2 March 2022

Vistry Group

Vistry Group PLC - Full year results

Vistry Group PLC (the "Group") is today issuing its full year results for the 12-month period ended 31 December 2021.

Financial highlights

- Excellent progress across all areas of the business with Group delivering adjusted full year profit before tax(1) of £346.0m (2020: £143.9m)
- On a reported basis after exceptional items and amortisation, Group made profit before tax of £319.5m (2020: £98.7m)
- Vistry Housebuilding increased total completions to 6,551 (2020: 4,652) units, with adjusted gross margin(1) improving by 470 basis points to 22.3% (2020: 17.6%)
- Vistry Partnerships continues to deliver rapid growth in higher margin mixed tenure revenues, up 66% in 2021, driving an increase in Partnerships' adjusted operating margin(1) to 9.2% (2020: 6.7%)
- Year-end net cash(2) position of £234.5m (2020: £37.9m), significantly ahead of expectations at the start of the year
- The Group return on capital employed increased to 25.5% (2020: 14.5%) and Partnerships' return on capital remaining well in excess of its 40% medium term target
- Dividend pay-out accelerated to two times dividend cover highlighting Board's confidence in Group's prospects, with proposed final ordinary dividend of 40p per share (2020: 20p), bringing total ordinary dividend to 60p per share for 2021 (2020: 20p)

Operational highlights

- Delivering high quality homes remains a top priority, with Group maintaining the maximum 5-star HBF customer satisfaction rating and a step-up in quality awards including 12 Seals of Excellence in the NHBC Pride in the Job Awards (2020: 4)
- Private sales rate increased by 43% to 0.76 (2020: 0.53) reflecting a sustainable rate driven by land strategy of developing a higher proportion of mid-range homes
- Good progress with sustainability strategy including commitment to science-based targets and sign-up to 'Business Ambition for 1.5°C'
- Growth in size of Group's controlled landbank with addition of 11,798 new plots at average hurdle rate of at least 25% gross margin and ROCE for Housebuilding, and further strengthening of Group's strategic land pipeline, adding 7,721 strategic land plots options
- Awarded 'Large Housebuilder of the Year' for 2021 at the Housebuilder Awards, in less than two years since the enlarged group was formed.

Fire safety

- Our strong view is that the remediation costs of cladding and fire safety should not be borne by leaseholders and are supportive of Government seeking a proportionate solution. We support the recent HBF response to the Department of Levelling Up, Housing and Communities
- We have made provisions for known liabilities, and in the year we have taken an additional charge of £5.7m, with a total provision of £25.2m held at 31 December 2021

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[1] On an adjusted basis to include the proportional contribution of the joint ventures and before exceptional expenses of £12.2m (2020: £31.0m) and amortisation of acquired intangibles of £14.2m (2020: £14.2m)

[2] Net cash is quoted excluding IFRS16 lease liabilities and includes £6.5m (2020: £7.4m) impact from the fair value of future interest payments on US Private Placement notes

- Given the uncertainties in this area we are unable to precisely estimate any additional costs in the event the HBF's proposed recommendations are implemented, but consider that these could be in the range of £35m to £50m

Current trading and outlook

- Excellent start to the year with a private sales rate[3] up 20% to 0.79 (2020: 0.66), increasing to 0.92 over the past 5 weeks, accompanied by price increases
- Our sites are operating well in more stable conditions with clear visibility on material supplies and good levels of on-site labour, albeit with some increasing labour costs coming through
- Very strong forward sales position with total Housebuilding and Partnerships' mixed tenure forward sales at 25 February up 23% to £2,155m (1 March 2021: £1,747m), and 64% of total forecast units for 2022 secured
- Partner delivery forward order book as at 25 February totalling £860m (2021: £880m) with 85% of forecast 2022 revenue secured
- Housebuilding on track to increase adjusted gross margin to 23% in 2022, and achieve targets of 25% adjusted gross margin and 25% return on capital employed target for 2025
- Vistry Partnerships fully expects to deliver its 2022 targets of at least £1bn revenue, a 10% plus adjusted operating margin and return on capital employed in excess of 40%, and sees a clear trajectory to delivering c. £1.6 billion revenues and a 12% plus operating margin in the medium term
- The Group is well positioned to deliver a significant step up in profits and returns in 2022

Greg Fitzgerald, Chief Executive, commented:

"Housebuilding and Partnerships both made excellent progress throughout the year, with strong demand across all areas of the business. This was consistent throughout the year and across the country, reflecting the huge efforts of all our people for which I am very grateful.

"Our impressive financial performance was once again matched by our delivery of high quality homes and customer service which has been recognised by our retention of the maximum five-star customer satisfaction rating from the Home Builders Federation (HBF).

"Being a successful business is also about doing the right thing. We are acutely aware of the anxiety faced by leaseholders in properties requiring cladding and fire safety remediation and we fully agree that the financial burden for this work should not rest with them. We remain committed to working with the Government to fix this difficult issue for leaseholders.

"Notwithstanding the shocking events in Europe and the attendant political uncertainties, 2022 has got off to an incredibly positive start and the Group is in great shape to deliver on its strategy of maximising the strengths and opportunities from the valuable combination of our Housebuilding and Partnerships businesses, and on achieving sector leading returns in the medium term."

[3] Average sales rate per site per week for 8 weeks from 1 January 2022

Results presentation

A Full Year 2021 Results Presentation for analysts and investors is available on our corporate website from 7:05am this morning www.vistrygroup.co.uk or at https://webcasting.brrmedia.co.uk/broadcast/6216ae6e6605da1fd5b35cb4

Greg Fitzgerald, Graham Prothero and Earl Sibley will host a live Q&A session for analysts at 10:00am. To watch the session please use the webcast link available on our corporate website www.vistrygroup.co.uk or at https://us02web.zoom.us/webinar/register/WN_mT_gzWTFTJippFCW_ORvrw

A playback facility will be available shortly after the Q&A session has finished at www.vistrygroup.co.uk

Key financials[1][4]	**2021**	**2020**	**Change**
Total completions[5]	11,080	8,954	+23.7%
Adjusted revenue	£2,693.6m	£2,040.1m	+32.0%
Adjusted operating profit	£368.4m	£171.0m	+115.4%
Adjusted profit before tax	£346.0m	£143.9m	+140.4%
Adjusted basic EPS	125.5p	52.6p	+138.6%

Reported results[1][4]	**2021**	**2020**	**Change**
Group revenue	£2,359.0m	£1,811.7m	+30.2%
Operating profit	£285.4m	£91.7m	+211.2%
Profit before tax	£319.5m	£98.7m	+223.7%
Earnings per share	114.6p	34.8p	+229.3%
Net cash	£234.5m	£37.9m	+515.7%

[4] The Group incurred nil (2020: £10.2m) of costs directly related to Covid-19 in 2021

[5] Completions include 100% of joint venture completions

Forward sales (£m)	25 Feb 2022	1 March 2021
Housebuilding		
- Private	692	620
- Private JVs (100%)	295	215
- Affordable	421	434
- Affordable JVs (100%)	126	135
Total Housebuilding	**1,534**	**1,404**
Partnerships		
- Mixed tenure	335	151
- Mixed tenure JVs (100%)	286	192
Total mixed tenure	**621**	**343**
Total development	**2,155**	**1,747**
Total partner delivery	**860**	**880**
Total Group	**3,015**	**2,627**

Dividend timetable	
Ex-dividend date	7 April 2022
Dividend record date	8 April 2022
Dividend payment date	24 May 2022

Certain statements in this press release are, or may be deemed to be, forward looking statements. Forward looking statements involve evaluating a number of risks, uncertainties or assumptions, many of which are beyond the Group's control, that could cause actual results to differ materially from those expressed or implied by those statements. Forward looking statements regarding past trends, 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. Forward looking statements speak only as at the date of this document and the Group and its directors and officers expressly disclaim any obligation or undertaking to release any update of, or revisions to, any forward looking statement herein.

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Chief Executive Review

2021 review

2021 has been an excellent year for Vistry Group with progress made and success achieved across all areas of the business. I am extremely proud of and grateful to our people who have shown huge talent, passion, and commitment to get us where we are today. I am delighted this dedication was recognised with Vistry being awarded 'Large Housebuilder of the Year' for 2021 at the Housebuilder Awards, in less than two years since we formed the enlarged group.

We are a 5-star housebuilder delivering quality homes and an outstanding service. We hold a unique market position with reach and a strong capability across all housing tenures, with Vistry being the largest private sector provider of affordable housing. Our strategy is to maximise the strengths and opportunities from this dynamic combination of our Housebuilding and Partnerships businesses and deliver sector leading returns in the medium term.

The Group delivered a significant step up in financial performance in the year with Group adjusted profit before tax increasing to £346.0m (2020: £143.9m). The Group delivered an adjusted basic EPS of 125.5p for 2022, up 138.6% on the prior year and 20% ahead of 2019.

On a reported basis the Group made reported profit before tax of £319.5m (2020: £98.7m) and earnings per share of 114.6p (2020: 34.8p).

