27 February 2020

Vistry Group

Further operational progress, 12% increase in profits
Integration of Vistry Group progressing very well

Vistry Group PLC (the 'Group') is today issuing its full year results for the 12 months ended 31 December 2019.

Full year highlights

- Increase to 5-star HBF customer satisfaction rating(1)
- Another record year of profits with profit before tax pre exceptional items increasing by 12% to £188.2m, ahead of market consensus(2)
- Sustained step up in sales rate to 0.58 per outlet per week, 16% up on the prior year
- Controlled and disciplined period end with completions up 3% to 3,867 units
- Operating margin progression to 17.0% despite continued backdrop of market uncertainty
- Strong land acquisition including valuable strategic land conversion
- 300 basis points increase in ROCE to 22.3%
- Further £60m returned to shareholders through bonus share issue in Jan 2020
- Total ordinary dividend payable for 2019 increased to 61.5 pence per share

	FY19	FY18	Change
Total completions(3)	3,867	3,759	+2.9%
Average selling price	£280.2k	£273.2k	+2.6%
Group revenue	£1,130.8m	£1,061.4m	+6.5%
Operating margin(4)	17.0%	16.4%	+60 bps
Profit before tax(5)	£188.2m	£168.1m	+12.0%
Earnings per share(5)	111.5p	101.6p	+9.7%
Net cash	£362.0m(6)	£126.8m	+185.5%
Return on capital employed(7)	22.3%	19.3%	+300bps

Notes: (1) Q3 2019 12 months rolling data score of 90.5% and recent results suggest we can anticipate achieving a 5-star rating for the Group when the full year results are published in late March 2020. (2) Bloomberg consensus pre-exceptional profit before tax for Vistry Group for 12 months ended 31 December 2019 of £181.0m as at 25 February 2020. (3) Includes 58 joint venture completions. (4) Pre-Exceptional costs of £12.8m relating to the Acquisition. (5) Pre exceptional costs of £13.5m relating to the Acquisition. (6) Net cash includes net proceeds of £150m from placing of new ordinary shares to raise funds for the acquisition of Linden Homes and Galliford Try's Partnerships & Regeneration business ("the Placing"). (7) Return on capital employed is calculated as operating profit pre exceptional items divided by the average of opening and closing shareholders' funds less net cash, excluding investments in joint ventures.

Vistry Group

- Transformational acquisition of Linden Homes and Vistry Partnerships ("the Acquisition") completed on 3 January 2020
- Excellent progress to date with integration of the three businesses under the new corporate name Vistry Group
- On track to deliver clear and significant benefits from this market leading combination including pre-tax cost synergies of at least £35m p.a. by the end of FY21
- Housebuilding focused on successful integration and deleveraging in 2020
- Targeting controlled volume growth, maximising opportunities from dual branding, and margin progression thereafter
- Vistry Partnerships to accelerate revenue growth through step-up in land led, higher margin development; targeting 6,000 units p.a. and an operating margin in excess of 10%

Greg Fitzgerald, Chief Executive commented,
"For the last three years, Bovis Homes has focused on putting the customer back at the centre of everything we do. As a result, and thanks to the hard work of our people, I am delighted we have achieved a 5-star HBF customer satisfaction rating. We have also made further operational progress in the year across all business areas resulting in another year of record profits.

"It is from this position of strength that we completed the transformational acquisition of Linden Homes and Vistry Partnerships to create one of the UK's leading homebuilders. We are making excellent progress with integration, and I am confident we will deliver the clear and significant benefits from this exciting combination."

Current trading and outlook
- Strong start to the year with increased levels of consumer demand seen across all operating regions
- Underling average sales rate per site per week up 15% with some positive momentum on underlying pricing
- Good opportunities in the land market across both sectors

Housebuilding
- Strong forward sales position with 48% of consensus housebuilding revenues for FY20 secured
- Business firmly focused on successful integration in 2020 and maximising benefits from the combination

Partnerships
- Vistry Partnerships will continue to pursue its growth plans for 2020, being less impacted by the integration process
- Strategy of significantly increasing development revenues will be reflected in a step-up of land acquisition and strategic land opportunities
- Entered into a £95m development with Citizen Housing Group to deliver 360 new homes at Lea Castle, Kidderminster and a contract with Red Door Ventures Limited, a newly formed subsidiary of Newham Council, to deliver £63m scheme including 182 residential units
- Strong forward order book with an increase in mixed-tenure forward sales to £244m (FY19: £159m) and contracting order book totalling £890m (FY19: £960m), with 88% of FY20 orders secured

There will be a meeting for analysts and investors at 8:15am today at Numis, The London Stock Exchange Building, 10 Paternoster Square, London, EC4M 7LT. The presentation will be audiocast live on the Vistry Group corporate website, www.vistrygroup.co.uk from 8:30am. A playback facility will be available shortly after the presentation has finished.

Certain statements in this press release are forward looking statements. Forward looking statements involve evaluating a number of risks, uncertainties or assumptions that could cause actual results to differ materially from those expressed or implied by those statements. Forward looking statements regarding pasttrends, results or activities should not be taken as representation that such trends, results or activities will continue in the future. Undue reliance should not be placed on forward looking statements.

For further information please contact:
Vistry Group PLC
Earl Sibley, Chief Financial Officer 01732 280272
Susie Bell, Head of Investor Relations

Powerscourt
Justin Griffiths, Nick Dibden, Victoria Heslop 020 7250 1446

Chief Executive's report

2019 in review

The Group has made further significant operational progress in 2019 resulting in another year of record profits, with group profit before exceptional items and tax up 12.0% to £188.2m.

