

Annual report and accounts 2011

Bovis Homes Group PLC

www.bovishomesgroup.co.uk





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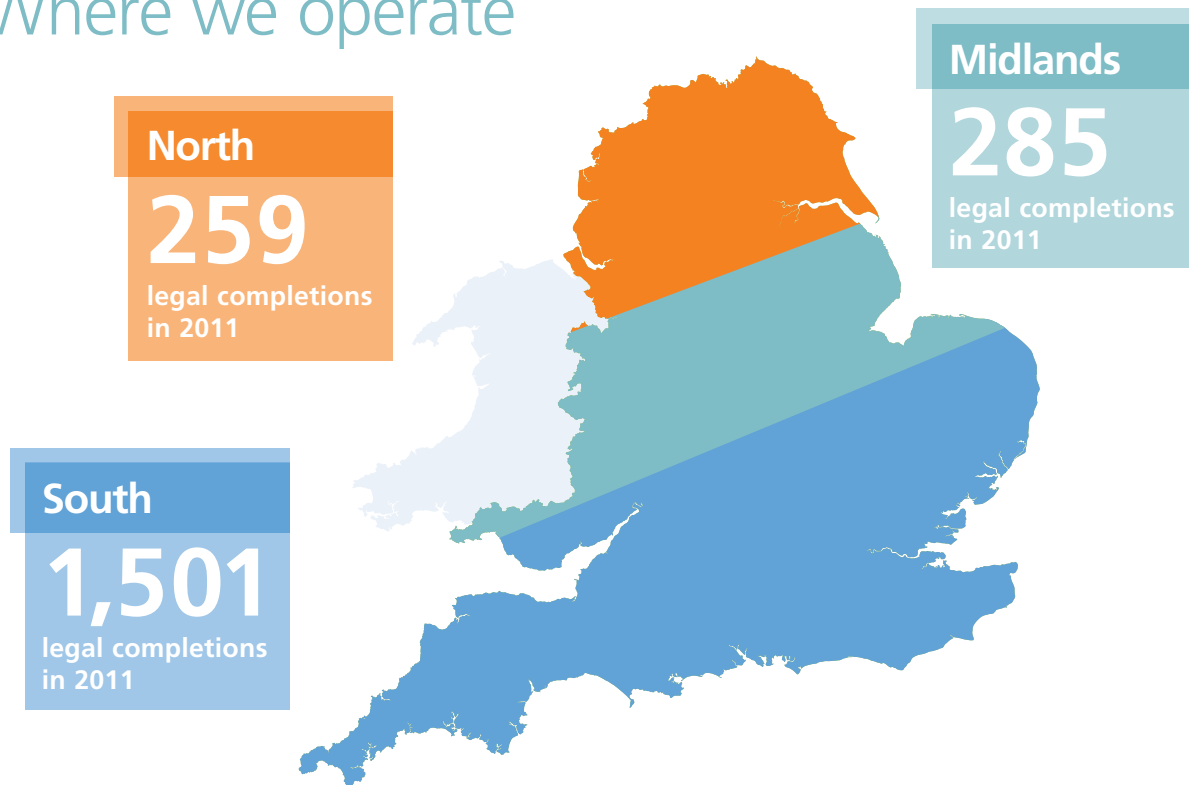
Our vision



Bovis Homes is a builder of high quality traditional homes in England and Wales. The Group's business involves the design, build and sale of new homes for both private customers and Registered Social Landlords. The Group employs over 500 staff directly and around a further 2,500 sub-contractors work on its sites on a daily basis. In 2011, the Group legally completed 2,045 homes on a mixture of greenfield and brownfield sites.

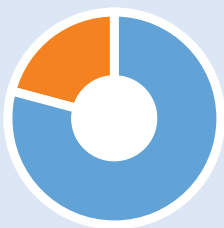
Bovis Homes is a builder of high quality homes in England and Wales

Where we operate



Our homes

Private and social homes legally completed in 2011



Homes		
Private	1,624	79%
Social	421	21%
Total	2,045	

Private homes by type legally completed in 2011



Property type		
1 & 2 Bedroom	156	10%
3 Bedroom	764	47%
4 & 5 Bedroom	360	22%
Apartments	344	21%
Total	1,624	

Our land

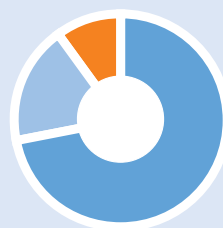
Ageing of land at 31 December 2011



Plots		
Post downturn ¹	5,797	42%
Pre downturn ¹	5,561	41%
Written down ²	2,365	17%
Total	13,723	

¹ Plots held at cost (downturn being July 2008)
² Plots held below cost at net realisable value

Location of land at 31 December 2011



Plots		
South	9,813	72%
Midlands	2,528	18%
North	1,382	10%
Total	13,723	

Financial highlights

Profit	Revenue £364.8m	Operating profit £36.4m	Pre tax profit £32.1m
	+22%	+69%	+74%
	2010: £298.6m	2010: £21.6m	2010: £18.5m

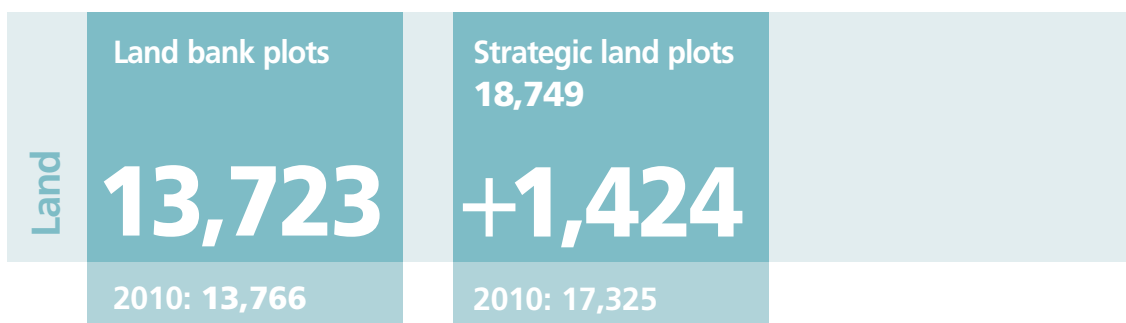
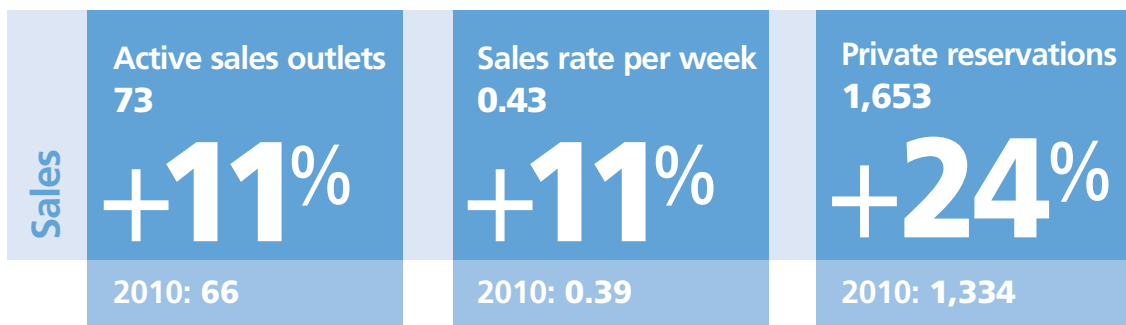
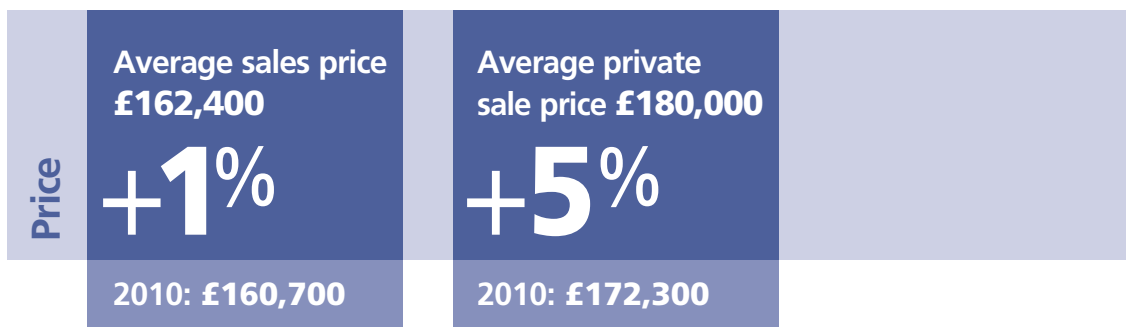
Margins	Gross margin 19.8%	Housing gross margin 20.8%	Operating margin 10.0%
	+1.9 ppts	+2.9 ppts	+2.8 ppts
	2010: 17.9%	2010: 17.9%	2010: 7.2%

Earnings	Earnings per share 17.5p	Dividend per share 5.0p	
	+65%	+67%	
	2010: 10.6p	2010: 3.0p	

Assets	Net assets per share 545p	Net cash	
	+12^p	£50.8^m	
	2010: 533p	2010: £51.7m	

The Group has delivered a significant improvement in profits and earnings during 2011, while controlling capital employed

Operational highlights





Malcolm Harris
Chairman

The Group has achieved excellent progress during the past year, especially in the context of a challenging market environment. Mortgage availability continued to be heavily constrained, particularly in respect of first time buyers. Consumer confidence was adversely affected due to rising unemployment, high inflation and ongoing political and economic issues within Europe.

The Group's profitability has increased significantly in 2011 with the benefit of increasing revenue, strong cost control and an increase in sales outlets.

The future profit potential of the Group's land bank continues to be improved with further high quality land investments in the year improving both the consented and strategic land holdings. The drive to improve the efficiency of capital employed was assisted by land sales and strong control over work in progress.

The consented land investments made by the Group in the last two years have increased the number of active sales outlets and positioned the Group to be able to significantly grow returns in 2012 and beyond, based on current market conditions continuing.

Whilst the trading environment is expected to remain challenging during 2012, the Group welcomes the Government's initiatives for the housing market and, in particular, is encouraged by the Government backed mortgage indemnity scheme, which will hopefully unlock the ability of aspiring homeowners to get onto the housing ladder.

Financial position

Profit before tax increased by 74% to £32.1 million as a result of a greater number of legal completions at an increased average sales price and an improved profit margin. With a strong balance sheet with net cash of £50.8 million, the Group has an excellent platform from which to grow significantly the returns to our shareholders.

Earnings per share and dividends

Earnings per share for the year have grown by 65% to 17.5p. Consistent with the intention to increase dividends progressively as earnings per share increase, the Board will be recommending a final dividend of 3.5p per share, which, when combined with the 2011 interim dividend of 1.5p, totals 5.0p for the year. The final dividend will be payable on 25 May 2012 to shareholders on the register on 30 March 2012. It is the Board's intention to continue to pursue this progressive dividend approach.

People

On behalf of the Board, I would like to thank all of the employees of Bovis Homes for their efforts and commitment during another challenging year. The Board would also like to extend its thanks to our subcontractors and suppliers.

Corporate governance

Bovis Homes is committed to the highest standards of corporate governance, including those related to the role and effectiveness of the Board and compliance with the UK Corporate Governance Code. Details are set out in the corporate governance section on pages 31 to 37.

Corporate responsibility

I am pleased to report good progress against the targets laid out within our Corporate Social Responsibility report, in particular the improvements in our health and safety performance, a critical area where the Group will continue to target improvements. This progress has once again been recognised by the Group's inclusion in the independently assessed FTSE4Good Index.

Summary

Bovis Homes has delivered a strong result in 2011 and is excellently positioned to build returns into 2012 and beyond, with its quality land assets, robust balance sheet and strong growth potential.

Malcolm Harris
Chairman

The Group has achieved excellent progress in 2011 with improved profitability and in positioning the Group for growth

Abbotswood

Romsey, Hampshire





David Ritchie
Chief Executive

Bovis Homes has made significant progress in 2011, delivering a strong improvement in profits and earnings against a backdrop of challenging, but stable, market conditions.

The Group has continued to position itself for significant improvement in returns through the continued acquisition of high quality consented sites in order to grow active sales outlets, leading to higher volumes, increased average sales price and higher profit margins.

Additionally, the Group has taken steps to improve the efficiency of capital employed, both through the sale of consented plots on selected sites and by managing working capital tightly.

Bovis Homes aims to be a quality housebuilder delivering high returns generated from a strong land bank, much of it strategically sourced, and a quality product sold at a premium price. In order to deliver improved returns, the following clear strategic objectives for 2011 were set out and have been delivered:

- Increase operating profits
- Build future margin potential in the land bank
- Improve efficiency of capital employed

Additionally the Group is progressing the following ongoing objectives:

- Deliver strong health, safety and environmental standards
- Deliver strong customer satisfaction

Increase operating profits

Operating profit increased in the year by 69% to £36.4 million. This resulted from the compound positive effect of an increased volume of legal completions at a higher average sales price with an improved profit margin.

Volume growth was driven from the increased number of active sales outlets in 2011. Having opened 33 sales outlets during the year, the average number of active sales outlets grew to 73 from 66 in the prior year and the Group finished 2011 with 80 active sales outlets.

The increase in active sales outlets contributed to the delivery of 2,045 legal completions during 2011, 8% ahead of the previous year (2010: 1,901). The Group legally completed 1,624 private homes (2010: 1,592, including the 215 home joint venture deal), with an underlying increase, excluding the joint venture deal, of 18%. As a result of the quantity of new site openings during the year, legal completions of social homes increased by 36% to 421 (2010: 309), 21% of total volume, compared to 16% in 2010.

In addition to increased volume, the Group's average sales price also increased. The average sales price of private homes was 5% higher at £180,100 in 2011 (2010: £172,300). This uplift was almost entirely due to the mix of homes as the Group increased the contribution from family homes in the south of England. Taking private and social homes together, the overall average sales price in 2011 was £162,400 (2010: £160,700).

Gross profit margin (excluding land sales) increased to 20.8% in 2011 from 17.9% in 2010. This resulted from two factors: the full year benefit of construction cost savings in 2011 and the increased contribution from legal completions on stronger profit margin sites acquired post the housing market downturn.

As a result of the compound positive effect of volume growth, higher average sales price and improved gross profit margin, gross profit (excluding land sales) increased by 30% to £69.5 million. Combined with land sales profits of £2.7 million and with overheads well controlled, the significant growth in operating profit to £36.4 million (2010: £21.6m) was achieved at an operating margin of 10% (2010: 7.2%).

Strategy delivery is on track with the Group positioned for significant growth in returns

Build future margin potential in the land bank

During 2011, 2,552 plots were added to the consented land bank at a cost of £134 million (2010: 3,690 consented plots at a cost of £203 million). Approximately 88% of these plots are located in the south of England, where the housing market continues to show greater robustness. The plots added have an estimated future revenue of £542 million and an estimated future gross profit potential of £137 million, based on current sales prices and current build costs, and are expected to deliver an estimated gross margin of over 25%. Of the plots added to the consented land bank, circa 1,000 plots were delivered through conversion of strategic land.

The Group has agreed terms for the acquisition of more than 2,000 further plots. Of these, circa 750 consented plots on five sites are at an advanced stage in the acquisition process with a targeted acquisition date in H1 2012. An additional circa 500 plots on five sites are contracted, subject to planning, with planning expected in 2012.

The consented land bank amounted to 13,723 plots as at 31 December 2011, marginally below the 13,766 plots held at 31 December 2010. The Group estimated that the gross profit potential on the plots within the consented land bank at the 2011 year end, based on current sales prices and current build costs, was £524 million with a gross margin of 21.4% (31 December 2010: gross profit potential of £461 million with a gross margin of 20.0%). The increase in 2011 of £63 million arose from the land additions (£137 million) less utilisation from home sales (£69 million) and land sales (£26 million). The balancing positive value of £21 million reflects other added value changes delivered by the Group in respect of improving gross profit, including cost savings and site replans.

Of the 13,723 plots, 72% are located in the south of England (2010: 69%). At the year end, the consented land bank included 5,797 consented plots (42% of total), which have been acquired since the housing market downturn (2010: 3,931, 29% of total). The average consented land plot cost was £39,800 at the start of 2011 and increased over the year to £42,100, as a result of a lower number of written down plots held in the land bank (17% of land plots versus 26% at the start of the year) and the addition of new prime southern traditional housing sites where the average plot cost is higher.

The Group intends to increase its investment in strategic land as visibility over the effects of the changes to the planning environment improves. The strategic land bank at 31 December 2011 stood at 18,749 potential plots as compared to 17,325 potential plots at 31 December 2010. The Group added circa 2,400 potential plots to the strategic land bank during the year, thus enabling the strategic land bank to grow in size notwithstanding the successful conversion of circa 1,000 plots into the consented land bank.

Improve efficiency of capital employed

The Group has controlled the size and value of the consented land bank during 2011, with a lower number of plots being acquired than in 2010, whilst legal completions have increased and a number of land sales have been successfully delivered. At the same time the Group is increasing the number of active sales outlets, thus employing its capital more effectively.

In order to improve the spread of the Group's land bank to enhance capital turn, the Group has achieved its five targeted consented land sales on selected sites in 2011, particularly on those sites which have a longer trade out period by virtue of their size. Of these, four land sales completed in 2011 and the fifth completed in early January 2012. As a result of the four completed sales, the land bank reduced in size by 532 consented plots.

The Group has tightly controlled work in progress, with the number of units of production held at the end of 2011 reduced to 949 units (2010: 1,093). Additionally, work in progress associated with infrastructure, roads and sewers has been reduced.

Improve returns

Strong growth in profits during 2011 combined with improved efficiency of capital employed has resulted in a significant increase in return on capital employed to 5% in 2011 from 3% in 2010.

The Group is firmly of the view that, based on current market conditions continuing, return on capital employed will further improve in 2012, fuelled by the aforementioned compound positive effect on profit of volume improvement, growth in average sales price and increase in profit margin. Whilst future output capacity will grow, the capital base will remain tightly controlled in respect of land and work in progress. Therefore, assuming current market conditions continue, the Group anticipates achieving a return on capital employed of at least 7% in 2012.

Deliver strong health, safety and environmental standards

The Group is committed to delivering strong health and safety standards for its employees, subcontractors and other site visitors. It maintains a high level of organisational focus on its health and safety regime through comprehensive staff training, clear and accountable management processes and through regular and transparent reporting of performance.

This is overseen, firstly, through the operational line, which takes day to day accountability for this area and, secondly, via a Group-wide oversight committee with nominated regional directors responsible for safety, run by the Group Director of Health and Safety and chaired by a senior Group manager. The Group also seeks to ensure that all of its employees and subcontractors who operate at or visit sites carry a CSCS card, indicating its commitment to a fully trained workforce.

Notwithstanding the increase in the Group's build activity during 2011, the Group's NHBC risk score for the year was 0.44, which compares favourably to the industry peer group average. Additionally, the risk incident rate decreased to 21, a 33% improvement over 2010.

During the last 12 months the Group has continued to focus efforts on the key areas of significant risk, being working at heights, PPE and slips, trips and falls in order to raise awareness in these areas. Whilst the Group's health and safety performance is relatively strong versus external benchmarks, the Group cannot be complacent. Health and Safety will remain a key area of focus for regional and Group management.

The Group continues to regard sustainable development as critical to the long term creation of value for its shareholders. The housebuilding industry has an important role to play both in mitigating the impact of its building activities on the local environment and in the evolution of building techniques and advances, which reduce the carbon usage from new build developments.

The Group works with a range of external stakeholders to agree and carry out development in a mutually acceptable manner, thereby ensuring that its developments take place in a way which mitigates the impact on the local environment, thereby balancing the needs of local communities for new housing with the requirement to avoid environmental damage.

Looking forward, the Group is focusing on ways to ensure that its products conform to good environmental standards, including both to EcoHomes standards and to emerging standards under the Code for Sustainable Homes. Reflecting the existing contribution that the Group makes to the communities and environments in which it operates, the Group is proud to say that it is a member of the FTSE4Good index.

Further details of the Group's efforts and achievements during 2011 in regards to Corporate Social Responsibility will be published in a separate report, available from the Company's website (www.bovishomesgroup.co.uk).

Deliver a strong customer service experience for Bovis Homes customers

The Group continues to invest in delivering its customer charter, which sets the expectations in relation to the quality of the product it delivers and the manner in which the sales transaction is serviced. The Group has been recognised independently by the achievement of a four star builder rating by the Home Builder Federation. Additionally, the Group is pleased to see the key internal scoring metrics of 'recommend a friend', 'purchase another Bovis home' and 'overall quality of the new home' continuing to generate strong satisfaction scores during 2011, at 95%, 94% and 94% respectively.

The focus of the Group's customer communication has remained web based during 2011, with the Group using the power of the internet to directly market its products to consumers, utilising internally generated mailing lists as well as via intermediaries such as 'Smart New Homes' or 'Right Move'. Over 70% of customer enquires originate via the web.

The sales hub structure remains successful. Given the prevalence of the web as the primary enquiry origination point for our customers, the Group has been able to provide its customers with the convenience of appointments to view homes at their preferred site. Whilst providing customers with improved convenience, the Group has reduced its cost of sales per transaction and increased its rate of successful sales conversion. Additionally, sales hubs are capable of being manned more efficiently on a seven day opening basis and also into the evening cost effectively. This selling process is supported by the Group's bespoke prospect management system, which delivers on-site technology whilst integrating the Group's prospects database with brochure fulfilment.

Strategy delivery is on track with the Group positioned for significant growth in returns

Market conditions

A lack of availability in 2011 of high loan to value mortgage products continued to constrain market demand for new build homes. This was particularly an issue for first time buyers, who, since the financial crisis, have had to provide a higher level of deposit for their home purchase than had historically been the case. Monthly mortgage approval levels have been stable throughout 2011, but at significantly lower levels than the position historically.

With a backdrop of continuing economic and employment uncertainty, trading conditions are expected to remain challenging during 2012. However, the Group regards positively the anticipated launch of the Government backed mortgage indemnity scheme and welcomes the stimulus that this scheme can provide to activity in the new build homes market through the availability of 95% loan to value mortgages. The mortgage indemnity scheme is expected to work in a similar way to the Group's existing Perfect 10 product and the Group will work with the industry, lenders and the Government with the aim of launching the new scheme in good time for the spring market this year. As well as working with the industry, the Group will continue to seek innovative ways to enable its customers to access appropriate mortgage finance.

During 2011, sales prices have been stable with some regional variations. Although the market remains challenging and customer confidence and commitment levels remain subdued, the Group currently believes that the pricing environment will be broadly stable for 2012 as a whole, on the expectation that a limited supply of homes for sale will not satisfy demand from purchasers. At the same time, buyers are likely to remain constrained by mortgage availability. It is anticipated that sales prices will continue to be more robust in the south of England than in the north, which will assist the Group given the southern bias of its sites.

Current trading

The Group entered 2012 with a forward sales order position of 568 homes, a 35% improvement on the 420 homes brought forward at the start of 2011. This improvement was contributed to by the increase in average active sales outlets to 73 in 2011 from 66 during 2010.

Active sales outlets were 83 in the eight weeks to 24 February 2012, up by 28% from 65 in the same period in 2011. This increase has been instrumental in delivering the robust trading achieved in the period to 24 February 2012, with sales enquiries and site visitors higher by 26% and 32% respectively. From these enhanced visitor levels, the Group has achieved 320 net private reservations in the first eight weeks of 2012 against 227 in the comparative period in 2011, an increase of 41%.

During this eight week period, the average private sales rate was 0.48 net reservations per site per week, an improvement of 10% on the sales rate of 0.44 in the same period in 2011. Sales prices achieved to date have been modestly ahead of Group expectations.

As at 24 February 2012, the Group held 926 net sales for legal completion in 2012, as compared to 647 net sales at the same point in 2011, an increase of 37%. Of these, private sales amounted to 550 units (2011: 428 units) and social housing sales amounted to 376 units (2011: 219 units).

Outlook

As a result of the robust investment in land in 2010 and 2011, the Group expects to trade from an average of 85 sales outlets in 2012 versus 73 in 2011, an increase of 16%. With 83 active sales outlets currently open, the Group is confident that the 85 target can be achieved.

Given the focus on acquiring land in the south of England, it is anticipated that 75% of the active sales outlets at the end of the 2012 will be southern located versus 60% at the start of 2012. As new sales outlets are opened by the Group, absolute weekly reservation levels are anticipated to increase.

The continued growth in active sales outlets should, based on stable market conditions, enable the Group to deliver increased volumes, at a higher average sales price with improved profit margins. With a clear focus on controlling the capital employed of the Group through rigorous management of the landbank and tight control of work in progress, the Group expects to deliver a strong improvement in returns in 2012 and beyond.

The Board is confident in the Group's prospects for 2012, assuming a continuation of current market conditions. The Board continues to believe that the Group's growth strategy will increase profits, which, combined with improving capital efficiency, will materially improve shareholder returns.

David Ritchie
Chief Executive

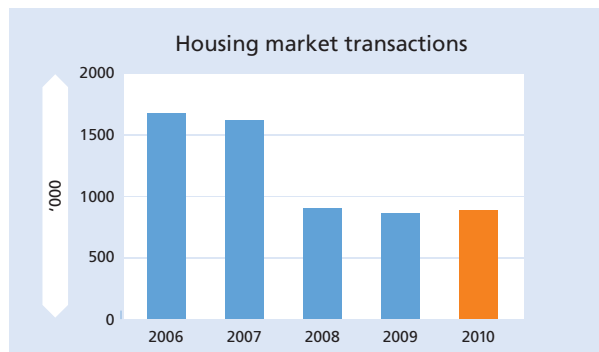
Aspen Park

Apsley, Hertfordshire



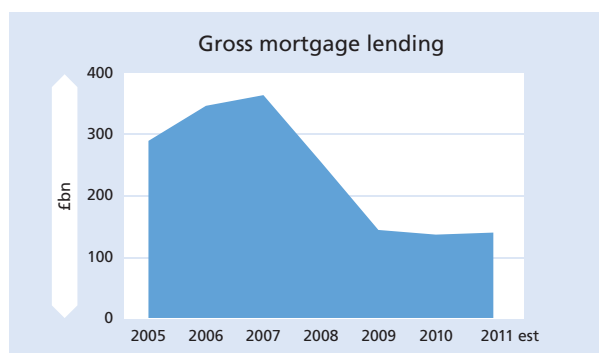


UK Housing market in the medium term



Source: DCLG

The total UK housing stock is estimated to be just over 26 million homes. The average activity level over the long term within this market has resulted in circa 1.1 million transactions per annum. Post 2007 the housing market suffered a significant fall in activity levels to around 800,000 transactions, down from circa 1.6 million transactions during 2007. This contraction in activity was due to a large reduction in demand, driven by the lack of availability of mortgage finance, as banks delevered in the aftermath of the financial crisis. The fall in activity has been accompanied by a fall in the average sales price of homes from a peak of £199,600 in August 2007 to a low point of £154,700 in April 2009 (according to Halifax), a fall of 22%. Adjusted for inflation, the real decrease has been greater.



Source: National Statistics Agency

Underlying demand from household formation, based on the Government's latest estimates released in November 2010, suggested that English households were expected to grow by 232,000 per year through to 2033. In terms of new build supply, the number of new home completions in England as reported by the Government for 2009/10 was 115,000. Housing starts according to the Government were 103,750 in 2010/11, up from 88,690 in 2009/10. Therefore the mismatch between longer term demand and supply appears to be growing.

UK Housing market in the short term

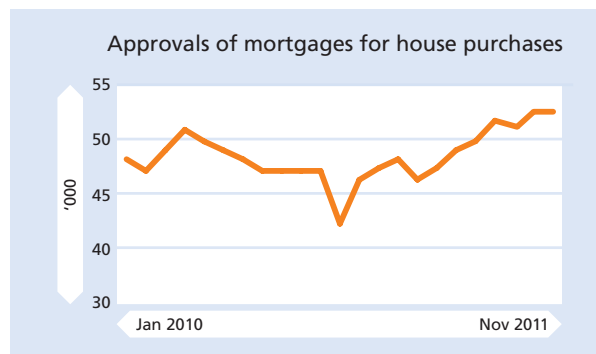
	Annual HPI to Dec 2010	Annual HPI to Dec 2011
Halifax	-1.6%	-1.3%
Nationwide	0.4%	1.0%
Hometrack	-1.6%	-2.1%

Pricing

In the last 12 months, pricing has remained relatively stable with Halifax and Hometrack recording limited falls and Nationwide a small rise. This follows a similar picture during 2010 with some gains and some losses recorded, depending on the index. Pricing is driven by the factors affecting demand and supply within the overall housing market.

Demand

Although demand is affected by a range of factors, including affordability, confidence in the future direction of house prices and confidence over future employment prospects, the key demand determinant over the last three years has been the availability of mortgage finance.