Housebuilding saw a good recovery in profitability with adjusted gross margin improving to 22.3% up from 17.6% in the prior year. Vistry Partnerships grew higher margin mixed tenure revenues by 65.7% to £396m (2020: £239m) driving a 63.9% increase in adjusted operating profit for the division in the year. This strong financial performance combined with our on-going focus on good working capital management resulted in a year end net cash position of £234.5m, significantly up on the £37.9m net cash position reported in the prior year.

Reflecting the year's performance, the strength of our balance sheet and the positive outlook, the Board is delighted to have accelerated our move to a two times dividend cover and is proposing a 40 pence per share dividend in respect of 2021, taking the total dividend for 2021 to 60 pence per share.

Looking ahead, the Board expects to sustain the ordinary dividend cover at two times with any surplus capital, following investment in the business to support the Group's growth strategy and the payment of the ordinary dividend, expected to be returned to the Group's shareholders through either a share buyback or special dividend. The method will be determined by the Board considering all factors at the time.

Operational update

Trading performance(1)(5)

The year saw good progress made across all areas of the business with the significant benefits and opportunities of the Group's unique market positioning and capability being realised.

We have seen strong demand across all areas of our business during 2021, with the Group's average weekly private sales rate per outlet increasing to 0.76 (2020: 0.53). The business performance has been consistent throughout the year and across all of our geographies. The step-up in sales rate reflects our land strategy of developing a higher proportion of mid-range homes as well as the benefits of our brand positioning and product specification review during 2020, supported by the strong market backdrop. In line with this strong demand, we have seen c. 6% house price inflation in the year.

The Group delivered a total of 8,639 (2020: 6,131) completions, up 41% on prior year and 7% ahead of pro forma 2019 (8,042). Housebuilding completions increased by 41% to 6,551 units (2020: 4,652) and Partnerships mixed tenure completions increased by 41% to 2,088 (2020: 1,479). Group adjusted revenues in 2021 was £2,694m (2020: £2,040m).

Delivering high quality new homes and excellent customer satisfaction remained our top priority in 2021 as we continued to invest in our customer service offering, and we are delighted to have retained the maximum 5-star HBF customer satisfaction rating.

Despite the changes to Help to Buy in April 2021 restricting the scheme to first time buyers only, we saw good demand for the product with 21% (2020: 36%) of 2021 total Housebuilding completions utilising the scheme. In the year, 4% (2020: 8%) of total Housebuilding completions utilised part exchange.

Our sites have operated well during the year, and we have seen no real impact on productivity from Covid-19. The significant step up in production seen across the industry led to pressure on the materials supply chain in 2021, resulting in extended lead times and inflationary pressures on certain products. Working in close partnership with our suppliers, we have actively managed this situation. The supply agreements entered into at the formation of Vistry Group have delivered an enhanced service and provided some protection against cost inflation thanks to our enlarged scale and buying power. In Partnerships, where we enter into a higher level of pre-sale agreements and therefore have greater exposure to market risk on costs without the compensating house price inflation, we seek to include suitable fixed price allowances to mitigate inflation, and link future revenues on longer term agreements to a build cost index, as well as including an appropriate level of contingency in the pre-sale agreement. There was some easing of the supply chain towards the end of the year which has continued into the start of 2022, and overall cost inflation was more than offset by the benefit from sales price increases in the year.

Housebuilding(1)(5)

Housebuilding made excellent progress during the year, delivering a total of 6,551 (2020: 4,652) completions, including 1,287 (2020: 820) from JVs. Private completions in the year totalled 4,891 (2020: 3,668) with 1,660 (2020: 984) affordable units. Total Housebuilding average selling price remained stable at £305k (2020: £303k) reflecting the increase in affordable homes as a percentage of total completions in the year to 25% (2020: 21%). Private average selling price increased to £356k (2020: £343k) with house price inflation in part offset by changes in product and geographical mix. The affordable average selling price in 2021 increased to £158k (2020: £152k). Adjusted revenue from Housebuilding activities in the year totalled £1,829m (2020: £1,312m). Housebuilding operated from an average of 143 sites in 2021 and we expect this to be a similar level in 2022.

Housebuilding adjusted gross margin increased to 22.3% (2020: 17.6%) with the business targeting an adjusted gross margin of 23% for 2022 and firmly on track to deliver its margin target of 25% for 2025.

Partnerships(1)(5)

Vistry Partnerships also had an excellent year, successfully delivering on its strategy of rapidly growing higher margin mixed tenure development revenues. Mixed tenure completions increased by 41% to 2,088 (2020: 1,479) units including 904 (2020: 608) JV units. The average selling price of mixed tenure units in the year was £237k (2020: £204k) resulting in mixed tenure revenue of £396m (2020: £239m) for 2020. Partnerships operated from an average of 33 active mixed tenure sites in 2021 and expects this to increase to an average of c. 40 active sites in 2022.

Partner delivery revenue remained broadly flat in the year at £469m (2020: £490m), with equivalent units decreasing to 2,441 (2020: 2,823). This is in line with our strategy of maintaining Partner Delivery at this level as a core element of the Partnerships business model.

Total adjusted revenues from Vistry Partnerships increased by 18.7% to £864m (2020: £728m) with adjusted operating margin increasing to 9.2% (2020: 6.7%). This margin improvement has been driven by the strong increase in higher margin mixed tenure revenues. The business is confident it will achieve an adjusted operating margin of at least 10% in 2022, with the potential to increase this further to above 12% in the medium term.

Sustainability

I am delighted to see the progress made with our sustainability strategy in 2021, with Our People, Our Operations and Our Homes & Communities highlighted as our three priority areas and critical to our purpose of delivering sustainable homes and communities across all sectors of the UK housing market.

We laid the foundations to meet our long-term sustainability targets in particular through our commitment to setting science-based targets and signing up for 'Business Ambition for 1.5°C'. We have developed our road map to deliver net zero carbon homes, benefitting from our experience of constructing 54 homes at our development at Europa Way in Leamington Spa achieving net zero carbon on regulated emissions. In December, we agreed a new Sustainability Linked Credit Facility with the interest payable on the facility being determined, in part, by our ability to meet three Sustainable Performance Targets. In addition, 2022 will be the first year when executive remuneration will be linked to sustainability metrics including the delivery of additional affordable housing, skills academies and the Group's 9-month HBF customer satisfaction score.

Fire safety

As we previously stated, our strong view is that the costs of remediation should not be borne by leaseholders. We are supportive of the Government's ambition to deliver a lasting industry solution which needs to include a proportionate response to remediation. Mortgage providers and insurers need to align with the solution to ensure we unlock the market for home owners. We are engaging fully with the Government and working with the HBF to deliver a solution.

We have assessed buildings over 11 metres where we are the responsible person, and we are engaged with partners where we were the contractor to do the right thing. As a result, we have made provisions for all known liabilities. In the year we have taken an additional charge of £5.7m, with a total provision of £25.2m held at 31 December 2021.

From 1 April 2022, the Group will be paying the 4% Residential Property Developer Tax, the principle of which we have publicly supported.

We support the HBF response to the Department for Levelling Up, Housing and Communities dated 25 February 2022 which stresses the sector's commitment to the principle that leaseholders should not have to pay and sets out a number of recommendations to tackle the issue. The HBF response also seeks support to resolving key challenges including finalising and implementing – in a reasonable and proportionate way – the requirements of building safety which also requires the support of lenders, RICS, professional indemnity insurers and fire experts.

Given the considerable uncertainties in this area we are unable to precisely estimate the further potential costs of fire safety remedial works arising from current Government proposals. However, we consider that these would be in a range of £35m to £50m in the event that the HBF's proposed recommendations are implemented.

Quality and customer service

Building high quality new homes and providing our customers with excellent service has remained a top priority during 2021, and we are pleased to have retained a 5-star rating in the HBF independent benchmark customer satisfaction survey. Importantly this quality is consistent across the Group with all three divisions within the Housebuilding business, as well as the Partnerships business, achieving a 5-star rating. We remain focused on improving our score for the HBF customer satisfaction survey which is sent out 9 months after completion, a metric which is included in our annual bonus criteria and targets.

During 2021, we introduced a new standard Customer Journey across the group using insights from our customers and best practice from Linden Homes, Bovis Homes and Drew Smith. This standardised framework is embedded within our customer relationship management system, ensuring we deliver a systemised, consistent, and high-quality service to all our customers. We have registered to join the New Homes Quality Board and are well positioned for the launch of the New Homes Ombudsman Service in Q2 2022.

Extending how, when and where customers do business with us has been invaluable over the last year to improving our customer satisfaction scores. There has been further adoption of our digital services with over 70% of our customers choosing to use our '6 Clicks' reservations process, with 36% of customers completing the reservation outside of normal office hours.

We expect to launch a new third national brand this year, building on the success we have seen within our existing brand portfolio and allowing us to maximise further returns, particularly on our larger and often strategically sourced sites.

People

Our people are critical to the success of our business, and we are thankful to all our employees for the enormous commitment, professionalism, and hard work they have given this year which has enabled the Group to make such great progress.

