trade and other payables	100,067	99,687	116,475
(Increase)/decrease in provisions and employee benefits	(7,575)	57	(3,795)
Net cash from operations	(17,780)	(991)	83,075
Interest paid	(2,317)	(1,530)	(3,746)
Income taxes paid	(13,547)	(9,595)	(23,708)
Net cash from operating activities	(33,644)	(12,116)	55,621
<i>Cash flows from investing activities</i>			
Interest received	37	13	107
Acquisition of property, plant and equipment	(1,395)	(1,090)	(2,084)
Proceeds from sale of plant and equipment	52	238	238
Movement in loans with Joint Ventures	512	(1,295)	(2,751)
Movement in investment in Joint Ventures	473	(718)	(373)
Dividends received from Joint Ventures	250	283	283
(Investment)/reduction in restricted cash	-	(172)	397
Net cash from investing activities	(71)	(2,741)	(4,183)
<i>Cash flows from financing activities</i>			
Dividends paid	(30,838)	(12,715)	(28,789)
Proceeds from the issue of share capital	448	210	488
Drawdown of borrowings	40,024	72,047	17,095
Net from financing activities	9,634	59,542	(11,206)
Net (decrease)/increase in cash and cash equivalents	(24,081)	44,685	40,232
Cash and cash equivalents at start of period	52,257	12,025	12,025
Cash and cash equivalents at end of period	28,176	56,710	52,257

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 2015 comprise the Company and its subsidiaries (together referred to as 'the Group') and the Group's interest in associates and joint ventures.

The condensed consolidated interim financial statements were authorised for issue by the directors on 14 August 2015. The financial statements are unaudited but have been reviewed by PricewaterhouseCoopers LLP the Company's auditors who were appointed on 15 May 2015.

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 2015 and 30 June 2014 are unaudited. The comparative figures for the financial year ended 31 December 2014 are an extract from the Group's statutory accounts for that financial year. Those accounts have been reported on by the Company's auditors, at the time KPMG LLP, 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 a 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 2014.

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 2014, 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 2015 Pence	Six months ended 30 June 2014 Pence	Year ended 31 Dec 2014 Pence
Basic earnings per share	32.1	28.8	78.6
Diluted earnings per share	32.0	28.7	78.2

Basic earnings per share

Basic earnings per ordinary share for the six months ended 30 June 2015 is calculated on a profit after tax of £43,017,000 (six months ended 30 June 2014: profit after tax of £38,611,000; year ended 31 December 2014: profit after tax of £105,208,000) over the weighted average of 134,081,809 (six months ended 30 June 2014: 133,845,797; year ended 31 December 2014: 133,902,247) ordinary shares in issue during the period.

Diluted earnings per share

The calculation of diluted earnings per share at 30 June 2015 was based on the profit attributable to ordinary shareholders of £43,017,000 (six months ended 30 June 2014: profit after tax of £38,611,000; year ended 31 December 2014: profit after tax of £105,208,000).

The Group's diluted weighted average ordinary shares potentially in issue during the six months ended 30 June 2015 was 134,342,093 (six months ended 30 June 2014: 134,489,646; year ended 31 December 2014: 134,573,167).

Notes to the condensed consolidated interim financial statements continued

5 Dividends

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

(Unaudited)	Six months ended 30 June 2015 £000	Six months ended 30 June 2014 £000	Year ended 31 Dec 2014 £000
May 2015: 23.0p (May 2014: 9.5p)	30,838	12,715	12,715
November 2014: 12.0p	-	-	16,074
	30,838	12,715	28,789

The Board determined on 14 August 2015 that an interim dividend of 13.7p for 2015 be paid. The dividend will be settled on 20 November 2015 to shareholders on the register at the close of business on 25 September 2015. 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 2015 £000	30 June 2014 £000	31 Dec 2014 £000
Non-current asset - available for sale assets	38,559	43,445	39,433

Key assumptions

	30 June 2015	30 June 2014	31 Dec 2014
Discount rate, incorporating default rate	9.0%	7.9%	9.0%
Average house price inflation per annum for the next three years	3.4%	3.2%	3.3%

Reconciliation of shared equity asset

	2015 £000
Balance at 1 January	39,433
Redemptions	(2,689)
Revaluation taken through the income statement	224
Imputed interest	1,591
Balance at 30 June	38,559

Sensitivity - available for sale financial assets

	2015 increase assumptions by 1%	2014 increase assumptions by 1%
Discount rate, incorporating default rate	(2,161)	(2,844)
House price inflation	2,796	1,458

7 Related party transactions

Transactions between fellow subsidiaries, which are related parties, during the first half of 2015 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 2014.