Building high quality new homes and providing our customers with excellent service remains our key priority, and I am delighted this is reflected in an increase in our HBF customer satisfaction rating to 5-star; a very significant step up from our 2-star rating in 2017. In addition, 2019 saw the roll out of Bovis Homes' new Phoenix Housing Collection which incorporates more modern, open plan designs and has received very positive customer feedback.

With heightened uncertainty surrounding Brexit and the general election in December, we saw downward pressure on house prices in the second half of 2019. This was partially mitigated through a combination of the Group's own build cost saving initiatives and a lack of cost inflation. As a result, we are pleased to have delivered further operating margin progression, reporting an increase of 60 basis points to 17.0%, pre-exceptional items.

On 10 September 2019 we announced the potential combination between Bovis Homes and Galliford Try's Linden Homes and Partnerships & Regeneration businesses. Following detailed due diligence, the Acquisition exchanged on 7 November when the Group also successfully raised net proceeds of c. £150m through a share placing to help fund the acquisition.

Completion of the Acquisition on 3 January 2020, has firmly positioned the enlarged Group as one of the UK's top housebuilders and established it as a leader in the highly attractive, high growth partnerships sector. Our priority for 2020 is to successfully integrate the housebuilding businesses and ensure we maximise the very significant benefits we are confident can be delivered from this exciting new combination.

Operational update

Strong sales performance

The Group saw a significant and sustained step up in its sales rate in 2019 to an average sales rate per outlet per week of 0.58 (2018: 0.50), an increase of 16%. Achieved against a backdrop of market uncertainty for much of the year, this uplift reflects the Group's significantly improved customer offering and build procedures.

Help to Buy remains an important scheme and 23% (2018: 27%) of total completions utilised the scheme in the year. We continue to use part exchange in a controlled manner with 7% (2018: 6%) of total completions utilising this in the period.

The Group completed a total of 3,867 (2018: 3,759) new homes in 2019 including 58 (2018: nil) joint venture completions, a 3% increase on the prior year. Private homes totalled 2,678 (2018: 2,567) units with 1,189 (2018: 1,192) affordable housing units, representing 31% (2018: 32%) of total completions.

Customer service
Customer service remains central to everything we do, and we are delighted this is reflected in our HBF customer satisfaction score being above 90% for Q3 2019, equivalent to a 5-star rating.

In 2019 we implemented our customer relationship management system, 'Keys', across our Sales and Care teams. This provides us with a single transparent view of each customer's journey, from reservation through the warranty period, delivering us greater insight and information. It also empowers our customers with self-reporting functionality, giving them greater control of the process and access to report any issues.

Following direct feedback from our Home Buyers Panel, we launched our first 'Unwrapped Home' at Embrook Place in Wokingham this year. Here customers can see the different phases of construction of their home, including the methods and materials used in the structure, plumbing and electrics.

We were very pleased to have received the Ministry of Defence's Gold Award in their Employer Recognition Scheme. The Group first signed the Armed Forces Covenant in 2016 and has since worked to ensure that past and present members of the Forces along with their families receive outstanding support, from mentoring placements and trainee programmes, to assisting military personnel looking to get on the property ladder. We are proud to be the only dedicated housebuilder to have achieved Gold Award status.

High build quality
Delivering high quality new homes is a key priority and we have seen very significant progress in this area over the past couple of years. The Bovis Homes site teams have been a key area of focus, and we have invested in recruiting, developing and retaining a high-quality workforce on site. As a result, we have benefitted from an improved subcontractor base, with whom we have established strong partnerships. We continue to strengthen these relationships as highlighted by the improving scores from the bi-annual feedback surveys we facilitate.

We are delighted that in 2019, six of our site managers were awarded NHBC Pride in the Job Quality awards and that our NHBC Construction Quality Review for 2019 highlighted a 26% improvement in our Group score over the past two years.

Phoenix housing range
We launched the new Bovis Homes housing range, the Phoenix Collection, in 2018 and successfully replanned the Group's owned land bank during 2018 and 2019 with the new house types where appropriate. The modern design and open plan living meet today's customer needs, while the design and specification allow the Group to drive efficiency and cost reduction.

The first 'Phoenix' home was completed in June 2019, with a total of 358 completions from the range during the year, representing 14% of private completions. We currently have 1,040 units under construction using the new range and expect c. 1,400 of private completions in 2020 to be Phoenix house types.

People
People satisfaction remains a key priority and, in the year, we continued to invest in the development, training and well-being of our workforce including our subcontractors. Through our dedicated Learning and Development team we delivered more than 4,500 delegate training days in 2019, including our trainee assistant site manager programme and leadership training.

With the ever-increasing awareness and prevalence of mental health issues in the construction industry, one of our key focal points this year has been the roll-out of mental health first aid. The Group has also pledged its support for the Lighthouse Construction Industry Charity campaign which aims to tackle mental health issues across the wider construction industry. The campaign will deliver vital support including, the provision of a confidential 24/7 industry helpline, and retraining for workers who have been injured or who have suffered from an illness that means they cannot return to their normal work.

We are pleased to report our employee engagement level, as measured by our monthly employee engagement survey, has remained at a high level and ahead of the survey benchmark.

Investment in systems and processes
During the year we continued to invest in our systems and processes to drive efficiency and best practice across all business areas. We have implemented the Keys system along with a new document management solution across the whole business to support employees on site and in the office as well as our customers. In addition, we have furthered our implementation of the COINS software system with further functionality across sales, land, build and commercial.

Land acquisition
The Group continued to acquire high quality land opportunities in the year with a total of 4,531 (2018: 4,164) plots added to the owned land bank, with the land acquired expected to deliver at least a gross margin of 26% and ROCE of 25%. Strategic land remains a valuable source of land for the Group and we converted 2,146 (2018: 1,958) plots from our strategic land bank during the year including 831 plots at Comeytrowe, Taunton, and 783 plots at Cambourne near Cambridge.