Investment in the development and training of our people remains a key priority, with our focus on learning, leadership, and management development. We recently launched the VistryLearn online learning platform, designed to deliver training virtually as successfully as if undertaken in person and importantly, making personal development more flexible and accessible for all our employees. We have also launched our new Vistry Leadership Development Framework focused on developing our leaders of the future and existing senior leaders within the business, with the most senior two stages of the framework delivered through Cranfield School of Management. The Vistry Mentoring programme will be rolled-out across the Group in 2022, with c. 40 mentors already having received training.

We are delighted that Vistry became an accredited Living Wage employer in 2021. Our commitment not only applies to our directly employed staff but also to our third party contracted staff and we have an established plan to ensure all our third party contracted staff such as our subcontractors on site are paid the real Living Wage in a phased approach.

We are committed to making Vistry an inclusive workplace and our Diversity and Inclusion Committee and working group made great progress in the year in formalising our Diversity and Inclusion strategy and identifying our key actions for 2022. These include the review of our family policies, a facilities review, and the delivery of unconscious bias training across the business.

We continue to place significant emphasis on mental health and to date have trained over 130 mental first aiders (1 per 25 employees) across the business. We continue with our 'Time to Talk' sessions which are open to all of our employees and cover subjects such as anxiety, bereavement, and healthy lifestyles.

We are pleased to report a further increase in our Peakon employee engagement score to 8.5 (July 2021: 8.1), with Vistry in the top 10% of companies completing this survey.

Land
The Group had a successful year in the land market, growing the overall size of our controlled and strategic land banks. As at 31 December 2021, the Group had a total of 42,770 (2020: 40,218 controlled land bank plots and 40,000 (2020: 34,053) strategic land bank plots.

Housebuilding secured 7,667 (2020: 6,281) plots across 38 (2020: 31) developments in the year at an average gross margin and ROCE hurdle rate of at least 25%, resulting in a total controlled land bank of 31,014 (2020: 31,994) plots as at 31 December 2021. The business has a strong deliverable pipeline of land with all of the land required for forecast 2022 completions secured, and 88% of the land required for 2023 completions secured.

Partnerships is investing in its owned land bank to support its rapid growth in mixed tenure completions and in the year secured 4,131 (2020: 2,371) plots on 23 (2020: 11) sites for mixed tenure development. It is also well positioned with 100% of the land required for forecast 2022 mixed tenure completions secured and 78% of the land required for 2023 mixed tenure completions secured.

Strategic land is a key component of the Group's land supply, and we are targeting 30% of total completions to be delivered from higher margin strategic land in the medium term. Our strategic land team delivers consented land to both our Housebuilding and Partnerships businesses, with the two businesses co-developing sites, particularly larger strategic sites, to maximise returns. On average, our strategic land delivers an incremental 150 to 300 basis points to the development gross margin. We are pleased to have added 7,721 (2020: 2,856) strategic land plots across 12 (2020: 10) developments to our strategic land bank in the year, increasing the Group's total strategic land bank at 31 December 2021 to 40,000 (2020: 34,053) plots.

Balance sheet
The Group had a net cash position of £234.5m (2020: net cash of £37.9m) as at 31 December 2021, significantly ahead of expectations at the start of the year.

This strong cash performance has been driven by the step up in financial performance across the Group and our continued disciplined approach to land buying and working capital management at an individual business level. Following supply chain shortages during 2021 we concluded the year with slightly lower work in progress.

For 2022, we are targeting an average month end net debt position of c. £100m (2021: £120m) and with our on-going investment in land and work in progress to support the controlled growth of Housebuilding revenues and the continued high growth of mixed tenure revenues, we are forecasting a modest overall cash outflow for the year.

The Group successfully re-financed in the last quarter of the year and announced its Sustainability Linked Finance Facility in December. As a result, the Group is operating with substantial funding headroom, with committed banking facilities totalling £666m and well spread maturities out to 2027.

Our strong performance in terms of land buying and achieving good terms has led to an increase in land creditors in the year to £414.2m (2020: £323.2m) and total gearing of 10.5%, representing a very strong balance sheet position only two years after the formation of Vistry Group.

Group strategy

One Vistry

Vistry Group exists to develop sustainable new homes and communities across all sectors of the UK housing market with 'Doing the right thing' at the core of our strategic focus and operations.

We are a top five national housebuilder with a leading partnerships business. We have a strong market position and capability across all housing tenures making us uniquely positioned to take advantage of the strong, under supplied housing market in England. With our combination of Housebuilding and Partnerships, we are the leading private sector provider of high demand, high growth affordable housing.

Vistry was delighted to have been the only listed developer to be selected by Homes England for delivery of the 2021-26 Affordable Homes Programme, with the business securing a five-year programme of grant funding totalling £83m that will deliver 1,474 new affordable homes. Of these, at least 25% will use modern methods of construction, delivering significant construction skills training opportunities and will follow the national design guide principles.

Vistry is also pleased to have been appointed to Homes England's First Homes Early Delivery Programme 2021 – 2023, which will see the Group deliver 297 First Homes with £23m of grant funding from Homes England. The First Homes programme is successfully helping local-first time buyers and key workers onto the property ladder through offering homes at a 30% plus discount to market prices.

The Group has a high quality, deliverable consented land bank combined with an excellent strategic land capability, and as One Vistry we are especially focused on maximising the returns from larger multi tenure developments. In 2021, our Housebuilding and Partnerships businesses together secured new, high quality development opportunities, while working successfully alongside each other on a number of existing sites, with this joint approach delivering enhanced overall returns.

Housebuilding

Housebuilding is focused on delivering controlled volume growth and significant margin progression from its existing operating structure and is driving towards its medium-term targets of 25% adjusted gross margin and 25% return on capital employed by 2025 ('25x25x25').

The business has national coverage through its 13 operating regions with each targeting annual output of between 550 to 625 units including JV's, giving an overall volume capacity for Housebuilding of more than 8,000 units (2021 total Housebuilding completions including JVs: 6,551) in the medium term. The business is targeting controlled volume growth from this existing business structure.

Housebuilding expects to achieve a 23% adjusted gross margin in 2022, progressing towards its target of 25% by 2025. Key to delivery will be improvement in customer satisfaction and our on-going commitment to 'getting it right first time'. We will continue to leverage the scale and unique Vistry structure to acquire high margin land and, in particular, increasing the delivery from higher margin strategic land. The business is targeting at least 30% of completions from strategic land in the medium term. Optimising procurement to maximise the benefits of our enlarged national scale through centralised procurement, while maintaining some element of local agility is also key to margin progression. And we will continue the development of our brands and product range, including the launch of a third national brand in 2022, to maximise returns, in particular on our larger sites.

Partnerships

Vistry Partnerships holds a strong and unique position within the partnerships market, combining higher margin mixed tenure development and market resilient cash generative partner delivery.

The business made excellent progress in 2021 with its strategy of driving rapid growth in mixed tenure revenue and is firmly on track to deliver on its 2022 targets of £1bn revenue, an adjusted operating margin of at least 10% and in excess of a 40% return on capital employed.

In the medium term, Partnerships' growth strategy is targeting £1.6bn of revenue and at least a 12% operating margin. Key to delivering this strategy is maximising the benefits of One Vistry, including access to capital, land buying expertise and strategic land capability, retail brand strength, and procurement savings and buying power. The business will expand geographically to increase future operating capacity with new business units in the South East and Midlands to contribute from 2023.

Capital allocation and dividends

The Group's priority continues to be to invest in high returning land market opportunities in line with our land investment strategy and growth targets for both Housebuilding and the less capital-intensive Partnerships business.

Earlier this year, the Board announced an acceleration of the dividend pay out to a two times dividend cover for 2021 reflecting the Group's balance sheet strength and its confidence in the Group's unique market position. As such the Board is recommending a final ordinary dividend of 40p per share (2020: 20p) bringing the total ordinary dividend for 2021 to 60p per share (2020: 20p).

Looking ahead, the Board expects to sustain the ordinary dividend cover at two times. As previously announced, any surplus capital, following investment in the business to support the Group's growth strategy and the payment of the ordinary dividend, is expected to be returned to the Group's shareholders through either a share buyback or special dividend. The method will be determined by the Board considering all factors at the time.

Current trading and outlook

We have seen an excellent start to the year with the private sales rate per active site per week up 20% to 0.79 in first 8 weeks (2021: 0.66). The last 5 weeks have been particularly strong with a private sales rate of 0.92. We continue to see house price increases.

Our sites are operating well and we expect our construction output in the first half of the year to be at a similar level to that achieved in H1 21. We have clear visibility on material supplies and good levels of on-site labour, albeit with some increasing labour costs coming through. Overall, we expect our build cost inflation for 2022 to be c. 6%, with wage inflation expected to run ahead of material cost inflation.

We continue to see a good supply of land opportunities although the land market is more competitive than it was 12 months ago. As One Vistry, we are leveraging our competitive advantage on larger sites.

We have a very strong forward sales position with Housebuilding and Partnerships' mixed tenure forward sales as at 25 February up 23% to £2,155m (1 March 2021: £1,747m) and 64% (2021: 64%) of units for 2022 secured. The partner delivery forward order book totals £860m (2021: £880m) with 85% of 2022 revenue secured.

