FINANCIAL REVIEW

"The Group delivered a robust performance in challenging and uncertain market conditions, demonstrating the resilience of the Partnerships model."

TIM LAWLOR
Chief Financial Officer

Basis of preparation of the financial review
The Combination with Countryside completed in November 2022 and therefore the comparative profit and loss and cash flow information for 2022 only included the results of Countryside for the seven weeks between 11 November and 31 December 2022. To aid comparability, some proforma financial information is included in this financial review which includes Countryside data from 1 January 2022 to 31 December 2022.

GROUP PERFORMANCE

£m	2023	2022	Change
Revenue[1]	4,042.1	3,115.1	+30%
Operating profit[1]	487.9	451.1	+8%
Operating margin[1]	12.1%	14.5%	-2.4ppts
Profit before tax[1]	419.1	418.4	-
Earnings per share (EPS) (pence per share)[1]	88.2p	137.5p	-36%
Net (debt)/cash	(88.8)	118.2	n/a
Average capital employed	2,285.5	1,803.2	+27%
Return on capital employed (ROCE)	21.3%	25.0%	-3.7ppts
Revenue – reported	3,564.2	2,771.3	+29%
Operating profit – reported	311.8	212.5	+47%
Profit before tax – reported	304.8	247.5	+23%
EPS (pence per share) – reported	64.6p	86.5p	-25%

1 Figures are shown on an adjusted basis. See Alternative Performance Measures section on page 30 for further details.

The Group delivered a strong performance relative to the sector in challenging and uncertain market conditions. The Combination with Countryside in November 2022 has given the Group greater scale and is delivering substantial operational and financial synergies. We are making good progress with our strategy of focusing our enlarged operations fully on our high growth, capital light Partnerships model. This gives us strong visibility of future revenue and enables us to deliver new homes at greater scale and pace. The Group is now operating as one Partnerships business with six operating divisions and 26 regional businesses.

Adjusted revenue for the year increased 30% to £4,042.1m (2022: £3,115.1m) and reported revenue increased 29% to £3,564.2m (2022: £2,771.3m), reflecting a full year of results for the enlarged Group. On a proforma basis, adjusted revenue decreased 9% and the number of completed homes delivered (including joint ventures) decreased 5% to 16,118 (2022 proforma: 17,038). In the context of the challenging market conditions, this represented a significant outperformance compared to our peers, demonstrating the resilience of the Partnerships model.

Demand from our partners for affordable and PRS homes was strong. A highlight was that in the fourth quarter we agreed a substantial sale to our longstanding partners Sage Homes and Leaf Living, for over 2,800 homes on plots located across c. 70 developments from our former Housebuilding land bank. Delivery of these new homes commenced in 2023, with the final homes expected to be completed by the end of 2025.

The increase in Partner Funded sales was, however, more than offset by reduced demand for Open Market homes, which remained suppressed throughout the year due to the higher interest rate environment and inflationary cost pressures on household incomes.

Twigworth Green, Twigworth

As a result of this, and in line with our new strategy, the proportion of units derived from Partner Funded sales increased to 67% (2022: 46%).

Our average selling price decreased by 4% to £276k (2022 proforma: £289k). Sales prices are lower for Partner Funded sales than for comparable Open Market sales as partners are buying multiple homes and providing the capital during the build. Where Partner Funded sales have been secured on sites that were transitioned from the former Housebuilding business to the Partnerships model there was a corresponding reduction in future full life margins. The increased proportion of Partner Funded homes led to an overall reduction in the average selling price, however this was partially offset by a 14% year on year increase in the average selling price of Partner Funded homes to £222k (2022 proforma: £194k). This was due to a shift in the mix of Partner Funded homes towards PRS and shared ownership homes which tend to be larger or higher value than some other tenures. The average selling price of Open Market homes increased by 2% to £390k (2022 proforma: £381k).

The Group proactively managed its cost base with key supply partners and agreed cost reductions for existing and future contracts during the second half of the year. This reflected the benefits to the Group of its increased scale and higher visibility on forward sales. During 2023, the Group achieved synergy savings from the Combination of c. £50m, ahead of the £25m targeted for 2023 at the time of the acquisition, as the integration progressed at a faster pace. Our expectations for future annualised savings as a result of the Combination remain unchanged at £60m.