Partnerships
Excellent progress was made with the Group's Partnerships business, launched in early 2019. We entered into a total of eight land led partnerships with housing associations in 2019 including the joint venture of our development at Stanton Cross, Wellingborough with Riverside, joint operations at Alphington and Comeytrowe with LiveWest, and a joint venture with Metropolitan Thames Valley at Cambourne.

Vistry Group
Vistry Group was formed on 3 January 2020 following the acquisition of Linden Homes and the Partnerships & Regeneration businesses of Galliford Try plc for an agreed price of £1.075 billion. The acquisition presented an excellent and unique opportunity for Bovis Homes to acquire both a top UK housebuilder in Linden Homes, and one of the leaders in the highly attractive, high growth partnerships business.

Top five national housebuilder
The acquisition has firmly positioned Vistry Group as one of the UK's top five housebuilders with the capacity to deliver up to 14,000 new units p.a. With an enhanced national customer proposition and coverage, the Group can compete more effectively against the other major players in the UK private and affordable housebuilding sector. It has a high-quality land bank, with a total of 40,135 plots including joint ventures, and a valuable pipeline of strategic land totalling 31,965 plots.

Market leading in Partnerships Housing
The Group announced the launch of its own Partnerships business in early 2019, identifying partnerships housing as a key sustainable growth area with more resilient earnings across the cycle and therefore reducing the Group's risk profile.

Vistry Partnerships is one of the leading and most established operators in this area and, with a very strong record of growth, is a partner of choice for housing associations, local authorities and government agencies. There remains a fundamental housing shortage in the UK, and government commitment to increasing housing supply is strong, with a significant increase in investment from housing associations in particular. A key strength of the Vistry Partnership business model is the ability to develop across all housing tenures through both contracting and development-led partnerships.

Synergies

As previously stated, we expect to deliver a run-rate of pre-tax cost synergies of at least £35m p.a. by the end of 2021 as a result of combining the businesses.

Of this, at least £20m p.a. is expected to come from a reduction in operating costs though the streamlining of the regional and operational models. Within housebuilding, we have streamlined the regional operations moving from 17 regional business units to 13, and we expect a c. 8% reduction in headcount across the business including central services.

At least £15m of synergies is to be achieved from procurement savings and the optimisation of specification across our three housing ranges: The Phoenix Collection, The Linden Collection and Partnerships housing. We are making good progress with this, and on renegotiating our supply contracts for the enlarged Group.

It is expected that c. £12m of this benefit will be achieved in 2020, with the recurring run-rate of at least £35m p.a. achieved by the end of 2021.

Group strategic priorities

The Group's strategic priorities remain investing in our people, ensuring we retain high levels of customer satisfaction, ensuring a healthy and safe working environment, and delivering enhanced returns to our shareholders.

We will continue to invest in the development and training of our people to ensure a committed, motivated and engaged workforce. We are firmly focused on increasing the supply of much needed new homes of all tenures across England and delivering high quality new homes and a high level of customer service that meets the expectations of our customers throughout their entire journey with Vistry Group. Ensuring the health and safety of our people is unequivocally at the core of our business. Alongside these priorities, driving enhanced returns for our shareholders through increased profitability, return on capital and total shareholder returns is our goal.

Housebuilding strategy

The housebuilding business of the Group operates with two leading brands, Bovis Homes and Linden Homes. The business has national scale and coverage with 13 operating regions, down from 17 on completion of the acquisition. Hands on management remains key and each regional office is located within easy reach of its developments. Our housebuilding business has an expanded geographic reach across England including operations in the attractive Yorkshire area, and a strengthened position in core areas in the south including along the South Coast.

The business strategy is to maximise output through controlled volume growth in the medium term while maintaining high quality delivery. Each of the 13 operating regions has the capacity to deliver c. 550 - 625 new housing units p.a., giving the housebuilding business the potential to grow and deliver more than 8,000 units p.a. The housebuilding business is divided into a North and South structure, led by a highly experienced management team combined from both Bovis Homes and Linden Homes.

Longer term, potential future geographic expansion for housebuilding could be supported by Vistry Partnerships' greater geographic reach.

Maximising the opportunities from being a dual branded housebuilder through ensuring we provide our customers a breadth of product choice to best meet their needs is a priority. Each brand will retain its own housing range, the Phoenix Collection for Bovis Homes and the Linden Collection, with the ranges currently being reviewed and refined. We already have both our brands successfully selling alongside each other on eight of our sites and see significant further opportunity. With two brands, we are more competitive in the land market. We have a greater appetite for larger sites where we can promote both brands, increasing overall production, demand and sales rates, and driving higher returns on capital employed.

Vistry Partnerships – strategy

The Vistry Partnerships business holds a strong and unique position within the partnerships market, combining contracting and development expertise on a national scale, supported by two leading housebuilding brands.

The strategy is to accelerate the revenue growth from the business' 10 operating regions through increasing output from the existing infrastructure and expansion into new geographies. The Group is targeting an increase in units (including equivalent units) to 6,000 p.a. and revenues of at least £1 billion. This growth is to be driven by an increase in higher margin development revenues to 50% of total partnerships revenues, whilst maintaining relatively stable contracting revenues.

The Group's land supply and strategic land capability will support the growth of higher margin development revenues. Bovis Homes' Partnerships business, launched in 2019, made very good progress in this area during the year, with eight of the Group's larger developments being put into partnership arrangements with housing associations. Three of these developments have now been transferred to Vistry Partnerships.

Development revenues typically generate an operating margin of between 14% to 18% as compared to a low single digit operating margin for contracting revenues. With this change in mix, Vistry Partnerships is targeting a significant step-up in profitability to an operating margin of at least 10%.