We expect Housebuilding to deliver further margin progression in 2022 and we are targeting a 23% adjusted gross margin with the business firmly on track to deliver against its 2025 targets of a 25% adjusted gross margin and 25% return on capital employed.

Vistry Partnerships continues its strategy of rapidly growing higher margin mixed tenure revenues and fully expects to deliver its 2022 targets of £1bn revenue and at least a 10% adjusted operating margin. Medium term the business sees a clear trajectory to deliver c. £1.6bn of revenues and an operating margin in excess of 12%.

Overall, the Group is in great shape and well positioned to deliver a significant step up in profits and returns in 2022.

Financial review

Trading performance

The market outlook remains positive while we address the headwinds that are facing the industry as we look to play our part in tackling climate change and resolving legacy issues for the sector. The Group is well positioned to meet those challenges, both operationally and financially.

Total completions

During the year the Group delivered 8,639 (2020: 6,131) legal completions, including 100% of JV completions, representing a 40.9% increase to the prior year. This was driven by a full year of trading in 2021 whilst 2020 was impacted adversely by the Covid-19 pandemic and the first nationwide lock down from March 2020.

Housebuilding	**2021**	**2020**	**Change**
Private	3,895	3,010	+29.4%
Affordable	1,369	822	+66.5%
JV's (100%) Private	996	658	+51.4%
JV's (100%) Affordable	291	162	+79.6%
Total Housebuilding	**6,551**	**4,652**	**+40.8%**
Partnerships			
Mixed tenure	1,184	871	+35.9%
JV's (100%) Private	630	397	+58.7%
JV's (100%) Affordable	274	211	+29.9%
Total mixed tenure	**2,088**	**1,479**	**+41.2%**
Total completions	**8,639**	**6,131**	**+40.9%**
Partner delivery units	**2,441**	**2,823**	**-13.5%**

Revenue

Total adjusted revenue, including share of JV revenue, was £2,693.6m, 32.0% higher than prior year (2020: £2,040.1m). On a reported basis revenue was £2,359.0m, 30.2% higher than last year (2020: £1,811.7m).

Adjusted gross and operating profit

Adjusted gross profit was £543.0m in 2021 (adjusted gross margin: 20.2%), which compares to £318.8m in 2020 (adjusted gross margin: 15.6%). 2021 benefitted from a strong housing market with house price inflation of c6%.

Group procurement deals have provided significant protection against materials price increases and business units have demonstrated excellent agility in managing timeliness of supply through strong project management and accurate scheduling, all supported by common systems.

Overall, we have seen build cost inflation of c. 6% as pressure on materials eased towards the end of the year at the same time as labour inflation was rising. 2020 gross margin was significantly impacted by Covid-19, including the impact of non-productive site overhead costs being expensed directly to the income statement and costs incurred relating to the closing and reopening of sites as a result of lockdown.

Whilst we expect market material prices to stabilise in 2022, build cost inflation is expected to continue at c. 6% due to Group supply agreements ending at the end of 2021 and inflation in the sub-contractor labour market.

Adjusted operating profit is £368.4m (2020: £171.0m) with the increase coming through from higher levels of gross margin. Adjusting operating margin was 13.7% (2020: 8.4%).

The Group delivered an adjusted profit before tax of £346.0m (2020: £143.9m).

Adjusted Performance Measures
The Group manages the business by focussing on non-GAAP measures, which we refer to as adjusted measures as we believe they provide a better comparison of underlying performance measures from one period to the next as GAAP measures can include one-off, non-recurring items and recurring items that relate to earlier acquisitions.

The adjusted performance measures are categorised in 3 areas: the amortisation of acquired intangible assets (2021: £14.2m); exceptionals (one-off integration activities following the 2020 acquisition £6.5m, and an incremental fire safety provision £5.7m), and; share of JV operating results.

For further details see Note 4

Reported profit
On a reported basis, the Group saw a profit before tax of £319.5m (2020: £98.7m), comprising operating profit of £285.4m (2020: £91.7m) after exceptional costs of £12.2m (2020: £31.0m), net financing income of £4.1m (2020: charge £7.9m) and share of JV profit of £30.0m (2020: £14.9m).

Fire safety provision
Vistry Partnerships, in its role as contractor, has reviewed over 100 developments that are over 11 metres high and has for the past four years worked with clients to remediate fire safety issues on 18 buildings.

Vistry Housebuilding primarily acts as a developer. The Linden Homes legacy business has identified 62 developments over 11 metres high, where we acted as developer, which are occupied by leaseholders, and where remediation works could be required. The Bovis legacy business does not have any significant exposure to fire safety as the company rarely developed buildings taller than 11 metres high with only 2 being identified to date for review. Prioritising those sites where we believe remedial works may be required, to date 39 of these developments have been reviewed on the basis of current legal and constructive obligations.

We are committed to the proper consideration of any relevant case, providing appropriate support in circumstances where building owners do not meet their obligations. Our ongoing investigations and work in respect of legacy fire safety issues has meant we have taken an additional charge of £5.7m in the year, and after spend in the year of £1.4m, the total provision to cover our assessed financial liabilities as at 31 December 2021 is £25.2m.

Post the balance sheet date we have been engaged directly with the Department for Levelling Up, Housing and Communities and indirectly through the HBF, in respect of Government proposals to extend the housing sector's liability in this area. The proposal to extend the obligations of developers and freeholders for fire safety remedial works on properties over 18 metres to all buildings over 11 metres, and extending back 30 years, is significant because of the extra number of developments this obligation captures and the impact this change has on the historical development portfolios of housebuilding companies including those now in the Vistry Group.

Whilst considerable uncertainty exists in terms of identifying and quantifying any further potential fire safety remedial costs for the group, in respect of developments where it acted as developer, we have estimated this as being in the range of £35m to £50m.

Housebuilding

Housebuilding	**2021**	**2020**	**Change**
Total completions incl. 100% JVs	**6,551**	4,652	+40.8%
Adjusted revenue	**£1,829.3m**	£1,311.8m	+39.4%
Adjusted gross profit	**£407.1m**	£231.2m	+76.1%
Adjusted gross margin	**22.3%**	17.6%	+4.7ppts
Adjusted operating profit	**£305.4m**	£139.4m	+119.0%
Adjusted operating margin	**16.7%**	10.6%	+6.1ppts
TNAV	**£1,373m**	£1,491m	-7.9%

Housebuilding delivered a significant step up in total completions including 100% of JVs at 6,551 units which included 1,660 affordable homes representing 25.3% of total completions (2020: 984 affordable homes, 21.1% of total completions).

Housebuilding pricing was strong in the year given increased customer demand with the average sales price for our private homes in housebuilding having increased 3.7% to £356,000 (2020: £343,200). The total average sales price remained stable at £305,100 (2020: £302,500) due to an increase in the proportion of affordable housing.

Included within Housebuilding revenue is £22.7m relating to land sales (2020: £17.2m).

Housebuilding adjusted gross profit of £407.1m and housing adjusted gross margin of 22.3% followed the significant step up in completions against 2020 (adjusted gross profit: £231.2m, adjusted gross margin: 17.6%). 2021 adjusted gross margin benefited from moving upwards towards the average embedded margin in the land bank with a greater proportion of completions coming from high margin strategically sourced land. There has been no material impact from one-off events such as land sales. Progress on housebuilding gross margin is still expected in 2022, as the business moves towards a target of 25% gross margin supported in part by the current embedded land bank margin of 25.0%.

Housebuilding adjusted operating profit of £305.4m has risen by 119.0% from the previous year (2020: £139.4m) with adjusted operating margin also growing to 16.7% (2020: 10.6%). The Housebuilding segment has a stable operating structure, with 13 regional business units, which enables good management of overheads and there is capacity within this structure to support volume growth in 2022 and beyond.

The Group has also assessed any obligations to rectify onerous ground rent leasehold conditions, as defined by the Competition and Markets Authority (CMA), on leaseholds for which we are either the freeholder or have previously sold the freehold on. The Group is working closely with the CMA on this matter and, as there has not been a significant exposure to this practice, has provided c£1m to cover the costs of rectifying any onerous conditions.

Partnerships

Partnerships	**2021**	**2020**	**Change**
Total completions incl. 100% JVs	**2,088**	1,479	+41.2%
Adjusted revenue	**£864.3m**	£728.3m	+18.7%
Adjusted operating profit	**£79.7m**	£48.6m	+63.9%
Adjusted operating margin	**9.2%**	6.7%	+2.5ppts
TNAV	**£79m**	(£30m)	360.0%

Adjusted revenue from Partnerships in the year totalled £864.3m, made up of £468.7m from partner delivery and £395.6m from mixed tenure operations (2020: £728.3m, partner delivery: £489.5m, mixed tenure: £238.7m).

