

**BOVIS
HOMES**

bovishomesgroup.co.uk

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Annual report and accounts 2016
Bovis Homes Group PLC

Annual report and accounts

Strategic report

A review of our business model, strategy and summary financial and operational performance

Our governance

Detailed discussion of our governance framework and remuneration policy

Financial statements

Financial statements and notes

Supplementary information

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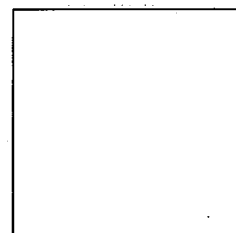
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Chairman's statement

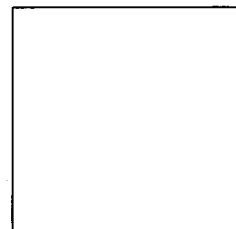
Ian Tyler discusses how the Group is well placed for the future



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Interim Chief Executive's report

Earl Sibley provides an overview of the year and discusses the plans ahead



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Financial review

Earl Sibley reports on the financial performance for the year

2016 highlights

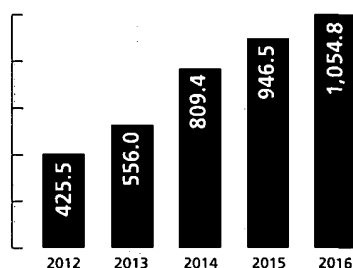
Financial highlights

11% ▲ in revenues

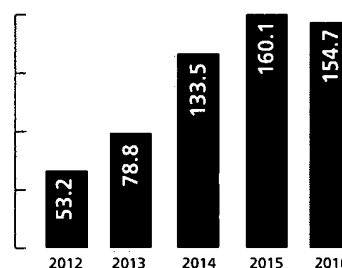
13% ▲ in dividends

6% ▲ in net assets per share
to **757p**

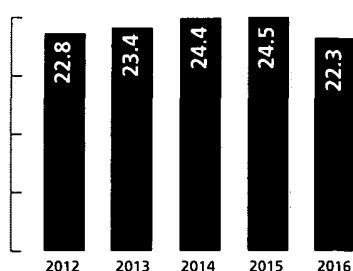
Revenue (£m)
£1,054.8m



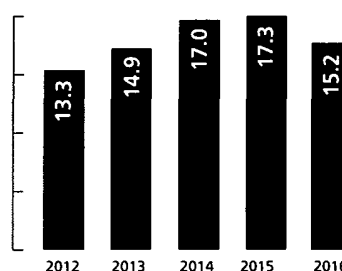
Profit before tax (£m)
£154.7m



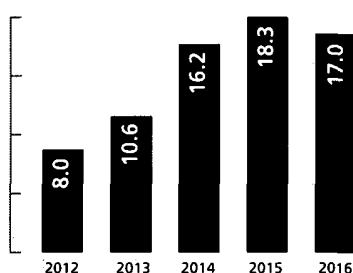
Gross margin (%)
22.3%



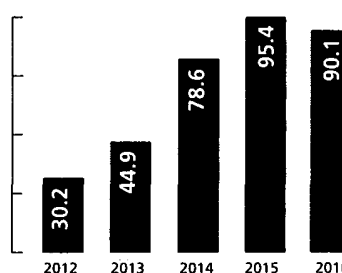
Operating margin (%)
15.2%



ROCE (%)
17.0%



Earnings per share (p)
90.1p



The Group's fundamentals remain strong

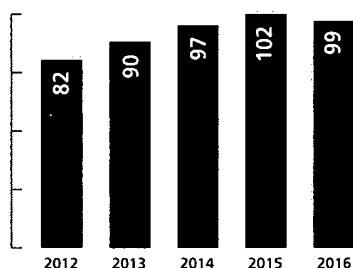
Operational highlights

10% ▲ increase in average selling price

4% ▲ private sales per active sales outlet per week to 0.58

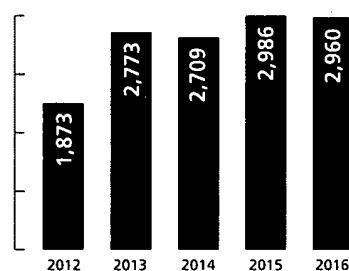
Active sales outlets

99



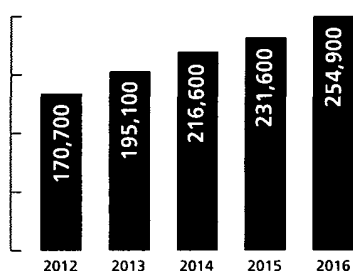
Private reservations

2,960 (excluding PRS)



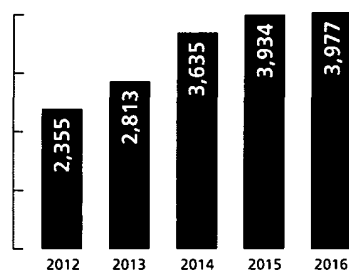
Average sales price (£)

£254,900



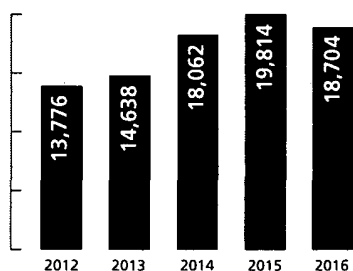
Legal completions

3,977



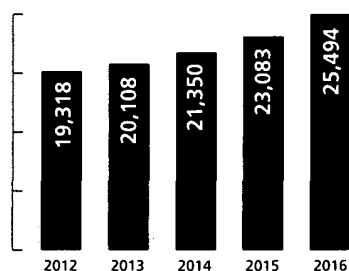
Consented land bank

18,704 plots



Strategic land bank

25,494 plots



Chairman's statement

Ian Tyler
Chairman

2016 was a difficult year for Bovis Homes with operational challenges following a period of ambitious growth. Whilst we achieved strong growth in the first half of 2016, we were unable to deliver our anticipated unit sales and customer service performance in the second half. As a result, we saw earnings fall year on year.

This shortfall in performance had two underlying causes which inevitably have their origins in preceding periods. Firstly, our production processes have not been sufficiently robust to cope with the twin pressures of our growth strategy and the resource shortages across the industry. Secondly, we have not designed and resourced our customer service proposition and processes appropriately to deliver a 'customer first' culture.

In order to address both of these we have embarked on a programme to deliver significant and urgent improvement in underlying processes across the business, focused on the delivery of the highest quality of product and service to our customers. In taking these actions we will slow the Group's rate of production for 2017 and are targeting completions volumes for the year to be c. 10% to 15% below prior year's level, before a return to normal industry production levels.

The fundamentals of the business remain strong with our market positioning reflected in our high quality southern biased land bank. The land additions executed in 2016 have further enhanced our land bank and ensured we hold over four years of owned consented land supply together with substantial further opportunity in our strategic land interests.

Given the clear need to ensure we optimise the return achieved on the Group's high quality land assets, we are undertaking a fundamental review of our structure and strategy during 2017, to include our geographic coverage, our organisation design, the basis of capital allocation to our land bank and other assets, and our medium term aspirations for growth.

The housing market

The Board closely monitors UK housing market conditions as we progress through the cycle. We believe that the key factors which supported the positive market conditions in 2016 remain in place for 2017.

The fundamental lack of supply in the UK housing market and the current strong demand from customers together provide a robust footing for the business. The positive Government support for house building was reconfirmed in the recent Housing White Paper. In particular the residential planning regime is ensuring that land supply to the market is ahead of production rates and the Help to Buy scheme provides confidence for our customers to invest in new homes.

We paused our land investment around the time of the EU referendum vote but have subsequently continued to invest in land in a disciplined manner to take advantage of the continued strength in demand in our core regional markets combined with a continuing flow of good land acquisition opportunities.

The current shortage of skilled construction labour in the industry remains a major short term operational challenge for the industry as a whole. This constraint has continued to impact our business during 2016. We are working hard to bring new people into the sector and we continue to invest in developing our own construction teams and support our subcontractors through apprenticeship schemes.

Dividends and earnings per share

The Group has retained the strength of its balance sheet during 2016 with an improved net cash position at year end. We delivered earnings per share of 90.1p with full year profits impacted by the shortfall in completions and increased costs including a one-off £7 million customer care provision. Given the strength of our balance sheet and our confidence in the future prospects of the business, a final dividend for 2016 of 30.0 pence per share will be recommended. When combined with the interim dividend this provides a total dividend of 45.0 pence for the year, an increase of 13% on 2015. The final dividend will be payable on 19 May 2017 to shareholders on the register on 24 March 2017.

Whilst there will inevitably be an impact on our earnings and cash flow from the actions we are taking in 2017, the Board intends to recommend maintaining the dividend for 2017 at the declared level for this year confirming its confidence in the future potential of the business.

Our targeted land investment remains concentrated on family housing sites in our Southern based operating area

Brookfields
Inkberrow

People

We continue to invest in our people, and our training and development programmes will be extended further in 2017, supported by the launch of the national Bovis Homes Training Centre.

The commitment and skill shown by the Group's employees despite the difficulties faced during 2016 continues to impress me and, on behalf of the Board, I would like to thank them all for their dedication and hard work. I would also like to extend my thanks to our subcontractors and suppliers who are such a key component of our business.

The Board

I would like to thank my colleagues for another year of support and positive challenge. Nigel Keen joined the Board during the year and we have already benefitted substantially from his insight and experience. I would also like to express my thanks to David Ritchie, our previous Chief Executive, who stepped down in January 2017 after eighteen years of valued service.

Earl Sibley, the Group Finance Director, has taken on the role of Interim Chief Executive and the search for a permanent Chief Executive Officer is underway.

The future

Despite the difficulties of 2016, the Board remains confident in the Group's abilities to deliver improved returns to shareholders. The process of transformation is already underway under Earl Sibley's interim leadership and I am confident the plans in place will address the operational weaknesses we have seen in our business, and focus us once again on delivering high quality product and service to our customers. Further, we will undertake a strategic and structural review of the business to ensure we meet our commitment to delivering the highest possible returns from our valuable land assets.

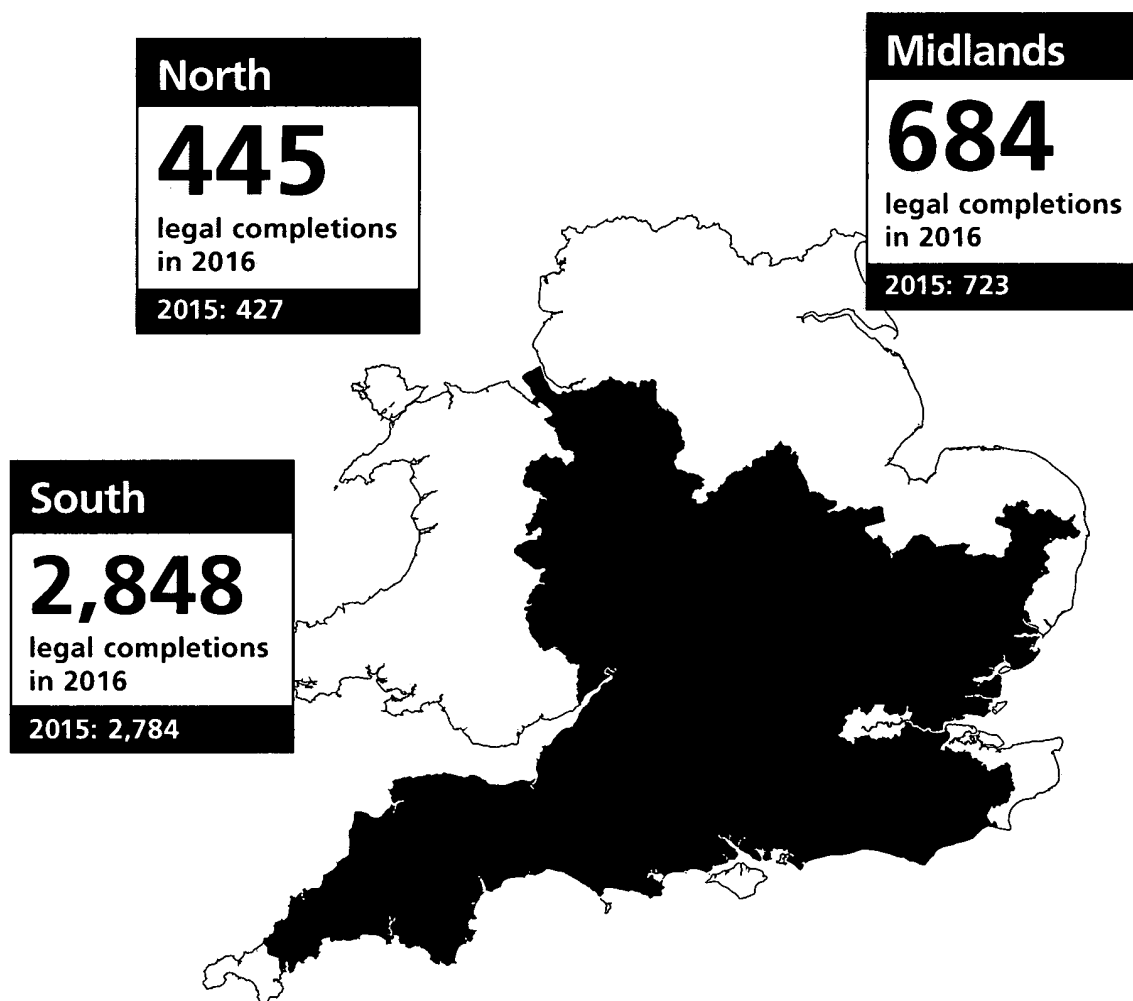

Ian Tyler
Chairman

What we do

Bovis Homes is a builder of high quality traditional homes in England. The Group's business involves the design, build and sale of new homes for both private customers and Registered Social Landlords.

The Group employed over 1,200 staff directly at the end of 2016 and up to a further 4,000 sub-contractors work on its sites on a daily basis. In 2016, the Group legally completed 3,977 (2015: 3,934) homes predominately on greenfield sites.

Where we operate



Reasons to invest

Here we set out the reasons to invest in Bovis Homes as we create the homes our customers desire.

Product mix – building desirable family homes

- Lower risk greenfield sites
- Traditional two-storey family homes with limited apartments
- High usage of quality standard 'Portfolio' housing range

Geography – prime Southern location bias

- Focus on higher capital growth locations of the UK housing market
- Targeting 75-80% of land developed to be in prime south of England locations
- Strategy not to develop in London

Quality land bank – successful land buying strategy

- More than 4 years consented prime operational land supply
- Disciplined approach with recently increased group-wide acquisition hurdle rates
- 38% of land bank sourced strategically and targeting 50%

Operational priorities – clearly established to drive improved operating performance

- Clear set of priorities established
- Centred on delivering high quality service and product to our customers
- Priority actions commenced with commitment to delivering a significantly improved operating performance

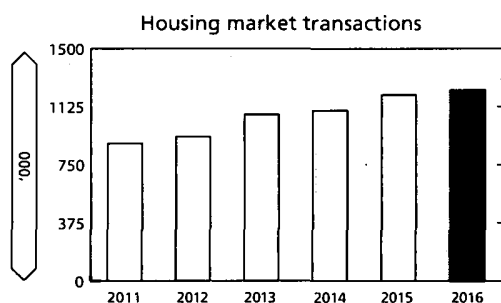
Capital efficiency – further opportunities

- Identified balance sheet opportunities to enhance capital efficiency
- Shared equity and key strategic sites targeted

Birch Gate
Wymondham

Housing market overview

UK housing market in the medium term



Source: HCA

The total UK housing stock is estimated to be around 27 million homes with 23 million homes in England, of which 19 million are privately owned. The average activity level over the long term within this market has resulted in 1.1 million transactions per annum. During 2016, this increased to circa 1.2 million transactions although this is still down from a peak of circa 1.6 million transactions during 2007. The lack of supply that is preventing higher transaction levels is driving a significant increase in house prices that have accelerated over the last three years with Halifax reporting an average sales price of £222,484 in December 2016.

UK housing market in the short term

	Annual HPI to Dec 2014	Annual HPI to Dec 2015	Annual HPI to Dec 2016
Halifax	+7.8%	+9.5%	+6.5%
Nationwide	+7.2%	+4.5%	+4.4%
Hometrack	+8.3%	+7.9%	+6.6%

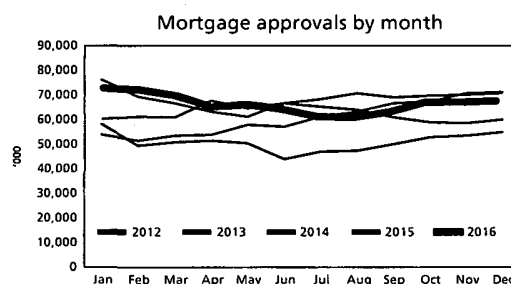
Pricing

During 2016 pricing has continued to move upwards. House prices in London, where the Group does not operate, had an estimated increase of around 4% according to the Halifax, lower than the UK average for the first time since 2008. The pace of house price inflation is expected to moderate further during 2017 with the Halifax showing expected annual house price inflation between 1 and 4%. Pricing is driven by the factors affecting demand and supply within the overall housing market.

Housing demand

The Government's view in the recent White Paper is that we need between 225,000 and 275,000 new homes per year to keep up with population growth following years of under-supply. While this is supportive of demand over the long term, demand in 2017 could be constrained by slower economic growth and pressure on employment, contributed to by uncertainty surrounding the nature of a UK exit from the EU.

However the market continues to be supported by Government initiatives and wide availability of mortgage finance at historically low interest rates.



Source: Bank of England

In recent years there has been a shift in the government's attitude to the new build housing market recognising the growing deficit in housing supply and the economic implications of this deficit. This has resulted in the Government being very supportive of the industry, with improvements in the planning environment and the release of more Government owned land, together with the introduction of demand side initiatives such as the Help to Buy shared equity scheme. This scheme was introduced in April 2013 exclusively for new build properties and it has recently been confirmed that this scheme will continue until 2021. The overall impact of this product has been positive, not only in enabling more customers to access mortgage finance, but also in increasing consumers' confidence to purchase.

Monthly mortgage approvals increased through 2015 reaching a high of 73,000 in January 2016. However, this moderated during the months leading up to the EU referendum and its immediate aftermath before recovering in the final quarter of the year to around 67,000 approvals a month.

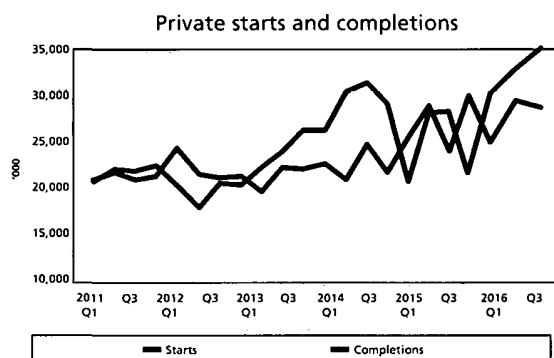
Over the last couple of years there have been attempts to provide stability to the housing market through various measures. The Mortgage Market Review laid out new requirements requiring that lenders undertake a thorough assessment of affordability which should ensure borrowers are less likely to have difficulties meeting their commitments if interest rates rise.

The Government also announced that additional powers would be granted to the Bank of England to guard against financial stability risks from the housing market. These powers include setting limits on debt to income ratios and loan to value ratios for mortgages. The application of these powers is likely to have a moderating effect on housing demand and pricing, particularly at the latter stages of the cycle.

The recent changes to Stamp duty have provided a boost to the market, with lower transaction costs for the vast majority of purchasers. There is however a 3% surcharge for buy-to-let properties, although this has had little impact on the Group due to the nature of the product and the geography in which it operates.

The UK housing market continues to be supported by Government initiatives and competitive mortgage availability

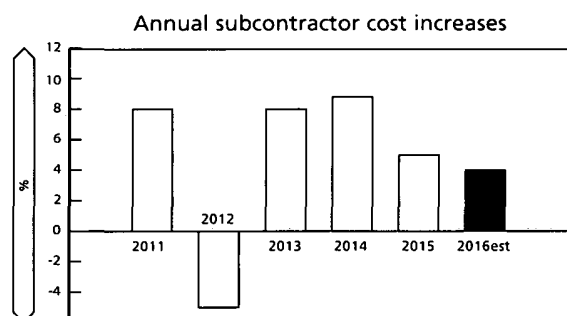
Housing supply



Source: HBF

In terms of new build supply, the number of new home completions in England in 2016 as reported by the DCLG is expected to be around 142,000. Housing starts for 2016 are expected at 148,000, an increase of 2% compared to the year before. This is still insufficient to meet the projected 221,000 additional households being created every year leaving a significant shortfall in supply. This coupled with the wider affordability issue highlights the importance of increasing the supply of new homes over the coming years.

Supply chain



Source: BCIS

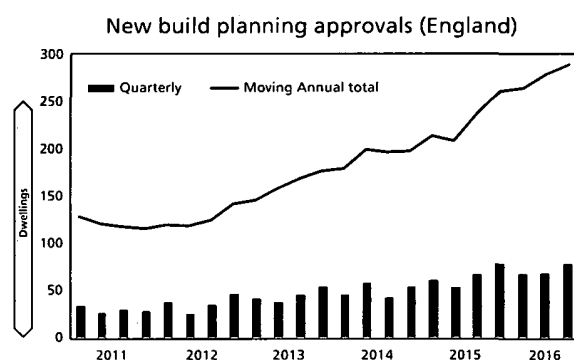
Overall build costs are expected to climb by 3% to 4% during 2017 broadly in line with recent experience. Labour costs are forecast to increase by 4% to 5% with the availability of sub-contract labour being the key issue affecting the sector. This affects the ability to build at the required speed to fulfil consumer demand with a consequential effect on the industry's cost base. Material costs are expected to increase by 1% to 3% in 2017 due to underlying UK inflation in the supply chain which is likely to be impacted by the weaker exchange rate following the UK decision to exit the European Union.

Residential land

The price of residential land is a residual value calculation, with a developer willing to pay a land price based on expected incomes less costs and a required development margin. When residential house prices change, the value of a piece of land tends, therefore, to move by a factor of two or three. The value of residential land

is also affected by the number of purchasers and the amount and type of residential land coming to market, as well as potential purchasers' confidence in future house price movements.

During the last few years, the number of residential land purchasers in the market has remained relatively stable. Private housebuilders have struggled to access bank finance to fund their purchase at the leverage and at the price that they require. The main purchasers have been publicly listed housebuilders, who have demonstrated a disciplined approach. Until more capital becomes available to the wider new build sector, it is unlikely that the number of purchasers will increase substantially.



Source: HBF

In terms of the supply of residential land, the quantity of planning applications made and granted fell significantly from 2008 to 2011. With the launch of the National Policy Planning Framework ("NPPF") in March 2012, the supply of residential land has increased materially in the last few years.

Different types of residential land sites come to market in terms of size, product type, location and former use (greenfield or brownfield). Larger sites, particularly in the south of England, tend to attract relatively few purchasers due to capital commitments, whereas smaller sites up to 50 plots may attract many more. Again, the product mix on a site may attract different levels of demand with, for instance, apartment schemes in city centres (outside London) likely to attract a limited number of purchasers, compared to traditional two storey detached housing sites.

Overall, the demand and supply dynamic of the land market remains favourable for well-funded purchasers and residential land can be purchased at sensible returns.

Competitors

The second hand market remains the main competition for Bovis Homes. 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 between 2008 and 2011 led to new build contributing a greater proportion of residential transactions. With overall consumer confidence improving and transaction numbers increasing materially, the new build sector will move back towards 10% of total housing market transactions.

Interim Chief Executive's statement

Earl Sibley
Interim Chief Executive

Bovis Homes has pursued an ambitious growth strategy over the past five years with completions almost doubling over this period. This fast growth has led to progressively developing operational challenges across the business.

Whilst we achieved strong growth in the first half of the year we were unable to deliver our planned level of completions for the second half, with a shortfall of 180 private homes in December. This reflected underlying weaknesses in our production processes and resulted in higher than expected costs.

Our customer service standards have been declining for some time and combined with the delays to production towards the year end, we have entered 2017 with a high level of customer service issues. Our customer service proposition has failed to ensure that all of our customers receive the expected high standard of care. The Group has taken a one-off £7 million customer care provision in 2016 to address this high level of customer issues. After taking this provision, the Group delivered a profit before tax of £154.7 million, below our previously stated range of £160 to £170 million.

The fundamentals of our business remain strong. We have continued to invest in our consented land bank which stands at £1,020.6 million, representing over four years of high quality land supply, and our balance sheet remains robust with increased year end net cash of £38.6 million.

Having assumed the role of Interim Chief Executive on 9 January 2017, I have established a clear set of operational priorities for 2017 and actions are already being taken.

We are performing an end to end review of our production processes to ensure we develop to programme and deliver our customers the high quality homes they expect. We are fully committed to putting our customers back at the centre of everything we do and to delivering a much improved level of customer service. We will strengthen both our regional management teams and functional leadership, and continue to invest in our people to establish consistent best practice across all regions of the Group.

2017 operational priorities

The implementation of our operational priorities has commenced in the early weeks of 2017 and is focused on:

- Developing to programme
- Transforming customer service
- Leadership and operational excellence

Develop to programme

The business has suffered from weakness in our production processes which has manifested in our development programmes not delivering to plan, in particular around the half year and year end periods when we have had a heavy weighting of completions.

We have commenced an end to end review of our build process from the point we acquire a development to the timing of the final completion. We will bring in external best practice to complement good internal procedures where appropriate, and will benchmark across all our regions. In particular we are focused on:

- Adding new senior operational resource to target a reduction in build times, improve build quality and ensure we have the optimum resourcing models
- Investment in resourcing of and training in our build management system
- Improved communication with our supply chain, working as a collaborative partnership throughout the build process
- Ensuring common understanding and adherence to our best practices across all regions
- Formal cross functional development project teams to bring effective collaboration and a high level of internal customer service

Achieving better management of our build programme and developing to plan will result in a significant improvement to our build efficiency.

Operational priorities identified to improve performance

Transforming customer service

The Group's customer service levels have experienced a decline in recent years, as evidenced by our HBF customer satisfaction rating. At the beginning of this year we commenced a clear programme of actions to arrest this decline and to progressively return our HBF rating to the top quartile of listed housebuilders. A customer service task force has been established with its immediate priority to address outstanding concerns from customers within our two year warranty period.

We are increasing the resource across our customer service function to improve both our project management capability and our day to day operational capacity. We have additional staff dealing with customer enquiries and more operatives on the ground working in customers' homes.

We are reviewing all of our customer service procedures and controls to ensure best practice across all regions, and are already progressing with:

- Improved customer service training for all staff
- Enhanced quality assurance processes prior to homes being handed over, making our customers an integral part of that process
- Improvements to our customer responsiveness and communication
- Review of complaints procedures for the periods both pre and post legal completion
- The formation of a Homebuyers Panel composed of customers who will provide advice and challenge as we review all aspects of our customer service in the coming months

Leadership and operational excellence

Last year we saw an increased level of investment in our people through training and development programmes and this will be extended further during 2017, supported by the opening of the Bovis Homes Training Centre.

The improvement of both external and internal customer service and the driving of a cultural change in how we operate, are at the core of our leadership development programme. Our values of quality, caring and integrity should stand at the centre of our decision making and inform how we effect operational changes.

As we commence 2017 our eight regional businesses are fully operational, having opened three new office locations in close proximity to our developments during 2016. We are focused on strengthening our regional management teams and establishing functional excellence across the Group. To further develop our functional leadership, our group commercial function introduced in 2016 will be complemented by new senior leadership positions for both customer service and development activities.

Improving capital efficiency

Alongside these operational priorities we remain focused on progressing balance sheet opportunities in 2017 to improve capital efficiency and deliver enhanced shareholder returns. These include the sale of part or all of our shared equity assets, a reduction in part exchange assets, and the continuation of land sales where appropriate. We are also undertaking a detailed review of the ways in which we can maximise capital efficiency on some of our larger strategic sites including Wellingborough, in particular the potential for strategic partnerships.

Land investment strategy

We continue to pursue a low risk approach to land investment targeting greenfield, traditional, two storey, family housing in Southern biased locations, sourced from both the consented land and strategic land markets.

In 2016, we acquired 27 sites following the acquisition of 35 sites in 2015, with the Group having deliberately paused its investment in land around the time of the EU referendum. We took the opportunity to increase our land acquisition hurdle rates in June to levels which have since been maintained.

Consented land bank	2016	2015
Consented plots added	3,047	6,058
Plots in consented land bank at year end	18,704	19,814
Land bank years	4.7	5.0
Sites added	27	35
Sites owned at year end	133	142
Average selling price	271,000	247,000
Average land plot cost	52,400	49,200
Proportion in South of England	78%	76%

The 3,047 plots added to the land bank in 2016 have an estimated future revenue of c. £950 million and an estimated future gross profit potential of c. £260 million based on sales prices and build costs at the point of appraisal, delivering an estimated future gross margin of 27.2%. The average return on capital employed of the land acquired based on investment appraisal at the time of acquisition is c. 30%.

The estimated gross profit potential of the Group's total consented land bank plots as at 31 December 2016, based on prevailing sales prices and build costs, has increased to c. £1,300 million with a gross margin of 25.6% (31 December 2015: £1,247 million at 25.5%).

The successful conversion of strategic land continues to be a key driver of value for the Group. New strategic land investments added 3,346 plots into the strategic land bank, giving a total of 25,494 strategic plots at the year end across 89 strategic sites. The strategic land bank reflects positively the Group's strategy of land acquisition with 67% of the strategic plots in the South of England.

Interim Chief Executive's statement

During 2016, the Group converted 562 plots from the strategic land bank into the consented land bank. This was a lower number of plots than in prior years due to timings of consents but we are already seeing success early in 2017 on a number of sites including 503 additional plots at Bishops Stortford transferring into the consented land bank.

We have signed the revised s106 for our key site at Wellingborough which represents the largest single investment on our balance sheet (c. £50 million). We have progressed well with the main infrastructure road into the housing area and will commence building houses later this year. We are currently looking to identify partners for this development.

We continue to develop our key strategic site at Wokingham with the first homes legally completing during the year and a further land sale going ahead as planned. The proceeds from this land sale largely covered the latest deferred land payment for the site thereby managing the capital employed on this key scheme.

In pursuit of capital efficiency the Group completed the sale of three parcels of land during 2016, and further land sales are planned in 2017.

2016 housing delivery

In 2016 the Group delivered 3,977 homes (2015: 3,934). Private legal completions (excluding PRS) decreased by 1% to 2,884 (2015: 2,901) reflecting the shortfall in private completions at the year end. Legal completions of social homes were 1,074 (2014: 848), representing 27% of total legal completions (2015: 22%).

Average active sales outlets of 99 were lower than the 102 in 2015, with the Group having closed more sites than previously anticipated. Despite this reduction in active sales outlets, an increase in net private reservations per site per week to 0.58 (2015: 0.56) enabled the Group to achieve 2,960 private reservations, broadly in line with the 2,986 achieved in 2015.

Our average sales price increased by 10% to £254,900 (2015: £231,600) with the average sales price of private legal completions (excluding PRS) 10% higher at £306,000 (2015: £272,100). These average prices benefitted both from the improved geographical and product mix on new sites driving higher sales prices and some modest price inflation. The increased total revenue supported an improvement in capital turn to 1.12 (2015:1.05).

Despite the slippage in production that caused difficulties towards the end of 2016, the overall production levels during the year were over 4,200 notional units of build, 7% ahead of 2015. Housing work in progress ended 2016 higher at 1,166 units worth of production (2015: 929), with work in progress turn as a result reducing to 2.8 times (2015: 3.5). Looking forward through 2017 we aim to align our production rates better with our sales rates and target a more even flow of production and completions through the year.

The Group's average construction cost per square foot in 2016 excluding the one off customer care provision was 11% higher than in 2015. We continue to see constraints on the availability of skilled labour across the sector resulting in increased market labour costs, and for the year inflationary pressures increased our total build costs by c. 5%. Product mix and the delivery of completions in higher value locations also increased our average build cost, whilst inefficiencies in our production processes and phasing, in particular the heavy weighting of completions to the year end, were also a factor.

Managing our construction cost base remains a key focus for management and delivering on our operational priority of developing to programme will result in improved build efficiency across the Group. We are focused on strengthening our relationships with key subcontractors, working in closer partnership with them throughout the production process, and will continue to optimise materials costs through Group-wide purchase agreements.

The Group recognised a one off £7 million customer care provision at the year end as a result of a much higher level of customer service issues. Customer service standards fell significantly during 2016 and homes were completed, in particular at the year end, which fell materially short of the high standard expected. We have a customer service task force in place whose absolute focus is to address these issues and the customer care provision will cover the cost of the required remedial work and appropriate compensation for affected customers.

Strong land bank underpins future increases in shareholder returns

Outlook

The Group is focused on making 2017 the year when we re-set the business and deliver on our operational priorities. Reflecting this we are slowing our rate of production and targeting completion volumes for 2017 to be c. 10% to 15% below the 2016 level, before a return to normal industry production levels. The average selling price is again expected to increase reflecting the mix coming through our landbank.

We continue to see market inflation impacting both the cost of subcontract labour and material supplies. To deliver on our operational priorities we will also see an increased level of investment in 2017 across the business.

We will continue to invest in high quality land opportunities that meet our minimum acquisition hurdle rates but will maintain our consented land bank at broadly current levels.

Whilst there will inevitably be an impact on our earnings and cashflow from the actions we are taking in 2017, the Board intends to recommend maintaining the dividend at the level declared for 2016, confirming its confidence in the future potential of the business.



Earl Sibley
Interim Chief Executive

Strategic report | Our business and strategy

Cloakham Lawns
Axminster

Our business model

Driving value across the cycle

Aiming to deliver robust performance over the cycle from long term land investment with a focus on building and selling quality family homes

	Activities	Driving value	Bovis Homes DNA
Land acquisition		- Investing in quality consented land - Investing in and promoting strategic land	Long term strategic investment in land to drive returns over the cycle
Design		- Creating desirable homes - Creating high quality environments	Traditional family homes constructed to a high standard using traditional materials with an all-inclusive specification
Build		- Safely delivering efficient and cost effective build to a high standard - Building strong relationships with materials suppliers and sub-contractors	
Sales		- Providing great customer service - Delivering quality homes justifying a premium price	High quality homes sold for a premium price

How the business invests in land over time will drive returns over the cycle

ROCE is expected to grow over time with profit growth and improvements in capital turn, assuming current market conditions continue

	Strategic priorities	Risks involved	Measuring success
1 	Acquiring, designing and developing quality traditional housing sites, focusing primarily in the south of England (excluding London)	• Insufficient consented land available at hurdle rates • Shortages of subcontract labour and materials • Changes in regulations	Growth in gross margin potential in land bank Growth in percentage of land in the south
2 	Creating aspirational homes using its well specified Portfolio traditional housing range in desirable settings, delivered with excellent customer service	• Product quality and service standards below customer expectations	% private homes from Portfolio range Customer satisfaction scores on quality of homes
3 	Operating at an optimal scale to suit the selected geography and product range, which enables ongoing high quality management of risk and reward through short lines of management control	• Lack of availability of mortgage finance • Insufficient consented land available at hurdle rates • Availability and cost of both materials and sub-contract labour	Private sales rate Active sales outlets
4 	Managing the business across the housing cycle to maximise returns, while effectively stewarding shareholders' capital	• Increased economic uncertainty • Lack of availability of mortgage finance • Planning changes frustrate the conversion of strategic land	Return on capital employed Increasing capital turn % of land from strategic conversion
5 	Enabling motivated and engaged employees and business partners to work ethically within a safe and healthy environment	• Inability to attract and retain good people • Unsafe construction practices	Employee engagement NHBC risk incidence RIDDOR reportables

For more information on our strategic priorities, see pages 20 to 24.

For more information on our risks, see pages 26 to 29.

For more information on our KPIs, see pages 20 to 24.

Strategic priorities

Acquiring, designing and developing quality traditional housing sites, focusing primarily in the south of England (excluding London)



Our approach

The Group adopts a regional approach to the acquisition, design and development of housing sites to ensure the appropriate level of focus during the lifecycle of each site.

Every land investment must meet rigorous criteria around margin, return on capital and site specific risk.

Each region employs specialists from a broad range of disciplines, which means we have extensive in-house experience and expertise at our disposal to see housing projects of all sizes through from start to finish.