Operational priorities - integration

Our clear focus for 2020 is the successful integration of the businesses to ensure we maximise the significant benefits to be realised from the combination. The integration process is well under way and much progress has been made to date.

Our housebuilding business has been reorganised with the regional operating areas defined and Managing Directors for each business unit confirmed. The Phoenix Collection and Linden Collection housing ranges are being reviewed and refined, and the centralising of, and negotiations on procurement are progressing well.

On operating systems, the health and safety systems are aligned, and the COINS construction software is to be harmonised across housebuilding in the first half of this year and implemented within Vistry Partnerships in the coming year.

Land
The Group has a high-quality owned land bank with strong fundamentals and excellent forward visibility. On housebuilding all of our land for 2020 has detailed planning consent and 91% of our land for 2021 is secured. All of our land for Vistry Partnerships for 2020 is secured and 87% for 2021.

We are very active in the land market and continue to see good opportunities. In housebuilding we have acquired 1,489 plots across 5 sites in the year to date and looking ahead we expect to acquire land in line with our target of maintaining a 3.5 to 4.0 years land bank. On average we are targeting slightly smaller units to maximise demand and output which we expect to result in a reduced average selling price in the land bank in the medium term.

For Vistry Partnerships, we expect to increase our land supply in-line with our strategy of increasing our land-led development revenues.

With our dual branded housing business and growth strategy for partnership development revenues, the Group has an increased appetite for larger sites and higher margin strategic opportunities.

Balance sheet
We have a robust balance sheet following completion of the acquisition with £600m of committed banking facilities, and £100m of private placement notes transferred from Galliford Try. We will continue to acquire land utilising land creditors where good deferred terms are available.

We expect the business to deleverage over the next two years with gearing including land creditors targeted to decrease below 30% by December 2020 and continue to decline in 2021.

We expect to maintain a housebuild land bank of between 3.5 and 4.0 years and to increase Partnerships' landbank in-line with our growth strategy, including investment in strategic land. We will optimise our work in progress, notably utilising our dual branding capability to drive capital efficiency on larger sites. Part exchange will continue to be utilised on a controlled basis with a focus on holding no stock properties beyond three months.

Dividends
The Group's dividend policy has been, and will continue to be, to maintain a robust and efficient balance sheet and to deliver sustainable dividends to shareholders.

In September 2017, the Group announced its intention to return surplus capital resulting from its balance sheet optimisation initiatives totalling £180m to shareholders in the three years to 2020, with the first £60m paid as a special dividend to shareholders in November 2018.

The expected special dividend for 2019 was returned to shareholders by way of a £60m bonus issue to shareholders on 2 January 2020. Reflecting the Group's new strategy following the acquisition, there will be no further special dividend payments in relation to the £180m capital return initiative.

Instead of paying the Bovis Homes 2019 final dividend, a second interim cash dividend of 41 pence per share will be paid on 29 May 2020 to shareholders on the register as at 27 December 2019. Including the first interim dividend of 20.5 pence per share, this brings the total ordinary dividend for 2019 to 61.5 (2018: 57.0) pence per share.

The Group expects to maximise sustainable dividends to shareholders with an ordinary dividend cover of 2 times initially, moving towards a dividend cover of 1.75 times following a period of integration and deleveraging. The Group will also consider the general economic circumstances, with regards to the cyclicality of the industry.

Current trading and outlook
We are pleased to report a strong start to the year with increased levels of consumer demand seen across all our operating regions in the first seven weeks.

For housebuilding in the first seven weeks, the underling average sales rate per site per week is up 15%, and we have seen some positive momentum on underlying pricing.

In 2020, we are firmly focused on successfully integrating the housebuilding businesses, delivering the significant benefits from the combination as quickly as possible, and best positioning the business to deliver controlled volume growth in the medium term. As such we are not forecasting any volume increase for this business area in 2020. We have a strong forward sales position with 48% of consensus housebuilding revenues for FY20 secured.

Vistry Partnerships will continue to pursue its growth plans for 2020, being less impacted by the integration process. Its strategy of significantly increasing higher margin development revenues, will be reflected in a step-up of land acquisition and strategic land opportunities for the Partnerships business.

This year, Vistry Partnerships has entered into a £95m development with housing association, Citizen Housing Group, for the delivery of 360 new homes at the former hospital site, Lea Castle, Kidderminster. The homes for sale will be from both the Bovis Homes and Linden Homes housing ranges.

In London, Vistry Partnerships has contracted with Red Door Ventures Limited, a newly formed subsidiary of Newham Council to deliver homes for rent in Plaistow. The £63m scheme will provide 182 residential units and associated commercial units and will extend the Group's track record in delivering homes for the build to rent and private rented sectors.

Vistry Partnerships has a strong forward sold position with mixed tenure forward sales totalling £244m (FY19: £159m) of which £162m (FY19: £81m) is for private units. On contracting, the order book stands at £890m (FY19: £960m), with 88% of the FY20 order book secured. In addition, over £1.5bn (FY19: £1.4bn) is at preferred bidder status or land acquisition stage.

Financial Review

Trading Performance

In line with our strategy, the Group delivered controlled volume growth during 2019 resulting in a 3% increase in legal completions[1] to 3,867 (2018: 3,759). This included 1,184 affordable homes representing 31% of total completions (2018: 32%). Total revenue was £1,130.8m, an increase of 7% on the previous year (2018: £1,061.4m).