Partnerships sold a total of 2,088 units (2020: 1,479 units) from its mixed tenure operations, including JVs, with an average selling price of £236,700 (2020: £203,900) and partner delivery revenue generated equivalent units of 2,441 (2020: 2,823). The partnerships business operated from an average of 33 active mixed tenure sites in 2021 with this number expected to increase to c 40 in 2022.

Partnerships has delivered a significant increase in adjusted operating profit to £79.7m (2020: £48.6m) and adjusted operating margin has also increased significantly to 9.2% (2020: 6.7%).

The partnerships business has been, and will be, impacted by the same build cost inflation as housebuilding but the aggressive growth in mixed tenure completions as planned will see the partnerships adjusted operating profit continue to grow in both absolute and margin terms.

This growth is further supported by management of the cost base for the business through the inclusion of suitable fixed price allowances to mitigate inflation, as well as an appropriate level of contingency in our pre-sale agreements, in addition to longer term deals seeking to link future revenues to a build cost index.

Group costs

The group segment reported a rise in direct PLC costs totalling £16.7m (2020: £17.0m). Direct PLC costs include the costs of the PLC board, share based payment and related items. The step up in the year reflects the strong performance of the Group coming through in shared based payments and annual incentive awards.

Financing and taxation

Net financing income during the year was £4.1m (2020: charge £7.9m) and net bank interest and commitment fees increased to £8.5m (2020: £18.5m). Included in the commitment fees is the write off of previous funding arrangement fees (£2.8m) as a result of the re-financing that took place at the end of 2021. The savings from the new financing arrangements will more than offset the associated arrangement fees.

The Group also incurred a £5.1m charge (2020: £6.3m), reflecting the imputed interest on land bought on deferred terms. Joint Ventures which are funded through loans are charged interest by the Group, and this generated the majority of the £23.1m of finance income recognised (2020: £18.2m).

The Group has recognised a tax charge of £65.4m at an effective tax rate of 20.5% (2020: £21.9m at an effective rate of 22.1%). The effective tax rate is driven by the recognition of deferred tax at the increased corporate tax rate of 25% that was substantively enacted on 24 May 2021 and some prior year adjustments to prior year corporation tax returns. This increased rate of corporation tax will impact our tax on profits from 1 April 2023.

The introduction of the Residential Property Developer Tax (RPDT) at a rate of 4% on profits from 1 April 2022 was substantively enacted on 2 February 2022. No effect of this new tax has been included in these results. However, the impact on our deferred tax liability would have been an increase in the liability of £6.2m.

The Group has a current tax liability of £0.1m on its balance sheet as at 31 December 2021 (31 December 2020: asset £14.4m).

Dividends and earnings per share

Following the re-introduction of dividends in respect of 2020, the decision was taken to pay an interim dividend of 20 pence per share for the first half of 2021, and a final dividend of 40 pence per share (2020: 20 pence) has been declared and, subject to shareholder approval at the AGM, will be paid on 24 May 2022 to holders of ordinary shares on the register at the close of business on 7 April 2022. Total ordinary dividends for the year are therefore 60 pence per share (2020: 20 pence) in line with our capital allocation policy of a sustainable 2x cover.

Net assets and cash flow

As at 31 December 2021, net assets of £2,390.6m were £195.5m higher than at the start of the year as the Group continues to grow and invest in land and work in progress. Net assets per share were 1,075p (2020: 988p).

Goodwill and intangibles totalled £675.3m at 31 December 2021 (2020: £691.1m) with the decrease resulting from the amortisation of intangibles.

Tangible net assets increased from £1,466.1m at 31 December 2020 to £1,480.6m at 31 December 2021 driven by the investment in land and work in progress which increased by £115.8m to £1,920.8m.

Trade and other receivables increased by £15.3m to £241.9m. Trade and other payables increased by £143.6m to £1,177.4m and includes land creditors which increased by £91.0m to £414.2m (2020: £323.2m).

As at 31 December 2021 the Group's net cash balance was £234.5m. Having started the year with £38.0m the Group generated an operating cash inflow before land expenditure of £635.6m (2020: £440.7m). Net cash payments for land investment were increased at £368.6m (2020: £259.0m).

Investing cash inflows totalling £45.6m relates to dividends received from joint venture netted off by loans to and investments made in joint ventures. The 2020 investing cash outflow of £383.8m included the £394.6m cash consideration for the Acquisition net of overdraft acquired.

Financing cash flows of £254.9m include the repayment of £150m of term debt as part of the December re-financing, with £88.7m of dividends paid in the year.

In December 2021, the Group re-financed its external funding arrangement to simplify the debt structure, create a new £500m 4 year revolving credit facility and pay down term debt of £150m. This re-financing was possible due to the improved balance sheet strength of the Group which required lower levels of drawn debt and attracted an improved interest rate. Along with a £100m US Private Placement facility, a retained £50m bilateral term loan, an overdraft of £5m and a Homes England loan facility of £10.7m, the Group has external funding facilities totalling £665.7m (2020: £778m).

Land bank

Housebuilding land bank

As at 31 December	**2021**	**2020**
Consented plots added	6,432	6,281
Sites added	28	31
Sites owned at year end	216	199
Sites controlled at year end	14	14
Total plots in land bank at year end incl joint ventures	**31,014**	**31,994**
ASP including share of joint ventures	**£319,000**	**£306,000**

The average selling price of all units within the consented land bank increased over the year to £319,000 (2020: £306,000). The estimated embedded gross margin in the consented land bank as at 31 December 2021, based on prevailing sales prices and build costs is 24.7% (2020: 24.2%). This margin continues to improve with additions to the land bank exceeding usage and good terms achieved on acquisition whilst older, less valuable, sites are traded out.

In addition, we have increased the cost base in the land bank, impacting the embedded gross margin to include our current estimates of costs for both Part L and F of the Future Homes Standards.

The housebuilding land bank including joint ventures of 31,014 plots as at 31 December 2021 represents c 4.7 years of supply based on 2021 completion volumes (2020: 31,994 plots and 4.9 years).

The land bank reflects our 25 x 25 x 25 Housebuilding strategy to deliver controlled growth in the medium term using existing operating structures and improving both gross margin and return on capital employed to 25% by the year 2025.

The 6,551 plots that legally completed in the year were replaced by a total of 6,432 plots from a combination of site acquisitions representing 5,567 plots and conversion of 865 plots from our strategic land pipeline and a further 1,235 plots secured on a conditional basis across 10 sites.

Partnerships land bank

As at 31 December	2021	2020
Consented plots added	2,266	2,371
Sites added	11	11
Sites owned at year end	72	50
Sites controlled at year end	14	6
Total plots in land bank at year end incl joint ventures	**11,756**	**8,224**
ASP including share of joint ventures	**£285,000**	**£282,000**
Average consented land plot ASP	**£40,000**	**£31,000**

The average selling price of all units within the consented land bank increased over the year to £285,000 (2020: £282,000). The estimated embedded gross margin in the land bank as at 31 December 2021, based on prevailing sales prices and build costs is 19.3%.

The Partnerships land bank including joint ventures of 11,756 plots as at 31 December 2021 reflects our strategy to grow the level of mixed tenure development to contribute to the delivery of completions and partner units in support of the Partnership strategy, Project Pace.

The 2,088 mixed tenure plots that legally completed in the year were replaced by the acquisition of 2,266 plots on 11 sites and a further 1,865 plots were conditionally contracted on 12 sites. All sites acquired for Partnerships will support future returns on capital employed for the segment in excess of 40%.

Strategic land

As at 31 December	Total sites	Total plots
0 – 150 plots	34	2,734
150 – 300 plots	37	7,994
300 – 500 plots	22	7,927
500 – 1,000 plots	25	21,345
Total	**118**	**40,000**
Planning agreed	10	5,605
Planning application	8	2,279
Ongoing application	100	32,116
Total	**118**	**40,000**
31 December 2020	122	34,053

Strategic land continues to be an important source of supply and during the year, 1,396 plots have been converted from the strategic land pipeline into the consented land bank. A further 7,721 plots were contracted under options and planning consent gained on 735 plots over the year.

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.

Risks and uncertainties

The Group is subject to a number of risks and uncertainties as part of its activities. The Board regularly considers these and seeks to ensure that appropriate processes are in place to manage, monitor and mitigate these risks.

The Group's risk profile has developed over the year with the long-term impact of the Covid-19 pandemic becoming better understood and with it more effective mitigating actions able to be deployed. In its place, risks relating to sustainability are coming more to the force in the medium term, especially with the emerging transitional risks which are becoming enshrined in regulation.