Progress in 2016

The Group achieved the following during 2016:

- The Group acquired 3,047 plots on 27 sites in 2016 with 82% of these plots in the south of England
- In order to manage capital the Group delivered 3 land sales totalling 232 plots
- The estimated gross profit potential in the land bank has increased from £1.2bn to £1.3bn

Priorities for 2017

The Group is focused on delivering the following in 2017:

- The acquisition of c. 25 sites with the majority in the south of England
- Maintaining the size and gross profit potential of the landbank with at least four years of land bank supply

KPIs

Gross margin potential in consented land bank

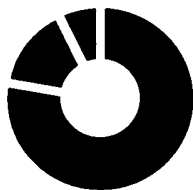
£1,301m (2015: £1,247m)

% of consented land bank in south

78% (2015: 76%)

Our consented land bank

Location of land at 31 December 2016



	Plots	
South	14,531	78%
Midlands	2,760	15%
North	1,413	7%
Total	18,704	

See map on page 6

Growing gross profit potential from land bank

	Consented plots	Revenue £m	ASP £000	Gross profit £m	Gross margin %
2014 additions	7,300	1,717	235.2	447	26.0%
31 December 2014	18,062	4,040	223.7	1,017	25.2%
2015 additions	6,058	1,667	275.2	441	26.4%
31 December 2015	19,814	4,894	247.0	1,247	25.5%
2016 additions	3,047	949	311.3	258	27.2%
31 December 2016	18,704	5,076	271.3	1,301	25.6%

Estimates based on prevailing sales prices and prevailing build costs

Creating aspirational homes using its well specified Portfolio traditional housing range in desirable settings, delivered with excellent customer service



Our approach

Bovis Homes differentiates itself with its internally developed Portfolio traditional housing range incorporating great space whilst being efficient to build, and all-inclusive specification.

The Group has a clear customer journey to ensure that each customer's experience is a positive one, from the initial enquiry through to moving into a new high quality home.

Progress in 2016

The Group achieved the following during 2016:

- The Group increased the proportion of private legal completions of Portfolio homes to 59% from 55% in 2015
- The business increased production by 12% during 2016 but delays in part due to labour shortages impacted the quality of some finished homes
- Our customer service fell below the high standard we expect resulting in reduced customer satisfaction scores

Priorities for 2017

The Group is focussed on delivering the following in 2017:

- Improving customer satisfaction scores driven by investment in our customer service function and quality assurance processes
- A further increase in the proportion of private legal completions from the Portfolio range

KPIs

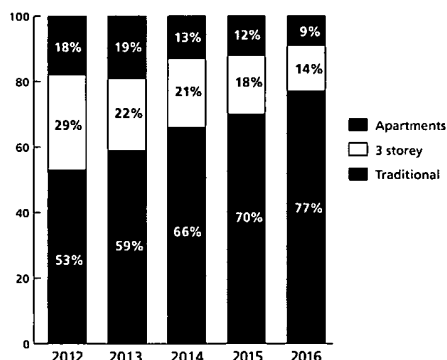
Customer satisfaction

2★ (2015: 3★)

% private homes from Portfolio range

59% (2015: 55%)

Our homes



Private and social homes legally completed

Homes	2016		2015	
Private	2,903	73%	3,086	78%
Social	1,074	27%	848	22%
Total	3,977		3,934	

Private homes by type legally completed

Homes	2016		2015	
2 bedroom	134	5%	231	8%
3 bedroom	1,245	43%	1,339	43%
4 and 5 bedroom	1,266	43%	1,132	37%
Apartments	258	9%	384	12%
Total	2,903		3,086	

Strategic priorities

Operating at an optimal scale to suit the selected geography and product range, which enables ongoing high quality management of risk and reward through short lines of management control



Our approach

We have an operating structure with 8 regional businesses located in close proximity to our developments. Three of these were established prior to 2016 but became operating regions during the year.

We aim to deliver optimal completion volumes from each region so as to drive value, maximise operating leverage and improve overall Group returns.

Each region is focussed on acquiring high quality land opportunities to maintain the supply of consented land across the Group.

Progress in 2016

- 3 new offices opened in Reading, Milton Keynes and Stansted ensuring management teams are located in close proximity to our developments
- Private reservation rate per site per week increased to 0.58 from 0.56 in 2015
- Continued investment in high quality land across all regions with 133 consented sites under our control

Priorities for 2017

- Commitment to re-setting the business and delivering on our operational priorities
- With the priority on delivering high quality homes and customer service, the Group is targeting lower completion volumes in 2017

KPIs

Number of legal completions

3,977 (2015: 3,934)

Average active sales outlets

99 (2015: 102)

Active sales outlets

Number of active sales outlets	2016	2015
Brought forward	101	103
Outlets opened in year	31	26
Outlets closed in year	(33)	(28)
Carried forward	99	101
Average	99	102
Year on year change	-3%	6%

Private reservations (excluding PRS)

Year ended 31 December	2016	2015
Brought forward	841	756
Reservations	2,960	2,986
Legal completions	(2,884)	(2,901)
Carried forward	917	841
Year on year reservations	-1%	+10%
Net sales rate per site per week	0.58	0.56

Managing the business across the housing cycle to maximise returns, while effectively stewarding shareholders' capital



Our approach			Progress in 2016		
Critical to successful management of the business through the housing market cycle is the quantity and source of land acquired at different points in the cycle. As the housing market emerges from a downturn, the Group will invest assertively in consented land. The Group aims to limit or halt investment in the consented land market well before the housing market peaks and a cyclical correction occurs. As competition increases in the consented land market the conversion of strategic land is critical. The Group has the experience to deal with a downturn, reducing the capacity of its business in the short term and generating surplus cash.			- Continued growth in capital turn to 1.12 from 1.05 in 2015 - ROCE has decreased in the period to 17.0% from 18.3% in 2015 given the reduced operating margin - Circa 3,350 plots have been added to the strategic landbank to support the investment in consented land 18% of consented plots added in the year were converted from the strategic land bank		
Priorities for 2017			KPIs		
- Identifying balance sheet opportunities which will drive capital efficiency and enhanced returns for our shareholders - Conversion of key strategic sites to the consented land bank supported by investment partners where appropriate			Capital turn 1.12 (2015: 1.05) % of consented land bank from strategic conversion 38% (2015: 41%) Return on capital employed 17.0% (2015: 18.3%)		
Capital efficiency metrics			Strategic land bank		
Year ended 31 December	2016	2015	Total potential plots as at 31 December	2016 Plots	2015 Plots
Capital turn (1)	1.12	1.05	South	17,174	15,579
Average plots per site acquired	113	173	Midlands	7,629	6,716
Work in progress turn (2)	2.8	3.5	North	691	788
(1) Capital turn is calculated as revenue divided by average capital employed excluding net cash			Group strategic land bank	25,494	23,083
(2) Work in progress turn is calculated as revenue divided by work in progress			Years' supply based upon legal completions in the year	6.4	5.9

Strategic priorities

Enabling motivated and engaged employees and business partners to work ethically within a safe and healthy environment

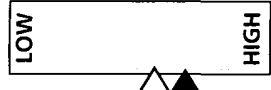
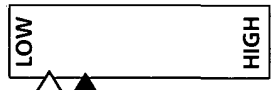


Our approach	Progress in 2016																			
The Group recognises the critical role that its people play in the delivery of the strategic plan. Business growth has been supported by higher levels of investment to support recruitment, training and development of staff. Health and safety is a core value within our business.	• The employee numbers have grown from 1,062 at the start of 2016 to 1,253 at the end of 2016 • The latest employee survey carried out in 2016 showed increased engagement at 83% • Improving health and safety performance, with a decrease in our AIIR albeit with an increase in RIDDORS in the year																			
Priorities for 2017	KPIs																			
• Investment in leadership and training, to embed our core values accross the Group • Establish functional excellence and best practice across the Group • Focus on ensuring all sites fully adopt our stringent health and safety procedures	Employee engagement 83% (2015: 78%) NHBC risk incidence 32 (2015: 45) RIDDOR reportables 36 (2015: 31)																			
Annual injury incidence rate (AIIR)	Sustainability																			
<table><caption>Annual injury incidence rate (AIIR)</caption><thead><tr><th>Entity/Year</th><th>AIIR</th></tr></thead><tbody><tr><td>Bovis Homes Group PLC 2016</td><td>620</td></tr><tr><td>Bovis Homes Group PLC 2015</td><td>719</td></tr><tr><td>HSE Construction AIIR 2016</td><td>398</td></tr><tr><td>HSE Construction AIIR 2014/15</td><td>577</td></tr></tbody></table>	Entity/Year	AIIR	Bovis Homes Group PLC 2016	620	Bovis Homes Group PLC 2015	719	HSE Construction AIIR 2016	398	HSE Construction AIIR 2014/15	577	<table><thead><tr><th>Year ended 31 December</th><th>2016</th><th>2015</th></tr></thead><tbody><tr><td>Active waste generated per home (tonnes)</td><td>3.9</td><td>3.2</td></tr><tr><td>Active waste sent to land fill per home (tonnes)</td><td>0.27</td><td>0.19</td></tr></tbody></table>	Year ended 31 December	2016	2015	Active waste generated per home (tonnes)	3.9	3.2	Active waste sent to land fill per home (tonnes)	0.27	0.19
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Hampton Lea
Malpas

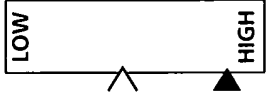
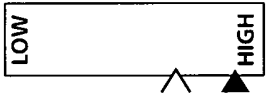
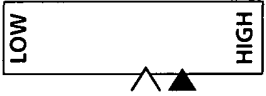
Principal risks and uncertainties

Risk	Description	Impact	Link to strategic priorities
Market risk			
Economic environment	Deterioration of the health of the UK economy, brought about by higher interest rates and increasing unemployment, leading to decreased affordability, reducing demand for housing and falling house prices There is a specific risk in 2017 relating to a UK exit from the EU	Adversely affects consumer confidence and demand for new homes, with consequential impact on revenues, profits and potentially asset carrying values	  
Mortgage finance	The availability of mortgage finance, particularly deposit requirements for first time buyers, is fundamental to customer demand	Increased restrictions on mortgages granted could reduce demand for homes and therefore revenues and profits	 
Operational risk			
Materials and subcontract labour	Increasing production across the industry may lead to shortages of both materials and subcontract labour Following recent exchange rate fluctuations material prices have increased and could rise further	The Group's ability to build is constrained and may impact profitability if costs rise	  
Land procurement	Insufficient land acquired with outline consent or conversion of strategic land assets to support housing development	Expansion of the business and delivery of the Group's strategic plan to improve shareholder returns from the development of land is curtailed, with existing activity levels compromised	 

	Mitigations	Impact change from last year	Likelihood change from last year	Residual risk after mitigation
	• Close monitoring of lead indicators in the housing market, notably visitors to sales outlets, sales rates and ASP • Maintaining a rigorous approach to land acquisition, with spend 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	=	▲	
	• Close monitoring of market data for mortgage approvals • Investing in land more suited to traditional homes, with reduced focus on the first time buyer • Providing a range of purchase assistance schemes to our customers	=	▲	
	• Maintain clear visibility of future production requirements and its impact on suppliers and subcontractors • Maintain close relationships with key suppliers and subcontractors to gain visibility of future supply against need	▲	▲	
	• Clearly defined strategy and geographical focus • Rigorous due diligence for land acquisition to preserve defined hurdle rates • Regular review of the pipeline of new land purchases • Investment in procurement and promotion of strategic land opportunities • Maintaining larger land bank to deal with periods of reduced investment	=	▲	 

Principal risks and uncertainties

Risk	Description	Impact	Link to strategic priorities
Operational risk			
Customer service	Product quality and service standards that do not meet our customers' expectations	The reputation of the Bovis Homes brand is diminished with an adverse effect on sales volumes and returns	
People and capability	An inability to attract, develop or retain good people	The loss of key staff or the failure to attract, develop and retain suitable talent may inhibit the Group's ability to achieve its strategy	
Health, safety and environmental	Unsafe practices in our construction activities causing injury or death to our stakeholders and damage to communities	A loss of trust in the ability of Bovis Homes to build homes safely and in an environmentally responsible way, affecting the reputation and financial health of the business	
Planning and procurement	Changes in the regulatory framework or local planning policy and procedures	Increased costs and significant delays in production leading to reduced legal completions Reduced number of active sales outlets due to delays in planning process leads to lower build and sales activity	  

	Mitigations	Impact change from last year	Likelihood change from last year	Residual risk after mitigation
	• All homes built are subject to NHBC building control inspections • All staff are trained in the provision of the Group's customer service process • Bovis Homes build a range of high specification homes which are continuously reviewed and updated • Quality inspections completed by build staff, sales staff and senior managers	▲	▲	
	• A reward system that motivates achievement of performance targets • Development programmes tailored to our employees • Assistant site manager and apprenticeship schemes	▲	▲	
	• A consultative committee reviews performance and regulatory requirements for health, safety and environmental matters • Monitoring health, safety and environmental performance against a standard of excellence • A requirement for regular training for all staff and site based personnel	▲	=	
	• Land acquisition costs appropriately reflect latest planning requirements that cannot be mitigated • Close monitoring of changes in planning policy by experienced team • Maintain close relationships with local planning departments • Close monitoring of key milestones on all pipeline developments	▲	=	 ▲ 2015 ▲ 2016

Risk management

The Board is required to assess the prospects of the Company, taking account of its current position and principal risks, and to explain how this has been done, over what period and why that period is considered appropriate.

The assessment context

The Board has considered the longer term viability of the Group, reviewing this over a 5 year period based on the strategy as outlined on pages 18 to 24, the current performance of the Group and its principal risks. The average life cycle of our housing developments falls within a 5 year time period and this aligns with the timeframe focused on for the annual strategic review exercise conducted within the business and reviewed by the Board. It is also in line with the financing arrangement extended by the Group in 2016.

The Group's current strategy was communicated in detail during 2014 and remains in place albeit the short term focus is on improving operational performance not growth. The Board has considered the Group's risk appetite and believe this to be towards the lower end of the risk scale for the housebuilding sector. The Board have highlighted the following elements of the strategy as key considerations in reaching this view, all of which have an impact on the Group's key investment decisions:

- Focused on a Southern biased geography
- Targeted at edge of town and large village greenfield locations
- Delivering a high proportion of standard Portfolio designed housing
- Traditional two storey family housing is the core product offering with only limited low rise apartments in the mix
- The Group's strategy is to be more or less self-financing in terms of growth ambitions with low levels of debt and modest land creditors

The assessment process and assumptions

During 2016, the Board carried out a robust assessment of the principal risks facing the Group, including those that would threaten the execution of its strategy, future performance and liquidity. Management and mitigation of those principal risks have been taken into consideration when considering the future viability of the Group. The Group's principal risk review, as set out on pages 26 to 29, considers the impact of these principal risks and the mitigating controls that are in place. As part of its annual strategic review the Board considered the Group's 5 year financial plan, the core assumptions underpinning this plan and how the current economic environment may impact this plan. The early years of the financial plan are prepared in detail with the basis being the development of our existing land bank. There is inherently more uncertainty in the later years of the plan as these incorporate a higher level of assumed housing completions from land owned currently without planning or land not currently owned by the Group.

The Group's financial plan has been reviewed in the context of its operational performance during 2016 and stress tested against scenarios to assess the future viability of the Group. The potentially highest impact risks, from a Group viability point of view, are seen as those which arise from a downturn in the economic environment within the UK, leading to decreased affordability, reduced demand for housing and falling house prices. In modelling an economic downturn assumptions have been applied to the plan numbers that are based on the Group's experience and the wider sector's experience of historical declines in the housing cycle.

Specifically our economic downturn scenario has applied sensitivities to the assumptions on sales rates, pricing and costs but has assumed that current interest rate policies remain in place and does not specifically evaluate the impact of a material change to the current political climate which is supportive of the housebuilding sector. The sensitivities along with the impact of the expected mitigating actions that would be taken by the Group, were overlaid on the Group's 5 year Strategic Plan. The key mitigating actions we expect the business to take in a downturn include restricting investment in land, reducing the level of production and work in progress held and optimising our overhead base to ensure it aligns with the scale of operations through the cycle.

The results of this stress testing indicated that the Group would be able to withstand the impact of these assumptions, taking into account the impact of mitigating actions, on the Group's financial performance.

Viability statement

Based on the results of this analysis, the Board have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the five year period reviewed.

Going concern

The directors also considered it appropriate to prepare the financial statements on the going concern basis, as explained in the basis of preparation paragraph in note 1.3 to the accounts. In forming this view, the Group has analysed its forecast covenant compliance over the period linked to its banking arrangement, arriving at an assessment of the headroom evident between the forecast covenant headroom and the outcomes necessary to achieve covenant compliance.

The Group entered into its current banking arrangement on 3 December 2015 and it was extended for one year in December 2016. This arrangement provides a committed revolving credit facility with a limit of £250 million maturing in December 2021. The Group regards its current banking arrangement as adequate for its needs in terms of flexibility and liquidity. As at 31 December 2016, the Group had nil drawings under the facility and had net cash of £39 million.

More details on the Group's approach to financial risk management are laid out in note 4.6.

Sherford
Plymouth

Our corporate social responsibility (CSR) priorities

Introduction

This is our second year reporting under our revised CSR framework. We continue to update and amend our CSR strategy with feedback from our customers, employees and other stakeholders. This report provides an update on our performance during the year and further information, including relevant policies, can be found on our website, www.bovishomesgroup.co.uk.

Highlights:

- Launch of our Vision, Mission and Values
- 97% of our staff survey respondents care about the future of Bovis Homes, with an overall engagement score of 83%
- Winner of the Armed Forces Covenant Bronze Award, following our commitment to the Armed Forces Covenant during 2016
- Reduction in Annual Injury Incident Rate
- Increase in our affordable housing provision

Our customer satisfaction rating has fallen below the standard we would expect to a 2 Star level. We recognise that our customer service has to improve and are committed to getting this right. We have been working with our employees to redefine and launch our Vision, Mission and Values as part of the changes required to put the customer at the heart of all we do.

Our Vision

**Proud of every home;
built by people who care**

Our Mission

**To operate a highly respected home
builder where we attract caring
people who act with integrity to
ensure we safely build quality on time**

A review of our operational processes is ongoing to ensure that we deliver for our customers.

We conducted our bi-annual staff survey in September and October 2016, with a response rate of 66%, an increase of 5% over the previous survey. The survey indicated an engagement score of 83%, which compares well to 78% in 2014. It was especially impressive note that 97% of respondents said they care about the future of the Company and this allows us to continue to improve on our responsibilities as a home builder. For each response received, the Group agreed to provide a £10 donation to the regional charity funds, with £7,770 being provided to good causes that are close to our employees.

During the year the Group made an important commitment to the nation and signed up to its own Armed Forces Covenant. Bovis Homes is proud to be a supporter of the Armed Forces Covenant and is committed to ensuring that our nation's Forces personnel (past and present), and their families, are treated with respect and fairness. In recognition of this commitment, Bovis Homes recently received the Bronze Award of the Defence Employer Recognition Scheme. Further details, including our commitments, can be found on our website.

Our focus on engaging with our sub-contractors has begun to show dividends, with daily activity briefings now being operated across substantially all of our sites. It is pleasing to note that our health & safety performance has improved with a reduction in the Annual Injury Incidence Rate (AIIR) to 620 (2015: 719). This compares to the HSE Construction AIIR of 398.



Our Values

**integrity
Caring
Quality**



Our performance against our priorities is set out below

People - <i>priority</i>	2016 performance
Return our HBF customer satisfaction rating to 4 Star	●
Ensure consistent delivery of the Customer Journey	●
Improve near-miss reporting	●
Reduce the annual injury incidence rate	●
Embed daily activity briefings	●
Reinforce our core values across the enlarged Group	●
Embed the leadership values into the business through comprehensive senior leadership development programme	●
Launch a Managing Effectively programme for middle managers	●
Continue to recruit ex-Armed forces personnel for our Trainee Assistant Site Management programme	●
Continue to develop our apprenticeship programme	●
Environment - <i>priority</i>	2016 performance
Reduce active waste per home	●
Reduce active waste sent to landfill	●
Reduce inert waste (brick and block) per home	●
Reduce our GHG emissions against our chosen intensity measures	●
Continue to support the development of sustainable and ecologically diverse living environments	●
Community - <i>priority</i>	2016 performance
Continue to develop our strategic partnerships with registered social landlords	●
Continue to build on our relationships and support our sub-contractors and suppliers	●
Work with local stakeholders to identify community priorities for improvements on our new sites	●
Continue to encourage and support our staff in their fundraising efforts for local good causes	●

● Priority not met ● Priority partially met/within range ● Priority met

People

Employees	2016	2015
Total staff turnover (%) ¹	27%	26%
New roles created	191	128
Employee engagement score (bi-annual survey)	83%	(2014) 78%
Training days completed (no.)	2,892	2,634
Total staff	1,253	1,062
% female staff	36%	36%
Number of apprentices recruited	29	36
Health and safety	2016	2015
Annual injury incidence rate	620	719
Near-misses reported	2,764	4,265
Directors' tours	640	628
CSCS carded site workforce (%)	95%	92%
Customer	2016	2015
HBF customer satisfaction rating	2 Star	3 Star

¹Includes voluntary and planned leavers e.g. resignation and retirement

Customers

Performance vs priorities

Return our HBF customer satisfaction rating to 4 Star	●
Ensure consistent delivery of the Customer Journey	●

The Group's HBF customer satisfaction rating has dropped to 2 Star at the end of the year (2015: 3 Star). The Group recognises that its customer service has to improve and is committed to getting this right. A taskforce led by a senior manager was established in 2016 to help rectify the problems faced by a small number of our customers who have waited extended periods to have remedial works carried out or where customers have not received the standard of service that we would want.

The Group is also reviewing all operational processes to identify the required changes to ensure we consistently deliver a high standard of home and service in the future.

Priorities for 2017

- Improve our HBF customer satisfaction rating
- Improve customer service training
- Formation of homebuyers' panel

Employees

Performance vs priorities

Reinforce our core values across the enlarged Group	●
Embed the Leadership values into the business through comprehensive senior leadership development programme	●
Launch a Managing Effectively programme for middle managers	●
Continue to recruit ex-Armed forces personnel for our Trainee Assistant Site Management programme	●
Continue to develop our apprenticeship programme	●

The Group has been busy with a number of initiatives focused on its employees and their engagement and wellbeing. We have been working with our employees to redefine our Vision, Mission and Values, and this has been well received by staff. This has been supported by a refresh of our human resources and training strategies. The Group has also recruited a Head of Talent to oversee, amongst other things, training and personal development within the business.

We conducted our bi-annual staff survey in September and October with a response rate of 66%, an increase of 5% over the previous survey. The survey indicated an engagement score of 83%, which compares well to 78% in 2014. It was especially impressive to note that 97% of respondents said they care about the future of the Company and this allows us to continue to build on our responsibilities as a home builder. Group level feedback has been provided to staff and our regional businesses will be reviewing their own areas of the survey to see what they can do to improve the wellbeing and welfare of our staff.

Feedback from the survey also showed the positive effect of the changes made following the 2014 survey, with staff indicating their belief that changes can be made.

The Group operates solely in the UK and complies with all relevant legislation and regulations. The Group continues to apply its employment policies to not discriminate between employees, or potential employees, on the grounds of gender, sexual orientation, age, colour, creed, ethnic origin or religious belief.

Bovis Homes passionately believes in equality and diversity for all. To that end, we have an Equal Opportunity policy which is rigorously enforced and promoted. In addition, Bovis Homes has never been the subject of litigation alleging discrimination. 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's policies are supported by the Group's Dignity at Work policy which prohibits bullying, harassment or victimisation.

Whilst Bovis Homes does not formally recognise a Trade Union, it is supportive of its employees' rights to freedom of association including the right to form and join trade unions. Employees often bring Trade Union members as representatives to formal meetings and we value their input.

Bovis Homes supports the Minimum Wage and ensures that all employees are paid in excess of it. The Group has not been found to have failed to pay the Minimum Wage and remains an ardent supporter of it and its aims.

Bovis Homes is moving towards compliance with the principles of the Construction Industry Joint Council (CIJC) Handbooks even though it does not formally recognise the same.

The Group believes that it has a key role to play in ensuring that employees have an appropriate work life balance. To that end, we are committed to working towards ensuring that no employees work excessive hours. In addition, we seek to minimise weekend and late night working to an absolute minimum and then only when it is essential. When it does occur, Bovis Homes seeks to redress the balance by giving people time off in lieu. Moreover, the Group has introduced a process of buying and selling holiday. Bovis Homes also encourages flexible working which allows employees to leave work early on a Friday.

As part of the commitments we have made for our Armed Forces Covenant, we have also been exploring further ways to support employees that are active reservists.

In 2016, the Group adopted an Anti-Slavery and Human Trafficking Policy in support of its efforts to combat modern slavery. A statement in line with the provisions of the Modern Slavery Act 2015 is available on our website.

In line with our peers, the total employee turnover rate increased slightly to 27% (2015: 26%) due to the increasing demand for skilled staff within the house building industry. We work hard to attract and retain the talented people that we need and ensure that they are appropriately rewarded.

The Group continues to operate both a defined benefit pension scheme and a defined contribution pension scheme. It also operates a stakeholder pension for construction staff. The Group has a Share Incentive Plan, Save As You Earn share option scheme, a Share Option Plan and a Long Term Incentive Plan to motivate employees and encourage strong involvement with the Group.

Staff are kept informed of the Group's performance and matters of concern or interest to employees via the Bovisnet intranet service, a news magazine and emails that are sent to all staff. Consultations are held at staff meetings and personal briefings are provided by elected employee representatives. Each regional business meets regularly with employee representatives to discuss matters that may impact staff. The Executive Leadership Team provide presentations to staff at all regional offices at key points in the year. The Group conducts an employee engagement survey on a bi-annual basis.

The Group has continued to grow during 2016 with an additional 191 new roles created. At 31 December 2016, the Group directly employed 1,253 people (2015: 1,062). In common with the construction industry, the majority of our site-based population is employed by our sub-contractors. During the year, our average workforce population was 5,161 (2015: 4,313).

Director and employee profile

The following table shows the gender split within the Group as at 31 December 2016. In common with the construction industry, the majority of the workforce is male at 64%. While a lower proportion of senior management and directors are female, the Group encourages and supports diversity, including gender. As at 31 December 2016, there were ten senior managers (all male) who were directors of Group subsidiaries.

Analysis by role and gender

Role	Male	Female	Total
Non-executive directors	4	1	5
Executive directors	2	0	2
Senior managers	14	1	15
Managers	154	65	219
Site and sales staff	365	140	505
Support staff	214	237	451
Apprentices	52	4	56
Total	805	448	1,253

Analysis by age

Age	No. of employees	%
<21 years	62	5.0
21 – 30 years	226	18.0
31 – 40 years	249	19.9
41 – 50 years	311	24.8
51 – 60 years	317	25.3
>60 years	88	7.0
Total	1,253	100

People

Training

We have continued our investment in training during the year, spending £756,000 (2015: £331,000) on employee training in support of the Group's policy to train and develop employees to ensure that they are equipped to undertake the functions and tasks for which they are employed, and to provide the opportunity for career development equally and without discrimination.

Training needs are identified against the Group's H&S core training matrix and where there are role specific training requirements. Training needs are further discussed with individual employees as part of their probation and annual appraisal. In addition to this, training needs can be identified on other occasions, either by senior directors as a result of a change in business need, or as a result of an individual changing position or being promoted. The Group has an educational sponsorship policy to support employee's personal development and will meet course expenses, including allowing day release, where appropriate.

Employees continue to receive regular training covering topics such as health, safety and environmental matters, IT, management, sales and customer care. A total of 2,892 training days were delivered during the year via our Group Learning & Development team (2015: 2,634), equivalent to 2.3 days per employee (2015: 2.5). Additional training is also arranged by our regional businesses where they identify specific needs.

The Group operates the Build Academy Induction on a quarterly basis. This is a four day residential training course for all new site-based management which provides bespoke training covering site health & safety, production and customer care. All new starters attend the centralised company induction on their first day with the company. They receive a welcome personally from a member of the ELT followed by subject matter experts providing key information on subjects such as HR, H&S, learning and development and IT. This is a major step forward in generating a team ethos from day one and is complemented by regional and functional induction at the normal place of work from day two.

During 2016, six ex-military employees that started the trainee assistant site manager programme in 2015 were promoted to Assistant Site Manager positions.

Our Apprenticeship scheme has continued to develop with 29 new apprentices joining the Group during the year.

Priorities for 2017

- Embed our core values across the Group and new joiners
- Continue to develop our apprenticeship programme
- Review ways to improve employee engagement

Bovis Homes Armed Forces Day

The Bovis Homes Armed Forces Day event, held at Exeter Rugby Club's Sandy Park stadium, was arranged to celebrate Bovis Homes' and Exeter Chiefs' signing of the Armed Forces Covenant during the half-time interval of their Premiership match with Saracens.



The event was also attended by senior military personnel including Lieutenant General Sir John Lorimer, President of the Army Rugby Union, and representatives of the Invictus foundation.

The Armed Forces Covenant is a promise from the nation that those who serve or have served, and their families, are treated fairly when accessing both public sector and private services. Businesses, local authorities and charities are all being encouraged to sign the covenant.

As part of its commitment to the covenant, Bovis Homes will continue to help ex-servicemen and women to find new roles in the company through the Career Transition Partnership (CTP), as well as supporting staff members who choose to be members of the Reserve forces. A new unique discount scheme is also being rolled out.

The Bovis Homes Armed Forces discount scheme, which was also launched at the event, will be open to serving forces personnel (regular and reservists). It allows service personnel to combine buyer assistance schemes with a package of offers from the company, in order to purchase their own Bovis home as simply and affordably as possible.

Lieutenant General Sir John Lorimer commented: *"Bovis Homes has today joined the ever-growing list of organisations who have signed the Armed Forces Covenant. As one of the UK's major house builders we are delighted that they have pledged to offer such significant discounts to Armed Forces Personnel, in conjunction with the Government's Help to Buy and Forces Help to Buy schemes."*

Health and safety

NHBC Seal of Excellence/
Pride in the Job

Congleton site manager
Steve lands top award

A Congleton site manager has proved himself to be one of the best in the business after landing a high-profile award at a prestigious industry event.

Steve Jones was given a much sought-after 'Seal of Excellence' award by the National House Building Council for his work at Bovis Homes' Loachbrook Meadow development. He was one of only 12 site managers across the whole of the North West to receive the accolade.

A delighted Steve said: "It's a great honour to win the award and I accepted it on behalf of all the Bovis Homes team and contractors here at Loachbrook Meadow, who are working hard every day to deliver quality homes, while keeping an absolute focus on health and safety.

"Communication is key when it comes to running busy building sites like this. It's important to have clear messages that everyone can understand and buy into, and also listening and taking on board what others have to say. We communicate well at Congleton and we're one big team looking to deliver quality homes, look after our customers and be safe while we do it."

Steve, aged 31, has been a site manager for four years, and started his working life at Ben Bailey Homes as an apprentice brick layer. He has been at Bovis Homes for nearly nine years.

Bovis Homes Mercia Managing Director, Jo Morrison, said: "I am so proud of Steve and his hard-working team at Congleton. We're all delighted with his success and the award is a testament to the attention to detail and commitment that Steve brings to his work in delivering quality new homes for our customers."

The Seal of Excellence Awards is the second stage of the NHBC's 'Pride in the Job' competition. It follows the Quality Awards, which were presented back in June. The developments and the site managers have been judged by NHBC specialists, with every stage of the build inspected ensuring meticulous and consistent attention to detail. Site managers must also demonstrate excellent leadership, technical expertise and robust health and safety processes.

Performance vs priorities

Improve near-miss reporting	●
Reduce the annual injury incidence rate	●
Embed daily activity briefings	●

Our focus during 2016 has been on worker engagement at site level supported by senior management through safety director tours. Daily activity briefings ("DABs") have been introduced to almost all of our sites during the year. They provide an opportunity for site management to communicate with sub-contractors and those on site on tasks scheduled to occur that day and particular risks that may arise as a result. They also provide a forum for sub-contractors to provide feedback and for near-misses to be discussed and improvements implemented.

The absolute number of near-miss reports has reduced compared to the prior year. Feedback from the site management teams indicates that an increased level of communication at the DABs provides a better forum for learning from issues, with feedback provided to other sites and the rest of the business via the Health and Safety team. We will continue to monitor near-miss reports but do not intend to target a specific number.

Site staff have been supported with best practice videos of DABs to ensure that all stakeholders get the most from this process.

Following feedback from the management teams, the Group modified its approach to managing the risk of falls from height. This has been achieved by changing from fall arrest to fall prevention systems with the introduction of birdcage scaffolding / decking. This has been successfully rolled out across the business. In addition, revised forklift truck health checks were also introduced.

The Group's senior leaders also completed Leading Safely training from the Institution of Occupational Safety and Health and a Leading Safety Differently workshop. This is part of our drive to promote the integration of health and safety, and develop the right behaviours, at all levels of the business.

The Group has been developing a new site induction process to be undertaken by all visitors to construction sites. It will be followed by a short test to ensure inductees have understood the content. In order to enhance the engagement level during the induction process, an induction video is planned to be introduced in 2017.

People

The Bovis Homes Safety Awards recognise excellent performance in health and safety at our sites. The judging took place in November 2016 with nine sites winning Regional Excellence Awards. Four sites were Highly Commended and went through to compete for the Group Excellence Award. The Group is pleased to announce that our Warwick site received the Group Excellence Award.

The superb examples of health & safety identified during the judging for the awards has been shared with the Regional Build Directors for implementation across the business.

Alongside the Bovis Homes Safety Awards, the Group competed with other house builders in the National House Building Council's Pride in the Job Awards, where four of our site managers were selected from more than 16,000 site managers working across the country to receive Quality Awards. Our team at Loachbrook Meadow, led by Steve Jones, went on to win the next level of award, the Seal of Excellence.

The Group's overall health and safety performance is improving with a reduction in the annual injury incidence rate over the year and a continued focus on enhancing our performance during 2017.

Priorities for 2017

- Reduce annual injury incidence rate
- Improving leadership behaviours
- Enhancing the quality of workforce engagement
- Increasing the awareness of occupational health risks

Woodlands

Dawlish

Environment

KPI	2016	2015
Active waste* diverted from landfill	93%	94%
Active waste* generated per home (tonnes)	3.93	3.2
Total GHG emissions per legally completed unit	1.61	1.40

*Active waste is non-hazardous waste that is likely to change in composition (e.g. decay) in landfill, such as packaging, wood or plastic.

Waste

Performance vs priorities

Reduce active waste per home	●
Reduce active waste sent to landfill	●
Reduce inert waste (brick and block) per home	●

The Group recognises that as a leading national home builder it needs to minimise its impact on the environment. We always aim to operate efficiently, reducing waste and minimising the energy and natural resources we use.

The Group aims to produce an average of 4.5 tonnes of waste per home. Of this, the majority is active waste. Disappointingly, it has exceeded this target during 2016, producing 6.1 tonnes of waste per home. A review during the year identified a number of differences in the way that waste has been measured by each regional business and a standard approach is in the process of being agreed. We have joined the House Builders' Federation Waste Group which is focused on reducing waste in the construction of new homes. Our work with the Waste Group will enable us to benchmark our current waste strategy and set targets for reducing waste and increasing recycling and reuse rates. We will also be working with our suppliers and sub-contractors to review our processes and procurement methods in order to meet these targets.

Despite the increased level of waste, the Group continued to divert almost all of its waste from landfill to other uses at 93%.

We continue to research and develop more efficient build processes and modern methods of construction which should reduce the amount of waste generated from our activities.

Priorities for 2017

- Refine our waste reduction strategy
- Reduce active waste per home
- Reduce active waste sent to landfill
- Set target for active waste per plot

Greenhouse gas (GHG) emissions

Performance vs priorities

Reduce our GHG emissions against our chosen intensity measures	●
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We continue to recognise the importance of climate change and minimise our impact on the environment.

Our impact on climate change also means that careful thought is given to the homes that we build. Our preference is for a fabric first approach to ensure that the heating of space, which has the greatest impact on a home's energy efficiency, is mitigated as far as possible within the actual construction of homes.

We continue to review green energy provision on our developments, including the use of photovoltaic roof tiles in place of traditional panels. Our development at Stadhampton includes provision for all homes to incorporate photovoltaic panels.

Performance and methodology

GHG emissions have been reported from all sources required under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013. These sources fall within the Group's operational control. The Group does not have responsibility for any emission sources that are not included in the consolidated financial statements and are outside the boundary of operational control.