The Group's adjusted operating profit for the year was £487.9m (2022: £451.1m), with reported operating profit of £311.8m (2022: £212.5m). Adjusted operating margin decreased 2.4ppts to 12.1% (2022: 14.5%). With the strategic shift towards the Partnerships model, full-year margins were revised downwards where there was a commitment to an increase in the proportion of presold, discounted homes on a site.

We expect the adjusted operating margin to reduce further in 2024 reflecting a full year under the new business model.

After adjusted net finance costs of £68.8m (2022: £32.7m), adjusted profit before tax was £419.1m (2022: £418.4m), slightly ahead of guidance. On a reported basis, profit before tax was £304.8m (2022: £247.5m). The effective tax rate increased to 26.7% (2022: 17.4%) due to the rise in the statutory corporation tax rate from 19% to 25% effective from April 2023 and the full-year effect of the Residential Property Developer Tax of 4%, which was introduced from April 2022. On a reported basis, the tax charge increased to £81.4m (2022: £43.2m), resulting in profit after tax of £223.4m (2022: £204.3m).

Adjusted earnings per share decreased by 36% to 88.2p. This was primarily due to an increase in the weighted average number of shares for the year following the issue of 127.4 million shares as part-consideration for the Combination in November 2022.

As at 31 December 2023, net debt was £88.8m (2022: net cash £118.2m), a net outflow of £207.0m, with average month-end net debt for the year of £459.4m (2022: average month-end net debt £110.0m). Whilst adjusted operating profit increased 8%, average capital employed increased 27%, resulting in a 3.7ppts reduction in ROCE to 21.3%. The increase in capital employed of £279.5m related principally to additional investment in work in progress, further detail on which is provided later in this review.

In December 2023, the Group commenced a share buyback programme to repurchase up to £55m of ordinary shares, representing the interim shareholder distribution for 2023. By 31 December the Group had purchased 636,254 shares at a total cost of £5.3m. Of the ordinary shares purchased, 250,000 are held as treasury shares and the remaining shares have been cancelled. The buyback programme continued during January and February 2024 and was completed on 23 February 2024.

In line with the Group's capital allocation policy the Board is announcing a further ordinary share buyback programme of up to £100m which is expected to commence in April. This buyback is an ordinary distribution to shareholders and will be in lieu of a final dividend payment.

EXCEPTIONAL ITEMS

The Group incurred exceptional costs totalling £65.6m during the year (2022: £153.8m).

Integration costs of £16.7m were incurred during the year, primarily relating to the integration of the enlarged business and further restructuring. The integration progressed well and is now largely complete.

The transition to the Partnerships model which commenced during the second half of the year has enabled the Group to simplify and delayer its organisational structure further, reducing the number of regional business units from 32 to 26. Whilst restructuring costs of £29.6m were incurred in 2023, principally in relation to the one-off costs of reducing headcount and office closures, the changes made are expected to deliver operational and financial synergies in excess of £15m in 2024 with the full annualised run rate of c. £25m to be achieved in 2025. This is in addition to the ongoing synergies expected from the Combination.

The Group recognised an exceptional cost of £19.3m in relation to fire safety, principally due to the impact of the new second staircase regulations, as reported in the half-year results. Further detail on this is provided later in this review.

£m	2023	2022
Countryside Combination	(16.7)	(56.8)
Restructuring	(29.6)	-
Fire safety	(19.3)	(97.0)
Total exceptional items	**(65.6)**	**(153.8)**

ADJUSTED NET FINANCE COST

The adjusted net finance cost of the Group increased by £36.1m during 2023. Within this, net bank interest payable increased by £27.1m due to higher borrowings against the revolving credit facility combined with higher variable interest rates. As noted earlier in this review, average month-end net debt in 2023 was £459.4m compared to £110.0m in 2022. The weighted average rate payable on the Group's debt increased from 4.0% in 2022 to 6.5% in 2023.

Other finance costs and net JV interest were higher as 2023 included a full year's charge on the additional land creditors, leases and joint ventures arising from the Combination.