Group income statement

For the year ended 31 December	Note	2021 £000	2020 £000
Revenue	2	2,359,042	1,811,727
Cost of sales		(1,919,770)	(1,564,831)
Gross profit		**439,272**	**246,896**
Analysed as:			
Adjusted gross profit	10	**542,965**	**318,765**
Other operating income		(40,659)	(26,422)
Exceptional cost of sales	4	(5,744)	(10,975)
Share of joint ventures' gross profit		(57,290)	(34,472)
Gross profit		**439,272**	**246,896**
Administrative expenses including exceptional items		(194,517)	(181,595)
Other operating income		40,659	26,422
Operating profit		**285,414**	**91,723**
Analysed as:			
Adjusted operating profit	10	**368,368**	**171,023**
Exceptional expenses	4	(12,225)	(30,984)
Amortisation of acquired intangibles		(14,240)	(14,240)
Share of joint ventures' operating profit		(56,489)	(34,076)
Operating profit		**285,414**	**91,723**
Financial income		23,062	18,232
Financial expenses		(18,931)	(26,158)
Net financing income / (expenses)		**4,131**	**(7,926)**
Share of profit of joint ventures	7	29,991	14,867
Profit before tax		**319,536**	**98,664**
Analysed as:			
Adjusted profit before tax	10	**346,001**	**143,888**
Exceptional expenses		(12,225)	(30,984)
Amortisation of acquired intangibles		(14,240)	(14,240)
Profit before tax		**319,536**	**98,664**
Income tax expense		(65,411)	(21,851)
Profit for the year attributable to ordinary shareholders		**254,125**	**76,813**

		2021	**2020**
Earnings per share			
Basic	5	114.6p	34.8p
Diluted	5	114.1p	34.7p

Basic earnings per share (before exceptional items and amortisation of acquired intangibles)	5	125.5p	52.6p
Diluted earnings per share (before exceptional items and amortisation of acquired intangibles)	5	124.9p	52.5p

Group statement of comprehensive income

For the year ended 31 December	2021 £000	2020 £000
Profit for the year attributable to ordinary shareholders	**254,125**	**76,813**
Other comprehensive income / (expense)		
Items that will not be reclassified to the income statement		
Remeasurements on defined benefit pension scheme	33,838	(11,654)
Deferred tax on remeasurements on defined benefit pension scheme	(9,148)	2,124
Total other comprehensive income / (expense)	**24,690**	**(9,530)**
Total comprehensive income for the year attributable to ordinary shareholders	**278,815**	**67,283**

Balance sheets

As at 31 December	Note	2021 £000	2020 £000
Assets			
Goodwill		**547,509**	547,509
Intangible fixed assets		**127,809**	143,585
Property, plant and equipment		**4,742**	5,091
Right-of-use assets		**31,069**	38,511
Investments	7	**175,064**	145,153
Amounts recoverable from joint ventures		**308,217**	323,650
Trade and other receivables		**454**	1,544
Restricted cash		**778**	1,193
Retirement benefit asset		**45,318**	9,077
Total non-current assets		**1,240,960**	1,215,313
Inventories		**1,962,155**	1,836,521
Trade and other receivables		**241,420**	225,022
Cash and cash equivalents		**398,714**	340,988
Current tax asset		**-**	14,350
Total current assets		**2,602,289**	2,416,881
Total assets		**3,843,249**	3,632,194
Equity			
Issued capital		**111,154**	111,127
Share premium		**361,081**	360,657
Merger reserve		**823,513**	823,513
Retained earnings		**1,094,833**	899,785
Total equity attributable to equity holders of the parent		**2,390,581**	2,195,082
Liabilities			
Bank and other loans	8	**164,260**	253,103
Trade and other payables		**211,296**	139,316
Lease liabilities		**18,836**	26,848
Provisions		**30,928**	33,786
Deferred tax liabilities		**38,444**	17,637
Total non-current liabilities		**463,764**	470,690
Bank and other loans	8	**-**	50,000
Trade and other payables		**966,127**	894,503
Lease liabilities		**14,215**	15,304
Provisions		**8,455**	6,615
Current tax liabilities		**107**	-
Total current liabilities		**988,904**	966,422
Total liabilities		**1,452,668**	1,437,112
Total equity and liabilities		**3,843,249**	3,632,194

Group statement of changes in equity

	Note	Own shares held £000	Other retained earnings £000	Total retained earnings £000	Issued capital £000	Share premium £000	Merger reserve £000	Total £000
Balance at 1 January 2020		**(3,620)**	**841,560**	**837,940**	**74,169**	**359,857**	**-**	**1,271,966**
Profit for the year		-	76,813	76,813	-	-	-	76,813
Total other comprehensive expense		-	(9,530)	(9,530)	-	-	-	(9,530)
Total comprehensive income		**-**	**67,283**	**67,283**	**-**	**-**	**-**	**67,283**
Issue of share capital		-	-	-	70	800	-	870
Shares issued as consideration		-	-	-	31,870	-	823,513	855,383
Bonus issue		-	(5,018)	(5,018)	5,018	-	-	-
LTIP shares exercised		164	(164)	-	-	-	-	-
Purchase of own shares		(3,500)	-	(3,500)	-	-	-	(3,500)
Share-based payments		-	2,741	2,741	-	-	-	2,741
Deferred tax on share-based payments		-	339	339	-	-	-	339
Total transactions with owners recognised directly in equity		**(3,336)**	**(2,102)**	**(5,438)**	**36,958**	**800**	**823,513**	**855,833**
Balance at 31 December 2020		**(6,956)**	**906,741**	**899,785**	**111,127**	**360,657**	**823,513**	**2,195,082**
Balance at 1 January 2021		**(6,956)**	**906,741**	**899,785**	**111,127**	**360,657**	**823,513**	**2,195,082**
Profit for the year		-	254,125	254,125	-	-	-	254,125
Total other comprehensive income		-	24,690	24,690	-	-	-	24,690
Total comprehensive income		**-**	**278,815**	**278,815**	**-**	**-**	**-**	**278,815**
Issue of share capital		-	-	-	27	424	-	451
LTIP shares exercised		3,584	(3,584)	-	-	-	-	-
Share-based payments		-	4,543	4,543	-	-	-	4,543
Dividend paid	6	-	(88,709)	(88,709)	-	-	-	(88,709)
Deferred and current tax on share-based payments		-	399	399	-	-	-	399
Total transactions with owners recognised directly in equity		**3,584**	**(87,351)**	**(83,767)**	**27**	**424**	**-**	**(83,316)**
Balance at 31 December 2021		**(3,372)**	**1,098,205**	**1,094,833**	**111,154**	**361,081**	**823,513**	**2,390,581**

Group Statements of cash flows

For the year ended 31 December	Note	2021 £000	2020 £000
Cash flows from operating activities			
Profit / (loss) for the year		254,125	76,813
Depreciation and amortisation		32,524	31,710
Financial income		(23,062)	(18,232)
Financial expense		18,931	26,158
Loss on disposal of property, plant and equipment		1	15
Equity-settled share-based payment expense		4,543	2,741
Income tax expense / (credit)		65,411	21,851
Share of profit of joint ventures	7	(29,991)	(14,867)
Profit released on sale of assets from joint ventures		(265)	(234)
(Increase) / decrease in trade and other receivables		(15,308)	17,894
(Increase) / decrease in inventories		(125,634)	168,580
Increase / (decrease) in trade and other payables		143,604	(97,208)
(Decrease) / increase in provisions		(1,018)	15,821
Cash generated from operations		**323,861**	**231,042**
Interest paid		(17,835)	(14,661)
Income taxes paid		(39,000)	(34,712)
Net cash generated from operating activities		**267,026**	**181,669**
Cash flows from investing activities			
Bank interest received		12	90
Acquisition of intangible fixed assets		(1,516)	(109)
Acquisition of property, plant and equipment		(1,546)	(2,632)
Acquisition of Linden and Partnerships net of overdraft acquired		-	(394,578)
Loans made to and investments in joint ventures		(126,423)	(17,869)
Interest received on loans to joint ventures		32,730	-
Loan repayments from joint ventures		124,947	3,682
Distributions from joint ventures	7	16,989	27,043
Decrease in restricted cash		415	555
Net cash generated from / (used in) investing activities		**45,608**	**(383,818)**
Cash flows from financing activities			
Dividends paid	6	(88,709)	-
Interest paid on lease payments		(905)	-
Principal elements of lease payments		(15,745)	(15,325)
Net proceeds from the issue of share capital		451	-
Purchase of own shares		-	(3,500)
Drawdown of bank and other loans		220,000	475,000
Repayment of bank and other loans		(370,000)	(275,000)
Net cash (used in) / generated from financing activities		**(254,908)**	**181,175**
Net increase / (decrease) in cash and cash equivalents		57,726	(20,974)
Cash and cash equivalents at 1 January		340,988	361,962
Cash and cash equivalents at 31 December		**398,714**	**340,988**

1 Basis of preparation

General information

Vistry Group PLC (the "Company") is a public company, limited by shares, domiciled and incorporated in England, United Kingdom. The shares are listed on the London Stock Exchange. The consolidated financial statements of the Company for the year ended 31 December 2021 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 2 March 2022. The registered office for Vistry Group PLC is 11 Tower View, Kings Hill, West Malling, Kent, ME19 4UY.

Basis of accounting

The financial information set out above does not constitute the Company's statutory financial statements for the years ended 31 December 2021 or 2020 but is derived from those financial statements. Statutory financial statements for 2020 have been delivered to the registrar of companies, and those for 2021 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.