During the year, measures were operated to collect emissions data from our construction sites. Where this data was incomplete at the year end, we have extrapolated total emissions by using (i) an averaging approach to extend data to a full year for sites with part-year data, and (ii) applied an average calculated from all sites to sites returning inadequate data. The calculations allow for sites which opened and closed during the year.

GHG emissions have been calculated using emission factors from UK Government's GHG Conversion Factors for Company Reporting 2016. Scope 1 emissions arise from the consumption of gas at our facilities, diesel on construction sites and UK business mileage in fleet cars. Emissions from air conditioning in offices have been excluded as not being material. Scope 2 emissions represent purchased electricity.

Greenhouse gas (GHG) emissions data for the period 1 January 2016 to 31 December 2016 (with prior year comparatives)				
Emissions from:	2016	2015	2014	Unit
Combustion of fuel at our facilities and construction sites as well as fleet vehicle use (Scope 1 emissions)	4,780	4,168	4,168	*
Purchased electricity (Scope 2 emissions)	1,627	1,324	1,527	*
Total GHG emissions (Scope 1 and Scope 2)	6,406	5,492	5,695	*
Company's chosen intensity measurements:				
(i) Total GHG emissions per legally completed unit	1.61	1.40	1.57	**
(ii) Total GHG emissions per 1,000 sq ft legally completed	1.54	1.36	1.57	†

* Tonnes of CO₂e

** Tonnes of CO₂e per legally completed unit

† Tonnes of CO₂e per 1,000 sq ft legally completed

There has been increase in GHG emissions against our chosen intensity measures as a result of an increase in fleet vehicle use and the opening of three additional regional offices to support the Group's operations.

Priority for 2016

- Reduce our GHG emissions against our chosen intensity measures.

Open space, ecology and sustainable water management

Performance vs priorities

Continue to support the development of sustainable and ecologically diverse living environments	●
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Our developments are about more than just homes and the incorporation of open space and communal areas is considered at an early stage.

All of our sites are subject to extensive pre-construction assessments. Our ecology assessments include an evaluation of the suitability of habitats for protected species and proposals to mitigate the impact of our developments more generally. Mitigating measures can include translocating species and creating wildlife corridors. An archaeological assessment will also be undertaken to determine whether a site is likely to contain archaeological remains and any mitigating actions that may be required.

We work closely with local authorities to retain and protect trees wherever possible and provide mature environments for local wildlife populations. Where trees are removed, we aim to provide a net improvement to the number of habitats, through planting and the inclusion of bird and bat boxes and other wildlife habitats.

All sites are reviewed at acquisition stage to determine the likely ground conditions and the type of surface water measures required to limit surface water discharge and any potential for localised flooding. This involves active consultation with the Environment Agency and water authorities to ensure that there is, as a minimum, no impact from our development on local flood conditions. Our approach is not to acquire sites on flood plains and to incorporate sustainable drainage systems where appropriate for the development.

We specify Forestry Stewardship Council (FSC) or PEFC certified timber is used for all of our developments.

Barry the bat

Often our proposals for new developments include plans to provide accommodation for wildlife too.

Our Bidford-on-Avon location in Warwickshire was a case in point as our pre-construction ecology assessments discovered a bat, soon nicknamed 'Barry' by the regional team, taking residence in a derelict building that had been earmarked for demolition.

To keep the impact on Barry to a minimum during the construction of the new homes, the regional team worked closely with a specialist ecologist to review the options available. The goal was to ensure this nocturnal resident could be rehomed in the least stressful way and as close to his original habitat as possible.

The team communicated closely with Natural England as the plans were drawn up, and having obtained a licence from them, new bat boxes could be installed at the development ahead of the building's demolition.

Barry has now been safely rehomed and is enjoying life on the development.

Community

KPI	2016	2015
Affordable housing completions	1,074	848
S.106/CIL commitments	£26.7m	£56.8m
Education commitments	£12.7m	£31.6m

Affordable housing

Performance vs priorities

Continue to develop our strategic partnerships with registered providers	●
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Working collaboratively with our public sector partners is central to the way we operate and we are proud to be playing a key role in tackling the country's housing supply challenge. We work with local authorities and registered providers (RPs) to ensure that affordable housing on the majority of our developments in a way that meets local needs.

During the year we continued to build on our affordable housing offering by working with RPs and government agencies to offer a range of different tenures providing solutions that meet the affordable housing needs of our partners and the communities in which we work.

We offer Help to Buy and our own Trinity Discount Scheme for Armed Forces personnel as part of our Armed Forces Covenant.

We have been working with a number of providers to develop a bespoke specification for the homes we deliver to RPs in response to the growing demands they are under.

Of our 3,977 homes (2015: 3,934) completed in 2016, 1,074 were sold to RPs, representing 27% of the homes we sold (2015: 848 and 22%).

Priorities for 2017

- Continue to develop our strategic offering to assist with affordable housing

Supply chain

Performance vs priorities

Continue to build on our relationships and support our sub-contractors and suppliers	●
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We continue to work with our supply chain to ensure timely delivery of our homes in an environmentally and socially aware way. Our suppliers and sub-contractors are involved at an early stage in site development to ensure adequate resource planning is in place and health & safety remains a number one priority.

The use of local and regional suppliers means that our developments provide benefits for the wider community, through job creation and opportunities for other local businesses to support the development.

We collaborate with our supply chain on the development of skills for the industry, with our apprenticeship programme incorporating secondments to learn key construction skills. We offer work experience placements to those attending school and college.

We work with our suppliers to provide innovative designs and products as well as providing training on topics such as health and safety and modern slavery. During 2017 we will be organising workshops with our groundworks contractors on safe practices around buried services.

In return for our commitment, our suppliers must meet our anti-bribery and ethical conduct standards. A whistleblowing procedure is in place to support our contractors and their staff.

Priorities for 2017

- Continue to build on our relationships and support our sub-contractors and suppliers

Community and infrastructure improvements

Performance vs priorities

Work with local stakeholders to identify community priorities for improvements on our new sites	●
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Through local consultation processes we have made certain commitments relating to the sites we have acquired during 2016. These commitments vary from development to development, based on the local needs, but will usually incorporate provision for education, health services and open spaces. These commitments represented approximately £13,000 per home for developments acquired during 2016.

Our overall level of S.106/CIL and education commitments have reduced compared to the prior year as a result of fewer total plots being acquired from a lower number of sites.

During the planning phase for our developments, we always seek to incorporate leisure and amenity areas together with integrating developments into local public transport infrastructure. Where appropriate, local resident travel vouchers may be provided to encourage use of public transport.

Our larger developments will often include provision of a local school, which will also benefit the local community.

Our Cloakham Lawns development in Axminster, Devon has continued its partnership with the Ferne Animal Sanctuary located close by with a free 12-month subscription offered to all new home buyers at this development. This follows on from our sponsorship of an accessible plaque-rubbing trail located at the sanctuary. The engraved plaques were designed by local wildlife artist Patrick Moran and include pictures of a frog, toadstool, ferns, kingfisher, deer, oak and acorn.

Our St George's Park development in Stafford also received the Best Homebuilder Development Central England prize in Zoopla's Buyers' Choice Homebuilder Awards thanks to support from its residents.

Charity

Performance vs priorities

Continue to encourage and support our staff in their fundraising efforts for local good causes	●
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During 2016 Bovis Homes has been busy with many fundraising events and local sponsorship opportunities. Staff have been involved in activities and supporting local good causes. We have continued to make facilities available to staff, with local fundraising days. Charitable donations and sponsorship are managed by each regional business to ensure that local causes and charities important to staff are given priority. Our staff have raised £19,000 to support local good causes.

Our West Midlands region took part in the Yorkshire 3-Peaks challenge in partnership with a contractor and raised over £12,000 from donations from staff, family and friends.

As an incentive for staff to complete the employee survey, we agreed to make a £10 donation for each completed survey to the regional charity funds. It is pleasing to note that over £7,700 was raised to support worthy causes across the business.

Our customers have also been involved, Bovis Homes agreed to make a donation of £25 to Children in Need for each completed customer satisfaction survey. This resulted in £5,225 being donated in November 2016 following 209 completed responses.

The Group continues to support the Fifty Foundation, which provides grants to support former employees in receipt of a Bovis Homes pension to assist with replacement windows or boiler repairs and oversees visitors for eligible pensioners.

Chair cheer for Cheltenham charities

Bovis Homes' Western region, which is based in Bishop's Cleeve, invited staff and members of the public to its ex-showhome furniture sale, helping to raise funds for the Motor Neurone Disease Association and Cancer Research UK.

With furniture ranging from desks and drawers to tables and sofas, and home accessories including ornaments, cushions and lamps for sale, the event saw more than 100 people visit and raise £1,800, to be split between the two charities. Further furniture items from the showhomes were also donated to Sue Ryder Care Hospice in Leckhampton.

Bovis Homes Site Start Sales Co-ordinator, Charles Bond, said: "We're thrilled that we were able to raise this fantastic amount for two worthy causes. Our show homes are uniquely designed, and once it they have been sold we no longer require the furniture, so this is a great opportunity to raise some extra funds for our annual charity and to finish the year on a high."

Selected by staff in January, the company has been raising funds throughout the year for the charities by dressing down on Fridays, baking and selling cakes and holding raffles.

Strategic report approval

The strategic report outlined on pages 2 to 47, incorporates the financial highlights, the chairman's statement, the strategic review, the chief executive's review, the financial review, the risks and uncertainties review and corporate social responsibility review.

By Order of the Board
Earl Sibley
Interim Chief Executive

20 February 2017

Strategic report | Corporate social responsibility

Winchester Village
Winchester

Financial review

Earl Sibley
Group Finance Director

Revenue

The Group generated total revenue of £1,054.8 million, an increase of 11% on the previous year (2015: £946.5 million). Housing revenue was £1,022.8 million, 12% ahead of the prior year (2015: £910.1 million) with our average sales price increased by 10% to £254,900 (2015: £231,600). Other revenue was £6.2 million (2015: £6.4 million) and land sales revenue, associated with three land sales, was £25.8 million in 2016, compared to four land sales achieved in 2015 with a total revenue of £30.0 million.

Gross profit

Total gross profit was £235.7 million (gross margin: 22.3%), compared with £232.3 million (gross margin: 24.5%) in 2015. The profit on land sales in 2016 was £7.7 million (2015: £8.8 million) as we continue the strategy of managing our capital base through the disposal of parcels of land on large sites.

Housing gross margin was 22.2% in 2016, below the 24.4% achieved in 2015. This was largely due to the deferral of circa 180 private completions into 2017 which resulted in an increase in the proportion of social completions in the year to 27% (2015: 22%) these having lower profit margins, as well as reflecting the one off £7.0 million customer care provision. This provision reflects additional costs expected to be incurred across the business as we conclude a higher than expected level of outstanding remedial items on homes completed in the last two years, as well as the costs to rectify a limited number of homes with more significant issues and the associated compensation costs.

During 2016, our construction costs increased by 12% per square foot, reflecting higher value site locations, the inflationary impact of labour and materials, additional costs related to delivering our production at peak times and the impact of the one off customer care provision.

Operating profit

The Group delivered an operating profit for the year ended 31 December 2016 of £160.0 million (2015: £163.5 million) at an operating profit margin of 15.2% (2015: 17.3%).

Overheads, including sales and marketing costs, increased by 10% in 2016, as we invested in our enlarged operating structure with average headcount growing 15% over the year and three new offices opening to support our eight operating regions. The overheads to revenue ratio reduced slightly to 7.1% in 2016 (2015: 7.2%) with the further efficiencies from growing the scale of the business not being realised due to the deferral of volume and therefore revenue into 2017.

Profit before tax and earnings per share

Profit before tax reduced to £154.7 million, comprising operating profit of £160.0 million, net financing charges of £5.6 million and a profit from joint ventures of £0.3 million. This compares to £160.1 million of profit before tax in 2015, which comprised £163.5 million of operating profit, £5.2 million of net financing charges and a profit from joint ventures of £1.8 million. The profit from joint ventures in 2015 included the benefits of revaluing both the Bovis Peer LLP and IIH Oak Investors LLP PRS property portfolios in the period.

Basic earnings per share for the year were 90.1p compared to 95.4p in 2015. This has resulted in a return on equity of 13% (2015: 15%).

Financing

Net financing charges during 2016 were £5.6 million (2015: £5.2 million). Net bank charges were £3.3 million (2015: £3.3 million), as a result of modestly lower net debt during 2016 than 2015 offset by a higher level of commitment fees and issue costs amortised in 2016. We incurred a £5.0 million finance charge (2015: £4.9 million charge), reflecting the imputed interest on land bought on deferred terms. The Group benefited from a finance credit of £2.4 million (2015: £2.9 million) arising from the unwinding of the discount on its available for sale financial assets during 2016 as well as other credits of £0.3 million (2015: £0.1 million).

Taxation

The Group has recognised a tax charge of £33.9 million at an effective tax rate of 21.9% (2015: tax charge of £32.1 million at an effective rate of 20.0%). The increased tax rate is driven by a prior year deferred tax adjustment relating to the transition of our subsidiaries from UK GAAP to FRS 101. The Group has a current tax liability of £13.9 million in its balance sheet as at 31 December 2016 (2015: current tax liability of £16.9 million).

Dividends

As previously communicated the Board will propose a 2016 final dividend of 30.0p per share. This dividend will be paid on 19 May 2017 to holders of ordinary shares on the register at the close of business on 24 March 2017.

The financial position of the Group remains robust

The dividend reinvestment plan gives shareholders the opportunity to reinvest their dividends in ordinary shares. Combined with the interim dividend paid of 15.0p, the dividend for the full year totals 45.0p and compares to a total of 40.0p for 2015, an increase of 13%.

Net assets	2016 £m	2015 £m
Net assets at 1 January	957.8	879.1
Profit after tax for the year	120.8	128.0
Share capital issued	0.8	0.6
Purchase of own shares	-	(2.4)
Net actuarial movement on pension scheme through reserves	(14.1)	0.2
Deferred tax on other employee benefits	2.6	-
Adjustment to reserves for share based payments and shared equity	3.4	1.5
Dividends paid to shareholders	(55.4)	(49.2)
Net assets at 31 December	1,015.9	957.8

As at 31 December 2016 net assets of £1,015.9 million were £58.1 million higher than at the start of the year. Net assets per share as at 31 December 2016 were 757p (2015: 714p).

Inventories increased during the year by £130.6 million to £1,449.2 million. The value of residential land, the key component of inventories, increased by £6.9 million, as we invested in line with usage. At the end of 2016, the remaining provision held against land carried at net realisable value was £3.0 million, after utilisation of £4.2 million during the year. Other movements in inventories were an increase in work in progress of £104.6 million driven by an increase in the underlying level of ongoing production, the deferral of c. 180 almost complete homes into 2017 and an increase in part exchange properties of £19.1 million due to the high volume of legal completions in December.

Trade and other receivables decreased by £5.2 million, primarily due to lower amounts owing from land sales. Trade and other payables totalled £582.8 million (2015: £535.2 million). Land creditors increased to £343.3 million (2015: £322.9 million) as we continue to take advantage of the opportunity to negotiate deferred payment terms with our land vendors. Trade and other creditors increased to £239.5 million (2015: £212.3 million), driven by a 7% increase in build activity over 2016 leading to a higher level of closing work in progress and an increase in the amounts we owe to subcontractors and materials suppliers.

Pensions

Taking into account the latest estimates provided by the Group's actuarial advisors, our pension scheme on an IAS19 basis had a deficit of £6.6 million at 31 December 2016 (2015: surplus of £7.1 million). The scheme's assets grew over the year to £119.0 million from £109.3 million and the scheme liabilities increased to £125.6 million from £102.2 million.

The movements in the liabilities in the period are driven largely by a reduction in the discount rate applied to those liabilities as a result of changes in bond yields.

Net cash and cash flow

Having started the year with net cash of £30.0 million, the Group generated an operating cash inflow before land expenditure of £307.5 million (2015: £329.0 million), reflecting higher profitability and increased recovery of land cost attributable to legal completions net of increased construction expenditure. Net cash payments for land investment was £205.6 million (2015: £205.8 million). Non-trading cash outflow reduced to £93.3 million (2015: £98.4 million) with greater dividends offset by lower corporation tax payments and there were no special contributions to the pension scheme in the year (2015: £7.8 million). As at 31 December 2016 the Group's net cash balance was £38.6 million.

We have a committed revolving credit facility of £250 million in place which was extended for one year during 2016 and now expires in December 2021.

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. The Group does not have a defined policy for interest rate hedging.

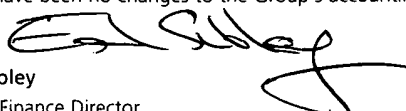
Credit risk is largely mitigated by the fact that the Group's sales are generally made on completion of a legal contract at which point monies are received in return for transfer of title. During 2016, the Group made no shared equity sales. With redemptions taking place, the Group's long term receivable Available for Sale Financial Asset balance at 31 December 2016 was £27.8 million versus £35.3 million at 31 December 2015.

Whilst this remains a credit risk in total, each individual credit exposure is small given the high number of counter parties. On average, individual shared equity exposure amounts to £24,700 (2015: £22,950).

Details of the Group's financing arrangements are included on page 113. The Group regards this facility as adequate in terms of both flexibility and liquidity to cover its medium term cash flow needs.

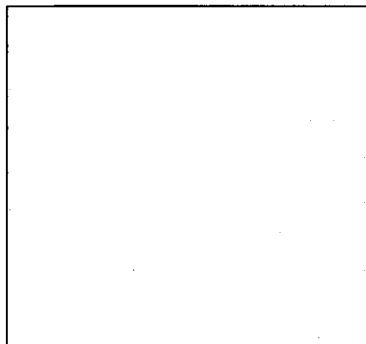
Financial reporting

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

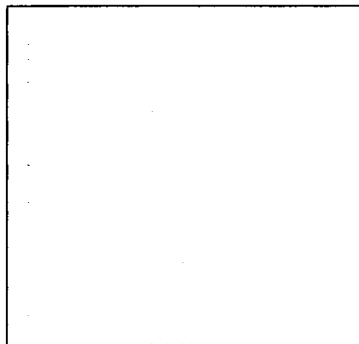


Earl Sibley
Group Finance Director

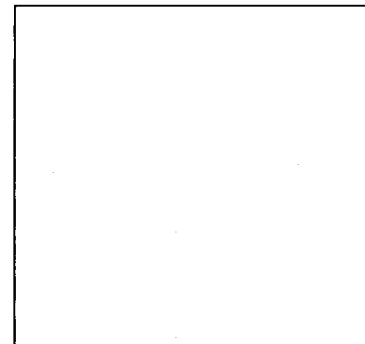
Directors and officers



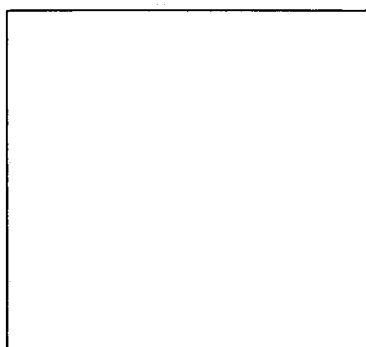
1 Ian Tyler



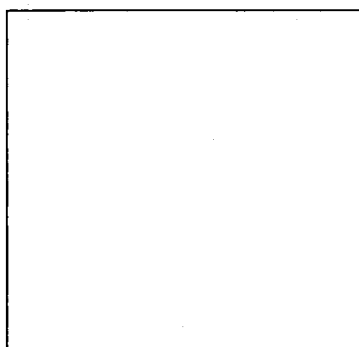
2 Alastair Lyons



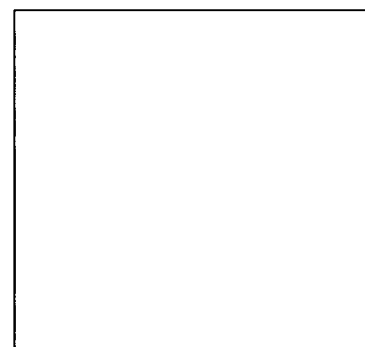
3 Ralph Findlay



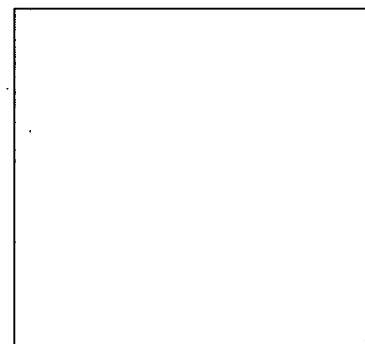
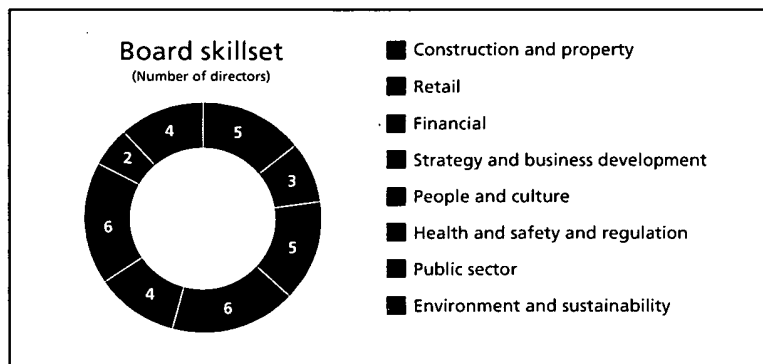
4 Chris Browne



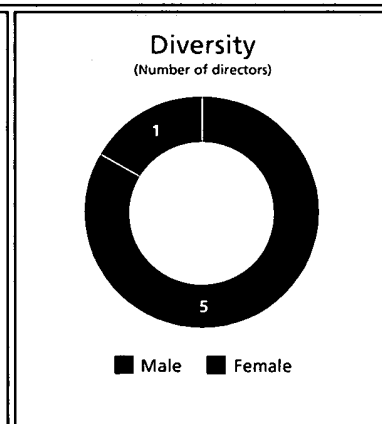
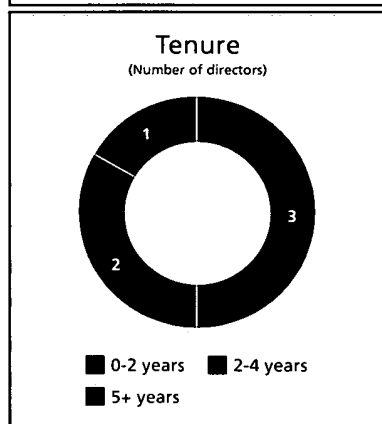
5 Nigel Keen



6 Earl Sibley



7 Martin Palmer



1 Ian Tyler (56)

Non-executive Chairman

Committee membership: Nomination Committee

Date appointed: 29 November 2013

Experience: Ian was Chief Executive of Balfour Beatty plc from 2005 to March 2013, having joined the company in 1996 as Finance Director and becoming Chief Operating Officer in 2002. He is a Chartered Accountant and prior to 1996 was Financial Controller of Hanson and Finance Director of ARC Ltd, one of its principal subsidiaries, and held financial roles at Storehouse plc. He was a non-executive director of Cable & Wireless Communications Plc until September 2015, where he was also chairman of its audit committee, and a non-executive director of VT Group plc until 2010. He became a non-executive director of Mediclinic International plc in February 2016, following its reverse takeover of Al Noor Hospitals Group Plc where he was non-executive chairman

Skills: Board leadership and debate, construction health & safety matters, familiarity with dealing with international shareholders, business growth and value creation

External directorships: Non-executive director of BAE Systems plc and Mediclinic International plc. Non-executive Chairman of Cairn Energy PLC. Independent Chairman of AWE Management Ltd (a joint venture company between Lockheed Martin, Jacobs Engineering and Serco)

4 Chris Browne OBE (56)

Independent, Non-executive Director

Committee membership: Nomination, Remuneration and Audit Committees

Date appointed: 01 September 2014

Experience: Chris is Chief Operating Officer of easyJet plc, where she served as a non-executive director from January to September 2016. She was Chief Operating Officer, Aviation, of TUI Travel plc until September 2015, having previously been managing director of Thomson Airways from 2007 to May 2014 and managing director First Choice Airways from 2002 to 2007. She has a Doctorate of Science (Honorary) for Leadership in Management and was awarded an OBE in 2013 for services to aviation

Skills: Commercial and general management experience in a consumer facing and highly regulated industry, plus leadership and operational skills

External directorships: EasyJet Airline Company Limited

2 Alastair Lyons CBE (63)

Independent, Non-executive Deputy Chairman and Senior Independent Director

Committee membership: Chairman of the Remuneration Committee, member of the Nomination and Audit Committees

Date appointed: 01 October 2008

Experience: Alastair is non-executive chairman of Admiral Group plc and Welsh Water. He was non-executive chairman of Serco Group plc and Towergate Insurance until June 2015. Previously in his executive career, 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 mortgage lending and insurance industries. He was awarded the CBE in 2001 for services to social security having served as a non-executive director of the Department for Work and Pensions and the Department of Social Security

Skills: Broad commercial and detailed mortgage lending and insurance industry experience

External directorships: Non-executive chairman of Admiral Group plc, Non-executive chairman of Welsh Water

5 Nigel Keen (55)

Independent, Non-executive Director

Committee membership: Nomination, Remuneration and Audit Committees

Date appointed: 15 November 2016

Experience: Nigel is Property and Development Director of the John Lewis Partnership and is responsible for the property strategy and portfolio across both John Lewis and Waitrose, including stores, supermarkets, distribution centres and manufacturing sites. He joined the John Lewis Partnership in 1999, having previously held roles with Tesco plc from 1989 to 1999, including as Construction Director, and with John Evers & Partners from 1985 to 1989, having trained as a Quantity Surveyor

Skills: Property, construction and customer experience in a consumer facing industry. Property strategy, land acquisition and development

External directorships: Property and Development Director of the John Lewis Partnership (Waitrose Limited and John Lewis Properties plc)

3 Ralph Findlay (56)

Independent, Non-executive Director

Committee membership: Chairman of the Audit Committee and member of the Nomination and Remuneration Committees

Date appointed: 07 April 2015

Experience: Ralph is a Chartered Accountant and is Chief Executive Officer of Marston's PLC, a position he has held since 2001, having been Finance Director from 1996 to 2001 and Group Financial Controller from 1994 to 1996. He previously held roles with Geest plc as Group Chief Accountant, Bass plc as Treasury Manager and qualified and worked with Price Waterhouse as a specialist in financial services

Skills: Commercial, financial and general management experience in a consumer facing industry. Land acquisition and business growth experience

External directorships: Chief Executive of Marston's PLC, Pro-Chancellor and Chair of Council of Keele University

6 Earl Sibley (44)

BA (Hons) ACA, Interim Chief Executive

Committee membership: None

Date appointed: 16 April 2015

Experience: Earl is a chartered accountant and was appointed Interim Chief Executive in January 2017. He rejoined Bovis Homes as Group Finance Director in April 2015 having worked as Group Financial Controller from 2006 to 2008. Earl held a number of senior finance and operational positions with Barratt Developments plc from 2008 to 2015, including Regional Finance Director. He previously worked for Ernst & Young

Skills: Leadership, strategic focus, financial and accounting expertise

External directorships: None

7 Martin Palmer (58)

FCIS, Group Company Secretary

Committee membership: Secretary to the Board and Board committees

Date appointed: 01 December 2001

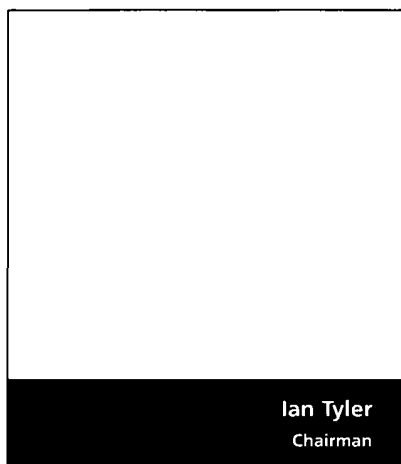
Experience: Martin is a Fellow of the Institute of Chartered Secretaries and Administrators. He has fifteen years of experience with Bovis Homes and was previously Group Company Secretary of London Forfeiting Company PLC from 1997 to 2001

Skills: Governance, regulation and compliance

External directorships: None

Iddeshale Gardens
Shifnal

Corporate governance report



Ian Tyler
Chairman

2016 was a challenging year for Bovis Homes. We delivered profitability and volume below expectations and were not able to achieve an improvement in returns, as operational challenges towards the year end interrupted the planned delivery of the Group's growth strategy in 2016. Positively, we slowed our land investment in the second half in response to market conditions, maintained our efficient management of capital and, although our return on capital employed fell back from 18.3% to 17.0%, our capital turn was again in excess of one times.

Recognising the challenges faced by the Company and their causation, the Board has reviewed the immediate operational priorities for 2017 and the outcome, together with our determined approach to governance and a range of initiatives already underway, is expected to feed through into improved operational performance and a range of benefits in the short term. Further to this, we will complete a fundamental review of our operations during 2017. We remain a viable and well positioned housebuilder, with the objective of improving shareholder returns in a sustainable business that delivers quality homes to satisfied customers.

The Board has ultimate responsibility for the success of the Company and my task focuses on ensuring that it provides strong strategic leadership and monitors the delivery of strategic priorities and objectives, whilst having an eye on the principal risks. In doing so, the Board must uphold the highest standards of integrity and promote effective relationships, communication, openness and accountability in the boardroom, throughout the business and externally with stakeholders. Rebuilding trust has never been more important and high standards of corporate governance help to underpin this process. Culture and values play a vital role in delivering long term success and require continuous focus, whilst the right standards and behaviours enable the Board to function effectively in supporting and overseeing senior management as they drive, reinforce and embed the Group's culture and values. Progress was established in this area in 2016 and a number of initiatives already underway will move us forward in 2017, driving the right attitudes and behaviours and helping the operations improve performance and function effectively, particularly in the areas of build programme delivery and customer service.

The Board had an eventful year in 2016 and again made several visits to the regions, creating the opportunity for closer interaction with the regional teams and the development of a greater understanding of their challenges and concerns. Progress with delivery of the Group's strategy was monitored and it was reviewed and tested at the Board's strategy day. Other regular activities included monitoring of principal risks and scrutiny of health and safety performance, customer satisfaction performance, and delivery of build production.

The non-executive directors continued to be effective in providing constructive challenge in Board meetings and in testing proposals put forward by the executive directors, together with the supporting assumptions. An internal formal Board evaluation was carried out at the beginning of 2017, which has provided valuable insights. Further information is provided on pages 54 to 55, including the objectives we will be pursuing during 2017. The Committees also performed effectively during 2016.

Our corporate governance practices remain aligned with the latest version of the UK Corporate Governance Code and the Board reviewed its policy on diversity, which says that we will always make appointments to the Board based on merit.

I was delighted to welcome Nigel Keen, Property and Development Director of the John Lewis Partnership, to the Board as a non-executive director in November 2016. He has strong property, construction and customer experience and is already establishing himself as a valuable Board member.

I would like to thank my colleagues on the Board for their collective support and strong individual contributions during 2016. David Ritchie stepped down as Chief Executive on 9 January 2017, after eight and a half years in the role and over 18 years with the Company, and I would like to thank him for his determined and valuable contribution during this time. A search for a permanent Chief Executive is underway.

We value dialogue with all our shareholders, institutional and retail, and I have already met with a number of our major shareholders this year. Our 2017 AGM will be held on 2 May 2017 and you will find the Notice at the end of this Annual Report.

This report has been approved by the Board and I can confirm that, during 2016, your Company was compliant with the provisions of the UK Corporate Governance Code.

Ian Tyler
Chairman

Corporate governance report

Introduction

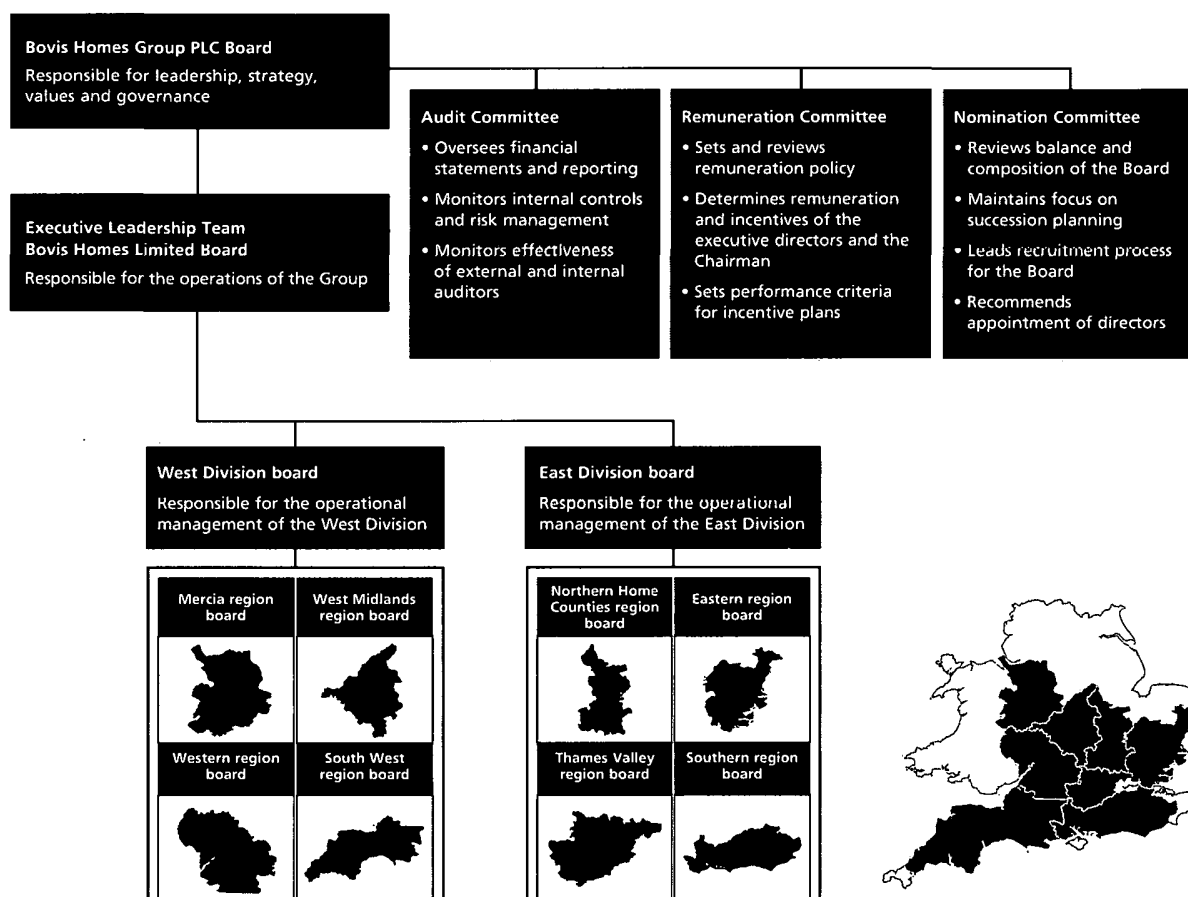
This report sets out the Company's compliance with the UK Corporate Governance Code ("the Code") issued by the Financial Reporting Council (publicly available at www.frc.org.uk) and also describes how the governance framework, explained in our corporate governance policy guidelines, available on the Company's website (www.bovishomesgroup.co.uk/investor-centre/corporate-governance), is applied.

The Board is pleased to report that the Company has, throughout 2016, complied with and applied the provisions of the UK Corporate Governance Code, as explained below.

The leadership structure

The Board is responsible to the Company's shareholders for the long-term success of the Group and its values, strategy, business model and governance. It establishes culture, provides leadership and sets the Group's strategic objectives. Business plans, budgets and forecasts are reviewed, challenged and approved and progress and overall performance is monitored, applying independent judgment. The schedule of matters reserved for the Board is reviewed and approved on an annual basis by the Board and a copy is available on the Company's website (www.bovishomesgroup.co.uk/investor-centre/corporate-governance).

The governance structure in 2016 and for 2017 is shown below.



The Board

From the start of the year until 15 November 2016, the Board comprised the non-executive Chairman, three independent non-executive and two executive directors. Nigel Keen was appointed on 15 November 2016, increasing the number of independent non-executive directors to four. The provision of a formal, comprehensive and tailored induction is ongoing for Nigel, which includes visits to the regional offices, site visits and meetings with senior management.