£m	2023	2022	Change
Net bank interest	(41.3)	(14.9)	
Issue cost amortisation	(2.1)	(1.4)	
Net bank interest payable	**(43.4)**	**(16.3)**	**-27.1**
Unwind of discount on land creditors	(11.5)	(7.1)	
Interest on finance leases	(5.5)	(1.4)	
Net interest on defined benefit pension schemes	1.7	0.8	
Other finance costs	**(15.3)**	**(7.7)**	**-7.6**
Interest receivable from JVs	15.1	12.6	
Share of JV interest payable	(25.2)	(21.3)	
Interest income	**(10.1)**	**(8.7)**	**-1.4**
Total adjusted net finance costs	**(68.8)**	**(32.7)**	**-36.1**

TAXATION

The adjusted effective tax rate was 27.2% (2022: 22.4%). The adjusted effective tax rate comprises nine months of the higher Corporation Tax rate of 25% (2022: 19%) and approximately 4% of Residential Property Developer Tax (RPDT). RPDT was introduced in April 2022 as a specific tax on the home building industry, intended to raise at least £2bn from the industry over a ten-year period.

The Group's adjusted effective tax rate for 2024 is expected to be in the region of 29% comprising Corporation Tax at a rate of 25% and RPDT of 4%.

On a reported basis, the Group recognised a tax charge of £81.4m at an effective tax rate of 26.7% (2022: £43.2m, effective rate of 17.4%). The reported tax rate is marginally lower than the adjusted rate due to the presentation of tax on joint ventures and prior period adjustments.

NET ASSETS

£m	2023	2022	Change
Work in progress	1,219.0	1,016.4	
Land	1,881.7	1,821.7	
Land creditors	(662.2)	(667.4)	
Net investment in inventories	**2,438.5**	**2,170.7**	**+267.8**
Investments in joint ventures	562.7	552.4	
Other assets	732.6	653.4	
Other liabilities	(1,308.6)	(1,230.8)	
Capital employed	**2,425.2**	**2,145.7**	**+279.5**
Fire safety provision	(289.0)	(309.2)	
Retirement benefit asset	34.2	34.3	
Tangible net assets	**2,170.4**	**1,870.8**	**+299.6**
Goodwill	827.6	804.7	
Intangible assets	409.3	456.0	
Net (debt)/cash	(88.8)	118.2	
Net assets	**3,318.5**	**3,249.7**	**+68.8**

CAPITAL EMPLOYED

Capital employed increased by 13% to £2,425.2m compared to the prior year end (2022: £2,145.7m), the majority of which related to work in progress. This increase was driven by a slower recovery in the sales rates for Open Market homes in the second half of 2023. Additionally, to support delivery of new homes in 2024, we have invested in some of our large mixed tenure sites, including upfront infrastructure works.

During the year, the Group remained active in the land market, acquiring 13,067 new plots. Whilst the total number of plots in the land bank reduced slightly, the average cost per plot increased by 4%. Further details on the land bank are provided later in this review.

As anticipated, the migration of the former Housebuilding land bank to the Partnerships model contributed to a reduction in capital employed in the second half of the year. The Group has initiated a capital efficiency programme which will pursue a number of initiatives to accelerate further reduction of capital employed from across our portfolio in 2024.

FIRE SAFETY PROVISION

The Group is committed to playing its part in delivering a lasting industry solution to fire safety and on 13 March 2023 signed the Department for Levelling Up, Housing and Communities' Developer Remediation Contract. The Group's fire safety provision at the beginning of the year was £309.2m.

During the year, the UK Government confirmed its commitment to mandating a requirement for second staircases in high-rise residential schemes, lowering the proposed threshold from 30 metres to 18 metres, following a period of consultation. As a result, an additional provision of £12.3m was recognised for the additional costs to be incurred on sites we are committed to. It was also necessary to impair inventory on the impacted sites by £6.2m and with a net £0.8m charge for the impact of inflation and discount assumptions, the total exceptional charge for the year was £19.3m.

The Group spent £33.3m (after recoveries of £11.7m) during the year, continuing to make good progress with the remediation works. Of the 327 buildings identified, work has been completed on 90, works are ongoing on 32 sites and we are engaged in the remediation process with a further 196 buildings. This remediation work is managed by our dedicated team.