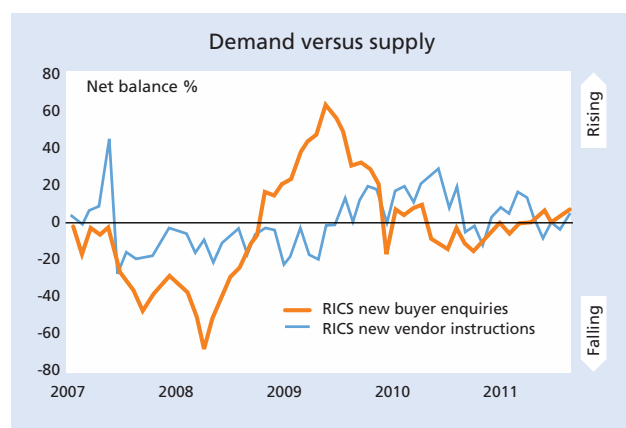
Source: Bank of England

The number of monthly mortgage approvals has been relatively stable over the last 24 months during which time the level has fluctuated primarily in the range of 45,000 to 50,000 approvals per month. In the last few months, this number has edged above 50,000. The lack of availability of mortgage finance has been particularly constrained for customers requiring higher loan to value mortgages and this has especially affected first time buyers. The higher deposit level requirements of lending institutions are being driven by the capital adequacy rules relating to mortgages contained within Basel II, aligned to more conservative credit scoring procedures by banks, which has led to many purchasers not being able to access mortgage finance. The average deposits of first time buyers have grown from 10% prior to the banking crisis to above 20% now.

The UK housing market remains constrained by the availability of mortgage finance

One of the key deliverables within the Government's strategy laid out in "Laying the Foundations: A Housing Strategy for England" is support for a new build indemnity scheme led by the Home Builders Federation and Council of Mortgage Lenders to provide up to 95% loan to value mortgages for new build properties in England, backed by a housebuilder indemnity fund. This will be exclusively available on new build properties. Bovis Homes regards positively the anticipated launch of this Government backed mortgage indemnity scheme and welcomes the stimulus that this scheme can provide to activity in the new build homes market.

Supply



Source: RICS

The RICS data shows that, in the overall housing market in the last 2 years, the quantities of buyers and vendors has been relatively balanced. Additionally, given the historical levels of interest rates and thus mortgage payment levels, repossessions are running at low levels (CML estimate of 37,000 for 2011 equating to 0.3% of all mortgages, compared to 36,300 in 2010). This has meant that there have been limited forced sellers in the market.

Residential land

Movements in the price of residential land in the UK are directly driven by changes in residential house prices. This is due to the fact that the price that any developer is willing to pay for residential land is determined by the revenues and costs that the developer can expect on a piece of land at any point. Therefore, changes in residential house prices usually result in a movement between two and three times greater in residential land prices. With the significant fall in house prices in 2008, the price of residential land reduced throughout 2008 and into 2009. Since July 2009, the price of residential land has remained relatively stable.



Source: DCLG

The National Planning Policy Framework ("NPPF") which is currently in consultation is likely to increase the supply of residential land over the medium term, should it be retained in its current form. Rather than decreasing prices of residential land, this is expected to increase the speed with which developers can expand their outlet numbers.

Competitors

The Group continues to view the main competition for Bovis Homes as the second hand market. In a normal year, the Group would expect around 90% of residential transactions to be second hand, with pricing in the new build sector being set by reference to that market. The de-stocking by the housebuilders in 2008, 2009 and to an extent 2010 led to new build contributing a greater proportion of residential transactions. This is partially due to the fact that housebuilders have been providing finance by way of shared equity products to home buyers, which has enabled certain buyers to acquire homes with lower levels of equity in the new build market compared to the second hand market. Given the ongoing low level of transactions, continuing customer support through shared equity schemes by housebuilders (including the Government backed FirstBuy scheme) and the expected positive impact on the new build sector of the government backed mortgage indemnity scheme, the greater contribution from new homes is expected to continue in 2012.

A quality housebuilder delivering high returns generated from a strategically bought land bank and a quality product sold at a premium price

Driving value across the cycle

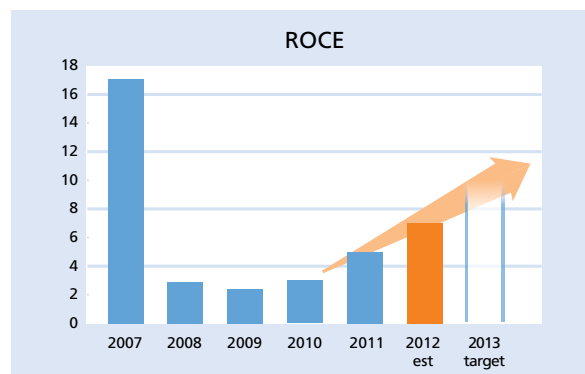
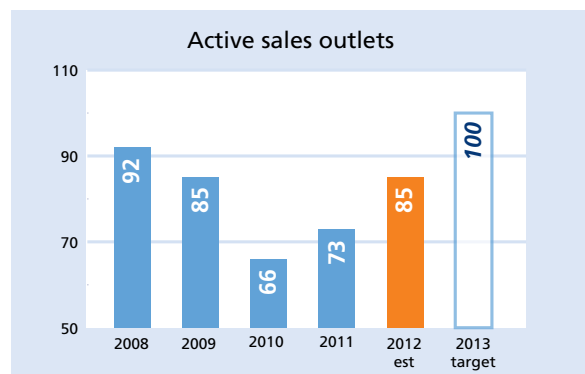


Bovis Homes has a clear business model with a well defined strategy to drive improving returns

The Group's key drivers of returns will evolve as output capacity increases

With the Group's decision to reduce investment in land prior to the peak of the previous house price cycle, a reducing number of active sales outlets caused business activity to fall during 2009 and 2010 with a consequential impact on the Group's return on capital employed.

With the enhanced land investments since Q4 2009, the business recommenced output growth during 2011 with further growth expected in both 2012 and 2013. Subject to market conditions remaining stable, this will lead to growth in returns, with an aspiration to achieve double digit ROCE in 2013.



Driving returns



2012 – 2013

- Market land purchases
- Increasing number of operational sales outlets
- Replacing written down sites with full margin sites
- Improved asset turn of work in progress
- Controlling build costs
- Overhead control

Beyond 2013

- Further increase in output capacity
- Further improvements in profit margins
- Increased strategic land contribution
- Effective management of land bank relative to legal completions
- Increasing sales prices due to product mix changes
- Overhead control

Objective	KPI	Target
Increase operating profit		
<ul style="list-style-type: none"> • Open new higher margin sites • Control build costs • Improve overheads efficiency 	<ul style="list-style-type: none"> • Active sales outlets • Average sales price • Legal completion volumes • Housing gross margin • Overheads as a % of housing revenue 	<ul style="list-style-type: none"> • 85 in 2012 • Greater than land bank average in 2012 • Increasing at least in line with growth in active sales outlets • Increasing with mix effect • Improving ratio by 1% per annum
Build future margin potential in land bank		
<ul style="list-style-type: none"> • Acquiring new sites • Working through written down sites • Improve profitability of existing sites • Strategic land pull through 	<ul style="list-style-type: none"> • New site and plot acquisition • Total potential future gross profit in land bank • % of land bank written down • % of new acquisitions form strategic land bank • Size of strategic land bank 	<ul style="list-style-type: none"> • New site gross margin greater than 25% • Overall future gross margin increasing towards 25% • Zero % • More than 30% of land investment • Increasing from current land bank
Improve efficiency of capital		
<ul style="list-style-type: none"> • Deliver land sales to balance capital • Controlling work in progress • Lower working capital 	<ul style="list-style-type: none"> • Land bank years and net value of land bank • Work in progress turn • ROCE 	<ul style="list-style-type: none"> • Approaching 4 years • Greater than 3 times • At least 7% in 2012
Deliver strong customer satisfaction		
<ul style="list-style-type: none"> • Delivering an improved customer experience 	<ul style="list-style-type: none"> • Customer satisfaction scores 	<ul style="list-style-type: none"> • At least HBF 4 star builder
Deliver strong health and safety and environmental standards		
<ul style="list-style-type: none"> • Delivering a safer workplace • Improving the Group's environmental performance 	<ul style="list-style-type: none"> • Annual injury incident rate • RIDDOR • Minor injuries • NHBC risk incidence • Waste (active) 	<ul style="list-style-type: none"> • 400 in 2012 • 12 in 2012 • 99 in 2012 • 0.75 in 2012 • Annual reductions in 2012 and 2013

Bovis Homes has a clear business model with a well defined strategy to drive improving returns



Little Wellthorne

Ingbirchworth,
South Yorkshire

Land management

Consented land bank

Total plots as at 31 December	2011 Plots	2010 Plots
Brought forward	13,766	12,042
Additions	2,552	3,690
Legal completions	(2,045)	(1,901)
Disposals	(532)	-
Other	(18)	(65)
Carried forward	13,723	13,766
South	9,813	9,482
Midlands	2,528	2,863
North	1,382	1,421
Group	13,723	13,766
Years' supply based upon legal completions in the year	6.7	7.2

Split of consented land bank

Total potential plots as at 31 December	2011		2010	
	Plots	%	Plots	%
Post downturn at cost	5,797	42	3,931	29
Pre downturn at cost	5,561	41	6,198	45
Written down	2,365	17	3,637	26
Total	13,723		13,766	
Potential gross profit in land bank	£524m	21.4%	£461m	20.0%

Strategic land bank

Total potential plots as at 31 December	2011 Plots	2010 Plots
South	10,645	9,299
Midlands	7,203	7,125
North	901	901
Group strategic land bank	18,249	17,325
Years' supply based upon legal completions in the year	8.9	9.1

Profit generation

Active sales outlets

Number of active sales outlets	2011	2010
Brought forward	66	71
Outlets opened in year	33	22
Outlets closed in year	(19)	(27)
Carried forward	80	66
Average	73	66

Unit completions and average sales price

Year ended 31 December	2011		2010	
	Units	Average sales price £	Units	Average sales price £
South East	666	189,300	673	183,200
South West	700	134,700	472	146,500
Central	679	164,700	756	149,600
Group	2,045	162,400	1,901	160,700

Analysis of margin (excluding land sales)

Year ended 31 December	Group	
	2011 %	2010 %
Revenue	100.0	100.0
Land costs	(24.0)	(23.4)
Construction costs	(55.2)	(58.7)
Gross profit	20.8	17.9
Administrative expenses (1)	(10.7)	(10.7)
Operating profit	10.1	7.2

(1) including sales and marketing costs

Returns

Year ended 31 December	2011 %	2010 %
Return on capital employed (1)	5.0	3.0
Operating margin (2)	10.0	7.2
Year over year basic earnings per share growth	66	141
Year over year profit before tax growth	74	147
Earnings per share (p)	17.5	10.6

(1) Return on capital employed is calculated as profit before interest and tax over the average of opening and closing shareholders funds plus borrowings

(2) Operating margin has been calculated as operating profit over revenue

Bovis Homes has a clear business model with a well defined strategy to drive improving returns

Capital employed

Analysis of net assets

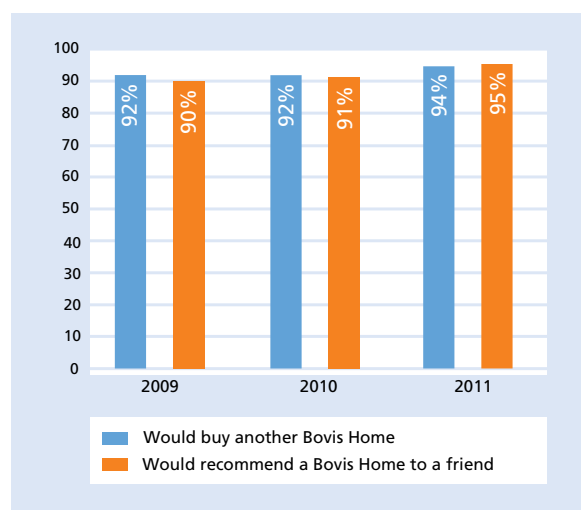
Year ended 31 December	2011 £m	2010 £m
Land bank	614.3	582.0
Land creditors	(128.8)	(102.6)
Net land bank	485.5	479.4
Work in progress	166.5	171.0
Other assets	156.2	112.1
Other liabilities	(130.4)	(103.4)
Net cash	50.8	51.7
Net assets at 31 December	728.6	710.5
Work in progress turn (1)	2.2	1.7
Net assets per share	545p	533p

(1) Work in progress turn is calculated as revenue divided by work in progress

Increase in net assets

Year ended 31 December	2011 £m	2010 £m
Net assets at 1 January	710.8	692.6
Profit for the year	23.3	14.0
Dividends	(6.0)	-
Share capital issued	1.8	0.3
Net actuarial movement on defined benefits pension scheme	(1.6)	3.0
Adjustment to reserves for share-based payments	1.1	0.9
Net assets at 31 December	728.6	710.8

Customer satisfaction



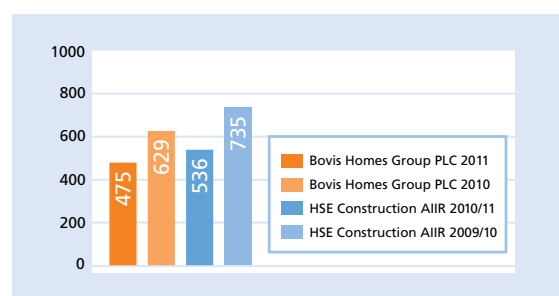
Health and safety

Year ended 31 December	2011	2010
RIDDOR reportables (1)	12	17
Minor injuries	89	80
NHBC risk incidence (2)	21.4	31.9

(1) Reporting of Injuries, Diseases and Dangerous Occurrences Regulations

(2) NHBC risk incidence is calculated as the absolute risk score divided by the average annual population multiplied by 100,000

Annual injury incidence rate (AIIR)



Sustainability

Year ended 31 December	2011	2010
Number of homes built with EcoHomes rating	472	451
Number of homes built to Level 3 CSH	200	125
Legal completions on brown land	53%	56%
Efficient use of land (1)	18,757	17,900

(1) Square footage of living space per developable acre

Risk	Description	Mitigations
General economic conditions	Demand for housing is impacted by changes in employment, interest rates and customer confidence. A deterioration in the economy could decrease customer demand for new homes and the pricing achievable, with consequential impacts on revenues, profits and potentially asset carrying values.	<ul style="list-style-type: none"> • Close monitoring of lead indicators in the housing market. • Work in progress is matched to sales levels. • Land acquisition is focused in the south of England, where the economy is expected to remain more robust. • A cautious gearing position with a conservatively structured balance sheet is retained.
Mortgage availability	The availability of mortgage finance, particularly deposit requirements for first time buyers, is fundamental to customer demand. Further restriction on mortgages granted could reduce demand for homes and therefore revenues and profits.	<ul style="list-style-type: none"> • The Group is working with the industry on the Government backed mortgage indemnity scheme. • The Group continues to innovate to find additional ways to assist customers to purchase a home. • Customers with the greatest difficulty in accessing mortgages due to deposit requirements are provided with relevant purchase assistance schemes. • The Group is investing in land with more traditional homes, which are less focussed on the first time buyer.
Code for Sustainable Homes ("CSH") requirements	The introduction of higher levels of CSH may increase substantially production costs without an offsetting ability to increase sales prices. Assuming councils maintain their social gain packages, land vendors may see insufficient value in their land, leading to a reduction in land supply, impeding the growth of sites and therefore volumes.	<ul style="list-style-type: none"> • Close monitoring of changes in code requirements by experienced team. • The Group has a high proportion of the consented land bank which is subject to existing regulation standards. • New building techniques and advances continue to be investigated, which can reduce the carbon usage in increasingly cost effective ways.
Regulation and legislation	The Group is subject to regularly changing rules and regulations in relation to planning, legislation and health and safety. Complying with the obligations can create costs to the Group or may create delays in building activity. Additionally the quantity and range of obligations create risks for the Group in remaining aware and fully conversant with all of the new developments.	<ul style="list-style-type: none"> • A land bank is maintained to mitigate against significant impacts from delayed build activity. • Comprehensive processes are operated to ensure compliance with known regulatory and legal requirements. • Changes in legislation and regulation are carefully monitored to ensure that changes affecting the business are incorporated within the Group's processes.
Access to land	The Group fails to invest effectively in land with a residential planning consent to maintain and grow its consented land bank, thus either limiting expansion or possibly compromising existing activity.	<ul style="list-style-type: none"> • Clearly defined strategy and geographical focus on land. • A rigorous formal process for land acquisitions is operated with defined hurdle return rates. • Management regularly review the pipeline of new land purchases.
Attracting and retaining staff	The loss of key staff or the failure to attract and retain high quality employees may inhibit the Group's ability to achieve its strategy.	<ul style="list-style-type: none"> • The Group is taking forward its human resources strategy to improve the development and training of existing employees. • The Group is building upon its successful graduate and apprenticeship schemes.

As the activities of the Group evolve, the nature of the risks on which it is focused evolve. For instance, as the Group has acquired land successfully, the operational risk shifts to the progression of these sites into the build and sales phase, with the challenges of gaining detailed planning and of operationally gearing up the Group to increase build and sales activity. However, it is important to recognise that whilst conditions may have improved, profound uncertainties remain with regard to the UK economy which do suggest that appropriate levels of caution should be maintained.

The availability of mortgage finance and customer deposit requirements are the key issues currently facing the Group









Jonathan Hill
Group Finance Director

The Group has delivered a strong financial performance, with profits and earnings growing significantly and with capital employed under control, delivering improved shareholder returns. At the same time the Group has maintained a prudent balance sheet position.

Revenue

During 2011, the Group generated total revenue of £364.8 million, 22% up on 2010 at £298.6 million. Housing revenue in 2011 was £332.1 million, 13% ahead of the prior year (2010: £292.7 million). Other income was £2.7 million (2010: £5.9 million). Four land sales (representing 532 consented plots) legally completed in 2011, with a total income of circa £38 million. With one of these land sales being a land swap, £30.0 million was recognised as revenue in 2011. There were no land sales in 2010.

Operating profit

The Group delivered an operating profit for the year ended 31 December 2011 of £36.4 million at an operating margin of 10.0%, as compared to £21.6 million in the previous year, at an operating margin of 7.2%.

Gross margin (excluding land sales) increased to 20.8% in 2011 from 17.9% in 2010, with the gross margin (excluding land sales) in H2 2011 increasing to 21.2% from 18.9% in H2 2010.

The gross margin benefited from the full year positive effect of construction cost savings in 2011 combined with the increased contribution from legal completions on sites acquired post housing market downturn. Subject to current market conditions continuing, with an increasing proportion of legal completions coming from sites acquired since the housing market downturn, the gross margin achieved in 2011 can be further improved in 2012. The profit on land sales was £2.7 million, a margin of 9.0%, which resulted in a total gross profit of £72.2 million at a gross margin of 19.8%.

Overheads, including sales and marketing costs, increased in 2011 by 13%, as the Group invested to support the growing activity levels. The overheads to revenue ratio improved to 9.8% in 2011 from 10.7% in 2010.

Profit before tax and earnings per share

The Group achieved a profit before tax of £32.1 million, comprising operating profit of £36.4 million, net financing charges of £4.5 million and a profit from the joint venture of £0.2 million. This compares to £21.6 million of operating profit, £3.2 million of net financing charges and a profit from the joint venture of £0.1 million, which generated £18.5 million of profit before tax in 2010. Profit before tax increased by 74%. Basic earnings per share for the year improved by 65% to 17.5p compared to 10.6p in 2010.

Financing

The Group incurred net financing charges of £4.5 million in 2011 (2010: £3.2 million). With a reduced average net cash position (average net cash of £5 million during 2011, compared to average net cash of £78 million in 2010), net bank charges for 2011 were £2.8 million (2010: £2.2 million), which included the amortisation of arrangement fees (£0.8 million) and commitment fee charges (£2.0 million).

The Group incurred a £4.3 million finance charge (2010: charge of £2.7 million), reflecting the difference between the cost and nominal price of land bought on deferred terms which is charged to the income statement over the life of the deferral of the consideration payable. The Group benefited from a £0.6 million (2010: £0.2 million) net pension financing credit during 2011, as a result of the expected return on scheme assets being in excess of the interest on the scheme obligations. The Group also benefited from a finance credit of £1.6 million (2010: £1.2 million) arising from the unwinding of the discount on its available-for-sale financial assets during 2011. There were £0.4 million of other financing credits during the year (2010: £0.3 million of other credits).

The Group has delivered a strong financial performance, with profits, earnings and shareholder returns improving

Taxation

The Group has recognised a tax charge of £8.8 million on profit before tax of £32.1 million at an effective tax rate of 27.5% (2010: tax charge of £4.5 million at an effective rate of 24.1%). The effective rate is above the underlying rate, due to the effects on the deferred tax asset of the reduction of the statutory corporation tax rate. The prior year benefited from land remediation allowances and the finalisation of prior years' tax submissions. The Group has recognised a current tax liability of £4.0 million in its closing balance sheet as at 31 December 2011 (2010: current tax liability of £1.5 million).

Dividends

In the light of the ongoing improvement in the performance of the Group and the Board's confidence in the delivery of Group's strategy, the Board has proposed a 2011 final dividend of 3.5p per share. This dividend will be paid on 25 May 2012 to holders of ordinary shares on the register at the close of business on 30 March 2012. The Board intends to offer a scrip dividend alternative, pursuant to which the shareholders may elect to receive the whole or part of their 2011 final dividend in new ordinary shares credited as fully paid instead of cash.

Combined with the interim dividend paid of 1.5p, the dividend for the full year totals 5.0p compared to a total of 3.0p paid in 2010. The Board expects to grow dividends progressively as earnings per share increase.

Net assets

Net assets per share as at 31 December 2011 was 545p as compared to 533p at 31 December 2010.

Analysis of net assets

	2011 £m	2010 £m
Net assets at 1 January	710.8	692.6
Profit after tax for the year	23.3	14.0
Share capital issued	1.9	0.3
Net actuarial movement on pension scheme through reserves	(2.5)	3.0
Deferred tax recognised on share based payments	-	(0.2)
Current tax recognised on share based payments	-	0.2
Adjustment to reserves for share based payments	1.1	0.9
Dividends paid to shareholders	(6.0)	-
Net assets at 31 December	728.6	710.8

Pensions

Taking into account the latest estimates provided by the Group's actuarial advisors, the Group's pension scheme had a deficit of £2.4 million at 31 December 2011, an improvement of £0.5 million on the opening deficit of £2.9 million at 31 December 2010. Scheme assets grew over the year to £76.7 million from £73.5 million and the scheme liabilities increased to £79.1 million from £76.4 million. The increase in liabilities was primarily a result of a fall in bond yields. Scheme assets benefited from a £2.8 million special cash contribution made by the Group into the scheme in July 2011.

Net cash and cash flow

Having started the year with a net cash balance of £51.7 million, the Group generated operating cash inflow pre land expenditure of £114 million (2010: £93 million), demonstrating the strong underlying cash generation from the Group's existing assets.

Net cash payments in 2011 for land investment were £96 million (2010: £137 million). Non-trading cash outflow was £19 million. As at 31 December 2011 the Group's net cash balance was £50.8 million with £56.2 million of cash in hand, offset by £5.0 million of loans received from the Government and £0.4 million representing the fair value of an interest rate swap. At the end of the year, the Group had in place a £150 million committed syndicated facility, maturing in September 2013, with flexible borrowing terms at a low cost.

Financial risk and liquidity

The Group largely sees three categories of financial risk: interest rate risk, credit risk and liquidity risk. Currency risk is not a consideration as the Group trades exclusively in the UK.

With regard to interest rate risk, the Group from time to time will enter into hedge instruments to ensure that the Group's exposure to excessive fluctuations in floating rate borrowings is adequately hedged. With the commencement of a new banking arrangement in late 2008, the Group entered into a £50 million zero cost cap and floor collar hedge arrangement in February 2009 with expiry in March 2011, ensuring that variable rates on up to £50 million of the Group's floating rate debt were held within a pre-determined range. This prevented the Group from suffering material adverse floating rate increases beyond an agreed level ('the cap') in return for which the Group accepted a minimum payment cost ('the floor').

With unprecedentedly low LIBOR rates, the variable cost of borrowings was below the floor and therefore ongoing costs were being incurred. As the Group had no debt during the period of the hedge, these hedge instruments were regarded as ineffective and thus all costs were taken directly through income. With the expiry of the hedge in March 2011, the Group assessed its future expected debt profile and, having quantified its interest rate risk, decided not to put in place a new hedge instrument for this facility. The Group does not have a defined policy for interest rate hedging.

Credit risk is largely mitigated by the fact that the Group's sales are generally made on completion of a legal contract at which point monies are received in return for transfer of title. During 2011, the Group continued to make a number of sales with the provision of a shared equity investment by the Group as a key part of the Group's sales incentive packages, either via the Government 'Home Buy Direct' scheme or via the Group's own 'Jumpstart' scheme. This has led to an increase in the size of the Group's long term receivable Available for Sale Financial Asset balance which at 31 December 2011 was £38.7 million versus £31.1 million at 31 December 2010. Whilst this does represent an increase in credit risk in total, each individual credit exposure is small given the high number of counter parties. On average, individual shared equity exposure totals £23,000 (2010: £24,000).

The Group has a £150 million syndicated facility which is committed to September 2013. The Group regards this facility as adequate in terms of both flexibility and liquidity to cover its medium term cash flow needs.

Financial reporting

There have been no changes to the Group's accounting policies during 2011.

Jonathan Hill
Group Finance Director



The Group has delivered a strong financial performance, with profits, earnings and shareholder returns improving



The Homelands

Bishops Cleeve,
Gloucestershire



Malcolm Harris (63)
Non-executive Chairman

Appointed non-executive Chairman in 2008, Malcolm was previously Chief Executive from 1996 to 2008 and was first appointed to the Board of Bovis Homes in 1978. He is a non-executive director of the Home Builders Federation (HBF) and was previously a director of the National House Building Council (NHBC). Malcolm has in depth sector and industry knowledge and is a regular contributor to industry thinking.



Alastair Lyons CBE (58)
Non-executive Deputy Chairman

Appointed non-executive Deputy Chairman and Senior Independent Director in 2008, Alastair is non-executive Chairman of Admiral, Serco and Towergate Insurance. He is also Senior Independent Director of the Phoenix Group. Previously, Alastair was Chief Executive of the National Provident Institution and the National and Provincial Building Society, Managing Director of the Insurance Division of Abbey National plc and Director of Corporate Projects at National Westminster Bank plc. He has a broad base of business experience with a particular focus on the insurance industry and working with private equity.



Colin Holmes (46)
Non-executive Director

Appointed an independent non-executive director in 2006 and Chairman of the Remuneration Committee in 2008, Colin is a Chartered Management Accountant with over 20 years of financial, commercial and operational experience. Until July 2010 he was a member of the Tesco plc Group Executive Committee and held a variety of senior positions including CEO Tesco Express, UK Finance Director, Operations Director (Superstores) and most recently Commercial Director (Fresh Foods). Colin is the non-executive Chairman of GoOutdoors Ltd, a fast growing retailer of outdoor equipment and clothing, and a non-executive director of Admiral Group plc, where he is Chairman of the Audit Committee.



John Warren (58)
Non-executive Director

Appointed an independent non-executive director in 2006 and Chairman of the Audit Committee in 2007, John is a Chartered Accountant and a non-executive director of Rank Group plc and Spectris plc where he is the senior independent director. He was previously group finance director of WH Smith PLC and United Biscuits plc and a non-executive director of Arla Foods UK plc, BPP Holdings plc, RAC plc, Uniq plc and Rexam plc. John has detailed financial and accounting expertise and previous experience in chairing audit committees.



David Ritchie (42)
BA (Hons) ACA, Chief Executive

Appointed Chief Executive in 2008, David was Group Managing Director from 2007 to 2008 and Group Finance Director from 2002 to 2006. He joined Bovis Homes in 1998 as Group Financial Controller and was previously employed by KPMG. David has significant experience and knowledge of the sector, including land acquisition, planning, construction, marketing and customer service.



Jonathan Hill (43)
BSc (Hons) ACA, Group Finance Director

Joined Bovis Homes in August 2010 as Group Finance Director. Previously, he was employed by TUI Travel plc in both group finance and divisional roles and held positions with Centrica plc, BT Group plc and Price Waterhouse.

Martin Palmer (53)
FCIS, Group Company Secretary

Joined Bovis Homes in 2001 and was previously Group Company Secretary of London Forfeiting Company PLC from 1997 to 2001 and London & Edinburgh Trust PLC from 1994 to 1997.





Malcolm Harris
Chairman

Corporate governance report

Dear Shareholder,

Bovis Homes had a successful year in 2011 and, in addition to the strong operational outturn achieved by the Group, the Board performed well, delivering on the strategies and objectives set at the start of the year.

This performance was supported by our high standards of corporate governance and I am pleased to confirm that your Company was compliant with the provisions of the UK Corporate Governance Code, published in June 2010, and remains so today.

I am also pleased to introduce the Corporate Governance Report, prepared and approved by the Board. As Chairman of the Board I am responsible for its leadership and for ensuring its effectiveness. 2011 was a busy year covering the full range of Board activities and the balance of non-executive and executive directors worked well, with the non-executive directors providing constructive challenge and assisting in developing strategy and proposals put forward by the executive directors.

We held Board meetings in the regions, which included discussion with management teams on local market conditions and progress in achievement of their objectives. We also held a strategy day to review the immediate and longer term strategy for the Group with the overall objective of maximising shareholder returns.