Following the year-end, David Ritchie stepped down as Chief Executive on 9 January 2017 and Earl Sibley, Group Finance Director, was appointed Interim Chief Executive on the same date. This reduced the number of executive directors to one. The Board commenced the recruitment of a new Chief Executive in early 2017.

Biographical details for the directors are provided on page 49. Their dates of appointment / retirement, length of service to the end of 2016 and attendance at Board meetings in 2016 are shown below.

Name	Date of appointment	Current role	Tenure in current role	Attendance at meetings
Ian Tyler	29/11/13	Chairman	3 years	11/11
Alastair Lyons	01/10/08	Deputy Chairman	8.25 years	11/11
Chris Browne	01/09/14	Non-executive	2.3 years	10/11
Ralph Findlay	07/04/15	Non-executive	1.75 years	11/11
Nigel Keen	15/11/16	Non-executive	1.5 months	3/3
David Ritchie (resigned 09/01/17)	01/07/02	Former Chief Executive	8.5 years	11/11
Earl Sibley	16/04/15	Group Finance Director (during 2016) Interim Chief Executive (since 09/01/17)	1.75 years	11/11

The Board benefits from a broad range of expertise and experience and has a strong blend of skills, which has allowed it to perform effectively during a challenging year for the business. The non-executive Chairman brings a strong track record of commercial experience in construction and infrastructure related industries, which benefit the Group in the delivery of its strategy and oversight of its business plans and performance. Alastair Lyons has a broad base of business experience, with a particular focus on mortgage lending and insurance industries and including chairing listed companies. Chris Browne brings a strong commercial and operational background from a consumer facing industry and Ralph Findlay adds strong commercial, financial and general management expertise, again from a consumer facing industry. Nigel Keen adds an in-depth construction and property background and experience of running property strategy and portfolios, once again from a consumer facing industry.

The four non-executive directors have been determined by the Board to be independent in character and judgement with no relationships or circumstances likely to affect, or that could appear to affect, their judgement.

All the directors will be offering themselves for re-election at the forthcoming AGM, in accordance with the Code. 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.

All the directors have service agreements or contracts and the details are set out in the current remuneration policy, available at www.bovishomesgroup.co.uk.

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

Board meetings

There were eleven meetings during 2016. The Board maintains and reviews a rolling agenda plan, which ensures that all key issues and matters reserved to the Board are discussed at the appropriate time. The Chairman reviews meeting agendas with the Interim Chief Executive and Company Secretary and the Company Secretary maintains a rolling schedule of matters arising and progress with actions which is reviewed at each meeting.

The Board receives a comprehensive electronic meeting pack a week in advance of each meeting plus other information required to enable it to discharge its duties. Meetings are conducted in an atmosphere of open and free flowing discussion and debate, with a questioning approach which enables the non-executive directors to challenge and test the strategy, policy and proposals put forward by the executive directors. The Chief Operating Officer, Keith Carnegie, attended all meetings in 2016, increasing the range of views and the input available to the non-executive directors.

Corporate governance report

At each Board meeting during 2016:

- the Chief Executive provided a review of business and current trading performance, recent developments and strategic issues.
- the Group Finance Director provided a financial review, including results and latest projections, budgets, rolling forecasts, Group KPIs, leading market indicators and an analysis of share price valuation and movements.
- the Board received regular reports covering health and safety, customer satisfaction, key operational areas, investor relations, major shareholdings and litigation.

At particular points in the year, the Board reviewed:

- the Group's mission, vision and values and the action being taken to reinforce them throughout the Group.
- strategy, principal risks and mitigation, financial statements, regulatory announcements and dividend policy.
- updates on large strategic projects.
- progress with an overall review of risk management.
- succession planning and organisational development.
- the results of the 2016 staff engagement survey.
- actions arising from the 2015 Board performance evaluation.

The Board also reviewed other topics, such as the market environment, land acquisitions, land sales, analysis of competitors, investor and analyst feedback, and the process for the longer term viability statement. Presentations were received on an operational review and business priorities, succession planning, the Market Abuse Regulation and other governance and regulatory developments.

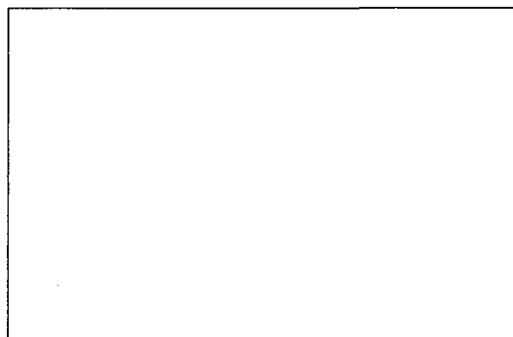
Five meetings were held in London and six were held in the regions, with three providing further opportunity to interact with local management teams. Three regions provided presentations to the Board at these meetings in open discussion and question and answer sessions. One meeting was followed by an evening meeting with the Executive Leadership Team (the senior management below the Board) and the Board also met its members at other points in the year. Visits to sites, including product viewings, took place in three regions.

The annual strategy day held in July provided the Board with the opportunity for an in-depth review of the mid-term strategy for the Group and was preceded by an evening starter session. The Chairman also held a meeting with the non-executive directors, without the executives present, during the year.

The Board's site visit to the Group's Wokingham development

In the middle of October 2016, the Board visited Thames Valley region's Emmbrook Place, Wokingham development in Berkshire. Opened in June 2016 and located close to the M4, the site offers two, three, four and five bedroom homes in a semi-rural setting, convenient for local living and commuting to Reading and London. The sales office provided the backdrop for discussion with regional management and sales staff, covering the local market, production, sales rates and customer satisfaction, coupled with a viewing of the show homes.

A tour of the construction site followed, led by the site manager, which allowed feedback to be given by site staff on progress with the build programme, site specific issues, welfare and health and safety performance. Returning to the sales office, a discussion summarising the site's overall performance concluded the visit.



Ensuring an effective Board

The Board undertook an internal formal evaluation of its own performance at the beginning of 2017. Independent Audit's "Thinking Board" questionnaire software was used to capture views on the functioning of the Board in 2016 in areas of strategic decision making, long term thinking, assessing risks, the business model and risk strategy. The Chairman completed interviews to explore and expand on the views expressed and a draft report was prepared and discussed by the Board.

The overall result of the evaluation reflected the challenges that the business has had in 2016. Whilst the underlying direction, culture and management of the Board were strong, the evaluation identified the material areas on which the Board will focus particularly in 2017.

Culture

Non-executive directors have a good and open relationship with both executive directors and executive management and the Board as a whole meets regularly with regional management teams. The Board recognised in 2015 that cultural and organisational change was necessary to improve our service to customers and handle effectively the strategic growth plans, and a programme of change was put forward by management and agreed by the Board. In the light of the operational challenges experienced in 2016 it is clear that whilst progress was made insufficient change was achieved. The Board will place greater emphasis on understanding the relationship between central, divisional and regional management, the impact that has on the development of an accountable and customer centered culture across the business, and on identifying measures of the extent to which the required changes to culture and practice become embedded in the business.

Succession planning

The Group has a robust process to identify and evaluate the succession pipeline for key roles in the business and the Board has good visibility of the outcome of this process. However, in light of senior staff turnover, the Board will focus more directly on ensuring the identification by management of the skills and characteristics necessary in each role to deliver the Group's strategy in an increasingly challenging environment, and the development of individuals capable of achieving this.

Risk management

In general, the management of risk is embedded throughout the Group and the Board actively considers the level and management of risk in its deliberations. However, greater focus will be given to the impact and visibility of customer service and quality failures on the Group's wider reputation. The Board will also review the identification and reporting of risk indicators, in particular non-financial, which provide early warning of developing issues ahead of these being manifest in financial reporting.

Strategy and execution

Whereas the Board believes the business has developed a clear, appropriate, and executable strategy it recognizes that, despite the Board's regular reviews of progress and performance with regional teams, management reporting failed to identify in a timely manner the operational pressures to which the business was subject, and the material weaknesses in the Group's production planning capability from which stemmed the customer service issues that have arisen. It has, therefore, instigated a full review both of the Group's production planning process and the Group's approach to customer service.

Reward structure

The Board believes that the measures of performance adopted for variable reward focused too heavily on financial performance at the expense of measures such as customer satisfaction and operational delivery against plan that in turn reflected the underlying health of the business. The Board is therefore proposing consequent changes to the Group's variable reward measures in this year's directors' remuneration policy.

The Board completed its second external independent performance evaluation of its own performance towards the end of 2014.

This was conducted by Independent Audit, (who have no other connection with the Company) and comprised a thorough review of Board materials, followed by a confidential interview process.

The Board then completed an internal formal evaluation of its own performance for 2015 at the start of 2016 and set out an action plan in the 2015 Annual Report. In pursuing this plan during 2016 the Board:

- commenced the overseeing of a process designed to reinforce and embed the Group's mission, vision and values across the business and with every member of staff.
- continued to review, flex and adapt the Board's agenda plan to suit requirements and enhance meeting effectiveness.
- increased its focus on leadership development and its understanding of talent management and succession planning for senior management.
- progressed the Board's understanding of market trends and developments as they impact the sector and our customers through reports, presentations and discussion.

The performance evaluation of the Chairman was led by the Senior Independent Director, with input from all other members of the Board. It was again considered that the Board had been effective under the Chairman's leadership with well-planned meetings, appropriate agendas based on a good understanding of the Company's business model and strategy, and broad effective contribution by directors. Board meetings continue to be held in a conducive environment with a strong focus on the important issues and open debate and constructive challenge. The Chairman maintained good and effective working relationships with both executive and non-executive directors during the year and spent significant time both on sites and with the Company's executives and relevant external advisers. He also maintained constructive dialogue with the Company's principal institutional investors, providing useful feedback to the Board's assessment of the Company's progress.

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: The Audit Committee report is on pages 81 to 83, the Nomination Committee report is on pages 86 and 87, and the Remuneration Committee report is on pages 59 to 80. Each Committee reports to and has terms of reference approved by the Board and the minutes of Committee meetings are circulated to and are reviewed by the Board.

The Audit Committee is chaired by Ralph Findlay, the Remuneration Committee is chaired by Alastair Lyons and the Nomination Committee is chaired by Ian Tyler.

The Board completed a performance evaluation of its Committees during early 2017 and all were found to be effective and working well, with all achieving their respective remits.

Corporate governance report

Governance through the business

The Board aims to meet governance best practice where it fits with our business model, organisational structure and approach. Further details are set out below.

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 the Board's composition and structure, and
- 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
- 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.

The Company's Management Paper is subject to Board review. It contains 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. All directors have access to the Company's professional advisers and can seek independent professional advice at the Company's expense. No such advice was sought during the year.

Training is made available to directors when required and the Chairman is responsible for ensuring that directors continually update and refresh their knowledge and skills and awareness of the culture and operations of the Company, as appropriate to their role on the Board and on Board Committees. During 2016 the directors received training on the Market Abuse Regulation and other governance and regulatory developments.

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

Information on share capital is provided on page 89.

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.

The Board reviews feedback on investor relations meetings, visits and presentations, including the matters communicated and discussed. During 2016, the feedback received was helpful to the Board and the Chairman held a number of discussions and meetings with major shareholders.

The Board also values other channels to obtain shareholders' views. The Chairman is responsible for ensuring that all directors are aware of any issues or concerns that major shareholders may have. In addition, the Deputy Chairman (also the Senior Independent Director) is accessible to shareholders.

All shareholders are invited to attend the Company's AGM, which this year will be held on 2 May 2017. The full Board, including all Committee Chairmen, attend and value this meeting as a means of communicating with private investors, encouraging their participation. All shareholders have the opportunity to exercise their right to vote and can appoint proxies if they are unable to attend. To facilitate this we provide an electronic voting facility. Shareholders attending the AGM have the opportunity to ask questions relevant to the business of the meeting and hear the views of other shareholders before casting their vote. After the meeting the results of voting on all resolutions are published on the Group's website.

Risk management and internal control

The Board has responsibility for maintaining and monitoring sound risk management and internal control systems. The Board's role includes responsibility for the risk appetite and the identification, management and mitigation of risk. Risk is a regular agenda item, which allows the directors to review the risk appetite and principal risks and assess the quality of risk management processes and risk mitigation.

In setting its approach, the Board aims to ensure that the Company is neither prevented from taking opportunities nor exposed to unreasonable risk.

Monitoring and review forms part of the work undertaken by the Audit Committee and is based principally on reviewing reports from the co-sourced Internal Audit function and from management and covers all material controls, including financial, operational and compliance controls and compliance with risk management processes.

In reviewing the effectiveness of the Company's system of internal control and risk management systems, the Board (i) considered the risk appetite and (ii) reviewed changes in the nature, likelihood and impact of the principal risks, their mitigation, the controls placed against them and the Company's ability to respond to changes at separate stages during the year and (iii) received reports from the Audit Committee on the operation and effectiveness of the risk management and internal controls systems and their integration with strategy and the business model, which included review of the minutes of Committee meetings. Recommendations for improvements to internal controls were made during the year and corrective action was taken, but they did not represent significant control failings or weaknesses.

A consequence of a period of ambitious growth has been that considerable operational pressures and challenges were experienced, resulting from the cumulative effect of delayed build programmes and a shortage of sub-contract labour, leading to operational difficulties, which peaked in December 2016. The result was, firstly, a shortfall in private completions in December and, secondly, customers not receiving the level of service we wish to provide. Weaknesses in the application of operational and customer service controls manifested themselves as control failures under these pressures, with the outcome that, whilst the controls are fit for purpose, they were not fully effective in maintaining operational control in respect of quality and customer service. The Board has reviewed events leading up to the year-end and the causation of the control failures and reasserted the importance of leadership and the right behaviours and of controls being properly applied by the business. It has also put a clear set of operational priorities in place, including a focus on customer service, a review of customer service procedures and controls, and an end to end review of the build process. The Audit Committee will review build programme delivery and customer service controls and the immediate measures taken to strengthen their effectiveness and to reduce operational pressures and it will monitor the outcome of the reviews put in place by the Board.

The Board has complied with Principle C.2 of the Code by completing a robust assessment of the principal risks facing the Company and it has established a continuous process for identifying, evaluating and managing the principal risks, in accordance with the FRC's "Guidance on Risk Management, Internal Control and Related Financial and Business Reporting". 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.2.3.

It is designed to manage rather than eliminate risk and can only provide reasonable and not absolute assurance against material misstatement or loss.

Control framework

The Company maintains a comprehensive control environment, which is regularly reviewed by the Board. The principal elements of the control environment include regular board meetings, the Division and regional structure, defined operating controls and authorisation limits, a co-sourced Internal Audit function and a comprehensive financial reporting system.

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

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

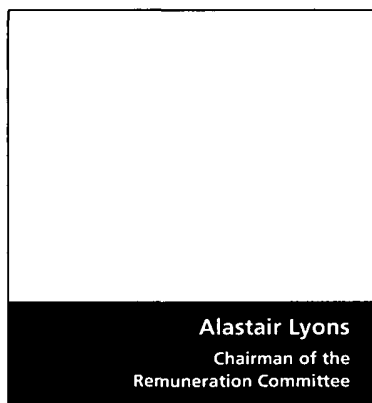
The Company maintains computer systems that record financial transactions and whose effectiveness is reviewed by the co-sourced Internal Audit function on a regular basis. Any findings arising from these exercises are reported to the Audit Committee and action is taken, as appropriate.

Control over cash expenditure is a key component. The Company maintains tight control in this area through a centralised payment function, regularly maintained authorisation documents and segregation of authorisation accountability.

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

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

Saxon Lea
Sandbach



Directors' remuneration report

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the financial year ended 31 December 2016. The report is set out in two parts:

- The three year remuneration policy to be submitted to shareholders in a binding vote at the 2017 AGM.
 - The annual remuneration report which provides details on how directors were paid in 2016 and the link between remuneration and the Company's performance.
- This section of the report also outlines how we intend to implement the new remuneration policy in 2017. The annual report on remuneration is subject to an advisory shareholder vote at the 2017 AGM.

Remuneration in context

2016 proved a difficult year for the Group as operational challenges impacted the delivery of homes towards the year end. As a result, the number of legal completions was lower than anticipated, with the shortfall moving into 2017, leaving pre-tax profit 3% below 2015. The Group continued its disciplined land investment and capital turn again improved. Basic earnings per share fell by 5% to 90.1p and Return on Capital Employed ("ROCE") finished at 17.0% (2015: 18.3%). During the year, the Group delivered the land sales expected, acquired a good level of high quality consented land, the majority at increased hurdle rates, and achieved the conversion of a number of strategic land assets.

The Board has determined that the priority for 2017 is to improve operational delivery and the various measures being taken are designed to build on the strengths of the Group and secure improved and sustainable returns for shareholders in the years ahead. The Board considers that it is important that the way forward is underpinned by a remuneration policy that is directly linked to our strategic objectives, something the new three year remuneration policy has been designed to achieve.

Remuneration in 2016

The performance in 2016 against stretching financial and operational targets resulted in between 10% and 13.3% of maximum being awarded to the executive directors for the annual bonus key measures. Further explanation of the annual bonus performance assessment can be found on pages 71 to 72.

Given the difficult year experienced by the Group and its failure to achieve its financial and customer service targets the Committee has decided that it would be inappropriate to pay these bonuses in cash. Instead, it will (subject to any regulatory restrictions) apply its discretion to pay Earl's bonus in shares which will be subject to a two year holding period.

As a result of the earnings per share ("EPS") and ROCE performance conditions being only partially met the LTIP awards granted in 2014 will vest to the extent of 35.9%. The delivery of profit growth has been reflected in the EPS performance of the Group over the past three financial years with absolute cumulative EPS reaching 264.1p against a stretching target range of 230p to 280p. ROCE reached 17% in 2016 against a range of 17% to 20%. The remaining third of the LTIP award, based on relative total shareholder return ("TSR") over the last three years, will lapse given the Group's TSR over this period of 18%, against the comparator group median TSR of 59%.

In January 2017 David Ritchie stepped down from his role as Chief Executive. Remuneration arrangements in respect of his departure have been determined by the Committee in line with his service contract and the remuneration policy approved by shareholders in 2014. Full details can be found on page 78.

Changes in remuneration for 2017

The existing remuneration policy approved by shareholders in 2014 is due for renewal at the 2017 AGM. The Committee has undertaken a detailed review to ensure that the future policy reflects the Company's strategic priorities and takes account of best practice developments. The proposed policy changes include greater flexibility within the weighting of financial and non-financial performance measures and the strengthening of recovery provisions (malus and clawback) for incentive schemes; the introduction of a two year holding period following vesting for LTIP awards granted from 2017 onwards to strengthen long term alignment with shareholders; and an increase in the shareholding guideline for the CEO position. As an example of the use of increased flexibility within the annual bonus, for 2017 a quantifiable build programme delivery measure will be added alongside the current customer satisfaction measure to focus improvement on operational delivery. In terms of the 2017 LTIP awards, the Committee will conclude on the performance measures, to include the Home Builders Federation Customer Satisfaction rating, and the targets and weightings, following the annual Strategic Planning Review with the intention that awards will be granted in August 2017. Full details of the performance measures will be disclosed in next year's remuneration report.

A consultation took place with major shareholders at the beginning of 2017 on these proposed changes to the remuneration policy, which was largely supportive. The Committee also took the opportunity to reiterate its previously communicated approach to the progressive increase in base salary for Earl Sibley, to reflect both his strong performance and increased experience. With effect from 1 January 2017, Earl Sibley's salary was, therefore, increased from £275,000 to £300,000 (an increase of 9.1%). Further details on the rationale for this increase are provided on pages 76 to 77. Earl is currently acting as Interim Chief Executive and will receive a temporary salary uplift to £450,000 to reflect the much broader range of responsibilities that he carries whilst in this acting role.

Conclusion

I hope you find that this report clearly explains the remuneration approach adopted by Bovis Homes and that it enables you to appreciate how it links to our priorities for 2017 in the context of our strategic objectives, and how it underpins our strategy. The Committee takes an active interest in shareholder views and consults on any significant changes being considered. The Committee considers the new remuneration policy fair and fully aligned with the interests of shareholders and looks forward to your voting support at the 2017 AGM. I will be available at the AGM to take any questions you may have.

Alastair Lyons
Chairman of the Remuneration Committee

The remuneration policy

The Company's existing Directors' Remuneration Policy was approved by shareholders at the Company's 2014 Annual General Meeting and took effect from the date of that meeting. The new policy set out below will be proposed for adoption at the AGM on 2 May 2017. If approved it will apply on a legislative basis immediately following shareholder approval and will replace the policy approved in 2014.

No significant changes have been made to the policy that was approved in 2014. However, certain amendments have been made to take account of corporate developments since then and to ensure the policy remains appropriate for the Company going forwards. The changes made to the proposed policy as compared to the policy approved in 2014 can be summarised as follows:

Variable pay performance metrics

The 2017 remuneration policy will include greater flexibility in terms of the balance between financial and non-financial performance measures for awards made under the variable pay plans. This allows the Committee to introduce key operational performance metrics, in addition to financial metrics, if such focus is considered appropriate in any given year. The Committee intends to make use of this flexibility for 2017, as set out in the implementation section on pages 76 to 78.

Holding period for LTIP awards

Awards granted from 2017 onwards will be subject to a two year post-vesting holding period, to further strengthen long term alignment with shareholders.

Increased shareholding guideline for CEO position

The shareholding guideline for the CEO position will be increased from 100% to 200% of base salary to bring it into line with investor guidelines. The shareholding guidelines are now included in the formal remuneration policy.

Malus and clawback provisions

Malus and clawback provisions were not included in the 2014 remuneration policy but were introduced for variable pay from 2016 onwards. Malus and clawback provisions will, therefore, be formalised in the 2017 remuneration policy. The circumstances in which malus and clawback can be applied have also been extended to bring them into line with market practice.

Summary

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

The Committee intends to apply the 2017 remuneration policy for three years and will keep the policy under review to ensure it promotes the attraction, retention and motivation of the high performing executive talent required to deliver the business strategy. Should any changes be required before the end of the three year period, the amended policy will be put to shareholders, following shareholder consultation, as appropriate.

Components of the remuneration framework for executive directors

The policy table below summarises the main components of the remuneration framework a large proportion of which is performance related.

Fixed pay

Purpose and link to strategy	Operation	Opportunity	Performance metrics
Base salary To attract and retain high performing talent required to deliver the business strategy, providing core reward for the role.	Ordinarily reviewed annually. The review typically considers competitive positioning, the individual's role, experience and performance, business performance and salary increases throughout the Group. Market benchmarking exercises are undertaken periodically and judgement is used in their application.	Whilst we do not consider it appropriate to set a maximum base salary level, any increases will take into account the individual's skills, experience, performance, the external environment and the pay of employees throughout the Group. Whilst generally the intention is to maintain a link with general employee pay and conditions, in circumstances such as significant changes in responsibility or size and scope of role or progression in a role, higher increases may be awarded. Thus, where a new director is appointed at a salary below market competitive levels to reflect initial experience, it may be increased over time subject to satisfactory performance and market conditions.	Not applicable.
Benefits To provide market competitive benefits consistent with role.	Benefits typically include medical insurance, life assurance, membership of the Bovis Homes Regulated Car Scheme for Employees or cash car allowance, annual leave, occupational sick pay, health screening, personal accident insurance, and participation in all employee share schemes (SAYE and SIP). In line with business requirements, other expenses may be paid, such as relocation expenses, together with related tax liabilities.	We do not consider it appropriate to set a maximum benefits value as this may change periodically.	Not applicable.
Pension To attract and retain talent by enabling long term pension saving.	Executives joining the Group since January 2002 can choose to participate in a defined contribution arrangement, or may receive a cash equivalent. A salary supplement may also be paid as part of a pension allowance arrangement. Executives who joined the Group prior to January 2002 can continue to participate in the defined benefit pension arrangement, which is closed to new members.	A pension allowance of up to 20% of base salary may be paid. This may be taken as a contribution to the Group Personal Pension Plan, as a salary supplement, or a combination of the two. For executive directors who participate in the Company's defined benefit scheme, to the extent that the annual value of their participation is less than the pension allowance, the balance may be taken as a salary supplement.	Not applicable.

The remuneration policy

Variable pay

Purpose and link to strategy	Operation	Opportunity	Performance metrics
Annual bonus To incentivise and reward the delivery of near term business targets and objectives.	The annual bonus scheme is a discretionary scheme and is reviewed prior to the start of each financial year to ensure that it appropriately supports the business strategy. Performance measures and stretching targets are set by the Committee. Bonuses are normally paid in cash. In any year in which no dividend is proposed discretion may be exercised to pay part, or all, of the bonus in ordinary shares, deferred for two years. Actual bonus amounts are determined by assessing performance against the agreed targets after the year end. The results are then reviewed to ensure that any bonus paid accurately reflects the underlying performance of the business. Clawback provisions can be applied for a period of two years from the bonus payment date in certain circumstances, including a material misstatement, serious misconduct, a material failure of risk management or serious reputational damage to any Group company.	The annual bonus scheme offers a maximum opportunity of up to 100% of base salary. Achievement of stretching performance targets is required to earn the maximum.	Performance measures are selected to focus executives on strategic priorities, providing alignment with shareholder interests and are reviewed annually. Weightings and targets are reviewed and set at the start of each financial year. Financial metrics will comprise at least 50% of the bonus and are likely to include one or more of: • a profit based measure • a cash based measure • a capital return measure Non-financial metrics, key to business performance, will be used for any balance. These may include measures relating to build quality and customer service. Overall, quantifiable metrics will comprise at least 70% of the bonus. Below threshold performance delivers no bonus and target performance achieves a bonus of 50% of base salary.
Long Term Incentive Plan ("LTIP") To incentivise, reward and retain executives over the longer term and align the interests of management and shareholders.	Typically, annual awards are made under the LTIP. Awards can be granted in the form of nil-cost options, forfeitable shares or conditional share awards. Performance is measured over a performance period of not less than three years. LTIP awards do not normally vest until the third anniversary of the date of the grant. Vested awards are then subject to a two year holding period. For nil-cost options this will be a prohibition on exercise until the end of the holding period. Awards may be granted with the benefit of dividend equivalents, so that vested shares are increased by the number of shares equal to dividends paid from the date of grant to the date of exercise. Malus provisions can be applied to awards prior to the vesting date and clawback provisions can be applied for two years thereafter in certain circumstances, including a material misstatement, serious misconduct, a material failure of risk management or serious reputational damage to any Group company.	The maximum annual award, under normal circumstances, is as follows: • 150% of base salary for the CEO. • 125% of base salary for the GFD. In exceptional circumstances an award may be granted under the LTIP rules up to 200% of base salary.	The performance measures applied to LTIP awards are reviewed annually to ensure they remain relevant to strategic priorities and aligned to shareholder interests. Weightings and targets are reviewed and set prior to each award. Performance measures will include long term performance targets, of which financial and / or share price based metrics will comprise at least two thirds of the award. Quantifiable non-financial metrics, key to business performance, will be used for any balance. Any material changes to the performance measures from year to year would be subject to prior consultation with the Company's major shareholders. Below threshold performance realises 0% of the total award, threshold performance realises 30% and maximum performance realises 100%. The Committee may adjust downwards the number of shares realised in the event that the formulaic outcome does not, in its opinion, reflect the underlying financial performance of the Company.

Variable pay

Purpose and link to strategy	Operation	Opportunity	Performance metrics
Shareholding guideline To encourage executives to build up a meaningful shareholding over time and align the interests of management and shareholders.	Executive directors benefitting from the exercise or release of LTIP awards are expected to retain 100% of the net value derived as shares, after settling all costs and income tax due, until such time as the guideline is met.	The guideline for the CEO is 200% of base salary and for the GFD is 100% of base salary.	Not applicable.

Notes to the policy table

The Committee may make minor amendments to the policy set out above (for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation) without obtaining shareholder approval for that amendment.

The executive directors may request and the Company may grant salary and bonus sacrifice arrangements.

The LTIP rules permit the substitution or variance of performance conditions to produce a fairer measure of performance as a result of an unforeseen event or transaction and include discretions for upwards adjustment to the number of shares to be realised in the event of a takeover, scheme of arrangement or voluntary winding up. Non-significant changes to the performance metrics may be made by use of discretion under the LTIP rules. Awards are normally satisfied in shares, although there is flexibility to settle in cash.

The Committee reserves the right to make remuneration payments and payments for loss of office (including exercising any discretions available to it in connection with such payments) that are not in line with the policy table set out above where the terms of the payment were agreed:

- (i) before 16 May 2014 (the date the Company's existing remuneration policy came into effect);
- (ii) before the policy set out in this 2016 Annual Report came into effect, provided that the terms of payment were consistent with the shareholder approved directors' remuneration policy in force at the time they were agreed; or
- (iii) at a time when the relevant individual was not a director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a director of the Company.

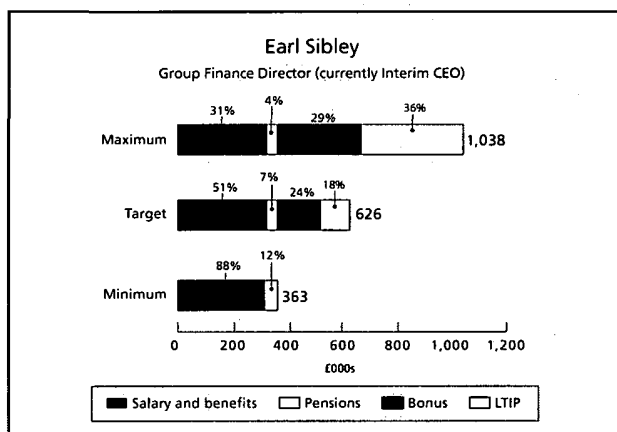
For these purposes "payments" includes the Committee satisfying awards of variable remuneration and an award over shares is "agreed" at the time the award is granted.

Performance measures for the annual bonus scheme and the LTIP are selected to focus the executive directors on strategic financial and operational priorities, both short term and those related to long term sustainable performance, providing alignment with shareholder interests. Targets for each performance measure are then set by the Committee in light of strategic objectives over the short term for the annual bonus scheme and over at least a three year performance period for the LTIP. In setting targets the Committee takes into account a number of reference points including internal and analysts' forecasts.

The remuneration policy

Illustration of the application of the remuneration policy

Our aim is to ensure that superior reward is only paid for exceptional performance, with a substantial proportion of executive directors' reward opportunity being performance related. The chart below sets out remuneration scenarios for the executive director at three levels of performance, as a percentage of the total reward opportunity and as a total value.



The following basis of calculation and assumptions have been used in the scenarios above:

- Minimum performance reflects base salary as at 1 January 2017 and benefits and pension paid in 2016 (2017 policy for the defined contribution arrangement) as set out in the single figure on page 70.
- Target performance reflects base salary as at 1 January 2017, benefits and pension paid in 2016 (2017 policy for the defined contribution arrangement) as set out in the single figure on page 70, annual cash bonus at 50% of maximum and LTIP vesting at threshold of 30% of maximum.
- Maximum performance reflects base salary as at 1 January 2017, benefits and pension paid in 2016 (2017 policy for the defined contribution arrangement) as set out in the single figure on page 70, annual cash bonus at 100% of maximum and LTIP vesting at maximum of 100%.
- No share price, dividends or discount rate assumptions have been included in the charts above.

Non-executive director and chairman fees

The Board, comprising the Chairman and the executive directors, sets the remuneration of the non-executive directors, without their participation. The Remuneration Committee, with the Chairman absenting himself from discussions, sets the remuneration of the Chairman who receives an all-inclusive fee. The level of fees must be within the limit approved by shareholders, contained in the Articles of Association. Non-executive directors and the Chairman do not participate in the annual bonus scheme or the LTIP and are not eligible to join the Group's pension schemes. All non-executive director and chairman fees are payable in cash and there are no additional fees or other items in the nature of remuneration. All non-executive directors and the Chairman may receive reimbursement for reasonable expenses incurred and the Company may satisfy any related tax liabilities.

Purpose and link to strategy	Operation	Opportunity	Performance metrics
To attract and retain non-executive directors and a chairman of the appropriate calibre.	Typically reviewed on an annual basis. Market benchmarking exercises are undertaken periodically and judgement is used in their application.	Fee increases may be applied in line with the outcome of any review. A basic fee is paid. Additional fees may be paid for additional responsibilities such as chairmanship/ membership of a committee. Fees are set at a level considered appropriate taking account of competitive positioning, the individual's responsibilities, the time commitment required and the size and complexity of the Company.	Not applicable.

Approach to recruitment

In agreeing a remuneration package for a new executive director, it would be expected that the structure and quantum of variable pay elements would reflect those set out in the policy table above. However, the Committee would retain the discretion to flex the balance between annual and long-term incentives and the measures used to assess performance for these elements, with the intention that a significant proportion would be delivered in shares. Salary would reflect the skills and experience of the individual, and may be set at a level to allow future progression to reflect performance in the role.

On recruitment, relocation benefits may be paid as appropriate.

This overall approach would also apply to internal appointments, with the proviso that any commitments entered into before promotion which are inconsistent with this policy can continue to be honoured under the policy. Similarly, if an executive director is appointed following the Company's acquisition of or merger with another company, legacy terms and conditions would be honoured.

An executive director may initially be hired on a contract requiring 24 months' notice which then reduces pro-rata over the first year of the contract to requiring 12 months' notice.

The Committee may award compensation for the forfeiture of awards from a previous employer in such form as the Committee considers appropriate taking account of all relevant factors including the expected value of the award, performance achieved or likely to be achieved, the proportion of the performance period remaining and the form of the award. There is no specific limit on the value of such awards, but the Committee's intention is that the value awarded would be equivalent to the value forfeited.

Maximum variable pay will be in line with the maximum set out in the policy table above (excluding buy-outs). The Committee retains discretion to make appropriate remuneration decisions outside the standard policy to meet the individual circumstances when:

- An interim appointment is made to a fill an executive director role on a short-term basis.
- Exceptional circumstances require that the Chairman or a non-executive director takes on an executive function on a short-term basis.

For non-executive directors, the Board would consider the appropriate fees for a new appointment taking into account the existing level of fees paid to the non-executive directors, the experience and ability of the new non-executive director and the time commitment and responsibility of the role.

The remuneration policy

Service contracts and exit payments policy

The current executive director's service contract contains the key elements shown below.

Provision	Detailed terms
Notice period	12 months by either employer or director
Termination payment	Up to 12 months' salary (excluding bonus or other enhancement)

The executive director's service contract does not contain specific provision for compensation in the event of early termination, with the exception of 12 months' base salary in the event of removal at an AGM.

When determining exit payments, the Committee would take account of a variety of factors, including individual and business performance, the obligation for the director to mitigate loss (for example, by gaining new employment), the director's length of service and any other relevant circumstances, such as ill health. A departing director may also be entitled to a payment in respect of statutory rights. Should a departing director be required to retire and be eligible for an early retirement pension under the terms of the defined benefit pension arrangement, an actuarial reduction will only be applied, in accordance with the rules, if the departing director has not reached age 55.

The Committee would distinguish between types of leaver in respect of incentive plans. 'Good leavers' (death, ill-health, agreed retirement, redundancy or any other reason at the discretion of the Committee) may be considered for a bonus payment having completed the full year and part year bonus payments may be paid and LTIP awards may vest at the usual time taking into account performance conditions and pro rating for time in employment during the performance period, unless the Committee determines otherwise. The LTIP rules include discretion for upwards adjustment to the number of shares to be realised for 'good leavers' and, in exceptional circumstances, acceleration of the realisation date. In all other leaver circumstances, the Committee would decide the approach taken, which would ordinarily mean that leavers would not be entitled to consideration for a bonus and LTIP awards would lapse. Any vested LTIP award that is subject to a holding period at the time of the executive's cessation of employment will not lapse except in the case of the executive's gross misconduct.

The Committee reserves the right to make any other payments in connection with a director's cessation of office or employment where the payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of settlement of any claim arising in connection with the cessation of a directors' office or employment. In addition, the Committee reserves the right, acting in good faith, to pay fees for outplacement assistance and/or the director's legal and/or professional advice fees in connection with his cessation of office or employment.

The appointment of the Chairman and each of the non-executive directors is for an initial period of three years, which is renewable for further terms, and is terminable by the Chairman / non-executive director (as applicable) or the Company on twelve months' notice. Any new Chairman / non-executive director appointments will be subject to a three month notice period. No contractual payments would be due on termination. There are no specific provisions for compensation on early termination for the non-executive directors, with the exception of entitlement to compensation equivalent to 12 months' fees or, if less, the balance of appointment, in the event of removal at an AGM.