Volume	**FY 2019**	**FY 2018**
Private legal completions	2,625	2,567
Affordable legal completions	1,184	1,192
Total legal completions	**3,809**	**3,759**
JV legal completions	58	-
Total legal completions including JVs	**3,867**	**3,759**

Revenue (£m)		
Private legal completions	897.0	866.1
Affordable legal completions	170.4	160.7
Revenue from legal completions	**1,067.4**	**1,026.8**
Partnership land transactions revenue	42.4	-
Other revenue	14.1	20.4
Total development revenue	**1,124.0**	**1,047.2**
Land sales revenue	6.8	14.2
Total revenue	**1,130.8**	**1,061.4**

Housing revenue was £1,067.4m, 4% ahead of the prior year (2018: £1,026.8m). The average sales price for our private homes increased 1% to £341,700 (2018: £337,400) with our overall average sales price increasing 2% to £280,200 (2018: £273,200).

Other revenue was £14.1m (2018: £20.4) primarily driven by the release of deferred revenue from disposals within our PRS joint ventures. The disposals from our PRS joint ventures are largely complete as at the end of 2019.

Partnership land transactions revenue of £42.4m was generated from six land sales in the period with housing associations, where the Group will develop the sites in partnership with the housing associations, with the expected site wide development margin for the Group, at a level similar to our standard housing business. In February 2019 we announced the launch of our new Partnerships Housing Division and following the Acquisition, we now have a leading partnerships business, working alongside housing associations to increase output and deliver best returns from our development land.

Land sales revenue of £6.8m in 2019 primarily relates to the disposal of the final out-of-operating area site in the period at Penwortham near Preston, realising £6.4m of cash and contributing £0.1m in profit.

[1] Inclusive of joint venture completions.

Total adjusted gross profit[2] was £253.4m (adjusted gross margin: 22.4%), compared with £230.9m (gross margin: 21.8%) in 2018. Housing adjusted gross margin was 22.8% in 2019, ahead of the 21.9% achieved in 2018. The adjusted gross margin was impacted by market influences during the year with sales price inflation being flat in the first six months and showed a 1-2% decrease in the second half. The Group saw construction cost inflation of c. 3-4% in the first six month of 2019, flattening out in the second half with the market uncertainty from Brexit and the general election. The gross margin was positively impacted by the increasing embedded gross margin in our land bank and our operational improvements including the initial impacts from our margin initiatives.

During 2019, our construction costs decreased by 2% per square foot, reflecting the first half cost inflationary impacts being more than offset by reductions in our cost base as we delivered production in a controlled manner and changes in specification in line with our margin initiative.

Operating profit increased to £192.6m before exceptional items (2018: £174.2m) at an operating profit margin of 17.0% (2018: 16.4%). Administrative expenses increased in 2019 to £60.9m (2018: £56.7m) reflecting the Group's efficient operating structure, offset by higher employee costs and the ongoing investment in new processes, systems and training.

Exceptional costs of £13.5m relate to the acquisition; this transaction completed on 3 January 2020. The costs include certain advisory costs as well as some cost relating to the refinancing of the Group.

The Group delivered a record profit before tax before exceptional items for the year ended 31 December 2019 of £188.2m, comprising operating profit of £192.6m, net financing charges of £6.1m and £1.8m of share in JV profit. After exceptional items profit before tax was £174.8m, this compares to £168.1m of profit before tax in 2018, which comprised £174.2m of operating profit and £6.1m of net financing costs.

Financing and Taxation

Net financing charges before exceptional items during 2019 were £6.1m (2018: £6.1m) reflecting the marginally lower net debt in the period, a consistent level of commitment fees, and issue costs amortised, as well as the impact of implementing IFRS 16 in the period (£0.6m), discussed in note 5.5 to the financial statements.

The Group has recognised a tax charge of £36.4m at an effective tax rate of 20.8% (2018: tax charge of £31.5m at an effective rate of 18.7%); this rate is higher than the current rate of 19.0% primarily as a result of non-deductible exceptional costs incurred in the year and an adjustment made in respect of the prior year. The Group has a current tax liability of £20.9m on its balance sheet as at 31 December 2019 (2018: £18.1m).

Dividends and EPS

The first interim dividend of 20.5 pence per share (2018: 19.0 pence) was paid on 22 November 2019. A second interim dividend of 41.0 pence per share (2018 final dividend: 38.0 pence) has been declared and will be paid on 29 May 2020 to holders of ordinary shares on the register at the close of business on 27 December 2019, bringing total ordinary dividends for the year to 61.5 pence per share (2018: 57 pence).

---

[2] Gross profit plus other operating income

Instead of a cash special dividend, a bonus issue of shares was made to shareholders on the register at the close of business on 2 January 2020; for every one share held at the bonus issue record time, 0.03819 bonus shares were issued (2018 special dividend: 45.0 pence). The dividend reinvestment plan, introduced in 2012, gives shareholders the opportunity to reinvest their dividend.

Basic EPS pre-exceptional of 111.5p (2018: 101.6p) has increased 10% year on year as a result of record profit having incorporated the Placing.

Basic EPS post-exceptional of 101.5p (2018: 101.6p) has remained consistent year on year.

Net Assets and Cash flow
As at 31 December 2019 net assets of £1,272.0m were £210.9m higher than at the start of the year, driven by an increase in the cash balance through operating cash flow which has subsequently been utilised to fund the Acquisition. Net assets per share as at 31 December 2019 were 857 pence (2018: 787 pence).

Investments increased by £56.1m since the start of the year, primarily driven by the creation of the joint venture with Riverside Housing Limited in respect of the development of Stanton Cross, Wellingborough, in April. In addition, the Group entered into a joint venture in December with Metropolitan Living Limited in respect of a new strategic development at Cambourne West, Cambridgeshire.

Retirement benefit assets increased by £3.1m primarily as a result of higher than expected returns on the scheme's assets and contributions to the fund in the period. This has resulted in a pension surplus of £4.5m at 31 December 2019 (2018: £1.4m).