With our focus on corporate governance best practice, we introduced the annual re-election of directors at our 2011 Annual General Meeting and we conducted our first external independent evaluation of the Board's performance. The overall outcome of the evaluation was positive and it was a source of reassurance that the areas identified for improvement, which are now the subject of an action plan, were not fundamental in nature.

As Chairman, I also completed one to one assessments with each director, which included consideration of any identified training and development needs.

During the year, the Board welcomed publication of Lord Davies' report on Women on Boards. The Board strongly supports the principle of boardroom diversity and in common with many other companies, we published a statement on diversity on the Group's website, which appeared in September 2011. In our statement, we took the opportunity to explain that we will always make appointments to the Board based on merit, so that we have the right individuals in place, and that diversity is seen as an important consideration in achieving a balanced board.

As we look to the challenges ahead, I would like to thank my colleagues on the Board for their strong individual contributions and collective support during 2011.

We value dialogue with all our shareholders and I have again written to major shareholders advising of my availability to hold discussions with them. Our AGM this year will be held on 16 May 2012 and I look forward to meeting those of our shareholders who are able to attend and to answering any questions on this governance report and any other matters covered by the resolutions to be put to the meeting.

Malcolm Harris
Chairman

Introduction

The Company is committed to the highest standards of corporate governance as a contributor to the long term success of the business. It recognises that trust and engagement must exist between companies and investors and that appropriate boardroom behaviours are an essential component of governance best practice. To support its high governance standards and demonstrate that it takes them seriously, the Company has put a corporate governance framework in place, which fits the context of the business. This framework is described in the governance policy guidelines in the annex to this report on page 37.

This report sets out the Company's compliance with the 2010 UK Corporate Governance Code issued by the Financial Reporting Council (publicly available at www.frc.org.uk) and also describes how the governance framework is applied. The Code is supplemented by the Revised Turnbull Guidance to enable listed companies to comply with Listing Rule 9.8.6 (5) and (6). The Board reviewed the new Code during 2010 and took steps to bring its approach into line for 2011 where it thought it was right to do so.

The Board is pleased to report that the Company has, throughout 2011, complied with and applied the provisions of the UK Corporate Governance Code, as set out below.

Information on share capital is provided on pages 58 and 59.

Board membership

Throughout the year and up to the date of this report, the Board comprised the Chairman, who is non-executive, three independent non-executives and two executive directors. Biographical details are set out on page 30 and their dates of appointment and attendance at Board meetings are shown below.

The Board benefits from a broad range of expertise and experience and has a strong blend of skills and qualities, which allowed it to perform effectively and to a high level during 2011. There was no change to Board membership during the year and up to the date of this report.

Three non-executive directors have been determined by the Board as being independent in character and judgement with no relationships or circumstances which are likely to affect, or could appear to affect, the director's judgement.

In accordance with the Companies Act 2006 and as permitted by the Company's Articles of Association, the Board has authorised and subsequently reviewed a number of potential conflicts of interest regarding the directors. The Board is satisfied that powers to authorise potential conflicts are operating effectively.

All the directors have service agreements or contracts and the details of their terms are set out in the Remuneration Report on page 49. A further one year term was approved by the Board for John Warren on 11 January 2012.

In accordance with the Code, all the directors will be offering themselves for re-election at the forthcoming AGM. The Board strongly supports all the individual director's re-elections, taking account of the balance of skills and expertise and the performance of the Board as a whole.

Board meetings

The Board generally meets eight times a year and at each meeting receives regular reports covering, for example, health and safety, customer satisfaction, current trading, operations and finance. At particular points in the year, the Board reviews strategy, budgets, forecasts, risks, financial statements and succession planning. The Board also reviews other topics, such as the market environment, land acquisitions, land sales, investor and analyst feedback, and technical and regulatory developments.

Name	Date of appointment	Current role	Tenure in current role	Attendance at meetings
Malcolm Harris	28/06/1996 (current role – 03/07/2008)	Chairman	3.5 years	8/8
Alastair Lyons	01/10/2008	Deputy Chairman	3.5 years	8/8
Colin Holmes	01/12/2006	Non-executive	5 years	8/8
John Warren	01/03/2006	Non-executive	6 years	8/8
David Ritchie	01/07/2002 (current role – 03/07/2008)	Chief Executive	3.5 years	8/8
Jonathan Hill	23/08/2010	Finance Director	1.5 years	8/8

The Board receives comprehensive papers a week in advance of each meeting plus any other information required to enable it to discharge its duties. Meetings are conducted in an atmosphere of open discussion, which enables the non-executive directors to challenge and test the strategy, policy and proposals put forward by the executive directors.

In a typical year, half of all Board meetings are held in London and the balance in the regions, providing the opportunity to meet and assess local management teams and receive presentations from them. The Board also meets the Group Executive Committee (the senior management below the Board) at several points in the year.

The annual strategy day is valued by the Board as providing the opportunity for an in-depth review of the immediate and longer term strategy for the Group, often supported by external contributions.

The Chairman also holds meetings with the non-executive directors without the executives present.

Board performance evaluation

The Board undertook the first external independent evaluation of its own performance towards the end of 2011. This was conducted by Independent Audit (which has no other connection with the Company) using a document review, followed by an interview process which included meetings with the directors and Company Secretary, the external auditors and the advisers to the Remuneration Committee.

The report was then presented to the Board and discussed. The overall picture was positive and concluded that the Board had many strengths including its membership, common sense of purpose and strong communication amongst its members. The diversity of backgrounds amongst the non-executive directors was thought reasonable and future succession planning will continue to include consideration of Board diversity.

Areas for improvement were identified and, whilst not fundamental in nature, they are the subject of an action plan and are expected to add value in 2012. An overview is provided below.

During 2010, the Board completed an internal performance evaluation. Actions taken in 2011 on the outcomes included the allocation of more time to the development of strategy, including a strategy day with external guests, the review of the risk matrix methodology and major risks, the review of succession planning options, and discussions with local management teams on their progress against objectives and key areas impacting the business.

Individual director assessments were carried out by the Chairman towards the end of 2011, using a discussion and interview process which covered overall understanding of the business, effectiveness of contribution and challenge, communications, time commitments and training and development. The outcomes showed that all the directors are contributing effectively and are demonstrating commitment to their roles.

Key improvement areas	Objectives for 2012
Strategy	<ul style="list-style-type: none"> Develop further the Board's focus on longer term strategy and the Company's strategic ambition. Broaden the range of scenario stress testing in light of market conditions and the uncertain economic background.
Risk and risk management	<ul style="list-style-type: none"> Monitor an increased focus on risk management, articulation of the risk appetite and improved risk reporting.
Succession planning	<ul style="list-style-type: none"> Develop further focus on both non-executive and executive succession planning and executive management leadership development. Create further opportunities for the non-executive directors to interact with and assess the talent of senior management below the Board.
Business model	<ul style="list-style-type: none"> Further improve the Board's knowledge of business model alternatives, including competitor models.

The performance evaluation of the Chairman was completed as part of the external independent Board evaluation conducted by Independent Audit and the findings were reviewed with the Senior Independent Director. Discussion then took place with the other non-executive directors and the executive directors. The result confirmed that the Chairman provided strong leadership to the Board and created an appropriate environment for Board debate with effective management of the Board's agenda.

It was also confirmed that the Board continued to benefit from having retained the Chairman's in depth knowledge of the sector gained during his executive career with the Company, his continued participation in industry thinking, and his interaction with principal shareholders on matters of corporate governance.

Board committees

The Board is supported by standing Audit, Nomination and Remuneration Committees and their memberships, roles and activities are set out in separate reports: Audit Committee on pages 54 and 55, Nomination Committee on pages 56 and 57, and Remuneration Committee on pages 39 to 52. Each Committee reports to and has terms of reference approved by the Board and the minutes of Committee meetings are circulated to and reviewed by the Board.

The Audit Committee is chaired by John Warren, the Remuneration Committee is chaired by Colin Holmes and the Nomination Committee is chaired by Malcolm Harris.

As part of the external independent evaluation of the Board's performance completed in 2011, it was concluded that the Committees were contributing and functioning effectively and all were achieving their respective remits.

Governance supporting the business

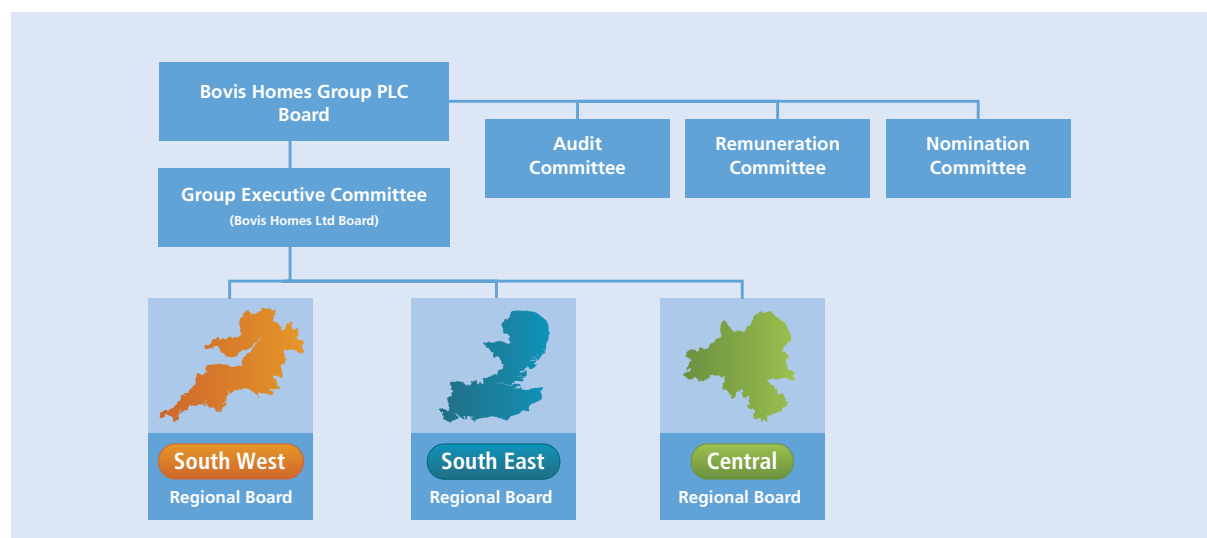
The Board aims to meet governance best practice where it fits our business and here some of the detail is set out.

Amongst matters reserved for the Board are leadership of the Group, approval of strategy and budgets, oversight of operations and performance, capital structure, financial reporting, internal controls and approval of major expenditure and transactions.

The Board has approved a written division of responsibilities between the non-executive Chairman and the Chief Executive and the role of the non-executive Deputy Chairman has been similarly defined. The Chairman is primarily responsible for the effective working of the Board, taking a leading role in determining its composition and structure, and also ensuring that effective communications are maintained with shareholders. The Chief Executive is responsible for the operational management of the Group, developing strategic operating plans and presenting them to the Board and for the implementation of strategy agreed by the Board. The Deputy Chairman supports the Chairman in ensuring that the Board is effective and constructive relations are maintained, in addition to acting as the Senior Independent Director, in which capacity he leads the annual performance evaluation of the Chairman and provides an additional point of contact for shareholders.

Board and committee structure

The Group's Board and Committee structure, which maintains short and effective reporting lines, is as follows:



The Company's Management Paper is subject to regular Board review and contains appropriate controls, authorities and procedures across the range of the Group's activities and includes the authorities and decision making delegated by the Board to management.

The advice and services of the Group Company Secretary are available to the directors and all directors have access to the Company's professional advisers and can seek independent professional advice at the Company's expense. It is confirmed that no such advice was sought during the year.

Training is made available to directors when required and the Chairman ensures that directors continually update and refresh their knowledge and skills and familiarity with the Company, as appropriate to their role on the Board and on Board Committees. During 2011 the directors received regulatory and technical updates.

The Company has an insurance policy in place which insures directors against certain liabilities, including legal costs.

Shareholder engagement

The Company has a comprehensive investor relations programme, which allows the Chief Executive and Group Finance Director to regularly engage with our major shareholders. In addition to one-to-one meetings through the year, the Company holds a series of presentations and meetings following the announcement of the final and half-yearly results. These presentations are made publicly available so that all shareholders can access them on the Group's website at www.bovishomesgroup.co.uk. Towards the end of 2011, the Company held an analyst and investor presentation focused on progress in delivering its strategy, during which the Company showcased its product through the viewing of full-scale replicas of sections of its homes constructed at the London offices of its joint corporate broker, which was well received. The Board reviews feedback on investor relations meetings and presentations, including the matters communicated and discussed and this has been positive and helpful.

The Board also values other channels to obtain shareholders' views and the Chairman, being responsible for ensuring that all directors are aware of any issues or concerns that major shareholders may have, writes to them annually advising his availability to meet and hold discussions on any matter. In addition, the Deputy Chairman (also the Senior Independent Director) is accessible to shareholders. The Chairman, Deputy Chairman and the other non-executive directors regularly attend the annual analyst and investor presentation, giving major shareholders the opportunity to put views and hold discussion with them.

All shareholders are invited to attend the Company's AGM, which this year will be held on 16 May 2012. The full Board, including all Committee chairmen, attend and it values this meeting as a means of communicating with private investors and encourages their participation. All shareholders have the opportunity to exercise their right to vote and appoint proxies, if they are unable to attend, and to facilitate this we provide an electronic voting facility. Those attending the AGM have the opportunity to ask questions relevant to the business of the meeting and hear the views of other shareholders before voting. After the meeting the results of voting on all resolutions are published on the Group's website.

Risk management and internal control

The Code states that a board is responsible for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives. The Board has agreed that this important principle should form part of its consideration of strategy and all major decisions. The Board also has responsibility for maintaining sound risk management and internal control systems and, whilst their monitoring and review forms part of the work undertaken by the Audit Committee, the Board is ultimately responsible for the management of risk. Risk is a regular agenda item, which allows all directors to review the quality of risk management processes, risk mitigation and the risk appetite.

The Board has complied with Principle C.2 of the Code by establishing a continuous process for identifying, evaluating and managing the risks that are considered significant by the Company, in accordance with the Revised Turnbull Guidance. This process has been in place for the period under review and up to the date of approval of the Annual Report and Accounts and includes compliance with provision C.2.1. It is designed to manage rather than eliminate risk and can only provide reasonable and not absolute assurance against material misstatement or loss. Monitoring is based principally on reviewing reports from Internal Audit and from management and covers all controls, including financial, operational and compliance controls and risk management processes. The Board operates a robust process of risk reporting and has clear procedures for identification and monitoring of key risks.

The Audit Committee reviews the system of internal control and risk management systems annually and reports its findings to the Board. It receives reports from the internal and external auditors and management which assess the effectiveness of internal control and risk management and make recommendations for improvements.

Risk assessment

As the activities of the Group evolve, the nature of the risks on which it focuses evolve. A key part of the system of internal control is the maintenance of the risk analysis and matrix, compiled using the risk universe as the basis of identification and a process of evaluation that distils the impact of key risks, mitigation measures and residual risk for Board review, leading to assessment of changing risk tolerance and, ultimately, the risk appetite. During 2011, a full risk review, a risk brainstorming session and an interim risk review took place. In setting its approach, the Board aims to ensure that the Company is neither prevented from taking opportunities nor exposed to unreasonable risk.

Control framework

The Group maintains a control environment, which is regularly reviewed by the Board. As new procedures and working practices are adopted, risk factors are reviewed and internal controls embedded into systems. The principal elements of the control environment include regular board meetings, the regional structure, defined operating controls and authorisation limits, an Internal Audit function and a comprehensive financial reporting system.

There are a number of elements of the Group's internal control and risk management systems that are specifically related to the Group's financial reporting process.

Firstly, there is a well understood management structure which allows for clear accountability and an appropriately granular level of financial control. This structure is underpinned by documented authority levels for business transactions laid out in the Group's Management Paper. The process of financial reporting is further supported by process documents for both internal management reporting and external Group reporting which stipulates amongst other things reporting timetables and contents of key management reports.

The Group maintains computer systems that record financial transactions and whose effectiveness is reviewed by the Internal Audit function on a regular basis. Any findings arising from these exercises are reported to the Audit Committee.

Control over cash expenditure which lies at the heart of any financial reporting process is key. The Group maintains tight control in this area through a centralised Group payment function, regularly maintained authorisation documents and segregation of authorisation accountability.

The Group maintains a regular weekly and monthly financial reporting cycle, allowing management to assess the financial progress of the Group, and this is further supported by a formal budget and forecast process which ensures that there is a robust and relatively recent financial forecast in place at all times against which to assess performance. Together with this financial reporting, the Group requires its regional management teams to report key business issues as part of a monthly regional reporting pack on a standardised basis.

Finally, there is a process of accounts preparation which ensures that there is an audit trail between the output from the Group's financial reporting system and the Group's financial statements as they are prepared for reporting.

Going concern

After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future. These enquiries consist of the production and review of detailed financial forecasts covering the period January 2012 to December 2014. These forecasts take into account current market trends with reasonable judgements and estimates applied to arrive at future cash flow estimates. As part of this review, the Group has analysed its forecast covenant compliance over this period linked to its banking facility, arriving at an assessment of the headroom evident between the forecast covenant test outcomes and the outcomes necessary to achieve covenant compliance. The Group entered into a new banking facility on 27 January 2010. This facility provides a committed revolving credit facility with a limit of £150 million maturing in September 2013. As at 31 December 2011, the Group had no drawings under its revolving credit facility, and held net cash of £51 million.

The Group regards the combination of existing cash in hand and this new facility as adequate in terms of flexibility and liquidity for its needs. More details on the Group's approach to financial risk management are laid out in note 22. For these reasons, the Group continues to adopt the going concern basis in preparing its accounts.

Annex to corporate governance report

Corporate governance policy guidelines

These guidelines have been adopted by the Board and provide guidance on how corporate governance principles are applied by the Company.

1 Board membership and balance

The composition of the Board is reviewed on a regular basis to ensure that it remains appropriate for successfully directing the business activities of the Group. Consideration is given to boardroom diversity and the mix of experience, skills, ability and vision of executive and non-executive directors by the Nomination Committee. The Nomination Committee and the Board give regular consideration to planning for succession to Board and senior management positions, ensuring that appropriate management development measures are in place. The Board currently comprises the Chairman, the Deputy Chairman (also the Senior Independent Director), two further independent non-executive directors and two executive directors.

2 Board selection

The Board receives recommendations on the appointment of directors from the Nomination Committee, following an evaluation of the balance of knowledge, skills, experience and diversity available on the Board. This Board committee comprises the independent non-executive directors, the Chairman and the Chief Executive and meets as required to consider proposed changes to Board membership.

3 Non-executive director independence

The non-executive directors are independent in character and judgement and free from any business or other relationship which could affect or appear to affect the exercise of their independent judgement on matters under consideration by the Board. The receipt of fair remuneration and being a shareholder is not considered to prejudice independence or prevent a non-executive director from acting independently.

4 Chairman and Chief Executive

The roles of Chairman and Chief Executive are separate and there is a clear division of responsibilities between the two roles which has been set out in writing and approved by the Board. It is normal practice for the role of Chairman to be a non-executive position. The role of the Deputy Chairman has also been set out in writing and approved by the Board.

5 Number of directors

An appropriate balance between executive and non-executive directors is maintained and the size of the Board is set as necessary to achieve this. The number of non-executive directors is decided so as to provide the diversity of skills, ability, vision and experience necessary for a sound independent contribution to the Board and the successful management of the Group's business. By way of guidance, at least half the Board, excluding the Chairman, should comprise independent non-executive directors.

6 Length of appointment

Executive directors are employed on service contracts with notice periods which do not exceed one year. Non-executive directors' service agreements set the length of their appointments at periods of up to three years and their notice periods up to twelve months. Their total length of appointment would not normally exceed nine years. The renewal of service agreements after two three year terms is subject to rigorous review and based on annual re-appointment thereafter.

Under the Articles of Association, all directors are subject to retirement by rotation at least once in every three years at the Annual General Meeting. New directors appointed by the Board must be re-appointed by shareholders at the following Annual General Meeting.

7 Director training

On appointment, new directors are given a comprehensive induction to the Group's business activities, strategy and methods of operating, policies, procedures and management structure. As necessary, directors receive training to complement their roles on the Board and Board Committees.

8 Director remuneration

The Remuneration Committee determines, on behalf of the Board, the policy for executive remuneration and remuneration for the Chairman, each of the executive directors and senior management in accordance with its terms of reference. The Remuneration Committee comprises the independent non-executive directors and meets as required. External remuneration advice appropriate to the size and position of the Company is sought when required. Non-executive director remuneration, excluding that of the Chairman, is determined by the Board without their participation.

9 Financial information and internal control

The review of submissions for Board approval in respect of the Group's annual report and accounts, half-yearly financial report, preliminary statement, interim management statements and other public financial information is the responsibility of the Audit Committee. The Audit Committee reviews the Group's system of internal control and oversees compliance therewith. The Audit Committee comprises the independent non-executive directors.

10 Supply of information

Senior management are responsible for providing the Board with appropriate, complete and timely information relevant to the Board's discharge of its responsibilities, the monitoring of the performance of business activities, including significant variances, and progress with the implementation of strategies. Directors have reasonable access to senior management to enable them to make further enquiries as they consider in their judgement appropriate.

11 Board procedures and authorities

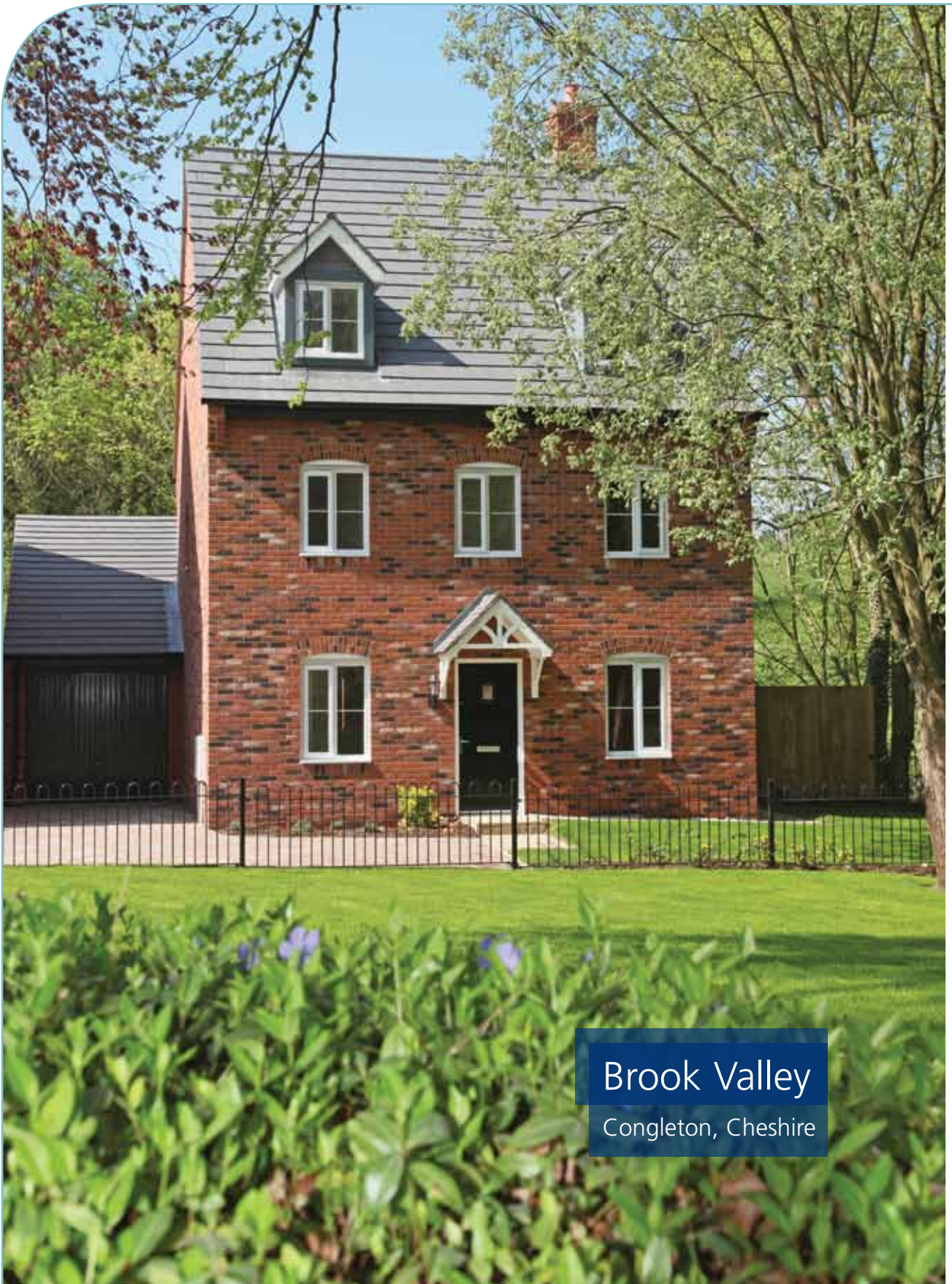
The Chairman and Chief Executive determine the agenda for each Board meeting and papers are distributed in advance so that matters can be properly considered by the directors. A schedule of matters reserved to the Board for decision is in place and detailed authorities and associated procedures have been established for individual directors in the performance of their duties. The Board undertakes annual performance evaluations and a formal external performance evaluation every third year.

12 Relations with shareholders

The Board as a whole accepts responsibility for ensuring that a satisfactory dialogue is maintained with shareholders. The aim is to ensure that this dialogue is based on a mutual understanding of objectives. Investors are encouraged to attend the Annual General Meeting and to vote and participate.

13 Corporate policies

The Board ensures that corporate policies and procedures on ethical and corporate social responsibility matters, including sustainability, health and safety and the environment are maintained, monitored and reviewed on a regular basis.



Brook Valley
Congleton, Cheshire



Colin Holmes
Non-executive Director

Directors' remuneration report

Dear Shareholder,

I am pleased to introduce the 2011 Directors' Remuneration Report, prepared by the Remuneration Committee and approved by the Board. The format of the report has changed quite significantly from previous years and I am hopeful that readers will appreciate its clarity. In designing the format we have fully considered the Government's consultation on the future of narrative reporting and we will continue to monitor these developments carefully.

Overview

As described by the Chairman and Chief Executive in their statements, 2011 has been a very encouraging year for Bovis Homes, during which the Company has delivered strong profit growth and positioned itself excellently for improved returns in 2012 and beyond. This has been achieved through the continued acquisition of high quality consented and strategic land, combined with an increased level of legal completions at a higher average sales price and increased profit margins.

In 2010, after consulting with shareholders and receiving strong support, we introduced the new annual bonus scheme and the Bovis Homes Group Long Term Incentive Plan 2010. The Committee is confident that they continue to work well and motivate management to deliver stretching performance targets. However, as explained below, going forward we believe that Return on Capital Employed ("ROCE") measures should be built into these arrangements, to reinforce our stated objective of improving ROCE.

Remuneration policy

The principal aim of our remuneration policy is to align executive remuneration with the interests of our shareholders in order to drive the creation of long term shareholder value. The Committee is committed to setting remuneration at a level which is deemed fair, and which rewards performance.

Whilst recognising its primary duty to shareholders and the Company the Committee is mindful of the high level of public and political scrutiny around executive remuneration. We are committed to a remuneration structure which does not guarantee reward through excessive levels of fixed pay or through inappropriate incentives, but one that rewards genuine, sustainable performance in line with shareholder interests.

Remuneration in 2011

The annual bonus out-turn for 2011 of 82.4% of maximum represents strong performance against financial and operational targets. Profit before tax increased significantly by 74%, whilst there was additionally a very strong focus on cash flow, robust land management and high customer satisfaction.

The Long Term Incentive Plan awards granted in 2009 will lapse in full, as neither the EPS condition nor the TSR condition were met.

Changes in remuneration policy for 2012

The Committee are committed to taking shareholder views into account when determining remuneration arrangements both for the coming year and for the longer term. A key theme arising from recent shareholder dialogue has been the importance of having clear plans within the business focused on improving ROCE. The Committee believes this should be recognised in both the annual and long-term incentive plans. Therefore the Committee has decided to introduce Return on Invested Capital ("ROIC") as one of the measures into the annual bonus plan and ROCE as one of the measures in the Long Term Incentive Plan.

Base salary levels for the Chief Executive and the Finance Director, have been increased for 2012, as have contributions to the Finance Director's pension. As further described in the report, the Committee strongly believes that these are fully justified taking into account the strength of their contribution, as well as the success of the Company during the year. However, other than the change to the performance measures referred to above there have been no other major changes, and maximum incentive opportunities for both the annual bonus and the Long Term Incentive Plan remain unchanged.

I would like to express my gratitude to my colleagues on the Committee for their support and valuable input during the year.

The Committee appreciates the dialogue and feedback from shareholders and hopes to receive your support at the AGM on 16 May 2012.

Colin Holmes

Chairman of the Remuneration Committee

Introduction

This report has been prepared in accordance with the requirements of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. The report also meets the relevant requirements of the Listing Rules of the Financial Services Authority, and describes how the Board has complied with the principles and provisions of the UK Corporate Governance Code published in June 2010 ('the Code') relating to remuneration matters. The report will be presented at the AGM on 16 May 2012 for advisory approval and shareholders will be able to ask questions on the report at the AGM.