Transactions between the Group and key management personnel in the first half of 2015 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 2014. No material change has occurred in these arrangements in the first half of 2015.

Notes to the condensed consolidated interim financial statements *continued*

In January 2015 Bovis Homes Limited entered into a contract with the Bovis Homes Pension Scheme for the sale of a portfolio of homes. During the six months to June 2015 all 54 homes under the contract were legally completed for a total consideration of £10,719,500.

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 £76,000 (six months ended 30 June 2014: £73,000; year ended 31 December 2014: £148,000).

Loans totalling £1,575,355 were provided to Bovis Peer LLP in prior years at an annual interest rate of LIBOR plus 2.4%. During the period these were reduced to £150,000. No other loans or sales of inventory have taken place. Interest charges made in respect of the loans were £9,406 (six months ended 30 June 2014: £19,000; year ended 31 December 2014: £37,000).

Bovis Homes Limited is part of a Joint Venture, IIH Oak Investors LLP to invest in 190 private rental homes. During the period 18 homes were sold to the Joint Venture (six months ended 30 June 2014: 46; year ended 31 December 2014: 129) for cash consideration of £4,780,302 (six months ended 30 June 2014: £11,136,143; year ended 31 December 2014: £28,787,381). 13% of the revenue and profit in respect of these sales has been eliminated from the Group results in accordance with IFRS11. As at 30 June 2015 loans of £3,363,908 were in place with IIH Oak Investors LLP at an interest rate of 6%. Interest charges made in respect of the loans were £152,000 (six months ended 30 June 2014: £nil; year ended 31 December 2014: £nil).

8 Reconciliation of net cash flow to net cash

(Unaudited)	Six months ended 30 June 2015 £000	Six months ended 30 June 2014 £000	Year ended 31 Dec 2014 £000
Net (decrease)/increase in cash and cash equivalents	(24,081)	44,685	40,232
Drawdown of borrowings	(40,024)	(71,999)	(17,095)
Fair value adjustments to interest rate swaps	59	77	149
Fair value adjustments to interest free loan	-	(48)	-
Net cash at start of period	5,247	(18,039)	(18,039)
Net cash at end of period	(58,799)	(45,324)	5,247

Analysis of net cash:

Cash	28,176	56,710	52,257
Bank and other loans	(86,975)	(101,903)	(46,951)
Fair value of interest rate swaps	-	(131)	(59)
Net cash	(58,799)	(45,324)	5,247

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 17 August 2015.

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 **Earl Sibley**
Chief Executive Group Finance Director

14 August 2015

Independent review to Bovis Homes Group PLC

Report on the condensed consolidated interim financial statements

Our conclusion

We have reviewed the condensed consolidated interim financial statements, defined below, in the half year report of Bovis Homes Group PLC for the six months ended 30 June 2015. Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

This conclusion is to be read in the context of what we say in the remainder of this report.

What we have reviewed

The condensed consolidated interim financial statements, which are prepared by Bovis Homes Group PLC, comprise:

- the Group balance sheet as at 30 June 2015;
- the Group income statement and Group statement of comprehensive income for the period then ended;
- the Group statement of cash flows for the period then ended;
- the Group statement of changes in equity for the period then ended; and
- the explanatory notes to the condensed consolidated interim financial statements for the period then ended.

As disclosed in note 1, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The condensed consolidated interim financial statements included in the half year report have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

What a review of condensed consolidated interim financial statements involves

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 United Kingdom. A review of interim financial information consists of making enquiries, primarily 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.

We have read the other information contained in the half year report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed consolidated interim financial statements.

Responsibilities for the condensed consolidated interim financial statements and the review

Our responsibilities and those of the directors

The half year report, including the condensed consolidated interim financial statements, 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 Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express to the company a conclusion on the condensed consolidated interim financial statements in the half-yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure and Transparency Rules of the Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP

Chartered Accountants
London

14 August 2015

(a) *The maintenance and integrity of the Bovis Homes Group PLC website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.*

(b) *Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.*

Directors

Bovis Homes Group PLC Board of Directors

Ian Tyler
Non-executive Chairman

Alastair Lyons
Non-executive Deputy Chairman

Chris Browne
Non-executive Director

Ralph Findlay
Non-executive Director

David Ritchie
Chief Executive

Earl Sibley
Group Finance Director

Group Company Secretary

Martin Trevor Digby Palmer, FCS
Group Company Secretary

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



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www.bovishomesgroup.co.uk

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