Inventories decreased during the year by £112.6m to £1,207.7m. The value of residential land, the key component of inventories, decreased by £142.4m. This reflects completions during the period as well as the impact of Partnership land transactions and the sale of our Stanton Cross development at Wellingborough into a joint venture. Other movements in inventories included an increase in work in progress of £31.0m driven by the infrastructure investment on a number of our new developments including Northstowe, Peterborough and Essington. Whilst our usage of part exchange as a sales tool increased in the year, our part exchange properties balance has decreased by £1.6m, as we continue to make use of this sales tool, in a controlled and disciplined manner, with no properties held for more than three months unsold at the end of the period.

Trade and other receivables increased by £41.3m, driven by increased balances receivable from housing associations at 31 December 2019. Trade and other payables increased by £12.8m, predominantly reflecting increased accruals and trade creditors from production offset by £34.1m net settlement of land creditors. Land creditors decreased to £260.7m (2018: £293.3m) representing 36% (2018: 34%) of our gross land investment and includes significant balances in respect of longer-term schemes at North Whiteley and Alphington SW Exeter purchased in 2019.

Following implementation of IFRS 16 in 2019, right of use assets of £21.3m and lease liabilities of £23.0m have been recognised on the balance sheet; further detail is discussed in notes 5.5 and 5.14 to the financial statements.

As at 31 December 2019 the Group's net cash balance, which reflects cash and cash equivalents less bank and other loans, was £362.0m (2018: £126.8m). Net cash is quoted excluding the lease liabilities arising on adoption of IFRS 16, the impact of which is clearly disclosed in note 5.5 to the financial statements. The Group started the year with net cash of £126.8m and generated an operating cash inflow before land expenditure of £281.4m (2018: £291.2m) and recognised a reduction of £36.4m in loans. The loan reduction arose as a result of the movement of funding from Homes England into the newly formed joint venture with Riverside at Stanton Cross, Wellingborough. Net cash payments for land investment increased to £184.7m (2018: £145.4m), reflecting the timing of land acquisitions and reduction in land creditors. Cash inflows from joint ventures were £74.7m (2018: nil), generated on the sale of land and inventory into the Stanton Cross, Wellingborough joint venture. Dividend and tax outflows decreased to £112.4m (2018: £158.8m) driven by decreased corporation tax payments and the payment of special dividend by way of shares rather than cash; payments relating to dividends were £78.6m (2018: £129.7m). A further £152.2m of cash was raised by the Placing in November 2019.

At 31 December 2019, we had a committed revolving credit facility of £250m in place. Following refinancing driven by the Acquisition. The Group currently has in place £150m in 3 year term borrowings, a £450m revolving credit facility (£410m 5 year, £40m 3 year) and £100m USPP 7 year term borrowings. The private placement was taken on as part of the Acquisition.

The Acquisition was a non-adjusting post balance sheet event.

Cashflow	2019 £m	2018 £m
Net cash at 1 January	126.8	144.9
Profit in the year	138.4	136.6
Dividends and taxes paid	(112.4)	(158.8)
Issue of shares	149.8	-
Movement in trade and other receivables	(58.2)	12.4
Movement in inventories	115.2	(1.9)
Movement of investment in joint ventures	(58.5)	(20.3)
Other	60.9	13.9
Net cash at 31 December	362.0	126.8

Land Bank	2019	2018
Consented plots added	4,531	4,164
Sites added	18	19
Sites owned at period end	116	117
Total plots in land bank at period end including joint ventures	17,328	17,328
Average consented land plot ASP	£299,000	£305,000
Average consented land plot cost	£46,411	£54,900

The Group's total land bank including share of joint venture plots as at 31 December 2019 represents 3.9 years of supply based on 4,000 completions p.a., reflecting our strategy to maintain an optimal land bank at 3.5 to 4.0 times. The 3,867 plots, including joint ventures, that legally completed in the year were replaced by a combination of site acquisitions and conversions from our strategic land pipeline. Based on our appraisal at the time of Acquisition, the new additions, on average, are expected to deliver a future gross margin of over 26% and a ROCE in excess of 25%. The average selling price of all units within the consented land bank decreased over the year to £299,000, 2% lower than the £305,000 at 31 December 2018. The estimated embedded gross margin in the consented land bank as at 31 December 2019, based on prevailing sales prices and build costs was 24.8% and reflects the initial impact of our margin initiatives.

Strategic land continues to be an important source of supply and during the year 4,531 plots have been converted from the strategic land pipeline into the consented landbank.

Group income statement

For the year ended 31 December	2019 £000 Pre Exceptional	2019 £000 Exceptional	2019 £000 Post Exceptional	2018 £000
Revenue	1,130,768	-	1,130,768	1,061,396
Cost of sales	(888,012)	-	(888,012)	(830,505)
Gross profit	242,756	-	242,756	230,891
Adjusted gross profit	253,431	-	253,431	230,891
Other operating income	(10,675)	-	(10,675)	-
Gross profit	242,756	-	242,756	230,891
Administrative expenses	(60,864)	(12,846)	(73,710)	(56,723)
Other operating income	10,675	-	10,675	-
Operating profit	192,567	(12,846)	179,721	174,168
Financial income	813	-	813	481
Financial expenses	(6,939)	(630)	(7,569)	(6,585)
Net financing costs	(6,126)	(630)	(6,756)	(6,104)
Share of profit of Joint Ventures	1,788	-	1,788	5
Profit before tax	188,229	(13,476)	174,753	168,069
Income tax expense	(36,243)	(131)	(36,374)	(31,499)
Profit for the year attributable to ordinary shareholders	151,986	(13,607)	138,379	136,570