Change of control

All the Company's share plans contain provisions relating to change of control. In general, outstanding awards would normally vest and become exercisable on a change of control, to the extent that any applicable performance conditions have been satisfied at that time, reflecting the time period to the date of the event. Any deferred bonus shares will be released on change of control.

The LTIP rules include discretion for upwards adjustment to the number of shares to be realised in the event of a takeover, scheme of arrangement or voluntary winding up.

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 and retain any associated fees.

Pay and conditions throughout the Group

The pay and conditions of employees throughout the Group are considered by the Committee in setting remuneration policy for the executive directors and senior management. The Committee is kept regularly informed on the pay and benefits provided to employees and base salary increase data from the annual salary review for general staff is considered when reviewing executive directors' salaries and those of senior management. The Committee does not consult with employees when setting remuneration policy for the executive directors.

Difference in the Company's policy on remuneration of directors compared to employees

The remuneration policy for the executive directors is designed with pay and conditions throughout the Group in mind. The Committee believes that some differences are necessary to reflect responsibility and provide appropriate focus and motivation for delivery of the Group's strategy. Executive directors, therefore, have a higher bonus opportunity than employees generally to motivate them to achieve stretching annual targets and they participate in the LTIP to provide focus on long term sustainable performance. This approach is designed to provide an appropriate emphasis on performance related pay.

Consideration of shareholder views

The Company is committed to ongoing dialogue with shareholders and welcomes feedback on directors' remuneration. Feedback received from meetings during the year and in relation to the AGM is considered, together with guidance from shareholder representative bodies more generally, and taken into account in the annual review of remuneration policy. The Committee believes that it has a responsible approach to directors' pay and that its policy is appropriate and fit for purpose.

Support from shareholders is evidenced by the 99.19% approval of the 2015 Directors' Remuneration Report at the 2016 AGM (see the annual remuneration report for further details). Major shareholders were consulted on the changes to the remuneration policy, including the increased flexibility in variable pay plan performance metrics, the adoption of post vesting holding periods for LTIP awards, and the increase in the shareholding guideline for the CEO to 200% and their feedback was incorporated into the final proposals.

Remuneration report

Introduction

This annual remuneration report explains how the remuneration policy has been implemented in the year ended 31 December 2016 and how it will be implemented for 2017. Details of remuneration in 2016 are set out first, followed by the approach for 2017.

At a glance summary

Component and where to find	David Ritchie - CEO (resigned 09 January 2017)	Earl Sibley - GFD
<i>Single figure totals for 2016 (page 70)</i>	£1,029k	£371k
<i>Annual bonus payments for 2016 (pages 71 to 72)</i>	£55k (10% of maximum)	£37k (13.3% of maximum)
<i>LTIP awards vesting in respect of 2016 (page 72)</i>	35.9% of total award	n/a
<i>LTIP awards granted in 2016 (page 73)</i>	150% of basic salary	125% of basic salary
<i>Salaries for 2017 (page 76)</i>	£563,750 (+2.5%)	£300,000 (+9.1%)
<i>Shareholding as % of salary (page 74)</i>	280%	0.66%
Guideline: 100% of salary (CEO 200% from 2017 onwards)		
<i>Changes to the remuneration policy for 2017</i>	An updated remuneration policy is being submitted to the 2017 AGM for approval. Changes include greater flexibility within the weighting of financial and non-financial performance measures for incentive schemes, the strengthening of recovery provisions (malus and clawback) for incentive schemes, the introduction of a two year holding period following vesting for LTIP awards from 2017 onwards, and an increase in the shareholding guideline for the CEO position from 100% to 200%.	
<i>Annual bonus for 2017 (page 77)</i> Profit before tax: 20% weighting ROCE: 30% weighting Build programme delivery: 20% weighting Customer satisfaction: 20% weighting Individual performance: 10% weighting	n/a	Bonus opportunity remains at 100% of basic salary. The balance of financial and non-financial metrics has been adjusted and a quantifiable build programme delivery measure has been introduced to sit alongside the customer satisfaction measure to ensure focus on strong operational delivery.
<i>LTIP awards for 2017 (page 78)</i> Committee to conclude on performance measures, targets and weightings, following the annual Strategic Planning Review with the intention that awards will be granted in August 2017.	n/a	125% of basic salary

The link between remuneration and strategy

As set out in the Strategic Report, the Group has a strategic plan containing both near and longer term objectives. These objectives include the delivery of improving levels of return and operating profit, increasing the efficiency of capital employed, building quality homes on time and delivering high levels of customer satisfaction. These objectives are measured by reference to the Group's reported KPIs of pre-tax profit, ROCE, earnings per share, the build programme agreed as part of the annual business plan, and customer satisfaction scores, all of which are now built into the Group's incentive schemes.

Annual bonus arrangements are clearly linked to the Group's near term strategy via the inclusion of profit before tax, ROCE and customer satisfaction performance measures. For 2017, we have added quantifiable build programme delivery as a new performance measure in response to the need for the Group to prioritise the improvement of its build operating practices. The LTIP has a longer term perspective and for 2016 awards feature performance measures of relative total shareholder return and earnings per share, both of which are measured over a three year period and ROCE, measured in year three of the performance period. The Committee will conclude on the performance measures, weightings and targets for the 2017 awards following the annual Strategic Planning Review and intends to grant awards in August 2017. In line with the proposed policy, at least two thirds of the award will be based on financial and / or share price based metrics and quantifiable non-financial metrics, key to business performance, will be used for any balance. Disclosure of the detailed measures, weightings and targets will be made in the 2017 Remuneration Report.

The Committee has reviewed the remuneration policy for submission to the 2017 AGM and is satisfied that the proposed remuneration arrangements will closely align with the Group's business strategy and appropriately reflect the need to improve operational performance.

Key remuneration decisions during 2016

During 2016, the Committee set targets for the 2016 annual bonus (shown on page 71) and approved 2015 bonus payments. It set targets for and approved LTIP awards made in 2016 and approved the level of vesting for the 2013 LTIP awards. It also introduced malus and clawback provisions to incentive awards from 2016 onwards. A consultation with shareholders took place on proposed changes to the remuneration policy to be submitted to shareholders at the 2017 AGM.

The Committee also completed the 2017 remuneration review, which included consideration of the link between executive remuneration and pay and employment conditions throughout the Group (including the general proposals for staff for 2017).

Remuneration report

Implementation of remuneration policy for the year ended 31 December 2016

Single figure of executive directors' remuneration (audited)

The following table reports a single figure for total remuneration for each executive director who served during the 2016 financial year.

	David Ritchie (appointed CEO 03 July 2008; appointed an executive director in 2002; resigned 09 January 2017)		Earl Sibley (appointed GFD 16 April 2015)	
	2016 £000	2015 £000	2016 £000	2015 £000
Base salary	550	550	275	177
Benefits (1)	18	22	18	8
Annual bonus	55	329	37	155
Long Term Incentives (2)	(5) 255	(6) 471	n/a	n/a
Sub-total	878	1,372	330	340
Pension (3)	76	58	41	27
Other – pension salary supplement (4)	75	75	-	-
Total remuneration	1,029	1,505	371	367

Notes:

- (1) Taxable benefits include medical insurance and loan account balancing payment relating to membership of the Bovis Homes Regulated Car Scheme, plus income tax and national insurance due on this payment
- (2) The 2013 LTIP measured over the three year period to 31 December 2015 vested to the extent of 66.7% on 26 February 2016. The 2014 LTIP measured over the three year period to 31 December 2016 will vest to the extent of 35.9% on 25 February and 19 August 2017.
- (3) The single value for David Ritchie has been calculated as 20 times the increase in accrued pension during the year (net of inflation), less the director's own contributions. The single figure for Earl Sibley has been calculated as the employer's cash contribution.
- (4) David Ritchie receives a non-bonusable and non-pensionable pension salary supplement.
- (5) This is an estimated value based on the average share price over the last quarter of 2016 of 814.66 pence for the 2014 LTIP awards which vest on 25 February and 19 August 2017.
- (6) This is the actual value delivered under the 2013 LTIP calculated using the share price on the vesting date (937.5 pence on 26 February 2016) and includes 4,101 notional dividend shares. Last year's report included an estimate in respect of the vesting value of the 2013 LTIP (based on the average share price over the last quarter of 2015 of 1,001.74 pence) as the award had not vested at the date of the report.

David Ritchie is a non-executive director of A.G. BARR p.l.c. and retained director's fees of £53,995 during 2016. Earl Sibley does not currently hold any external directorships.

The following table shows the remuneration for the non-executive directors who served during the 2016 financial year.

	Salary / fees £000	
	2016	2015
Non-executive directors		
Ian Tyler	170	161
Alastair Lyons	74	74
Chris Browne	46	46
Ralph Findlay (appointed 07/04/15)	54	39
Nigel Keen (appointed 15/11/16)	6	-
John Warren (retired 15/05/15)	-	20
Total	350	340

Annual bonus payment in respect of 2016

The maximum opportunity for executive directors for the year ended 31 December 2016 was 100% of salary, the same as in previous years. A breakdown of the performance against the measurement criteria is shown below. All targets were set at the beginning of 2016. The full detail of performance targets is disclosed retrospectively.

Measure	Weighting (as a % of maximum)	Threshold	On target	Stretch	Award achieved (% of maximum)
Financial measures (70%)					
Profit before tax (pre-Group allowance for bonus charge)	40%	0% of maximum £186.2m	50% of maximum £195.7m	100% of maximum £205.2m	0%
ROCE	30%	0% of maximum 19.0%	50% of maximum 20.0%	100% of maximum 21.0%	0%
Non-financial measures (30%)					
Customer satisfaction	10%	On target is threshold n/a	50% of maximum 85%	100% of maximum 90%	0%
Individual performance	20%	Assessed against the achievement of defined individual objectives			10% CEO 13.3% GFD
Total bonus for executive directors (% salary)					10% CEO 13.3% GFD
Profit before tax: Pre-tax profit of £154.7 million was achieved representing a 3% decrease on 2016. Performance was below threshold and none of the 40% weighting for this performance measure was awarded.		0%0%25%50%75%100%			
Return on capital employed: The Group achieved ROCE of 17% in 2016. Performance was below threshold and none of the 30% weighting for this performance measure was awarded.		0%0%25%50%75%100%			
Customer satisfaction: The Group delivered an average customer satisfaction score below 85%. Performance was below on target against this measure and none of the 10% weighting to this performance measure was awarded.		0%0%25%50%75%100%			
Individual performance: The Committee assessed the directors as having partially delivered on their individual objectives. 10% of the 20% weighting to this performance measure was awarded for David Ritchie and 13.3% of the 20% weighting was awarded for Earl Sibley (see explanation on page 72).		David Ritchie50% 0%25%50%75%100% Earl Sibley66.6% 0%25%50%75%100%			

Remuneration report

Executive director	Maximum bonus % of salary	Target bonus % of salary	Actual bonus % of salary	Total 2016 bonus £000
David Ritchie	100	50	10.0%	55
Earl Sibley	100	50	13.3%	37

David Ritchie was set the following personal objectives for 2016, designed to support the changes needed to the way the Group operated to underpin its growth strategy:

- To embed the Group's agreed values across the business
- To forge the newly established executive leadership into an effective, coherent and integrated team
- To promote the development of talented individuals within a structured management succession plan
- To promote innovation within the Group's core functions such as build and sales

The Committee considered that despite the operational challenges faced in 2016, which in turn accounted for his missing his financial and customer service targets, progress had been made under David's leadership in these areas, in particular in getting the Group's values understood and adopted across the business; in building the effectiveness of the Executive Leadership Team; and in promoting from within to new roles across the expanded regional management structure. The Committee therefore, awarded 10% against the maximum 20% weighting for this performance measure.

Earl Sibley was set the following personal objectives for 2016, designed to enhance the effectiveness of those areas under his responsibility and to improve the Group's capital and cost effectiveness:

- To develop and implement the year's investor relations plan
- To reduce capital employed by reducing the Group's net current assets
- To improve cost effectiveness through better procurement and control of costs and improved cost reporting
- To implement a balanced scorecard approach to business reporting
- To improve the effectiveness of Internal Audit, thereby strengthening the Group's framework of internal control

The Committee considered that Earl had made good progress against his range of objectives, putting the Group in a better position now to tackle the challenges that were manifest in 2016. In particular, the Group's internal business reporting was much improved, providing the transparency required for effective management; Internal Audit had been redesigned to provide much improved oversight of the framework of internal control; and regional plans were well developed to improve capital efficiency. Improving cost effectiveness remains an area of material focus. The Committee awarded two thirds or 13.3% against the maximum 20% weighting of this performance measure.

Given the difficult year experienced by the Group and its failure to achieve its financial and customer satisfaction targets the Committee has decided that it would be inappropriate to pay these bonuses in cash. Instead, it will (subject to any regulatory restrictions) apply its discretion to pay Earl's bonus in shares which will be subject to a two year holding period. David Ritchie has agreed, as a modification of his entitlements on ceasing to be employed by the Group, as set out later in this report, that his bonus be delivered in the same way.

Bovis Homes Group Long Term Incentive Plan

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. Discretions available to the Committee contained in the LTIP rules are set out in the policy table and also in the exit payments policy on pages 62 and 66.

Awards vesting in respect of 2016

The LTIP awards made in 2014 were measured over the three year period to 31 December 2016 and will vest to the extent of 35.9% on 25 February and 19 August 2017. One third of the award was measured against each of EPS performance, TSR performance against an index and ROCE performance.

The threshold EPS target was 230p and the maximum target was 280p measured on a cumulative three year basis. Absolute cumulative EPS over the three year performance period was 264.1p. Therefore, 77.7% of the EPS element will vest.

The threshold TSR target was performance equal to the annualised median of the index and the maximum target was performance equal to the annualised median of the index, plus 10%. Actual TSR was 18% which was below the median of the index of 59% and, therefore, none of the award based on TSR will vest.

The threshold ROCE target was 17% and the maximum target was 20% measured in the third year of the performance period (2016). Actual ROCE in 2016 was 17% and, therefore, 30% of the ROCE element will vest.

Awards granted during 2016 (audited)

An award of 93,696 shares was made to David Ritchie at 150% of basic salary at a grant price of £8.805 on 23 February 2016, exercisable in 2019 and subject to a three year performance period ending on 31 December 2018, as follows:

Executive director	Type of award	Number of shares awarded	Face value at date of grant £000	% of face value that would vest at threshold
David Ritchie	Performance share award	93,696	825	30

An award of 39,040 shares was made to Earl Sibley at 125% of basic salary at a grant price of £8.805 on 23 February 2016, exercisable in 2019 and subject to a three year performance period ending on 31 December 2018, as follows:

Executive director	Type of award	Number of shares awarded	Face value at date of grant £000	% of face value that would vest at threshold
Earl Sibley	Performance share award	39,040	344	30

The performance measures for all 2016 awards are unchanged from the prior year, namely TSR (33.3%), EPS (33.3%) and ROCE (33.3%). 10% of the total award vests for achieving threshold performance on any measure.

The performance targets are:

- TSR – threshold performance equal to the annualised median of the index and maximum performance equal to the annualised median of the index, plus 10% (unchanged from the prior year).
- EPS – threshold performance at cumulative EPS of 370 pence and maximum performance at cumulative EPS of 440 pence.
- ROCE – threshold performance at 20.5% and maximum performance at 25.3%.

The 2016 constituents of the TSR index, which may be subject to change, are as listed below:

TSR comparator group			
Barratt Developments plc	Bellway plc	The Berkeley Group plc	Crest Nicholson Holdings plc
Persimmon plc	Redrow plc	Taylor Wimpey plc	

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
		(CEO)	(GFD)	TSR	EPS	ROCE	
2013	01/01/2013 – 31/12/2015	100%		33.3%	33.3%	33.3%	66.7%
2014	01/01/2014 – 31/12/2016	150%		33.3%	33.3%	33.3%	35.9%
2015	01/01/2015 – 31/12/2017	150%	*150%	33.3%	33.3%	33.3%	Ongoing
2016	01/01/2016 – 31/12/2018	150%	125%	33.3%	33.3%	33.3%	Ongoing

*This level of award was granted on an exceptional basis.

Pensions

During 2016, David Ritchie was a senior executive member of the Bovis Homes Pension Scheme ("BHPS"). This is a contributory funded, defined benefit scheme, approved by HMRC. He received a pension allowance of 20% of salary and some or all of this allowance was used in relation to his membership of the BHPS, to the extent that it remained beneficial in light of new pension legislation. The balance was paid as a non-bonusable and non-pensionable salary supplement.

Earl Sibley is a member of the Bovis Homes Group Personal Pension Plan ("GPP") and the Company's contribution is 15% of his base salary.

There are no special early retirement or early termination provisions for executive directors, except as noted in the exit payments policy. Any new appointments would include eligibility for membership of the GPP, unless the appointee was already a member of the BHPS.

Remuneration report

Directors' pension accruals (audited)

Executive director	Employer contributions to pension scheme during the year £	Director contributions to pension scheme during the year £	Accumulated total accrued pension at 31 Dec 2016 £ p.a.	Increase in accrued pension during the year (net of inflation) £ p.a.	Transfer value of accrued pension at 31 Dec 2016 (1) £	Single value at 31 Dec 2016 (3) £
David Ritchie	48,795	7,913	73,288	4,199	1,219,601	76,077

Notes:

1. The transfer value has been calculated using the transfer basis introduced in July 2015.
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 2016.
3. The single value has been calculated as 20 times the increase in accrued pension during the year (net of inflation), less the director's own contributions.

Directors' shareholdings and share interests (audited)

Directors' beneficial share interests

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

	31 Dec 2016				31 Dec 2015			
	Ordinary shares	Share Options	Shares under the LTIP (shares subject to performance conditions)	SAYE options (options subject to continuous employment)	Ordinary shares	Share Options	Shares under the LTIP (shares subject to performance conditions)	SAYE options (options subject to continuous employment)
Executive directors								
David Ritchie	210,628	-	305,833	3,988	210,416	-	235,231	1,882
Earl Sibley (appointed 16/04/15)	270	-	72,255	4,213	109	-	33,215	-
Non-executive directors								
Ian Tyler	2,090	-	-	-	2,000	-	-	-
Alastair Lyons	25,350	-	-	-	25,350	-	-	-
Chris Browne	1,026	-	-	-	1,026	-	-	-
Ralph Findlay (appointed 07/04/15)	-	-	-	-	-	-	-	-
Nigel Keen (appointed 15/11/16)	-	-	-	-	-	-	-	-

There were no changes in the holdings of ordinary shares of any of the directors between 31 December 2016 and 20 February 2017 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 75. There were no changes in the holdings of share options and awards under the Long Term Incentive Plan between 31 December 2016 and 20 February 2017.

Shareholding guidelines

Guidelines have been approved 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 100% of the net value derived from the exercise as shares, after settling all costs and income tax due, until such time as executive directors hold shares with an historical cost equal to basic annual salary and, from 2017 onwards, the CEO holds shares with an historical cost equal to twice basic annual salary.

Executive director	Shareholding at 31 Dec 2016	Historical acquisition cost	Salary at 1 Jan 2017	% shareholding achieved	Shareholding guideline
David Ritchie (resigned 9 January 2017)	210,628	£1,579,322	£563,750	280%	100%
Earl Sibley	270	£1,992	£300,000	0.66%	100%

David Ritchie met the shareholding guidelines during 2016. There has been limited opportunity for Earl Sibley to progress towards satisfying the shareholding guidelines during 2016.

Directors' interests in Long Term Incentive Plan shares

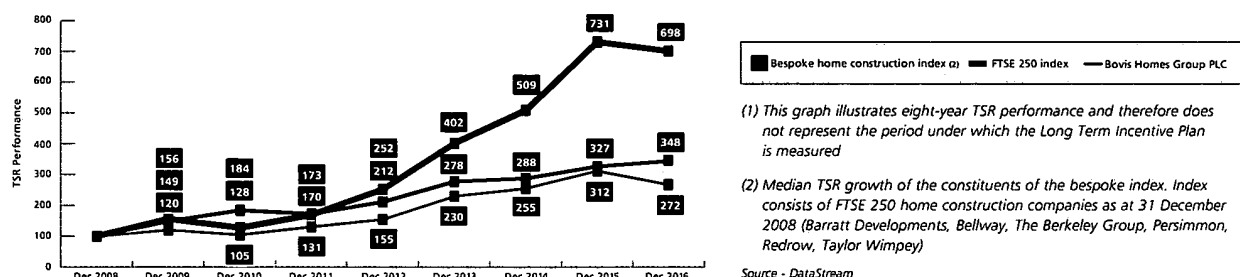
Executive director	Award date	Vesting date	Interest as at 31 Dec 2015	Interest as at 31 Dec 2016	Value of shares at date of award (£000)	Vesting and exercised in year	Lapsed in year	Expiry date	Market value at vesting (£000)	Gain on exercise (£000)	Shares retained on exercise
David Ritchie	26/02/13	26/02/16	69,284	46,190	450	-	23,094	26/02/23	433	-	-
	25/02/14	25/02/17	50,598	50,598	465	-	-	25/02/24	-	-	-
	19/08/14	19/08/17	27,256	27,256	232	-	-	19/08/24	-	-	-
	24/02/15	24/02/18	88,093	88,093	825	-	-	24/02/25	-	-	-
	24/02/16	24/02/19	-	93,696	825	-	-	24/02/26	-	-	-
Earl Sibley	18/08/15	18/08/18	33,215	33,215	375	-	-	18/08/25	-	-	-
	24/02/16	24/02/19	-	39,040	344	-	-	24/02/26	-	-	-

Directors' interests in share options

Executive director	Date of grant	Scheme	Interest as at 31 Dec 2015	Granted in year	Lapsed in year	Exercised in year	Interest as at 31 Dec 2016	Exercise price per share	Option exercise period
David Ritchie	02/05/2014	SAYE	1,882	-	-	-	1,882	796.95	06/19 – 12/19
	24/03/2016	SAYE	-	2,106	-	-	2,106	712.00	06/21 – 12/21
Earl Sibley	24/03/2016	SAYE	-	4,213	-	-	4,213	712.00	06/21 – 12/21

The Save As You Earn (SAYE) options were granted at a 10% discount (2014 options) and a 20% discount (2016 options) to the prevailing market price on the 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 the SAYE Scheme during the financial year. Share options held in the SAYE Scheme, which are not subject to performance conditions, may under normal circumstances be exercised during the six months after maturity of the savings contract.

Total Shareholder Return performance graph ⁽¹⁾



As required by the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended), the above graph shows the Total Shareholder Return of an ordinary share held in Bovis Homes Group PLC over the last eight financial years, compared to the FTSE 250 index and the median of the FTSE 350 home construction companies (as listed at 31 December 2008) over the same period. As a constituent of the FTSE 250 operating in the home construction sector, 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 2016 was £8.20 (2015: £10.15). During the year ended 31 December 2016 the share price recorded a middle market low of £6.27 and a high of £10.24. As at the date of this report the share price stood at £8.41.

Remuneration report

Total CEO remuneration

David Ritchie	2009	2010	2011	2012	2013	2014	2015	2016
Single figure total £000	518	1,016	836	1,315	1,440	1,596	1,505	1,029
Annual bonus against maximum %	0	100	82.4	84.2	97.8	88.7	59.8	10
Long Term Incentive Plan vesting against maximum %	31	31	0	50	50	66.7	66.7	35.9%

Change in remuneration of CEO

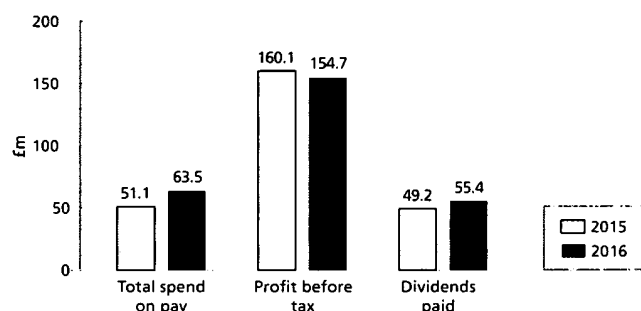
The table below sets out the percentage change in the remuneration awarded to David Ritchie between 2015 and 2016 compared to the average percentage change for employees as a whole.

Executive director	Base salary	Benefits	Annual bonus
David Ritchie	0%	0%	-83.3%
Employees as a whole	2.83%	0%	-54.1%*

*Excludes sales and build functions which have tailored incentive schemes.

Relative importance of spend on pay

The graph below details Group wide expenditure on pay for all employees (including variable pay, social security, pensions and share based payments) as reported in the audited financial statements for the last two financial years, compared with profit before tax and dividends paid to shareholders.



Notes:

- Total spend on pay in 2015 was £51.1 million and in 2016 was £63.5 million, representing an increase of 24.3%.
- Profit before tax in 2015 was £160.1 million and in 2016 was £154.7 million, representing a reduction of 3.4%.
- Dividends paid to shareholders totalled £49.2 million in 2015 and £55.4 million in 2016, representing an increase of 12.6%.

Implementation of remuneration policy for the year ending 31 December 2017

Changes in the way that remuneration policy will be implemented in 2017 versus 2016 include base salary increases, the addition of a quantifiable build programme delivery measure for the 2017 annual bonus and a rebalancing of the weightings for the other performance measures, and the strengthening of provisions that enable the withholding of payment or the recovery of sums paid (malus and clawback) in incentive schemes. A two year holding period before vested awards can be exercised is also being introduced for the LTIP awards made from 2017 onwards. The Committee will conclude on the most appropriate performance measures, targets and weightings for these awards, following the annual Strategic Planning Review, with the intention that awards will be granted in August 2017. Full details will be disclosed in the 2017 annual remuneration report.

Executive directors' base salaries and benefits

The salaries of the executive directors with effect from 1 January 2017 were as follows:

Executive directors	Position	2017 base salary	% increase from 2016
David Ritchie (resigned 9/01/17)	CEO	£563,750	2.5%
Earl Sibley (appointed 16/04/15)	GFD	£300,000	9.1%

The salary of David Ritchie, the former Chief Executive, was increased by 2.5%, in line with the wider employee population.

The Committee carefully considered the increase for Earl Sibley, in line with the phased approach set out in the 2015 Remuneration Report, and on which shareholders were previously consulted. In summary, Earl Sibley was appointed in April 2015 on a salary of £250,000 with the expectation that salary would be increased to an appropriate market rate for a strongly performing experienced individual over the first three years of service, subject to individual performance and increased experience. In view of the ongoing strong performance being delivered by Earl Sibley, his pace of development, increased level of experience and his contribution to the Group, the Committee decided to progress his salary by 9.1% for 2017, following the increase of 10% for 2016. The Committee considers that this progressive approach contributes to his being fully motivated to meet the challenges ahead in delivering operational improvement and the Group's strategy to the benefit of shareholders.

Earl Sibley was appointed as Interim Chief Executive from 9 January 2017 and will receive a temporary salary uplift of £450,000 per annum whilst in this role.

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

Benefits will continue on the same basis as for 2016.

Approach to annual bonus

Following the regular annual review, it was concluded that the annual bonus scheme for 2017 should be adjusted to measure key elements of performance that are in line with the Company's particular circumstances and the need to focus on strong operational delivery and high levels of customer satisfaction. The Committee has, therefore, adjusted the balance of financial and non-financial metrics from 70%:30% to 50%:50% and has introduced a quantifiable build programme delivery measure. The weightings for the remaining performance measures have been rebalanced. Full details are given below. There is no change to quantum.

Provisions that enable the withholding of payment or the recovery of sums paid (malus and clawback) have been strengthened and can apply to the annual bonus in circumstances of (i) a serious misstatement of results; (ii) an error in assessing a performance condition or in the information on which the award was granted; (iii) serious misconduct; (iv) a material failure of risk management; (v) serious reputational damage; or (vi) any other circumstances that the Committee considers to be similar in nature or effect. Malus can apply prior to the bonus payment date and clawback can apply for a two year period thereafter.

The Committee has decided not to disclose the detail of performance targets in advance as they are considered commercially sensitive, being closely indicative of the Group's strategy, but will disclose them retrospectively in the 2017 annual remuneration report. The 2017 performance measures and weightings are described below.

Measure	Rationale / link to strategy	% weighting
Financial measures (50%)		
Profit before tax	Explicitly ties reward to financial performance. Challenges management to deliver and out-perform profit target.	20%
ROCE	Aligns the way the business is managed with the key interest of shareholders, being the return achieved on invested capital.	30%
Non-financial measures (50%)		
Build programme delivery	Improving build operating practices and delivering quality homes on time is key to operational efficiency, customer satisfaction, reputation and future success. Measured by delivery against the build programme agreed as part of the annual business plan.	20%
Customer satisfaction	Quality of service is key to reputation and future success, both in terms of customer demand and achieved selling prices. Measured by the average score achieved in our internal customer satisfaction surveys.	20%
Individual performance	Focuses the executive directors on strategic priorities and the achievement of defined elements within their roles.	10%
Total opportunity		100%

Remuneration report

Approach for Long Term Incentive Plan awards

The key features of the long term incentive arrangements (as outlined on page 73) are expected to remain the same as those for 2016, with the proviso that the Committee intends to introduce the Home Builders Federation Customer Satisfaction rating as a performance measure, alongside the financial and share price performance measures. The financial measures will comprise at least two thirds of awards and the HBF Customer Satisfaction rating, which is independently and objectively assessed, will make up the balance. The Committee will conclude on the specific performance measures, weightings and targets for the 2017 awards following the annual Strategic Planning Review. It is intending to delay the grant of awards until August 2017 and detailed disclosure will be provided in the 2017 Remuneration Report.

Provisions that enable the withholding of payment or the recovery of sums paid (malus and clawback) can apply in certain circumstances as set out in the policy report. Malus can apply prior to the award vesting date and clawback can apply for a two year period thereafter. A two year holding period following vesting has been introduced for the 2017 awards onwards, which extends to five years the time between awards being granted and when they can be exercised.

Pensions

Pension arrangements (as outlined on page 73) will continue on the same basis as in 2016.

Payments for loss of office (audited)

David Ritchie resigned as Chief Executive and as an executive director of the Company with effect from 9 January 2017 and his employment with the Group will end on 28 February 2017. Remuneration arrangements in respect of his departure were determined by the Committee in line with Mr Ritchie's service contract and the Company's remuneration policy approved by shareholders in 2014. He will be assisting the Group with an orderly transition of his duties until the end of his employment. He will continue to receive his salary and all contractual benefits until this date.

On ceasing to be employed by the Group, Mr Ritchie will be entitled to receive:

- Payment in lieu of notice for the remainder of his contractual notice period from 1 March 2017 to 8 January 2018 comprising a lump sum of £242,180 payable in March 2017 and the sum of £338,250 payable in six equal monthly instalments from July 2017 until December 2017. This second element may be reduced to take account of mitigation.
- Benefits in kind comprising payment for any accrued holiday not taken before 28 February 2017, continued use of his current company car until 8 January 2018 and private medical insurance and life cover on the current basis or a sum equal to the reasonable cost of obtaining these benefits personally, until 8 January 2018.
- Other expenses comprising a contribution in respect of legal costs and a contribution towards outplacement counselling.
- Annual bonus: A bonus of 10% of base salary (£55,000) in respect of the individual performance non-financial measure of the annual bonus for 2016, payable in April 2017. The bonus will be subject to clawback for a period of two years. No bonus is payable for 2017.
- Long term incentive awards: The following treatment will apply in accordance with the rules of the Long Term Incentive Plan and the terms of the awards:
 - a) The LTIP award granted on 26 February 2013 and which vested on 26 February 2016 shall remain exercisable over 52,643 shares (inclusive of dividend equivalent shares) in accordance with the LTIP rules.
 - b) The LTIP award of 50,598 shares granted on 25 February 2014 shall vest to the extent that the performance conditions are met and will become exercisable (together with any dividend equivalent shares that may accrue in accordance with the LTIP rules) from 25 February 2017 (the normal vesting date) for a period of six months.
 - c) The LTIP award of 27,256 shares granted on 19 August 2014 shall vest to the extent that the performance conditions are met and will become exercisable (together with any dividend equivalent shares that may accrue in accordance with the LTIP rules) from 19 August 2017 (the normal vesting date) for a period of six months.
 - d) The LTIP award of 88,093 shares granted on 24 February 2015 shall vest to the extent that the performance conditions are met and will become exercisable on 24 February 2018 (the normal vesting date), pro-rated for the number of complete months served and subject to a maximum of 13,300 shares (inclusive of dividend equivalent shares) vesting. Any part of the award that vests shall be exercisable for a period of six months after that date.
 - e) The LTIP award granted on 24 February 2016 of 93,696 shares shall lapse on 28 February 2017.

Non-executive directors' remuneration

The fees for the non-executive director positions in 2016 and for 2017 are set out below.

Role	2016	2017
Chairman fee	£170,000	£170,000
Deputy Chairman fee	£66,000	£70,000
Non-executive director base fee	£46,000	£49,000
Additional fees:		
Audit Committee chair	£8,000	£9,000
Remuneration Committee chair	£8,000	£9,000

The fees for the Deputy Chairman and the other non-executive directors were increased to their current levels with effect from 1 January 2017, following a review which took into account competitive positioning, responsibilities, time commitment for the roles and the size and complexity of the Company. The fees for non-executive directors will next be reviewed with effect from 1 January 2018.

Remuneration of senior management and other below board employees

In addition to responsibility for executive directors, the Committee is also involved in consideration of the remuneration arrangements for the Executive Leadership Team below the Board, in conjunction with the Interim Chief Executive. Alignment is delivered by ensuring that senior management participate in the same bonus and incentive schemes as the executive directors, with similar performance measures and targets.

The Remuneration Committee

Committee membership and meetings

All members of the Committee are independent non-executive directors who have no personal financial interest, other than as shareholders, in the matters to be decided. Biographical details are provided on page 49.

Name	Date of appointment	Role	Attendance at meetings
Alastair Lyons	01/10/2008	Chairman	7/7
Chris Browne	01/09/2014	Member	6/7
Ralph Findlay	07/04/2015	Member	7/7
Nigel Keen	15/11/2016	Member	1/1

The Committee met seven times in 2016. In addition to the key activities and decisions mentioned in the introduction to this report, the Committee reviewed the remuneration policy, approved the directors' remuneration report for inclusion in the 2015 Annual Report and reviewed feedback from shareholders and institutions, approved the vesting of 2013 CSOP options, approved the 2016 offer of the SAYE scheme, reviewed the Committee's terms of reference and completed an evaluation of its performance and was found to be performing effectively and fulfilling its remit.

The Committee starts its meetings without executive management present when it wishes to do so. During 2016, the Committee asked Ian Tyler (Chairman) and David Ritchie (former Chief Executive) to attend meetings and assist its discussions. This excluded matters connected to their own remuneration, service agreements or terms and conditions of employment. The Committee takes care to recognise and manage conflicts of interest when receiving views from executive directors or senior management and no director or senior executive is involved in any decisions regarding their own remuneration.

The Group Company Secretary acts as secretary to the Committee.

Advisers to the Committee

Deloitte LLP were appointed advisers to the Committee in August 2009. Deloitte provide independent advice on all aspects of executive remuneration and attend Remuneration Committee meetings when invited by the Chairman of the Committee. The Committee reviews the advice, challenges conclusions and assesses responses from Deloitte to ensure objectivity and independence. Deloitte did not provide any other services to the Company during the period. Deloitte are a founder member of the Remuneration Consultants Group and have signed the voluntary Code of Practice for remuneration consultants. The fees paid to Deloitte for services provided in 2016 were £26,160 (2015: £2,250).

Annual remuneration report

Remuneration report

Shareholder voting at the 2016 AGM

At the AGM held on 10 May 2016, shareholder proxy voting on the directors' remuneration report for the year ended 31 December 2015 was as follows:

Resolution	For	%	Against	%	Total votes	Withheld (1)
Directors' remuneration report 2015	85,193,070	99.19	692,932	0.81	85,886,002	1,170,255

Shareholder voting at the 2014 AGM

At the AGM held on 16 May 2014, shareholder proxy voting on the directors' remuneration policy was as follows:

Resolution	For	%	Against	%	Total votes	Withheld (1)
Directors' remuneration policy	104,567,017	96.64	3,632,595	3.36	108,199,612	92,040

(1) A vote withheld is not a vote in law and is not counted in the calculation of votes for and against.