For the year to 31 December 2021, the financial statements of the Company and the consolidated financial statements of the Group have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. This change in basis of preparation is required by UK company law for the purposes of financial reporting as a result of the UK's exit from the EU on 31 January 2020 and the cessation of the transition period on 31 December 2020. This change does not constitute a change in accounting policy but rather a change in framework which is required to ground the use of International Financial Reporting Standards (IFRS) in company law and there has been no impact on recognition, measurement, or disclosure between the two frameworks in the year reported.

The Company has elected to take the exemption under section 408 of the Companies Act 2006 to not present the Company income statement and statement of comprehensive income.

There are no new standards effective for the first time in the year beginning 1 January 2021 which have had a material impact on the Group's reported results.

In accordance with section 612 of the Companies Act 2006, advantage is taken of the relief from the requirement to create a share premium account to record the excess over the nominal value of shares issued in a share for share transaction. Where the relevant requirements of section 612 of the Companies Act 2006 are met, the excess of any nominal value is credited to a merger reserve which is distributable.

All other accounting policies have been applied consistently to the Company and the Group.

The financial statements are prepared on the historical cost basis unless otherwise stated.

The functional currency of the Group is Pounds Sterling (GBP), and the accounts are presented in the same currency.

Going concern

The Group has prepared a cash flow forecast to confirm the appropriateness of the going concern assumption in these accounts. The forecast was prepared using a likely base case and a severe but plausible downside sensitivity scenario. In the downside scenario the Group have assumed decreased affordability, leading to reduced demand for housing and falling house prices. In both the base case and the downside sensitivity scenario, the forecasts indicated that there was sufficient headroom and liquidity for the business to continue based on the facilities available to the Group. In each of these scenarios the Group was also forecast to follow the required covenants on the aforementioned borrowing facilities. Consequently, the Directors have not identified any material uncertainties to the Group's ability to continue as a going concern over a period of at least twelve months from the date of the approval of the financial statements.

In the downside sensitivity scenario, the following assumptions have been applied:

- A 15-20% reduction in private sales volumes, with a corresponding reduction in development spend
- A 5-10% reduction in private sales prices

The impact of these downsides is then mitigated by:

- Cessation of uncommitted land spend
- Reduction in overheads to reflect reduction in bonuses, temporary employee costs, etc.

In both the base and the downside sensitivity scenario, the forecasts indicated that there was sufficient headroom and liquidity for the business to continue based on the facilities available to the Group. In each of these scenarios the Group was also forecast to be in compliance with the required covenants on the aforementioned borrowing facilities. Consequently, the Directors have concluded that using the going concern basis for the preparation of the financial statements is appropriate.

The Board continues to take prudent decisions to best support the business through this period of uncertainty, including measures to protect the Group's cash position, liquidity and maintain a robust balance sheet.

Covid-19

In light of the continuation of the Covid-19 pandemic the Group has considered whether any impairment of goodwill, intangibles, receivables, or inventories is appropriate, and has concluded that none is required. All developments have remained active during the year. The value in use of the Cash Generating Units has not been significantly impacted by the pandemic as the Group’s strategy at the time of the acquisition remains in place despite Covid-19 causing some short-term delays to the plan and therefore no impairment of assets is required. No impairment indicators have been identified relating to Covid-19 or other factors.

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 can 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.

A joint arrangement is an arrangement over which the Group and one or more third parties have joint control. 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.

The consolidated financial statements include the Group’s share of the comprehensive income and expenses of its joint ventures on an equity accounted basis and its share of income and expenses of its joint operation within the corresponding lines of the income statement, from the date that joint control commenced.

2 Revenue

Revenue by type	2021 £000	2020 £000
Private housing	1,599,616	1,152,281
Affordable housing	261,894	146,972
Partner delivery revenue	468,653	489,507
Land sales	22,727	17,243
Release of deferred revenue from joint ventures	243	187
Other	5,909	5,537
Total	**2,359,042**	**1,811,727**

Segmental reporting

All revenue and profits disclosed relate to continuing activities of the Group and are derived from activities performed in the United Kingdom.

The Chief Operating Decision Maker (CODM), which is the Board, notes that the Group's main operation is that of a housebuilder and it operates entirely within the United Kingdom. Following the Acquisition, the Board have identified two separate segments having taken into consideration IFRS 8: "Operating Segments" criteria – Housebuilding and Partnerships.

Segmental reporting is presented in respect of the Group's business segments reflecting the Group's management and internal reporting structure and is the basis on which strategic operating decisions are made by the Group's CODM.

The Housebuilding segment develops sites across England, providing private and affordable housing on land owned by the Group or the Group's joint ventures. Housebuilding offers properties under both the Bovis and Linden brand names.

The Partnerships segment specialises in partnering with housing associations and other public sector businesses across England, including London, to deliver either the development of private and affordable housing on land owned by the Group or the Group's joint ventures, or to provide contracting services for development. The Partnerships segment operates under the Vistry Partnerships and Drew Smith brand names.

Segmental adjusted operating profit and segmental operating profit include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Central head office costs are allocated between the segments where possible, or otherwise reported within the separate column for Group items together with acquisition related exceptional items and amortisation of acquired intangibles.

Segmental tangible net asset value (TNAV) includes items directly attributable to the segment as well as those that can be allocated on a reasonable basis, with the exception of net cash or debt, retirement benefit assets / liabilities and tax balances payable / receivable.

During the year, two development sites were transferred from the Housebuilding to the Partnerships operating segment due to their closer alignment with the Partnerships commercial proposition and their build now being actively managed by Partnerships staff. The impact of the transfer on the adjusted gross margin for Housebuilding was to increase it by 10bps and there was no impact on adjusted operating margin for Partnerships.

Adjusted financial results include share of joint ventures and exclude exceptional items. Adjusted gross profit is stated including other operating income.

3 Segmental reporting (continued)

Year ended 31 December 2021	Housebuilding £000	Partnerships £000	Group items £000	Total £000
Revenue	1,621,692	737,350	-	2,359,042
Share of joint ventures' revenue	207,614	126,977	-	334,591
Adjusted revenue	**1,829,306**	**864,327**	**-**	**2,693,633**
Gross profit	337,449	101,823	-	439,272
Share of joint ventures' gross profit	39,348	17,942	-	57,290
Exceptional cost of sales	3,174	2,570	-	5,744
Other operating income	27,154	13,505	-	40,659
Adjusted gross profit	**407,125**	**135,840**	**-**	**542,965**
Operating profit	260,734	47,827	(23,147)	285,414
Share of joint ventures' operating profit	38,689	17,800	-	56,489
Exceptional items	3,174	2,570	6,481	12,225
Amortisation of acquired intangibles	2,760	11,480	-	14,240
Adjusted operating profit	**305,357**	**79,677**	**(16,666)**	**368,368**
Adjusted gross margin	**22.3%**	**15.7%**	**-**	**20.2%**
Adjusted operating margin	**16.7%**	**9.2%**	**-**	**13.7%**

Year ended 31 December 2020	Housebuilding £000	Partnerships £000	Group items £000	Total £000
Revenue	1,170,936	640,791	-	1,811,727
Share of joint ventures' revenue	140,904	87,483	-	228,387
Adjusted revenue	**1,311,840**	**728,274**	**-**	**2,040,114**
Gross profit	180,681	66,215	-	246,896
Share of joint ventures' gross profit	22,038	12,434	-	34,472
Exceptional cost of sales	10,650	325	-	10,975
Other operating income	17,810	8,612	-	26,422
Adjusted gross profit	**231,179**	**87,586**	**-**	**318,765**
Operating profit / (loss)	104,295	24,456	(37,028)	91,723
Share of joint ventures' operating profit	21,714	12,362	-	34,076
Exceptional items	10,650	325	20,009	30,984
Amortisation of acquired intangibles	2,760	11,480	-	14,240
Adjusted operating profit / (loss)	**139,419**	**48,623**	**(17,019)**	**171,023**
Adjusted gross margin	**17.6%**	**12.0%**	**-**	**15.6%**
Adjusted operating margin	**10.6%**	**6.7%**	**-**	**8.4%**

3 Segmental reporting (continued)

Segmental financial performance

As at 31 December 2021	Housebuilding £000	Partnerships £000	Group items £000	Total £000
Goodwill and intangibles	278,381	396,937	-	**675,318**
Tangible net assets excluding investments in joint ventures	1,222,002	54,782	28,786	**1,305,570**
Investments in joint ventures	151,080	23,984	-	**175,064**
Net cash	-	-	234,454	**234,454**

As at 31 December 2020	Housebuilding £000	Partnerships £000	Group items £000	Total £000
Goodwill and intangibles	283,428	407,666	-	691,094
Tangible net assets / (liabilities) excluding investments in joint ventures	1,361,786	(46,626)	5,791	1,320,951
Investments in joint ventures	128,826	16,327	-	145,153
Net cash	-	-	37,885	37,885

4 Exceptional expenses

Exceptional items are those which, in the opinion of the Board, are material by size and irregular in nature and therefore require separate disclosure within the Income Statement in order to assist the users of the financial statements in understanding the underlying business performance of the Group.