The report is divided into two parts.

- The first part sets out our remuneration policy and the governance structures which underpin this policy. This part is not required to be audited.
- The second part contains the remuneration tables that have been audited in accordance with the relevant statutory requirements.

Unaudited information

The Remuneration Committee

The following table details the members of the Remuneration Committee, their date of appointment, their role, and the number of meetings the Committee had during the year and their respective attendance:

Name	Date of appointment	Role	Attendance at meetings
Colin Holmes	01/12/2006	Chairman	6/6
Alastair Lyons	01/10/2008	Member	6/6
John Warren	01/03/2006	Member	6/6

All members of the Committee are independent and have no personal financial interest, other than as shareholders, in the matters to be decided, and no day-to-day involvement in running the business.

The Committee determines the remuneration packages (including incentive plans and their performance criteria) and any changes to service contracts of the Chairman, executive directors and other designated senior executives including the Company Secretary.

The Board determines the fees and overall remuneration of the non-executive directors without the non-executive directors' participation.

No director or senior executive is involved in any decisions as to his or her own remuneration.

The Committee's terms of reference are available on the Company's website (www.bovishomesgroup.co.uk/information-on/corporate-governance).

Advisers to the Committee

During the year, the Committee took advice from Deloitte LLP, its appointed advisers since August 2009. Deloitte provide independent advice to the Committee on all aspects of executive remuneration. Deloitte attend Remuneration Committee meetings when invited by the Chairman of the Committee. Deloitte has also provided VAT advice to the Company during 2011. Deloitte are a founder member of the Remuneration Consultants Group and have signed the voluntary Code of Practice for remuneration consultants.

The Committee always starts its meetings without executive management present. Thereafter the Committee may and does call upon Malcolm Harris (Chairman) and David Ritchie (Chief Executive) to assist in its discussions and deliberations on matters not pertaining to their own remuneration, service agreement or terms and conditions of employment. They were invited to attend all Committee meetings during the year. The Committee is also supported by Martin Palmer (Company Secretary), who acts as secretary to the Committee. No person was present during any part of a meeting when their own remuneration was being discussed.

Principles of the remuneration policy

The Committee's remuneration policy is designed to provide a market competitive, performance-related package which supports and facilitates the delivery of the Company's strategy and the creation of long-term shareholder value. The key principles of the remuneration policy are:

- to ensure that individual rewards and incentives fairly reflect the performance of the individual, the Company and the interests of shareholders;
- to provide a market competitive reward to attract, retain and incentivise executives of the calibre needed to deliver on the Company's strategy and to create long-term shareholder value;

- the total package should include a significant variable element which is aligned to the performance of the Company, both in the short term and over the longer-term;
- the package should be linked to the Company's strategic goals, and how success against these goals is measured;
- executives should build up shareholdings in the Company, through the vesting of long term incentive awards;
- the policy should uphold the key principles of best practice on executive remuneration; and
- remuneration should be designed to promote the long-term success of the Company and should not reward excessive risk taking and should not reward failure.

In setting the remuneration arrangements for the executives and senior management, the Committee considers the pay and conditions of the employees throughout the Group.

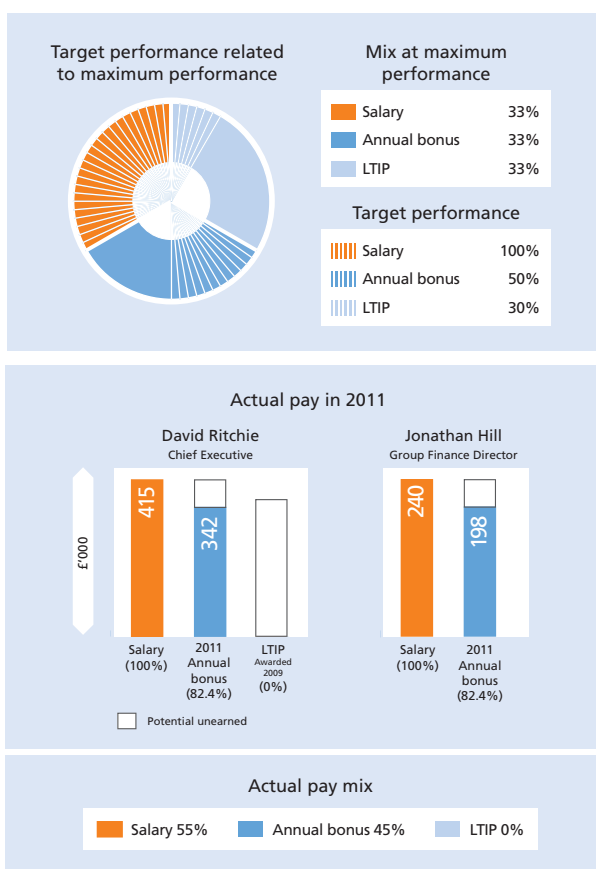
Competitive positioning

When considering how to position the remuneration packages for the executive directors, the Committee considers market data from UK listed companies of a similar size and complexity, as well as specific practice in the housebuilding sector. This data is provided by Deloitte, as independent advisers to the Committee.

The Committee positions salaries and incentive opportunities at what would be considered a market competitive level, whilst not seeking to "match the median". As explained above the aim is that the arrangements should motivate management to deliver stretching performance in the interests of shareholders. Outperformance for shareholders should be recognised with superior reward.

Balance between fixed and variable pay

The charts below show the balance between the fixed and variable components of the remuneration packages for both executive directors at "target" and "maximum" performance, illustrating the significant portion which is related to short and long term performance. Also illustrated is the actual pay mix in 2011.



Summary of remuneration policy

Fixed remuneration	Variable remuneration	
Base salary	Short-term – annual	Long-term – three years
Pensions	Annual Bonus Maximum 100% of salary	Long Term Incentive Plan (LTIP) Maximum 100% of salary
Benefits	Linked to Group financial and non-financial performance aligned with the business strategy	<ul style="list-style-type: none"> • One-third of award based on relative TSR performance • One-third of award based on EPS performance • One-third based on ROCE performance
Shareholding guidelines – executives should accumulate a shareholding equal to at least 100% of base salary		

Components of the remuneration framework for executive directors for 2012

The table below summaries the main components of the remuneration framework as detailed further in the report.

	Base salary	Annual bonus	LTIP
Quantum	CEO: £430,000 GFD: £260,000	Maximum opportunity: 100% of salary	Maximum annual award: 100% of salary
Link to strategy	To provide market competitive fixed pay for the size, scope and responsibility of the role, taking into account the experience and performance of the incumbent.	Drives and rewards performance against annual financial and non-financial goals which are consistent with the longer-term strategic aims of the business.	Incentivises long term value creation aligned with shareholders' interests. Drives and rewards delivery of sustained TSR, EPS and ROCE performance.
Performance measures for 2012	Not applicable.	Balanced scorecard: Financial metrics (90%): <ul style="list-style-type: none"> • PBT • Cash flow • Return on Invested Capital Non-financial metrics (10%): <ul style="list-style-type: none"> • Customer service 	TSR one-third: <ul style="list-style-type: none"> • Versus a bespoke housebuilder comparator group index EPS one-third: <ul style="list-style-type: none"> • Cumulative EPS growth ROCE one-third: <ul style="list-style-type: none"> • Final year ROCE target
Key changes for 2012	Salary increases of 3.6% for the CEO and 8.3% for the GFD with effect from 1 January 2012, explained below.	<ul style="list-style-type: none"> • Introduction of Return on Invested Capital as a performance measure in place of a land management measure. 	<ul style="list-style-type: none"> • Introduction of Return on Capital Employed as a performance measure.
		<ul style="list-style-type: none"> • The Committee believes that the introduction of the return on capital measures aligns the way the business is managed with the key interest of shareholders, being the return achieved on their invested capital. • The Committee believe that it is important that the return on capital measures be introduced in both the annual bonus and the LTIP in order to balance the short-term and long-term benefits of such a measure. 	
Summary of 2011 remuneration	CEO: £415,000 GFD: £240,000	Maximum opportunity: 100% of salary Actual bonus for 2011: 82.4% of salary Performance measured against: Financial metrics (90%): <ul style="list-style-type: none"> • PBT • Cash flow • Land management Non-financial metrics (10%): <ul style="list-style-type: none"> • Customer service 	Maximum annual award: 100% of salary LTIP vesting in 2011 (awarded 2009): Nil vesting Performance (for 2011 grant) measured against: <ul style="list-style-type: none"> • TSR (50%) • EPS (50%)

Fixed remuneration

Base salary and benefits

The salaries of the executive directors with effect from 1 January 2012 are as follows:

Name	Position	2012 base salary	% increase from 2011
David Ritchie	CEO	£430,000	3.6%
Jonathan Hill	GFD	£260,000	8.3%

In settling executive director salaries the Committee is always mindful of the need to avoid excessive and unjustified reward. Changes are only approved if full justification exists.

The GFD, Jonathan Hill, joined the Company on 23 August 2010 on a salary reflective of the fact that he was new in the role. The Board has been pleased with the strong contribution he has made to the Group. His new salary reflects this and is viewed as being in line with a market competitive position.

The increase for the CEO, David Ritchie, represents a reflection of his outstanding leadership and enormous contribution to the Group through a challenging period. The increased salary remains at a level which is in line with the market.

An allowance of just over 3% of salary roll was provided for general staff increases.

The Committee intends to review salaries of the executive directors on an annual basis, taking into account Group and individual performance, market conditions, and the remuneration arrangements of the senior management and the allowance for salary increase for the wider workforce.

In addition to base salary and pension the Group provides the executive directors with the following benefits: health insurance, membership of the Bovis Homes Regulated Car Scheme for Employees and death in service assurance.

Pensions

David Ritchie is a senior executive member of the Bovis Homes Pension Scheme ("BHPS"). This is a contributory funded, defined benefit scheme, approved by HMRC.

From April 2011 the Group introduced a 20% of salary pension allowance for David Ritchie. Some or all of this allowance can be used in relation to his membership of the BHPS, to the extent that it remains beneficial in light of new pension legislation. The balance is paid as a non-bonusable and non-pensionable salary supplement.

Jonathan Hill is a member of the Bovis Homes Group Personal Pension Plan. The Plan is a contracted-in defined contribution arrangement. The Company's contribution for Jonathan Hill, since his appointment in 2010, was set at 7% of his basic salary. From January 2012 the contribution will be increased to 15% of basic salary to bring it in line with a market competitive position.

There are no special early retirement or early termination provisions for executive directors.

Variable remuneration

Annual bonus

Policy, strategy and key changes

The purpose of the annual bonus is to drive and reward performance against stretching annual financial and non-financial goals which are consistent with the longer-term strategic aims of the business.

The bonus will normally be paid in cash. However, before paying cash bonuses, the Remuneration Committee reviews the proposed position regarding dividends. If no dividend is proposed, the Committee may choose to exercise its discretion to pay part, or all, of the bonus in ordinary shares, with the right to receive such shares normally deferred for two years.

The overall principles applying to the mix of performance measures are:

- At least 70% of the bonus will be based on financial measures, with the balance being based on non-financial measures.
- The financial criteria are likely to include one or more of profit before tax, cash flow and a capital return measure.
- The non-financial measures are metrics that are currently considered key to the performance of the business.

The Committee believe that these metrics are strongly aligned to the Group's business strategy and the creation of long-term shareholder value. The exact calibration of the bonus for the coming year, and the alignment of each measure with the business strategy is shown below.

The key change for 2012 has been the introduction of a Return on Invested Capital measure. The Committee believes that, in conjunction with a similar return measure in the LTIP, this metric aligns the way the business is managed with the key interest of shareholders, being the return achieved on their invested capital.

Approach for the year ending 31 December 2012

Key features of the annual bonus for executive directors for 2012 are:

- Maximum opportunity remains at 100% of salary for executive directors.
- 90% of the total opportunity will be measured against financial metrics. 10% will be measured against non-financial metrics.

- The Committee believes that this offers significant value at risk in relation to the overall package and is a key part of paying for performance.

The Committee also believes that the quantum is appropriate in relation to practice in the housebuilding sector, and wider FTSE 250 practice.

Measure (% weighting)	Rationale / link to strategy	Maximum (% salary)
Financial measures (90%)		
Profit before tax (50%)	<ul style="list-style-type: none"> • Explicitly ties reward to financial performance. • Demands delivery of achievement of target profit 	50%
Cash flow (15%)	<ul style="list-style-type: none"> • Demands tight cash management in the operational running of the business. A strong balance sheet is a key determinant of the Company's ability to invest for the future, and thus deliver future profitability 	15%
ROIC (25%)	<ul style="list-style-type: none"> • Aligns the way the business is managed with the key interest of shareholders, being the return achieved on their invested capital 	25%
Non-financial measures (10%)		
Customer service (10%)	<ul style="list-style-type: none"> • Quality of service is key to reputation and future success, both in terms of customer demand and achieved selling prices 	10%
Total opportunity		100%

Assessment for the year ending 31 December 2011

The maximum opportunity for executive directors for the year ending 31 December 2011 was 100% of salary. A breakdown of the performance against the measurement criteria is shown below.

Measure (% weighting)	Maximum (% salary)	Actual (% salary)
Financial measures (90%)		
Profit before tax (50%)	50%	49.6%
Cash flow (20%)	20%	19.2%
Land management (20%)	20%	3.6%
Non-financial measures (10%)		
Customer service (10%)	10%	10%
Total bonus for executive directors (% salary)	100%	82.4%

The Committee considered this level of bonus fully justified given the individual performance achieved against each of the specific metrics.

Bovis Homes Group Long Term Incentive Plan 2010

Policy, strategy and key changes

The Committee believes that a significant proportion of the overall remuneration package for executive directors should be linked to the delivery of shareholder value and performance against key financial metrics over the long term. The Long Term Incentive Plan therefore seeks to align the interests of management and shareholders and to place a significant amount of the total remuneration package at risk dependent on long-term performance.

Long term incentive awards are made in the form of performance shares or nil-cost options under the Bovis Homes Group Long Term Incentive Plan which was approved by shareholders at the 2010 Annual General Meeting. Each award is made subject to the achievement of performance criteria as set out below and will ordinarily vest after three years. There is no cost to the participant and dividend equivalents will normally be paid on vesting shares.

The one key change to the Plan for 2012 is the introduction of a ROCE target. One-third of the 2012 award shall be measured according to performance against this target.

The Committee believes that the introduction of a ROCE target is a further alignment of remuneration with business strategy, since this metric aligns the way the business is managed with the key interest of shareholders, being the return achieved on their invested capital. In order to balance both the long and short-term benefits of a return measure, the Committee has introduced a ROIC measure into the annual bonus.

Approach for awards in the year ending 31/12/2012

Key features of the long term incentive arrangements for executive directors for 2012 are as follows:

- Award sizes remain at 100% of salary for executive directors.
- One-third of the award will be subject to relative TSR performance against a bespoke housebuilder comparator index
- One-third of the award will be subject to stretching cumulative EPS.
- One-third of the award will be subject to stretching ROCE performance targets.

Performance conditions

Total Shareholder Return (one-third of total award)

One-third of the 2012 award will vest according to the Company's TSR performance over a three year period against a bespoke unweighted index of housebuilding comparators. TSR performance relative to an unweighted index has been chosen as a performance measure as the Committee believe that this aligns reward with the delivery of superior market performance over the long term. The target for maximum vesting of outperformance of the index by 10% per annum is historically equal to at least upper quartile performance, and is thus deemed appropriately stretching.

TSR	Target performance	Maximum performance
Quantum	10% of the total award	One-third of the total award
Performance measurement	Equal to the median of the Index	Median plus 10% per annum

Where TSR performance is between target and maximum performance levels, the level of vesting shall be determined pro-rata between the two points.

TSR will be calculated using a three month averaging period at the start and end of the period to smooth the impact of share price volatility on vesting.

The constituents of the TSR index to be used for the 2012 awards are as below (and are unchanged from the 2011 awards):

TSR comparator group for 2012 awards

Barratt Developments plc	The Berkeley Group plc	Taylor Wimpey plc
Bellway plc	Persimmon plc	Redrow plc

Earnings per share (one-third of total award)

The Committee decided to use cumulative EPS targets for the 2012 awards.

In setting minimum and maximum absolute EPS targets for the 2012 awards, the Remuneration Committee has considered data providing visibility over the three year performance period, including internal forecasts and analysts' forecasts.

Use of a cumulative three year EPS target, first used for the 2010 awards, was again considered appropriate, given the ongoing uncertain environment.

Accordingly, the Remuneration Committee has set absolute minimum and maximum EPS targets of 100p and 136p per share to be measured on a cumulative basis over the three year performance period.

EPS	Target performance	Maximum performance
Quantum	10% of the total award	One-third of the total award
Performance measurement	Cumulative EPS of 100p	Cumulative EPS of 136p

Where EPS performance is between target and maximum performance levels, the level of vesting shall be determined pro-rata between the two points. Where EPS falls below the minimum, none of the shares in the award judged by reference to EPS can be realised.

Return on Capital Employed (one-third of total award)

In setting minimum and maximum absolute ROCE targets for the 2012 awards, the Remuneration Committee has again considered data providing visibility over the three year performance period, including internal forecasts and analysts' forecasts. Accordingly, the Remuneration Committee has set absolute minimum and maximum ROCE targets for the 2012 awards of 8.9% and 12.4%, to be measured in the third year of the performance period (2014).

ROCE	Target performance	Maximum performance
Quantum	10% of the total award	One-third of the total award
Performance measurement	8.9%	12.4%

Where ROCE performance is between target and maximum performance levels, the level of vesting shall be determined pro-rata between the two points.

Historical LTIP awards

The table below summarises the historical long term incentive awards made to the executive directors.

Year of grant	Performance period	Award size (% salary)	Performance criteria	Percentage of award vesting
2008	01/01/2008 - 31/12/2010	100%	50% TSR 50% EPS	31.05%
2009	01/01/2009 - 31/12/2011	100%	50% TSR 50% EPS	0%
2010	01/01/2010 - 31/12/2012	100%	50% TSR 50% EPS	Ongoing
2011	01/01/2011 - 31/12/2013	100%	50% TSR 50% EPS	Ongoing

2009 LTIP award

The LTIP awarded in 2009 will lapse in full on 10 March 2012. Half of the award was measured against EPS performance, whilst the other half of the award was measured against TSR performance against an index.

The threshold EPS target was 20p, and maximum target was 50p, measured in the third year of the performance period. Actual EPS in 2011 increased over the vesting period by 90% to 17.5p. Therefore, none of the part of the award based on EPS will vest.

The threshold TSR target was performance equal to the index, and the maximum target was performance equal to 15% annual outperformance of the index. Actual TSR was below the median of the index, and therefore none of the award based on TSR will vest.

Bovis Homes Group PLC 2009 Bonus Replacement Share Plan

The Bovis Homes Group PLC Bonus Replacement Share Plan was approved at the 2009 Annual General Meeting and was designed to encourage and reward participants for delivering business recovery that resulted in the creation of shareholder value.

The Plan was operated in 2009 only as an alternative to entitlement for consideration for annual cash bonus.

Bovis Homes Group PLC Executive Share Option Scheme

The Bovis Homes Group PLC Executive Share Option Scheme was established in 1997 and expired in 2007, with the granting of options being suspended in 2004.

Shareholding guideline

Guidelines exist for executive directors in respect of ownership of Bovis Homes' shares. The Board expects executive directors benefiting from the exercise of Long Term Incentive Plan awards or exercise of share options to retain at least 50% of the net value derived from the exercise, after settling all costs and income tax due, as shares. This guideline is expected to be applied until such time as the executive director holds shares with a market value equal to basic annual salary.

Directors' interests

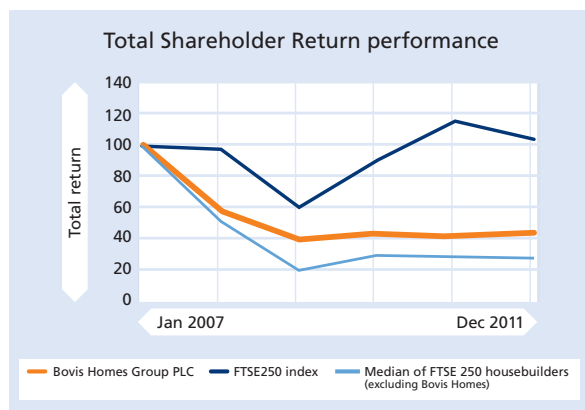
The directors' interests in the share capital of the Company are shown below. All interests are beneficial.

	31 Dec 2011					31 Dec 2010				
	Ordinary shares	Share Options	2009 Bonus Replacement Share Plan shares	Shares under the LTIP	SAYE options	Ordinary shares	Share Options	2009 Bonus Replacement Share Plan share	Shares under the LTIP	SAYE options
Executive Directors										
David Ritchie	84,917	34,867	95,057	274,361	4,570	69,046	34,867	95,057	261,572	4,570
Jonathan Hill	294	-	-	125,513	2,341	-	-	-	71,005	-
Non-executive directors										
Malcolm Harris	383,426	-	-	-	-	377,137	-	-	102,638	-
Alastair Lyons	25,000	-	-	-	-	25,000	-	-	-	-
Colin Holmes	50,000	-	-	-	-	50,000	-	-	-	-
John Warren	2,500	-	-	-	-	2,500	-	-	-	-

There were no changes in the holdings of ordinary shares of any of the directors between 31 December 2011 and 24 February 2012 other than the normal monthly investment in partnership shares through the Bovis Homes Group Share Incentive Plan.

The directors' interests in share options and awards under the Long Term Incentive Plan are detailed on page 51. There were no changes in the holdings of share options and awards under the 2009 Bonus Replacement Share Plan and the Long Term Incentive Plan between 31 December 2011 and 24 February 2012.

Total Shareholder Return performance graph*



*This graph illustrates five year TSR performance and therefore does not represent the period under which the Long Term Incentive Plan is measured.

As required by the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, the above graph shows the Total Shareholder Return of an ordinary share held in Bovis Homes Group PLC over the last five financial years, compared to the FTSE 250 index and the median of the FTSE 250 housebuilders over the same period.

As a constituent of the FTSE 250, the Committee considers both these indices to be relevant benchmarks for comparison purposes.

The middle market price of the Company's shares at 31 December 2011 was £4.39 (2010: £4.14). During the year ended 31 December 2011 the share price recorded a middle market low of £3.27 and a high of £5.00.

Remuneration of senior management and other below board employees

In addition to its responsibility for executive directors, the Committee is also involved in the consideration of the remuneration arrangements for the senior management team, in conjunction with the Chief Executive.

The Committee believes that it is highly important that the remuneration of the senior management is aligned with that of the executive directors in order that the most senior individuals in the Company are driven to achieve the same overall strategic goals, but also that these individuals are rewarded for the performance of areas under their control and influence. A summary of the senior management remuneration is shown below.

Element of remuneration	Alignment with strategy and remuneration arrangements of executive directors
Base salary	Set at market competitive levels taking into account the size and scope of the role, and the experience and past performance of the incumbent.
Annual bonus	Targets are similar to those for executives in order to create alignment, and include Group and divisional profitability, cash flow, management of land, ROIC and customer service targets.
Long Term Incentive Plan	Senior management employees participate in the long-term incentive plan, with the same targets as the executive directors. The Committee believes that this drives cohesive behaviour and the creation of long-term shareholder value.
Total Direct Remuneration	The Committee believes that, as for executive directors, a significant proportion of the total remuneration package for senior management should be variable and subject to performance. In setting the level of pay, both fixed and variable, the Committee considers both competitiveness against the external market and the internal relativities in relation to the level of pay for executive directors, and the level of pay of the wider management and wider workforce.
Pensions	Senior management are eligible to participate in either the Bovis Homes Pension Scheme or the defined contribution Bovis Homes Group Personal Pension Plan. The Committee is mindful of the same taxation considerations for senior management as it is for the executive directors.

Wider workforce incentive schemes

Employees below senior management level participate in a separate bonus scheme. Office based employees are eligible for a bonus in relation to the achievement of corporate and individual performance targets to be paid from profits generated during the year.

Site employees are incentivised through direct site bonus schemes based on measurable site performance. Sales staff are incentivised through separate commission arrangements.

Service contract key items

The current executive directors' service contracts contain the key elements shown below.

Provision	Detailed terms
Notice period	<ul style="list-style-type: none"> 12 months by either employer or director
Termination payment	<ul style="list-style-type: none"> Up to 12 months salary (excluding bonus or other enhancement)
Appointment	<ul style="list-style-type: none"> David Ritchie was appointed CEO effective 3 July 2008 (appointed an executive director in 2002) Jonathan Hill was appointed GFD effective 23 August 2010

External directorships

Executive directors may, if so authorised by the Board, accept appointments as non-executive directors of suitable companies and organisations outside the Group.

Neither of the executive directors currently has any such appointments.

Remuneration of the non-executive directors

The non-executive directors have service agreements on the terms set out in the table below. They do not participate in the bonus scheme, the long term incentive plan, or receive any other remuneration from the Group. There are no specific provisions for compensation on early termination.

Director	Role	Commencement of term	Length of term	Notice period by company or director
Malcolm Harris	Chairman	01/07/2011	3 years	12 months
Alastair Lyons	Deputy Chairman and Senior Independent Director	01/10/2011	3 years	12 months
Colin Holmes	Non-Executive	01/12/2009	3 years	12 months
John Warren*	Non-Executive	01/03/2009	3 years	12 months

*Further one year term approved commencing 1 March 2012.

The fees for the non-executive directors are set out below. These are unchanged from 2011. All fees are payable in cash.

Role	Fees	Fees reviewed
Non-executives	£40,000	01/01/2011
Deputy Chairman	£60,000	01/01/2011
Company Chairman	£130,000	01/01/2011

Additional fees of £8,000 are payable for chairing the Audit and Remuneration Committees.

Audited Information**Emoluments excluding share award information**

The emoluments for 2011 for directors who served during the financial year are set out below.

	Salary / fees £000		Bonus £000		Benefits £000		Total £000	
	2011	2010	2011	2010	2011	2010	2011	2010
Executive Directors								
David Ritchie	†415	400	342	*415	1	1	758	816
Jonathan Hill	240	78	198	86	1	-	439	164
Non Executive Directors								
Malcolm Harris	130	125	-	-	-	-	130	125
Alastair Lyons	60	60	-	-	-	-	60	60
Colin Holmes	48	45	-	-	-	-	48	45
John Warren	48	47	-	-	-	-	48	47
Total	941	755	540	501	2	1	1,483	1,257

*As described in the 2010 Annual Report, prior to the consideration of the 2010 bonus awards, David Ritchie requested and was granted a bonus sacrifice arrangement under which £193,000 of performance bonus was sacrificed in exchange for an equivalent employer contribution to a

qualifying personal pension arrangement. For clarity, the pre-sacrifice amount has been shown in the table above.

† David Ritchie also received £36,000 in the form of a non-bonusable and non-pensionable salary supplement.

Directors' interests in 2009 Bonus Replacement Share Plan shares

Director	Date of grant	At 1 Jan 11	Lapsed in year	Exercised in year	At 31 Dec 11	Exercise period
David Ritchie	07/05/2009	95,057	-	-	95,057	5/12 – 11/12

The performance condition for the award is linked to an average share price target to be measured on 7th May 2012. The average market value of a share achieved over the three months immediately preceding this date will determine the number of shares which will vest. Vesting will be calculated in accordance with the following table.

Average share price achieved	Percentage of shares in award that vest	
£7.00	100%	The number of shares that will vest will be calculated on a straight-line basis for average share prices achieved between £5.50 and £7.00.
£6.00	50%	
£5.50	25%	
Less than £5.50	nil	

Directors' interests in Long Term Incentive Plan shares

Director	Award date	Vesting date	Interest as at 31 Dec 10	Interest as at 31 Dec 11	Value of shares at date of award (£000)	Vesting and exercised in year	Lapsed in year	Expiry date	Market value at vesting (£000)	Gain on exercise (£000)	Shares retained on vesting
Malcolm Harris	11/03/08	11/03/11	102,638	-	525	6,195	96,443	11/09/11	27	28	4,875
David Ritchie	11/03/08	11/03/11	61,582	-	315	19,118	42,464	11/09/11	82	86	9,348
	27/08/08	27/08/11	19,882	-	85	6,172	13,710	27/02/12	22	24	6,172
	10/03/09	10/03/12	74,288	74,288	320	-	-	10/09/12	-	-	-
	09/03/10	09/03/13	105,820	105,820	400	-	-	09/09/13	-	-	-
	15/03/11	15/03/14	-	94,253	415	-	-	15/03/21	-	-	-
Jonathan Hill	25/08/10	25/08/13	71,005	71,005	240	-	-	25/08/20	-	-	-
	15/03/11	15/03/14	-	54,508	240	-	-	15/03/21	-	-	-

During the year, awards of 148,761 shares were made to executive directors at up to 100% of basic salary, exercisable in 2014. The awards granted to executive directors were as follows:

Executive Director	Date of grant	Grant price	Number of shares awarded
David Ritchie	15/03/2011	440.3p	94,253
Jonathan Hill	15/03/2011	440.3p	54,508

Directors' interests in share options

Executive Director	Date of grant	Scheme	Interest as at 31 Dec 10	Granted in year	Lapsed in year	Exercised in year	Interest as at 31 Dec 11	Exercise price per share	Option exercise period
David Ritchie	18/03/2003	Exec	34,867	-	-	-	34,867	358.3	3/06 – 3/13
	07/04/2010	SAYE	4,570	-	-	-	4,570	340.2	6/15 – 12/15
Jonathan Hill	13/04/2011	SAYE	-	2,341	-	-	2,341	385.4	6/14 – 12/14

All of the share options granted by the Company were granted at the market price prevailing on the date of grant, with the exception of Save As You Earn options which were granted at a 10% discount to the market price on the prevailing date of grant. There was no payment required to secure the grant of any share options. There was no change in the terms and conditions of any outstanding options granted under either the Executive Share Option Scheme ('Exec') or the Save As You Earn Scheme ('SAYE') during the financial year.