The Company is committed to ongoing shareholder dialogue and seeks to understand any concerns investors may have. Should there be a significant level of votes against resolutions relating to directors' remuneration, the Company will seek to understand the reasons for this and will set out any actions taken in response.

By order of the Board
Alastair Lyons
Chairman of the Remuneration Committee
20 February 2017



Note: This Directors' Remuneration Report has been prepared in accordance with the requirements of Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended). The report also meets the relevant requirements of the Listing Rules of the Financial Conduct Authority, and describes how the Board has complied with the principles and provisions of the UK Corporate Governance Code relating to remuneration matters. Remuneration tables subject to audit in accordance with the relevant statutory requirements are contained in the annual remuneration report.

Audit Committee report

"I am pleased to introduce the Audit Committee report. During the year, the Committee has reviewed the Group's financial reporting, risk management and internal control systems and maintained oversight of external and Internal Audit. The Committee continues to play a fundamental role in protecting shareholders' interests."

Ralph Findlay, Committee Chairman

Overview

During the year, the Committee reviewed the integrity of the Group's financial statements, with focus on significant areas of judgement, and kept operating, financial and accounting practices under review. The system for internal control, financial reporting and risk management was monitored in the context of the growth of the Group and its effectiveness was reviewed. Reporting from management, Internal Audit and the external auditor was openly debated, testing conclusions and audit judgements. The effectiveness of the Group's Internal Audit function received focus, a co-sourced arrangement was put in place and an overall review of risk management was commenced.

Committee membership and meetings

The Committee comprised three independent non-executive directors until 15 November 2016, when the number increased to four. Between them they have the recent and relevant experience required by the UK Corporate Governance Code and as a whole they have competence relevant to the sector in which the Company operates. Biographical details and information on skillsets are provided on pages 48 and 49.

Committee membership is determined by the Board following recommendation from the Nomination Committee and is reviewed as part of the Committee's performance evaluation. Nigel Keen became a member of the Committee on his appointment as a non-executive director on 15 November 2016. The Company Chairman, Chief Executive and Group Finance Director were present at all meetings in 2016 and attend meetings by invitation. The external auditors PricewaterhouseCoopers LLP attended all meetings and Deloitte LLP attended one meeting as temporary co-sourced Internal Audit provider. The former Internal Audit Director attended one meeting and the Group Financial Controller attended two meetings.

Name	Date of appointment	Role	Attendance at meetings
Ralph Findlay (appointed Chairman 15/05/15)	07/04/2015	Chairman	3/3
Alastair Lyons	01/10/2008	Member	3/3
Chris Browne	01/09/2014	Chairman	2/3
Nigel Keen	15/11/2016	Member	1/1

The Committee met three times in 2016 and detailed papers and information were received sufficiently in advance of meetings to allow proper consideration of matters for discussion. The Committee also met with the external auditors, without executive management present, at the end of each meeting. These discussions noted the impact of significant growth on the business and the opportunities for improvement in the control environment. See page 57 for further information on the control environment in 2016. Ralph Findlay met privately with the audit engagement partner of the external auditors during the year. The Group Company Secretary acts as secretary to the Committee. An overview of the main activities during 2016 is provided below.

Responsibilities and terms of reference

The key responsibilities of the Committee are:

- Monitoring the integrity of the financial statements, the accompanying reports to shareholders and corporate governance statements, including reviewing the findings of the external auditor.
- Reviewing and monitoring the effectiveness of systems for internal control, financial reporting and risk management.
- Overseeing and reviewing the effectiveness of Internal Audit.
- Making recommendations to the Board in relation to the appointment and removal of the external auditor and approving their remuneration and terms of engagement.
- Reviewing and monitoring the external audit process and the independence and objectivity of the auditor, as well as the nature and scope of the external audit and its effectiveness.
- Developing the policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance.

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

Main activities during the year

The Committee followed a programme structured around the annual reporting cycle and received reports from co-sourced Internal Audit, the external auditors and management. The key activities undertaken were:

- Discussed with the external auditors the key accounting considerations and judgements reflected in the Group's results for the year ended 31 December 2015.
- Reviewed the 2015 annual report and accounts, so as to recommend to the Board that, taken as a whole, it was fair, balanced and understandable.
- Assessed the results and effectiveness of the 2015 final audit.
- Reviewed and discussed with the external auditor the key accounting considerations and judgements reflected in the Group's results for the six months ended 30 June 2016.
- Evaluated and agreed the external auditor's audit strategy memorandum in advance of their 2016 year-end audit.
- Received reports from co-sourced Internal Audit covering various aspects of the Group's regional operations, controls and processes.
- Completed a tender for co-sourced Internal Audit services towards the end of the year, resulting in the appointment of Grant Thornton.
- Assessed the co-sourced Internal Audit providers' draft audit plan and structure for 2017 to be followed by a full plan in early 2017.

Audit Committee report

- Reviewed and assessed the Group's risk appetite.
- Reviewed progress with an overall review of risk management, commenced to assess and improve the control environment, and the setting up of a Risk Governance Committee.
- Reviewed the effectiveness of the system of internal control and risk management systems and reported to the Board that, although there were no material control weaknesses, there was considerable scope for improvement in the control environment.
- Completed an assessment of fraud risk and anti-fraud measures.
- Assessed an IT security review and the steps to be taken.
- Reviewed management's going concern assessment at each reporting period end, considering detailed financial forecasts, future cash flow projections and the resources available to the Group, including the current banking facility and forecast covenant compliance.
- Reviewed management's viability assessment for the year end reporting period covering strategic planning, principal risks, detailed financial forecasts, resources available to the Group, scenario testing, qualifications and assumptions and the period chosen.
- Reviewed the Committee's terms of reference.
- Reviewed the Company's whistleblowing policy and arrangements, there having been two whistleblowing events during the year.

At its meeting in February 2017, the Committee discussed with the external auditor the key accounting considerations and judgements reflected in the Group's results for the year ended 31 December 2016 and reviewed the 2016 annual report and accounts, to be able to recommend to the Board that, taken as a whole, it was fair, balanced and understandable and provided the information necessary for shareholders to assess the Company's performance, business model and strategy. The approach taken was to analyse key areas of progress and challenge during the year, followed by reviewing the 2016 annual report and accounts to ensure that all key areas had been reported upon in a balanced and fair way.

Significant areas

The key accounting judgements considered by the Committee in relation to the 2016 accounts and discussed with the external auditors, were:

- Inventory provisioning - the level of inventory provisioning impacts the carrying value of the most significant balance on the balance sheet. Since the downturn in the land market in 2008 the Company has carried a provision to write down the carrying value of the land held within inventories to the lower of cost and net realisable value, less costs to sell, where this is less than the historical cost. The assessment of the level of provision required, requires the exercise of judgement by management.

The Committee receives a regular report on this provision, updated by management, at relevant Committee meetings. At this year end the paper proposed an immaterial adjustment, which was in line with the forecast position and had been audited by the external auditors. The written down sites and any adjustments proposed were discussed and justified by management and the land write down provision remaining at the period end (£3.0 million) was reviewed, together with the profit attributable to the reversal of the provision on the sale of written down units during the year, which was not considered to be material. Following discussion, the Committee was satisfied that the judgements exercised were appropriate and that the provision was appropriately stated at the year end. Details of the movements in the provision are provided in note 3.1 to the accounts on page 109.

- Available for sale financial assets - the assumptions used to fair value available for sale financial assets, (otherwise known as shared equity and details of which are provided in note 4.2 on pages 111 to 112), affects the carrying value on the balance sheet. These assumptions require the exercise of significant judgement by management. This is assessed through the Committee discussing with management and the auditors the assumptions adopted and any adjustments made to those assumptions, including, in particular, the long run HPI assumption and the discount rate which are the key determinants of the expected final redemption value. Following discussion the Committee considered that the assumptions adopted were reasonable.

- Margin recognition - the level of costs attributable to each legal completion affects the profit and margin recognised in the income statement. Certain site wide costs including land and infrastructure are allocated to individual legal completions on a proportionate basis using an approximate measure for the area of land each housing plot utilises as the basis of allocation. The total costs allocated represent the combination of costs incurred to date and an estimate of the cost to complete. The assessment of cost to complete is based on the specific details of each site and incorporates certain assumptions and judgements by management. The level of profit recognised in the income statement is monitored throughout the year via the Group's usual budgeting, forecasting and management accounts reporting. The methodology adopted and the Group's performance to date against expectations had been audited by the external auditors.

- Customer care provision - following legal completion, the Group provides a two year warranty that covers any defects which arise during that period. The level of provision per completion is based on actual costs incurred over the preceding twelve months. Judgement is applied in determining whether this level of provision is sufficient, or whether it should be adjusted to reflect the level of outstanding customer rectification works at the balance sheet date.

- Land acquisitions - certain land acquisitions incorporate site specific terms for example overages, conditionality or ongoing obligations with the land owner.

The key terms are assessed and appropriate accounting entries made for such acquisitions where they impact the balance sheet land value. The material and complex land transactions in the year were substantively audited by the external auditors. Management review and understand the impact of the key terms of each land transaction as part of the acquisition process and in line with an escalating system of approval based on materiality certain acquisitions are appropriately assessed by the Chairman and the Board as a whole. The external auditors reported on relevant transactions to the Audit Committee and following discussion the Committee considered the accounting to be appropriate.

External auditors

PricewaterhouseCoopers LLP (PwC) were appointed as external auditor at the 2015 AGM, following the completion of a competitive audit tender process supervised by the Committee. In doing so, the Committee complied with the provisions of the Competition & Markets Authority Order. Our 2017 AGM Notice contains a resolution for the re-appointment of PwC as auditors to the Company. In making this recommendation, the Committee took into account, amongst other matters, the independence and objectivity of PwC, the effectiveness of the external audit process and cost. There are no contractual restrictions on the choice of external auditor. The AGM Notice also contains a resolution to give the directors authority to determine the auditor's remuneration, which provides a practical flexibility to the Committee.

During the year, the Committee reviewed the independence and objectivity of the external auditor, which was confirmed in an independence letter containing information on procedures providing safeguards established by the external auditor. Regulation, professional requirements and ethical standards were taken into account, together with consideration of all relationships between the Company and PwC 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.

At its meeting in February 2017, the Committee reviewed the effectiveness of the external audit process as part of its consideration of the 2016 final audit. This involved assessing delivery and content against the audit plan for the 2016 year end audit, including determination of audit risks and significant areas of judgement, consideration of the performance and communication of the audit team, and the quality of reporting, observations, recommendations and insight. It also included reviewing comprehensive papers from the external auditors, discussing and challenging their conclusions and audit judgements and assessing responses from the external auditor. Lastly, feedback was taken on the effectiveness and conduct of the audit from those involved, including feedback from the regional businesses on visits to the regions, which was positive.

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 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 has due regard to the nature of the non-audit service, whether the external auditor is a suitable supplier, and whether there is likely to be any threat to independence and objectivity in the conduct of the audit.

The related fee level, both separately and relative to the audit fee is also considered. For an analysis of fees paid to PwC for audit services see note 2.1 on page 107. There were no non-assurance services provided by PwC during the year.

Internal Audit

The Committee assessed the effectiveness of the Internal Audit function during 2015 and in early 2016, with the conclusion that there were opportunities for improvement. A co-sourced approach was adopted and Deloitte LLP were appointed on a temporary basis to complete a number of regional reviews and to provide other support. A tender for co-sourced Internal Audit services was then completed towards the end of the year, which resulted in the appointment of Grant Thornton on a permanent basis. The appointment is intended to provide the expertise and experience necessary to support the delivery of effective Internal Audit services and to assist in securing improvement in the control environment.

Performance evaluation

The Committee undertook a self-assessment process in January 2017 to review the Committee's performance, the effectiveness of the external auditor, and the Group's Internal Audit function. The Committee is considered to be effective, with members having a good mix of skills and experience to provide an appropriate level of challenge when debating the reports, statements and findings presented to them. In reviewing the effectiveness of the external auditor, the Committee considers PwC to have carried out a high quality audit in the second year since appointment, having established effective working relationships and gained a good understanding of the Group's business. The Committee was satisfied with the scope of the external audit, and that PwC demonstrate independence having reviewed all services provided to the Group by them. The Committee believes the external audit to be effective. In relation to Internal Audit, following a review the Committee adopted a co-sourced approach for 2016 and will keep the effectiveness of the arrangement under review during 2017 as it assesses the quality of services provided by the Internal Audit function and the delivery of improvements in the control environment. Finally, the evaluation also concluded that the Committee had appropriate terms of reference and had fulfilled its remit in 2016.



Ralph Findlay
Chairman of the Audit Committee

20 February 2017

Our governance

Marine Drive
Teignmouth

Nomination Committee report

"The Committee has kept the balance and composition of the Board under review, maintained its focus on succession planning and made one nomination for appointment to the Board."

Ian Tyler, Committee Chairman

Overview

The Committee has continued to maintain a watching brief on the knowledge, skills and experience available to the Board, both in light of anticipated future challenges and the more complex nature of the business. Succession planning was also kept under review and diversity is naturally part of this oversight. Having considered the experience and insight the appointment would bring, one new non-executive director was recommended for appointment and Nigel Keen joined the Board in November 2016. The Committee commenced the recruitment of a new Chief Executive in early 2017 and will continue to monitor the balance and composition of the Board as the future direction of the Group unfolds. Information on the Board's skillset is set out on pages 48 to 49, together with biographies.

Committee membership and meetings

All members of the Committee are independent non-executive directors, with the exception of the Chairman of the Company and, during 2016, the former Chief Executive. Ian Tyler chaired the Committee during the year and the other members of the Committee were Alastair Lyons, Chris Browne, Ralph Findlay, Nigel Keen (from 15 November 2016) and David Ritchie.

Name	Date of appointment	Role	Attendance at meetings
Ian Tyler	29/11/2013	Chairman	7/7
Alastair Lyons	01/10/2008	Member	7/7
Chris Browne	01/09/2014	Member	6/7
Ralph Findlay	07/04/2015	Member	7/7
Nigel Keen	15/11/2016	Member	1/1
David Ritchie (resigned 09/01/17)	03/07/2008	Member	7/7

The Committee met seven times in 2016, with the key focus in the first part of the year being on Board composition and the recruitment of a non-executive director. A recommendation for appointment followed. Later in the year the Committee reviewed the diversity policy, considered succession planning and approved two new service contracts for current non-executive directors. For all meetings, papers and supporting documentation were circulated sufficiently in advance to allow proper consideration of matters for discussion. The Group Company Secretary acts as secretary to the Committee.

Responsibilities and terms of reference

The key responsibilities of the Committee are:

- Reviewing the structure, size and composition of the Board (including skills, knowledge, experience and diversity) and to make recommendations to the Board.

- Considering 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.
- Monitoring the leadership needs of the Company and leading the process for Board appointments, ensuring they are conducted on merit, against objective criteria (including diversity), using the services of an appropriate external search consultant.
- Making recommendations to the Board, including on the re-appointment of non-executive directors, the re-election of directors at the AGM, and membership of the Audit and Remuneration Committees.

The Committee also reviews the results of the Board performance evaluation relating to the composition of the Board. External legal or other independent professional advice can be obtained at the Company's expense, although 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/investor-centre/corporate-governance).

Main activities during the year

The main activities during the first part of 2016 were focused on non-executive recruitment and succession planning. Having considered the knowledge, skills and experience required and the need for greater land and property expertise, the Committee recommended the appointment of Nigel Keen as a non-executive director. Nigel was appointed on 15 November 2016. A formal, comprehensive and tailored induction is being provided for Nigel, including visits to the regional offices, site visits and meetings with senior management.

A summary of the Committee's activities during 2016 follows:

- Keeping the structure, size and composition of the Board under review, concluding that the Board balance and composition should be supplemented by an additional non-executive director.
- Running the recruitment process for a new non-executive director, using objective criteria and the external search services of The Zygos Partnership (who have no other connection with the Company), including recommendation of appointment to the Board.
- Considering succession planning as the Group becomes more complex, with a view to future requirements.
- Recommending the directors to stand for re-election at the 2016 AGM in accordance with the UK Corporate Governance Code
- Approving the Nomination Committee report for the 2015 Annual Report.
- Reviewing the Committee's terms of reference.
- Setting a Committee timetable for 2017.

Hampton Lea Malpas

Non-executive directors' service contracts are renewed on an annual basis following the conclusion of a second three year term, subject to satisfactory performance and there being no need to re-balance the Board, with the third year of the third term extending until the subsequent AGM. Having served for eight years, a recommendation was made to the Board that the service contract for Alastair Lyons be renewed for a further term running until the 2018 AGM. A recommendation was also made to the Board that the service contract for Ian Tyler be renewed for a further three year term. These decisions followed rigorous review, including the contribution, performance and commitment of Alastair and Ian and the composition of the Board as a whole.

The principle of boardroom diversity is strongly supported and the Committee reviewed the diversity policy, first published in September 2011. The policy sets out that appointments to the Board will always be based on merit, so that the Board has the right individuals in place. It also explains that diversity is seen as an

important consideration as part of the objective criteria used to assess candidates to achieve a balanced board. The decision was taken not to set measurable objectives and the Committee continues to consider boardroom diversity in all its succession planning discussions.

Performance evaluation

An evaluation of the performance of the Board Committees was completed as part of the internal formal evaluation of the Board, completed at the start of 2017. The Committee was found to be effective and it was concluded that it had fulfilled its remit in 2016 and had appropriate terms of reference.


Ian Tyler
Chairman of the Nomination Committee

20 February 2017

Directors' report

The directors have pleasure in submitting their annual report for the year ended 31 December 2016.

Other disclosures made in the Annual Report

The Company is required to disclose certain information in its directors' report which the directors have chosen to disclose elsewhere in the Annual Report and is incorporated by reference. Details of where this information can be found are set out below:

Subject	Pages
Likely future developments in the business	12 to 15
Important events since the year end	130
Going concern statement	30
Directors' interests	74
Employee involvement / employment of disabled persons	35
Greenhouse gas emissions	40 to 41
Corporate governance report	51 to 57
Directors' remuneration	68 to 80
Subsidiaries and associated undertakings	125

Research and development

We continue to undertake research and development to improve the processes, materials and products used in the construction of our developments and to enhance the energy efficiency of our range of homes.

Disclosure of information under Listing Rule 9.8.4R

There is no further information to be disclosed in accordance with Listing Rule 9.8.4R.

Dividends

An interim dividend of 15.0p (2015: 13.7p) net per share was paid on 18 November 2016. The Board proposes to pay, subject to shareholder approval at the 2017 Annual General Meeting, a final dividend of 30.0p (2015: final dividend of 26.3p) net per share in respect of the 2016 financial year on 19 May 2017 to shareholders on the register at the close of business on 24 March 2017. On this basis, the total dividend for 2016 will be 45.0p (2015: 40.0p), representing an increase of 12.5%. The dividend reinvestment plan gives shareholders the opportunity to reinvest dividends.

Annual General Meeting

Notice of the 2017 Annual General Meeting to be held on Tuesday, 2 May 2017 is set out on pages 132 to 135. Members wishing to vote should return forms of proxy to the Company's Registrar not less than 48 hours, (excluding non-working days), before the time for holding the meeting.

A resolution to renew the Group's Save As You Earn Share Option Scheme is included in the notice of the Annual General Meeting and full details of the proposed changes (which are incorporated here by reference) can be found in the explanatory notes on pages 136 to 137.

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

Directors

Details of the directors are shown on pages 48 to 49.

Nigel Keen was appointed as an independent non-executive director on 15 November 2016.

David Ritchie resigned as Chief Executive and as a director on 9 January 2017.

In accordance with the UK Corporate Governance Code, all the directors will retire at the 2017 Annual General Meeting and, being eligible, offer themselves for re-appointment.

Details of directors' pay, pension rights, service contracts and directors' interests in the ordinary shares of the Company are included in the Directors' Remuneration Report on pages 68 to 80.

Directors' indemnities

During the financial year and as at the date of this report, indemnities were 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.

David Ritchie was a director of Bovis Homes Pension Scheme Trustee Limited (the "Pension Trustee") until 9 January 2017. The Company's subsidiary, Bovis Homes Limited, has granted a qualifying pension scheme indemnity to the directors of the Pension Trustee to the extent permitted by law in respect of all losses arising out of, or in connection with, the execution of their powers, duties and responsibilities as directors of the Pension Trustee.

Powers of the directors

Subject to the Company's 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.

Articles of Association

Unless expressly specified to the contrary in the Articles of Association, they may only be amended by a special resolution of the Company's shareholders at a general meeting.

Share capital

The Company has a premium listing on the London Stock Exchange. As at 20 February 2017, its share capital comprised 134,522,340 fully paid Ordinary Shares of 50 pence each. At the Company's 2016 AGM, the directors were authorised to:

- allot shares in the Company or grant rights to subscribe for, or convert, any security into shares up to an aggregate nominal amount of £22,374,300;
- allot shares up to an aggregate nominal amount of £44,748,601 for the purpose of a rights issue; and
- make market purchases up to 13,438,018 shares in the Company (representing approximately 10% of the Company's issued share capital at the time).

Shareholders will be asked to renew similar authorities at the 2017 AGM.

During the year the Company allotted 142,679 shares in connection with the exercise of options under the Company's employee share plans. The Employee Benefit Trust did not purchase any shares during the year.

The Company has not held any shares in treasury during the period under review.

All issued shares are fully paid and free from any restrictions on their transfer, except where required by law, such as insider trading rules. 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.

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 but are not required to do so.

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. Certain employees and officers of the Company must conform to the Company's share dealing rules; these restrict the ability to deal in the Company's shares at certain times and require permission to deal.

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.

Directors' report

Substantial shareholdings

As at 31 December 2016, 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
Standard Life Investments (Holdings)	-	7.10	-	9,544,517	7.10
Dimensional Fund Advisors LP	-	5.00	-	6,723,676	5.00
Prudential plc group of companies	-	4.80	0.09	6,576,735	4.89
Norges Bank	3.98	-	-	5,356,208	3.98
Legal & General Group Plc	3.00	-	-	4,047,987	3.00

Between 1 January and 20 February 2017, the following interests of 3% or more in the Company's issued share capital were notified to the Company:

20 February 2017 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 Investment (Holdings)	-	<5.00	-	-	<5.00

Takeover directive

On a change of control, provisions in the Group's syndicated banking facility agreements (described in note 4.3 to the accounts) would allow lenders to withdraw the facility.

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.

Financial risk management

Details of financial risk management and exposure to credit / liquidity risks are included in note 4.6 to the accounts.

Political donations

No political donations were made during the year ended 31 December 2016 (2015: nil). The Group has a policy of not making donations to political parties or incurring political expenditure.

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/she ought to have taken as a director to make himself/herself 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.

Following an audit tender process conducted at the end of 2014, PricewaterhouseCoopers LLP were appointed as auditor at the 2015 AGM. In accordance with the provisions of the Companies Act 2006, resolutions concerning the re-appointment of PricewaterhouseCoopers LLP and their remuneration will be placed before the 2017 Annual General Meeting.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group and Parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 the Company and of the profit or loss of the Group and the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess a Company's performance, business model and strategy.

Each of the directors, whose names and functions are listed on pages 48 to 49 of the Annual Report confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Strategic Report contained in the Annual report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

By Order of the Board

M T D Palmer

Group Company Secretary

20 February 2017

Bovis Homes Group PLC

Registered number 306718

Winchester Village
Winchester

Auditor's report

Independent auditors' report to the members of Bovis Homes Group PLC

Report on the financial statements

Our opinion

In our opinion:

- Bovis Homes Group PLC's Group financial statements and Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2016 and of the Group's profit and the Group's and the Company's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union 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.

What we have audited

The financial statements, included within the Annual report and accounts (the "Annual Report"), comprise:

- the Group and Company balance sheets as at 31 December 2016;
- the Group income statement and Group statement of comprehensive income for the year then ended;
- the Group and Company statements of cash flows for the year then ended;
- the Group and Company statements of changes in equity for the year then ended; and
- the Notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

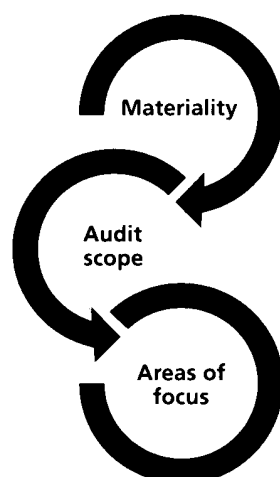
The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union and, as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2006, and applicable law.

Context

Bovis Homes Group PLC is a British housebuilder listed on the London Stock Exchange. The Group is wholly UK based, operating in England and Wales.

The Group is dependent on macroeconomic factors as well as the conditions of the UK residential property market. The Group may be particularly adversely affected by any factor that reduces sales prices or transaction volumes or presents constraints in the supply chain in the UK residential property market. This was particularly relevant for our work in the areas of margin forecasting and the valuation of inventory

Our audit approach - Overview



- Overall Group materiality: £7,730,000 which represents 5% of profit before tax.

- The Group consists of one main trading entity and is structured into eight regions, being Mercia, West Midlands, Western, South West, Northern Home Counties, Eastern, Thames Valley and Southern. The Group financial statements are a consolidation of these eight regional reporting units and the centralised Group functions.

We undertook work across each of the eight regions and the head office which together account for 100% of the Group revenue and profit before tax.

- Margin forecasting and recognition
- Valuation of warranty and customer care provision
- Carrying value of inventory
- Valuation of available for sale assets – shared equity
- Accounting for complex land acquisitions

The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)").

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as "areas of focus" in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

Area of focus	How our audit addressed the area of focus
Margin forecasting and recognition	
Refer to page 82 of the Audit Committee Report. The Group's margin forecasting and recognition model ("CV model") is based on a number of key assumptions including: • Build costs (allocated to each plot on an actual costs basis) • Central site costs, including infrastructure costs and land (allocated to each plot based on the Group's 'land factor' model) • Sales price (based on a fixed expected sales price for the type/size of property) Periodic surveyor and financial appraisals are performed to determine the costs to date and work in progress based upon the stage of completion of each unit and the CV model is updated accordingly. There is uncertainty within the above assumptions from potential changes in the market conditions or unforeseen circumstances. This could result in the forecast assumptions being inaccurate and an incorrect margin being recognised. We consider this to be the most significant financial reporting risk for the Group principally due to the high level of management judgement inherent in the accounting for the Group's developments and site appraisals.	• At a regional level we tested managements forecasting and monitoring controls, including attendance at a selection of the surveyor and financial appraisal meetings • We tested significant underlying assumptions within the CV Model and checked the consistent application of the model through comparing the costs recognised and stage complete on key sites to the forecasts. We also understood any significant differences between the forecast cost and actual cost incurred. • We also tested that the system correctly recalculated the cost apportionment following cost and stage completion amendments made by management. • We have tested a sample of forecast sales prices to the actual sales price attained for similar properties to support the validity of the estimated sales price in the CV model. • We have tested a sample of costs incurred to third party support. Based on the procedures performed, we did not identify any sites where we considered the underlying assumptions in the forecast to be inappropriate.

Auditor's report

Area of focus	How our audit addressed the area of focus
Valuation of warranty and customer care provision	
Refer to page 82 of the Audit Committee Report and page 126 of the financial statements. The Group provides private home buyers with a 2 year warranty against issues arising from a failure to build to accepted standards. As a result of this, the Group maintains a warranty provision to cover the expected costs of rectifying claims. This provision is based on historical experience of such costs incurred across the Group supplemented by known specific items, and may include compensation costs where considered necessary. Whilst some of the claims are known at the reporting date, there may be others which have either not been notified to the Group or have not yet become visible to customers. As a result, there is inherent uncertainty with respect to the completeness and valuation of the estimated provision to remediate these issues.	• We have tested a sample of specific items included in the provision to correspondence received from customers, and have corroborated the quantification of amounts provided by management back to supporting documentation or explanations, including evidence of settlement post year end. • We have tested the calculation of the historical experience by testing the underlying actual costs incurred and the calculation apportioning this to properties sold during the 2 year warranty period. • We have tested other directly related costs by corroborating these back to supporting documentation. • We have tested the completeness of the provision by tracing back a sample of known/identified claims to their inclusion in the provision calculations. Based on the procedures performed we noted no reasonable likely alternative assumptions that would result in a material change to the valuation of the provision.
Carrying value of inventory	
Refer to page 82 of the Audit Committee Report and page 109 of the financial statements. Inventory is comprised of land held for development, work in progress (WIP), raw materials and completed plots/part exchange properties. Land held for development and raw materials are held at cost. WIP is made up of the cost of the land being built on, direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Completed plots are held at build cost and part exchange properties are held at the market value determined at the time of exchange. Inventories are stated at the lower of cost and net realisable value ("NRV"), NRV being the estimated net selling price less estimated total costs of completion of the finished units based on management's forecast Due to the cyclical nature of the housing industry or issues experienced during the build programme, there is a risk that the NRV of the inventory is lower than cost and therefore inventory is held at the incorrect value.	• We tested margins for all major sites to identify those with low or eroding margins, for example due to specific issues or underperformance. We discussed the identified sites with management, including considering the level of provisions held against these sites and corroborated the explanations with other external evidence to support the carrying value of inventory. • We tested the percentage completion of units across a sample of sites and checked that forecasts have been appropriately updated for costs incurred to date and expected costs to completion. • We also assessed the historical accuracy of management's forecasting. • We considered the level and ageing of completed but unreserved units and part exchange properties and challenged the recoverability of these assets. • We checked that appropriate site acquisition approvals considering site profitability had been obtained for significant sites. Based on the procedures performed we did not identify any sites where we determined that additional impairments were required in the year, above those already made by management.

Area of focus	How our audit addressed the area of focus
Valuation of available for sale assets – shared equity	
Refer to page 82 of the Audit Committee Report and page 111 of the financial statements. Shared equity assets are held at fair value and comprise long-term receivables from shared equity schemes. The valuation method for these assets is not capable of being based on observable market data and therefore the valuation model of these assets is highly subjective to management judgement and estimates including expected house price movements, credit risk of borrowers, discount rates, recoverability and expected timing of receipt. Fluctuations in the underlying assumptions used could have a material impact on the value of these assets.	• We tested the mechanics and base data of the valuation model and through discussion with management understood the key assumptions included within the model. We then evaluated and challenged these assumptions with our own independent research on house prices. • We assessed whether the current assumptions are reflective of any historic trends of redemption of loans. We also benchmarked the shared equity schemes against other known shared equity schemes to ensure the assumptions are reasonable. Based on the procedures performed we noted no reasonable likely alternative assumptions that would result in a material change to the valuation.
Accounting for complex land acquisitions	
Refer to page 82 of the Audit Committee Report and page 109 of the financial statements. The Group enters into certain complex land acquisitions – either through a complex structure or with complex terms attached such as overages, options or specific agreements with the purchaser. Acquisitions of land could be incorrectly accounted for due to the complex manner in which transactions can be structured.	• We tested key controls, including approval for land acquisitions and approval to enter into or extend a land purchase option. • On a sample basis, we reviewed management's papers on the proposed accounting treatment of the transactions. • We substantively tested material or complex land acquisitions through examination of contracts and agreements to check that the acquisition and subsequent overage terms have been identified and accounted for appropriately, and that there are no unrecorded liabilities within the financial statements. • Where relevant we agreed cash payments and receipts to completion statements and bank statements. • We assessed the accounting treatment of the transactions against relevant accounting standards. Based on the procedures performed we were satisfied that management had appropriately accounted for these transactions.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group consists of one main trading entity and is structured into eight regions, being Mercia, West Midlands, Western, South West, Northern Home Counties, Eastern, Thames Valley and Southern. The Group financial statements are a consolidation of these eight regional reporting units and the centralised Group functions.

We undertook work across each of the eight regions and the head office which together account for 100% of the Group revenue and profit before tax.

Our work in the regions, together with the additional procedures performed at the Group level, gave us the evidence we needed for our opinion on the Group financial statements as a whole. The Group consolidation, financial statement disclosures and certain items, including defined benefit pension scheme balances, cash, accounts payable and share equity available for sale assets, were audited by the Group engagement team at the head office.

Auditor's report

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall Group materiality	£7,730,000 (2015: £8,000,000)
How we determined it	5% of profit before tax
Rationale for benchmark applied	Based on our professional judgement, we determined materiality by applying a benchmark of 5% of profit before tax. We believe that profit before tax is the most appropriate measure and it provides a consistent year-on-year basis for our work.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £390,000 (2015: £400,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

Under the Listing Rules we are required to review the directors' statement, set out on page 30, in relation to going concern. We have nothing to report having performed our review.

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to the directors' statement about whether they considered it appropriate to adopt the going concern basis in preparing the financial statements. We have nothing material to add or to draw attention to.

As noted in the directors' statement, the directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. The going concern basis presumes that the Group and Company have adequate resources to remain in operation, and that the directors intend them to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the directors' use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's and Company's ability to continue as a going concern.

Other required reporting

Consistency of other information and compliance with applicable requirements

Companies Act 2006 reporting

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic report and the Directors' report. We have nothing to report in this respect.

ISAs (UK & Ireland) reporting

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:	
- information in the Annual Report is: - materially inconsistent with the information in the audited financial statements; or - apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group and Company acquired in the course of performing our audit; or - otherwise misleading.	We have no exceptions to report.
the statement given by the directors on page 51, in accordance with provision C.1.1 of the UK Corporate Governance Code (the "Code"), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's and Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Company acquired in the course of performing our audit.	We have no exceptions to report.
the section of the Annual Report on page 81, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.	We have no exceptions to report.

The directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to:	
the directors' confirmation on page 28 of the Annual Report, in accordance with provision C.2.1 of the Code, that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.	We have nothing material to add or to draw attention to.
the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.	We have nothing material to add or to draw attention to.
the directors' explanation on page 30 of the Annual Report, in accordance with provision C.2.2 of the Code, as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.	We have nothing material to add or to draw attention to.
Under the Listing Rules we are required to review the directors' statement that they have carried out a robust assessment of the principal risks facing the Group and the directors' statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit. We have nothing to report having performed our review.	

Adequacy of accounting records and information and explanations received

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

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

We have no exceptions to report arising from this responsibility.

Auditor's report

Directors' remuneration

Directors' remuneration report - Companies Act 2006 opinion

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Other Companies Act 2006 reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Corporate governance statement

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to ten further provisions of the Code. We have nothing to report having performed our review.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' responsibilities statement set out on page 91, 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 ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's and the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' report, we consider whether those reports include the disclosures required by applicable legal requirements.



Christopher Burns

Senior Statutory Auditor

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

20 February 2017

Group income statement

For the year ended 31 December	Note	2016 £000	2015 £000
Revenue	2.0	1,054,804	946,504
Cost of sales		(819,123)	(714,196)
Gross profit		235,681	232,308
Administrative expenses		(75,711)	(68,778)
Operating profit before financing costs	2.1	159,970	163,530
Financial income	4.4	3,035	3,348
Financial expenses	4.4	(8,622)	(8,583)
Net financing costs		(5,587)	(5,235)
Share of profit of Joint Ventures	5.5	331	1,770
Profit before tax		154,714	160,065
Income tax expense	5.1	(33,866)	(32,057)
Profit for the year attributable to ordinary shareholders		120,848	128,008
<i>Earnings per share (pence)</i>			
Basic	2.3	90.1	95.4
Diluted	2.3	90.0	95.2

Group statement of comprehensive income

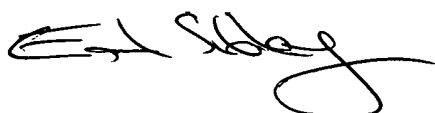
For the year ended 31 December		2016 £000	2015 £000
Profit for the year		120,848	128,008
Other comprehensive income/(expense)			
<i>Items that will not be reclassified to profit and loss</i>			
Remeasurements on defined benefit pension scheme	5.7	(14,107)	182
Deferred tax on remeasurements on defined benefit pension scheme	5.1	2,624	(17)
Total comprehensive income for the year attributable to ordinary shareholders		109,365	128,173

Balance sheets

As at 31 December	Note	Group		Company	
		2016 £000	2015 £000	2016 £000	2015 £000
Assets					
Property, plant and equipment	5.4	11,870	13,982	-	-
Investments	5.5	8,786	8,987	7,606	6,300
Restricted cash		1,444	1,451	-	-
Deferred tax assets	5.2	1,955	2,160	-	-
Trade and other receivables		5,758	1,166	-	-
Available for sale financial assets	4.2	27,804	35,303	-	-
Retirement benefit asset	5.7	-	7,117	-	-
Total non-current assets		57,617	70,166	7,606	6,300
Inventories	3.1	1,449,165	1,318,520	-	-
Trade and other receivables	3.2	84,992	94,843	415,620	412,976
Cash and cash equivalents	4.1	38,552	31,990	344	344
Total current assets		1,572,709	1,445,353	415,964	413,320
Total assets		1,630,326	1,515,519	423,570	419,620
Equity					
Issued capital	4.5	67,261	67,190	67,261	67,190
Share premium		215,057	214,368	215,057	214,368
Retained earnings		733,609	676,201	138,693	135,690
Total equity attributable to equity holders of the parent		1,015,927	957,759	421,011	417,248
Liabilities					
Trade and other payables	3.3	162,612	171,306	781	781
Net retirement benefit obligations	5.7	6,590	-	-	-
Provisions	5.6	812	1,327	-	-
Total non-current liabilities		170,014	172,633	781	781
Bank and other loans		-	1,999	-	-
Trade and other payables	3.3	420,220	363,936	-	-
Provisions	5.6	10,280	2,245	-	-
Current tax liabilities	5.2	13,885	16,947	1,778	1,591
Total current liabilities		444,385	385,127	1,778	1,591
Total liabilities		614,399	557,760	2,559	2,372
Total equity and liabilities		1,630,326	1,515,519	423,570	419,620

The Company made a profit for the year of £57,107,000 (2015: £106,266,000).