Earnings per share (pence)		
Basic	101.5p	101.6p
Diluted	101.4p	101.5p

Group statement of comprehensive income

For the year ended 31 December	2019 £000 Post Exceptional	2018 £000
Profit for the year	138,379	136,570
Other comprehensive (expense) / income		
Items that will not be reclassified to the income statement		
Remeasurements on defined benefit pension scheme	(2,116)	(5,781)
Deferred tax on remeasurements on defined benefit pension scheme	464	1,083
Items reclassified to the income statement		
Total other comprehensive expense	(1,652)	(4,698)
Total comprehensive income for the year attributable to ordinary shareholders	136,727	131,872

Balance sheets

As at 31 December	2019 £000	2018 £000
Assets		
Intangible fixed assets	4,336	1,079
Property, plant and equipment	1,845	2,181
Right-of-use assets	21,347	-
Investments	85,129	28,992
Restricted cash	1,748	1,381
Deferred tax assets	184	-
Trade and other receivables	1,090	611
Retirement benefit asset	4,506	1,381
Total non-current assets	120,185	35,625
Inventories	1,207,667	1,320,229
Trade and other receivables	105,374	64,505
Cash and cash equivalents	361,962	163,217
Total current assets	1,675,003	1,547,951
Total assets	1,795.188	1,583,576
Equity		
Issued capital	74,169	67,398
Share premium	359,857	216,907
Retained earnings	837,940	776,762
Total equity attributable to equity holders of the parent	1,271,966	1,061,067
Liabilities		
Bank and other loans	-	36,401
Lease liabilities	16,686	-
Deferred tax liability	-	730
Trade and other payables	122,940	183,769
Total non-current liabilities	139,626	220,900
Trade and other payables	352,359	278,706
Lease liabilities	6,309	-
Provisions	3,989	4,843
Current tax liabilities	20,939	18,060
Total current liabilities	383,596	301,609
Total liabilities	523,222	522,509
Total equity and liabilities	1,795,188	1,583,576

Group statement of changes in equity

	Total retained earnings £000	Issued capital £000	Share premium £000	Total £000
Balance at 1 January 2018	773,255	67,330	215,991	1,056,576
Total comprehensive income	131,872	-	-	131,872
Issue of share capital	-	68	916	984
Deferred tax on other employee benefits	(113)	-	-	(113)
Share based payments	1,413	-	-	1,413
Dividends paid to shareholders	(129,665)	-	-	(129,665)
Total transactions with owners recognised directly in equity	(128,365)	68	916	(127,381)
Balance at 31 December 2018	776,762	67,398	216,907	1,061,067
Balance at 1 January 2019	776,762	67,398	216,907	1,061,067
IFRS16 opening adjustment	65	-	-	65
Total comprehensive income	136,727	-	-	136,727
Issue of share capital	-	6,771	142,950	149,721
Deferred tax on other employee benefits	140	-	-	140
Share based payments	2,891	-	-	2,891
Dividends paid to shareholders	(78,645)	-	-	(78,645)
Total transactions with owners recognised directly in equity	(75,549)	6,771	142,950	74,172
Balance at 31 December 2019	837,940	74,169	359,857	1,271,966

Statements of cash flows

For the year ended 31 December	2019 £000	2018 £000
Cash flows from operating activities		
Profit for the year	138,379	136,570
Depreciation and amortisation	6,253	905
Financial income	(813)	(481)
Financial expense	6,939	6,585
Loss/(profit) on sale of property, plant and equipment	3	(450)
Equity-settled share-based payment expense	2,891	1,413
Income tax expense	36,374	31,499
Share of results of Joint Ventures	(1,788)	(5)
Profit released on sale of assets from joint ventures	(972)	(1,197)
(Increase)/decrease in trade and other receivables	(58,234)	12,402
Decrease/(increase) in inventories	115,170	(1,891)
Increase/(decrease) in trade and other payables	16,716	(15,692)
Decrease in provisions and retirement benefit assets	(8,629)	(7,042)
Cash generated from operations	252,289	162,616
Interest paid	(2,093)	(2,773)
Income taxes paid	(33,804)	(29,165)
Net cash inflow from operating activities	216,392	130,678
Cash flows from investing activities		
Interest received	131	278
Acquisition of intangible fixed assets	(3,706)	(1,213)
Acquisition of property, plant and equipment	(565)	(1,876)
Proceeds from sale of property, plant and equipment	-	1,977
Movement of investment in Joint Ventures	(58,511)	(20,300)
Dividends received from Joint Ventures	5,135	1,067
Reduction in restricted cash	(368)	33
Net cash (outflow)/generated from investing activities	(57,884)	(20,034)
Cash flows from financing activities		
Dividends paid	(78,645)	(129,665)
Principle elements of lease payments	5,562	-
Net proceeds from the issue of share capital	149,721	984
(Repayment)/drawdown of bank and other loans	(36,401)	11,192
Net cash used in financing activities	40,237	(117,489)
Net increase/(decrease) in cash and cash equivalents	198,745	(6,845)
Cash and cash equivalents at 1 January	163,217	170,062
Cash and cash equivalents at 31 December	361,962	163,217

1 Basis of preparation

Vistry Group PLC (the "Company"), formerly named 'Bovis Homes Group PLC' is a company domiciled in England, the United Kingdom. The consolidated financial statements of the Company for the year ended 31 December 2019 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 27 February 2020.

The financial information set out above does not constitute the Company's statutory financial statements for the years ended 31 December 2019 or 2018 but is derived from those financial statements. Statutory financial statements for 2018 have been delivered to the registrar of companies, and those for 2019 will be delivered in due course. The auditors have reported on those financial statements; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The consolidated financial statements 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 Group has applied the following standards for the first time for its annual reporting period commencing 1 January 2019:

- Amendments to IAS28 'Investments in Associates and joint ventures'
- IFRIC23 Uncertainty over income tax treatments
- IFRS16 'Leases'

The preparation of financial statements in conformity with adopted IFRSs requires management to make 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 carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. No individual judgements have been made that have a significant impact on the financial statements, other than those involving estimates.