Share options held in the Save As You Earn Option Scheme, which are not subject to performance conditions, may under normal circumstances be exercised during the six months after maturity of the savings contract.

In respect of the executive director serving at 31 December 2011 holding Executive Share Options, no share options were held under an HMRC approved scheme.

Directors' pension accruals under the UKLA Listing Rules

Executive director	Age at 31 December 2011	Employer contributions to pension scheme during the year £	Director contributions to pension scheme during the year £	Accumulated total accrued pension at 31 December 2011 £ p.a.	Accumulated total accrued pension at 31 December 2010 £ p.a.	Increase in accrued pension during the year (net of inflation) (1) £ p.a.	Transfer value of increase (less Director contributions) (2) £
David Ritchie	42	46,992	10,069	50,898	46,842	2,604	11,873

Notes

1. In arriving at the increase in the accrued pension at 31 December 2011, the accumulated total accrued pension as at 31 December 2010 has been adjusted for inflation. The increase in accrued pension during the year excludes any increase due to inflation.
2. The transfer values have been calculated using the transfer basis introduced in October 2008. The values are shown less directors' contributions.
3. The accrued pension figures above are the aggregate pension resulting from two periods of service. The first period relates to service up to 5 April 2011 and the second period relates to service from 6 April 2011 to 31 December 2011.

Directors' pension accruals under the Large and Medium-sized Companies and Group (Accounts and Reports) Regulations 2008

Executive director	Employer contributions to pension scheme during the year £	Director contributions to pension scheme during the year £	Accumulated total accrued pension at 31 December 2011 £ p.a.	Increase in accrued pension during the year £ p.a.	Transfer value of accrued pension at 31 December 2011 (1) £ p.a.	Transfer value of accrued pension at 31 December 2010 £ p.a.	Increase in transfer value (less Director contributions) £
David Ritchie	46,992	10,069	50,898	4,056	541,099	502,220	28,810

Notes:

1. The transfer values have been calculated using the transfer basis introduced in October 2008. The increase in value is shown less directors' contributions.
2. The accrued pension figures above are the aggregate pension resulting from two periods of service. The first period relates to service up to 5 April 2011 and the second period relates to service from 6 April 2011 to 31 December 2011.

Employers' contributions for Jonathan Hill in respect of membership of the Bovis Homes Group Personal Pension Plan amounted to £16,800 during 2011.

By order of the Board
Colin Holmes
Chairman of the Remuneration Committee
24 February 2012

Abbotswood

Romsey, Hampshire



Introduction

The Audit Committee provides independent monitoring, guidance and challenge to executive management with the aim of ensuring high standards of reporting, controls and compliance. In doing so, it performs an important function for the Board and in providing assurance for shareholders. The Committee's role covers the four connected areas of financial reporting, risk, internal control and oversight of external and internal audit.

Committee membership and meetings

All members of the Committee are independent non-executive directors. John Warren, who chairs the Committee, is a qualified accountant and a previous group finance director who has past experience in chairing audit committees and fulfils the requirement for recent and relevant financial experience. Alastair Lyons and Colin Holmes are also qualified accountants and have broad business and operational experience. This combination provides a high level of financial expertise to fulfil the duties of the Committee. Recommendations on Committee membership are made to the Board by the Nomination Committee and it is also reviewed as part of the Committee's performance evaluation. There were no changes to Committee membership during the year.

Name	Date of appointment	Role	Attendance at meetings
John Warren	01/03/2006	Chairman	3/3
Alastair Lyons	01/10/2008	Member	3/3
Colin Holmes	01/12/2006	Member	3/3

The Committee met three times in 2011 and an overview of the main activities is provided below. Detailed papers and information were received sufficiently in advance of meetings to allow proper consideration of matters for discussion.

The Company Chairman, Chief Executive and Group Finance Director attend meetings by invitation and were present at all meetings in 2011. The external auditors, KPMG Audit Plc, and the Internal Audit Director were also in attendance at all meetings.

The Committee also met with the external auditors and Internal Audit, without executive management, following review of the 2010 financial statements, the final audit and the 2010 Internal Audit report and no matters of concern were raised in this discussion. John Warren also met privately with both the audit engagement partner of the external auditors and the Internal Audit Director during the year. The Committee is supported by Martin Palmer (Group Company Secretary), who acts as secretary to the Committee.

Responsibilities and terms of reference

The Committee's main responsibilities are to oversee and monitor: the integrity of the financial statements, including reviewing the findings of the external auditors; the effectiveness of systems for internal control, financial reporting and risk management; the effectiveness of Internal Audit; the external audit process, including the appointment of the external auditor, their fees, independence and objectivity; and the nature and scope of the external audit and its effectiveness. The Committee is also responsible for the policy on the engagement of the external auditors to supply non-audit services, taking into account relevant ethical guidance. External legal or other independent professional advice can be obtained at the Company's expense and this facility was not utilised during the year.

The Committee's terms of reference are available on the Company's website (www.bovishomesgroup.co.uk/information-on/corporate-governance).

Main activities during the year

The Committee followed a programme structured around the annual reporting cycle and reports from Internal Audit, the external auditors and management. The key financial reporting focus was, as usual, on the integrity of the preliminary results, the Annual Report, the half-yearly results and the half-yearly financial report, all published under IFRS. As part of the review process, the Company's key accounting judgements were considered, together with an assessment of subjective areas, and the Committee satisfied itself that the Annual Report presented a true and fair view. Presentations for analysts following the announcement of the final and half-yearly results also received scrutiny before submission to the Board. Submissions from the external auditors relating to the 2010 final audit, the 2011 interim review and the audit strategy for the 2011 final audit were discussed and assessed, and the results and effectiveness of the 2010 final audit were reviewed.

The Committee reviewed the system of internal control and risk management systems and reported its findings to the Board that there were no material control weaknesses. Reports from Internal Audit were considered and the content, conclusions and results were challenged and tested and progress with the actions agreed with management were reviewed. The focus of the Internal Audit programme for 2012 and the resources that would be needed were also reviewed. A review was also completed of the Committee's terms of reference and the Company's whistleblowing policy and arrangements.

External auditors

During the year, the Committee reviewed the independence and objectivity of the external auditors, which was confirmed in an independence letter containing information on procedures providing safeguards established by the external auditor. Regulation, professional requirements and ethical standards are taken into account, together with consideration of all relationships between the Company and the external auditors and their staff. Relations with the external auditors are managed through a series of meetings and regular discussions and we ensure a high quality audit by challenging the key areas of the external auditor's work. The relationship is kept under review and, following adopted practice, the audit engagement partner will rotate on completion of the 2011 final audit after five years in the post.

Our 2012 AGM Notice contains a resolution for the re-appointment of KPMG Audit Plc as auditors to the Company. In making this recommendation, the Committee took into account, amongst other matters, the independence and objectivity of KPMG Audit Plc, their continuing effectiveness and cost. The external auditors have been in post since flotation in 1997 and there are no contractual restrictions on the choice of external auditor. The 2012 AGM Notice also contains a resolution to give the directors authority to determine the auditors' remuneration, which provides a practical flexibility to the Committee.

The Committee keeps under review its policy which requires the Committee to approve all non-audit services proposed to be undertaken by the external auditors, with the exception of tax advisory and compliance work undertaken in the ordinary course of business and audit related services, which are treated as pre-approved. When an approval request is made, the Committee will have due regard to the nature of the non-audit service, whether the external auditor is a suitable supplier, whether there is likely to be any threat to independence and objectivity in the conduct of the audit, and the related fee level, both separately and relative to the audit fee. For an analysis of fees paid to the external auditors, see note 5 on page 73. The non-audit services provided during the year related to tax advisory and compliance work. Provision of these services is not considered to impair the external auditor's independence or objectivity.

Internal audit function

The Internal Audit function follows an approved audit programme using a risk based methodology and the Committee has approved its remit. Reporting to the Committee includes summaries of all completed and ongoing audit assignments, allowing members of the Committee to question the Internal Audit Director. Progress against the annual audit programme is reviewed and management's response and speed of action in respect of issues raised is monitored. The effectiveness, workload and adequacy of resources of the Internal Audit function is kept under review using a planning, reporting and review regime. The freedom, scope and access allowed to Internal Audit in performing their duties during the year were confirmed as unrestricted and the Internal Audit Director has direct access to the Chairman of the Committee.

Performance evaluation

An evaluation of the performance of the Board Committees was carried out as part of the first external independent evaluation of the Board completed towards the end of 2011. The Committee was found to be effective and well run, with the level of accounting and financial expertise providing strong challenge. It was also concluded that the Committee had appropriate terms of reference and had fulfilled its remit in 2011 and that the audit process continued to be effective.

John Warren
Chairman of the Audit Committee

24 February 2012

Introduction

The Nomination Committee seeks to ensure that the right balance of experience and qualities are in place on the Board and its Committees to successfully deliver the Company's strategy. It reviews the structure, composition and balance of skills on the Board, is responsible for identifying and nominating candidates for Board appointment and assists the Board in its oversight of succession planning for both directors and senior executives.

Committee membership and meetings

All members of the Committee are independent non-executive directors, with the exception of the Chairman of the Company and the Chief Executive. Malcolm Harris chairs the Committee and is supported by Alastair Lyons, Colin Holmes, John Warren and David Ritchie. There were no changes to Committee membership during the year.

Name	Date of appointment	Role	Attendance at meetings
Malcolm Harris	18/12/1998 (current role - 03/07/2008)	Chairman	4/4
Alastair Lyons	01/10/2008	Member	4/4
Colin Holmes	01/12/2006	Member	4/4
John Warren	01/03/2006	Member	4/4
David Ritchie	03/07/2008	Member	4/4

The Committee met four times in 2011 and an overview of the main activities is provided below. Papers were received sufficiently in advance of meetings to allow proper consideration of matters for discussion. The Committee is supported by Martin Palmer (Group Company Secretary), who acts as secretary to the Committee.

Responsibilities and terms of reference

The Committee's main responsibilities are to regularly review the structure, size and composition of the Board (including skills, knowledge, experience and diversity) and make recommendations to the Board on any changes needed. It gives full consideration to succession planning for directors and senior executives, taking into account the challenges and opportunities facing the Company and the skills and expertise needed in the future.

The leadership of the Company is kept under review and the Committee leads the process for Board appointments, which are conducted on merit, against objective criteria (including diversity), using the services of an appropriate external search consultant. The Committee makes recommendations to the Board, including on the re-appointment of non-executive directors, the proposed re-election of directors at the AGM, and membership of the Audit and Remuneration Committees. It also reviews the results of the Board performance evaluation that relate to the composition of the Board. External legal or other independent professional advice can be obtained at the Company's expense and this facility was not utilised during the year.

The Committee's terms of reference are available on the Company's website (www.bovishomesgroup.co.uk/information-on/corporate-governance).

Main activities during the year

During the year, the Committee reviewed and amended its terms of reference, updating them for best practice and corporate governance developments. The structure, size and composition of the Board was reviewed and the Committee concluded that the present Board balance and composition remained appropriate, to be reviewed again in 2012. The Committee recommended that all the directors stand for re-election at the 2011 AGM in accordance with the UK Corporate Governance Code, having considered the matter on a case by case basis, and that Jonathan Hill, who was appointed by the Board in 2010, seek re-appointment. The Nomination Committee report was approved for inclusion in the 2010 Annual Report and succession planning for directors and senior executives was kept under review. Service contracts for the Chairman and Deputy Chairman were recommended to the Board for renewal for second three year terms, following consideration of their respective contributions, performance and commitment to their roles.

A policy on the renewal of non-executive directors' service contracts was adopted so that renewal following the conclusion of a second three year term would be recommended to the Board based on annual re-appointment, subject to satisfactory performance and there being no requirement to re-balance the Board. The aim is to ensure that the Committee applies regular rigorous review to non-executive directors serving more than six years and the need to refresh the Board.

During the year, the Board welcomed publication of Lord Davies' report on Women on Boards. The principle of boardroom diversity is strongly supported and the Committee formulated a diversity statement for Board approval, which was subsequently published on the Company's website. The statement took the opportunity to explain that appointments to the Board will always be based on merit so that the Board has the right individuals in place and that diversity is seen as an important consideration as part of the objective criteria used to assess candidates to achieve a balanced board. The Committee will continue to consider boardroom diversity in future succession planning as an outcome of the Board performance evaluation.

Performance evaluation

An evaluation of the performance of the Board Committees was carried out as part of the first external independent evaluation of the Board completed towards the end of 2011. The Committee was found to be effective and it was concluded that it had appropriate terms of reference and had fulfilled its remit in 2011.

Malcolm Harris

Chairman of the Nomination Committee

24 February 2012

The directors have pleasure in submitting the annual report of the Company and its subsidiaries to the shareholders, together with the audited accounts for the year ended 31 December 2011.

Principal activities and business review

The principal activity of the Company and its subsidiary undertakings has remained housebuilding in the UK. The information that fulfils the requirements of the business review commences on page 8 and provides a full review of the Group's performance and prospects.

Information on the risks to which the performance of the business is subject, including key social, environmental and ethical risks, is provided on page 22. These risks are regularly reviewed by the Board and controls and mitigation processes put in place as explained in the report on corporate governance.

Key financial performance indicators include pre tax profit, earnings per share, operating margin, return on capital employed, consented and strategic land bank, volume of legal completions and net assets. Other key performance indicators are also monitored including those relating to health and safety, customer satisfaction and corporate social responsibility. Key performance indicators are set out on pages 20 and 21.

Results and dividends

The Group made a profit after taxation of £23.3 million (2010: £14.0 million). An interim dividend of 1.5p (2010: nil) net per share was paid on 25 November 2011. The Board proposes to pay, subject to shareholder approval at the 2012 Annual General Meeting, a final dividend of 3.5p (2010: final dividend of 3.0p) net per share in respect of the 2011 financial year on 25 May 2012 to shareholders on the register at the close of business on 30 March 2012. On this basis, the total dividend for 2011 will be 5.0p (2010: 3.0p). It is intended that a scrip dividend alternative will again be offered to allow shareholders to elect to receive the whole or part of their dividend in new ordinary shares.

Directors

Details of the directors are shown on page 30.

Details of directors' emoluments, pension rights, service contracts and directors' interests in the ordinary shares of the Company are included in the Directors' Remuneration Report on pages 39 to 52.

In accordance with the UK Corporate Governance Code, all the directors will retire at the Annual General Meeting, to be held on Wednesday 16 May 2012, and being eligible, offer themselves for re-appointment.

Powers of the directors

Subject to the Company's Memorandum and Articles of Association, UK legislation and any directions given by special resolution, the business of the Company is managed by the Board, which may exercise all the powers of the Company. The directors have been authorised to allot and issue ordinary shares and to make market purchases of the Company's ordinary shares and these powers may be exercised under authority of resolutions of the Company passed at its Annual General Meeting. The rules in relation to the appointment and replacement of directors are set out in the Company's Articles of Association.

Share capital

At the date of this report the Company's issued share capital comprised a single class of share capital which is divided into ordinary shares of 50 pence. As at 24 February, 133,674,109 ordinary shares of 50 pence each have been issued, are fully paid up and are quoted on the London Stock Exchange.

The rights and obligations attaching to the Company's ordinary shares are set out in the Company's Articles of Association, copies of which can be obtained from Companies House in the UK or by writing to the Group Company Secretary. In particular, subject to applicable statutes, shares may be issued with such rights or restrictions as the Company may by ordinary resolution determine, or (if there is no such resolution or so far as it does not make specific provision) as the Board may determine. Shareholders are entitled to attend, speak and vote at general meetings of the Company, to appoint one or more proxies and, if they are corporations, to appoint corporate representatives.

On a show of hands at a general meeting of the Company every shareholder present in person or by proxy and entitled to vote has one vote and on a poll every shareholder present in person or by proxy and entitled to vote has one vote for every ordinary share held. Further details regarding voting, including the deadlines for voting, at the Annual General Meeting can be found in the notes to the Notice of the Annual General Meeting at the back of this annual report and accounts. No shareholder is, unless the Board decides otherwise, entitled to attend or vote either personally or by proxy at a general meeting or to exercise any other shareholder rights if he or any person with an interest in shares has been sent a notice under section 793 of the Companies Act 2006 and has failed to supply the Company with the requisite information within the prescribed period.

Shareholders may receive a dividend and on a liquidation may share in the assets of the Company. None of the ordinary shares of the Company, including those held by the Company's share schemes, carry any special rights with regard to control of the Company. Employees participating in the Bovis Homes Group Share Incentive Plan may direct the trustee to exercise voting rights on their behalf at any general meeting.

The instrument of transfer of a certificated share may be in any usual form or in any other form which the Board may approve. The Board may refuse to register any instrument of transfer of a certificated share which is not fully paid, provided that the refusal does not prevent dealings in shares in the Company from taking place on an open and proper basis.

The Board may also refuse to register a transfer of a certificated share unless the instrument of transfer: (i) is lodged, duly stamped (if stampable), at the registered office of the Company or any other place decided by the Board accompanied by the certificate for the share to which it relates and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer; (ii) is in respect of only one class of shares; and (iii) is in favour of not more than four transferees. Transfers of uncertificated shares must be carried out using the relevant system and the Board can refuse to register a transfer of an uncertificated share in accordance with the regulations governing the operation of the relevant system and with UK legislation. There are no other limitations on the holding of ordinary shares in the Company and the Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities or on voting rights.

Substantial shareholdings

As at 31 December 2011, the following interests of 3% or more in the Company's issued share capital had been notified to the Company:

Ordinary shares of 50p each	% direct holding	% indirect holding	% financial instruments	Total number of shares held	% of voting rights of the issued share capital
Blackrock		14.23	2.79	22,753,599	17.02
Schroders		10.96		14,615,449	10.96
Sanderson Asset Management	9.03			12,039,346	9.03
Prudential	7.28			9,720,356	7.28
Norges Bank	5.03			6,719,218	5.03
Lloyds Banking Group	0.40	4.59		6,652,328	4.99
Standard Life Investments	3.47	1.34		6,405,231	4.81

Between 1 January and 24 February 2012, the following interests of 3% or more in the Company's issued share capital were notified to the Company:

24 February 2012					
Ordinary shares of 50p each	% direct holding	% indirect holding	% financial instruments	Total number of shares held	% of voting rights of the issued share capital
Standard Life Investments	4.08	0.73		6,432,254	4.81
Prudential	3.03			4,054,444	3.03

Corporate governance

The Board is committed to the highest standards of corporate governance. Details relating to the Company's compliance with the 2010 UK Corporate Governance Code are given in the Corporate Governance report on pages 31 to 37.

Directors' indemnities

As at the date of this report, indemnities are in force under which the Company has agreed to indemnify the directors, to the extent permitted by law and the Company's Articles of Association, in respect of all losses arising out of or in connection with, the execution of their powers, duties and responsibilities, as directors of the Company or any of its subsidiaries.

Employees

The Group's employment policies do not discriminate between employees, or potential employees, on the grounds of sex, sexual orientation, age, colour, creed, ethnic origin or religious belief. It is Group policy to give full and fair consideration to the employment needs of disabled persons (and persons who become disabled whilst employed by the Group) where requirements may be adequately covered by these persons and to comply with any current legislation with regard to disabled persons.

The Group has a human capital strategy focused on the key areas of leadership and management development, employee development, recruitment and retention, and employee engagement. This strategy is aligned with the Group's business strategy and objectives, matching resources to future requirements.

It is the policy of the Group to train and develop employees to ensure they are equipped to undertake the tasks for which they are employed, and to provide the opportunity for career development equally and without discrimination. Employees receive regular training in health, safety and environmental matters.

Information about the Group's performance and other matters is provided regularly by a news magazine, electronic and notice board bulletins, by consultations at staff meetings and through elected employee representatives.

The Group operates both a defined benefit pension scheme and a defined contribution pension scheme.

The Company has a Share Incentive Plan, a Save As You Earn Share Option Scheme, a Share Option Plan, an Executive Share Option Scheme (expired), a 2009 Bonus Replacement Share Plan and a Long Term Incentive Plan to motivate employees and encourage strong involvement with the Group. See note 21 to the accounts for details of the share schemes.

Corporate social responsibility

The Group, in carrying out its business activities, is pursuing its commitment to sustainable development and transparent corporate conduct in social and ethical matters, corporate governance, health and safety and the environment. The Group's corporate social responsibility policy commitments focus on sustainable development, the environment, health and safety, research and development, human resources, an ethical code of conduct and stakeholder engagement. The Group Executive Committee co-ordinates developments in this area and an established process of risk identification and management is embedded in all activities, regardless of whether risk is classed as strategic, operational, financial, or compliance-related, legal, environmental, social or connected to reputation. The Health, Safety and Environmental Consultative Committee monitors and maintains the high health and safety and environmental standards expected from offices and sites.

The Board addresses risk in its own decision making and takes regular account of the significance of sustainability, environmental, social and ethical matters through consideration of relevant information and data in Board reports and other documentation provided. Ultimate responsibility rests with the Board and induction and training in this area is supported.

Further details of risks and policies and procedures for their management are included in the Group's Corporate Social Responsibility report dated 24 February 2012, which includes key targets and performance data. A copy of the report is available on the Group's website www.bovishomesgroup.co.uk and on request to the Group Company Secretary

Donations

The Group made charitable donations in the year amounting to £4,950 (2010: £7,830). No political donations were made in either year by the Group or Company.

Suppliers

The Group's payment policy in respect of all suppliers is to settle agreed outstanding accounts in accordance with terms and conditions agreed with suppliers when placing orders.

The Group's creditor days relating to trade creditors at the year end in respect of goods and services supplied in the normal course of trade amounted to 54 days (2010: 50 days). The calculation excludes land purchase creditors.

The aggregate amount owed to trade creditors by the Company was £nil throughout 2010 and 2011.

Significant agreements

The Group is a party to a syndicated facility agreement with its relationship banking group relating to the provision of a £150 million revolving loan facility. In the event of a change of control, provisions in the agreement would allow lenders to withdraw the facility. At 31 December 2011, the Group had no borrowing positions under this arrangement.

All of the Group's share schemes contain provisions relating to a change of control. Under these provisions, a change of control would be a vesting event, allowing exercise of outstanding options and awards, subject to satisfaction of performance conditions as required.

There are a number of commercial contracts that could alter in the event of a change of control. None is considered to be material in terms of their potential impact on the Group in this event.

Annual General Meeting

Notice of the 2012 Annual General Meeting to be held on Wednesday 16 May 2012 is set out on pages 95 to 97. Members wishing to vote should return forms of proxy to the Company's Registrar not less than 48 hours before the time for holding the meeting. Shareholders with internet access may register their voting instructions via the internet by going to www.eproxyappointment.com.

In accordance with the UK Corporate Governance Code, all the directors will stand for re-election at the Annual General Meeting.

As in prior years, it is proposed that a general meeting that is not an Annual General Meeting can be called on not less than 14 clear days' notice. This resolution is required as a result of the implementation of the Shareholder Rights Directive, which increased the notice period for general meetings of the Company to 21 days unless shareholders have approved the calling of meetings on 14 days' notice. Ability to call a general meeting on 14 days' notice would only be utilised in limited circumstances and where it was to the advantage of shareholders as a whole.

At a meeting on 24 February 2012, the Board resolved that a resolution be submitted to shareholders at the Annual General Meeting proposing the renewal of the authority to enable the Company to purchase up to 10% of its own shares. At the present time, the directors have no wish to exercise the authority to purchase any of the shares of the Company, but consider that it is appropriate to have the flexibility to do so. Any shares so purchased would be cancelled.

The directors believe that all the resolutions proposed to be considered at the Annual General Meeting are in the best interests of the Company and its shareholders as a whole and, accordingly, unanimously recommend all shareholders to vote in favour of the resolutions, as the directors intend to do in respect of their own shares in the Company.

Auditors

Each person who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

The auditors, KPMG Audit Plc, have indicated their willingness to continue in office and, in accordance with the provisions of the Companies Act 2006, resolutions concerning their re-appointment and remuneration will be placed before the Annual General Meeting.

Director's responsibilities statement

The directors are responsible for preparing the annual report and the Group and Parent Company financial statements, in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and Parent Company financial statements for each financial year. Under that law the directors are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the Parent Company financial statements on the same basis.

Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period.

In preparing each of the Group and Parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- for the Group and Parent Company financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a directors' report, report on directors' remuneration and report on corporate governance that comply with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the directors, whose names and functions are listed on page 30 of this annual report confirm that, to the best of their knowledge:

- a) the Group and Parent Company financial statements in this report, which have been prepared in accordance with IFRS as adopted by the EU, IFRIC interpretation and those parts of the Companies Act 2006 applicable to companies reporting under IFRS, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and of the Group taken as a whole; and
- b) the management report contained in this report includes a fair review of the development and performance of the business and the position of the Company and the Group taken as a whole, together with a description of the principal risks and uncertainties they face.

By Order of the Board
M T D Palmer
Company Secretary

24 February 2012

Bovis Homes Group PLC
Registered number 306718



Independent auditor's report to the members of Bovis Homes Group PLC

We have audited the financial statements of Bovis Homes Group PLC for the year ended 31 December 2011 set out on pages 65 to 93. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's 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 and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on pages 61 and 62, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2011 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and

- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 36, in relation to going concern;
- the part of the Corporate Governance Statement on page 32 relating to the company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

William Meredith (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
London

Group income statement

For the year ended 31 December		2011 £000	2010 £000
Revenue		364,782	298,635
Cost of sales		(292,546)	(245,218)
Gross profit		72,236	53,417
Administrative expenses		(35,876)	(31,784)
Operating profit before financing costs	5,6	36,360	21,633
Financial income	7	2,843	2,406
Financial expenses	7	(7,349)	(5,614)
Net financing costs		(4,506)	(3,208)
Share of profit of Joint Venture	11	243	76
Profit before tax		32,097	18,501
Income tax expense	8	(8,831)	(4,463)
Profit for the period attributable to equity holders of the parent		23,266	14,038
<i>Earnings per share</i>			
Basic	20	17.5p	10.6p
Diluted	20	17.5p	10.6p

Group statement of comprehensive income

For the year ended 31 December		2011 £000	2010 £000
Profit for the period		23,266	14,038
Actuarial (losses)/gains on defined benefit pension scheme		(3,390)	4,320
Deferred tax on actuarial movements on defined benefit pension scheme		851	(1,255)
Total comprehensive income for the period attributable to equity holders of the parent		20,727	17,103

Balance sheets

As at 31 December	Note	Group		Company	
		2011 £000	2010 £000	2011 £000	2010 £000
Assets					
Property, plant and equipment	10	11,614	11,307	-	-
Investments	11	5,327	4,847	3,520	2,399
Restricted cash	15	659	138	-	-
Deferred tax assets	12	3,498	3,899	-	-
Trade and other receivables	14	2,017	12,087	-	-
Available for sale financial assets	14	38,653	31,147	-	-
Total non-current assets		61,768	63,425	3,520	2,399
Inventories	13	797,756	764,360	-	-
Trade and other receivables	14	77,422	37,271	384,174	381,348
Cash and cash equivalents	15	56,177	67,003	344	344
Total current assets		931,355	868,634	384,518	381,692
Total assets		993,123	932,059	388,038	384,091
Equity					
Issued capital	16	66,836	66,609	66,836	66,609
Share premium	16	212,064	210,409	212,064	210,409
Retained earnings	16	449,671	433,799	106,120	103,955
Total equity attributable to equity holders of the parent		728,571	710,817	385,020	380,973
Liabilities					
Bank and other loans	17	5,402	15,233	-	-
Other financial liabilities	19	1,243	2,686	-	-
Trade and other payables	19	45,451	56,004	459	459
Retirement benefit obligations	21	2,444	2,870	-	-
Provisions	18	1,776	1,995	-	-
Total non-current liabilities		56,316	78,788	459	459
Bank and other loans	17	-	92	-	-
Trade and other payables	19	202,665	139,215	28	28
Provisions	18	1,535	1,604	-	-
Current tax liabilities	9	4,036	1,543	2,531	2,631
Total current liabilities		208,236	142,454	2,559	2,659
Total liabilities		264,552	221,242	3,018	3,118
Total equity and liabilities		993,123	932,059	388,038	384,091

These financial statements were approved by the board of directors on 24 February 2012 and were signed on its behalf:
David Ritchie and Jonathan Hill, Directors.