These financial statements on pages 101 to 131 were approved by the Board of directors on 20 February 2017 and were signed on its behalf:
Earl Sibley, Director.



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 2015	(959)	(22,952)	622,065	598,154	67,114	213,850	879,118
Total comprehensive income	-	165	128,008	128,173	-	-	128,173
Issue of share capital	-	-	-	-	76	518	594
Own shares disposed	864	-	(864)	-	-	-	-
Purchase of own shares	(2,386)	-	-	(2,386)	-	-	(2,386)
Deferred tax on other employee benefits	-	-	(31)	(31)	-	-	(31)
Share based payments	-	-	1,531	1,531	-	-	1,531
Dividends paid to shareholders	-	-	(49,240)	(49,240)	-	-	(49,240)
Balance at 31 December 2015	(2,481)	(22,787)	701,469	676,201	67,190	214,368	957,759
Balance at 1 January 2016	(2,481)	(22,787)	701,469	676,201	67,190	214,368	957,759
Total comprehensive income	-	(11,483)	120,848	109,365	-	-	109,365
Issue of share capital	-	-	-	-	71	689	760
Own shares disposed	153	-	(153)	-	-	-	-
Purchase of own shares	-	-	-	-	-	-	-
Shared equity movement reclassified to the income statement	-	-	2,099	2,099	-	-	2,099
Deferred tax on other employee benefits	-	-	48	48	-	-	48
Share based payments	-	-	1,308	1,308	-	-	1,308
Dividends paid to shareholders	-	-	(55,412)	(55,412)	-	-	(55,412)
Balance at 31 December 2016	(2,328)	(34,270)	770,207	733,609	67,261	215,057	1,015,927

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 2015	77,133	67,114	213,850	358,097
Total comprehensive income	106,266	-	-	106,266
Issue of share capital	-	76	518	594
Share based payments	1,531	-	-	1,531
Dividends paid to shareholders	(49,240)	-	-	(49,240)
Balance at 31 December 2015	135,690	67,190	214,368	417,248
Balance at 1 January 2016	135,690	67,190	214,368	417,248
Total comprehensive income	57,107	-	-	57,107
Issue of share capital	-	71	689	760
Share based payments	1,308	-	-	1,308
Dividends paid to shareholders	(55,412)	-	-	(55,412)
Balance at 31 December 2016	138,693	67,261	215,057	421,011

Statement of cash flows

		Group		Company	
For the year ended 31 December	Note	2016 £000	2015 £000	2016 £000	2015 £000
Cash flows from operating activities					
Profit for the year		120,848	128,008	57,107	106,265
Depreciation	2.1	2,274	2,065	-	-
Revaluation of available for sale financial assets		1,191	67	-	-
Financial income	4.4	(3,035)	(3,348)	(8,888)	(7,856)
Financial expense	4.4	8,622	8,583	-	-
Profit on sale of property, plant and equipment		(764)	(43)	-	-
Equity-settled share-based payment expense	5.3	1,308	1,531	-	-
Income tax expense	5.1	33,866	32,057	1,778	1,591
Share of results of Joint Ventures	5.5	(331)	(1,770)	-	-
Decrease/(increase) in trade and other receivables		15,254	(28,031)	(4,233)	(59,210)
Increase in inventories		(130,647)	(193,000)	-	-
Increase in trade and other payables		42,976	168,773	-	-
Increase/(decrease) in provisions and retirement benefit obligations		7,395	(7,003)	-	-
Cash generated from operations		98,957	107,889	45,764	40,790
Interest paid		(4,010)	(2,470)	-	-
Income taxes paid		(33,142)	(28,515)	-	-
Net cash from operating activities		61,805	76,904	45,764	40,790
Cash flows from investing activities					
Interest received		45	75	8,888	7,856
Acquisition of property, plant and equipment	5.4	(1,787)	(2,424)	-	-
Proceeds from sale of plant and equipment		2,389	55	-	-
Movement of investment in Joint Ventures	5.5	625	755	-	-
Dividends received from Joint Ventures	5.5	129	377	-	-
Reduction/(investment) in restricted cash		7	(25)	-	-
Net cash generated from/(used in) investing activities		1,408	(1,187)	8,888	7,856
Cash flows from financing activities					
Dividends paid	2.2	(55,412)	(49,240)	(55,412)	(49,240)
Proceeds from the issue of share capital	4.5	760	594	760	594
Purchase of own shares		-	(2,386)	-	-
Repayment of bank and other loans	4.3	(1,999)	(44,952)	-	-
Net cash used in financing activities		(56,651)	(95,984)	54,652	(48,646)
Net increase/(decrease) in cash and cash equivalents		6,562	(20,267)	-	-
Cash and cash equivalents at 1 January	4.1	31,990	52,257	344	344
Cash and cash equivalents at 31 December	4.1	38,552	31,990	344	344

Notes to the financial statements

The notes have been grouped into sections under five key categories:

- 1. Basis of preparation
- 2. Result for the year
- 3. Land bank and other operating assets and liabilities
- 4. Financing
- 5. Other disclosures

The key accounting policies have been incorporated throughout the notes to the financial statements adjacent to the disclosure to which they relate. All accounting policies are included within an outlined box.

1.0 Basis of preparation

1.1 General information

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 2016 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in Joint Ventures. The financial statements were authorised for issue by the directors on 20 February 2017.

1.2 Basis of accounting

The consolidated financial statements of the Company and the Group have been prepared in accordance with the International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) interpretations as adopted by the European Union and Companies Act 2006 applicable to companies reporting under IFRS.

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.

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

1.3 Going concern

The Directors are satisfied that the Group has sufficient resources to continue in operation for the 12 months from date of approval of these financial statements. The Directors reviewed detailed financial and covenant compliance forecasts covering the period to December 2017 and summary financial forecasts for the following two years.

Having started the year with net cash of £30.0 million, the Group again generated a strong operating cash flow during 2016, increasing the net cash position to £38.6 million. As at 31 December 2016, the Group held cash and cash equivalents of £38.6 million and had no borrowings. On 3 December 2015, the Group entered into a new £250 million committed revolving credit facility that was extended for one year during 2016, now expiring in December 2021, all of which was available for drawdown at 31 December 2016.

For these reasons, the Directors consider it appropriate to prepare the financial statements of the Group on a going concern basis.

1.4. 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. Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. 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 any 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 comprehensive income and expense of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases.

A joint arrangement is an arrangement over which the Group and one or more third parties have joint control. The consolidated financial statements include the Group's share of the comprehensive income and expense of Joint Ventures on an equity accounted basis, from the date that joint control commenced until joint control ceases. These joint arrangements are in turn classified as:

Joint Ventures whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities; and joint operations whereby the Group has rights to the assets and obligations for the liabilities relating to the arrangement.

1.5 Critical accounting judgements and key sources of estimation uncertainty

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.

Notes to the financial statements continued

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 below.

Key sources of estimation uncertainty for the Group

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 realisable value. To the extent that the revenues which can be generated change, or the final cost to complete for 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 31 December 2016 has been carried out, which has identified no material net movement in the carrying value of the provision. These estimates were made by local management having regard to actual sales 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 detail on the carrying value of inventories is laid out in note 3.1.

Available for sale financial assets

The Group's available for sale financial assets, comprise of a portfolio of shared equity assets. The estimation of their fair value 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 4.6 contains a sensitivity analysis showing the impact of a change in the major judgement factors applied in the valuation of these instruments.

Defined benefit pension scheme

The Group has an active defined benefit pension scheme, which is subject to estimation uncertainty. Note 5.7 outlines the way in which this Scheme is recognised in the Group's Financial Statements, the associated risks and sensitivity analysis showing the impact of a change in key variables on the defined benefit obligation.

The Company has no sources of estimation uncertainty.

Customer care provision

Following legal completion, the Group provides a two year warranty that covers any defects which arise during that period. The level of provision per completion is based on actual costs incurred over the preceding twelve months. Judgement is applied in determining whether this level of provision is sufficient, or whether it should be adjusted to reflect the level of outstanding customer rectification works at the balance sheet date.

1.6 Segment reporting

The Chief Operating Decision Maker, which is the Board, notes that 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.

1.7 Impact of standards and interpretations effective for the first time

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2015:

IFRIC21 'Levies' and Amendment to IAS 19 'Employee benefits' on defined benefit plans have both come into effect, with no significant impact on the Group.

Other changes recommended in 'Annual Improvements 2011', 'Annual Improvements 2012' and 'Annual Improvements 2013' have also been implemented with no significant impact on the Group.

Notes to the financial statements continued

1.8 Impact of standards and interpretations in issue but not yet effective

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016, and have not been applied in preparing these financial statements. The majority are not expected to have a significant effect on the financial statements of the Group or the Company, and the full effect of the following standards will be assessed during the year ending 31 December 2017:

- IFRS 15, 'Revenue from contracts with customers' replaces IAS 18 'Revenue' and IAS 11 'Construction contracts', setting out new revenue recognition criteria particularly with regard to performance obligations which may have some impact on the timing of revenue recognised by the Group on certain contracts. The standard will be effective for the period beginning 1 January 2018.
- IFRS 16, 'Leases' requires lessees to recognise an asset and a liability on its balance sheet for all operating leases above thresholds for the value of the asset and the length of the lease period. The standard will be effective for the period beginning 1 January 2019.

2.0 Result for the year

Revenue

Revenue comprises the fair value of consideration received or receivable, net of value-added tax, rebates and discounts. 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.

Revenue is recognised once the value of the transaction can be reliably measured and the significant risks and rewards of ownership have been transferred. Revenue is recognised on house sales at legal completion. Revenue is recognised on land sales and commercial property sales from the point of unconditional exchange of contracts. For affordable housing, revenue and costs are recognised by reference to the stage of completion of contract activity at the balance sheet date. When it is probable that the total costs on a construction contract will exceed total contract revenue, the expected loss is recognised as an expense in the Income Statement immediately.

Where land is sold with material development obligations, the recognition of revenue and profit is deferred until the work is complete.

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.

2.1 Operating profit before financing costs

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

	2016 £000	2015 £000
Depreciation of tangible fixed assets (see note 5.4)	2,274	2,065
Hire of plant and machinery	7,096	5,659
Personnel expenses (see note 5.3)	63,472	51,099
Rental income (included in revenue)	(735)	(460)
Government grants recognised within cost of sales (see note 4.3)	(21)	(42)
Auditors' remuneration		
	2016 £000	2015 £000
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	25	25
The audit of the Company's subsidiaries, pursuant to legislation	125	115
Non Audit Fees		
Interim review work	18	18
Other assurance related services	4	-
Fees charged to operating profit before financing costs	172	158

Notes to the financial statements continued

2.2 Dividends

The following dividends were paid by the Group:

	2016 £000	2015 £000
Prior year final dividend per share of 26.3p (2015: 23.0p)	35,273	30,838
Current year interim dividend per share of 15.0p (2015: 13.7p)	20,139	18,402
	55,412	49,240

The Board decided to propose a final dividend of 30.0p per share in respect of 2016. The dividend has not been provided for and there are no income tax consequences.

	2016 £000	2015 £000
30.0p per qualifying ordinary share (2015: 26.3p)	40,254	35,293

2.3 Earnings per share

Profit attributable to ordinary shareholders

	2016 £000	2015 £000
Profit for the year attributable to equity holders of the parent	120,848	128,008

Weighted average number of ordinary shares

	2016	2015
Weighted average number of ordinary shares at 31 December	134,178,673	134,194,203

Diluted earnings per share

The calculation of diluted earnings per share at 31 December 2016 was based on the profit attributable to ordinary shareholders of £120,848,000 (2015: £128,008,000) and a weighted average number of ordinary shares outstanding during the year ended 31 December 2016 of 134,322,449 (2015: 134,428,802).

The average number of shares is increased by reference to the average number of potential ordinary shares held under option during the year. This reflects 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 year. Only share options which have met their cumulative performance criteria have been included in the dilution calculation.

Weighted average number of ordinary shares (diluted)

	2016	2015
Weighted average number of ordinary shares at 31 December	134,178,673	134,194,203
Effect of share options in issue which have a dilutive effect	143,776	234,599
Weighted average number of ordinary shares (diluted) at 31 December	134,322,449	134,428,802

Notes to the financial statements continued

3.0 Land bank and other operating assets and liabilities

This section shows the assets used to generate the Group's trading performance and the liabilities incurred as a result. Liabilities relating to the Group's financing activities are addressed in section 4. Deferred tax assets and liabilities are shown in section 5.

3.1 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 units.

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 and written down on a straight-line basis over the life of the option. Should planning permission be granted and the option be exercised, the option is not amortised during that year and its carrying value is included within the cost of land purchased.

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.

Part exchange properties are held at the lower of cost and net realisable value, and include a carrying value provision to cover the costs of management and resale.

Group	2016 £000	2015 £000
Raw materials and consumables	7,092	5,224
Work in progress	372,859	270,093
Part exchange properties	48,593	29,528
Land held for development (net of provision)	1,020,621	1,013,675
Inventories	1,449,165	1,318,520
Inventories to the value of £813.0 million were recognised as expenses in the year (2015: £713.4 million).		
Movement on inventory provision	2016 £000	2015 £000
Balance at 1 January	6,718	12,904
Land sales - Utilised on specific sites sold in the year	(4,133)	(5,071)
- Unutilised on specific sites sold in the year and so reversed	(19)	(432)
	(4,152)	(5,503)
Provisions recognised on sites still held	455	755
Provisions released on sites still held	-	(1,438)
Balance at 31 December	3,021	6,718

£2.0 million (2015: £6.2 million) of inventories were valued at net realisable value rather than at historic cost.

Notes to the financial statements continued

3.2 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. Other debtors include amounts receivable from the Government in relation to the Help To Buy scheme.

	Group		Company	
	2016 £000	2015 £000	2016 £000	2015 £000
Current assets				
Trade receivables	51,010	63,698	-	-
Amounts due from subsidiary undertakings	-	-	415,620	412,976
Other debtors	22,127	25,483	-	-
Prepayments and accrued income	11,855	5,662	-	-
Current assets	84,992	94,843	415,620	412,976

The total provision for doubtful receivables is £1.0 million (2015: £0.1 million).

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.

Receivables which are past due but not impaired are not material.

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

3.3 Trade and other payables

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.

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.

Notes to the financial statements continued

	Group		Company	
	2016 £000	2015 £000	2016 £000	2015 £000
Non-current liabilities				
Trade payables	162,153	170,847	-	-
Other creditors	459	459	781	781
	162,612	171,306	781	781
Current liabilities				
Trade payables	364,522	341,579	-	-
Taxation and social security	1,672	1,717	-	-
Other creditors	2,077	1,576	-	-
Accruals	17,782	16,242	-	-
Deferred income	34,167	2,822	-	-
	420,220	363,936	-	-
Total trade and other payables	582,832	535,242	781	781

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 4.7.

4.0 Financing

This section outlines how the Group manages its capital and related financing activities.

4.1 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.

	Group		Company	
	2016 £000	2015 £000	2016 £000	2015 £000
Bank balances	363	363	344	344
Call deposits	38,189	31,627	-	-
Cash and cash equivalents in the balance sheet and cash flows	38,552	31,990	344	344

4.2 Available for sale financial assets

Available for sale financial assets - shared equity

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

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

Notes to the financial statements continued

	2016 £000	2015 £000
Non-current asset - available for sale assets	27,804	35,303

Key assumptions

	2016	2015
Discount rate, incorporating default rate	9.0%	9.0%
Average house price inflation per annum for the next three years	3.0%	3.4%

See note 4.6 for a sensitivity analysis on these assumptions.

	2016 £000	2015 £000
Balance at 1 January	35,303	39,433
Redemptions	(9,941)	(8,311)
Revaluation taken through the income statement	-	1,320
Imputed interest	2,442	2,861
Balance at 31 December	27,804	35,303

Total impairments taken to date are £1,696,000 (2015: £1,696,000). The impairments relate to changes in expected cash flows as a result of movement in future house price expectations.

4.3 Bank and other loans

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.

Government grants

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.

Notes to the financial statements continued

Interest rate profile of bank and other loans

	Rate	Facility maturity	Carrying value 2016 £000	Carrying value 2015 £000
Revolving credit facility	LIBOR +120-225 bps	2021	-	-
Interest free loan at fair value	LIBOR +158 bps	2016	-	1,999

The interest free loan was obtained to facilitate large infrastructure investment at one of the Group's sites in the South West. The final repayment of £2,000,000 was made on 5 January 2016.

Details of facilities

On 3 December 2015 the Group entered into a new £250 million committed revolving credit facility and this was extended for one year during 2016, now expiring in December 2021. The facility syndicate comprises six banks. The facility includes a covenant package, featuring three covenants covering the Group's gearing ratio, consolidated tangible net worth and interest cover. These covenants are tested semi-annually as per the previous facility agreement. The overall financing cost of the new arrangement is marginally better than the previous facility.

4.4 Net financing costs

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.

Net financing costs recognised in the income statement

	2016 £000	2015 £000
Interest income	(321)	(378)
Net pension finance credit	(272)	(109)
Imputed interest on available for sale assets	(2,442)	(2,861)
Finance income	(3,035)	(3,348)
Imputed interest on deferred terms land payables	4,967	4,901
Interest expense	3,655	3,563
Imputed interest on interest free loan	-	48
Hedge ineffectiveness for derivatives	-	71
Finance expenses	8,622	8,583
Net financing costs	5,587	5,235

Notes to the financial statements continued

4.5 Capital and reserves

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.

Share capital

	2016			2015		
	Number of shares	Issued capital £000s	Share premium £000s	Number of shares	Issued capital £000s	Share premium £000s
In issue at 1 January	134,379,661	67,190	214,368	134,228,043	67,114	213,850
Issued for cash	142,679	71	689	151,618	76	518
In issue at 31 December – fully paid	134,522,340	67,261	215,057	134,379,661	67,190	214,368

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 2015, the Group purchased 240,000 shares at a total cost of £2,386,000. There were 16,089 (2015: 198,234) shares awarded under the Group's long term incentive plan that vested during 2016 and accordingly the balance of the own shares held reserve reduced by £153,000 (2015: £864,000). The Group has suspended all rights on shares held by the Group in the Company.

4.6 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 returns for shareholders over the housing market cycle 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, or less its net cash, stated before issue costs. A five year record of its capital employed is displayed on page 131.

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.

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 is also impacted by housing market price fluctuations, giving rise to market price risk.

Company

The Company only trades with other Group entities and is only exposed to credit risk on those intercompany balances.

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.

Notes to the financial statements continued

Hedging

Derivative financial instruments are recognised at fair value.

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.

In July 2013 the Group entered into a £25.0 million cash flow hedge to protect against movements in interest rates. This hedge expired on 29 January 2016.

Interest rate derivative financial instruments

	2016 £000	2015 £000
Opening fair value	-	59
Change in fair value	-	(59)
Closing fair value	-	-

Effective interest rates and repricing analysis

The interest rate profile of the Group's interest bearing financial instrument is set out in note 4.3.

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 2016, a general increase of one percentage point in interest rates applying for the full year would not have a material impact on the financial statements.

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 £9.6 million (2015: £8.8 million). The 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 £24,700 (2015: £22,950), 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 3.2.

The Group's trade and other receivables and available for sale assets are secured against the following:

	2016 £000	2015 £000
Consented land	17,282	10,092
Second charge against property	28,762	36,469
Unsecured	72,510	84,751
	118,554	131,312

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.

Company

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

c. Liquidity risk

The Group's banking arrangements outlined in note 4.3 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 30.

Notes to the financial statements continued

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 2016	Linked to UK housing market £000	Not linked to UK housing market £000	Total £000
Non-derivative financial assets			
Restricted cash	-	1,444	1,444
Trade and other receivables	-	90,750	90,750
Available for sale financial assets	27,804	-	27,804
Cash and cash equivalents	-	38,552	38,552
Non-derivative financial liabilities			
Bank and other loans	-	-	-
Trade and other payables	-	(582,832)	(582,832)
	27,804	(452,086)	(424,282)

31 December 2015	Linked to UK housing market £000	Not linked to UK housing market £000	Total £000
Non-derivative financial assets			
Restricted cash	-	1,451	1,451
Trade and other receivables	-	96,009	96,009
Available for sale financial assets	35,303	-	35,303
Cash and cash equivalents	-	31,990	31,990
Non-derivative financial liabilities			
Bank and other loans	-	(1,999)	(1,999)
Trade and other payables	-	(535,242)	(535,242)
	35,303	(407,791)	(372,488)

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.

Sensitivity - available for sale financial assets

	2016 increase assumptions by 1%	2016 decrease assumptions by 1%
Discount rate, incorporating default rate	(1,270)	1,400
House price inflation	1,260	(1,155)

Notes to the financial statements continued

4.7 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 Dec £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	Due beyond 5 years £000
2016	343,309	350,041	196,511	120,954	15,135	3,612	1,979	11,850
2015	322,889	330,435	168,142	107,933	40,120	11,764	2,356	120

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.

Fair value of quoted investments is based on the available price of those quoted investments at the balance sheet date.

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 4.3 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. Fair values are based on broker quotes which reflect the actual transactions in similar instruments.

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.

The following table provides an analysis of financial assets and liabilities that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets;

Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: fair value measurements are those derived from valuation techniques that include inputs for the asset/liability that are not based on observable market data (unobservable inputs).

Notes to the financial statements continued

31 December 2016	Level 1 £000	Level 2 £000	Level 3 £000	Group £000
Assets				
Available for sale financial assets	-	-	27,804	27,804
Liabilities				
	-	-	27,804	27,804
31 December 2015	Level 1 £000	Level 2 £000	Level 3 £000	Group £000
Assets				
Available for sale financial assets	-	-	35,303	35,303
Liabilities				
	-	-	35,303	35,303

The Group's only level 3 financial instruments relate to available for sale financial assets - shared equity. A reconciliation between the brought forward and carried forward values is shown in note 4.2.

5.0 Other disclosures

This section includes all disclosures which are required by IFRS or the Companies Act which have not been included elsewhere in the financial statements.

5.1 Income tax

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.

Recognised in the income statement

	Note	2016 £000	2015 £000
Current tax			
Current year		32,429	33,117
Adjustments for prior years		(2,293)	(1,497)
		30,136	31,620
Deferred tax			
Origination and reversal of temporary differences	5.2	(1,126)	627
Adjustments for prior year	5.2	4,856	(190)
Total income tax in income statement		33,866	32,057

Reconciliation of effective tax rate

	2016 %	2016 £000	2015 %	2015 £000
Profit before tax		154,714		160,065
Income tax using the domestic corporation tax rate	20.0	30,943	20.3	32,413
Non-deductible expenses	0.5	856	0.1	200
Other	(0.2)	(354)	0.7	1,120
Change in tax rate	(0.1)	(142)	-	11
Adjustments to the tax change in respect to the prior year	1.7	2,563	(1.1)	(1,687)
Total tax expense	21.9	33,866	20.0	32,057

The UK trading subsidiaries adopted FRS 101 for the 31 December 2015 period. Transitional adjustments in respect of fair value of available assets for sale and imputed interest on deferred land payments, previously held on consolidation, were reflected in those subsidiary accounts. The corporation tax computations subsequently filed for the 2015 year end incorporated the transitional adjustments, some of which are required to be spread over 10 years under UK tax legislation. Consequently the tax charge in the income statement this year includes prior year adjustments to reflect the release of the deferred tax asset previously held on consolidation and a prior year current tax credit for the transitional adjustments deducted in the 2015 tax computations.

Notes to the financial statements continued

Recognised directly in equity

	Note	2016 £000	2015 £000
Relating to actuarial movements on pension scheme	5.2	2,624	(17)
Relating to share-based payments	5.2	(8)	(31)
Relating to shared equity	5.2	909	-
Deferred tax recognised directly in equity		3,525	(48)

5.2 Tax assets and liabilities

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.

Current tax assets and liabilities

The current liability of £13,885,000 (2015: £16,947,000) represents the remaining balance of income taxes payable in respect of current and prior years.

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Group	Assets		Liabilities		Net	
	2016 £000	2015 £000	2016 £000	2015 £000	2016 £000	2015 £000
Property, plant and equipment	-	-	(273)	(258)	(273)	(258)
Non-current trade payables	-	2,152	(27)	-	(27)	2,152
Available for sale financial assets	-	970	(714)	-	(714)	970
Employee benefits - pensions	1,120	-	-	(1,423)	1,120	(1,423)
Employee benefits - share-based payments	132	480	-	-	132	480
Provisions	1,407	18	-	-	1,407	18
Inventories	-	-	(62)	(216)	(62)	(216)
Adjustment on sale to Joint Venture	372	437	-	-	372	437
Tax assets/(liabilities)	3,031	4,057	(1,076)	(1,897)	1,955	2,160

Notes to the financial statements continued

Movement in temporary differences during the year

Group	Balance 1 Jan 2016 £000	Recognised in Income £000	Recognised in equity £000	Balance 31 Dec 2016 £000
Property, plant and equipment	(258)	(15)	-	(273)
Trade payables	2,152	(2,179)	-	(27)
Available for sale financial assets	970	(2,593)	909	(714)
Employee benefits - pensions	(1,423)	(81)	2,624	1,120
Employee benefits - share-based payments	480	(340)	(8)	132
Provisions	18	1,389	-	1,407
Inventories	(216)	154	-	(62)
Adjustment on sale to Joint Venture	437	(65)	-	372
Movement in temporary differences	2,160	(3,730)	3,525	1,955

Group	Balance 1 Jan 2015 £000	Recognised in Income £000	Recognised in equity £000	Balance 31 Dec 2015 £000
Property, plant and equipment	(332)	74	-	(258)
Trade payables	1,900	252	-	2,152
Available for sale financial assets	411	559	-	970
Employee benefits - pensions	134	(1,540)	(17)	(1,423)
Employee benefits - share-based payments	464	47	(31)	480
Provisions	90	(72)	-	18
Interest rate derivative	12	(12)	-	-
Inventories	(273)	57	-	(216)
Adjustment on sale to Joint Venture	239	198	-	437
Movement in temporary differences	2,645	(437)	(48)	2,160

Factors affecting future tax charge

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 December 2016 has been calculated based on these rates.

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 £6.6 million (2015: surplus of £7.1 million). As at 31 December 2016, a deferred tax asset of £1,120,000 (2015 tax liability: £1,423,000) was recognised.

Notes to the financial statements continued

5.3 Directors and employees

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

	2016	2015
Average staff numbers	1,186	1,035

The company had no employees during 2016 (2015: nil)

A breakdown of staff numbers split by type of role is included on page 35.

Personnel expenses	2016 £000	2015 £000
Wages and salaries	54,013	42,736
Compulsory social security contributions	5,926	5,047
Contributions to defined contribution plans	1,103	840
Increase in expenses related to defined benefit plans	1,122	1,117
Equity-settled share-based payments	1,308	1,359
Personnel expenses	63,472	51,099

The company had no personnel expenses during 2016 (2015: nil)

Share-based payments

The Group has applied the requirements of IFRS2: "Share-based payments".

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.

Movements in the number of share options outstanding and their related weighted average exercise prices

Long Term Incentive Plan

	2016		2015	
	Average exercise price in £ per share option	Share options 000's	Average exercise price in £ per share option	Share options 000's
At 1 January	-	665	-	765
Granted	-	322	-	280
Lapsed	-	(236)	-	(230)
Exercised	-	(14)	-	(150)
At 31 December	-	737	-	665

Executive and other share options

	2016		2015	
	Average exercise price in £ per share option	Share options 000's	Average exercise price in £ per share option	Share options 000's
At 1 January	8.02	417	6.45	401
Granted	-	-	11.29	111
Lapsed	8.85	(62)	7.40	(32)
Exercised	5.42	(80)	4.13	(63)
At 31 December	8.59	275	8.02	417

Notes to the financial statements continued

Save As You Earn

	2016		2015	
	Average exercise price in £ per share option	Share options 000's	Average exercise price in £ per share option	Share options 000's
At 1 January	6.97	302	5.61	273
Granted	7.12	166	7.66	148
Lapsed	7.45	(49)	7.47	(30)
Exercised	5.23	(62)	3.76	(89)
At 31 December	7.27	357	6.97	302

Out of the 1,369,000 outstanding options (2015: 1,384,000), 177,000 options were exercisable.

Options exercised in 2016 resulted in 156,000 shares (2015: 302,000) being issued at a weighted average share price of £4.84 each (2015: £1.97 each).

Expiry date and exercise price of share options outstanding at the end of the year

Long Term Incentive Plan

Grant-vest	Expiry date	Exercise price in £ per share option	2016	2015
			Share options 000's	Share options 000's
2011-14	15/03/2021	-	14	14
2012-15	28/02/2022	-	16	16
2013-16	26/02/2023	-	83	146
2013-16	20/08/2023	-	16	24
2014-17	25/02/2024	-	165	165
2014-17	19/08/2024	-	33	38
2015-18	24/02/2025	-	142	222
2015-18	18/08/2025	-	33	33
2015-18	16/09/2025	-	7	7
2016-19	23/02/2026	-	200	-
2016-19	23/02/2026	-	28	-
		-	737	665

Executive and other share options

Grant-vest	Expiry date	Exercise price in £ per share option	2016	2015
			Share options 000's	Share options 000's
2010-13	25/08/2017	3.38	5	5
2011-14	01/09/2018	3.79	12	13
2012-15	22/08/2019	5.02	9	23
2013-16	21/08/2020	7.73	21	28
2014-17	20/08/2021	8.53	50	62
2015-18	19/08/2024	11.29	38	46
2010-13	25/08/2017	3.38	5	5
2011-14	01/09/2018	3.79	2	2
2012-15	22/08/2019	5.02	17	75
2013-16	21/08/2020	7.73	21	40
2014-17	20/08/2021	8.53	39	52
2015-18	19/08/2022	11.29	56	66
			275	417

Notes to the financial statements continued

Save As You Earn

Grant-vest	Expiry date	Exercise price in £ per share option	2016 Share options 000's	2015 Share options 000'
2011-16	13/10/2016	3.85	-	20
2012-17	29/09/2017	4.57	13	14
2013-16	23/09/2016	5.88	-	42
2013-18	23/09/2018	5.88	20	21
2014-17	02/11/2017	7.97	50	56
2014-19	02/11/2019	7.97	11	15
2015-18	24/09/2018	7.66	83	96
2015-20	24/09/2020	7.66	28	38
2016-19	24/09/2019	7.12	116	-
2016-21	24/09/2021	7.12	36	-
			357	302

The weighted average fair value of the options granted during the period determined using the Blacks-Scholes model was £4.85 per option (2015: £2.81). The significant inputs into the model were a weighted average share price of £8.21 (2015: £11.32) at the grant date, the exercise price shown in the table above, volatility of 36.38% (2016: 26.70%), an expected option life of 7 years (2015: 7 years) and an annual risk-free rate of 0.11% (2015: 1.36%). The volatility is measured at the standard deviation of continuously compounded share returns, based on statistical analysis of daily share prices over the last 3 years.

Share-based payments expense in the income statement

	2016 £000	2015 £000
Long Term Incentive Plan	957	1,053
Executive and other share options	116	117
Save As You Earn share options	235	189
Total expense recognised as personnel expenses	1,308	1,359

Information relating to directors' remuneration, compensation for loss of office, long term incentive plan, share options and pension entitlements appears in the directors' remuneration report on pages 68 to 80. The directors are considered to be the only key management personnel. A summary of key management remuneration is as follows:

	2016 £000	2015 £000
Wages and salaries	1,383	1,524
Compulsory social security contributions	185	427
Contributions to defined contribution plans	90	74
Equity-settled share-based payments	-	1,568
Key management remuneration	1,658	3,593

Details of the equity settled share based schemes are set out below.

Long Term Incentive Plan

A long term incentive plan for executive directors and senior executives was approved by shareholders at the 2010 Annual General Meeting. Two grants of awards under this plan were made in 2016. Details of the vesting conditions of these awards are laid out in the directors' remuneration report which can be found on pages 68 to 80.

Share options

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.

Notes to the financial statements continued

Save As You Earn share options

The Bovis Homes Group PLC 2007 Save As You Earn Option Scheme was established in 2007. Share options held in the Save As You Earn 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 20% discount to the market price of the shares at the date of grant.

5.4 Property, plant and equipment

Plant, property and equipment is recorded at prime cost less accumulated depreciation. The sub-categories of PPE are depreciated as follows:

- Freehold buildings on a 2% straight line basis;
- Plant, machinery and vehicles on a 33.3% reducing balance basis; and
- Furniture, fixtures and fittings on a 25% reducing basis, other than computer equipment which is depreciated on a straight line basis over 3 years

Year ended 31 December 2015	Freehold buildings £000	Furniture, fittings and equipment £000	Plant, machinery and vehicles £000	Total £000
Opening Net Book Amount	9,376	782	3,476	13,634
Additions	219	333	1,872	2,424
Disposals	-	(5)	(6)	(11)
Depreciation charge	(177)	(304)	(1,584)	(2,065)
Closing Net Book Amount	9,418	806	3,758	13,982
Year ended 31 December 2016	Freehold buildings £000	Furniture, fittings and equipment £000	Plant, machinery and vehicles £000	Total £000
Opening Net Book Amount	9,418	806	3,758	13,982
Additions	-	602	1,185	1,787
Disposals	(1,480)	(2)	(143)	(1,625)
Depreciation charge	(193)	(595)	(1,486)	(2,274)
Closing Net Book Amount	7,745	811	3,314	11,870

5.5 Investments

Fixed asset investments

Investments in subsidiaries are carried at cost less impairment. The Parent Company accounts for the share based payments granted to subsidiary employees as an increase in the cost of its investment in subsidiaries.

	Group		Company	
	2016 £000	2015 £000	2016 £000	2015 £000
Subsidiary undertakings				
Interest in subsidiary undertakings' shares at cost (100% ownership of ordinary shares)	-	-	7,606	6,300
Investments accounted for using the equity method				
Interest in Joint Ventures - equity	5,259	5,296	-	-
- loan	3,505	3,669	-	-
	8,764	8,965	7,606	6,300
Other investments	22	22	-	-
	8,786	8,987	7,606	6,300

Notes to the financial statements continued

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 thirty three subsidiaries, which are listed below.