2021 exceptional expenses relate to one-off integration activities following the 2020 acquisition (£6.5m) and an incremental fire safety provision (£5.7m). 2020 exceptional expenses related to the Acquisition (£20.0m) and the recognition of a provision for legacy property building safety (£11.0m).

	2021 £000	2020 £000
Administrative expenses relating to the Acquisition	**6,481**	20,009
Cost of sales relating to legacy property fire safety	**5,744**	10,975
Total exceptional expenses	**12,225**	30,984

On 3 January 2020, the Group completed the acquisition of Linden and Partnerships from Galliford Try PLC. In the year ended 31 December 2020, exceptional administrative expenses included legal fees incurred in relation to the completion and completion statement, as well as costs directly related to the integration and restructuring of the Group as a result of the Acquisition, including the cost of redundancies and office closures. In the year ended 31 December 2021, the exceptional administrative expense solely relates to the conclusion of system integration work and residual restructuring.

Exceptional expenses relating to legacy property fire safety result from ongoing investigations into properties developed where remediation works may be required. The amount of the provision reflects our best estimate to carry out these remediation works.

Tax on exceptional items in 2021 was £2.3m (2020: £5.9m).

5 Earnings per share

Profit attributable to ordinary shareholders

	2021 £000	2020 £000
Profit for the year attributable to equity holders of the parent	**254,125**	76,813
Profit for the year attributable to equity holders of the parent (before exceptional items and amortisation of acquired intangibles)	**278,267**	116,109

Earnings per share

	2021	2020
Basic earnings per share	**114.6p**	34.8p
Diluted earnings per share	**114.1p**	34.7p

Basic earnings per share (before exceptional items and amortisation of acquired intangibles)	**125.5p**	52.6p
Diluted earnings per share (before exceptional items and amortisation of acquired intangibles)	**124.9p**	52.5p

Weighted average number of shares used as the denominator

	2021	2020
Weighted average number of ordinary shares for the year ended 31 December	**221,788,132**	220,916,654

Basic earnings per share

Basic earnings per ordinary share for the year ended 31 December 2021 is calculated on a profit attributable to shareholders of £254,125,000 (2020: £76,813,000) over the weighted average of 221,788,132 (2020: 220,916,654) ordinary shares in issue during the year.

Diluted earnings per share

The calculation of diluted earnings per share for the year ended 31 December 2021 was based on the profit attributable to ordinary shareholders of £254,125,000 (2020: £76,813,000) over the diluted weighted average ordinary shares potentially in issue for the year ended 31 December 2021 of 222,787,131 (2020: 221,142,212).

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.

6 Dividends

The following dividends were paid by the Group:

	2021 £000	2020 £000
Prior year final dividend per share of 20p (2020: nil)	44,340	-
Current year interim dividend per share of 20p (2020: nil)	44,369	-
	88,709	-

A final dividend of 40 pence per share (cumulative amount: £88.7m) has been declared and, subject to shareholder approval at the AGM, will be paid on 24 May 2022 in respect of 2021.

7 Investments

The movement in investments accounted for using the equity method during the year is as follows:

	2021 £000	2020 £000
Beginning of the year	145,153	85,129
Acquired with Linden and Partnerships	-	56,034
Additions	-	-
Investments in joint ventures	16,909	16,166
Profit for the year	29,991	14,867
Distributions paid	(16,989)	(27,043)
End of the year	**175,064**	145,153

8 Bank and other loans

Interest rate profile of bank and other loans

At 31 December	Rate	Available facility £000	Facility maturity	Carrying value 2021 £000	Carrying value 2020 £000
Revolving credit facility*	SONIA +160-250bps	500,000	2025	**-**	-
Term Loan**	LIBOR +165-255bps	-	2023	**-**	150,000
USPP Loan***	403 bps	100,000	2027	**106,475**	107,359
Prepaid facility fee	n/a	n/a	n/a	**(312)**	(4,256)
Term Loan (commenced 17 March 2020)****	SONIA +265bps	50,000	2023	**50,000**	50,000
Homes England development loan	ECRR +120-220bps	10,667	2029	**8,097**	-
Overdraft facility	BOE Base +150bps	5,000	2025	**-**	-
Total borrowings		**665,667**		**164,260**	303,103

* This facility commenced on 17 December 2021. This is a sustainability linked finance agreement with a margin ratchet of +/-2.5bps in addition to the rate above, dependant on performance against sustainability KPIs – a year on year increase on the delivery of additional affordable homes; a 4.2% annual reduction of scope 1 and 2 CO2 emissions; and 500 new learners to be put through our Partnerships Skills Academies.
** Term loan agreement terminated on 17 December 2021.
*** Carrying value is quoted including impact from the fair value of future interest payments.
**** The maturity date for this facility was amended on 23 February 2021 from 17 March 2021 to 17 March 2023.

The £500 million four-year revolving credit facility syndicate comprises eight banks. The revolving credit facilities, USPP Loan and Term Loan all include a covenant package, covering interest cover, gearing and tangible net worth requirements, which are tested semi-annually. The overall financing cost of the new arrangements are marginally less expensive than the previous facilities.

9 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 2021 were limited to those relating to remuneration.

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

Mr Ian Baker is the Managing Director of Baker Estates Ltd where Mr Greg Fitzgerald is a shareholder and Director. The Group has not transacted with Baker Estates in the year but did receive consulting services from Ian Baker's consultancy company IB (SW) Limited in the prior year. The Group may well transact with Baker Estates in the future.

Mr. Graham Prothero, 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.

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

Mr. Ian Tyler, non-executive Chairman, is the Chairman of Affinity Water Limited and a non-executive Director of BAE Systems PLC. The Group received water services and incurred car parking charges with these companies, respectively, during the year.

The total net value of transactions with related parties excluding joint ventures have been made at arms length and were as follows:

	Expenses paid to related parties		Amounts payable to related parties		Amounts owed by related parties	
	31 Dec 2021 £000	31 Dec 2020 £000	31 Dec 2021 £000	31 Dec 2020 £000	31 Dec 2021 £000	31 Dec 2020 £000
Trading transactions						
Ardent	**5,598**	2,498	**426**	632	**-**	-
IB (SW) Limited	**-**	56	**-**	-	**-**	-
Marshalls PLC	**16**	21	**-**	-	**-**	-
Forterra PLC	**579**	1,321	**115**	115	**-**	-
Affinity Water Limited	**31**	-	**-**	-	**1**	-
BAE Systems PLC	**1**	-	**-**	-	**-**	-

Transactions between the Group and its joint ventures are disclosed as follows:

	Sales to related parties		Interest income and dividend distributions from related parties	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
	£000	£000	£000	£000
Trading transactions	**41,968**	129,663	**-**	-
Non-trading transactions	**-**	-	**40,183**	45,014

	Amounts owed by related parties		Amounts owed to related parties	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
	£000	£000	£000	£000
Balances with joint ventures	**308,217**	323,650	**46,010**	20,157

Sales to related parties including joint ventures are based on normal commercial terms available to unrelated third parties. The loans made to joint ventures bear interest at rates of between 3.5% and 5.1%; all balances with related parties will be settled in cash.

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.

10 Alternative performance measures

The Group uses alternative performance measures which are not defined within UK-adopted International Accounting Standards. The Directors use these alternative performance measures, along with UK-adopted International Accounting Standards measures, to assess the operational performance of the Group. New alternative performance measures were implemented in 2020 in order to reflect the enlarged Group, specifically the contribution of the joint venture investments now held and the impact of amortisation of intangibles which were recognised on acquisition of Linden and Partnerships.

The definition and reconciliation of financial alternative performance measures used to UK-adopted International Accounting Standards measures are shown below:

Adjusted revenue

Adjusted revenue is defined as revenue including share of joint ventures' revenue:

	2021	2020
	£000	£000
Revenue per Group Income Statement	2,359,042	1,811,727
Share of joint ventures revenue	334,591	228,387
Adjusted revenue	**2,693,633**	2,040,114

Adjusted gross profit

Adjusted gross profit is defined as gross profit including share of joint ventures' gross profit, plus other operating income and before exceptional cost of sales:

	2021 £000	2020 £000
Gross profit per Group Income Statement	439,272	246,896
Other operating income	40,659	26,422
Exceptional cost of sales	5,744	10,975
Share of joint ventures gross profit	57,290	34,472
Adjusted gross profit	**542,965**	318,765

Adjusted operating profit

Adjusted operating profit is defined as operating profit including share of joint ventures' operating profit, before exceptional expenses and amortisation of acquired intangibles:

	2021 £000	2020 £000
Operating profit per Group Income Statement	285,414	91,723
Exceptional expenses	12,225	30,984
Amortisation of acquired intangibles	14,240	14,240
Share of joint ventures operating profit	56,489	34,076
Adjusted operating profit	**368,368**	171,023

Adjusted profit before tax

Adjusted profit before tax is defined as profit before tax before exceptional expenses and amortisation of acquired intangibles:

	2021 £000	2020 £000
Profit before tax per Group Income Statement	319,536	98,664
Exceptional expenses	12,225	30,984
Amortisation of acquired intangibles	14,240	14,240
Adjusted profit before tax	**346,001**	143,888