Group statement of changes in equity

	Own shares held £000	Retirement benefit obligations £000	Other retained earnings £000	Total retained earnings £000	Issued capital £000	Share premium £000	Total £000
Balance at 1 January 2010	(2,666)	(18,016)	436,497	415,815	66,570	210,181	692,566
Total comprehensive income and expense	-	3,065	14,038	17,103	-	-	17,103
Deferred tax on other employee benefits	-	-	36	36	-	-	36
Issue of share capital	-	-	-	-	39	228	267
Own shares disposed	113	-	(113)	-	-	-	-
Share based payments	331	-	514	845	-	-	845
Deferred tax on share based payments	-	-	(160)	(160)	-	-	(160)
Current tax on share based payments	-	-	160	160	-	-	160
Balance at 31 December 2010	(2,222)	(14,951)	450,972	433,799	66,609	210,409	710,817
Balance at 1 January 2011	(2,222)	(14,951)	450,972	433,799	66,609	210,409	710,817
Total comprehensive income and expense	-	(2,539)	23,266	20,727	-	-	20,727
Issue of share capital	-	-	-	-	227	1,655	1,882
Own shares disposed	281	-	(281)	-	-	-	-
Share based payments	-	-	1,121	1,121	-	-	1,121
Dividends paid to shareholders	-	-	(5,976)	(5,976)	-	-	(5,976)
Balance at 31 December 2011	(1,941)	(17,490)	469,102	449,671	66,836	212,064	728,571

Company statement of changes in equity

	Attributable to equity holders of the parent			
	Total retained earnings £000	Issued capital £000	Share Premium £000	Total £000
Balance at 1 January 2010	96,346	66,570	210,181	373,097
Total comprehensive income and expense	6,764	-	-	6,764
Issue of share capital	-	39	228	267
Share based payments	845	-	-	845
Balance at 31 December 2010	103,955	66,609	210,409	380,973
Balance at 1 January 2011	103,955	66,609	210,409	380,973
Total comprehensive income and expense	7,020	-	-	7,020
Issue of share capital	-	227	1,655	1,882
Share based payments	1,121	-	-	1,121
Dividends paid to shareholders	(5,976)	-	-	(5,976)
Balance at 31 December 2011	106,120	66,836	212,064	385,020

Statement of cash flows

For the year ended 31 December	Note	Group		Company	
		2011 £000	2010 £000	2011 £000	2010 £000
<i>Cash flows from operating activities</i>					
Profit for the year		23,266	14,038	7,020	6,764
Depreciation		747	636	-	-
Adjustment for sale of assets to Joint Venture	11	234	963	-	-
Impairment of available for sale assets		1,274	713	-	-
Financial income	7	(2,843)	(2,406)	(9,551)	(9,395)
Financial expense	7	7,349	5,614	-	-
(Profit)/loss on sale of property, plant and equipment	5	(33)	8	-	-
Equity-settled share-based payment expense	6	1,121	845	-	-
Income tax expense	8	8,831	4,463	2,531	2,631
Share of results of Joint Venture	11	(243)	(76)	-	-
Increase in trade and other receivables		(37,951)	(23,951)	(5,457)	(9,662)
Increase in inventories		(33,396)	(133,650)	-	-
Increase in trade and other payables		47,517	84,335	-	-
Decrease in provisions and retirement benefit obligations		(3,484)	(1,731)	-	-
Cash generated from operations		12,389	(50,199)	(5,457)	(9,662)
Interest paid		(2,311)	(3,028)	-	-
Income taxes paid		(5,085)	(762)	-	-
Net cash from operating activities		4,993	(53,989)	(5,457)	(9,662)
<i>Cash flows from investing activities</i>					
Interest received		420	660	9,551	9,395
Acquisition of property, plant and equipment		(1,073)	(402)	-	-
Proceeds from sale of plant and equipment		52	24	-	-
Investment in Joint Venture		(500)	(4,228)	-	-
Movements in loans with Joint Venture		(125)	(1,451)	-	-
Dividends received from Joint Venture		200	-	-	-
Investment in restricted cash		(522)	(138)	-	-
Net cash from investing activities		(1,548)	(5,535)	9,551	9,395
<i>Cash flows from financing activities</i>					
Dividends paid	16	(4,146)	-	(4,146)	-
Proceeds from the issue of share capital	16	52	267	52	267
(Repayment)/drawdown of borrowings	17	(10,177)	13,706	-	-
Costs associated with refinancing		-	(2,041)	-	-
Net cash from financing activities		(14,271)	11,932	(4,094)	267
Net decrease in cash and cash equivalents		(10,826)	(47,592)	-	-
Cash and cash equivalents at 1 January	15	67,003	114,595	344	344
Cash and cash equivalents at 31 December	15	56,177	67,003	344	344

Notes to the financial statements

Bovis Homes Group PLC (the “Company”) is a company domiciled in the United Kingdom. The consolidated financial statements of the Company for the year ended 31 December 2011 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interest in associates and joint ventures.

The financial statements were authorised for issue by the directors on 24 February 2012.

1. Statement of compliance

The consolidated financial statements of the Company and the Group have been prepared in accordance with International Financial Reporting Standards as adopted by the EU (adopted IFRS) and its interpretations as adopted by the International Accounting Standards Board (IASB). On publishing the Company financial statements here together with the Group financial statements, the Company is taking advantage of the exemption in s408 of the Companies Act 2006 not to present its individual income statement and related notes that form a part of these approved financial statements.

2. Basis of preparation

The financial statements are prepared on the historical cost basis except for derivative financial instruments and available for sale assets.

The preparation of financial statements in conformity with adopted IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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 the next year are discussed in note 27.

The accounting policies set out below have been applied consistently to all relevant periods presented in these consolidated financial statements. The accounting policies have been applied consistently to the Company and the Group where relevant.

Impact of standards and interpretations effective for the first time

The following new standards, amendments to standards or interpretations are mandatory for the first time for the Company’s year ended 31 December 2011. They have had no material impact on the Group’s financial statements.

Amendment to IFRIC 14 ‘Prepayments of a Minimum Funding Requirement’. The amendment to IFRIC 14 removes unintended consequences arising from the treatment of prepayments when there is a minimum funding requirement. The amendment results in prepayments of contributions in certain circumstances being recognised as an asset rather than an expense.

Amendment to IFRS 7 ‘Financial Instruments: Disclosure’. The amendment provides clarification of the standard and requires additional disclosures in relation to financial instruments.

IAS24 (Revised) ‘Related Party Transactions’. The revised standard relates mainly to the related party disclosure requirements for government-related entities, and the definition of a related party.

The other standards and interpretations that are applicable for the first time in the Group’s financial statements for the year ended 31 December 2011, have no effect on these financial statements.

3. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group’s share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases.

Joint ventures are those entities in which the Group has joint control over the financial and operating policies. The consolidated financial statements include the Group’s share of the total recognised gains and losses of joint ventures on an equity accounted basis, from the date that joint control commenced until joint control ceases.

Notes to the financial statements continued

4. Accounting policies

Revenue

Revenue is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the purchaser. Revenue comprises the fair value of the consideration received or receivable, net of value-added tax, rebates and discounts. Revenue in respect of the sale of residential properties and land is recognised at the fair value of the consideration received or receivable on legal completion of the sale transaction. Revenue does not include the value of the onward legal completion of properties accepted in part exchange against a new property. The net gain or loss arising from the legal completion of these part exchange properties is recognised in cost of sales.

Rental income is recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income.

Operating leases

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease. Lease incentives received are recognised as an integral part of the total lease expenditure.

Net financing costs

Net finance costs comprise:

- interest payable on borrowings, including any premiums payable on settlement or redemption and direct issue costs, accounted for on an accrual basis to the income statement using the effective interest method;
- interest receivable on funds invested accounted for on an accrual basis to the income statement using the effective interest method;
- imputed interest on available-for-sale financial assets, fair valued interest free loans and on deferred terms land payables;
- pension finance costs or benefits being the net of interest costs on liabilities and expected return on assets linked to the Defined Benefit Scheme; and
- gains and losses on hedging instruments that are recognised in the income statement.

Finance costs are included in the measurement of borrowings at their amortised cost to the extent that they are not settled in the period in which they arise.

The Group is required to capitalise borrowing costs directly attributable to the acquisition, construction and production of a qualifying asset, as part of the costs of that asset. Inventories which are produced in large quantities on a repetitive basis over a short period of time are not qualifying assets. The Group does not generally produce qualifying assets.

Taxation

Income tax comprises the sum of the tax currently payable or receivable and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

The tax currently payable or receivable is based on taxable profit or loss for the year and any adjustment to tax payable or receivable in respect of previous years. Taxable profit or loss differs from net profit or loss as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability or asset for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from non-tax deductible goodwill, from the initial recognition of assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit, and from differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to reserves, in which case the deferred tax is also dealt with in reserves.

Derivative financial instruments and hedge accounting

The Group's activities expose it primarily to the financial risks of changes in interest rates. The Group uses interest rate swap contracts where deemed appropriate to hedge these exposures. The Group does not use derivative financial instruments for speculative purposes. The use of financial derivatives is governed by the Group's policies approved by the Board of directors, which provide written principles on the use of financial derivatives.

Derivative financial instruments are recognised at fair value. The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date, taking into account interest rates and the current creditworthiness of the swap counterparties.

Notes to the financial statements continued

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting and any ineffectiveness in the hedge relationship are recognised in the income statement as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in reserves is retained in reserves until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in reserves is transferred to net profit or loss for the period.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Certain property that had been revalued to fair value on or prior to 1 January 2004, the date of transition to adopted IFRS, are measured on the basis of deemed cost, this being the revalued amount at the date of that revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Regular reviews of the carrying values of property are completed to assess any impairment in value. When impairment is identified, the asset's recoverable amount is assessed and any shortfall is written off through the income statement.

Depreciation is charged so as to write off the cost less residual value (which is reassessed annually) of assets over their estimated useful lives. Depreciation is charged on property in respect of the value of the building. Land is not depreciated. The basis of depreciation for each class of asset is as follows:

- Buildings straight line over 50 years
- Plant and machinery 33.3% reducing balance
- Computer equipment straight line over 3 years
- Office equipment 25% reducing balance

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Fixed asset investments

Investments in subsidiaries are carried at cost less impairment. Following the issue of IFRIC 11 in 2007, the Parent Company accounts for the share-based payments granted to subsidiary employees as an increase in the cost of its investment in subsidiaries.

Trade and other receivables

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

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 as described in note 14. 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.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads, not including any general administrative overheads, that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated net selling price less estimated total costs of completion of the finished goods.

Land held for development, including land in the course of development until legal completion of the sale of the asset, is initially recorded at cost along with any expected overage. Where, through deferred purchase credit terms, cost differs from the nominal amount which will actually be paid in settling the deferred purchase terms liability, an adjustment is made to the cost of the land, the difference being charged as a finance cost.

Options purchased in respect of land are capitalised initially at cost. Regular reviews are completed for impairment in the value of these options, and provisions made accordingly to reflect loss of value. The impairment reviews consider the period elapsed since the date of purchase of the option given that the option contract has not been exercised at the review date. Further, the impairment reviews consider the remaining life of the option, taking account of any concerns over whether the remaining time available will allow successful exercise of the option. The carrying cost of the option at the date of exercise is included within the cost of land purchased as a result of the option exercise.

Investments in land without the benefit of planning consent, either through purchase of freehold land or non refundable deposits paid on land purchase contracts subject to residential planning consent, are capitalised initially at cost. Regular reviews are completed for impairment in the value of these investments, and provision made to reflect any irrecoverable element. The impairment reviews consider the existing use value of the land and assesses the likelihood of achieving residential planning consent and the value thereof.

Ground rents are held at an estimate of cost based on a multiple of ground rent income, with a corresponding credit created against cost of sales, in the year in which the ground rent first becomes payable by the leasehold purchaser.

Cash and cash equivalents

Cash and cash equivalents comprises cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Notes to the financial statements continued

Bank borrowings

Interest-bearing bank loans and overdrafts are initially recorded at fair value, net of direct issue costs, and subsequently at amortised cost. Finance charges are accounted for on an accrual basis to the income statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Joint ventures

Entities which are jointly controlled with another party or parties ("joint ventures") are accounted for using the equity method of accounting. The results attributable to the Group's holding in joint ventures are shown separately in the consolidated income statement. The amount included in the consolidated balance sheet is the Group's share of the net assets of the joint ventures plus net loans receivable.

Government grants

Government grants are recognised in the income statement so as to match with the related costs that they are intended to compensate. Government grants are included within deferred income. The benefit on loans with an interest rate below market is calculated as the difference between interest at a market rate and the below market interest. The benefit is treated as a Government grant.

Kickstart

During the year, the Group has been granted assistance for the development of a number of sites under the Homes and Communities Agency ('HCA') 'Kickstart' scheme. Where receipts under the Kickstart scheme relate to grants they are accounted for in accordance with the policy for government grants stated above.

In addition the Group has received cash upon specific sites under the 'Kickstart equity' scheme which may be repayable in future periods, as the sites to which it relates are developed, along with the share of the profits or losses attributable to the HCA arising from the sites. This grant element is included within deferred income to the extent that it is currently estimated that future economic benefit will be derived and will be released to the income statement in line with sales from the relevant site. If part or all the equity schemes are expected to be repaid these are shown in other creditors.

Trade payables

Trade payables on normal terms are not interest bearing and are stated at their nominal value.

Trade payables on extended terms, particularly in respect of land, are recorded at their fair value at the date of acquisition of the asset to which they relate. The discount to nominal value which will be paid in settling the deferred purchase terms liability is recognised over the period of the credit term and charged to finance costs using the effective interest rate method.

Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Own shares held by ESOP trust

Transactions of the Group-sponsored ESOP trust are included in the Group financial statements. In particular, the trust's purchases of shares in the Company are debited directly to equity through an own shares held reserve.

Employee benefits

The Group accounts for pensions and similar benefits under IAS 19 (Revised): "Employee benefits". In respect of defined benefit schemes, the net obligation is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods, such benefits measured at discounted present value, less the fair value of the scheme assets. The discount rate used to discount the benefits accrued is the yield at the balance sheet date on AA credit rated bonds that have maturity dates approximating to the terms of the Group's obligations. The calculation is performed by a qualified actuary using the projected unit method. The operating and financing costs of such plans are recognised separately in the income statement; service costs are spread systematically over the lives of employees and financing costs are recognised in the periods in which they arise. All actuarial gains and losses are recognised immediately in the statement of recognised income and expense.

Payments to defined contribution schemes are charged as an expense as they fall due.

Share-based payments

The Group has applied the requirements of IFRS2: "Share-based payments". In accordance with the transitional provisions of IFRS1, IFRS2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 January 2005.

The Group issues equity-settled share-based payments to certain employees in the form of share options over shares in the Parent Company. Equity-settled share-based payments are measured at fair value at the date of grant calculated using an independent option valuation model, taking into account the terms and conditions upon which the options were granted. The fair value is expensed on a straight line basis over the vesting period, based on the Group's estimate of shares that will eventually vest, with a corresponding credit to equity except when the share-based payment is cancelled where the charge will be accelerated.

Segment reporting

As the Group's main operation is that of a housebuilder and it operates entirely within the United Kingdom, there are no separate segments, either business or geographic, to disclose, having taken into account the aggregation criteria provisions of IFRS8.

Notes to the financial statements continued

Impact of standards and interpretations in issue but not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2011, and have not been applied in preparing these consolidated financial statements. None of these are expected to have an effect on the consolidated financial statements of the Group. Comments on specific new standards or amendments are as follows:

IFRS9 'Financial Instruments' will apply to the Group from 1 January 2015. The International Accounting Standards Board ("IASB") is in the process of replacing IAS39 'Financial Instruments: Recognition and Measurement' with IFRS9. The IASB intends to expand IFRS9 to add new requirements for classifying and measuring financial liabilities, derecognition of financial instruments, impairment and hedge accounting. The Group is currently assessing the impact of IFRS9 and will continue to do so as the IASB expands IFRS9.

IFRS10 'Consolidated Financial Statements' will apply to the Group from 1 January 2013. The new standard establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. The Group is currently assessing the impact of the standard on the Group's results and financial position.

IFRS11 'Joint Arrangements' will apply to the Group from 1 January 2013. The new standard requires that a party to a joint arrangement determines the type of joint arrangement in which it is involved by assessing its rights and obligations and accounts for those rights and obligations in accordance with that type of joint arrangement. The Group is currently assessing the impact of the standard on the Group's results and financial position.

IFRS12 'Disclosure of Interest in Other Entities' will apply to the Group from 1 January 2013. IFRS12 requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows. The Group is currently assessing the impact of the standard on the Group's results and financial position.

IFRS13 'Fair Value Measurement' will apply to the Group from 1 January 2013. IFRS 13 defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements.

IAS19 (Revised) 'Employee Benefits' will apply to the Group from 1 January 2013. IAS19 will require net interest income or expense to be calculated using the discount rate used to measure the defined benefit asset or liability. The Group is currently assessing the impact of the standard on the Group's results and financial position.

IAS27 (Revised) 'Separate Financial Statements' will apply to the Group from 1 January 2013. The Group is currently assessing the impact of the standard on the Group's results and financial position.

IAS28 (Revised) 'Investments in Associates and Joint Ventures' will apply to the Group from 1 January 2013. The Group is currently assessing the impact of the standard on the Group's results and financial position.

The Group has not early adopted any standard, amendment or interpretation.

5. Operating profit before financing costs

Operating profit before financing costs is stated after charging/(crediting):

	2011 £000	2010 £000
Depreciation of tangible fixed assets	747	636
Net (profit)/loss on disposal of property, plant and equipment	(33)	8
Hire of plant and machinery	1,453	1,083
Rental income (included in revenue)	(547)	(645)
Government grants recognised within cost of sales	(4,761)	(400)

Auditors' remuneration

	2011 £000	2010 £000
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	33	32
The audit of the Company's subsidiaries, pursuant to legislation	118	118
<i>Non Audit Fees</i>		
Interim review work	17	17
Tax services	32	112
Other services	17	25
Fees charged to operating profit before financing costs	217	304

Notes to the financial statements continued

6. Directors and employees

Information relating to directors' remuneration, compensation for loss of office, long term incentive plan, share options and pension entitlements appears in the Report on directors' remuneration on pages 39 to 52. The directors are considered to be the only key management personnel.

The Company bears the costs of non-executive director fees and these fees are recharged to subsidiary companies within the Group. The Company has no other staff. The weekly average number of employees of the Group, all of whom were engaged in the United Kingdom on the Group's principal activity, together with personnel expenses, are set out below.

Average staff numbers

	2011	2010
Average staff numbers	560	523
Personnel expenses	2011 £000	2010 £000
Wages and salaries	24,221	22,869
Compulsory social security contributions	2,675	2,483
Contributions to defined contribution plans	411	346
Increase in expenses related to defined benefit plans	790	790
Equity-settled share-based payments	1,121	845
Personnel expenses	29,218	27,333

7. Net financing costs

Recognised in income statement

	2011 £000	2010 £000
Interest income	(650)	(970)
Imputed interest on deferred terms land payables	4,285	2,698
Interest expense	2,474	3,135
Imputed interest on interest free loan	129	26
Net pension finance credit	(620)	(250)
Imputed interest on available for sale financial assets	(1,573)	(1,186)
Hedge ineffectiveness for derivatives	461	(245)
Total net financing costs	4,506	3,208

Notes to the financial statements continued

8. Income tax

Recognised in the income statement

	Note	2011 £000	2010 £000
Current tax			
Current year		7,873	3,798
Adjustments for prior years		(296)	(503)
		7,577	3,295

Deferred tax

Origination and reversal of temporary differences	12	946	1,160
Adjustments for prior year	12	308	8
Total income tax in income statement		8,831	4,463

Reconciliation of effective tax rate

	2011 %	2011 £000	2010 %	2010 £000
Profit before tax		32,097		18,501
Income tax using the domestic corporation tax rate	27	8,505	28	5,180
Non-deductible expenses	1	288	1	210
Other	(1)	(199)	(3)	(530)
Change in tax rate	1	225	1	98
Under/(over) provided in prior years	-	12	(3)	(495)
Total tax expense	28	8,831	24	4,463

Recognised directly in equity

	Note	2011 £000	2010 £000
Relating to share-based payments		-	160
Current tax recognised directly in equity		-	160
Relating to actuarial movements on pension scheme	12	851	(1,255)
Relating to other employee benefits	12	-	36
Relating to share-based payments	12	-	(160)
Deferred tax recognised directly in equity		851	(1,379)

9. Current tax assets and liabilities

The current liability of £4,036,000 (2010: £1,543,000) represents the remaining balance of income taxes payable in respect of current and prior periods.

Notes to the financial statements continued

10. Property, plant and equipment

Group	Land and buildings £000	Plant and equipment £000	Fixtures and fitting £000	Total £000
Cost				
Balance at 1 January 2010	12,618	6,951	2,336	21,905
Additions	-	363	39	402
Disposals	-	(148)	(29)	(177)
Balance at 31 December 2010	12,618	7,166	2,346	22,130
Balance at 1 January 2011	12,618	7,166	2,346	22,130
Additions	-	980	93	1,073
Disposals	-	(413)	(12)	(425)
Balance at 31 December 2011	12,618	7,733	2,427	22,778
Depreciation				
Balance at 1 January 2010	2,214	5,988	2,129	10,331
Depreciation charge for the year	182	388	66	636
Disposals	-	(123)	(21)	(144)
Balance at 31 December 2010	2,396	6,253	2,174	10,823
Balance at 1 January 2011	2,396	6,253	2,174	10,823
Depreciation charge for the year	181	511	55	747
Disposals	-	(395)	(11)	(406)
Balance at 31 December 2011	2,577	6,369	2,218	11,164
Carrying amounts				
At 1 January 2010	10,404	963	207	11,574
At 31 December 2010	10,222	913	172	11,307
At 1 January 2011	10,222	913	172	11,307
At 31 December 2011	10,041	1,364	209	11,614

Notes to the financial statements continued

11. Investments

	Group		Company	
	2011 £000	2010 £000	2011 £000	2010 £000
<i>Subsidiary undertakings</i>				
Interest in subsidiary undertakings' shares at cost (100% ownership of ordinary shares)	-	-	3,520	2,399
<i>Associated undertakings - share of net assets</i>				
Bishops Park Limited (50% ownership of ordinary shares)	4	4	-	-
CCB Stevenage Limited (33% ownership of ordinary shares)	13	13	-	-
Haydon Development Company Limited (39% ownership of ordinary shares)	4	4	-	-
	21	21	-	-
<i>Investments accounted for using the equity method</i>				
Interest in Joint Venture - equity	3,649	3,341	-	-
- loan	1,656	1,484	-	-
	5,305	4,825	-	-
<i>Other investments</i>				
Listed investments	1	1	-	-
	5,327	4,847	3,520	2,399

The subsidiary and associated undertakings in which the Group has interests are incorporated in Great Britain. In each case their principal activity is related to housebuilding and estate development. The Group has not earned any significant profit or loss from its investment in associates during either financial year.

The Group has twenty nine subsidiaries, of which there are two principal subsidiary undertakings. A full list of the Group's subsidiaries will be filed with the Company's next annual return.

	Country of incorporation	Ownership interest in ordinary shares	
		2011 %	2010 %
Bovis Homes Limited	United Kingdom	100	100
Bovis Homes Insurance PCC Limited	Guernsey	100	100

At 31 December 2011 the Group had an interest in the following Joint Venture which has been equity accounted to 31 December and is registered and operates in England and Wales.

	Country of incorporation	Ownership interest in entity	
		2011 %	2010 %
Bovis Peer LLP	United Kingdom	50	50

The movement on the investment in the Joint Venture during the year is as follows:

	2011 £000	2010 £000
At the start of the year	4,825	-
Acquisition of interests in Joint Venture	500	4,228
Net increase in loans	171	1,484
Share of results	243	76
Dividend received	(200)	-
Elimination of profit on transfer of inventory to Joint Venture	(234)	(963)
At the end of the year	5,305	4,825

Notes to the financial statements continued

The Group's share of the Joint Venture's net assets, income and expenses is made up as follows:

	2011 £000	2010 £000
Non-current assets	14,746	13,736
Current assets	383	676
Current liabilities	(644)	(469)
Non-current liabilities	(9,638)	(9,639)
Share of net assets of Joint Venture	4,847	4,304
Revenue	703	449
Costs	(155)	(147)
Operating profit	548	302
Interest	(305)	(226)
Share of results of Joint Venture	243	76

The Joint Venture has no significant contingent liabilities to which the Group is exposed and nor has the Group any significant contingent liabilities in relation to its interest in the Joint Venture.

12. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Group	Assets		Liabilities		Net	
	2011 £000	2010 £000	2011 £000	2010 £000	2011 £000	2010 £000
Property, plant and equipment	97	253	-	-	97	253
Non-current trade payables	2,821	2,869	-	-	2,821	2,869
Available for sale financial assets	-	-	(223)	(160)	(223)	(160)
Employee benefits - pensions	616	776	-	-	616	776
Employee benefits - share-based payments	304	268	-	-	304	268
Provisions	131	333	-	-	131	333
Interest rate derivative	125	25	-	-	125	25
Inventories	-	-	(672)	(725)	(672)	(725)
Adjustment on sale to Joint Venture	299	260	-	-	299	260
Tax assets/(liabilities)	4,393	4,784	(895)	(885)	3,498	3,899

Movement in temporary differences during the year

Group	Balance 1 Jan 2011 £000	Recognised in income £000	Recognised in equity £000	Balance 31 Dec 2011 £000
Property, plant and equipment	253	(156)	-	97
Non-current trade payables	2,869	(48)	-	2,821
Available for sale financial assets	(160)	(63)	-	(223)
Employee benefits - pensions	776	(1,011)	851	616
Employee benefits - share-based payments	268	36	-	304
Provisions	333	(202)	-	131
Interest rate derivative	25	100	-	125
Inventories	(725)	53	-	(672)
Adjustment on sale to Joint Venture	260	39	-	299
Movement in temporary differences during 2011	3,899	(1,254)	851	3,498

Notes to the financial statements continued

Group	Balance 1 Jan 2010 £000	Recognised in income £000	Recognised in equity £000	Balance 31 Dec 2010 £000
Property, plant and equipment	321	(68)	-	253
Non-current trade payables	3,135	(266)	-	2,869
Available for sale financial assets	(34)	(126)	-	(160)
Employee benefits - pensions	2,492	(461)	(1,255)	776
Employee benefits - share-based payments	273	119	(124)	268
Provisions	331	2	-	333
Interest rate derivative	94	(69)	-	25
Fair value adjustment	(166)	166	-	-
Inventories	-	(725)	-	(725)
Adjustment on sale to Joint Venture	-	260	-	260
Movement in temporary differences during 2010	6,446	(1,168)	(1,379)	3,899

The Chancellor has announced that the UK corporation tax rate will reduce from 28% to 23% over a period of four years by April 2014. The first reduction from 28% to 26% was substantively enacted on 29 March 2011 and was effective from 1 April 2011. The reduction in the UK corporation tax rate from 26% to 25% was substantively enacted on 5 July 2011 and is effective from 1 April 2012. This will reduce the Company's future current tax charge accordingly.

A £260,000 tax asset has not been recognised in relation to subsidiary entity tax losses that are unable to be immediately relieved.

Non-current trade payables

The Group recognises differences between the fair value and nominal value of long term creditors relating to purchases of land for development and charges these differences as finance costs using the effective interest method. The Group does not receive a tax deduction for this difference between fair value and nominal value when it is charged to the income statement, a tax deduction being obtained at a later date when the associated land cost is charged on legal completion of the house sale. As at 31 December 2011, £11,284,000 (2010: £10,627,000) of finance costs had not received a tax deduction. The Group anticipates obtaining a current tax deduction in respect of this in the future and has therefore created a deferred tax asset to reflect this future tax deduction.

Employee benefits

The Group recognises the deficit or surplus on its defined benefits pension scheme under the requirements of IAS19 (Revised): 'Employee benefits'. This has generated a deficit of £2.4 million (2010: £2.9 million). As at 31 December 2011 a deferred tax asset of £616,000 (2010: £776,000) was recognised.

13. Inventories

Group	2011 £000	2010 £000
Raw materials and consumables	1,467	1,447
Work in progress	164,913	169,416
Part exchange properties	16,898	11,391
Land held for development	614,322	581,950
Development properties	156	156
	797,756	764,360

Inventories to the value of £298,725,000 were recognised as expenses in the year (2010: £255,021,000).

During 2011, a £2.3 million reversal of write downs was recognised as a reduction in the amount of inventories recognised as expenses in respect of units sold during the year (2010: £3.8 million).

The assessment of carrying value of inventory at the year end has resulted in no net release of inventory provision as at 31 December 2011 (2010: no net release). There was a gross increase of £5.4 million in the provision and an off setting decrease of £5.4 million. Following this review, £114.4 million (2010: £121.1 million) of inventories were valued at fair value less costs to sell rather than at historic cost.

The Group charged £45,000 of profit on disposal of part exchange properties to cost of sales during the year (2010: £132,000 profit).

The Company has no inventories.