The closing provision as at 31 December 2023 was £289.0m. We remain confident this will cover the cost of fire safety works in accordance with the Group's obligations.

£m	2023
Opening	**309.2**
Addition for second staircase requirements	12.3
Utilised in the year	(33.3)
Net impact of inflation and discounting	0.8
Closing	**289.0**

RETIREMENT BENEFIT ASSET

The Group has three defined benefit pension schemes which are managed and administered by separate trustees on behalf of the scheme members. All of the schemes are closed to future accrual. The Group's retirement benefit asset was £34.2m (2022: £34.3m), representing the surplus of the scheme assets of £267.2m less liabilities to pay future pensions calculated on an IAS 19 basis of £233.0m. Under the rules of each scheme the Group will be entitled to any surplus remaining once the last members exit.

The most recent actuarial valuations of the schemes were undertaken as at 30 June 2022 and showed a combined technical funding surplus of £14.7m. The Group has agreed the principles of a plan to prepare the schemes for a buy-out, whereby a third party insurer would take on the liabilities to pay future pensions.

GOODWILL

Goodwill increased by £22.9m to £827.6m (2022: £804.7m) as the acquisition accounting in relation to the Combination was finalised in the first half, with no further revisions in the second half. Under the acquisition accounting rules, there is up to 12 months from the date of acquisition to complete the fair valuation exercise. The fair values were amended to reflect the impact of new information that became available in the year. The increase to goodwill primarily arose due to a full write-down of inventory at one particular site which has now been deemed unviable. This was due to a significant increase in cost estimates which were underestimated at the time of the Combination. The corrected cost to complete would have resulted in a net cash outflow to complete the site as well as a significant capital lock-up, and this site would therefore not be progressed by a market participant.

CASH FLOW, NET DEBT AND FINANCING

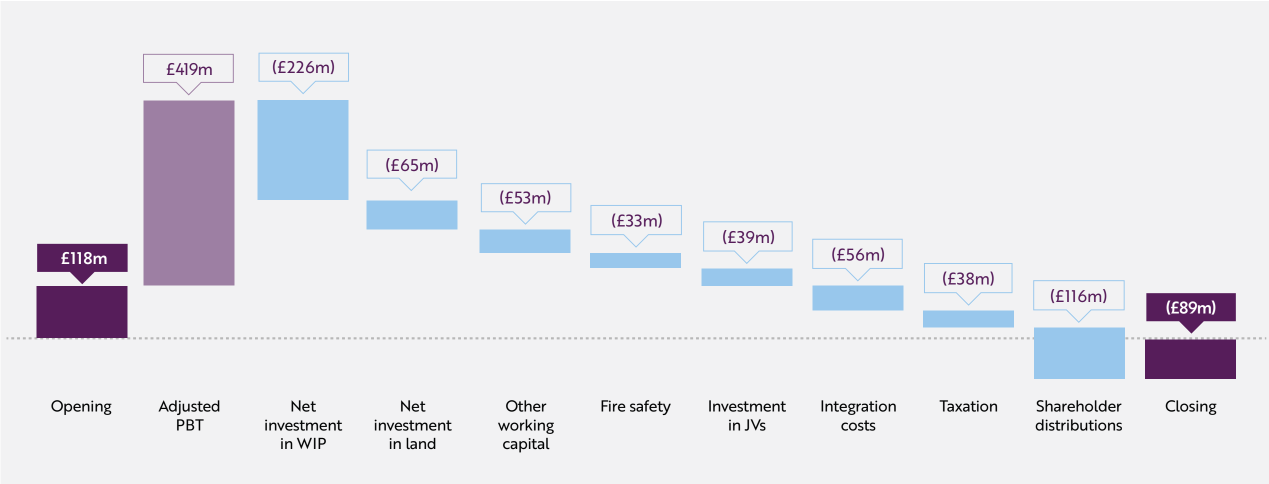
Having delivered £419.1m of adjusted profit before tax, the Group invested £226.1m in work in progress and £65.2m in land as described earlier in this review.

The increase in other working capital was principally due to higher volumes of Partner Funded sales activity in December 2023 compared to December 2022, leading to increased trade receivables.