	Registered office	Country of Incorporation	Ownership interest in ordinary shares	
			2016 %	2015 %
Bovis Homes (Quest) Company Limited	1	United Kingdom	100	100
Bovis Homes Limited	1	United Kingdom	100	100
Bishops Park Limited	1	United Kingdom	50	50
Bovis Country Homes Limited	1	United Kingdom	100	100
Bovis Homes (Broadbridge Heath) Limited	1	United Kingdom	100	100
Bovis Homes (New Ash Green) Limited	1	United Kingdom	100	100
Bovis Homes BVC Limited	1	United Kingdom	100	100
Bovis Homes Cornwall Limited	1	United Kingdom	100	100
Bovis Homes Developments Limited	1	United Kingdom	100	100
Bovis Homes Devon Limited	1	United Kingdom	100	100
Bovis Homes Eastern Limited	1	United Kingdom	100	100
Bovis Homes Freeholds Limited	1	United Kingdom	100	100
Bovis Homes Insulation Limited	1	United Kingdom	100	100
Bovis Homes Midlands And Northern Limited	1	United Kingdom	100	100
Bovis Homes Pension Scheme Trustee Limited	1	United Kingdom	100	100
Bovis Homes Projects Limited	1	United Kingdom	100	100
Bovis Homes Scotland Limited	2	United Kingdom	100	100
Bovis Homes South East Limited	1	United Kingdom	100	100
Bovis Homes Southern Limited	1	United Kingdom	100	100
Bovis Homes Wessex Limited	1	United Kingdom	100	100
Elite Homes Group Limited	1	United Kingdom	100	100
Elite Homes (North West) Limited	1	United Kingdom	100	100
Gigg Lane Limited	1	United Kingdom	100	100
Elite Homes (Yorkshire) Limited	1	United Kingdom	100	100
H.Newbury & Son (Builders) Limited	1	United Kingdom	100	100
Kilbride Tavistock Limited	1	United Kingdom	100	100
Nether Hall Park Open Space Management Company Limited	1	United Kingdom	100	100
Orchard Homes (Pitt Manor) Limited	1	United Kingdom	100	100
Oxford Land Limited	1	United Kingdom	67	67
Page Johnson Properties Limited	1	United Kingdom	100	100
Rissington Management Company Limited	3	United Kingdom	50	50
R.T.Warren (Builders, St.Albans) Limited	1	United Kingdom	100	100
Unitpage Limited	1	United Kingdom	100	100

At 31 December 2016 the Group had an interest in the following Joint Ventures which have been equity accounted to 31 December and are registered and operate in England and Wales.

		Country of Incorporation	Ownership interest in entity	
			2016 %	2015 %
Bovis Peer LLP	1	United Kingdom	50	50
IIH Oak Investors LLP	4	United Kingdom	26	26

Registered office

1. The Manor House, North Ash Road, New Ash Green, Longfield, Kent, DA3 8HQ
2. c/o Gilliespie MacAndrew LLP, 5 Atholl Crescent, Edinburgh, Scotland, EH3 8EJ, United Kingdom
3. Cowley Business Park, Cowley, Uxbridge, Middlesex, UB8 2AL
4. New Zealand House 15th Floor, 80 Haymarket, London, United Kingdom, SW1Y 4TE

Notes to the financial statements continued

The movement on the investment in the material Joint Venture (Bovis Peer LLP) during the year is as follows:

	2016 £000	2015 £000
At the start of the year	4,555	4,811
Share of revaluation	-	1,578
Capital release re refinance	-	(495)
Net decrease in loans	-	(1,131)
Share of results	244	169
Dividend received	(129)	(377)
At the end of the year	4,670	4,555

Summarised financial information relating to the material Joint Venture is as follows:

	2016 £000	2015 £000
Non-current assets	32,190	32,190
Current assets	747	580
Current liabilities	(135)	(318)
Non-current liabilities	(20,920)	(20,920)
Net assets of Joint Venture	11,882	11,532
Group share of net assets recognised in the Group balance sheet at 31 December	5,941	5,766
Revenue	1,750	1,688
Costs	(560)	(646)
Operating profit	1,190	1,042
Revaluation of properties	-	3,156
Interest	(702)	(704)
Profit for the year	488	3,494
Group share of profit for the year recognised in the Group income statement	244	1,747
Group share of IIH Oak Investors LLP profit for the year recognised in the Group income statement	87	23
Share of profit of Joint Ventures	331	1,770

The material Joint Venture has no significant contingent liabilities to which the Group is exposed and the Group has no significant contingent liabilities in relation to its interest in the material Joint Venture.

Transactions with Bovis Peer LLP and IIH Oak Investors LLP

Bovis Homes Limited is contracted to provide property and letting management services to Bovis Peer LLP. Fees charged in the period, inclusive of VAT, were £157,000 (2015: £153,000). None of these fees are outstanding at 31 December 2016 (2015: nil).

In 2014, Bovis Homes Limited entered into a Joint Venture arrangement with IIH Oak Investors LLP to hold 190 homes under a private rental scheme. As at 31 December 2016, loans of £3,503,504 (2015: £3,667,675) are outstanding with IIH Oak Investors at an interest rate of 6%. Interest charges made in respect of loans were £220,000 (2015: £249,000)

5.6 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.

	Customer care costs	Onerous contracts	Other	Total
As at 1 January 2016	1,206	750	1,616	3,572
Additional provisions made	7,000	-	1,910	8,910
Amounts used	-	(590)	-	(590)
Unused provisions reversed	-	-	(800)	(800)
As at 31 December 2016	8,206	160	2,726	11,092

Of the total provisions detailed above, £10,280,000 are expected to be utilised within the next year (2015: £2,245,000).

Notes to the financial statements continued

5.7 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 benefits 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 and credits are recognised in the periods in which they arise. All actuarial gains and losses are recognised immediately in the Group statement of comprehensive income.

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

Pension cost note

The Company operates a UK registered trust based pension scheme that provides defined benefits. Pension benefits are linked to the members' final pensionable salaries and service at their retirement (or date of leaving if earlier). The Trustees are responsible for running the Scheme in accordance with the Scheme's Trust Deed and Rules, which sets out their powers. The Trustees of the Scheme are required to act in the best interest of the beneficiaries of the Scheme. There is a requirement that one-third of the Trustees are nominated by the members of the Scheme.

There are three categories of pension scheme members:

- Active members: currently employed by the Company
- Deferred members: former employees of the Company
- Pensioner members: in receipt of pension.

The defined benefit obligation is valued by projecting the best estimate of future benefit outgoings (allowing for future salary increases for active members, revaluation to retirement for deferred members and annual pension increases for all members) and then discounting to the balance sheet date. The majority of benefits received increases linked to inflation (subject to various caps). The valuation method is known as the Projected Unit Method. The approximate overall duration of the Scheme's defined benefit obligation as at 31 December 2016 was 18 years.

Risks

Through the Scheme, the Company is exposed to a number of risks:

- Asset volatility: the Scheme's defined benefit obligation is calculated using a discount rate set with reference to corporate bond yields, however the Scheme invests significantly in equities and other growth assets. These assets are expected to outperform corporate bonds in the long term, but provide volatility and risk in the short term.
 - Inflation risk: a significant proportion of the Scheme's defined benefit obligation is linked to inflation, therefore higher inflation will result in a higher defined benefit obligation (subject to the appropriate caps in place). The majority of the Scheme's assets are either unaffected by inflation, or only loosely correlated with inflation, therefore an increase in inflation would also increase the deficit. However, the caps in place limit the potential impact of higher inflation.
- The Trustees and Company manage risks in the Scheme through the following strategies:
- Diversification: investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets.
 - Investment strategy: the Trustees are required to review their investment strategy on a regular basis.
 - Pensionable Salary cap: Pensionable Salary increases are capped at 2.5% pa. Therefore, the impact on the Scheme of the Company granting salary increases above 2.5% is limited.

Retirement benefit obligations

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

	2016	2015
	£000	£000
Present value of funded obligations	125,594	102,160
Fair value of plan scheme assets	(119,004)	(109,277)
Recognised liability/(asset) for defined benefit obligations	6,590	(7,117)

Notes to the financial statements continued

Movements in the net liability/(asset) for defined benefit obligations recognised in the balance sheet

	2016 £000	2015 £000
Net (asset)/liability for defined benefit obligations at 1 January	(7,117)	668
Contributions received	(1,250)	(8,611)
Expense recognised in the income statement	850	1,008
Loss/(gain) recognised in equity	14,107	(182)
Net liability/(asset) for defined benefit obligations at 31 December	6,590	(7,117)

The cumulative loss recognised in equity to date is £21.8 million (2015: 7.7 million).

Change in defined benefit obligation over the year

	2016 £000	2015 £000
Defined benefit obligation at beginning of year	102,160	104,020
Net interest cost	3,837	3,700
Current service cost	828	937
Actual member contributions	133	146
Actual benefit payments by the scheme	(3,375)	(3,610)
Loss/(gain) on change of assumptions	22,011	(3,033)
Defined benefit obligation at end of year	125,594	102,160

Change in scheme assets over the year

	2016 £000	2015 £000
Fair value of scheme assets at beginning of year	109,277	103,352
Interest income	4,109	3,809
Actual benefit payments by the scheme	(3,375)	(3,610)
Actual Group contributions	1,250	8,611
Actual member contributions	133	146
Gain/(loss) on assets	7,904	(2,851)
Administration costs	(294)	(180)
Fair value of scheme assets at end of year	119,004	109,277

The major categories of scheme assets are as follows:

	2016 £000	2015 £000
Return seeking		
Equities	69,603	64,336
Debt Instruments		
Bonds	-	24,330
Gilts	-	9,391
Debt Instruments subtotal	-	33,721
Other		
Property	11,409	10,872
Cash	23,682	348
Liability driven instruments	14,310	-
Total market value of assets	119,004	109,277

During 2016, scheme assets have been invested in cash and liability driven instruments, moving away from bonds and gilts, in order to reduce the interest rate and inflation risk in the scheme whilst replicating the hedging of bond assets.

Notes to the financial statements continued

Sensitivity analysis

Assumption	Change in assumption	Change in defined benefit obligation
Discount rate	+0.5%pa / -0.5%pa	-8% / +10%
RPI inflation	+0.5%pa / -0.5%pa	+3% / -3%
Future salary increases	+0.5%pa / -0.5%pa	0%
Assumed life expectancy	+1 year	+4%

Limitations of the sensitivity analysis

These calculations provide an approximate guide to the sensitivity of results and may not be as accurate as a full valuation carried out on these assumptions. Each assumption change is considered in isolation, which in practice is unlikely to occur, as changes in some of the assumptions are correlated.

Pensionable Salary increases are capped at 2.5% pa, as currently assumed, therefore changing the underlying assumption for future salary increases by +0.5% has no impact on the liabilities

Expense recognised in the income statement

	2016 £000	2015 £000
Current service cost	828	937
Administration expenses	294	180
Interest (credit)	(272)	(109)
Expense recognised in the income statement	850	1,008

Assumptions

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

Group	2016 %	2015 %	2014 %
Discount rate at 31 December	2.6	3.8	3.6
Future salary increases	2.5	2.5	2.5
Inflation - RPI	3.4	3.1	3.1
- CPI	2.4	2.1	2.1
Future pension increases	2.5	2.5	2.5

	2016 £000	2015 £000	2014 £000	2013 £000	2012 £000
Present value of defined benefit obligations	125,594	102,160	104,020	91,456	88,400
Fair value of scheme assets	119,004	109,277	103,352	94,693	85,229
(Deficit)/surplus in the scheme	(6,590)	7,117	(668)	3,237	(3,171)

Notes to the financial statements continued

The most recent formal actuarial valuation was carried out as at 30 June 2016. The results have been updated to 31 December 2016 by a qualified independent actuary. As part of this valuation exercise, the mortality assumptions for the scheme are now based on the CMI 2015 model with an uplift for future improvements in mortality in line with the medium cohort with a minimum improvement of 1.5%. These tables imply the following remaining life expectancy at age 63.

Remaining years of life at 63	Current age at 43	Current age at 63
Men	26.5	24.3
Women	28.8	26.4

The Trustees are required to carry out an actuarial valuation every 3 years. The last actuarial valuation of the Scheme was performed by the Scheme Actuary for the Trustees as at 30 June 2013. This valuation revealed a funding shortfall of £12.8 million. The Company agreed to pay annual contributions of .37% of members' pensionable salaries each year to meet the cost of future service accrual plus £175,000 per annum to cover administration expenses and premiums for death in service lump sums associated with the Scheme.

To remove the deficit in the Scheme as at 30 June 2013, the Company agreed to pay £2.84 million on 1 December 2013 and a further £10.75 million on 1 January 2015. These have been paid.

The Company therefore expects to pay £1.0m to the Scheme during the accounting year beginning 1 January 2017 to meet the cost of future benefit accrual, administration expenses and premiums for death in service lump sums.

The actuarial valuation as at 30 June 2016 is currently underway, the results of which have not yet been finalised. Once the 2016 valuation has been finalised a new Schedule of Contributions will be agreed and the contributions required may be different from those described above. If this is the case, the contributions paid by the Company during the accounting period beginning 1 January 2017 may also be different to those set out above.

5.8 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 year.

Transactions between the Group, Company and key management personnel in the year ending 31 December 2016 were limited to those relating to remuneration, which are disclosed in the director's remuneration report (which can be found on pages 68 to 80 and in note 5.3).

Transactions between the Group, Company and Joint Ventures are in note 5.5.

5.9 Post balance sheet events

On 9 January 2017, David Ritchie, the previous Chief Executive, notified the Group of his intention to leave the Company. David immediately stepped down as Chief Executive of the Group and as a Board Director but will remain with the Group until 28 February 2017 to assist with the process of transition.

The Board appointed Earl Sibley, the Group's Finance Director, as Interim Chief Executive on the same date and have initiated a process to appoint a permanent successor which is expected to take several months.

Five year record

Years ended 31 December	2016 IFRS £m	2015 IFRS £m	2014 IFRS £m	2013 IFRS £m	2012 IFRS £m
Revenue and profit					
Revenue	1,054.8	946.5	809.4	556.0	425.5
Operating profit before financing costs	160.0	163.5	137.6	82.8	56.7
Net financing costs	(5.6)	(5.2)	(4.4)	(4.3)	(3.7)
Share of result of Joint Ventures	0.3	1.8	0.3	0.3	0.2
Profit before tax	154.7	160.1	133.5	78.8	53.2
Tax	(33.9)	(32.1)	(28.3)	(18.7)	(13.0)
Profit after tax	120.8	128.0	105.2	60.1	40.2
Balance sheet					
Equity shareholders' funds	1,015.9	957.8	879.1	810.3	758.8
Net (cash)/debt	(38.6)	(30.0)	(5.2)	18.0	(18.8)
Capital employed	977.3	927.8	873.9	828.3	740.1
Returns					
Operating margin (note 1)	15%	17%	17%	15%	13%
Return on shareholders' funds (note 2)	13%	15%	13%	8%	6%
Return on capital employed (note 3)	17%	18%	16%	11%	8%
Homes (including units sold on third party owned land)					
Number of unit completions	3,977	3,934	3,635	2,813	2,355
Average sales price (£'000)	254.9	231.6	216.6	195.1	170.7
Ordinary shares					
Earnings per share (p) (note 4)	90.1	95.4	78.6	44.9	30.2
Dividends per share					
Paid (p)	41.3	36.7	21.5	10.0	6.5
Interim paid and final proposed (p)	45.0	40.0	35.0	13.5	9.0

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 opening shareholders' funds.

Note 3: Return on capital employed has been calculated as operating profit over the average of opening and closing shareholders' funds plus net debt or less net cash, excluding investment in Joint Ventures.

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 2017 Annual General Meeting of Bovis Homes Group PLC (the "Company") will be held at The Spa Hotel, Mount Ephraim, Royal Tunbridge Wells, Kent TN4 8XJ on Tuesday, 2 May 2017 at 2.00 pm for the following purposes:

Ordinary resolutions

Reports and accounts

- 1 To receive the audited accounts of the Company for the year ended 31 December 2016 and the reports of the directors and auditors.

Remuneration report

- 2 To approve the directors' remuneration report (other than the part containing the directors' remuneration policy referred to in resolution 3 below) in the form set out in the Company's annual report and accounts for the year ended 31 December 2016 in accordance with section 439 of the Companies Act 2006.
- 3 To approve the directors' remuneration policy set out on pages 60 to 67 of the directors' remuneration report, in the form set out in the Company's annual report and accounts for the year ended 31 December 2016, in accordance with section 439A of the Companies Act 2006, to take effect immediately following the Annual General Meeting.

Dividend

- 4 To declare the final dividend recommended by the directors.

Directors

- 5 To re-appoint Ian Paul Tyler as a director of the Company.
- 6 To re-appoint Alastair David Lyons as a director of the Company.
- 7 To re-appoint Margaret Christine Browne as a director of the Company.
- 8 To re-appoint Ralph Graham Findlay as a director of the Company.
- 9 To re-appoint Nigel Keen as a director of the Company.
- 10 To re-appoint Earl Sibley as a director of the Company.

Auditors

- 11 To re-appoint PricewaterhouseCoopers LLP as auditors of the Company.
- 12 To authorise the directors to determine the remuneration of the auditors.

Save As You Earn Scheme

- 13 That the renewal of the Bovis Homes Group PLC Save As You Earn Share Option Scheme ("the SAYE Scheme"), the main features of which are described in item 13 in the explanatory notes to this Notice and the rules of which are produced to the Meeting and initialled by the Chairman for the purpose of identification, be and is hereby approved and that the directors be and are hereby authorised to do all acts and things which they may consider necessary and expedient to do to carry the same into effect.

Authority to allot shares

- 14 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 £22,397,969; and
 - (b) comprising equity securities (as defined in the 2006 Act) up to an aggregate nominal amount of £44,795,939 (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 2018 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.

Notice of meeting continued

Special resolutions

Notice of general meetings

15 That a general meeting other than an Annual General Meeting may be called on not less than 14 clear days' notice.

Authority to disapply pre-emption rights

16 That if resolution 14 is passed, and in place of all existing powers, the directors be generally empowered pursuant to section 570 and 573 of the Companies Act 2006 (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 of the 2006 Act did not apply to any such allotment or sale, 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 2018 or fifteen months from the date of this resolution, whichever is the earlier, but, in each case 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 14(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 14(a), to the allotment of equity securities for cash otherwise than pursuant to paragraph (b) up to an aggregate nominal amount of £3,363,058.

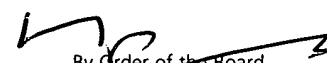
This power applies in relation to a sale of shares which is an allotment of equity securities by virtue of section 560(3) of the 2006 Act as if in the first paragraph of this resolution the words 'under the authority given by that resolution' were omitted.

Authority to purchase own shares

17 That the Company be and is hereby granted general and unconditional authority, for the purposes of section 701 of the Companies Act 2006 (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 13,452,234 ordinary shares and shall expire at the conclusion of the next Annual General Meeting of the Company in 2018 (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 (exclusive of expenses) 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) 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) (Commission Delegated Regulation (EU) 2016/1052); and
- (iii) the minimum price (exclusive of expenses) which may be paid for an ordinary share shall be 50 pence.

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
Group Company Secretary
20 March 2017

Notice of meeting continued

Notes:

- (i) Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 and section 360B(2) of the 2006 Act, the Company gives notice that only holders of ordinary shares entered on the register of members no later than 8.00pm on 27 April 2017 (or, in the event of any adjournment, on the date which is 48 hours (excluding non-working days) 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 that 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 proxy form 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 proxy form 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.investorcentre.co.uk/eproxy) (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 (excluding non-working days) 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 through his proxy or proxies. Voting on all substantive resolutions will be by a poll. When announcing the results of the poll voting, 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 both 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 (excluding non-working days) 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.
- (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 1 March 2017 (being the last practicable date prior to the publication of this Notice) the Company's issued share capital consists of 134,522,340 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 1 March 2017 are 134,522,340.

Notice of meeting continued

- (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) Under sections 338 and 338A of the Companies Act 2006, members meeting the threshold requirements in those sections have the right to require the Company: (a) to give, to members of the Company entitled to receive notice of the meeting, notice of a resolution which may properly be moved and is intended to be moved at the meeting; and/or (b) to include in the business to be dealt with at the meeting any matter (other than a proposed resolution) which may be properly included in the business unless (i) (in the case of a resolution only) it would, if passed, be ineffective, (ii) it is defamatory of any person, or (iii) it is frivolous or vexatious. Such a request may be in hard copy form or in electronic form, must identify the resolution of which notice is to be given or the matter to be included in the business, must be authorised by the person or persons making it, must be received by the Company not later than 20 March 2017, being the date six clear weeks before the meeting, and (in the case of a matter to be included on the business only) must be accompanied by a statement setting out the grounds for the request.
- (xiii) Any member attending the meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if: (i) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information; (ii) the answer has already been given on a website in the form of an answer to a question; or (iii) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
- (xiv) 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 2016 and the proxy form) to communicate with the Company for any purposes other than those expressly stated.
- (xv) 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.
- (xvi) 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 1.30pm 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;
 - (c) the register of directors' interests; and
 - (d) a copy of the Save As You Earn Share Option Scheme rules together with a comparison document showing the changes proposed to be made to the rules pursuant to Resolution 13.
- (xvii) The results of the voting at the Annual General Meeting will be announced through a Regulatory Information Service and will appear on the Company's website, www.bovishomesgroup.co.uk, as soon as reasonably practicable following the conclusion of the Annual General Meeting.
- (xviii) 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: Reports and accounts

The directors are required to present to shareholders at the Annual General Meeting the report of the directors, the strategic report and the accounts of the Company for the year ended 31 December 2016. The report of the directors, the strategic report, 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 Company's annual report and accounts for the year ended 31 December 2016 (the "2016 Annual Report and Accounts").

Items 2 and 3: Directors' annual remuneration report and remuneration policy

Under section 439 of the 2006 Act, the directors are required to present the directors' remuneration report (other than the part containing the directors' remuneration policy) prepared in accordance with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended), for the approval of shareholders by way of an advisory vote. The directors' remuneration report, the relevant pages of which can be found on pages 68 to 80 of the 2016 Annual Report and Accounts, gives details of the directors' remuneration for the year ended 31 December 2016 and sets out the way in which the Company will implement its policy on directors' remuneration during 2017. The Company's auditors, PricewaterhouseCoopers, have audited those parts of the directors' remuneration report capable of being audited and their report may be found on pages 94 to 100 of the 2016 Annual Report and Accounts.

Under section 439A of the 2006 Act the directors are required to present the directors' remuneration policy, prepared in accordance with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended), for the approval of shareholders by way of a binding vote. The directors' remuneration policy, which may be found on pages 60 to 67 of the 2016 Annual Report and Accounts, sets out the Company's proposed policy on directors' remuneration. A copy of the directors' remuneration policy, which was approved at the 2014 Annual General Meeting, is available on the website at www.bovishomesgroup.co.uk or in hard copy on request from the Group Company Secretary.

The vote on the directors' remuneration report is advisory in nature in that payments made or promised to directors will not have to be repaid, reduced or withheld in the event that this resolution is not passed. In contrast, the vote on the directors' remuneration policy is binding in nature in that the Company may not make a remuneration payment or payment for loss of office to a person who is, is to be, or has been a director of the Company unless that payment is consistent with the approved directors' remuneration policy, or has otherwise been approved by a resolution of members. If resolution 3 is passed, the directors' remuneration policy will take effect immediately following the Annual General Meeting. A remuneration policy will be put to shareholders again no later than three years from the date of the Annual General Meeting. If resolution 2 in respect of the directors' remuneration report is not passed, the policy will be presented to shareholders for approval at the next Annual General Meeting.

Item 4: Final dividend

Subject to the declaration of the final dividend at the meeting, the dividend will be paid on 19 May 2017 to shareholders on the register at the close of business on 24 March 2017.

Items 5 to 10: 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 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 Company's Articles of Association require that any director appointed by the Board shall hold office only until the first annual general meeting for which notice is first given after their appointment. Accordingly, Nigel Keen will offer himself for re-appointment on this basis.

The Code contains provisions dealing with the re-appointment of non-executive directors. In relation to the re-appointment of Alastair Lyons, Chris Browne, Ralph Findlay and Nigel Keen as non-executive directors, the Chairman has confirmed following the formal performance evaluation conducted during early 2017 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, with a particular focus on mortgage lending and insurance industries. Chris Browne provides a strong commercial and general management background in a consumer facing industry. Ralph Findlay adds strong commercial, financial and general management expertise, again from a consumer facing industry. Nigel Keen brings an in-depth construction and property background and experience of managing property strategy and portfolios, once again from a consumer facing industry. Ian Tyler, non-executive Chairman, has considerable construction industry knowledge and international business experience.

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

Biographical details of all the directors can be found on pages 48 to 49 of the 2016 Annual Report and Accounts.

Items 11 and 12: appointment of auditors and auditors' remuneration

The auditors of a company must be appointed at each general meeting at which accounts are presented. Resolution 11 proposes the re-appointment of the Company's existing auditors, PricewaterhouseCoopers LLP, as the Company's auditors, for a further year. PricewaterhouseCoopers LLP were first appointed at the 2015 AGM. Resolution 12 gives authority to the directors to determine the auditors' remuneration.

Item 13: Renewal of the Bovis Homes Group PLC Save As You Earn Share Option Scheme

Overview

The SAYE Option Scheme was approved by HMRC on 13 July 2007 and by the Company's shareholders on 11 May 2007 for a period of ten years. Shareholder approval is now being sought to continue operating the SAYE Option Scheme for a further ten years. The SAYE Option Scheme enables the Company to grant tax-favoured options over shares in the Company to U.K. resident employees.

Eligibility

All of the Group's employees and full-time directors who are U.K. resident taxpayers are eligible to participate.

The Board of the Company may require employees to have completed a qualifying period of employment of up to five years before they are eligible to participate in the SAYE Option Scheme. The board may allow other employees to participate.

Grant of Options

Options can only be granted to employees who enter into an approved savings contract with a designated bank or building society, under which monthly savings are made as deductions from pay. The participant must select the date on which his or her savings will be repaid to him or her (the maturity date) which may be three or five years after the start of the contract.

Explanatory notes to the notice of meeting continued

Invitations to participate in the SAYE Option Scheme may be issued only during the period of 42 days commencing on any of the following: the announcement of results for any financial period; any changes to the legislation affecting savings-related share option schemes being announced, made or coming into effect; or a resolution by the directors of the Company that exceptional circumstances have arisen which justify the grant of options.

Individual Limits

A participant's aggregate monthly savings under all savings contracts entered into in connection with the SAYE Option Scheme must not exceed the statutory maximum (currently £500).

The number of shares over which an option is granted will be such that the total exercise price payable will correspond to the proceeds on maturity of the related savings contract (i.e., the total savings plus accrued interest (if any)).

Exercise Price

The price per share payable upon the exercise of an option must not be less than 80% of the share's market value. The market value will be the share's middle market quotation as derived from the Daily Official List of the London Stock Exchange on the dealing day immediately before the invitation date or, if the board so determines, averaged over the three dealing days immediately prior to the invitation date. If the option relates to new issue shares, the exercise price must not be less than the nominal value of a share.

Exercise of Options

Options will normally only be exercisable during the six-month period following the maturity date of the relevant savings contract. Earlier exercise is permitted if the participant leaves employment in certain specified circumstances, otherwise options will lapse on the cessation of employment.

Options granted under the SAYE Scheme are not subject to performance conditions.

Leaving Employment

Options will lapse on cessation of employment with the group unless the participant ceases employment for a specified reason. The participant may exercise options within six months of ceasing employment by reason of injury or disability, redundancy, retirement, a "relevant transfer" within the meaning of the Transfer of Undertakings (Protection of Employment) Regulations 2006, the sale of the business or subsidiary company in which the participant is employed or, if the option has been held for at least three years, ceasing employment for any other reason except gross misconduct. The personal representatives of a participant who dies may exercise his or her options within 12 months of the date of his or her death or, if he or she dies within six months from the maturity of the relevant savings contract, within 12 months from that maturity.

Corporate Events

In the event of a change of control of the Company as a result of a general takeover offer or a compulsory acquisition, or if a court approves a compromise or scheme of arrangement of the Company, or if there is a winding up, options will become exercisable within limited specified periods of such events.

The Company will notify participants of the relevant corporate event so as to enable them to exercise their options or take other action. Alternatively, participants may be offered equivalent new options over shares in a new holding company in exchange for their existing options.

Time Limit for Grants of Options

Options may not be granted more than ten years after the date the Company's shareholders renew approval for the SAYE Scheme.

Satisfaction of Options

Options may be satisfied by the issue of new shares, a transfer of treasury shares or the transfer of existing shares.

Variation of Capital

In the event of any variation in our share capital (including a rights issue or any sub-division or consolidation of the share capital), the number and/or description of shares under option may be adjusted as considered appropriate by the board.

Overall Plan Limits

The Company may not grant options under the SAYE Option Scheme or any other share plans adopted by the Company or any other company under its control if such grant would cause the aggregate number of shares issued or issuable pursuant to options granted in the preceding ten years under those plans to exceed 10% of the Company's issued ordinary share capital at the proposed date of grant.

The satisfaction of options with treasury shares will be treated as an issue of shares for the purposes of the above limits for so long as U.K. institutional shareholder guidelines recommend this. If options are to be satisfied by a transfer of existing shares, the percentage limits stated above will not apply.

Other Features of Options

Options are not transferable, except on death. Options are not pensionable. Options will lapse if a participant is declared bankrupt.

Rights Attaching to Shares

Any shares allotted when an option is exercised will rank pari passu with shares then in issue (except for rights arising by reference to a Record Date prior to their allotment). For so long as the shares are admitted to listing by the U.K. Listing Authority and admitted to trading by the London Stock Exchange, application will be made for any newly issued shares to be admitted to such listing and trading.

Alterations to the SAYE Option Scheme

The board may amend the SAYE Option Scheme in any respect, provided that the prior approval of shareholders is obtained for any amendment to the advantage of participants to the following provisions: the individuals who may participate in the plan, the limits on the number of shares available under the plan, the maximum entitlement of participants, the basis for determining a participant's entitlement, the terms of shares to be provided under the plan and the adjustment of options on a variation of the Company's share capital.

The requirement to obtain the prior approval of shareholders will not, however, apply to any minor amendment made to benefit the administration of the SAYE Scheme, to take account of a change in legislation or to obtain or maintain favorable tax, exchange control or regulatory treatment for eligible employees, participants or for any company in the group.

Amendments that would adversely affect the interests of existing option-holders, or affect the tax-favoured status of the plan, are subject to specified limitations.

Explanatory notes to the notice of meeting continued

Item 14: 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 £22,397,969 and also gives the Board authority to allot, in addition to these shares, further of the Company's shares up to an aggregate nominal amount of £44,795,939 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 Investment Association. 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 £22,397,969 represents less than 33.3% of the Company's total ordinary share capital in issue as at 1 March 2017 (being the latest practicable date prior to publication of this Notice). The amount of £44,795,939 represents less than 66.6% of the Company's total ordinary share capital in issue as at 1 March 2017 (being the latest practicable date prior to publication of this Notice). The Company did not hold any shares in treasury as at 1 March 2017.

The Board has no present intention to exercise this authority other than in connection with employee share schemes. 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.

Item 15: Notice of general meetings

This resolution is required as a result of the implementation in 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 15 seeks such approval. The approval will be effective until the Company's next Annual General Meeting, where 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 the ability to call a general meeting on 14 clear days' notice would only be utilised in limited circumstances and where the shorter notice period will be to the advantage of shareholders as a whole.

Item 16: Disapplication of pre-emption rights

Resolution 16 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 equity securities for cash up to an aggregate nominal value of £3,363,058 which represents approximately 5% of the Company's total ordinary share capital in issue as at 1 March 2017 (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 16 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 17: 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 13,452,234 of its own shares, representing approximately 10% of the Company's total ordinary share capital in issue as at 1 March 2017 (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 rules and Investment Association 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 2018.

As at 1 March 2017 there were options over 593,545 ordinary shares in the capital of the Company which represent 0.44% 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 0.49% 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 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	23 March 2017
Annual General Meeting	2 May 2017
Payment of 2016 final dividend	19 May 2017
Announcement of 2017 interim results	14 August 2017
Announcement of 2017 final results	February 2018

Analysis of shareholdings - at 31 December 2016

	Number of shareholders	%	Number of ordinary shares	%
1 - 5,000	1,996	79.49	1,908,336	1.42
5,001 - 50,000	298	11.87	5,110,563	3.80
50,001 - 250,000	121	4.82	14,339,874	10.66
250,001 - 500,000	40	1.59	13,802,130	10.26
500,001 - 1,000,000	24	0.96	16,216,915	12.06
1,000,001 - and over	32	1.27	83,144,522	61.81
Total	2,511	100.0	134,522,340	100.0

Share price (middle market) - year to 31 December 2016

	At end of year: 820p	Lowest: 627p	Highest: 1024p
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Advisers

Auditors PricewaterhouseCoopers LLP	Principal bankers Abbey National Treasury Services PLC	Joint stockbrokers Jefferies Hoare Govett 68 Upper Thames Street London EC4V 3BJ	Insurance brokers Arthur J Gallagher
Financial advisers Moelis & Company	Barclays Bank PLC	Numis Securities Limited The London Stock Exchange Building 10 Paternoster Square London EC4M 7LT	Registrars Computershare Investor Services PLC The Pavilions Bridgwater Road Bristol BS99 6ZZ
Solicitors Freshfields Bruckhaus Deringer LLP	Handelsbanken Capital Markets, Svenska Handelsbanken AB HSBC Bank plc Lloyds Bank PLC 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: 0370 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 0370 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.

Dividend Reinvestment Plan (DRIP)

The DRIP gives shareholders the opportunity to reinvest their dividends to buy ordinary shares in the Company through a special dealing arrangement. For further information please contact the Bovis Homes Shareholder Helpline: 0370 889 3236.

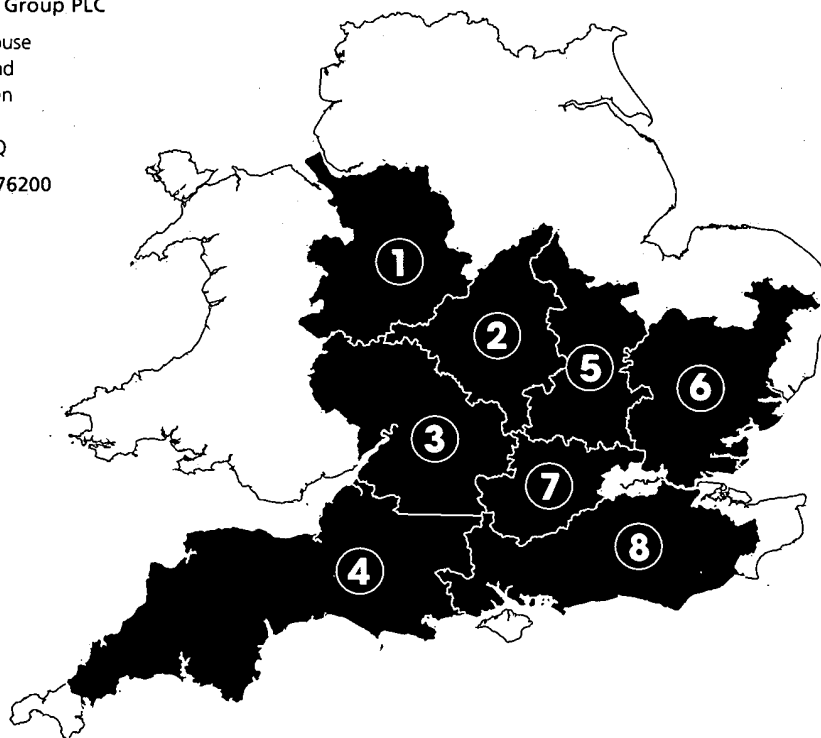
Electronic communications

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.

Principal offices

Bovis Homes Group PLC

The Manor House
North Ash Road
New Ash Green
Longfield
Kent DA3 8HQ
Tel: (01474) 876200



West division

1 Mercia region

Dunston Hall
Dunston
Stafford
ST18 9AB

Tel: (01785) 788300

2 West Midlands region

Bromwich Court
Highway Point
Gorsey Lane
Coleshill
Birmingham B46 1JU

Tel: (01675) 437000

3 Western region

Cleeve Hall
Cheltenham Road
Bishops Cleeve
Cheltenham
Gloucestershire GL52 8GD

Tel: (01242) 662400

4 South West region

Heron Road
Sowton Industrial Estate
Exeter
EX2 7LL

Tel: (01392) 344700

East division

5 Northern Home Counties region

The Pinnacle
170 Midsummer Boulevard
Milton Keynes
MK9 1BP

Tel: (01675) 437000

6 Eastern region

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

Tel: (01474) 876200

7 Thames Valley region

550 Oracle Parkway
Thames Valley Park
Reading
Berkshire RG6 1PT

Tel: (01189) 253206

8 Southern region

The Manor House
North Ash Road
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Longfield
Kent DA3 8HQ

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

Designed and produced by the Bovis Homes Graphic
Design Department. Printed by Tewkesbury Printing Company
Limited accredited with ISO 14001 Environmental Certification.
Printed using bio inks formulated from sustainable raw materials.

Printed on Cocoon 50:50 silk a recycled paper containing 50%
recycled waste and 50% virgin fibre and manufactured at a mill
certified with ISO 14001 environmental management standard.
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