Notes to the financial statements continued

14. Trade and other receivables

	Group		Company	
	2011 £000	2010 £000	2011 £000	2010 £000
<i>Non-current assets</i>				
Other debtors	2,017	12,087	-	-
Available for sale financial assets	38,653	31,147	-	-
	40,670	43,234	-	-
<i>Current assets</i>				
Trade receivables	70,830	28,731	-	-
Amount due from subsidiary undertakings	-	-	384,174	381,348
Other debtors	4,041	5,330	-	-
Prepayments and accrued income	2,551	3,210	-	-
	77,422	37,271	384,174	381,348
Total trade and other receivables	118,092	80,505	384,174	381,348

The carrying value of trade receivables and other debtors represents the Group's maximum exposure to credit risk. As at 31 December 2011, the Group had £2.3 million of receivables past due (2010: £2.6 million). The Group has reviewed the items which comprise this balance, and believes that these amounts will be recovered.

As part of this exercise the Group has provided for receivables it regards as doubtful. The total of this provision is £1.0 million (2010: £1.0 million) and there has been no movement during the year.

The carrying value of amounts due from subsidiary undertakings represents the Company's maximum credit risk. The directors consider these amounts to be fully receivable at year end.

Ageing of past due but not impaired receivables

	2011 £m	2010 £m
Less than three months	0.2	0.7
Greater than three months	2.1	1.9

The directors consider that the carrying amount of trade receivables approximates to their fair value.

Available for sale financial assets

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.

	2011 £000	2010 £000
Balance at 1 January	31,147	21,291
Additions	7,883	9,556
Redemptions	(676)	(173)
Impairment taken through the income statement	(1,274)	(713)
Imputed interest	1,573	1,186
Balance at 31 December	38,653	31,147

Total impairments taken to date are £3,462,000 (2010: £2,188,000). The impairments relate to changes in expected cash flows as a result of movement in future house price expectations. Further disclosures relating to financial assets are set out in note 22.

Notes to the financial statements continued

15. Cash and cash equivalents

	Group		Company	
	2011 £000	2010 £000	2011 £000	2010 £000
Bank balances	487	522	344	344
Call deposits	55,690	66,481	-	-
Cash and cash equivalents in the balance sheet and cash flows	56,177	67,003	344	344

Non-current asset

	2011 £000	2010 £000	2011 £000	2010 £000
Restricted cash	659	138	-	-

Restricted cash comprises cash deposits which have restrictions governing their use and are classified as a non-current asset based on the estimated remaining length of the restriction.

16. Capital and reserves

Share capital and share premium

	Ordinary shares	
	2011	2010
In issue at 1 January	133,218,325	133,138,968
Issued for cash	12,886	79,357
Scrip dividend	441,425	-
In issue at 31 December – fully paid	133,672,636	133,218,325

The holders of ordinary shares (nominal value 50p) are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Reserve for own shares held

The cost of the Company's shares held in the ESOP trust by the Group is recorded as a reserve in equity. During the year ended 31 December 2011, there were no share purchases. 64,406 shares awarded under the Group's long term incentive plan vested during 2011 and accordingly the balance of the own shares held reserve fell by £280,810 during the year. The Group has suspended all rights on shares held by the Group in the Company.

Dividends

The following dividends were paid by the Group:

	2011 £000	2010 £000
Prior year final dividend per share of 3.0p (2010: £nil)	3,982	-
Current year interim dividend per share of 1.5p (2010: £nil)	1,994	-
	5,976	-

The Board decided to propose a final dividend of 3.5p per share in respect of 2011. The dividend has not been provided for and there are no income tax consequences.

	2011 £000	2010 £000
3.5p per qualifying ordinary share (2010: 3.0p)	4,663	3,981

17. Bank and other loans

	2011 £000	2010 £000
Current liabilities		
Interest rate derivative financial instruments	-	92
Non-current liabilities		
Other loans	4,995	15,233
Interest rate derivative financial instruments	407	-
Non-current liabilities	5,402	15,233
Bank and other loans	5,402	15,325

Notes to the financial statements continued

Interest rate profile of bank and other loans

	Rate	Facility maturity	Carrying value 2011	Carrying value 2010
Overdraft	LIBOR +175 bps	on demand	-	-
Bank loans	LIBOR +200 bps	2013	-	-
Other loans	LIBOR +158 bps	2014	-	10,305
Interest free loan at fair value	LIBOR +158 bps	2016	4,995	4,928

The interest free loan was obtained to facilitate large infrastructure investment at one of the Group's sites in the South West. The amount available depends on the underlying investment undertaken with repayments of this facility reflecting expectations of cash inflow generation from sales at that site, the maximum facility available is £6 million. The nominal amount at 31 December was £5,400,000. This has been fair valued using an effective interest rate of LIBOR plus 158bps, creating an accounting movement of £498,000 which is accounted for as a government grant (see note 4), which decreases the loan position. Interest will effectively be charged on this fair valued position over the life of the facility so at relevant repayment dates the value in the accounts for the loan is reflective of the cash amounts to be repaid. The imputed interest charged in the period was £67,000, which increases the loan value. The long stop repayment date for this facility is 5 January 2016.

Details of facilities

The Group's facility as at 31 December 2011 was a syndicated revolving credit facility with £150 million committed funds. The facility expires in September 2013.

Interest rate derivative financial instruments

	2011 £000	2010 £000
Opening fair value	92	337
Change in fair value	315	(245)
Closing fair value	407	92

The Group's interest rate derivative financial instruments represent the fair value change in respect of interest rate derivatives not deemed effective and thus whose movement has been recognised in the income statement. The Group had a £50 million zero-cost 'cap and floor' collar swap in place until March 2011. In August 2011, the Group entered into a £18.6 million interest rate swap whereby the Group pays a fixed interest rate of 1.505% and receives 1 month LIBOR.

18. Provisions

Group	Site remedial works £000	Other £000	Total £000
Balance at 1 January 2011	801	2,798	3,599
Provisions made during the year	-	37	37
Provisions released during the year	-	-	-
Provisions used during the year	(214)	(111)	(325)
Balance at 31 December 2011	587	2,724	3,311
Non-current	562	1,214	1,776
Current	25	1,510	1,535

Provisions relate to known claims, remedial works on site and a provision in respect of the lease on an office building in Cheltenham, previously occupied by the Group, liability for which has returned to the Group following the entering into of administration of the existing tenant. There remains uncertainty as to the outcome, but the provisions represent management's best estimate of the amount that will be settled. A number of these provisions relate to historical issues where outstanding decisions have delayed their resolution whilst the remainder relate to current issues which are being resolved and on which expenditure will be incurred over the course of the next financial year.

Notes to the financial statements continued

19. Trade and other payables

	Group		Company	
	2011 £000	2010 £000	2011 £000	2010 £000
Non-current liabilities				
Other financial liabilities	1,243	2,686	-	-
Trade creditors	44,992	55,545	-	-
Other creditors	459	459	459	459
	46,694	58,690	459	459
Current liabilities				
Trade creditors	181,278	118,624	-	-
Taxation and social security	712	761	-	-
Other creditors	6,129	1,922	28	28
Accruals and deferred income	14,546	17,908	-	-
	202,665	139,215	28	28
Total trade and other payables	249,359	197,905	487	487

The Group's non-current liabilities largely relate to land purchased on extended payment terms. An ageing of land creditor repayments is provided in note 23. The Group's other financial liabilities represent the fair value of a liability, based on the performance of the Lloyds Bank House Price Index from October 2010 to March 2014. Note 22 highlights the sensitivity of this value to changes in the index. Deferred income includes £2.1 million of Government grants. This will be released to the income statement as the Group legally completes units on the related sites.

20. Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 31 December 2011 was based on the profit attributable to ordinary shareholders of £23,266,000 (2010: 14,038,000) and a weighted average number of ordinary shares outstanding during the year ended 31 December 2011 of 132,860,480 (2010: 132,664,656), calculated as follows:

Profit attributable to ordinary shareholders

	2011 £000	2010 £000
Profit for the period attributable to ordinary shareholders	23,266	14,038

Weighted average number of ordinary shares

	2011	2010
Issued ordinary shares at 1 January	133,218,325	133,138,968
Effect of own shares held	(474,109)	(528,808)
Effect of shares issued in year	116,264	54,496
Weighted average number of ordinary shares at 31 December	132,860,480	132,664,656

Diluted earnings per share

The calculation of diluted earnings per share at 31 December 2011 was based on the profit attributable to ordinary shareholders of £23,266,000 (2010: £14,038,000) and a weighted average number of ordinary shares outstanding during the year ended 31 December 2011 of 132,944,264 (2010: 132,685,679).

The average number of shares is diluted in reference to the average number of potential ordinary shares held under option during the period. This dilutive effect amounts to the number of ordinary shares which would be purchased using the aggregate difference in value between the market value of shares and the share option exercise price. The market value of shares has been calculated using the average ordinary share price during the period. Only share options which have met their cumulative performance criteria have been included in the dilution calculation.

Notes to the financial statements continued

Weighted average number of ordinary shares (diluted)

	2011	2010
Weighted average number of ordinary shares at 31 December	132,860,480	132,664,656
Effect of share options in issue which have a dilutive effect	83,784	21,023
Weighted average number of ordinary shares (diluted) at 31 December	132,944,264	132,685,679

21. Employee benefits

Retirement benefit obligations

The Group makes contributions to one defined benefit scheme that provides pension benefits for employees upon retirement.

	2011 £000	2010 £000
Present value of funded obligations	79,140	76,390
Fair value of plan scheme assets	(76,696)	(73,520)
Recognised liability for defined benefit obligations	2,444	2,870

Movements in the net liability for defined benefit obligations recognised in the balance sheet

	2011 £000	2010 £000
Net liability for defined benefit obligations at 1 January	2,870	8,910
Contributions received	(3,986)	(2,260)
Expense recognised in the income statement	170	540
Loss/(gain) recognised in equity	3,390	(4,320)
Net liability for defined benefit obligations at 31 December	2,444	2,870

The cumulative loss recognised in equity to date is £4.4 million.

Change in defined benefit obligation over the year

	2011 £000	2010 £000
Defined benefit obligation at beginning of year	76,390	76,510
Interest cost	4,080	4,290
Current service cost	790	790
Actual member contributions	170	180
Actual benefit payments by the scheme	(2,800)	(3,460)
Loss/(gain) on change of assumptions	5,320	(2,130)
Experience (gain)/loss	(4,810)	210
Defined benefit obligation at end of year	79,140	76,390

Change in scheme assets over the year

	2011 £000	2010 £000
Fair value of scheme assets at beginning of year	73,520	67,600
Actual benefit payments by the scheme	(2,800)	(3,460)
Actual Group contributions	3,986	2,260
Actual member contributions	170	180
Expected return on plan assets	4,700	4,540
Actuarial (loss)/gain	(2,880)	2,400
Fair value of scheme assets at end of year	76,696	73,520

Notes to the financial statements continued

The actual return on scheme assets in 2011 was a gain of £1.8 million (2010: £6.9 million).

History of experience gains and losses

For the year ended 31 December	2011	2010	2009	2008	2007
Experience gain/(loss) on scheme assets					
Amount (£000)	2,880	2,400	5,230	(17,370)	990
Percentage of scheme assets at year end (%)	3.8	3.3	7.7	29.6	1.38
Experience (gain)/loss on scheme liabilities					
Amount (£000)	(4,810)	210	260	(1,300)	(500)
Percentage of scheme liabilities at year end (%)	6.08	0.26	0.34	1.98	0.70

Scheme assets and expected rate of return

	As at 31 December 2011		As at 31 December 2010	
	Expected rate of return % pa	Market value £000	Expected rate of return % pa	Market value £000
Equities	7.7	41,960	7.5	40,580
Bonds (fixed interest)	4.7	27,080	5.4	25,060
Bonds (index linked)	2.5	7,720	4.0	6,260
Other	2.0	(64)	3.5	1,620
Total	6.1	76,696	6.3	73,520

To develop the overall expected rate of return on the scheme's assets, the Group considered the current market redemption yields on index-linked Government bonds, the overall redemption yield on corporate AA fixed interest bonds and the median expected rate of return on equities and cash as provided by the Group's actuarial advisors where these are to be used for asset liability modelling, all as at the reporting date. These have then been weighted in proportion to the underlying actual current asset allocation to derive an overall expected rate of return.

Expense recognised in the income statement

	2011 £000	2010 £000
Current service costs	790	790
Interest on obligation	4,080	4,290
Expected return on plan assets	(4,700)	(4,540)
Expense recognised in the income statement	170	540

This is recognised in the following line items in the income statement:

	2011 £000	2010 £000
Administrative expenses	790	790
Financial income	(620)	(250)
Expense recognised in the income statement	170	540

Notes to the financial statements continued

Assumptions

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

Group	2011 %	2010 %	2009 %
Discount rate at 31 December	4.9	5.4	5.7
Expected return on plan assets at 31 December	6.1	6.3	6.8
Future salary increases	2.5	2.5	2.5
Inflation - RPI	3.2	3.6	3.6
- CPI	2.2	2.8	n/a
Future pension increases	2.6	2.8	3.6

	2011 £000	2010 £000	2009 £000	2008 £000	2007 £000
Present value of defined benefit obligations	79,140	76,390	76,510	65,510	70,810
Fair value of scheme assets	76,696	73,520	67,600	58,720	71,820
(Deficit)/surplus in the scheme	(2,444)	(2,870)	(8,910)	(6,790)	1,010

The most recent formal actuarial valuation was carried out as at 30 June 2010. The results have been updated to 31 December 2011 by a qualified independent actuary. As part of this valuation exercise, the mortality assumptions for the scheme are now based on the CMI 2010 model with an uplift for future improvements in mortality in line with the medium cohort with a minimum improvement of 1.25%. These tables imply the following remaining life expectancy at age 65.

Remaining years of life at 65	Current age at 45	Current age at 65
Men	24.0	22.1
Women	26.3	24.3

The last actuarial valuation of the Scheme was performed by the Actuary for the Scheme Trustees as at 30 June 2010. The Company are currently paying contributions that are based on the 2010 valuation. The Group estimates that the contribution in 2012 by the Group to the scheme will be in the region of £3.7 million (2011: £4.0 million actual).

Share-based payments

The Bovis Homes Group PLC Executive Share Option Scheme was established in 1997. The Remuneration Committee suspended the issuing of new share options on 5 May 2004. In accordance with scheme rules, options are exercisable at the market price of the shares at the date of grant. The last grant of executive share options took place on 18 March 2003 and the scheme expired in 2007.

Under the Executive Share Option Scheme, options were granted on a discretionary basis relative to executives' seniority within the Group. The options can be exercised where the cumulative increase in annualised basic earnings per share exceeds the percentage increase in RPI by at least 4% per annum (2% per annum for share options granted before 2001) over three consecutive financial years. Assuming this condition is satisfied, options may, under normal circumstances, be exercised between the third and tenth anniversary of the date of grant.

There is one historical grant of executive share options prior to 7 November 2002 where there remain exercisable share options unexercised at 31 December 2011. In accordance with the provisions of IFRS1, the recognition and measurement principles in IFRS2 have not been applied to these grants.

The Bovis Homes Group PLC 2007 Save as You Earn Share Option Scheme was established in 2007 and replaced the scheme established in 1997. Share options held in the Save As You Earn Share Option Scheme are not subject to performance conditions and may under normal circumstances be exercised during the six months after maturity of the agreement. Save As You Earn share options are generally exercisable at an exercise price which includes a 10% discount to the market price of the shares at the date of grant.

Notes to the financial statements continued

Save as You Earn Share Option Scheme

	2011	2010
Options granted during the period	80,242	182,564
Date of grant	13/04/2011	07/04/2010
Fair value at measurement date (Black-Scholes methodology)	£1.48 / £1.76	£1.82 / £2.01
Share price	£4.17	£4.16
Exercise price	£3.85	£3.40
Expected volatility	48.2% / 44.7%	52.9% / 43.9%
Option life (contract length)	3 / 5.5 yrs	3 / 5.5 yrs
Expected dividend	0.72%	-
Risk free interest rate	1.81% / 2.6%	1.92% / 2.84%

A Long Term Incentive Plan for executive directors and senior executives was approved by shareholders at the 2000 Annual General Meeting and established on 10 May 2000. An amendment to the rules of the Long Term Incentive Plan was approved by shareholders at the 2004 Annual General Meeting on 5 May 2004. One grants of awards under this plan were made in 2011 and two grants of awards were made during 2010. Details of the vesting conditions of these awards are laid out in the Report on directors' remuneration which can be found on pages 39 to 52.

Long Term Incentive Plan

	2011	2010	2010
Options granted during the period	287,186	71,005	258,825
Date of grant	15/03/2011	25/08/2010	09/03/2010
Fair value at measurement date (Monte Carlo methodology)	£2.98	£2.35	£1.87
Share price	£4.40	£3.44	£3.78
Exercise price	-	-	-
Expected volatility	49.4%	52.9%	53.1%
Option life	3 yrs	3 yrs	3 yrs
Expected dividend	-	-	-
Risk free interest rate	1.65%	1.07%	1.89%

The expected volatility is based on the historic volatility calculated as the annualised average of the standard deviations of the daily historical continuously compounded returns one, two and three years back from the date of grant where applicable.

The Group introduced a Share Option Plan in 2007 designed to provide middle management with effective incentivisation. Executive directors of the Company do not participate. This plan was approved by shareholders at the 2007 Annual General Meeting.

Share Option Plan

	2011	2010
Options granted during the period	107,000	132,000
Date of grant	01/09/2011	25/08/2010
Fair value at measurement date (Black-Scholes methodology)	£1.47	£1.60
Share price	£3.92	£3.44
Exercise price	£3.79	£3.38
Expected volatility	44.60%	52.87%
Option life (contract length)	3 yrs	3 yrs
Expected dividend	1.15%	-
Risk free interest rate	1.53%	1.07%

Notes to the financial statements continued

Details of the Executive share options, Save As You Earn share options and other options outstanding are as follows:

Executive Share Option Scheme

Date of grant	Options issued	Vesting conditions	Exercise price	Options outstanding	Contractual life
19/03/2002	690,919	3 years service / 4% cumulative increase in earnings per share above RPI over three consecutive years	407.5p	11,266	03/05 - 03/12
18/03/2003	879,481		358.5p	183,957	03/06 - 03/13

Share Option Plan

Date of grant	Options issued	Vesting conditions	Exercise price	Options outstanding	Contractual life
25/08/010	132,000	3 years service / 4% cumulative increase in earnings per share above RPI over three consecutive years	338.0p	132,000	08/13 - 08/20
01/09/2011	107,000		379.3p	107,000	09/14 - 09/21

Bonus Replacement Share Plan

Date of grant	Options issued	Vesting conditions	Exercise price	Options outstanding	Contractual life
07/05/2009	552,213	3 years service / average share price for 3 months prior to May 2012 must exceed £5.50	-	463,984	05/09 - 05/12

Save As You Earn Share Option Scheme

Date of grant	Options issued	Vesting conditions	Exercise price	Options outstanding
11/04/2007	77,543	3, 5 and 7 years service depending on type of Save As You Earn contract	929.7p	3,440
8/04/2008	261,661		460.4p	39,031
7/04/2009	148,611		387.7p	87,947
7/04/2010	182,564		340.2p	160,275
13/04/2011	80,242		385.4p	77,901

Notes to the financial statements continued

The number and weighted average exercise prices of share options is as follows:

	Weighted average exercise price 2011	Number of options 000's 2011	Weighted average exercise price 2010	Number of options 000's 2010
Outstanding at the beginning of the period	236.3p	1,287	255.3p	1,359
Forfeited during the period	380.6p	(194)	399.6p	(307)
Exercised during the period	405.6p	(13)	337.4p	(79)
Granted during the period	216.8p	187	339.3p	314
Outstanding at the end of the period	209.6p	1,267	236.3p	1,287
Exercisable at the end of the period	407.5p	11	395.4p	24

The weighted average share price at the date of exercise of share options exercised during the period was 442.5p (2010: 411.9p).

The options outstanding at 31 December 2011 have an exercise price in the range of zero to 929.7p and a weighted average contractual life of 2.6 years.

Share-based payments expense in the income statement

	2011 £000	2010 £000
Long Term Incentive Plan	404	117
Executive and other share options	530	474
Save As You Earn share options	187	254
Total expense recognised as personnel expenses	1,121	845

22. Financial risk management

Group

The Group seeks to manage its capital in such a manner that the Group safeguards its ability to continue as a going concern and to fund its future development. In continuing as a going concern, it seeks to provide for returns for shareholders as well as enabling repayment of its liabilities as a trading business.

The Group's capital comprises its shareholders' equity, added together with its net borrowings stated before issue costs. A five year record of its capital employed is displayed on page 94 together with a return on capital employed, which indicates that the Group has historically delivered both absolute growth in capital and a return on capital employed of over 20%, although not in the recent past following the market decline.

Whilst the blended cost of capital is a factor in the Group's decision making in assessing the right blend of shareholders' equity and debt financing, the Group has typically preferred to operate within a framework that features relatively low gearing or cash in hand. This is because the Group recognises that housebuilding can be cyclical, and higher levels of gearing can create profound liquidity risks. The Group would seek to manage its capital base through control over expenditure, maintenance of adequate banking facilities, control over dividend payments and in the longer term through adjustments to its capital structure.

Following the sharp market movements in 2008, the Group saw a fall in its capital employed, as inventory provisions have reduced the asset base of the Group, leading to a reduction in retained earnings and thus shareholders equity. This was partially reversed in 2009 following a successful equity placing.

An important part of capital management for the Group is its financial instruments, which comprise cash, bank and other loans and overdrafts. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group also utilises financial assets and liabilities such as trade payables or receivables that arise directly from operations.

The use of these carries risk: interest rate risk, credit risk and liquidity risk. Given that the Group trades exclusively in the UK, there is no material currency risk. The valuation of the Group's available for sale financial assets and a financial liability are also impacted by housing market price fluctuations, giving rise to market price risk.

a. Interest rate risk

Exposure to interest rate risk arises in the normal course of the Group's business and interest rate swaps are used where appropriate to hedge exposure to fluctuations in interest rates. The Group has no exposure to currency risk as all its financial assets and liabilities are denominated in sterling.

Throughout the year, the Group's policy has been that no trading in financial instruments shall be undertaken.

Hedging

The Group mitigates its exposure to changes in interest rates on a core level of borrowings where appropriate through procuring interest rate swaps, denominated in sterling. The decision whether to enter into a swap, and the timing of procurement of swaps depends on a number of key variables, on which management form judgements. These matters include management's view of likely cash flows and indebtedness, interest rate movements and other macro-economic factors looking ahead. These assumptions are reviewed with the Group Finance Director on a periodic basis prior to any decision being made. Decisions made by management in this area are discussed with the Board to ensure transparency of decision making. At 31 December 2011, the Group had a £18.6 million interest rate swap relating to debt held within a joint venture. The Group pays a fixed interest rate of 1.505% and receives one month LIBOR. All costs are being taken directly through income. The fair value measurement of the Group's derivative financial instruments include inputs which are based on observable market data.

Notes to the financial statements continued

Effective interest rates and repricing analysis

The interest rate profile of the Group's interest bearing financial instrument is set out in note 17.

Sensitivity analysis

In managing interest rates, the Group aims to reduce the impact of short-term fluctuations in the Group's earnings, given that Group borrowings are variable in terms of interest rate. Over the longer-term, however, permanent changes in interest rates would have an impact on consolidated earnings.

For the year ended 31 December 2011, it is estimated that a general increase of one percentage point in interest rates applying for the full year would increase the Group's profit before tax by approximately £308,000 (2010: increase profit by £779,000).

b. Credit risk

The Group's exposure to credit risk is limited by the fact that the Group generally receives cash at the point of legal completion of its sales. There are certain categories of revenue where this is not the case: for instance, housing association revenues or land sales. The largest single amount outstanding at the year end was £10.0 million (2010: £10.0 million). The 2011 amount is secured against consented land. The Group retains these outstanding balances as trade and other receivables. The Group also carries credit risk with regard to available for sale financial assets which it classifies as other receivables. Whilst material in total, the individual risk is low given the high number of counterparties. Average exposure per transaction is £23,000 (2010: £24,000), and a second charge is retained to protect the Group's interests. The carrying value of trade and other receivables equates to the Group's exposure to credit risk. This is set out in note 14.

The Group's trade and other receivables are secured against the following:

	2011 £000	2010 £000
Consented land	34,249	6,027
Second charge against property	40,429	32,974
Unsecured	43,414	41,504
	118,092	80,505

In managing risk the Group assesses the credit risk of its counter parties before entering into a transaction. This assessment is based upon management knowledge and experience. In the event that land is disposed of the Group seeks to mitigate any credit risk by retaining a charge over the asset disposed of, so that in the event of default, the Group is able to seek to recover its outstanding asset.

c. Liquidity risk

The Group's banking arrangements outlined in note 17 are considered to be adequate in terms of flexibility and liquidity for its medium term cash flow needs, thus mitigating its liquidity risk. The Group's approach to assessment of liquidity risk is outlined in the section on the report on corporate governance relating to Going Concern which can be found on page 36.

d. Housing market price risk

The performance of the UK housing market affects the valuation of certain of the Group's non-financial assets and liabilities and the critical judgements applied by management in these financial statements, including the valuation of land and work in progress.

The Group's financial assets and liabilities are summarised below:

31 December 2011	Linked to UK housing market £000	Not linked to UK housing market £000	Total £000
Non-derivative financial assets			
Restricted cash	-	659	659
Trade and other receivables	-	79,439	79,439
Available for sale financial assets	38,653	-	38,653
Cash and cash equivalents	-	56,177	56,177
Non-derivative financial liabilities			
Bank and other loans	-	(5,402)	(5,402)
Trade and other payables	-	(248,116)	(248,116)
Derivative financial liabilities			
Other financial liabilities	(1,243)	-	(1,243)
Derivative	-	(407)	(407)
	37,410	(117,650)	(80,240)

Notes to the financial statements continued

31 December 2010	Linked to UK housing market £000	Not linked to UK housing market £000	Total £000
Non-derivative financial assets			
Restricted cash	-	138	138
Trade and other receivables	-	49,358	49,358
Available for sale financial assets	31,147	-	31,147
Cash and cash equivalents	-	67,003	67,003
Non-derivative financial liabilities			
Bank and other loans	-	(15,233)	(15,233)
Trade and other payables	-	(195,219)	(195,219)
Derivative financial liabilities			
Other financial liabilities	(2,686)	-	(2,686)
Derivative	-	(92)	(92)
	28,461	(94,045)	(65,584)

The value of the Group's available for sale financial assets is directly linked to the UK housing market. At 31 December 2011 these were carried at a fair value of £38,653,000 (2010:£31,147,000). The fair value measurement of the Group's available for sale financial assets include management assumptions of future house price inflation, and therefore the fair value measurement includes inputs which are necessarily not based on observable market data.

Other financial liabilities represent an estimated payment dependent on the growth of the Lloyds Bank House Price Index, from October 2010 to March 2014. This was carried at a fair value of £1,243,000 (2010: £2,686,000).

Sensitivity analysis

Available for sale financial assets	Income statement impact £000	Balance sheet net asset impact £000
Impact of 1% increase in average future HPI	3,194	3,194
Impact of 1% decrease in average future HPI	(3,155)	(3,155)
Other financial liabilities		
Impact of 1% increase in average future Lloyds HPI	(216)	(216)
Impact of 1% decrease in average future Lloyds HPI	226	226

Company

The company's exposure to credit risk is limited as a result of all outstanding balances relating to companies within the Group.

23. Financial instruments

Fair values

There is no material difference between the carrying value of financial instruments shown in the balance sheet and their fair value.

Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments:

Land purchased on extended payment terms

When land is purchased on extended payment terms, the Group initially records it at its fair value with a land creditor recorded for any outstanding monies based on this fair value assessment. Fair value is determined as the outstanding element of the price paid for the land discounted to present day. The difference between the nominal value and the initial fair value is amortised over the period of the extended credit term and charged to finance costs using the 'effective interest' rate method, increasing the value of the land creditor such that at the date of maturity the land creditor equals the payment required.

Land creditor (estimated ageing)	Balance at 31 December £000	Total contracted cash payment £000	Due within 1 year £000	Between 1-2 years £000	Between 2-3 years £000	Between 3-4 years £000	Between 4-5 years £000	Between 5-6 years £000
2011	128,731	132,123	87,628	31,680	9,962	2,502	237	114
2010	102,635	109,020	54,648	39,847	12,405	773	623	724

Other financial liabilities

The Group determines the value dependent on management expectations of growth in the Lloyds Bank House Price Index. The liability is based on a future discounted cash flow for a nominal value tracking the index until March 2014.

Available for sale financial assets

The Group determines the fair value of its available for sale financial assets through estimation of the present value of expected future cash flows. Cash flows are assessed taking into account expectations of the timing of redemption, future house price movement and the risks of default. An instrument-specific market-assessed interest rate is used to determine present value via discounted cash flow modelling.

Notes to the financial statements continued

Bank and other loans

Fair value is calculated based on discounted expected future principal and interest flows. Interest free loans are fair valued using an effective interest rate method. See note 17 for further details.

Interest rate swaps

At each period end, an external valuation of the fair value of each interest rate swap is obtained from the relevant swap providers.