The additional investment in joint ventures was redominantly due to an increase in the number of active joint ventures. Under our Partnerships model joint ventures are an important source for securing land, and we would expect a net investment over the short-term.

Further detail is provided earlier in this review on the exceptional items related to the integration of Countryside and restructuring of £56.1m and fire safety spend of £33.3m.

After tax-related outflow of £37.7m and shareholder distributions of £115.7m, the total outflow for the year was £207.0m. The Group's closing net debt was £88.8m (2022: net cash £118.2m).



The total available facilities as at 31 December 2023 were £1,015.7m (2022: £1,065.7m), against which the Group had drawn £507.1m (2022: £558.6m). These facilities are used to fund intra-period working capital movements and land investments with average month-end net debt for the full-year of £459.4m (2022: £110.0m).

During the year we successfully concluded the process with our lenders to extend the £400m term loan facility for a further 18 months, with the loan now maturing in September 2026.

A £50m bilateral term loan matured and was repaid during the year.

£m	Available facility	Facility maturity	Margin	2023	2022
Revolving credit facility	500.0	2026	SONIA + 1.6-2.5 ppts	-	-
Term loan	400.0	2026	SONIA + 1.9-3.1 ppts	(400.0)	(400.0)
USPP loan	100.0	2027	4.03 ppts	(104.6)	(105.6)
Prepaid facility fee	n/a	n/a		4.2	4.3
Bilateral term loan	n/a	2023		-	(50.0)
Homes England development loan	10.7	2029	ECRR + 1.2-2.2 ppts	(6.7)	(7.3)
Overdraft facility	5.0	2025	BoE Base + 1.5 ppts	-	-
Total borrowings	**1,015.7**			**(507.1)**	**(558.6)**
Cash				418.3	676.8
Net (debt)/cash				**(88.8)**	**118.2**

SHAREHOLDER DISTRIBUTIONS AND CAPITAL ALLOCATION POLICY

The Group reviewed its capital allocation policy during the year, which included extensive consultation with major shareholders. The key considerations were the need for investment to ensure sustainable growth, capital commitments (including fire safety remediation), the seasonal and uneven nature of the Group's typical cash profile, the existing capital structure, changes in the shareholder base and the investment case for potential investors.

The Board recognises the importance of capital distributions to shareholders and intends to sustain a two times adjusted earnings ordinary distribution cover in respect of a full financial year, with ordinary distributions being made through either incremental share buybacks or dividends, the method being determined by the Board considering all relevant factors at the time. In total, the Group is targeting £1bn of shareholder distributions, including both ordinary distributions on earnings through to and including 2026 and special distributions, alongside the elimination of net debt.

An interim ordinary distribution in the form of a share buyback of up to £55m was announced in September 2023. The buyback commenced in December 2023 and was completed in February 2024. In line with the Group's capital allocation policy the Board is announcing a further ordinary share buyback programme of up to £100m which is expected to commence in April. This buyback is an ordinary distribution to shareholders and will be in lieu of a final dividend payment.. The Board will continue to monitor the progress of capital release during the year and will consider additional buybacks in the context of the cash position and investment opportunities.

Cash generation	• Partnerships model yields strong underlying cash conversion • Cash inflows to be supplemented by multi-unit presale of Housebuilding land bank • Cash commitments including fire safety and RPDT expected to reduce in medium term
Maintain strong balance sheet	• Return to year end net cash position in 2024 • Eliminate average debt position in medium term • Retain bank facility to deal with seasonal variations and investment flexibility
Investment in sustainable growth	• Ensure Partnerships land bank replenished to maintain growth • Continued use of deferred payments for land • Joint venture arrangements remain an efficient model for large schemes
Ordinary returns to shareholders	• Maintain 2x earnings cover for ordinary distributions • Interim and final distributions announced with results, expected to be approx. 1/3:2/3 • Method of distribution to be determined by Board based on prevailing conditions
Special returns to shareholders	• Excess capital expected to be created by large land bank deals • Returns to be in the form of special dividend or buybacks • Method of distribution to be determined by Board based on prevailing conditions

FORWARD ORDER BOOK

The forward order book as at 31 December increased 12% to £4,466m (2022: £3,973m). This was primarily driven by the increase in deals secured with partners in line with our new strategy. Open Market sales reservations were higher at the end of 2022 due to some delayed completions at that time.