2 Basis of consolidation

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

Joint ventures are those entities in which the Group has joint control over the financial and operating policies and rights to the net assets of the arrangement. The consolidated financial statements include the Group's share of the comprehensive income and expense of its joint ventures on an equity accounted basis, from the date that joint control commenced.

Joint operations are arrangements whereby the Group has rights to the assets and obligations for the liabilities relating to the arrangement. The consolidated financial statements include the Group's share of income and expenses of its joint operation within the corresponding lines of the income statement, from the date that joint control commenced.

3 Accounting policies

The Group has adopted IFRS 16 prospectively from 1 January 2019 and has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

4 Reconciliation of net cash flow to net cash

	2019 £000	2018 £000
Net increase in cash and cash equivalents	198,745	(6,845)
Decrease / (increase) in borrowings	36,401	(11,192)
Net cash at start of period	126,816	144,853
Net cash at end of period	361,962	126,816

Analysis of net cash:

Cash and cash equivalents	361,962	163,217
Bank and other loans	-	(36,401)
Net cash at end of period	361,962	126,816

5 Income taxes

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, calculated using a corporation tax rate of 19% applied to the pre-tax income or loss, adjusted to take account of deferred taxation movements and any adjustments to tax payable for previous years.

6 Dividends

The following dividends were paid by the Group:

	2019 £000	2018 £000
Prior year final dividend per share of 38.0p (2018:32.5p)	51,078	43,645
Special dividend per share of nil (2018: 45.0p)	-	60,483
Current year interim dividend per share of 20.5p (2018:19.0p)	27,567	25,537
	78,645	129,665

The 2019 Special dividend was paid by way of bonus shares in January 2020 with a total value of £66.0m.

7 Earnings per share

The calculation of basic earnings per share for the year ended 31 December 2019 was based on the profit for the year attributable to ordinary shareholders after exceptional items of £138,379,000 (2018: £136,570,000) and a weighted average number of ordinary shares outstanding during the year ended 31 December 2019 of 136,291,860 (2018: 134,355,573).

Profit attributable to ordinary shareholders

	2019 £000	2018 £000
Profit for the year attributable to equity holders of the parent (pre-exceptional)	151,986	-
Profit for the year attributable to equity holders of the parent (post-exceptional)	138,379	136,570

Weighted average number of ordinary shares

	2019	2018
Weighted average number of ordinary shares at 31 December	136,291,860	134,355,573

Diluted earnings per share

The calculation of diluted earnings per share for the year ended 31 December 2019 was based on the profit for the year attributable to ordinary shareholders after exceptional items of £138,379,000 (2018: £136,570,000) and a weighted average number of diluted ordinary shares outstanding during the year ended 31 December 2019 of 136,432,481 (2018: 134,557,450).

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 and fair value of future employee services. The market value of shares has been calculated using the average ordinary share price during the year. Only share options which are expected to meet their cumulative performance criteria have been included in the dilution calculation.

Weighted average number of ordinary shares (diluted)

	2019	2018
Basic weighted average number of ordinary shares at 31 December	136,291,860	134,355,573
Effect of share options in issue which have a dilutive effect	140,621	201,877
Diluted weighted average number of ordinary shares at 31 December	136,432,481	134,557,450

Pre and post exceptional earnings per share

	2019	2018
Basic earnings per share pre-exceptional	111.5p	101.6p
Diluted earnings per share pre-exceptional	111.4p	101.5p
Basic earnings per share post-exceptional	101.5p	101.6p
Diluted earnings per share post-exceptional	101.4p	101.5p

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 ended 31 December 2019 were limited to those relating to remuneration, which are disclosed in the directors remuneration report.

Mr Greg Fitzgerald, appointed Group Chief Executive, is non-executive Chairman of Ardent Hire Solutions ("Ardent"). The Group hires forklift trucks from Ardent.

Mr Graham Prothero, appointed Chief Operating Officer, is non-executive Director and Chair of the Audit Committee of Marshalls PLC. The Group incurred costs with Marshalls PLC in relation to landscaping services.

Mr Ian Baker, is the Managing Director of Baker Estates Ltd where Mr Greg Fitzgerald is a majority shareholder. The Group received advisory services from Ian Baker's consultancy company IB (SW) in the period.

Ms Katherine Innes Ker, is a non-executive director of Vistry Group PLC and Forterra PLC. The group incurred costs with Forterra PLC in relation to the supply of bricks.

The total net value of transactions with related parties were as follows:

	2019 £000	2018 £000
Expenses paid to Ardent	2,736	2,059
Expenses paid to IB (SW)	20	-
Expenses paid to Marshalls PLC	19	-
Expenses paid to Forterra PLC	545	108

The balance of rental expenses payable to Ardent at 31 December 2019 was £274,399 (2018: £155,000) and no income was receivable (2018: £nil), the balance payable to IB (SW) at 31 December 2019 was £67,200 and no income was receivable (2018: £nil), the balance payable to Marshalls at 31 December 2019 was £nil and no income was receivable (2018: £nil), and the balance payable to Forterra at 31 December 2019 was £98,141 and no income was receivable (2018: £nil) There have been no other related party transactions in the financial year which have materially affected the financial performance or position of the Group, and which have not been disclosed.

9 Circulation to shareholders

The consolidated financial statements will be sent to shareholders on [xx April 2020]. Further copies will be available on request from the Company Secretary, Vistry Group PLC, 11 Tower View, Kings Hill, West Malling, Kent ME19 4UY.

Further information on Vistry Group PLC can be found on the Group's corporate website www.vistrygroup.co.uk, including the slide presentation document which will be presented at the Group's results meeting on 27 February 2020.