Trade and other receivables / payables

Other than land creditors, other financial liabilities and available for sale financial assets, the nominal value of trade receivables and payables is deemed to reflect the fair value. This is due to the fact that transactions which give rise to these trade receivables and payables arise in the normal course of trade with industry standard payment terms.

Interest rates used for determining fair value

The Group uses an instrument-specific market-assessed interest rate to determine the fair value of financial instruments.

24. Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

Group	2011 £000	2010 £000
Less than one year	4	17
Between one and five years	-	4
More than five years	-	-
Operating leases	4	21

With regard to the operating leases held by the Group as lessor, the Group recognised £73,000 of rental income in the income statement in 2011 (2010: £52,000).

25. Capital commitments

The Group has made £150,000 of plant and equipment expenditure commitments (2010: £53,000).

26. Contingencies

The Group has contingent liabilities in respect of bonds and other agreements entered into in the normal course of business and the Company has guaranteed the performance of certain of these agreements entered into by its subsidiary companies. The Company had guaranteed the repayment of bank loans made to one of its subsidiaries under a syndicated loan facility agreement. There were no amounts outstanding under this agreement at 31 December 2011 (31 December 2010: nil).

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its Group, the Company considers these to be insurance arrangements, and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

27. Accounting estimates and judgements

Management discussed with the Audit Committee the development, selection and disclosure of the Group's critical accounting policies and estimates and the application of these policies and estimates.

Key sources of estimation uncertainty

Land held for development and housing work in progress

The Group holds inventories which are stated at the lower of cost and net realisable value. To assess the net realisable value of land held for development and housing work in progress, the Group completes a financial appraisal of the likely revenue which will be generated when these inventories are combined as residential properties for sale and sold. Where the financial appraisal demonstrates that the revenue will exceed the costs of the inventories and other associated costs of constructing the residential properties, the inventories are stated at cost. Where the assessed revenue is lower, the extent to which there is a shortfall is written off through the income statement leaving the inventories stated at a recoverable value. To the extent that the revenues which can be generated change, or the final cost to complete the site varies from estimates, the net realisable value of the inventories may be different. A review taking into account estimated achievable net revenues, actual inventory and costs to complete as at 24 February 2012 has been carried out, which has identified no net movement in the carrying value of the provision. These estimates were made by local management having regard to actual selling prices, together with competitor and marketplace evidence, and were further reviewed by Group management. Should there be a future significant decline in UK house pricing, then further write-downs of land and work in progress may be necessary. Further details on the carrying value of inventory is laid out in note 13.

Part exchange properties

The carrying values of part exchange properties are assessed based on external valuations completed on the properties. These valuations are based on the prevailing market conditions in the second hand housing market and to the extent that housing market pricing levels change, the achievable values of the part exchange properties may vary. Part exchange property values at the end of the financial year were based on up to date valuations and were based on realistic market expectations.

Notes to the financial statements continued

Pension assumptions

The Group has utilised a range of assumptions including a rate of return on assets, a discount rate and mortality assumptions having been advised by its actuary. To the extent that such assumed rates are different from what actually transpires, the pension liability of the Group would change. A 50bps increase or decrease in the assumed discount rate would reduce or increase the scheme's liabilities by £6.4 million or £7.2 million, respectively.

Available for sale financial assets

The estimation of the fair value of available for sale financial assets requires judgement and estimation as to the quantum, timing and value of repayment of the Group's receivable, as well as to the choice of instrument-specific market-assessed interest rate used to determine a discount rate. Note 22 contains a sensitivity analysis showing the impact of a change in the major judgement factor applied in the valuation of these instruments.

28. Related party transactions

Transactions between fellow subsidiaries, which are related parties, have been eliminated on consolidation, as have transactions between the Company and its subsidiaries during this period.

Transactions between the Group, Company and key management personnel in the year ending 31 December 2011 were limited to those relating to remuneration, which are disclosed in the Report on director's remuneration which can be found on pages 39 to 52.

Malcolm Harris, a Group Director, is a non-executive Director of the Home Builders Federation (HBF) and was a non-executive Director of the National House Building Council (NHBC) until 26 June 2010.

The Group trades in the normal course of business, on an arms-length basis, with the NHBC for provision of a number of building-related services, most materially for provision of warranties on new homes sold and for performance bonding on infrastructure obligations. The Group pays subscription fees and fees for research as required to the HBF.

Total net payments were as follows:

	2011 £000	2010 £000
NHBC	n/a	1,454
HBF	85	124

There have been no related party transactions in the current financial year which have materially affected the financial performance or position of the Group, and which have not been disclosed.

Transactions with Joint Venture

In the period the Group entered into the following transactions with Bovis Peer LLP. During the financial year, inventory was transferred to Bovis Peer LLP for a cash consideration of £2,156,438. In addition, a loan of £125,000 was provided to Bovis Peer LLP on in December 2011 at an annual interest rate of LIBOR plus 2.4%.

Bovis Homes Limited are contracted to provide Property and Letting Management services to the Partnership. Fees charged in the period ended 31 December 2011 in respect of these services totalled £133,200 (inclusive of VAT) (2010: £99,964).

Five year record

Years ended 31 December	2011 IFRS £000	2010 IFRS £000	2009 IFRS £000	2008 IFRS £000	2007 IFRS £000
Revenue and profit					
Revenue	364.8	298.6	281.5	282.3	555.7
Operating profit/(loss) before financing costs	36.4	21.6	18.9	(71.8)	124.4
Net financing costs	(4.5)	(3.2)	(14.1)	(6.9)	(0.8)
Share of result of Joint Venture	0.2	0.1	-	-	-
Profit/(loss) before tax	32.1	18.5	4.8	(78.7)	123.6
Tax	(8.8)	(4.5)	(1.3)	19.7	(36.7)
Profit/(loss) after tax	23.3	14.0	3.5	(59.0)	86.9
Balance sheet					
Equity shareholders' funds	728.6	710.8	692.6	632.3	723.7
Add borrowings stated before issue costs	5.4	15.3	2.3	120.0	44.6
Capital employed	734.0	726.1	694.9	752.3	768.3
Returns					
Operating margin (note 1)	10%	7%	6%	8%	22%
Return on shareholders' funds (note 2)	3%	2%	1%	2%	12%
Return on capital employed (note 3)	5%	3%	2%	3%	17%
Homes (including units sold on third party owned land)					
Number of unit completions	2,045	1,901	1,803	1,817	2,930
Average sales price (£'000)	162.4	160.7	154.6	150.8	179.5
Ordinary shares					
Earnings per share (p) (note 4)	17.5	10.6	4.4	9.2	72.4
Dividends per share					
Paid (p)	1.5	-	-	22.5	37.5
Interim paid and final proposed (p)	5.0	3.0	-	5.0	35.0

Note 1: Operating margin has been calculated as operating profit over turnover, stated before exceptional charges.

Note 2: Return on shareholders' funds has been calculated as pre-exceptional profit after interest and tax over closing shareholders' funds.

Note 3: Return on capital employed has been calculated as pre-exceptional profit before interest and tax over the average of opening and closing shareholders' funds plus debt.

Note 4: Earnings per share is calculated on a pre-exceptional basis.

Notice of meeting

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to any aspect of the proposals referred to in this document or as to the action you should take, you should seek your own advice from a stockbroker, solicitor, accountant, or other professional adviser.

If you have sold or otherwise transferred all of your shares, please pass this document together with the accompanying documents to the purchaser or transferee, or to the person who arranged the sale or transfer so they can pass these documents to the person who now holds the shares.

Notice of meeting

NOTICE IS HEREBY GIVEN that the 2012 Annual General Meeting of Bovis Homes Group PLC will be held at The Spa Hotel, Mount Ephraim, Royal Tunbridge Wells, Kent TN4 8XJ on Wednesday 16 May 2012 at 12.00pm for the following purposes:

Ordinary resolutions

- 1 To receive the audited accounts of the Company for the year ended 31 December 2011 and the reports of the directors and auditors.
- 2 To approve the report on directors' remuneration for the year ended 31 December 2011.
- 3 To declare the final dividend recommended by the directors.
- 4 To re-appoint Malcolm Robert Harris as a director of the Company.
- 5 To re-appoint Alastair David Lyons as a director of the Company.
- 6 To re-appoint Colin Peter Holmes as a director of the Company.
- 7 To re-appoint John Anthony Warren as a director of the Company.
- 8 To re-appoint David James Ritchie as a director of the Company.
- 9 To re-appoint Jonathan Stanley Hill as a director of the Company.
- 10 To re-appoint KPMG Audit Plc as auditors of the Company.
- 11 To authorise the directors to determine the remuneration of the auditors.

- 12 That the directors be generally and unconditionally authorised to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company pursuant to section 551 of the Companies Act 2006 ("the 2006 Act"):

(A) up to an aggregate nominal amount of £22,256,739; and

(B) comprising equity securities (as defined in the 2006 Act) up to an aggregate nominal amount of £44,513,478 (including within such limit any shares issued or rights granted under paragraph (A) above) in connection with an offer by way of a rights issue to holders of ordinary shares in proportion (as nearly as may be practicable) to their existing holdings and so that the directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter,

such authorities to apply (unless previously renewed, varied or revoked by the Company in a general meeting) until the conclusion of the Annual General Meeting of the Company in 2013 or fifteen months from the date of this resolution, whichever is the earlier, but in each case so that the Company may make offers and enter into agreements during the relevant period which would, or might, require shares to be allotted, or rights to subscribe for or convert any security into shares to be granted, after the authority ends and the directors may allot shares and grant rights under any such offer or agreement as if the authority had not ended.

Special resolutions

- 13 That a general meeting other than an Annual General Meeting may be called on not less than 14 clear days' notice.
- 14 That if resolution 12 is passed, and in place of all existing powers, the directors be generally empowered pursuant to section 570 of the 2006 Act to allot equity securities (as defined in the 2006 Act) for cash, under the authority given by that resolution, as if section 561(1) of the 2006 Act did not apply to the allotment, such power:
 - (a) to expire (unless previously renewed, varied or revoked by the Company in a general meeting) at the conclusion of the Annual General Meeting of the Company in 2013 or fifteen months from the date of this resolution, whichever is the earlier, but during this period the directors may make an offer or agreement which would or might require equity securities to be allotted after the power ends and the directors may allot equity securities under any such offer or agreement as if the power had not ended;
 - (b) to be limited to the allotment of equity securities in connection with an offer of equity securities (but in the case of the authority granted under resolution 12(B) by way of a rights issue only) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings and so that the directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter; and
 - (c) to be limited, in the case of the authority granted under resolution 12(A), to the allotment of equity securities for cash otherwise than pursuant to paragraph (b) up to an aggregate nominal amount of £3,341,852.

Notice of meeting continued

15 That the Company be and is hereby granted general and unconditional authority, for the purposes of section 701 of the 2006 Act, to make market purchases (within the meaning of section 693(4) of the 2006 Act) of the ordinary shares of 50 pence each in its capital PROVIDED THAT:

- (i) this authority shall be limited so that the number of ordinary shares of 50 pence each which may be acquired pursuant to this authority does not exceed an aggregate of 13,367,410 ordinary shares and shall expire at the conclusion of the next Annual General Meeting of the Company in 2013 (except in relation to the purchase of ordinary shares the contract for which was concluded before such time and which is executed wholly or partly after such time);
- (ii) the maximum price which may be paid for each ordinary share shall be the higher of: (a) an amount equal to 105% of the average of the middle market quotations for an ordinary share of the Company as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the Company agrees to buy the ordinary shares; and (b) the amount stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation 2003 (in each case exclusive of expenses); and
- (iii) the minimum price which may be paid for an ordinary share shall be 50 pence in each case exclusive of expenses.

Bovis Homes Group PLC
The Manor House, North Ash Road
New Ash Green, Longfield
Kent DA3 8HQ

By Order of the Board
M T D Palmer
Company Secretary

23 March 2012

Notes:

- (i) Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 and section 360 B(2) of the 2006 Act, the Company gives notice that only holders of ordinary shares entered on the register of members no later than 6.00pm on 14 May 2012 (or, in the event of any adjournment, on the date which is 48 hours before the time of the adjourned meeting) will be entitled to attend and vote at the meeting and a member may vote in respect of the number of ordinary shares registered in the member's name at that time. Changes to entries on the register after the relevant deadline shall be disregarded in determining the rights of any person to attend or vote at the meeting.
- (ii) A registered member of the Company may appoint one or more proxies in respect of some or all of their ordinary shares to exercise the member's rights to attend, speak and vote at a meeting of the Company instead of the member. A registered member appointing multiple proxies must ensure that each proxy is appointed to exercise rights attaching to different shares and must specify on the form of proxy the number of shares in relation to which that proxy is appointed. A proxy form which may be used to make such appointment and give proxy instructions accompanies this Notice. If you do not have a proxy form and believe that you should have one, or if you require additional forms, please contact the Company's Registrar, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY. Members or their duly appointed proxies are requested to bring proof of identity with them to the meeting in order to confirm their identity for security reasons. A shareholder attending the meeting has the right to ask questions relating to the business being dealt with at the meeting in accordance with section 319A of the 2006 Act. In certain circumstances prescribed by the same section, the Company need not answer a question.
- (iii) The form of proxy must be executed by or on behalf of the member making the appointment. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares. A corporation may execute the form(s) of proxy either under its common seal or under the hand of a duly authorised officer, attorney or other authorised person. A member may appoint more than one proxy to attend and vote on the same occasion.
- (iv) A proxy need not be a member of the Company.
- (v) Participants of the Bovis Homes Group Share Incentive Plan may instruct the trustee to vote on their behalf on a poll.
- (vi) The proxy form and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority must be received at the office of the Company's Registrar, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY or received via the Computershare website, (www.eproxyappointment.com) (full details of the procedures are given in the notes to the proxy form enclosed with the report and accounts and on the website) not less than 48 hours before the time for holding the meeting. Completion of the proxy form, other such instrument or any CREST proxy instruction (as described in paragraph (vii) below) will not preclude a member from attending the Annual General Meeting and voting in person instead of his proxy or proxies. The Company will announce the level of proxy votes for and against each resolution and the number of abstentions once the resolution has been voted on by a show of hands, except where a poll is called. When announcing a decision on a poll, the Company will disclose the total number of votes in favour and against and the number of abstentions on the Company website (www.bovishomesgroup.co.uk) and through a Regulatory Information Service. If a member returns paper and electronic proxy instructions, those received last by the Registrar before the latest time for receipt of proxies will take precedence. Members are advised to read the website terms and conditions of use carefully.
- (vii) To appoint one or more proxies or to give an instruction to a proxy (whether previously appointed or otherwise) via the CREST system, CREST messages must be received by the issuer's agent (ID number 3RA50) not later than 48 hours before the time appointed for holding the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp generated by the CREST system) from which the issuer's agent is able to retrieve the message. After this time any change of instructions to a proxy appointed through CREST should be communicated to the proxy by other means. CREST personal members or other CREST sponsored members, and those CREST members who have appointed voting service provider(s) should contact their CREST sponsor or voting service provider(s) for assistance with appointing proxies via CREST. For further information on CREST procedures, limitations and system timings please refer to the CREST manual. The Company may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Notice of meeting continued

- (viii) CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST proxy instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST manual concerning practical limitations of the CREST system and timings.
- (ix) Any person to whom this Notice is sent who is a person nominated under section 146 of the 2006 Act to enjoy information rights (a "Nominated Person") may have a right, under an agreement between him and the member by whom he was nominated, to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he may, under any such agreement, have a right to give instructions to the member as to the exercise of voting rights. The statement of the rights of members in relation to the appointment of proxies in paragraph (ii) above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by members of the Company.
- (x) As at 5 March 2012 (being the last practicable date prior to the publication of this Notice) the Company's issued share capital consists of 133,674,109 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 5 March 2012 are 133,674,109.
- (xi) Under section 527 of the 2006 Act, members meeting the relevant threshold requirements set out in that section may require the Company to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the last Annual General Meeting that the members propose to raise at the Annual General Meeting. The Company may not require the members requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the 2006 Act. Where the Company is required to place a statement on a website under section 527 of the 2006 Act, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under section 527 of the 2006 Act to publish on a website.
- (xii) Except as provided above, members who wish to communicate with the Company in relation to the Annual General Meeting should do so using the following means: (1) by writing to the Company Secretary at the registered office address; or (2) by writing to the Company's Registrar, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY. No other methods of communication will be accepted. In particular you may not use any electronic address provided either in this Notice of meeting or in any related documents (including the Chairman's Statement, the Annual Report 2011 and the proxy form) to communicate with the Company for any purposes other than those expressly stated.
- (xiii) A copy of this Notice and other information required to be published in accordance with section 311A of the 2006 Act in advance of the Annual General Meeting can be found at www.bovishomesgroup.co.uk.
- (xiv) The following documents will be available for inspection at the Company's registered office, during normal business hours, on any weekday (excluding public holidays) from the date of this Notice until the date of the Annual General Meeting and on that date they will be available for inspection at the place of the meeting from 11.30am until the conclusion of the meeting:
- (a) copies of the directors' service contracts;
 - (b) copies of the terms and conditions of appointment for each non-executive director; and
 - (c) the register of directors' interests.
- (xv) Data protection statement: your personal data includes all data provided by you, or on your behalf, which relates to you as a shareholder, including your name and contact details, the votes you cast and your Reference Number (attributed to you by the Company). The Company determines the purposes for which and the manner in which your personal data is to be processed. The Company and any third party to which it discloses the data (including the Company's Registrar) may process your personal data for the purposes of compiling and updating the Company's records, fulfilling its legal obligations and processing the shareholder rights you exercise.

Explanatory notes to the notice of meeting

Item 1: Report and accounts

The directors must present to shareholders at the Annual General Meeting the report of the directors and the accounts of the Company for the year ended 31 December 2011. The report of the directors, the accounts and the report of the Company's auditors on the accounts and on those parts of the directors' remuneration report that are capable of being audited are contained within the annual report and accounts.

Item 2: Directors' remuneration

Under section 439 of the 2006 Act the directors are required to present the report on directors' remuneration in accordance with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, for the approval of the members.

The Report on directors' remuneration can be found on pages 39 to 52 of the report and accounts.

Item 3: Final dividend

Subject to the declaration of the final dividend at the meeting, the dividend will be paid on 25 May 2012 to shareholders on the register at the close of business on 30 March 2012. It is intended that a scrip dividend alternative will also be offered to shareholders.

Items 4 to 9: Re-appointment of directors

The UK Corporate Governance Code ("the Code") requires FTSE 350 companies to put all directors forward for re-appointment by shareholders on an annual basis. The purpose of this new requirement is to increase accountability to shareholders. Accordingly, all the directors of the Company will retire at the Annual General Meeting and offer themselves for re-appointment.

The Code contains provisions dealing with the re-appointment of non-executive directors. In relation to the re-appointment of Alastair David Lyons, Colin Peter Holmes and John Anthony Warren as non-executive directors, the Chairman has confirmed following the formal performance evaluation conducted during 2011 that they continue to be effective in and demonstrate commitment to their roles, including commitment of time for Board and committee meetings. Alastair Lyons brings a broad range of business knowledge and skills to the Board, which include experience in financial services, the insurance industry and private equity. Colin Holmes has financial, commercial and operational experience over a considerable period in a retail environment, which adds a valuable dimension to the Board capabilities. John Warren provides detailed financial and accounting expertise and has previous experience in chairing audit committees. In respect of the re-appointment of Malcolm Robert Harris, the Senior Independent Director has confirmed following the Chairman's formal performance evaluation in 2011 that he continues to be effective in and demonstrate commitment to his role as Chairman, including commitment of time for Board and Committee meetings. Malcolm Harris has in depth sector and industry knowledge and the Board benefits from his continued participation in industry thinking and engagement with shareholders.

The Board strongly supports and recommends the re-appointment of the directors to shareholders.

Biographical details of all the directors can be found on page 30 of this report and accounts.

Items 10 and 11: Re-appointment of auditors and auditors' remuneration

The auditors of a company must be re-appointed at each general meeting at which accounts are presented. Resolution 10 proposes the re-appointment of the Company's existing auditors, KPMG Audit Plc, for a further year. Resolution 11 gives authority to the directors to determine the auditors' remuneration.

Item 12: Authority to allot shares

The authority given to your directors at last year's Annual General Meeting under section 551 of the 2006 Act to allot shares expires on the date of the forthcoming Annual General Meeting. Accordingly, this resolution seeks to grant a new authority under section 551 to authorise the directors to allot shares in the Company or grant rights to subscribe for, or convert any security into, shares in the Company up to an aggregate nominal amount of £22,256,739 and also gives the Board authority to allot, in addition to these shares, further of the Company's unissued shares up to an aggregate nominal amount of £44,513,478 in connection with a pre-emptive offer to existing members by way of a rights issue (with exclusions to deal with fractional entitlements to shares and overseas shareholders to whom the rights issue cannot be made due to legal and practical problems). This is in accordance with the latest institutional guidelines published by the Association of British Insurers. This authority will expire at the conclusion of the next Annual General Meeting (or, if earlier, 15 months from the date of the resolution). The directors intend to seek renewal of this authority at subsequent Annual General Meetings.

The amount of £22,256,739 represents less than 33.3% of the Company's total ordinary share capital in issue as at 5 March 2012 (being the latest practicable date prior to publication of this Notice). The amount of £44,513,478 represents less than 66.6% of the Company's total ordinary share capital in issue as at 5 March 2012 (being the latest practicable date prior to publication of this Notice). The Company did not hold any shares in treasury as at 5 March 2012.

The Board has no present intention to exercise this authority other than in connection with employee share schemes, and the operation of any scrip dividend offer and any scrip dividend mandate scheme. It wishes to obtain the necessary authority from shareholders so that allotments can be made (should it be desirable and should suitable market conditions arise) at short notice and without the need to convene a general meeting of the Company which would be both costly and time consuming.

If the Board takes advantage of the additional authority to issue shares or grant rights to subscribe for, or convert any security into, shares in the Company representing more than 33.3% of the Company's total ordinary share capital in issue or for a rights issue where the monetary proceeds exceed 33.3% of the Company's pre-issue market capitalisation, all members of the Board wishing to remain in office will stand for re-election at the next Annual General Meeting following the decision to make the relevant share issue.

Explanatory notes to the notice of meeting continued

Item 13: Notice of general meetings

This resolution is required as a result of the implementation in August 2009 of the Shareholder Rights Directive. The regulation implementing this Directive increased the notice period for general meetings under the 2006 Act to 21 days. The Company will be able to continue to call general meetings (other than an Annual General Meeting) on 14 clear days' notice as long as shareholders have approved the calling of meetings on 14 days' notice. Resolution 13 seeks such approval. The approval will be effective until the Company's next Annual General Meeting, when it is intended that a similar resolution will be proposed. The Company will also need to meet the requirements for electronic voting under the Directive before it can call a general meeting on 14 days' notice. It is confirmed that ability to call a general meeting on 14 days' notice would only be utilised in limited circumstances and where the shorter notice period was to the advantage of shareholders as a whole.

Item 14: Disapplication of pre-emption rights

Resolution 14 seeks authority for the directors to issue equity securities (as defined in the 2006 Act) in the Company for cash as if the pre-emption provisions of section 561 of the 2006 Act did not apply. Other than in connection with a rights issue or any other pre-emptive offers concerning equity securities, the authority contained in this resolution will be limited to the issue of shares for cash up to an aggregate nominal value of £3,341,852 which represents approximately 5% of the Company's total ordinary share capital in issue as at 5 March 2012 (being the latest practicable date prior to publication of this Notice). In accordance with the Pre-emption Group's Statement of Principles, the directors confirm their intention that no more than 7.5% of the issued share capital (excluding treasury shares) will be issued for cash on a non pre-emptive basis during any rolling three-year period.

This resolution seeks a disapplication of the pre-emption rights on a rights issue so as to allow the directors to make exclusions or such other arrangements as may be appropriate to resolve legal or practical problems which, for example, might arise with overseas members.

There are presently no plans to allot ordinary shares wholly for cash other than in connection with employee share schemes. Shares allotted under an employee share scheme are not subject to statutory pre-emption rights.

The authority sought by resolution 14 will last until the conclusion of the next Annual General Meeting (or, if earlier, 15 months from the date of the resolution). The directors intend to seek renewal of this power at subsequent Annual General Meetings.

Item 15: Authority to purchase own shares

This resolution renews the authority granted at last year's Annual General Meeting to enable the Company to make market purchases of up to 13,367,410 of its own shares, representing approximately 10% of the Company's total ordinary share capital in issue as at 5 March 2012 (being the latest practicable date prior to publication of this Notice). Before exercising such authority, the directors would ensure that the Company was complying with the current relevant UK Listing Authority and ABI guidelines. No purchases would be made unless the directors believe that the effect would be to increase the earnings per share of the remaining shareholders and the directors consider the purchases to promote the success of the Company for the benefit of its shareholders as a whole. Any shares so purchased would be cancelled. The directors have no present intention of exercising the authority to purchase the Company's ordinary shares but would like to have the flexibility of considering such purchases in the future.

Any purchases of ordinary shares would be by means of market purchases through the London Stock Exchange. The maximum price (exclusive of expenses) which may be paid for each ordinary share shall be the higher of: (a) an amount equal to 105% of the average of the middle market quotations for an ordinary share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the Company agrees to buy the ordinary shares; and (b) an amount equal to the higher of the price of the last independent trade of an ordinary share and the highest current independent bid for an ordinary share as derived from the London Stock Exchange Trading System (SETS). The minimum price (exclusive of expenses) would be 50 pence, being the nominal value of each ordinary share. The authority will only be valid until the conclusion of the next Annual General Meeting in 2013.

As at 5 March 2012 there were options over 1,257,515 ordinary shares in the capital of the Company which represent 0.94% of the Company's issued ordinary share capital at that date. If the authority to purchase the Company's ordinary shares was exercised in full, these options would represent 1.04% of the Company's issued ordinary share capital.

The directors consider that all the resolutions to be put to the meeting promote the success of the Company for the benefit of its shareholders as a whole. Your Board will be voting in favour of them and unanimously recommends that you do so as well.

Shareholder's information

Registered office

The Manor House, North Ash Road, New Ash Green, Longfield, Kent DA3 8HQ Registered number 306718 registered in England

Financial calendar

Annual report posted	26 March 2012
Annual General Meeting	16 May 2012
Payment of 2011 final dividend	25 May 2012
Announcement of 2012 interim results	20 August 2012
Announcement of 2012 final results	February 2013

Analysis of shareholdings - at 31 December 2011

	Number of shareholders	%	Number of ordinary shares	%
1 - 5,000	1,751	82.17	1,658,939	1.24
5,001 - 50,000	234	10.98	3,861,110	2.89
50,001 - 250,000	76	3.57	8,458,917	6.33
250,001 - 500,000	28	1.31	9,907,554	7.41
500,001 - 1,000,000	20	0.94	14,482,081	10.83
1,000,001 - and over	22	1.03	95,304,035	71.30
Total	2,131	100.0	133,672,636	100.0

Share price (middle market) - year to 31 December 2011

At end of year: 439.2p	Lowest: 326.5p	Highest: 499.6p
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Advisers

Auditors KPMG Audit Plc	Principal bankers Santander UK plc	Joint stockbrokers Jefferies Hoare Govett 68 Upper Thames Street London EC4V 3BJ	Insurance brokers Gallagher Heath
Financial advisers Moelis & Company	Barclays Bank PLC HSBC Bank plc	Deutsche Bank AG London Winchester House 1 Gt Winchester Street London EC2N 2DB	Registrars Computershare Investor Services PLC The Pavilions Bridgwater Road Bristol BS99 6ZZ
Solicitors Freshfields Bruckhaus Deringer LLP	Lloyds Banking Group Royal Bank of Scotland plc		

Registrar

Shareholder enquiries regarding change of address, dividend payment or lost certificates should be directed to: Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZZ. Bovis Homes Shareholder Helpline: 0870 889 3236.

Investor Centre: the easy way to manage your shareholdings online:

Many shareholders want to manage their shareholding online and do so using Investor Centre, Computershare's secure website. With Investor Centre you can view shares balances, history and update your details. Visit www.investorcentre.co.uk for more information.

Internet and telephone share dealing is available via Investor Centre:

Internet dealing - The fee for this service is 1% of the value of each sale or purchase of shares (subject to a minimum of £30). Stamp duty of 0.5% is payable on purchases.

Telephone dealing - The fee for this service will be 1% of the value of the transaction (plus £35). To use this service please call 0870 703 0084 with your SRN to hand.

Note: The provision of these services is not a recommendation to buy, sell or hold shares in Bovis Homes Group PLC.

Electronic communications

Instead of receiving printed documents through the post many shareholders now receive their annual report and other shareholder documents electronically, as soon as they are published. Shareholders that would like to sign up for electronic communications should go to www.investorcentre.co.uk/ecomms where they can register.



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

South East region

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

South West region

Cleeve Hall
Cheltenham Road
Bishops Cleeve
Cheltenham
Gloucestershire GL52 8GD

Tel: (01242) 662400
Fax: (01242) 662488

DX: 137900 Bishops Cleeve 2

Central region

Bromwich Court
Highway Point
Gorsey Lane
Coleshill
Birmingham B46 1JU

Tel: (01675) 437000
Fax: (01675) 437030

DX: 728340 Coleshill 2



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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