£m	2023	2022
Open Market	298	610
Partner Funded	4,168	3,363
Total	**4,466**	**3,973**

LAND BANK

The land bank represents four to five years of supply based on future completion volumes. The Group has continued to invest in its land bank to support its growth strategy, adding a total of 13,067 plots in 2023, including 2,343 from strategic land. After deducting plots utilised in the year, the total land bank reduced by 1,329 plots.

	2023	2022
Owned	55,707	56,061
- of which JV owned (100%)	*14,935*	*15,810*
Controlled	20,727	21,702
- of which JV controlled (100%)	*10,268*	*10,412*
Total plots in land bank	**76,434**	**77,763**

STRATEGIC LAND

Strategic land refers to land which does not yet have planning consent and which the Group is or will progress through planning and promotional processes before development. Once planning consent has been obtained, the land becomes consented. Strategic land continues to be an important source of supply and a further 7,360 plots were secured during the year.

The net increase was 4,704 after 2,343 plots were transferred to the land bank. Strategic land remains well positioned to deliver high quality developments in the near to medium term with good progress on a number of significant projects.

As at 31 December 2023	Total sites	Total plots
0 – 150 plots	60	4,769
150 – 300 plots	54	11,078
300 – 500 plots	34	11,849
500 – 1,000 plots	18	11,537
1,000+ plots	19	31,547
Total	**185**	**70,780**
Planning agreed	15	5,533
Planning application	30	9,430
Ongoing application	140	55,817
Total	**185**	**70,780**
As at 31 December 2022	169	66,076

RISKS AND UNCERTAINTIES

The Group is subject to a number of risks and uncertainties as part of its activities as described in Risk Management on page 60 and Our Principal Risks on page 62. The Board regularly considers these and seeks to ensure that appropriate processes are in place to manage, monitor and mitigate these risks.

Risks relating to sustainability are becoming increasingly important in the medium term, especially with the emerging transitional risks which are becoming enshrined in regulation.

TIM LAWLOR
Chief Financial Officer

14 March 2024

PROVIDING CLARITY TO THE USERS OF THE ANNUAL REPORT

ALTERNATIVE PERFORMANCE MEASURES

In addition to the IFRS (reported) measures disclosed throughout the Annual Report, the Group uses certain non-IFRS alternative performance (adjusted) measures to assess the operational performance of the Group. The Group presents certain adjusted measures in order to better reflect the contribution of the joint venture investments to the Group's performance and to enable the reader to identify a more consistent basis for comparing the Group's operational performance between financial years. They also reflect an important aspect of the way in which operating targets are defined and performance is monitored by management.

ALTERNATIVE PERFORMANCE MEASURE:	CALCULATED AS:
Adjusted revenue	Statutory revenue plus the Group's share of joint ventures' revenue.
Adjusted operating profit	Statutory operating profit excluding exceptional expenses and amortisation of acquired intangible assets plus the Group's share of joint ventures' operating profit.
Adjusted operating margin	Adjusted operating profit divided by adjusted revenue.
Adjusted net financing expenses	Statutory net financing expenses excluding exceptional expenses plus the Group's share of joint ventures' net financing expenses.
Adjusted profit before tax	Statutory profit before tax excluding exceptional items, amortisation of acquired intangible assets and the Group's share of joint ventures' tax.
Adjusted income tax expense and adjusted effective tax rate (ETR)	Statutory income tax expense excluding the tax effect of exceptional expenses and amortisation of acquired intangible assets, tax on joint ventures included in profit before tax and the adjustments in respect of prior periods, divided by adjusted profit before tax.
Adjusted basic earnings per share (EPS)	Calculated as adjusted profit before tax less adjusted income tax expense, divided by the weighted average number of ordinary shares for the year.
Net (debt)/cash	Cash and cash equivalents less total borrowings.
Capital employed	Statutory net assets less goodwill, intangible assets, net (debt)/cash, retirement benefit asset and fire safety provision.
Tangible net asset value (TNAV)	TNAV is calculated as statutory net assets less goodwill, intangible assets and net (debt)/cash.
Return on capital employed (ROCE)	ROCE is calculated as adjusted operating profit divided by average capital employed.

Reconciliation of adjusted measures to reported measures (where appropriate):

ADJUSTED REVENUE, OPERATING PROFIT, NET FINANCING EXPENSES AND PROFIT BEFORE TAX:

	2023				2022			
	Revenue £m	Operating profit £m	Net financing expenses £m	Profit before tax £m	Revenue £m	Operating profit £m	Net financing expense £m	Profit before tax £m
Reported measures	**3,564.2**	**311.8**	**(63.0)**	**304.8**	**2,771.3**	**212.5**	**(12.2)**	**247.5**
Adjusting items:								
Share of joint ventures[1]	477.9	83.6	(25.2)	2.4	343.8	68.5	(21.3)	-
Exceptional expenses[2]	-	46.2	19.4	65.6	-	153.0	0.8	153.8
Amortisation of acquired intangible assets[3]	-	46.3	-	46.3	-	17.1	-	17.1
Total adjusting items	477.9	176.1	(5.8)	114.3	343.8	238.6	(20.5)	170.9
Adjusted measures	**4,042.1**	**487.9**	**(68.8)**	**419.1**	**3,115.1**	**451.1**	**(32.7)**	**418.4**

ADJUSTED INCOME TAX EXPENSE:

	2023 £m	2022 £m
Statutory income tax expense	**81.4**	**43.2**
Tax effect of exceptional expenses	18.0	27.0
Tax effect of amortisation of acquired intangible assets	10.9	3.7
Tax on joint ventures included in profit before tax	2.4	-
Adjustments in respect of prior periods and other items	1.1	19.9
Adjusted income tax expense	**113.8**	**93.8**

ADJUSTED BASIC EARNINGS PER SHARE (EPS):

	2023	2022
Adjusted profit before tax (£m)	**419.1**	**418.4**
Adjusted income tax expense (£m)	(113.8)	(93.8)
Adjusted earnings (£m)	**305.3**	**324.6**
Weighted average number of ordinary shares (m)	346.0	236.2
Adjusted basic earnings per share (p)	**88.2**	**137.5**

TANGIBLE NET ASSET VALUE (TNAV) AND CAPITAL EMPLOYED

TNAV measures the intrinsic value of the tangible assets held by the Group to shareholders. Capital employed is a key input for determining ROCE and represents the capital used to generate adjusted operating profit.

	2023 £m	2022 £m
Net assets	3,318.5	3,249.7
Goodwill	(827.6)	(804.7)
Intangible assets	(409.3)	(456.0)
Net (debt)/ cash	88.8	(118.2)
Tangible net assets	**2,170.4**	**1,870.8**
Retirement benefit asset	(34.2)	(34.3)
Fire safety provision*	289.0	309.2
Capital employed	**2,425.2**	**2,145.7**
Opening capital employed	2,145.7	1,460.7
Closing capital employed	2,425.2	2,145.7
Average capital employed	2,285.5	1,803.2**

* The comparative capital employed has been restated to exclude the Group's fire safety provision.

**Average of opening and closing capital employed for the year, adjusted for the pro-rated average capital employed by Countryside during the post-acquisition period.

RETURN ON CAPITAL EMPLOYED (ROCE)

This measures the profitability and efficiency of capital being used by the Group and is calculated as adjusted operating profit (as defined and calculated above) divided by the average capital employed (as defined and calculated above).

	2023	2022
Adjusted operating profit (£m)	487.9	451.1
Average capital employed (£m)	2,285.5	1,803.2
ROCE (%)	**21.3**	**25.0^**

^ The comparative ROCE has been restated to exclude the Group's fire safety provision from average capital employed to align with adjusted operating profit, which excludes expenses relating to fire safety.

1. The Group undertakes a significant portion of its activities through joint ventures with its partners. In accordance with IFRS, the Group's statement of profit and loss and other comprehensive income includes its share of the post-tax results of joint ventures within a single line item. The Directors believe that showing the Group's share of revenue, operating profit and net financing expenses from joint ventures within the respective adjusted measures better reflects the full scale of the Group's operations and performance.
2. Exceptional costs are those which the Directors consider to be material by size and irregular in nature. The adjusted measures exclude these items in order to more clearly show the underlying business performance of the Group.
3. The amortisation charge relates to intangible assets which arose on the acquisitions of Linden Homes and Partnerships from Galliford Try PLC and of Countryside Partnerships PLC.The charge is non-cash and was set at the time of the acquisition. The Directors consider that this needs to be adjusted in the adjusted measure to show the underlying business performance of the Group more clearly.

ALTERNATIVE PERFORMANCE MEASURES *continued*

FORWARD ORDER BOOK

The Group's forward order book comprises the unexecuted element on contracts that have been secured including those which are reported within its joint ventures. The Directors believe that showing the Group's share of joint venture orders better reflects the full scale of the Group's pipeline. Additionally, reservations made on Open Market sales have been included given they are a commitment made by a customer against a specific plot.

	2023 £m	2022 £m
Transaction price allocated to unsatisfied performance obligations on contract	3,722.9	3,118.0
Add: Share of forward orders included within the Group's joint ventures	558.2	498.0
Add: Open market reservations	185.0	356.6
Forward order book	**4,466.1**	**3,972.6**

OTHER KEY DEFINITIONS AND TERMS

The following table includes definitions of key terms used throughout the Annual Report and Accounts which haven't been defined elsewhere.

TERMS	DEFINITION
Completions	The number of homes sold in the financial year, including our share of joint venture completions. For private homes, this is the number of legal completions during the year. For affordable and PRS homes, this represents the equivalent number of units sold, based on the proportion of work completed under a contract during the year.
Land bank	The total number of plots expected to be deliverable on land owned or controlled by the Group (including in joint ventures) which has planning consent.
Strategic land	The total number of plots expected to be deliverable on land owned or controlled by the Group (including in joint ventures) without planning consent.
Forward order book	The Group's share of future revenue that will be derived from signed contracts, letters of intent or open market sales reservations including the Group's share of joint ventures' forward order book.
HBF score	The Home Builders Federation (HBF) undertakes customer satisfaction surveys. Survey forms are sent to customers at both 8 weeks and 9 months after they complete the purchase of their new home. The score measures the percentage of respondents answering 'yes' to the key question "Would you recommend your builder to a friend?". To achieve a 5-star rating, an average score of 90% or more is required on the 8-week surveys.
Reportable Items (RIs)	The average number of all RIs received within the period across all inspections carried out on sites registered with the National House Building Council (NHBC). An RI is any contravention of the NHBC technical standards or building regulations recorded at any key build stage or frequency visit. Our target is a score of 0.26 or less.
Construction Quality Review (CQR)	An independent, site-based review undertaken by NHBC of the quality of construction. The CQR score is the average score received within the period across all reviews carried out on sites registered with the NHBC. Our target is a score of 4.0 or greater.
Employee satisfaction score	The Vistry Group employee survey, run by Workday Peakon Employee Voice, covers a number of different topics, including various drivers, all of which contribute towards the overall sense of engagement amongst our teams. Surveys are run twice per year, with employees scoring their responses on a scale of 0-10. The Group targets an average score of 7.0 or above.
Voluntary turnover	The number of employees who resigned from the organisation as a percentage of the average total number of employees in the year.

OTHER KEY DEFINITIONS AND TERMS *continued*

TERMS	DEFINITION
Accident Incidence rate (AIR)	The number of reportable accidents divided by the average number of people on site x 100,000.
Service Strike Incident Rate (SSIR)	The number of reportable accidents divided by the average number of people on site x 100,000.
Scope 1 Greenhouse Gas (GHG) Emissions	Scope 1 emissions include natural gas, fuels utilised for transportation operations, such as company vehicle fleets, and grey fleet and are measured in tCO2e.
Scope 2 Greenhouse Gas (GHG) Emissions	Scope 2 emissions include location based purchased electricity and are measured in tCO2e.
Scope 3 Greenhouse Gas (GHG) Emissions	Scope 3 emissions include category 6 business travel and are measured in tC02e.
Net zero	Net zero is when any remaining GHG emissions are neutralised through carbon removals.
Affordable home completions	Affordable homes include social rent, affordable rent, intermediate rent, private rented sector, right to shared ownership, right to buy, rent to buy, shared ownership, first home/discounted market sale.


South Oxhey, Podium Gardens